S&P Global
Market Intelligence

Old Republic International Corporation
NYSE:ORI
FQ1 2011 Earnings Call Transcripts

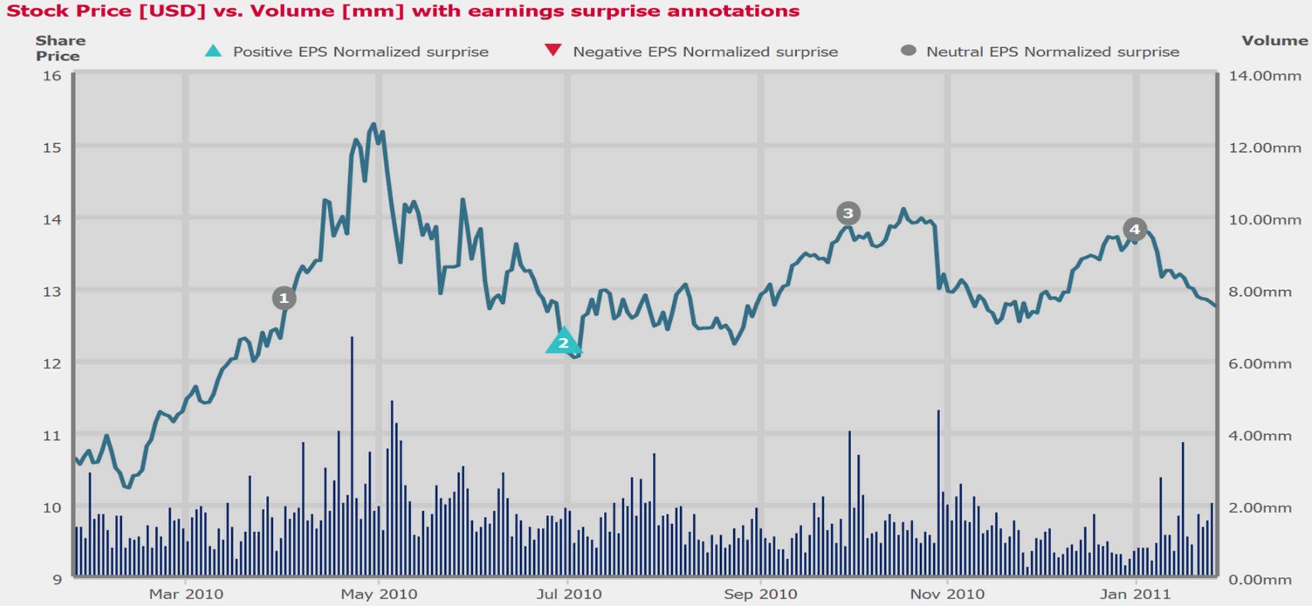
Thursday, April 28, 2011 7:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2011-			-FQ2 2011-	-FY 2011-	-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.04)	(0.07)	NM	0.10	0.46	1.05
Revenue (mm)	1119.55	1123.00	▲0.31	1121.75	4569.30	4617.75

Currency: USD
Consensus as of Apr-28-2011 3:22 PM GMT

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



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2010	(0.12)	0.10	NM
FQ2 2010	0.03	0.05	▲66.67 %
FQ3 2010	0.08	(0.17)	NM
FQ4 2010	0.04	(0.12)	NM

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Call Participants

EXECUTIVES

Aldo Charles Zucaro
Chairman & CEO

Chris Nard

Leslie Loyet

ANALYSTS

Beth Malone
Wunderlich

Bill Clark
KBW

Stephen Mead
Anchor Capital Advisors

Presentation

Operator

Please standby we are about to begin. Good day, ladies and gentlemen. And welcome to today's Old Republic International First Quarter 2011 Call. As a reminder, today's call is being recorded.

And at this time, I would like to turn the call over to Ms. Leslie Loyet with Financial Relations Board. Please go ahead ma'am.

Leslie Loyet

Thank you. Good afternoon. And thank you all for joining us today for Old Republic conference call to discuss first quarter 2011 results. This morning we distributed a copy of the press release and hopefully you've all had a chance to review it. If there is anyone online who did not receive a copy, you may access it at Old Republic's website at www.oldrepublic.com.

Please be advised this call may involve forward-looking statements as discussed in the press release dated April 28, 2011. Risks associated with these statements can be found in the company's latest SEC filings.

Joining us today from management are Al Zucaro, Chairman and Chief Executive Officer; and Chris Nard, President.

At this time, I'd like to turn the call over to Al for his opening remarks. Please go ahead.

Aldo Charles Zucaro
Chairman & CEO

Okay. Thank you. So once again we appreciate your interest in joining us with this latest quarterly review of our business. As always we assume that you've had a chance to review the news release this morning. So we don't need to repeat what's in it.

Chris and I will make therefore limit ourselves to some comments as we usually do to add a little more color to the release and then, we'll open it up to the conservation -- to the questions that you may have.

Once again there is as there has been for several quite a number of quarters now, there has been very little new to report for our business. The biggest news was last quarter, fourth quarter of last year when we announced that we had closed our on the PMA merger.

But, as you can readily see in the release our consolidated results for the first three months of this year, we're again, unfortunately posted in red ink. But the damage so to speak was about half as much as we sustained in the final quarter of last year.

The summary table on page two of the release shows that our earnings difficulties are still very much concentrated in our Mortgage Guaranty line and in the smaller but related consumer credit indemnity coverage that we and have underwritten for many years in our General Insurance segment. While the remainder of our General and Title Insurance businesses are profitable both still remain well below their long-term potential.

So let's see, if we focus first on General Insurance, the underwriting ratio there was about the same quarter-over-quarter. The CCI line as we pointed out in the release is continuing to make the biggest difference from an underwriting standpoint. Its impact was a little worse in this year's first quarter when you compare that to last year's first three months.

As -- but as we've -- as we reported for the past three quarters or so, claim payments in CCI, the activity in claim payments has been affected by a quicker resolution of certain defaulted loans. In the last six months or so the, however, the reported CCI delinquencies and the number of claims are waiting validation have truly been trending down fairly consistently. So as we speak this is also continuing and claim payment trends had fallen fairly steadily throughout the last six months or so.

Nonetheless, we are - we've been kind of reluctant to take down reserve levels in CCI. So we're still looking for greater certainty if you will that the insured institutions are in fact now staying on top of timely and proper loan default submissions before we take any action to reduce reserves in that business.

If leave aside the CCI product, which is again currently inactive and so far as new production is concerned. The remainder of our General Insurance business is performing reasonably well. The statistics that you see in the exhibit that we posted on our website this morning show that the three largest coverage's of workers compensation and commercial automobile which is truck insurance and general liability continue to product very acceptable claim ratios.

The last three years as matter of fact X the CCI impact, these ratios have averaged about 67.9% almost 68%. So that the 68.9% that we show in the first quarter in the exhibit is very much inline with that.

So if you add another say 24, 25 points of expenses to that ratio, you can readily see that the book of business in General Insurance is generating about 5 points of underwriting margin and we think that that's a very good result.

The main issue therefore with our General Insurance business continues to revolve around a fairly lethargic topline. Market conditions as we see them are not sufficiently positive for us to be more aggressive on the production front.

We, in fact, continued to believe that the American economy remains relatively weak and that sales and employment levels in particular need to get quite a bit stronger and provide a greater -- and thus provide a greater uplift to premium production.

We also think that there is more than sufficient commercial insurance capital availability in the marketplace to keep a lid on premium rates.

As we've indicated before starting last quarter, PMA's addition to our book of business will and should provide a substantial boost say, 22%, 25% to our premerger core business line in General Insurance when you compare -- when we ultimately compare all of 2011 with 2010.

So, in our view General Insurance production is going to be again uplifted more as a result of an improvement in the American economy rather than any premium rate increases. And that would be particularly true again, if -- particular so. If interest rates should as we expect them increase to any significant degree in which of that investment income should make a part of the slack.

So, bottom line wise the release shows that PMA's contributions to the first quarter results and all of that was very much inline with our expectations. There were no surprises in what happened to with that business post-merger.

See with respect to General Insurance earnings quality, again we enjoy talking about the fact that prior year's reserves have continued to develop favorably in this year's first quarter. General Insurance operating cash flow as we made a positive but not sufficiently so as to increase the invested asset base particularly when you considered the fact that we do take cash dividends out of our General Insurance companies.

So that the improvement in the positive aspects of cash flow does tend to not add measurably to invested assets and therefore it's not helping when you considered the fact that we are operating still in a very low yield environment in which we're managing investable funds.

Let's see, Chris why don't you pick up from there.

Chris Nard

Yeah. Thank you. Good afternoon, everybody. As you can see in our release Old Republic's Mortgage Guaranty results in the first quarter deteriorated from the same period last year. In looking at the comparison when you set aside the impacts of various captive commutations and pool insurance terminations that occurred in the first quarter of 2010 the weakness that appears who have been in the claim payment trends and an increase obviously in the first quarter of 2011. Changes in the reserve provisions related predominantly to our expectations for future recession activity and an expected decline in operating revenue.

Well, the first quarter comparison were negative pre-tax operating results did improve relative to the prior quarter. On the production side of the business trends including new insurance written and net earned premium continue to be challenged. These items were down 8% and 16% respectively in the quarter-to-quarter comparison. Although in the net earned premium line they were roughly flat in comparison to the prior quarter.

These trends have existed for a while and are largely as a result of several factors that we've seen one obviously the low level of housing activity. We continue to see across the country housing and mortgage activity, a continued run-off of our bulk book of business which is accelerated by the termination of several core contracts throughout the year and we're funded premium related to the higher level of claim recession activity we've seen through this crisis.

As we've mentioned in previous quarters though this trend is expected to decline throughout the year as those recessions become a smaller percentage of the total claim settlement population. Net risk enforce is affected by that same production environment. The levels of new production we're experiencing today. Our inefficient -- insufficient offset the reduction of the risk in the portfolio that's been leaving due to refinancing activity or claim settlements throughout the period. We would continue to expect that these production trends will be challenged throughout 2011.

Let's look to the MI penetration rate. MI penetration rates while they remained at very low levels. We have begun to see a slight bounced back from the historical lows we experienced in 2009. We would estimate that the industry penetration rate is trended up slightly and is bouncing between that 5% and 6% level that would compare to a range with the level of about 3% to nearly 15% that range existed in that '08 to 2010 time period. As far as our Mortgage Insurance business market share goes that has trended down over the last few quarters and we would expect estimate that the fourth quarter of 2010 that share was about 7.5%.

With regards to the primary competitor of the Mortgage Insurance industry the FHA. The FHA of late has been the primary constraint to growth in the MI penetration rate. But they have continued to make changes that we would anticipate will moderate their dominate market share overtime. These changes have certainly enhanced the MI verus FHA rate comparison in several areas. Particularly in the high FICO arena and we would imagine we'll support an overall improvement in the long run MI penetration rate.

However, the ultimate impact of those changes certainly depend in part on the loan level pricing adjustments that we see on high LTV loans from the GSEs. On the delinquency front, we continue to see some improvement, total delinquencies were down 31% and the traditional primary delinquents declined 25% when you compare the first quarters of this year with the first quarter of 2010.

The decline in the delinquent inventory for the quarter is largely reflective of a long-term trend that we've began to see if the drop in the newly reported delinquents as been consistent for sometime now. Reductions in overall delinquents are rising from the termination of pool contracts that we've mentioned previously, obviously from the increased paid claim levels we've seen and some slight improvements in the cure ration trends.

And also the HAMP program that we've talked about for few quarters continues to generate some cures for the MI business, but is that program tails off obviously newly reported HAMP cures are down as expected. But we've been encouraged by some of the private modification programs that we've seen recently out of Fannie Mae and other large services.

The ongoing issues, we've talked about with foreclosure moratoriums and the various backlogs and states. They've had the anticipated impact on our business that we've discussed in prior quarters. What we've seen there is the extended timeframe, the resulting extended timeframe that some loan spend in the advanced delinquency stages and it is also resulted in some choppy paid claims trends as those moratoriums clear the foreclosure system, it’s somewhat unpredictable timeframe.

Moving to our risk to capital you can see from the release that the ratio amongst our Mortgage Guaranty Insurance group of companies remains over the 25 to one level. And at the end of the first quarter was at 31.6 to 1. Our flagship company republic Mortgage Insurance company is domiciled in North Carolina and operates today under a waiver from the North Carolina Department of Insurance.

That waiver permits us to continue to write business in the flagship company when the risk to capital ratio does exceed the 25 to 1 level. There are certainly several other states that have risk to capital ratio guideline and then the event that one of those states with the similar requirement would choose either not recognize the North Carolina waiver. We like other MIs have an agreement with the GSEs that would permit us to write business in a separately capitalize subsidiary in the event that one of the other states was not amendable to that waiver.

In summary we continue to see improving trends in the newly reported delinquencies and certainly recognized potential for the increase in the MI penetration rate, but these positives continue to be offset by the slow recovery we are seeing in the job market and what has been a expected, but continual decline in home prices and obviously lower recession levels and we mentioned earlier and we would expect these conditions will persist throughout the year and then continue to contribute to what we when anticipated a slow recovery in the Mortgage Guaranty business in 2011 and '12.

Let me jump to a little bit more positive story in housing business and review the quarter for our Titled Insurance company, Old Republic Title Insurance business continues to build on the positive momentum we've seen over the last several quarters. In the first quarter of this year we posted a pre-tax operating profit of $2.6 million and that compares to a loss of $8.6 million in the same period of 2010 in the first quarter.

Premium and fees on our Title Insurance business continue to show strong growth and we're up 30% over last year's first quarter. These gains continue to reflect the growth on our market share which is resulted from the industry dislocations we've seen in the Title business over the last few years. Our joint venture with the attorney's Title Fund in the state in Florida. And the organic market share growth we've seen around the country. We would estimate that in the fourth quarter, which is the most recent numbers we have our market share on the Title Insurance business was around 11.5%.

On the expense ratio for the first quarter of 2011 was 93%, which was down in comparison to the same quarter of 2010 when we posted an expense ratio of about 95.5%. Claim ratio was 7.8% for the first quarter, and it was up just slightly in comparison to that same period of 2010 when it came in at about 7.4%.

We mentioned the impact of the foreclosure moratoriums when I referenced the Mortgage Insurance section. They played down the Title Insurance business as we had anticipated and discussed in the last quarters and we think that will continue and would not anticipate that those create significant exposure for our Title Insurance operation.

So when we look back on the Title business, we think we’re making good progress in stabilizing that business and we’re opportunistic that we’ll continue to stabilize throughout 2011 and on.

With that I’ll turn it back over to closing comments to Al.

Aldo Charles Zucaro
Chairman & CEO

Okay. So before we turn it to the question you may have, we’ll just confirm again that our balance sheet remains in very good shape. We’ve more or less completed the revamping of the PMA investment portfolio to align it with our system-wide approach and investment policies, and to eliminate any existing asset and liability correlations that existed in that portfolio, and again to align it with our own asset and liability requirements.

Liquidity throughout our business remains very good other than except for the MI line and operations for this year should continue to produce positive operating cash flows. From a profitability standpoint, we still think that mortgage insurance results are not likely to be written in black ink before late 2012 at the earliest. This period, in a way, so to speak is needed.

We think to allow housing supply and foreclosure activity to stabilize and for the mortgage lending industry to be reconfigured, as well as for the mortgage guarantee insurance business model to be re-examined to better assure its long-term solidity and its positive contribution to housing finance, which it was intended to do for the long run.

On the liability side, we're comfortable with the overall quality of our reserves structure and as a matter of fact in this year's first quarter prior year's aggregate reserves developed near breakeven. So they did not impact to any significant affect -- a degree of the current year's results.

Our debt level as you may have noticed has grown substantially in the past two quarters. In last year's final quarter we had acquired some $130 million or so of debt through the PMA merger. And in this year's first quarter we added another $550 million in the form of a seven-year debt, which we affected through the issuance of a 3.75% convertible debt in early March of this year.

Our plans are to use these new funds to refinance to some advantage about a $100 million or so of the debt that we assumed from the PMA companies. And to add as much as -- as a $100 million of capital to one of our MI insurance subsidiaries as we had indicated over the last couple of years or so. And in order to keep its risk to capital ratios viably under control.

The remaining 335 were there about its 1 million or so of proceeds. We'll keep that as a liquidity fund to potentially redeem next year. The 2009 convertible debt that's currently outstanding, if that debt does not in fact convert to common stock, and if it should convert to common stock then the current intention is to add there as much greater liquidity fund to the capital needs of our general and title insurance business, in particular, to assure their continued growth over time.
Let's see, having said this, I guess we'll now turn it to your questions.

Question and Answer

Operator

(Operator Instructions) And we'll take our first question from Bill Clark from KBW.

Bill Clark
KBW

Good afternoon, everyone.

Chris Nard

Hi Bill.

Bill Clark
KBW

I'm wondering did the MI companies had talked about seeing an acceleration in claims received in April with some of the foreclosure issues being cleared up at least to some extent. I wondered if you guys had seen any kind of similar trend emerge over the last several weeks?

Chris Nard

Bill, I couldn't address what happened over the last several weeks.

Bill Clark
KBW

Okay.

Chris Nard

I just haven't seen that yet.

Bill Clark
KBW

All right. And in the General Insurance business -- considering it's kind of in the renewal season or has been recently, I am wondering if you could talk about any notable pricing impacts across any of your business lines for any type of renewal activity?

Aldo Charles Zucaro
Chairman & CEO

No, as we try to say before, we just don't see it. Again, there is plenty of capacity out there in the long tail lines now all of these earthquakes and so forth may impact the ability -- the property side of insurance and reinsurance, I'd say.

But in so far as liability coverage is a concern, there is plenty of capital and we just don't see particularly with the lack of growth in the American economy, which is putting a lid on premium on organic premium growth. We just don't see the making so that a significant rate changes in the business.

Bill Clark
KBW

Okay. Thank you very much.

Aldo Charles Zucaro
Chairman & CEO

Yeah.

Operator

And we'll take our next question from Beth Malone from Wunderlich.

Beth Malone
Wunderlich

Hey, thank you. Good afternoon.

Chris Nard

Hello, Beth.

Beth Malone
Wunderlich

Hi. Couple of things. On the -- Chris you often talking about that cure rates and new delinquency rates are kind of one of the dull weather calculation or estimates that you look for in an improving mortgage market. And, my understanding is both the cure and new delinquency rates are have been improved from almost a year now. But --.

Aldo Charles Zucaro
Chairman & CEO

Yeah let's -- what we've seen is the newly reported have been going down consistently for an extended period of time. Cure rates, a more recent phenomenon improvement.

Beth Malone
Wunderlich

Okay, not a year. Well I guess my question is, if these things are improving, when do we actually see the benefit of that in the reported combined ratios that are reported in the Mortgage Insurance operation?

Aldo Charles Zucaro
Chairman & CEO

Well, what's going to happen is, the cure rates have to improve more than they have today. So, you've got to start getting the cure rates consistently above the newly reported delinquents. So today, we bounced around close to that from time to time and good quarters and it falls a little behind. But, the cure rates still generally lag the newly reported delinquents, even though the newly reported delinquents had been on the solid downward trend.

Another thing you've got to take into account is the impact of the declining rescission rates that we look at each quarter. And then, obviously looking to some leveling of these choppy pay claim numbers from quarter-to-quarter.

Beth Malone
Wunderlich

Okay.

Aldo Charles Zucaro
Chairman & CEO

And so again that's as Chris has said as we've said repeatedly over time. You've got so many variables and all of them have got to, come together positively for you to see a benefit -- a long range benefit in the loss ratio.

Beth Malone
Wunderlich

Okay. And then on the FHA changing their rate, when have you seen any impact on your business from actions by the FHA or does it take a much longer time?

Chris Nard

It takes a longer period. I think their rates -- I think they had an uptick in October and then a second uptick in mid-April of this year, I think just recently. And the other moving part there Beth is the Fannie, Freddie prices. So, I think the mid-October rate increase from the FHA may in fact have been somewhat muted based on an increase in pricing from Fannie and Freddie.

So, what we would need to materially improve penetration rates is, less attractiveness in the FHA pricing scheme but also some stability in the GSE pricing.

Beth Malone
Wunderlich

Okay. And then along those lines, the Dodd-Frank Act has a proposal in it, which would require -- which would encourage people to have 20% down, which is something like 60% of the people who borrow for home -- 60% tablets and 20% down. So it's a big part of the market. What do you all think about proposal, the outlook on that occurring and what changes they might put into the proposals, make it more amenable to the mortgage insurance market?

Chris Nard

Sure. I -- but I would pass words, but I'm not sure they didn't encourage us or discourage us anything. It’s simply and its draft release said that if the borrower had less than 20% down. Then the blender might have to hold additional capital on that loan. We would say here at Old Republic we're supportive of anything that encourages, reasonable high LTV lending.

There is a long common period to go on, this all -- what's your referencing falls under, let's call it a qualified residential mortgage language. There is a long common period to go before we setting stone, what the capital requirements vis-à-vis the down payment are on those loans. So we're actively as a trade group, trying to encourage regulators in that vicinity to make that model a little more supportive of the MI business or at least to get us on par with the FHA execution.

So the common periods got a while they run both and they've got to absorb those inputs and then it takes about a year after the end of the common period before anything would take effect.

Beth Malone
Wunderlich

Okay. And then a question on the CCI, are there consumer credit, what's -- it sounds like should we assume that that business pretty much nears the mortgage insurance business in terms of its period of recovery or can we expect that CCI will have less of a negative impact on the combined ratio of the general insurance operations over time?

Aldo Charles Zucaro
Chairman & CEO

Well, right now that's unlike the mortgage guarantee business, which is admittedly producing a low volume of new insurance. The CCI product is not producing anything new, right it's fundamentally on a temporary run-off basis, pending the yield currents of two things.

First, that we finished redrafting the policies and reestablishing a new rate structure for that business to reflect the bad experience, underwriting experience we've had. And two, for there to be demand by the lending community for coverage of home equity or what have you types of loans. And of course that's not happening by any stretch of the imagination.

So, until those two things happened, what you're going to see with us is one, it continued to decline in the premium volume, since as loans are repaid or as we pay claims or what have you, it inherently is on the downtrend. And secondly, with the improving economy and so forth, we should start seeing an improvement in the loss ratio. But, truly that business has shown unlike any past period that it is very -- it has been very much aligned with the trends and patterns of the first mortgage business.

Beth Malone
Wunderlich

Okay. And then finally, you mentioned that you're not -- not really seeing evidence of improved pricing in the general insurance. But, are you seeing increased demand, because there is a lot of information suggesting that trucking demand for trucking is certainly improving?

Aldo Charles Zucaro
Chairman & CEO

Yeah, absolutely wherever you have -- whatever industries we're involved in okay, that are improving, in terms of garnering more -- more sales or garnering more traffic in the case of trucking and so forth. Yeah, you are getting, we are getting some organic growth there. But that's not by any structure the imagination due to any positive change in rates.

Now, here and there, in some parts of the country, in the workers compensation area we are getting some modicum of rate improvements, particularly on pieces of business that are loss sensitive, where in fact, we are enabled to increase the customers' cost by virtue of the experience or negative experience that a individual customers may have produced.

But on the big picture basis, we just don't see, let's say, anything like well you may not have been around, but likely experienced back in the late 1980s when the whole market grew by leaps and bounds primarily on the strength of both on improving economy on the one hand as well as substantial rate, positive rate changes, we just don't see that right now.

Beth Malone
Wunderlich

Okay. Thank you.

Aldo Charles Zucaro
Chairman & CEO

Yes.

Operator

(Operator Instructions) We'll take our next question from Stephen Mead from Anchor Capital Advisors.

Stephen Mead
Anchor Capital Advisors

Hi.

Aldo Charles Zucaro
Chairman & CEO

Hi, Steve. How are you?

Stephen Mead
Anchor Capital Advisors

Good. Can you talk a little bit more about the PMA merger and it also; I know that they were using the reinsurance balance recoveries in terms of the year-over-year increase that you incurred. What was on the balance sheet? But as far as PMAs business, how was its business in the quarter in terms of relative to last year. And then also from an underwriting standpoint for the reinsurance side, are there any things that you will do along those areas?

Aldo Charles Zucaro
Chairman & CEO

Yeah. Well relative to the first quarter of, I don't have that's not going from memory, Steve. But relative to the first quarter of 2010, I'm going to say that the totality of the PMA business that we booked this quarter produced about the same results. And as we say, as I believe, yeah we said it in the first -- on the first page, bottom on the first page of the release, it produced about a $7 million post tax bottom-line. That company is capable and was capable on absence in the unusual matters was capable of producing $25 million to $30 million worth of honest of goodness profitability. So, we think that that's going to continue based on everything we know. The only change so far that we have made, not that we expect very many changes except perhaps some greater focus on some areas of strength that PMA has.

The only major change from the merger date forward has been the fact that we did increase our retentions. As you may know, our retentions in workers comp, let's say at Old Republic are in about $2.5 million to $3 million range. Whereas PMA's retentions were much lower than that -- $0.5 million they were about as I recall.

So that's having a positive effect on the top-line from the standpoint that we're retaining more of the business than was the case when PMA was operating on its own. And may be that's what, that was the thrust of your question when you referred to reinsurance.

Stephen Mead
Anchor Capital Advisors

Okay. And then just year-over-year comparisons. What was the CCI business in terms of revenue and in terms of premium, how much was it down year-over-year?

Aldo Charles Zucaro
Chairman & CEO

Well I don't mean to evade the question, Steve. But, one other things that affects that business is that, historically some 40% or 45% of it has been retro rated, meaning on account-by-account basis. The premiums, we've had the ability on accounts which let's say are produced at results to increase premium. So, therefore depending on what the loss ratios are on individual accounts in any one period, it does have an effect on the topline.

But, Chris you have that sheet of paper there it shows what the -- yeah, year-to-date in 2000 -- for all of 2010 just to give you an idea. We for the full year, we had premiums earned of about $88 million. And, of that roughly $18 million, okay, was retro adjustments, okay? This year-to-date first quarter, we've got about something short of about $21 million of which $6.5 millions of there about is retro rated --is retro rated adjustments, okay.

So, if you assume the same level of retro adjustments for the rest of the year, which I think would -- is not necessarily a good assumption given the fact that the retros operate on an account-by-account basis and nobody knows, where individual accounts end up on a quarter-to-quarter or year-to-year basis.

But if you just take the 20 million that would imply about $80 million of earned premiums this year, which would be about 10% less than last year. My gut forward its worth is that we are probably going to end up the year with some $65 million, $70 million of earned premiums. Because again, quite a bit of that business just as its occurring in the mortgage guarantee businesses, is being is lopping off.

Stephen Mead
Anchor Capital Advisors

All right.

Aldo Charles Zucaro
Chairman & CEO

As loans get repaid or as we pay claims and therefore the enforced, the risk enforce on which the premiums are based, it goes down. And so I think that's the best I can give you and answer to your question.

Stephen Mead
Anchor Capital Advisors

And then same thing in terms of 2012 your - you would trend again?

Aldo Charles Zucaro
Chairman & CEO

Well, yeah. I mean unless we were -- unless the market should change significantly in terms of both demand for the coverage on the one hand as well as acceptability or acceptance by the market of what we have in mind, as to what the rate structure should be going forward, all right.

I think it's going to take a while yet for lending institutions to need, now, maybe the smaller banks in particular might require the coverage sooner than the larger lenders. But, we think it's going to take about the same amount of time as the Mortgage Guaranty to fix it self from a volume standpoint in particular.

Stephen Mead
Anchor Capital Advisors

Okay. If I could just from education, the FHA rates -- I know they've been raised, but what are your rates today or the business that you are doing versus say the business that goes to the FHA. How does the rates compare and what rates have to get to make a sense?

Chris Nard

As I referred to earlier that you got to think about the total borrower execution. So that is the mortgage insurance rate, the cost of the conventional financing from the GSE combined with the -- against the FHA execution.

I think the best way to think about it because it varies by every product attribute FICO score, LTV. I mean it being possible to cover. But I think it's safe to say with these recent changes generally the mortgage insurance execution is a more attractive execution on high FICO score loans.

So when you get over that 7, 20 bucket I think in the last adjustment, the MI execution was better in the high LTVs but predominantly in the 90% LTV space. I think when you look at this adjustment the MI execution is attractive across all LTVs, as long as the borrower has a very attractive FICO score profile.

Stephen Mead
Anchor Capital Advisors

Okay. Thanks.

Operator

And we do have a follow-up question from Beth Malone.

Beth Malone
Wunderlich

Hey, thank you. Yeah, one more thing on -- can you, I know you don't generally talk about specific competitors. But could you talk about some color on maybe what AIG was doing in the market in the first quarter relative to the markets you run on the general insurance side. Did you see a change or has it had any impact in your pricing or marketing?</TAG>

Aldo Charles Zucaro
Chairman & CEO

Well as you anticipated, we don't have any comments on that.

Beth Malone
Wunderlich

How about in general -- are there any barge competitors that are behaving differently in the direct market?

Aldo Charles Zucaro
Chairman & CEO

Well, I think in all fairness if you look at individual companies, the large ones again which we compete typically. If you look at their top-line that's going to indicate what the heck they're doing, anybody that's growing fast and furious in this market, if I wear new shoes I'll be suspected.

Beth Malone
Wunderlich

Okay. All right. Well, thank you.

Operator

(Operator Instructions). And it appears we have no further questions. I would like to turn the call back over to Mr. Al Zucaro for final comments.

Aldo Charles Zucaro
Chairman & CEO

Okay. Well, thank you. And, again, we thank and appreciate everyone's participation in this quarterly visit. And as always we look forward to a repeat next quarter and many quarters going forward. On that note you all have a good day. Bye.

Operator
Once again ladies and gentlemen that concludes today's conference. If you are interested in listening to the replay, the phone number is 877-870-5176 using the pass code 2876635. Again that number is 877-870-5176 then using the pass code 2876635. Have a good day.