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Market Intelligence

American Financial Group, Inc. NYSE:AFG

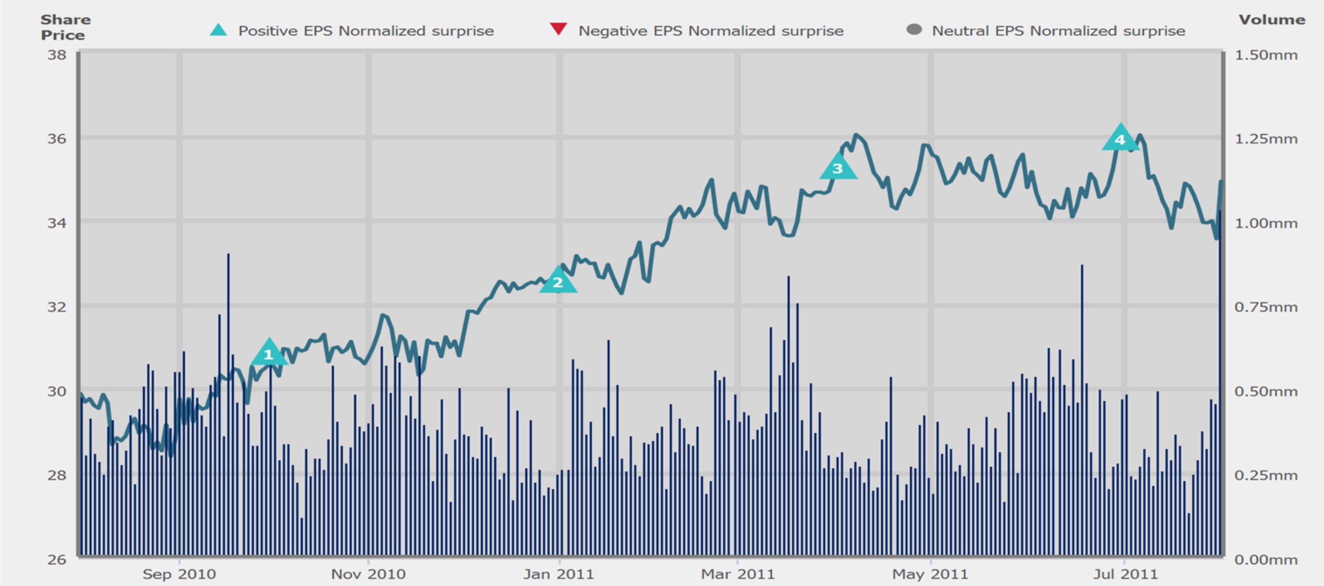
FQ2 2011 Earnings Call Transcripts

Tuesday, August 02, 2011 3:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2011-			-FQ3 2011-	-FY 2011-	-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.56	0.78	▲39.29	0.92	3.30	3.60
Revenue (mm)	663.99	1093.00	▲64.61	802.04	2790.39	2796.55

Currency: USD
Consensus as of Aug-02-2011 1:18 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2010	1.01	1.07	▲1 5.94 %
FQ4 2010	0.97	1.03	▲2 6.19 %
FQ1 2011	0.79	0.81	▲3 2.53 %
FQ2 2011	0.56	0.78	▲4 39.29 %

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Call Participants

EXECUTIVES

Carl Lindner III;Co-CEO

Keith Alan Jensen;Senior Vice President

Vito Peraino;Sr. Vice President, General Counsel

ANALYSTS

Amit Kumar;Macquarie;Analyst

Matt Rohrmann;KBW;Analyst

Presentation

Operator

Good morning. My name is Keena and I will be your conference operator today. At this time, I would like to welcome everyone to the American Financial Group 2011 Second Quarter Earnings Conference Call. [Operator Instructions]

I would now like to turn the call over to Keith Jensen, Senior Vice President of American Financial Group. Please go ahead sir.

Keith Alan Jensen;Senior Vice President

Thank you, Tina. Good morning and welcome to American Financial Group's 2011 second quarter earnings results conference call. I am joined this morning by Carl Lindner III and Craig Lindner Co-CEOs of American Financial Group. If you are viewing the webcast from our website, you can follow along with the slide presentation, if you would like.

Certain statements made during this call are not historical facts and maybe considered forward-looking statements and are based on estimates, assumptions, and projections which management believes are reasonable, but by their nature, subject to risks and uncertainties. The factors, which could cause actual results and/or financial condition to differ materially from those suggested by such forward-looking statements, include, but are not limited to those discussed or identified from time to time in AFG's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K and quarterly report on Form 10-Q. We do not promise to update such forward-looking statements to reflect actual results or changes in assumptions or other factors that could affect these statements.

Core net operating earnings is a non-GAAP financial measure, which set asides significant items that are generally not considered part of ongoing operations, such as net realized gains or losses on investments, the effect of accountings changes, discontinued operations, significant asbestos and environmental charges, and certain other nonrecurring items. AFG believes this non-GAAP measure to be helpful for analysts and investors and analyze the ongoing operating trends and we will be discussed through various periods during this call. A reconciliation of net earnings attributable to shareholders to core net operating earnings is included in our earnings release.

Now, I am pleased to turn the call over to Carl Lindner III to discuss our results.

Carl Lindner III;Co-CEO

Good morning and thank you for joining us. Yesterday afternoon, we released our 2011 second quarter results. Although our core net operating earnings for the second quarter were down $0.13 per share from the comparable 2010 period, we have reported solid operating results that were consistent with our overall expectations.

We are pleased that our catastrophe losses were modest, despite significant weather related losses reported by the industry during the quarter. We believe that our specialty mix and insurance businesses focused underwriting discipline and strong alignment and interest we greater with the leaders of each of our specialty business units have contributed to these results its no accident.

I am assuming that the participants on today's call have reviewed our earnings release and the supplemental materials posted on our website. I review you a few highlights and focus today's discussion on key issues. I also briefly discuss our outlook for the remainder of 2011.

Let me start by looking at our second quarter results summarized on slides three and four of the webcast. Net earnings per share were $0.52 for the quarter, year-to-date earnings per share were $1.31. 2011 results included the effect of an after tax charge of $0.37 per share resulting from strengthening reserves for asbestos and other environment exposures, within our property and casualty operations and former railroad and manufacturing operations. This charge was partially offset by realized gains of $0.11 per share in the second quarter.

Our core net operating earnings were $81 million or $0.78 per share for the quarter, compared to the prior year's results of $102 million or $0.91 per share. Record operating earnings in our annuity and supplemental insurance group were more than offset by lower underwriting profit in our specialty property and casualty operations and lower property and casualty investment income.

Lower property and casualty underwriting profit was largely attributable to a $25 million pre-tax decrease in favorable reserve development. These results were partially offset by $10 million increase in annuity and supplemental operating earnings in the favorable effect of our share repurchases.

Six month annualized core operating return on equity was approximately 9%. One of our important strategic objectives is to deploy our excess capital in a way that enhances shareholder value. To that end, we continued our share repurchases and purchased 2.7 million shares of our common stock in an average price of $34.79 per share during the second quarter of 2011. The average purchase price was approximately 90% of book value per share as of June 30, 2011. We feel this remains an effective means of increasing shareholder value. There are approximately 7 million shares remaining under our current repurchase authorization.

Share repurchases are one of the several alternatives for the deployment of our excess capital. In addition, we continue to strive for healthy profitable organic growth and we're always looking for opportunities to expand our specialty niche businesses through start-ups or acquisitions where it makes sense to do so.

Based on the company's operating performance and its capital liquidity position, we also announced yesterday an increase in our annual dividend from $0.65 per share to $0.70 per share effective October 1, 2011. This increase reflects our confidence in the company's financial condition and the prospects for long-term growth. We have increased our dividends seven times in the last six years, a five-year annual compounded growth rate of our dividend is 12.5%.

As you will see on slide four, AFG's book value per share, excluding appropriated retained earnings and unrealized gains and losses on fixed maturities increased 3% since year end to $38.69. Tangible book value on a comparable basis was $36.36 at June 30, 2011, up 3% from year end 2010.

Our capital adequacy, financial condition, and liquidity remained strong in our key areas of focus for us. We maintained capital on our insurance businesses at level that support our operation and are in excess of the amounts required for our rating levels. At the end o the second quarter, our excess capital was approximately $710 million, which included cash at the parent company of approximately $315 million.

Now on slide five, you'll see the summary results for our Speciality, Property and Casualty operations. Our Property and Casualty Specialty Insurance operations generated a underwriting profit of $39 million compared to $68 million in the second quarter of 2010. The reduced profit is primarily the result of the $25 million decrease in favorable reserve development, which was partially offset by lower catastrophe losses.

Underwriting profit of the Property and Casualty Specialty Insurance operations for the first six months was $85 million compared to $145 million in the comparable period in 2010. The year-to-date decrease is primarily the result of lower favorable reserve development. Favorable reserve development in our Speciality, Property and Casualty operations was $58 million to the first half of 2011 compared to $107 million in the same period in 2010. The decrease in favorable development was attributed primarily to our run-off automotive lines, a specialty casualty program book of business, and our international operations.

Year-to-date favorable development including our A&E reserve strength, I think was $8 million through the first half of the year. The spring tornadoes and severe storms in United States have produced devastating losses. Our thoughts and prayers remain with those impacted by these tragic events. AHE recorded $23 million in catastrophe losses in the second quarter stemming from these events. Catastrophe losses in 2011 were $11 million less than amounts reported in the prior year periods. Again, our strict adherence to underwriting guidelines and efforts to reduce wind exposed property coverages have serviced well and helped us to manage our exposures to these events.

Gross and net written premiums were up about 10% to the first six months of the year compared to the first half of 2010. Additional premiums National Interstates third quarter 2010 acquisition of Vanliner and higher premiums in our crop operations resulting from increased spring commodity prices contributing large measure to these results offsetting declines in some other segments.

Overall average renewal rates for the first half of 2011 were flat compared with the prior year period. With the increased industry catastrophe activity and some hardening in the reinsurance markets, I am hoping to see some upward rate pressure particularly in the property lines. While the business environment continues to be competitive, we are achieving price increases in some of our businesses.

Gross investment income related to our Property and Casualty Operations was down approximately 17% during the first half of 2011 when compared to the first six months of 2010. It's primarily due to decreased holdings in higher yielding investments and generate lower reinvestment rates that we discussed in prior calls. We expect a year-over-year decrease to decline during the latter half of the year resulting in a decrease of approximately 12% for the year as a whole.

Now, I'd like to discuss a few highlights from each of our Specialty business groups on slide six. Property and Transportation group reported a small underwriting profit in the second quarter of 2011 compared to the underwriting profit of $8 million in the 2010 second quarter. Lower favorable reserve development particularly in our Property & Inland Marine and crop insurance operations and slightly lower underwriting profits in our agricultural businesses were partially offset by lower catastrophe losses.

Catastrophe losses in this Group were $18 million in the second quarter of '11 compared to $30 million in the prior-year period. Average renewal rates for this group during the first half of 2011 were flat when compared to the prior year period. Our largest Property & Transportation businesses reported solid underwriting margins during the first six months of 2011. Our crop business is the largest in this group. We started the growing season with concerns about excess moisture in the Midwest and the possibility of a reduction in planted acreage of corn crops. With approximately three-fourths of our crop insurance book in corn and soybeans in the Midwestern area of the country, we are pleased that conditions improved to the point that crops were planted on track with five-year historical averages.

In fact, recent reports from the USDA indicate that approximately two-thirds of the corn crop is in good or excellent condition. Soybean crop seem to be performing at about the same levels. While this is encouraging, a successful growing season requires acceptable levels of precipitation also. Since corn and soybean planting was somewhat delayed the possibility of an early frost is a concern, but this is always the possibility.

Severe weather patterns have contributed to flooding in the Missouri River Valley and drought conditions that impacted the weak crop in Texas and Oklahoma. While we have very little businesses in the geographic areas affected by the current drought conditions, we continue to monitor our exposures from the Missouri River flooding which could affect a half million acres. Our current estimate of exposure causes us to expect lower profitability from this particular event of between $10 million and $15 million, which has been considered in our earnings guidance.

Our Specialty Casualty group's second quarter 2011 underwriting profit was slightly lower than the comparable 2010 period. Improved underwriting profit in our excess and surplus business and higher favorable development in our run-off legal professional liability book were more than offset by lower underwriting profitability and several of our other casualty businesses.

Most of the businesses in this group produced strong underwriting margins during the first six months of this year. Average renewal rates for this group during the first quarter of 2011 were flat compared to the prior year period. As we discussed last quarter, we received preliminary notice of some potential plans arising primarily from market forms, political risk business in Africa and the Middle East.

We remain in the 180-day period associated with political risk insurance, during which the result of the unrest is success. AFG's share of any potential loss will be after application of available reinsurance, potential subrogation recovery, and will be substantially limited to our proportional share of market form. We don't believe that the impact in notices received to-date will be material to AFG. However, this is a volatile environment that we are continuing to monitor and in which additional notices are possible.

Specialty Financial group reported underwriting profits of $13 million in the second quarter of 2011 compared to $33 million in the second quarter of '10. The absence of favorable development related to a runoff automobile residual value insurance operations and higher catastrophe losses in our financial institutions business were the primary drivers of these results. Almost all lines of business in this group produced strong underwriting margins during the first six months of this year. Average renewal rates for this group during the first half of 2011 were down about 1% compared to the prior year period.

Now, let me move on to review of Annuity and Supplemental Insurance groups. The Annuity and Supplemental Insurance group generated record core net operating earnings before income taxes of $56 million for the 2011 second quarter. These record results were 22% higher than last year and reflect higher earnings in our fixed annuity operations, especially our bank distribution channel as well as higher earnings in our supplemental health insurance operations.

Core operating earnings before income taxes for the first half of 2011 were 20% higher than the comparable 2010 period. Record statutory premiums of $1 billion in the second quarter of 2011 and $1.8 billion in the first six months of 2011 were up more than 50% over the same periods last year. These increased premiums as a result of several factors. Our continued focus on consumer-centric annuity design, generate results in easy to understand products with higher effective crediting rates to consumers. An increase in sales of index annuities in a single premium market, which driven primarily by an introduction of new products and features.

An increase in sales of annuities through the banks channel was due primarily to the addition of several new financial institutions. These increases were offset by lower sales of flexible or payroll deduction annuity premiums in the 403(b) or school teacher market. The 403(b) market has been significantly impacted by the downturn in the economy and decreased funding to schools, which has resulted in teacher layoffs and wage freezes. We believe this impact may result in permanent changes and how schools and teachers handle retirement plans and decisions.

In response we shifted our 403(b) distribution strategy away from managing general agency model, toward a direct agent model, similar to other companies in the industry. The cost and commission savings resulting from the shift can be shared with consumers in the form of higher effective crediting rates, which is consistent with their consumer-centric strategy and should lead the higher premiums and returns in this segment of the annuity business.

Moving on, we recently completed the previously announced comprehensive study of AFG’s Asbestos and Environmental exposures related to the runoff operations over Property and Casualty group and exposures related to former railroad and manufacturing operations and sites. Such studies are undertaking every two years with the AF specialty actuarial and engineering firms in outside counsel. In the intervening years we perform an in-depth internal review.

As you can see, turning to slide nine. The P&C group’s asbestos reserves were increased by $28 million net of reinsurance and as environmental reserves were increased by $22 million net of reinsurance. At June 30, 2011, a Property and Casualty group’s insurance reserves include $382 million net of reinsurance recoverables of A&E reserves.

These Property and Casualty reserves include our assumed runoff reinsurance book and reserves related to primary coverages written. The increase in assumed reinsurance asbestos reserves resulted from an increase in anticipated aggregate exposures in several large settlements involving several insurers in which the company has a small proportional share. But we can’t comment on specific sessions, some insurers have settled long standing asbestos exposures with insurers, they are now being put through the reinsurance payment pipeline. It’s difficult to say whether this constitutes the trend, but we recently have seen an uptick in precautionary notices and these have been taken into account as we have strengthened our reserves.

With respect to our direct asbestos exposures, we experienced higher frequency and severity of mesothelioma and other cancer claims as well as increased defense costs on many of these claims. These trends were partially offset by a decline in the number of claims without serious injury and fewer new claims that required payment being reported to the company. The increase in environmental reserves was attributed primarily to a small number of increases on specific environmental claims at a handful sites.

We see no discernable trends related to environmental claims. At June 30, 2011, our Property and Casualty three years survival ratio excluding amounts associated with the settlements of asbestos related coverage litigation for A.P. Green Industries and another large claim was 11.5 times paid losses for asbestos reserves and 8.8 times paid losses for the total A&E reserves. These ratios compare favorably with A.M. Best's most recent report on A&E survival ratios, which were 8.3 for asbestos and 7.7 for total industry A&E reserves.

In addition, a study encompassed reserves for asbestos and environmental reserves exposures of our former railroad and manufacturing operations. Asbestos reserves were increased by $3 million, largely in recognition of a higher number of expected mesothelioma and lung cancer cases than had been previously estimated, partially offset by a decrease in a number of claims without serious injury. We increased our environmental reserves by $6 million, largely as the result of higher estimated costs with respect to several existing sites.

Please turn to slide 11 for a few highlights for growing our investment portfolio. During the second quarter of 2011 AFG recorded net realized gains of $12 million, compared to $6 million in the prior year period. Net unrealized gains on fixed maturities were $421 million, an increase of $95 million since year end 2010. The vast majority of our investment portfolio is held in fixed maturities with approximately 91% rated investment grade and 97% with a designation of NAIC 1 or 2.

As we discussed last quarter, the continued runoff and disposition of securities in our non-agency RMBS portfolio as well as generally lower reinvestment rates has resulted in continued pressure on investment income and our property and casualty business. We have provided additional detailed information on the various segments of our investment portfolio in the investment supplement on our website.

Now I would like to review our outlook for 2011. Our 2011 core net operating earnings guidance remains in the range of $3.30 to $3.70 per share. We expect results in our property and casualty and annuity and supplemental businesses to be consistent with the guidance provided in our call last quarter with a few minor adjustments.

We continue to expect growth in net written premiums in our Specialty, Property and Casualty operations to be 9% to 13% higher than 2010 levels. However, we expect the Property & Transportation group's net written premiums to be up 18% to 22% an increase from our original estimates and that was 18% to 22%, primarily as a result of higher spring commodity prices and National Interstate's acquisition of Vanliner. Additionally, we now expect the Specialty Financial group’s net written premiums to be up 24% to 25% slightly lower than our original estimates.

A summary of our 2011 guidance is outlined on Slide 12 for your convenience. These 2011 expected results exclude the potential for significant catastrophe and crop losses, significant losses from political unrest, significant adjustments to asbestos and environmental reserves, large gains or losses from asset sales or impairments, and unlocking adjustments related to annuity deferred acquisition cost.
Thank you and now, we would like to open the line for any questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Amit Kumar of Macquarie.

Amit Kumar;Macquarie;Analyst

Good morning. Congrats on the quarter. Just starting with the Asbestos is the charge you talked about an uptick and notices, can you also talk about what timeframe or what time period that these policies or the claims are formed. I guess what accident year is versus uptick?

Keith Alan Jensen;Senior Vice President

Yes, we've got Vito Peraino, who led our group in doing this assessment with us. Vito, do you want to give response?

Vito Peraino;Sr. Vice President, General Counsel

Sure. I would say that it’s a wide range of years our reinsurance, assumed reinsurance business and years in the 60s and 70s and then the underlying risks stand the same period. So, it’s hard to really tie two specific accidents here and it really runs a span of years.

Amit Kumar;Macquarie;Analyst

In terms of an uptick is there more to it or are you think it’s an aberration or is it from you see a lot of ads in TVs are these sort of peripheral defendants? What do you think is causing this uptick?

Keith Alan Jensen;Senior Vice President

I think a couple of things. As Carl mentioned we are seeing a different mix of mesothelioma and lung cancer claims versus not impaired claims. I think everyone in the industry is seeing that and as a result, we're seeing more settlements put through the reinsurance payment pipeline. There is a tendency now to be moving down the tiers of defendants to more peripheral defendants and that's tapping into some policies that hadn’t previously been tapped. But again, this is in to a significant departure from what we seen before, but it is a departure we believe it has been addressed by the strengthening of our reserves.

Amit Kumar;Macquarie;Analyst

Okay. That’s helpful and then on the environmental side, can you expand on that a bit more?

Keith Alan Jensen;Senior Vice President

Sure. Again we see no emerging trend on the environmental side, the strengthening here is really being driven by site-specific developments in a handful of sites. So, different estimates of liability exposure in total exposures, but again nothing significant at any given site or any trend we see developing on environmental.

Amit Kumar;Macquarie;Analyst

Got it. Okay that’s helpful. Sort of changing topics here a bit, on the crop book I don’t cash it, there was a mention of $10 million to $15 million lower profitability was that from the crop book or do I ?

Keith Alan Jensen;Senior Vice President

That specifically was an estimate that currently is just an estimate because it hasn’t played out fully of the impact the flooding in the upper Missouri valley from the snow melt that’s causing the significant amounts of flooding in that. What we are trying to is give you an indication as to about how much we estimate that will affect your profitability of that line of business for us.

Amit Kumar;Macquarie;Analyst

Got it. That’s helpful.

Carl Lindner III;Co-CEO

It is baked into our earnings guidance.

Amit Kumar;Macquarie;Analyst

Got it. Okay, that's helpful. And so that's the current scenario, but based on the trends you are seeing, it seems things are much, much better than we were talking about in Q1 conference call and probably building much better than 2008.

Carl Lindner III;Co-CEO

In terms of amount of corn and soybeans planted and that turned out pretty good and so far 65% of the corn and soybean acres are rated good or excellent. That's a tad below what it was last year in that. I think main things what really focused on now is there needs to be adequate precipitation, right in the Midwest heartland. And we are also as Keith mentioned trying to assess the Missouri river flooding and how much exposure we have there ultimately. I think those are the issues.

To another extend I also mentioned, an early frost. The crops are planted a little later and early frost is always something you watch for, but since the crops are planted a little bit later in an early frost could have a little bit more of an impact. Those are the kinds of things that we are really watching and focused on right now.

Keith Alan Jensen;Senior Vice President

Amit, few other things I would emphasize for everyone is that we are at the second quarter. This is early in the crop business and if you look back over our history we will tend to have a better feel in the third quarter as to things like yield and commodity prices, but it's really mid to late third quarter and fourth quarter, when we are able to reasonably assess, this probably watch for major things it look like they will not be mitigated. But the real game is played in the third quarter and fourth quarter.

Carl Lindner III;Co-CEO

I think one other thing I want to mention right now when you are look at the price risk from a price risk standpoint. I think we are in pretty good shape, when you look at the futures prices, compared to the spring discovery prices, there is nothing near that would concern us right at this moment.

Amit Kumar;Macquarie;Analyst

Got it. And just one final question and I will re-queue. Just based on that comment, when do you pick the ranges or I am sorry the states under the SRA, what states will you or what books will you ship into that? What is the time period when you decide?

Carl Lindner III;Co-CEO

That's an ongoing process each year. We don't decide which states we're going to be in or not. The way the program works, you have to write all comers. And so basically you have to not be providing a distribution to protect yourself on a gross basis from the states. What you can do and where the real underwriting skill comes into play is the buckets of reinsurance that are used under the FCIC and that can be an annual consideration. But by and large, the high risk areas are high risk areas year-in and year-out, so it's not an individual state choosing at an individual time.

Amit Kumar;Macquarie;Analyst

Got it. Okay, thanks so much. Congrats on the results and I will re-queue. Thanks.

Operator

[Operator Instructions] And there are no further questions. Amit Kumar has another question.

Amit Kumar;Macquarie;Analyst

Hey, sorry, I was a bit slow in hitting star one. Just two other questions, first of all, you did talk about the reserve development being much lower. Do you get the sense that you are getting to the point, where a lot of those good loss years' reserves have been released into earnings and probably the impact diminishes going forward?

Carl Lindner III;Co-CEO

I think there is a constant process that goes on, looking at reserves and reserve adequacy. And as we have gone into a period now where there is not substantial rate movement and hasn't been for quite a period of time. I am not surprised that it would moderate some, but I don't think there is a direct one-to-one linkage there and I think we'll see over time further development.

Keith Alan Jensen;Senior Vice President

I think we still feel good about the condition of our reserves today.

Amit Kumar;Macquarie;Analyst

Okay, that's helpful. And then the only other question I had is I might have missed this, did you talk about the California comp book, the rate levels and how do you feel about that going forward? There seems to be a lot of sort of different commentary coming out from that marketplace.

Carl Lindner III;Co-CEO

I can give you my outlook and that's helpful.

Amit Kumar;Macquarie;Analyst

Yeah, would love to.

Carl Lindner III;Co-CEO

It's still a more competitive market than what it should be. You've got, I think the industry, the 2010 industry estimate, I think that's still out there is around 125. Our publics would have - California only would have been about 120. Looking to this year, we were able to take some price increase last year. So, I think our current perspective on 2011 that California only accident year for this year we are estimating around 115. All of republic probably be about 111. And we feel that republic's reserves continue to be solid. If you ask me, on the price front, we're getting 8% year-to-date. We probably need 20% versus what we are getting in order to get our combined ratio down to 104 at a minimum and a 12% to 14% return on equity. I think we are seeing some improvement on renewal payrolls, which is good. I think actually excluding the excess workers' comp business that's running off, I believe that the underlying premium is maybe up a percent or something, which is so the decline - our business is not declining. Our primary business is not declining. It's not growing a lot right now due to the competitive market. And I think we're probably generally been a bit more aggressive on the price increase front than our competitors. So….

Amit Kumar;Macquarie;Analyst

Got it. Okay, that's all I have. Thanks for the answers.

Keith Alan Jensen;Senior Vice President

All right. Any other questions?

Operator

Yes. You have a question from Matt Rohrmann of KBW.

Matt Rohrmann;KBW;Analyst

Good morning guys.

Carl Lindner III;Co-CEO

Good morning Matt.

Matt Rohrmann;KBW;Analyst

Just one quick details question, I know we have discussed in the past as you build up your bank distribution on the annuity side, were there any institutions added this quarter?

Carl Lindner III;Co-CEO

Yes, there were. We are adding institutions every quarter. We are looking to expand that niche for us and we have been very successful in continuing to add banks.

Matt Rohrmann;KBW;Analyst

Any of size of some of the previous larger institutions or are these like smaller community institutions?

Carl Lindner III;Co-CEO

They are not as big as the couple that are generating very large amounts of premium dollars, but they are not small banks. They are midsized banks, typically, that we are close to doing a deal with another - one of the top six, seven banks in terms of size in the nation.

Matt Rohrmann;KBW;Analyst

Okay. All right, great, thank you very much.

Carl Lindner III;Co-CEO

Thanks, Matt.

Operator

And there are no further questions.

Carl Lindner III;Co-CEO

All right, then thank you. We appreciate you taking the time with us this morning and we'll look forward to reporting to you at the conclusion of the third quarter. Have a good day.

Operator

This concludes today's American Financial Group 2011 second quarter earnings conference call. You may now disconnect.