S&P Capital IQ

CONTENTS

Markel Corporation NYSE:MKL

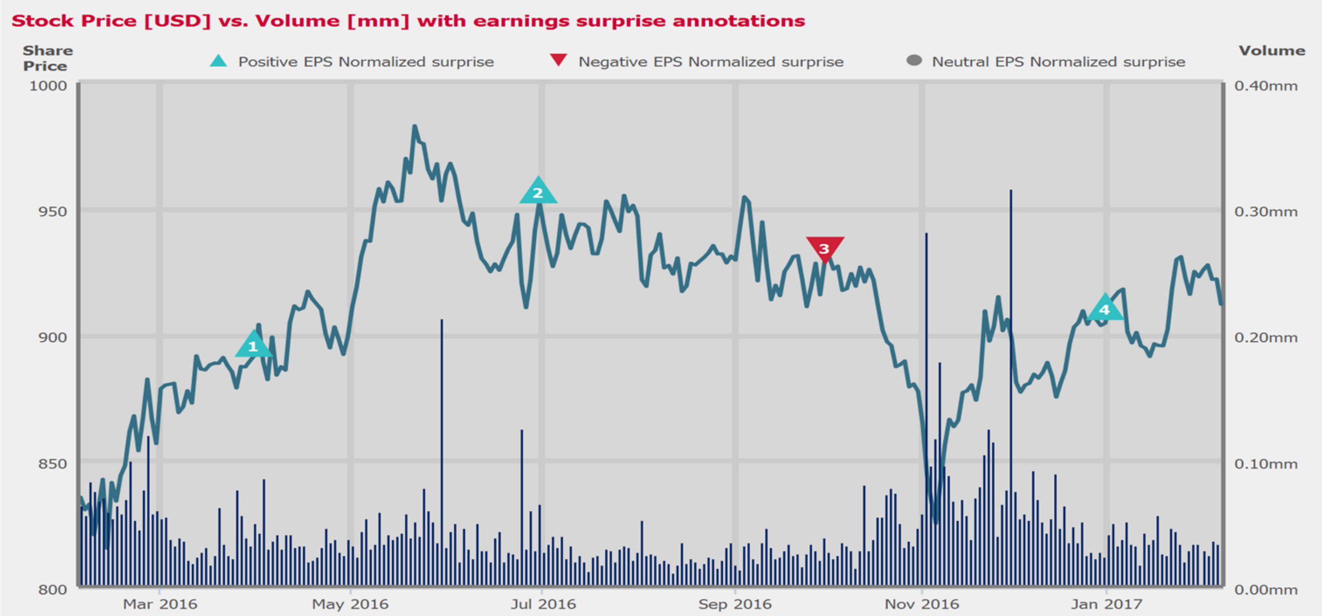
FQ1 2017 Earnings Call Transcripts

Thursday, April 27, 2017 1:30 PM GMT

S&P Capital IQ Estimates

	-FQ1 2017-			-FQ2 2017-	-FY 2017-	-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	4.00	2.77	(30.92 %)	6.44	25.96	28.20
Revenue (mm)	1432.63	1411.75	(1.46 %)	1447.20	5833.67	6006.17

Currency: USD
Consensus as of Apr-27-2017 12:10 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2016	6.77	10.25	51.40 %
FQ2 2016	6.71	6.92	3.13 %
FQ3 2016	7.65	4.59	(40.00 %)
FQ4 2016	5.28	9.47	79.36 %

Call Participants

EXECUTIVES

Anne G. Waleski
Chief Financial Officer and Executive Vice President

Richard R. Whitt
Co-Chief Executive Officer and Director

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

ANALYSTS

Jeff Schmitt

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Robert Edward Farnam
Boenning and Scattergood, Inc., Research Division

Presentation

Operator

Good morning, and welcome to the Markel Corporation First Quarter 2017 Conference Call. [Operator Instructions] During the call today, we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are based on current assumptions and opinions concerning a variety of known and unknown risks. Actual risks (sic) [results] may differ materially from these contained in or suggested by such forward-looking statements. Additional information about factors that could cause actual results to differ materially from these projected in the forward-looking statements is included under the captions Risk Factors and Safe Harbor and Cautionary Statement in our most recent annual report on Form 10-K and quarterly report on Form 10-Q. We may also discuss certain non-GAAP financial measures in the call today. You may find a reconciliation to GAAP of these measures in the Form 10-Q, which can be found on our website at www.markelcorp.com in the Investor Information section. Please also note, that this event is being recorded.

I would now like to turn the conference over to Mr. Tom Gayner, Co-Chief Executive Officer. Please go ahead, sir.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

Good morning. Thank you for joining us. It's my pleasure to welcome you this morning to our First Quarter 2017 Conference Call. I think our first quarter stands as a good example of the value of our diversified business model. While we encountered an unexpected item in our insurance business, we enjoyed very good returns from our investments and our Markel Ventures operations. In the short time period such as any single quarter results have been and will continue to be volatile. We never know where and when elements of our business will be better or worse than expected. In the long run though returns normalize and we continue to build on our long-term record of financial progress.

That long-term record continues to be based on our dedication to serving our customers, associates and shareholders and that never changes. As we wrote in this year's annual report, same stuff, different day. With that as a preamble, I'll turn the call over to Anne Waleski, our Chief Financial Officer, she will review the numbers. And Richie Whitt, my co-CEO will discuss our insurance operations, and then I'll make a few brief comments about our investments in Markel Ventures operations. After that, we'll open up the floor for questions. Anne?

Anne G. Waleski
Chief Financial Officer and Executive Vice President

Thank you, Tom. And good morning, everyone. As Tom just mentioned and as we previously announced our first quarter results were negatively impacted by the decrease in the Ogden rate, but otherwise, we're in line with our expectations. We continue to see positive contributions from our Markel Ventures operations, and our growth in book value was driven by returns on our investment portfolio.

Total operating revenues grew 2.5% to just over $1.4 billion in 2017. This increase was primarily attributable to higher earned premiums in our U.S. insurance and reinsurance segments and higher net investment income. Starting with our underwriting results. Gross written premiums were $1.5 billion for the first quarter of 2017, compared to $1.4 billion in 2016, an increase of 5%, driven primarily by an increase within our Reinsurance segment, partially offset by lower gross premium volume in our International Insurance segment.

Higher gross written premiums in our Reinsurance segment were attributable to 2 large specialty quota share treaties that were written during the first quarter of 2017. Partially offsetting these new contracts was lower premium volume in our general liability, property and auto lines of the business. The decrease in gross written premiums in the International Insurance segment was primarily due to lower premium volume in our professional liability and property product line and an unfavorable impact from foreign currency exchange rate movements. In the U.S. Insurance segment, premium volume was down due in part to increased volume in 2016 related to the timing of closing our underwriting systems, which you may recall from last year. Excluding the impact of this timing difference, we continue to see growth in our personal loan business and workers' compensation product line.

Market conditions remain very competitive. Consistent with our historical practices, we will not rate business when we believe prevailing market rates will not support our underwriting profit targets.

Net written premiums for the first quarter of 2017 were $1.3 billion, up 7% from the prior year for the same reasons I just discussed as well as the 1 point increase in retention from 85% last year to 86% this year. The increase in retention was attributable to our International Insurance segment due to higher retentions on our professional liability and Marine and Energy product line. Earned premiums increased 3% to $983 million for the first quarter of 2017.

This growth is attributable to higher premium volume. Our consolidated combined ratio for the first quarter of 2017 was 100% compared to an 88% last year. The increase in the combined ratio was driven by less favorable development on prior year loss reserves and a higher current accident year loss ratio compared to the same period of 2016.

The consolidated combined ratio for the first quarter of 2017 included $85 million or 9 points of adverse development on prior year loss reserves, resulting from the decrease in the Ogden rate, which is used to calculate lump sum awards in U.K. bodily injury cases.

Effective from March 20, 2017, the Ogden rate decreased from a positive 2.5% to a negative 0.75%.

This represents the first change in that rate since 2001. The effect of the rate change is most impactful to our U.K. auto casualty exposures through reinsurance contracts in our Reinsurance segment. We ceased writing new U.K. auto business in late 2014.

The reduction in the Ogden rate increased the expected claims payments on these exposures, and we increased loss reserves accordingly.

The current accident year loss ratio for the first quarter of 2017 was higher than last year, due to higher loss ratios across all of our insurance segments.

Next I'll cover the results from Markel Ventures. Revenues from Markel Ventures for the first quarter of 2017 were $287 million, which is consistent with 2016. Higher revenues across our non-manufacturing operations were offset by lower revenues and certain of our non-manufacturing operations due to lower sales volume. Net income to shareholders from Markel Ventures for the period was $14 million in 2017, and EBITDA was $42 million, growth of which were also in line with 2016 results. Moving to our investment results, investment income increased from $91 million for the first quarter of 2016 to $100 million this year. The increase was driven by short-term investment income, primarily due to higher short-term interest rates. Higher dividend income due to increased equity holdings and higher interest income on our fixed maturity portfolio, due to increased holdings of fixed maturity securities compared to the same period of 2016. Net realized investment gains were $21 million in both periods.

Given our long-term focus, variability in the timing of realized and unrealized gains and losses is to be expected. Looking at total results for the year, our effective tax rate was 24% in the first quarter of 2017, which is consistent with the first quarter of 2016. We reported net income to shareholders of $70 million in the first quarter of 2017, compared to $160 million a year ago. Comprehensive income to shareholders for the period was $223 million compared to $397 million a year ago, and as a result, book value per share at the end of March 2017 was $620, an increase of 2% since the end of 2016. Finally, I'll make a couple of comments on cash flows and the balance sheet.

Net cash provided by operating activities was $12 million for the first 3 months of 2017, compared to net cash used by operating activities of $105 million for the same period of 2016. Operating cash flows in 2017 were net of a $46 million cash payment mainly in connection with the connotation that was completed during the period.

Net cash provided by operating activities for the first quarter of 2017 reflected lower claims payments and higher premium collections in our U.S. insurance segment and lower payments for employee profit sharing and income taxes compared to the same period of 2016. Historically first quarters are lowest cash generating quarters based on the timing associated with incentive compensation payments to our associates and to our brokers.

Invested assets at the holding company were $2.4 billion at March 31, 2017, compared to $2.5 billion at the end of the year 2016. With that, I'll turn it over to Richie to talk more about the underwriting results.

Richard R. Whitt
Co-Chief Executive Officer and Director

Thanks, Anne. Good morning, everyone. Today my comments will focus on underwriting operations in our 3 continuing segments covering U.S. Insurance, International Insurance and Reinsurance. I'll also provide a brief update on our Markel CATCo operations.

First, I'll start with the U.S. Insurance segment. Gross written premiums for the U.S. segment were down 1% for the quarter, as Anne stated, the first quarter of 2016 had 1 extra week of premium due to differences in the timing of the -- closing of our underwriting system. Excluding this extra week, premiums would be up 3% in 2017, driven by growth in personal lines primarily our classic car program and workers' compensation. The combined ratio for the first quarter was 93% compared to 89% in the first quarter of '16. The increase in the combined ratio is driven by a 4-point increase in our current accident year loss ratio. The increase is due to higher attritional losses across multiple product lines in this segment. Our expectation is that this increase will not continue through the rest of the year. The increase in the current accident year loss ratio is partially offset by more favorable development on prior year loss reserves in '17, as compared to '16, primarily in professional liability and workers' comp.

Next I'll discuss International Insurance segment. Gross written premiums for this segment are down 6% for the quarter due in part to the strength of the U.S. dollar in 2017. Additionally, we continue to experience tough market conditions, especially within our Property and Professional Liability lines of business based in London. The first quarter combined ratio was 88% compared to 95% in 2016. The decrease in the segment combined ratio for the quarter was mainly driven by higher prior year redundancies in 2017, most notably, on our excess liability product lines, which had favorable development this year compared to reserves strengthening in last year. The favorable movement was partially offset by an increase in our current accident year loss ratio in 2017, primarily in our Property and Marine and Energy product lines. The expense ratio also increased slightly due to higher net commissions and changes in our branch office locations, partially offset by lower profit sharing expense in '17.

Finally, I'll discuss the results of our Reinsurance segment. We experienced 21% growth in premium volume this quarter, primarily driven by 2 new large specialty quota share treaties totaling $137 million, excluding these contracts, premium is down 9% due to decreases in general liability, auto and Property lines. These decreases are due to having a higher frequency of multi-year deals in the first quarter of '16 as well as non-renewed business and renew of decreases in 2017 as a result of our difficult market.

Significant variability in gross premium volume can be expected in our Reinsurance segment due to individually significant deals and timing of renewals on multiyear contracts. The combined ratio for the Reinsurance segment was 132% compared to 82% in 2016. As Anne just discussed, the significant increase in the combined ratio this quarter is due to adverse development on prior year loss reserves, driven by the $85 million or 38 points of reserves strengthening in U.K. motor reinsurance. It's worth pointing out that this London written business was discontinued in 2014. In addition, we experienced slight adverse development on professional liability and Marine and Energy product lines this year as compared to favorable movement in 2016. The 2017 current accident year loss ratio is also up slightly for the quarter due to the impact of higher unfavorable premium adjustments across many of our product lines in 2017. Note that the corresponding benefit of these premium adjustments to losses is included in prior accident years. The increase in our loss ratio is partially offset by a 3-point decrease in the expense ratio, primarily due to lower profit-sharing expenses in 2017 as compared to '16.

I'll make a couple comments on market conditions. As you might expect, all markets we compete in remain competitive. However, most lines could be best described as 0% to 5% off versus larger reductions last year. There is some discussion in the market that commercial rates are firming, it could actually start to edge up. This is much needed and would be a welcome change.

While the market is extremely competitive, that is the natural state of things, the majority of the time in our industry. It is the reality in all businesses today. In other words, the market is what the market is, and we need to stay focused on running our business and finding ways to grow profitably. In this regard, we continue to have solid success. Some noteworthy examples included. In the U.S, we continue to profitably grow our workers' compensation book and we've enhanced coverage and have expanded states for our Bob product. In International, we continue to grow our profitable National markets book. And in reinsurance, we worked hard and closed 2 large specialty quota share opportunities in the first quarter. Finally, our pending SureTec acquisition add Surety to our U.S. product portfolio. Yes, the market's difficult, but that just means we have the work harder and stay disciplined to grow profitably.

Finally, I'll just make a couple of comments about our Markel CATCo operations. Assets under management increased to $4.1 billion at March 31, 2017, from $3.4 billion at the end of 2016. We've seen increased demand from both [seedrs] and investors in 2016 -- 2017. Markel continues to invest approximately $200 million in the Markel CATCo funds. With that, that I'd like to turn it over to Tom.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

Thank you, Richie. I'll pick up here with some comments on our investments in Markel Ventures operations. During the first quarter, we earned an overall return on our publicly traded investment portfolio of 2.1%. We are in fact 0.6% on our equity portfolio, 0.7% on our fixed income holdings and added 0.1% from FX effects. I'm happy with those results, and I'd sign up for annualizing that for as long as I could. I will also note that on the internal schedules that our investment accountants provide me as I review the results, our convention is to carry things out to 1 decimal place and reporting the percentage results. The schedule I saw showed our investment expenses at 0.0%.

I don't know if they follow the convention of rounding or truncation when they prepared that schedule, but I like the results either way. In today's world, with the popularity of passive investing and low expenses, we can compete toe to toe on expenses. We do so without giving up of our ability to think about what we're doing and why we're doing it. We steer the ship as the captain, rather than as a potentially reaccomodated passenger in the back.

And I know, which one I'd rather be. Through the quarter, we continue to put money to work as we steadily and methodically add it to our equity investment portfolio. Our equity investments now comprise 58% of shareholder's equity up from 56% at year end.

Our fixed income portfolio remains pristine in quality, low expense and performing the role it is meant to do. Mainly protecting the interest of our policyholders through thick and thin. At Markel Ventures, revenues and EBITDA roughly matched last year at $286 million and $41 million respectively. Our cyclical-related businesses began to feel a bit of the topping out we expected to see in their normal cyclical pattern.

Our other businesses continue to make steady progress and perform as expected.

My guess is that this is the pattern we'll probably continue to see for the rest of the year. We continue to actively search for additional opportunities at Markel Ventures, but we remain disciplined in doing so, same stuff different day.
Prices in this world are high and there's a lot of capital sloshing around trying to find deals. We will continue to focus on organic growth opportunities at our existing businesses, and will opportunistically respond when we see the chance to do so. As always, we deeply appreciate the long-term support from you as our shareholders and business partners as we continue to build the long-term financial value of the Markel Corporation. We would be delighted if you could join us on May 15, here in Richmond for our annual meeting. And at this time, I would like to open up the floor for your comments and questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Bob Farnam of Boeing Scattergood.

Robert Edward Farnam
Boenning and Scattergood, Inc., Research Division

Richie, I have a question on the quota share agreements. Totally understanding the backdrop of having reinsurance premiums be pretty volatile. I'm just trying to figure out how to model the quota shares going forward. Can you give us an idea of -- was there in-force premium that came with this? And what time in the first quarter did they come about? And maybe some other details like what lines of business and if it's global or domestic?

Richard R. Whitt
Co-Chief Executive Officer and Director

Sure. There's -- well, probably the first thing they tell you in terms of just how to think about going forward is they are 1-year deals. They're fairly special deals, so there's no guarantee they would renew in 2018. So that $137 million, it's there for 2017, 2018, we'll have to go through the negotiations and everything, but they're big deals and they may or may not renew. So I'll say that. Both of them tend to be multi-line deals, one of them is domestic the other is international. But they tend to be multi-line deals so both Property cash will the professional things -- the various lines.

Robert Edward Farnam
Boenning and Scattergood, Inc., Research Division

All right. And was there -- the magnitude of the premium in the first quarter being a quarter share, is there seasonality to this going forward? Or is it -- should we look at the same amount of premium volume basically for the next few quarters?

Richard R. Whitt
Co-Chief Executive Officer and Director

Yes, I think now we've recognized all the written premium for the year. Just to make sure you understand that. All the -- you know when you book those deals, you recognize all the written premium up front so that's done. And won't impact the next 3 quarters, but now what we'll see is earnings coming through over, basically, the next 8 quarters because the trick to underlying policies tend to be annual policies. So earnings will start to tick up probably peak in the third and fourth quarter and then come down and throughout '18 unless of course, the deals are renewed.

Robert Edward Farnam
Boenning and Scattergood, Inc., Research Division

Right. And Tom, maybe a question for you. I know you talk every once in a while about off balance sheet unrealized gains, is that something that -- how should we think about that? I know you hold investments for a long-term so you may never actually recognize some of that stuff.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

Well, exactly. And really, what you're talking about is the value speaking in economic rather than accounting terms of what Markel Ventures is worth in aggregate compared to what we paid for those businesses. So a day one, they go on the books at what we pay for them. The equity accounts in accounting sense goes up when they make money. So you see that sort of accretion in balance sheet value dollar for dollar would be earnings of this business. What they are worth in the marketplace, I was certain it's more than what we paid for them. And you can do your math, thinking about what the EBITDA run rates are? What EBITDA multiples are? And get some rough-- just a sense of what they're worth and do that on an ongoing basis. To your point, we don't plan on selling them. This is the future of the Markel Corporation along with growth from the insurance business and we're running these businesses for the forever mindset in the exact same way that we run the insurance businesses, which is meant to build the long-term financial value, and I used that word explicitly, and in fact it is interesting, I was having a conversation with our Chairman, Alan Kirk here just yesterday, and we were talking about the Markel Style, which he deserves the primary credit for having written, prior to us going public in 1986.

And we talk about book value a lot around here, and historically, that has been an excellent description of the economics of the Markel Corporation. But as Markel Ventures grows, as you point out, there's stuff that's not captured well, by book value calculations. And Alan, with his normal [indiscernible] like presiance for us all that day back in 1986 when the Markel Corporation would be broader and have more stuff going on as time went by in order to build the financial value of this company. So I talk a lot about the financial value, intrinsic value, things of that nature, out of which book value and balance sheet is a part, and the largest part, and will continue to be so, but it's not everything.

Operator

Our next question comes from Jeff Schmitt of William Blair.

Jeff Schmitt

Were there any catastrophe losses during quarter?

Anne G. Waleski
Chief Financial Officer and Executive Vice President

Nothing.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

You know, what it is we say that.

Anne G. Waleski
Chief Financial Officer and Executive Vice President

Well.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

Well.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

There were catastrophe losses.

Anne G. Waleski
Chief Financial Officer and Executive Vice President

But nothing material.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

They were really kind of run rate attritional.

Jeff Schmitt

And then obviously the accident year loss ratio's moved up a fair amount sort of across the board. Could you talk a little more in detail about loss cost trends, particularly, touch on the legal environment and medical cost completion?

Richard R. Whitt
Co-Chief Executive Officer and Director

Sure, I'll take a shot at that, obviously we write over 100 lines or 100 products, different products at Markel so there's no -- you know exact description of each one of those, each one of them are moving slightly differently. You know probably some portion of what we saw in the first quarter in terms of that uptick, I think is just things that are relevant to the quarter and like I said, on the U.S, we don't think we'll continue for the rest of the year. Some of it as you sort of allude to there, we think is a lost cost trend, and price decreases. So each year, as we go into the year, as we do our budgeting, we think about what the lost cost trends are. We think about what the price movements have been, and we adjust what we think our loss pick is going to be. And there has been some increase to the loss picks as a result of that. And as you mentioned, I mean I think we've had a pretty benign, it's been a number of years are very benign sort of loss cost trend environment. We are starting to see some uptick in that. Just as people start to talk about rates potentially moving up, and then inflation may be starting to move a little bit, you're starting to see loss cost trend, which makes sense. So it's a mixed bag depending on which line of business of ours we're talking about, but we're seeing a little bit of trend and that's driven some of those rate increases and we also just had some one-off things in the first quarter that drove some of that increase.

Jeff Schmitt

Okay. And then in workers' comp. I believe you mentioned there was some favorable development there. Can you talk about that line specifically in terms of pricing and loss cost trends?

Richard R. Whitt
Co-Chief Executive Officer and Director

Well, loss cost trends have been dropping in workers' comp. And so states have been adjusting their loss cost factors, which works against us in terms of the ability to grow in that business because it reduces the base rate. Workers' comp has been a -- and it feels strange to say this, because it's been seldom that, that’s happen in that market, it's been a real bright spot. Workers' comp has done extremely well for the last number of years. And as loss cost trends have come down, and as a result of that, we've had some really nice results. The thing we got to be all careful of and be watching for the folks that write workers' comp is as if inflation gets moving that drives medical cost and if medical cost gets moving, you'll see that will show up in workers' comp.

Operator

Our next question comes from Mark Dwelle of RBC.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Just a couple of questions, the first one's kind of a numbers question. On the Ogden charge, am I right? The 100% of that was taken against the reinsurance business there was none in the international?

Anne G. Waleski
Chief Financial Officer and Executive Vice President

That's correct.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. And then the second question, I noticed in the queue, you booked a $3.9 million deferred gain related to the asbestos contract you did a year-ago, is there anything left in terms of deferred gain? Or is that now a 100% booked through and we've heard the last of it?

Anne G. Waleski
Chief Financial Officer and Executive Vice President

That gain was specific to closing out the exposures related to the U.K. business. So there was a what's called a Part-7 closure. So there's no exposure left on that business. We do still have some part of the U.S. book that we ceded off we do so have some exposure to that.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Are there any deferred gains associated with the, I guess, that's what I was asking whether the loss exposure but more on the -- are there any other deferred gains out sitting out there that would go through?

Anne G. Waleski
Chief Financial Officer and Executive Vice President

Nothing that would be material.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Got it. Okay. And then, Richie. Maybe I'll give you an opportunity to talk a little bit about SureTec, and what you know about that business and timing and so forth?

Richard R. Whitt
Co-Chief Executive Officer and Director

Sure. We're very hopeful, we'll be closing in the next week or so on SureTec. We believe we have all of our regulatory approvals at this point. So, knock on wood, closed by the end of April. And we're very excited to have SureTec as part of the Markel family, brings obviously Surety -- the Surety product line to Markel, which we had virtually no Surety business at Markel prior to the addition of SureTec. One of the things we're very excited about SureTec is contractors. There's a large part of what we do at Markel. We -- in some way shape or form keen to do business with contractors in almost each of our businesses. And SureTec, obviously, brings another product that contractors need and we're hoping to find ways to sort of cross-sell those products and meet more the needs of our contractor clients.

So obviously, it's very early days, we haven't even closed it yet, but we're very excited about what SureTec can add to Markel Corporation.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

I'm going to chime in a little bit, because Richie was kind enough to enlist me at the early stages of this deal and we work together quite cooperatively and well on it. Some of the additional factors that made this truly a win-win deal for both Markel and SureTec is that within the Markel Corporation, we'll be able to invest the assets of SureTec differently than they have been able to invest on a stand-alone basis. So that adds value that otherwise they would not have been able to achieve on their own. And similarly, this was a deal where in the hyper-competitive world that I spoke of, of deals, there are amazing and unique special situations that come up. They approached us directly, principal to principal. And the driver was culture and our reputation in the marketplace and our long-term history of how the associates and the shareholders and the customers of Markel have been treated over decades. So they came to us first, and we were able to put a deal together. And I think, that's win-win for everybody. And those are hard factors to model but they sure do matter and within the context of a very competitive acquisition for M&A, I make no predictions and it's hard to find deals. But I will tell you that we work everyday, and I think we work productively thus stated.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

I appreciate that and I guess last question I have is actually for you Tom. With market expecting their highs and changes in interest rates and so forth, I think I know the answer to this, but I just wanted to kind of hear you say it again. How are you thinking about asset allocation and adding to the equity portfolio at this market stage and so forth?

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

I'm going to repeat by referring of same stuff different day, we've been in this business 30 years now I have seen all kinds of cycles and generally speaking, there is always something that's appropriate to do and the great news about revenue and investment operation it's married to a profitable insurance company is that we get the dollar cost average. So every week, the Markel Insurance entities have deposited money into the account of the Markel equity investment arm and they've never asked for penny of it back. So we're able to continuously invest and that has just proven to be a marvelous way to continue to build the financial value of the company and there's always seems to be something that's appropriate to add and of course, you know our turnover is extraordinarily low, because what we're really underwriting is the quality and the economics of the business we're buying as opposed to trading the securities. And there are good businesses, good people out there and those tend to be pretty durable decisions.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Tom Gayner for any closing remarks.

Thomas Sinnickson Gayner
Co-Chief Executive Officer and Director

Consider the call closed. Thank you very much, we look forward to seeing you at our annual meeting if you can make it. Bye-bye.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.