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Chubb Limited NYSE:CB

FQ4 2011 Earnings Call Transcripts

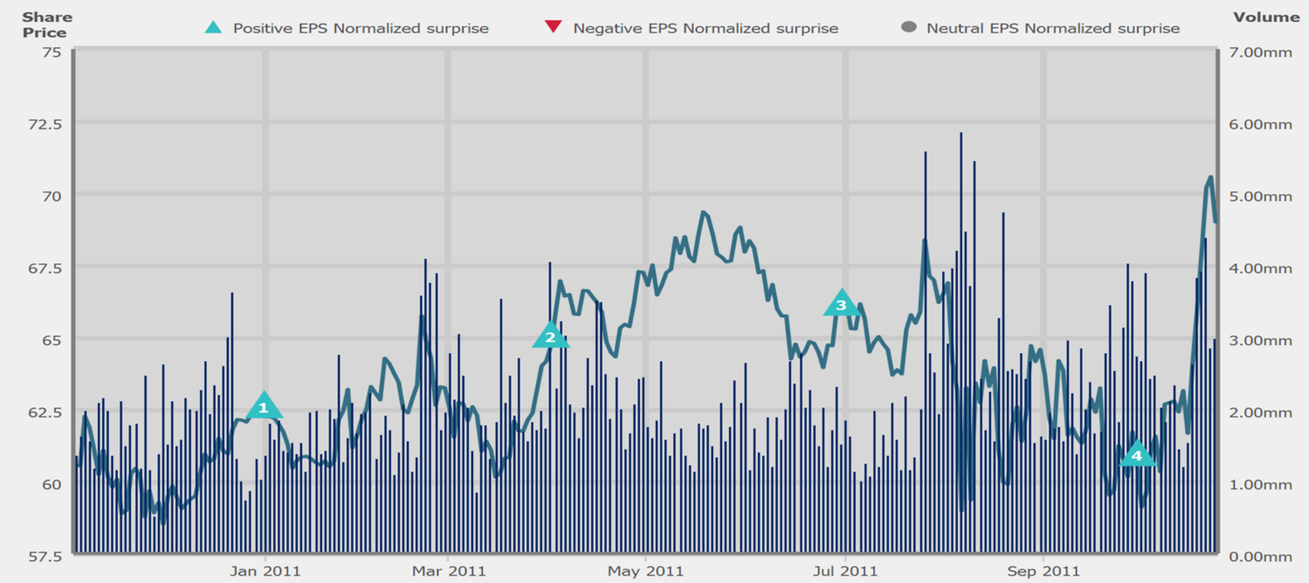
Wednesday, February 01, 2012 1:30 PM GMT

S&P Capital IQ Estimates

	-FQ4 2011-			-FQ1 2012-	-FY 2011-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	
EPS Normalized	1.79	1.94	▲8.38	1.90	6.81	6.97	
Revenue (mm)	3511.15	3630.00	▲3.38	3676.26	14437.14	15372.00	

Currency: USD
Consensus as of Feb-01-2012 1:28 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2010	1.83	2.05	▲1 12.02 %
FQ1 2011	0.67	0.79	▲2 17.91 %
FQ2 2011	1.63	2.01	▲3 23.31 %
FQ3 2011	1.77	2.22	▲4 25.42 %

Call Participants

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Presentation

Operator

Good day everyone and welcome to the ACE Limited Fourth Quarter 2011 Earnings Conference Call. [Operator Instructions] For opening remarks and introductions, I'd like to turn the conference to Helen Wilson, Investor Relations. Please go ahead, ma'am.

Helen Wilson

Thank you and welcome to the ACE Limited December 31, 2011 Fourth Quarter Year-End Earnings Conference Call. Our report today will contain forward-looking statements. These include statements relating to Company performance and guidance, recent corporate developments and acquisitions, ACE's business mix, economic outlook, and pricing and insurance market conditions, all of which are subject to risks and uncertainties. Actual results may differ materially. Please refer to our most recent SEC filings as well as our earnings press release and financial supplement, which are available on our website, for more information on factors that could affect these matters. This call is being webcast live and will be available for replay for one month. All remarks made during the call are current at the time of the call and will not be updated to reflect subsequent material developments.

Now I'd like to introduce our speakers. First, we have Evan Greenburg, Chairman and Chief Executive Officer, followed by Phil Bancroft, our Chief Financial Officer; then we'll take your questions. Also with us to assist with your questions are several members of our management team.

And now it's my pleasure to turn the call over to Evan.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Good morning. ACE had very good fourth quarter and full-year results, particularly considering the environment, Euro crisis, slow economic growth in developed markets, challenging insurance market conditions, and of course the costliest catastrophe year on record for the industries.

After-tax operating income for the quarter was $663 million or $1.94 per share. The combined ratio for the quarter was 92.9, and this includes $155 million pre-tax catastrophe losses, the overwhelming majority of which came from the Thailand floods. The ex-cat accident year combined ratio was 92, a very good current underwriting year result.

Net premiums in the quarter grew 6% and our operating ROE was nearly 12%. Growth came predominantly from A&H, crop, personal lines, and P&C commercial lines, particularly in Asia and Latin America. Insurance prices in the U.S. continued to firm through the quarter and into January, particularly in classes where industry underwriting results are suffering the most. The balance of classes was flat to up modest single digits with the exception of professional lines where rates declined, but at the slowest pace we've seen in a long time. I'll come back to market conditions later.

Earlier this month, shareholders approved a 34% increase in the common stock dividend. Raising the dividend this amount was, in our judgment, a good use of capital while signaling our confidence in the Company's strong balance sheet and earnings generation power. This did not compromise or change our view of strategy in any way.

We made a small acquisition at the end of December, Rio Guayas, the fourth largest non-life insurer in Ecuador. The addition will complement our existing business in that country in terms of geographic presence, product and distribution. By the way, we also closed on Penn Millers in the fourth quarter, a quarter earlier than we had estimated.

Let me talk about the full year and put ACE's performance for the year in perspective. Full-year net operating income was nearly $2.4 billion, down 11% from 2010. The composition of our operating income was quite good with about one-third coming from underwriting income and 2/3 from investment income.

Our results included almost $500 million more in pre-tax catastrophe losses, or twice as much as we experienced in 2010. Excluding the impact of cats from both years, operating income was actually up 5% over prior year. Both years included roughly the same amount of prior period reserve development, so that underlying growth in income came from current accident year results, predominantly from the acquisitions we made as well as our A&H business and improved P&C portfolio management in the U.S.

In 2011, the expense ratio declined over 2 points year-over-year, and we finished with a P&C combined ratio of 94.6%, a very good result when compared to the industry which ran well in excess of 100% in the worst cat year in history globally for the industry. Per share book value grew 6% for the year, bringing 3 year growth to almost 19% and 5 year growth to over 11.5.

We concluded the year with a very strong capital position. Total capital at December 31, stands at $29.4 billion and shareholder equity at $24.5, both up about $1.5 billion for the year. Our operating ROE for the year was almost 11%, a good result given the cat losses we incurred.

Turning to the growth, net premiums grew 12% during the year. You will recall back in the first quarter we said full-year premium growth would range between upper single digit to low double digit. Revenue and earnings during the year benefited from 3 acquisitions at the end of ’10, the largest being Rain and Hail. We had a good year in agriculture, including crop insurance, and this contributed 1.4 billion in premium revenue growth and produced a combined ratio of 91%.

Our renewable commercial and specialty P&C insurance businesses globally declined 3%. We experienced double-digit growth in Latin America and Asia while the U.S. and Europe declined modestly. Our A&H insurance business grew 8% globally with international up over 16%, our U.S. brokerage generated A&H business up 9%, and combined down 4%. A&H earnings overall were up 12% for the year.

Our personal lines business globally was up 17% for the year. While full-year net premiums for our global RE business were down about 9%, the business produced a combined ratio of 85.6%, reflecting good underwriting discipline and risk selection, and again particularly in the highest cat year in industry history.

Given our long-term strategy to pursue product and geographic diversification and invest for growth globally, you can see that our company is much better balanced today between those areas exposed to the P&C pricing cycle and areas that are not. In fact, I’d estimate that over 40% of our business as measured by premium is not exposed to the general P&C pricing cycles.

Our commercial P&C business also benefited during the year from very good portfolio management, the activities of which we have described on previous calls. We continue to refine and focus our data-driven portfolio management process in each of class of business we write, domestic and international; and as I said earlier, this contributed to an improved underlying current accident year result.

In the latter part of the year, our commercial P&C business also began to benefit from a firming market, particularly in the U.S., and I’ll elaborate on that and make a few comments about the pricing environment globally. For our North America portfolio, we had our best quarter yet in terms of pricing with overall rates up about 1.6% versus 0.5% in the third quarter. As I said earlier, rates continued to steadily firm as the quarter went along. December was the strongest month and rates were up over 4%.

In reporting rate increases, we separate out exposure growth, which was up over 3.5% in the quarter. Again, the theme is a general firming across most classes of property and casualty with greater price increases, i.e. high single to double digit, occurring in classes where industry combined ratios are under significant stress, as well as on trades where larger amounts of capacity are required. For the balance of most classes, rates have flattened or are rising modest single digits. By the way, E&S is one of those areas of emerging and more acute stress for the industry, and here too we are beginning to see more rapid firming.

Our premium renewal retention rates in our U.S. retail business were steady in the quarter at 81%, and again, looking ahead, rates in North America continued to firm going into January 1.

Regarding our international commercial P&C, for cat-exposed properties and areas that have suffered significant losses, such as energy and power generation, prices are trending up and in some regions significantly, and this trend of tightening continued into January 1. The balance of the market, however, internationally remains soft with rates flat to down modestly.

In our global reinsurance operation, we saw price increases in U.S. property cat ranging from about 7.5% to 10%, while international property cat prices were up zero to 5%, excluding loss-impacted lines or regions which were up more substantially. Price increases were not enough yet for us to consider increasing our overall cat-related exposure. Rates for all other reinsurance-related business lines were essentially flat. My colleagues and I can provide further color on market conditions and pricing trends if you like.

In summary, I believe ACE's financial results for the quarter, and more importantly for the full year, were very good and distinguished our company. We performed well, as measured by operating income, book value, premium revenue growth, and ROE. We [indiscernible] more diversified in terms of product and geography, increasing our presence in areas that present opportunities for future growth while achieving a better balance between cyclical and non-cyclical business. Our balance sheet is simply in excellent shape. We are exceptionally well positioned for the future and optimistic about our opportunities going into '12.

With that, I'll turn the call over to Phil and then we'll come back to take your questions.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Thanks, Evan. We ended the year with a very strong balance sheet and capital position. Tangible book value per share grew 7% for the year and 4% in the quarter. Adjusting for the goodwill associated with acquisitions, tangible book value per share grew 8% for the year. Net realized and unrealized gains after-tax for the quarter were $276 million. Our cash and invested assets grew this year by $4 billion to over $56 billion.

Operating cash flow for the year was $3.5 billion. For the fourth quarter, cash flow of $470 million was somewhat lower than our recently quarterly run rate due primarily to net crop payments, higher cat loss payments, and the repayment of cash collateral we received on a large one-off transaction we discussed in the second quarter. These items reduced our cash flow by about $350 million.

The crop business had a seasonality to cash flow which, generally speaking, was positive in the second and third quarters and negative in the fourth. Investment income was $565 million for the quarter, up 6%, and included about $20 million of income from private equity investments. Current new money rates are 3.1% if we invested in a similar distribution to our existing portfolio, and our current book yield is 4.2%. We estimate the current quarterly investment income run rate is closer to $545 million, which is subject to variability of portfolio turnover rates, private equity distribution, and FX.

Our investment portfolio continues to be predominantly invested in publicly-traded, investment-grade fixed income securities and is well diversified across geographies, sectors and issuers. The duration of the portfolio is 3.7 years. As of Monday night, the quarter-to-date mark on the portfolio was a positive $450 million.

We have no exposure to sovereign debt of distressed European countries and our exposure to Euro zone banks totals less than $1 billion or 2% of the portfolio. The overall credit quality of our Euro zone banks' investments is AA with over $600 million rated AAA.

Our net loss reserves were up 2% for the year while for the quarter they were down $550 million, due primarily to net crop payments and the impact of foreign exchange. Our paid-to-incurred ratio was 93% for the year and 117% for the fourth quarter. Adjusting for cat activity and crop, our fourth quarter paid-to-incurred ratio was 93%.

Cat losses were about $140 million after-tax, of which the Thailand floods were $106 million. The floods were 100% related to our insurance business. We also incurred $20 million in development principally related to the second quarter New Zealand earthquake.

During the quarter, we had positive prior period development of about $105 million after-tax, comprising about $155 million from ongoing operations split about evenly between short and long-tail lines. This was offset by a charge of about $50 million, also after-tax, related to our annual reserve review of runoff operations, including Brandywine.

The expense ratio was 29.8%, down from 32.1% last year, due primarily to a changing mix of business, especially crop, while our accident year loss ratio excluding cat losses was up, all due to the impact of crop.

We also had 3 legal settlements in the quarter. We settled enforcement proceedings concerning combined insurance in the U.K. and separately Ireland, and we settled a lawsuit brought by the Ohio Attorney General arising out of the antitrust investigations started in 2004. The total amount of these settlements was $13 million.

Our press release issued last night included our guidance for 2012. Our range is $6.65 to $7.05 in after-tax operating income per share for the 2012 accident year. This includes cat losses of about $385 million after-tax, which is up from last year's cat loss guidance of $300 million, primarily due to model changes. Our $6.85 midpoint of guidance compares to our actual 2011 accident year result of $5.68. Guidance is for the current accident year only and includes no assumption for prior period development, which is simply unknowable.

The FASB issued new guidance related to BAC. We'll adopt this new guidance retrospectively, effective January 1, 2012. The change will reduce our book value by about $185 million and will be immaterial to our income.

With that, I'll turn the call back over to Helen.

Helen Wilson
Thank you, Phil, and now we'll be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] We'll go first to Keith Walsh of Citi.

Keith F. Walsh
Citigroup Inc, Research Division

First thing, just getting back to the guidance -- a year ago, you gave guidance with some modest core deterioration, and this year you've got some core improvement, apples-to-apples. Can you give me some color what's driving this? I assume the bulk of the accretion from the crop and life deals are already in the 2011 numbers. Is this just pure P&C core improvement?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No. It's a number of things, and I'm not going to break down pieces to you. We do budgets that are quite granular from the ground-up, every single one of our businesses, every year; and it's that ground-up analysis that ultimately leads to our guidance. It varies by business, but it's a combination of some growth that we expect from our various businesses around the world -- A&H, Latin America, Asia, certain P&C lines in North America, a little bit in Europe, in Asia and Latin America, our personal lines business growth. It includes improved underwriting margins in certain of our businesses, not because of the price increases that we have been seeing in the latter part of the year -- we're not speculating on the hardening market in the future -- but we've had improved portfolio management that we have talked about. There are lines of business that we took the pain to get out of, such as, we got out almost entirely of risk transfer workers' comp, and other lines; and in every line of business, we have focused very much within the portfolios on the classes within each line where rates are adequate, and there we might see opportunity for growth, and where pricing or terms are inadequate, and there we have been shrinking that business. And overall, that contributes to better margins in some of our classes of business. So it's a combination of growth from different areas, coupled with portfolio management.

Keith F. Walsh
Citigroup Inc, Research Division

Okay. Just to follow up on the accident and health business, it really seemed to find its footing this year, the last couple quarters specifically. Can you drill into that -- is that more economic stabilization, and is there more runway here specifically with the combined business in the U.S.?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, the accident and health growth has predominantly been coming from our international retail accident and health business. It's been both retail travel, it's been direct marketing, it's been group business. We're very deep and have a very broad, very large business in that area with thousands of employees writing millions of policies. Remember I've said it before -- we get that growth predominantly $150 a customer at a time, and the substantial growth is coming from Asia and Latin America where economic growth, as you know, did rebound and has continued to provide substantial growth opportunity as that middle class grows. We think that that will continue. We also continue to remake ourselves and improve ourselves in our marketing capabilities, in our product delivery, in our underwriting and claims to both get top line and improve margin. It's a business we know well, we have deep knowledge and we focus a lot on. On the other side of the coin, you have the economic headwinds in Europe and in the United States where employment is not coming down, where it's the middle class and the lower middle class that are suffering tremendously, and that has—that along with the regulatory issues in the U.K. and Ireland have impacted the combined business. We continue to work on improving our distribution capability in that area, both in terms of face-to-face agent sales in a door-to-door manner, as well as through work site marketing, and we're confident that we will over time bring that business from what is a modest decline in the top line but a very good and consistent margin in the business. Underwriting margins have not deteriorated; if anything, they've improved some. But we think that we can return that business, we're still confident, over time to grow. But right now that's actually weighing and has been weighing the other way on growth.

Operator

We'll go next to Amit Kumar of Macquarie.

Amit Kumar
Macquarie Research

I guess just going back to the comment on global reinsurance, you said price increases were not enough. Can you sort of expand on that as to what level of rate increases would be appropriate?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

I'm not going to answer it directly that way, but what I'll say to you is a couple of things. The models -- there's been change of models by some of the modeling agencies, and we don't blindly adopt anything; but we study and we use a blend of different models, and after we put our own judgments on them, that produces a product that at the end of the day tells us what the ROEs, those models will generate as a risk-adjusted return on the capital we allocate at a certain set of rates that the market charges. Our hurdle rate for cat business is consistent and when we see pricing, given both the risk environment and given the model changes, when we see pricing that meets or exceeds those hurdles that we expect to achieve, then we will be willing to allocate modestly more capital towards the business and increase our writings. We have yet to be tempted in that direction.

Amit Kumar
Macquarie Research

Got it. I guess the only other question I have is on capital. There have been recent news reports regarding European banks looking to sell their non-life units, focusing on Asia and Latin American markets. Can you sort of broadly talk about your acquisition pipeline and what sort of expansion opportunities you see for ACE in those markets?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

ACE is well positioned to continue to expand in those markets, whether we make another acquisition in those regions of the world -- Asia, Latin America -- or we don't. We feel very good about our current capabilities and more importantly our strategy to continue to improve our capabilities and take advantage of what we've got. So we feel pretty good about that, and as we tell you, we've had continued double digit growth in those regions. I've talked about the theme before of financial institutions broadly, that in the current stressed environment and the regulatory environment, the impetus for them to divest of non-core assets in those institutions, particularly which would interest us -- insurance-related. I spoke about that last quarter and that trend and that environment has not changed since then, so we continue to be vigilant and optimistic regarding potential opportunities in that regard in the future. What, where, when -- who knows?

Operator

Our next question comes from Mike Zaremski of Credit Suisse.

Michael Zaremski
Crédit Suisse AG, Research Division

First, I was curious on your outlook for crop insurance in 2012, and I'm curious if there is a pricing cycle we should be thinking about for agriculture, or is that less of a dynamic for that line of business?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, I'm going to ask Brian Dowd, resident farmer, to speak about the outlook a little bit for you.

Brian Edward Dowd
Executive of Office of The Chairman

As I look at the 2012 crop year, probably 3 factors come into play. First, commodity prices -- winter wheat commodity price up 21% over the base price from 2011. That helped our premium here in the fourth quarter and it will likely help our premium again in the first quarter. Second on commodity prices, I look at the 2 main spring crops, corn and soybeans. They are currently 5% and 11% below the 2011 base prices respectively. If they remain at that level, clearly that will affect both our second and third quarter production. And the last issue, third is the risk management agency which administers the crop program, they announced a change in the actuarial methodology for both pricing corn and soybeans, so we're currently rerunning all of our models to see how the rates changes will affect our fund designations, the state mixes we use, and our distribution strategies to minimize the impact of the rate change. So you don't see the traditional competition in rate, but you have seen a change in rate through the government agency.

Michael Zaremski
Crédit Suisse AG, Research Division

And can you quantify the change in rates that they announced?

Brian Edward Dowd
Executive of Office of The Chairman

Not yet, because you have to run it literally state by state, territory by territory; and we're rerunning all those models as we speak.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We have a number of tools available to us, and we're not concerned about the '12 year.

Michael Zaremski
Crédit Suisse AG, Research Division

Okay. And lastly, Evan, I believe last quarter you mentioned that new business pricing and renewal business pricing were tracking close to each other. We haven't gotten that sense from other insurers' results for this quarter. Is that still the case? And if you can also comment on retention rates and new business volumes.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, I did comment on retention rates already. I had said renewal rate 81%, which was steady. New business relativities -- so our new business versus our renewal business, they're tracking very, very close to each other, in the high 90% -- like 97%, 98%. All my colleagues here are nodding their heads because I'm remembering—I know that statistic. They're very, very close.

Operator

We'll go next to Greg Locraft of Morgan Stanley.

Gregory Locraft
Morgan Stanley, Research Division

Congrats on the double-digit ROE in a tough year. Wanted to -- we sort of see your war chest building, so to speak, on the balance sheet. I think we now estimate $7 billion of excess capital; and admittedly, that's our number, not your number. But it's earning you next to nothing on the balance sheet, and if you were to deploy it at a double-digit ROE, which you guys have consistently done, it's probably 200 basis points extra ROE that you could go out and get. So with the world improving organically ahead of you --

earlier you discussed some of the European assets that might come up, or Asian assets -- I guess I'm sort of wondering what's holding you back because it feels like we're playing for a 10 ROE based on your guidance in '12, and that's not bad given where the stock is at valuation-wise. But I'm sort of wondering how we're going to get it higher, other than the dividend bump in the quarter, which was excellent. I just—I can't get my model to move much higher unless you guys pull the trigger, so any kind of thoughts on the math or what I'm throwing at you?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Greg, I love it. First of all, I want to tell you, pal, $7 billion -- from your lips to God's ears, number one. Number 2, I would love to make your model better, but it just doesn't -- the world doesn't work in terms of a model. You don't just say, I've got money -- let me go out and deploy it. If you do that, what will you do? You'll buy big and ugly. You'll be sorry what you did. Whatever you do, you have to live with for a long time, so you have to be—it doesn't move in a straight line. You've got to patient and things happen generally, therefore, in a lumpier way. That patience -- what are you looking for? You're looking for quality. You're looking for something that if you're going to buy something, again, you're going to live with it forever. You've got to wake up the next day and you've got to manage it, and so it is quality that is going to make your company better, and it's not size for the sake of size. It is complementing and furthering your strategy that you already have and know if you're a good company. We'd like to think we are, and we have a good sense of our long-term strategy. We're pursuing it organically. We're builders first. And when an acquisition comes along that complements that and is the right kind of quality -- and by the way, is at a price that will be accretive to shareholders and accretive to our hurdles, or in line with our hurdle rates, because Christ, it doesn't take a lot to be accretive when you're in 3% money land. So that's a fool's game, and we won't do that. But it's got to be something that over the cycle behaves like the balance of our business, at least. That's how we think about it, and that's the list. I wish it was as simple as you've got some money and boy, let's just this week look around, and there you go. Sorry, pal, I can't just make your model better right now; but double digit is pretty darn good. And surplus capital, this year scrubbed about 1.7 points off the ROE, and I think that's a—I and my colleagues and our Board think that's a price worth paying for a patient growth company.

Gregory Locraft
Morgan Stanley, Research Division

Okay, great. And then on an entirely different topic, in the quarter there was some research written about the VA block and sort of tail risk in that. I sort of figure in this forum, if you guys could address the tail risk emanating from the VA block and how you think about it at your level.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

I'm going to turn it over to Phil, who I think will answer that question; and he's waiting for somebody to ask him, why wasn't there a huge gain in market this quarter? So somebody ask it and he may just answer it now for you.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Let's just talk about the quarter for a second. The variable annuity business generated about $45 million of operating income, and we had an additional $4 million of realized gains net of the hedges and including FX. You'll see in our disclosure, it showed a loss of about $10 but that did not include the FX benefit that we got. The gain was in line with what our expectations were and what we have as disclosed sensitivity. What really happened is the fair value improved by about $200 million, $210 million, because of rising equity values, global equity values. I think some focused on U.S. increases, which the U.S. market increased about 11% in the quarter, but international markets increased at a much lower rate, so the average was about 8%. So we had $200 million benefit there. That was offset by a loss on the hedge of $150 million, and that was a little higher than normal in relation to our improvement in fair value from the equities in general because the hedge is S&P related, and as I said, the U.S. markets improved better than international markets.

We also were negatively impacted by decreases in interest rates. Interest rates were down in the neighborhood of 5 to 7 basis points, and there's leverage in that. And we also had decreases in our own credit spread. You've got to remember that the accounting rules make us increase the fair value of our VA liability when our own credit spreads improve, so the net of all that produced our $4 million gain. I think when we think about tail risk, we think of this business as a cat business, and our view is that a cat would be a very long-term low interest rate environment and a very long-term low equity environment.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We give you—you have published that sheet that shows you if interest rates went down 50 basis points or 100 basis points, if the market adjusted down, what the impact to the mark could be to us; so you can calculate that pretty easily.

Operator

Our next question comes from Josh Shanker of Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

A couple questions, talking about pricing trends, can you also give us some info on loss trends, please?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Sure. Loss trends in what area would you—do you want just generally, or do you want—

Joshua David Shanker
Deutsche Bank AG, Research Division

Well, generally, as much as you can give me. How about the lines that are being driven—have strong pricing versus those that are more stable?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Josh, it's not so much that the loss trends are different among lines that are more stable within the casualty area versus those that are suffering more, because that's more pricing and risk-selection driven than it is so much about loss trends. But loss trends generally in the casualty lines, we're still looking at the 5% to 6% range in the primary, and the 9% to 11% range, depending on where you're playing and what line of business in the excess. That's pretty true in the United States and that's fairly true in the U.K. and the Continent as well.

We see a slight uptick, as others have noted and as you can see, in frequency. And severity has continued to -- in most areas, you've seen that severity continues to go up and medical inflation and court award is really what drives that. Now, we're not a big risk transfer work comp writer, so we write next to nothing; so all the noise around that is hardly impacting ACE. We're not really interested in business at 120 combined.

Joshua David Shanker
Deutsche Bank AG, Research Division

Can you talk about exiting that business a little bit? It's highly regulated, so when you guys got out of it, did you reinsure the business going forward, or what was that process?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

It wasn't highly regulated to get out of it. That was not an issue, and it's highly regulated in terms of the form you charge, in terms of the protocol to pay claims, in terms of the rates you charge and the tariffs you use. But renewing or non-renewing the business, it's not like you're thinking about maybe homeowners insurance or a line like that.

Joshua David Shanker
Deutsche Bank AG, Research Division

And in terms of—you have no exposure going forward at that point? I mean, virtually none?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

As I've said, we have very little in the risk transfer comp. We write a reasonable amount, modest amount, of excess workers' comp tied to our risk management business. We have for years and years. And actually the pricing in that line was pretty good in the fourth quarter -- rates up about 8% in the quarter, up about 9% in December.

Operator

We'll go next to Michael Nannizzi of Goldman Sachs.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Just trying to reconcile a couple of numbers, I think you said that in North America, prices were up about 1.6% in the fourth quarter, exposures up 3.5%, and retention was steady; but then excluding ag, gap premiums were up just 1% in North America. So was it a new business phenomenon there, a mix change, or is there something else that reconciles those trends? And then just one follow-up.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Sure. You'll recall that last year in the fourth quarter, we described something called NY3, which was done with New York State and that was a settlement that wasn't ACE-specific -- other companies, the same thing. It was workers' comp-related, and we had a benefit last year from that one transaction in that settlement that contributed about $75 million to premium. If we adjusted for that, our growth was in the 6% range in the fourth quarter in North America, ex-crop.

Now, the only thing I caution about that 6% is don't—we're not necessarily imagining, we're in fact neutral of whether that is a trend going forward or not. So in a sense, I hesitate to tell you the 6% because I don't want to create any expectations, because we certainly don't have them in our own minds. We're not willing to trade underwriting discipline for market share, and we'd rather have a slow top line and a better margin.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Got it. And I guess you talked about diversification, the diversified profile of your book of business and leverage the cycle, sensitive areas are less than 40% of your book. If you do see pricing improve at some point or you see an opportunity, how big would you be willing to let that go? I mean, is there a governor there, just kind of in your own mind, that you want to keep it below a certain level, kind of like you've talked about with property cat? Just to get some understanding there, I'd appreciate it.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

There is no limit. We will be voracious.

Operator

We'll go next to Paul Newsome of Sandler O'Neill.

J. Paul Newsome

I wanted to follow up on the modest asbestos charge. If I recall, there wasn't really a lot of capital left in the Brandywine subsidiary itself. Are we getting close to the point where there's essentially zero capital in that unit?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

No. It's capitalized in a fine way. Still room left in the cover.

J. Paul Newsome

Okay, so it all went through the cover and not through the actual capital?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

That's correct.

Operator

We'll take our next question from Thomas Mitchell of Miller Tabak.

Thomas Spikes Mitchell
Miller Tabak + Co., LLC, Research Division

I'm just wondering if you can give us any background on how the insurance markets have responded to this somewhat absurd shipping accident that took place off the coast of Italy, and whether or not that's affected hull rates or liability rates, and whether you guys are major, minor participants in those markets?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

I'm going to ask John Keogh to answer that question.

John W. Keogh
Chairman

Sure, Tom. The first answer is yes, we're a minor participant in those markets; and frankly, less a participant today than we were 3 or 4 years ago, and that simply a reflection of pricing in that market over the last few years. We've been walking away from a lot of business.

Your other question--?

Thomas Spikes Mitchell
Miller Tabak + Co., LLC, Research Division

Well, has there been an impact on rates, either hull or liability…

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

He's going to answer that question, if you just…

John W. Keogh
Chairman

Yes, I was just about to answer that, Tom. The answer simply is no.

Thomas Spikes Mitchell
Miller Tabak + Co., LLC, Research Division

Oh, okay, so no impact at all.

John W. Keogh
Chairman

We don't expect that that particular loss will drive a change in behavior in that market.

Operator

We'll go next to Vinay Misquith with Evercore Partners.

Vinay Gerard Misquith
Evercore ISI, Research Division

Two questions, the first is on Europe. We've had troubles in Europe and Europe was likely in a recession end of fourth quarter. How do you see your premiums trending this year versus last year, and is it more of an impact on the P&C business or the accident and health business?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Vinay, our European writings have been relatively, basically flat; and we don't see much change to that as we go forward. And it's not—it's both P&C and A&H.

Vinay Gerard Misquith
Evercore ISI, Research Division

Okay, fair enough. The second question is on flood losses -- those losses for ACE appear to be low versus peers. I'm just wondering sort of what are the factors in that, since you guys are global writers of property business.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

I can't speak to others. We don't manage their underwriting, so I don't want to speculate about it; but we take risk when we're getting paid for it, when we understand it, and we're conservative about how we approach it in property. So we're conservative about CBI and thoughtful about how we think about it, and about BI. We don't—we're mindful of concentrations of risk, but you get paid for the concentration, and not being overexposed in any one area. As I say, to start with, pricing is important to us and we've been willing to trade exposures and growth when we don't like it. I think that just comes out ultimately in the wash and reflects itself when you're looking at losses.

Operator

We'll go next to Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Two questions here -- first a quick one here. Phil, loss ratio in the life insurance business kind of popped year-over-year. Anything specific that caused that to happen?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

We did have some limited amount of prior period development in the quarter in the life book.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay, great. And then Evan, just quickly, given your comments on loss trend and given your comments on pricing, it doesn't appear that pricing right now is running in excess of loss trend for you all. Is that true, or am I misreading that?

Evan G. Greenberg

Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

It's very early days, and the way we think about it—the loss trends that we're using today looking forward to our business, rate increases in most classes that we are achieving right now are not in excess of loss trend. Now, there are some classes that are highly stressed where industry combined ratios are running significantly higher than ours are. We've talked about for years how we shrink businesses, and we shrink businesses to run a better margin. So in some of those classes that are highly stressed, rate increases are in fact in excess of loss cost trends; so margins are improving, but are they improving to a point where it makes it interesting? Getting 8% on a line that might be running 120 -- well, it's better than it was; it's hardly overly exciting yet. Though other underwriters, in many cases when they're running that high, they'll throw out good and bad, and that 8%--if you're selecting carefully, that 8% might be above loss cost trend and improvement and bring it into our sites where we could write it at a reasonable price. So I'm giving you a little bit of a messy answer because it's not as straightforward as you might want it to be and fitting into one neat box. Does that make sense to you?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes, yes that makes sense. One other just quick follow-up -- given you've got such a big risk management business, are you seeing any of your large accounts trying to move more towards that, rather than accept price increases, or is that not happening?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

It's not fundamentally happening. If anything, we've had better new business writings in our risk management business in the last quarter. It was a very good quarter for our risk management business, relatively. We actually did achieve price increases there and in the quarter on average, and the month of December was the best of the quarter, and that trend continued in January. So we were—that's the first time we've seen that in a number of years in the risk management business.

Operator

We'll go next to Matthew Heimermann of JPMorgan.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

A couple questions -- first maybe for Phil. Just one of the things I've been struggling with is just thinking about the tax rate, because over the last 5 years there's been a marked improvement in that rate relative to the past, and some of that was expected. But I'm just wondering, is what we've seen in the last maybe 3 or 4 years more indicative of what we should expect going forward? And I just ask the question because I think relative to how you've talked about it in the past, where it's run in the last 5 years might be a little bit better.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Yes, I think it depends -- I don't think -- it depends on how the profit emerges in a particular quarter, so prior period development, if it occurs in taxable jurisdictions versus non-taxable jurisdictions. Same thing with cats -- where they emerge is important. So you're right -- for the last several quarters, the tax rate has been low. I'd say pre-cat and pre-PPD, I'd use a run rate in the neighborhood of 18% to 20%; but it's going to vary just based on where we have the gains or losses.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Okay, that's helpful. And then, I guess the other question I'd have is just—you mentioned the dividend, which on the margin, I guess, maybe helps keep the excess capital from growing all that much. But could you just talk to the quality of the opportunities you're seeing in the pipeline, because you've talked pretty explicitly in the past about the pipeline having gotten more robust. I'd just be curious in terms of the quality of the stuff you're seeing.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Well, I've given you numbers. The quality hasn't changed, is the bottom line of it. I've given you some data points in the past to say how many deals we look at in a given year, and you know for yourself how often we pull the trigger, so it's a very small percentage. There has not been any sea change that I've noticed in that. We kiss an awful lot of frogs, and quickly -- we don't dwell on it. A very minor percentage to us meet our criteria, and I'm not seeing a sea change in that right now. But it only takes one.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

That's fair. Can you just elaborate lastly on your comment about seeing acute stress in E&S? I wasn't sure if that meant you were seeing margin pressure or competitors. Just a little bit more color there would be great.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, look, we had a casualty book of business in E&S, as an example, that was well over $400 million that we took down to $50 million, or $70 million over the last few years, and that's because of all the dumb underwriting we saw out there. We know that the economics work the same for the other guy as they do for us, and E&S casualty is a stressed line. There we're seeing all of a sudden in the quarter more robust and very -- it was surprising to us, more robust pricing increases and better opportunity at a little better price to write more business. We saw the same thing—of course, we're seeing it in property but we saw it in inland marine, which is construction related, and then we also saw it in the professional lines business we write in the E&S area. So it was actually across the board where we're beginning to see more robust pricing. Now I'm hardly going to call it hard-market prices. Not at all. But when you're seeing rates go up in the 4% range in those casualty areas, and you're seeing inland marine and property ticking up at the 6% to 10%, that's better than it was.

Operator

We'll go next to Josh Stirling of Sanford Bernstein.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

Two questions -- first, just a number question I think, which is it looks like you had sequential North American casualty growth in the quarter. It looks greater than last year and some peers, and I'm wondering if you can talk about if that's a numbers issue, bad comp, seasonality, or whether you've actually started growing in some of these businesses?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No, we -- John Lupica, I think, wants to maybe start out with an answer on that. But no, I don't think you're seeing it right.

John J. Lupica
Vice Chairman and President of North America Major Accounts & Specialty Insurance

Yes, I'm not certain what you're looking at, Josh. In the numbers that we have, we have the casualty business in aggregate in ACE actually going down quarter-on-quarter.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Yes, 4% on the quarter and 10% on the year down.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

I apologize. If you look at your North American casualty business, I think you were at nearly $1.4 billion in the fourth quarter versus closer to $1.3 in the second…

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

You can't see our North America…

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

Oh, oh, pardon me. That's right. So just the casualty quarter-on-quarter as opposed to year-on-year. You've obviously grown the business. I'm looking for inflection points.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

But that's a global number, not North America.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

And quarter-on-quarter—you can look at Page 4 of the supplement, and quarter-on-quarter casualty is down 4%, and for the year—year-on-year it's down 10%.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

I'm sorry. When you and I say -- I don't mean to get hung up on semantics. When I'm saying quarter-on-quarter, I mean sequential like-length quarters, as opposed to the year-over-year for the quarter.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, we don't look at sequential. It's all so seasonal.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

But we don't even pay attention to that ourselves, because the cohort of business from one quarter to the next quarter is so different.

Josh Stirling
Sanford C. Bernstein & Co., LLC., Research Division

Right, okay. Listen, so probably the more important question -- take your point that favorable development is noble, but obviously we all have to estimate it going forward. It looks like you guys had more meaningful favorable flow development sort of ex-asbestos in North America in the quarter. Given that some other companies seem to be going the other way, I'm wondering if you can give us color on some of the underlying frequency and ancillary trends you're seeing, and walk us through the puts and takes by lines of business and sort of older versus more recent accident years, so we can try to get a handle on how this plays out going forward.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No. We've given you—first of all, we disclose loss triangles that we put out once a year, and there is plenty of data therefore to judge movement in accident years, movement among lines of business. We give that to you in our 10-Qs; you get more of it in our 10-Ks. But the loss triangles that came out in September, for those who have been following them by the year, you're able to make your own judgments on the strength of our loss reserves, as many analysts have done, and overlay your own judgment as to what you think are the strengths of those reserves or not, and you can do by line of business. So if you like, we have guys who will be happy to provide you a copy of those loss triangle studies that we have put out, and we can provide you copies of what others have done as work that has been published out there. We can help you with some of the worksheets to understand how they read, if you like; but the material's out there for you.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Josh, we also will publish in the Q details about this quarter's prior period development, where it came from, what years, why it occurred; so you'll be able to see it then.

Operator

We'll go next to Jay Gelb of Barclays Capital.

Jay H. Gelb
Barclays PLC, Research Division

I wanted to follow up on the issue of excess capital. Phil, I think you said—or maybe it was Evan, that the excess capital held at the Company was a drag of around 1.7 points on return on equity in 2011. And if I just look at Page 21 of the supplement relative to around $22 billion in average equity as adjusted, it's only, like, less than $400 million. So am I missing something?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Say that again?

Jay H. Gelb
Barclays PLC, Research Division

If I take 1.7 points of the average equity for 2011 that you used to calculate ROE of $22 billion, it's less than $400 million…

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

What Evan is saying the drag on ROE is 1.7 points.

Jay H. Gelb
Barclays PLC, Research Division

Right, but that implied dollar amount is only $400 million of excess capital, which seems low.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

I don't think that's correct. I'll take it offline with you and I'll explain what we mean by that.

Jay H. Gelb
Barclays PLC, Research Division

Okay. And then my follow-up is in the growth outlook for 2012 -- I believe in the past ACE has given some view on net written premium growth for the year; and given that we've got some puts and takes on various lines of business, where do you think that might come out for 2012 overall?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No, we gave it last year because given all the acquisitions we had made, I thought it was—I wanted you to have a little more clarity. But other than that, we don't give premium revenue forecasts for the year. Last year was an exception. We're not forecasting premium.

Jay H. Gelb
Barclays PLC, Research Division

I see. All right. And then just a clarification on investment income -- Phil, I think you said the run rate was $545 million, but last quarter you said $555 to $565. So I'm just trying to figure out, are you assuming no private equity gains in that run rate number going forward?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

We have about $10 million of private equity in the run rate, and we also have our best estimates of portfolio turnover. As you heard, our book yield is 4.2%. The new money rate, if you invested in the same distribution as our portfolio, is 3.1%, so we're expecting a decline in investment income as our portfolio moves into lower rates. That's going to be offset to some extent by cash flow, but that's our best guess of the net of all that.

Operator

We'll go next to Meyer Shields of Stifel, Nicolaus.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Two quick questions, if I can -- one, are you expecting to retain a higher percentage of gross written premiums in 2012?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No.

Meyer Shields
Stifel, Nicolaus & Company, Incorporated, Research Division

Okay. And do you expect, I guess, commissions or acquisition costs to decline a little bit, sort of in response to the rate improvement that we've seen so far?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No, nothing material. No.

Operator

We'll go next to Jay Cohen of Bank of America.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Thanks for the added disclosure as far as the earnings contribution from various parts of the business. It does highlight the fact that the crop business, let's say the margin on that crop business was quite a bit lower in 2011 versus 2010. I'm wondering which of those years do you see as a more normalized number -- one might have been very good, one might have been more challenged. Is there any sort of normalcy in any of those numbers?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

First of all, Jay, so you're not confused, we didn't give you a crop combined ratio. We gave you an agriculture combined ratio, which includes crop, our farm book, and our agriculture-related property writings first quarter of Penn Miller, which admittedly is quite modest. So it's a combination of businesses in that that we gave you. We did not break out the crop by itself, but the agri division. So I want you to know that, number one. Number 2, ACE had a very good crop year and the overall agri book running at a 91 -- wow, we're pretty proud of that result. The industry overall, we outperformed the industry in crop because of our franchise. It's a national franchise. It has very good systems and data analytics, and better than the average company out there doing this business we think by far. So you're looking at an industry where, I think, as you look at it, the industry given drought and floods and et cetera, I think you find a lot more stress in that industry.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

But is 2010 just a particularly good year, then?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, and Brian wants to elaborate on that.

Brian Edward Dowd
Executive of Office of The Chairman

Yes, so you did point out the—2010 actually was one of the best underwriting margin years for the MPCI book, and 2011 was slightly below average. So if you look at the 2 underwriting gains, they are going in different directions; and we generally forecast a 10-year average, so '10 was a little below, and '11—'10 was significantly above, and '11 was a little bit below. The other 2 things I think you would see in there is we obviously have the amortization of the intangibles in the '11 result, and you also have—the farm book itself had a lot of catastrophe loss in the flood in the second quarter that we reported in the second quarter. So those 3 things really make up the difference as you look at '10 versus '11.

Operator

Our last question comes from Ron Bobman of Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

I had 2 questions. You had mentioned the Thai losses were all insurance. I was wondering if you might give us a little bit more sort of color and description as to the types of accounts and the types of losses that you're seeing. And then I had a question just about a recent legal development -- there was, I think a Travelers litigation matter winning sort of a reinsurance recoverable right in general. I think Brandywine was mentioned as a reinsurer. I'm just wondering if that sort of—as ACE is concerned and as far as provisions you've made, is it sort of good and put to bed, or if that development poses any sort of change in recognition?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Thank you. Three answers. First, I'm going to answer one and then I'm going to ask John Keogh to do the Thai, and Bob Cusumano, our General Counsel, will do the Western MacArthur.

John W. Keogh
Chairman

No, with respect to Thailand loss, nothing I would point to that's unique in terms of where that loss came from; but 80%--as you say, it's all insurance, no reinsurance. Of that, 80% of it comes out of AOG, our international business; 20% out of North America, North America business being obviously the foreign operations of U.S. multinationals that have locations in Thailand. And then within AOG, it's a combination of local, indigenous Thai business as well as multinational locations of foreign companies. It's a mix of retail, manufacturing -- again, nothing I would point to as unique about the kind of losses or the kind of insureds who had losses as a result of the floods during the quarter.

Ronald David Bobman
Capital Returns Management, LLC

Would you hazard a guess on the industry loss size? We've got some giants saying as low as 8 to 10 billion, and some people speculating 20-plus. Would you hazard a guess?

John W. Keogh
Chairman

No, I think it's one of those -- it's a very unique situation where I think hazarding a guess is dangerous because of all the potential complications of just the type of loss that its created, the fact that water was on the ground for weeks on end, and the ability for people to get in there quickly and assess the claims, I think, has presented some challenges in terms of putting a number on this, as well as the potential for CBI losses that traditionally are pretty late developing. So I think it's a fool's game at this point to put an industry number on that.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

The only thing I'd elaborate on is when you look at ACE's losses versus—or where we wrote business versus overall exposures to this, we are far less exposed to those classes of manufacturing that have the potential to produce large CBI losses.

Robert F. Cusumano
Former General Counsel and Secretary

With regard to Western MacArthur, as you all know, we have a pretty large amount of litigation around all of our exposures, particularly asbestos, environmental. Only a very few of those get any kind of public profile. In this case, there were published reports because it's a very large case, but it's a large case not for us because we have a small share of the exposure in that case. Nevertheless, it's always disappointing when an intermediate appellate court doesn't go your way. We've already filed our papers. I'm seeking leave to appeal. This is a very complicated legal matter. It involves some significant issues about how reinsurance is treated through the financial pipeline. We're hopeful that we'll get a fair hearing at the New York Court of Appeals, and you'll hear more about it in the quarters to come.

Helen Wilson

Thank you everyone for your time and attention this morning. We look forward to speaking with you again at the end of next quarter. Thank you and good day.

Operator
That does conclude today's conference. Thank you all for your participation.