S&P Global
Market Intelligence

Old Republic International Corporation

NYSE:ORI

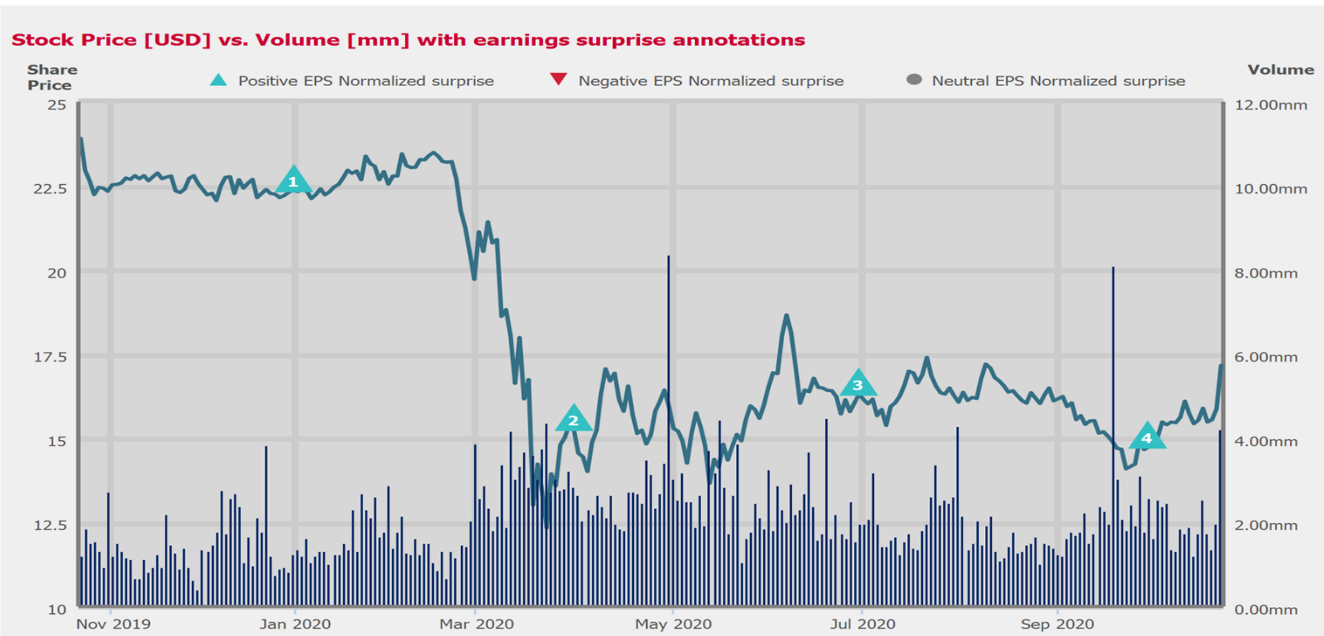
FQ3 2020 Earnings Call Transcripts

Thursday, October 22, 2020 7:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2020-			-FQ4 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.44	0.62	▲40.91	0.40	1.70	NA
Revenue (mm)	1683.00	1803.00	▲7.13	1697.00	6052.00	NA

Currency: USD
Consensus as of Oct-22-2020 3:20 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	0.42	0.47	▲9.30 %
FQ1 2020	0.31	0.47	▲51.61 %
FQ2 2020	0.40	0.42	▲2.44 %
FQ3 2020	0.44	0.62	▲40.91 %

Table of Contents

Call Participants

EXECUTIVES

Carolyn Jean Monroe
President

Craig Richard Smiddy
President, CEO & Director

Karl William Mueller
Senior VP & CFO

ANALYSTS

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

John Thomas Heagney
Dowling & Partners Securities, LLC

ATTENDEES

Joe Calabrese

Presentation

Operator

Good day, and welcome to the Old Republic International Third Quarter 2020 Earnings Conference Call. This conference is being recorded.

At this time, I would now like to turn the conference over to Joe Calabrese with MWW PR. Please go ahead.

Joe Calabrese

Thank you. Good afternoon, everyone, and thank you for joining us for the Old Republic conference call to discuss third quarter 2020 results. This morning, we distributed a copy of the press release and posted a separate statistical supplement, which we assume you have seen and/or otherwise have access to during the call. Both of the documents are available at Old Republic's website, which is www.oldrepublic.com.

Please be advised that this call may involve forward-looking statements as discussed in the press release and statistical supplements dated October 22, 2020. Risks associated with these statements can be found in the company's latest SEC filings.

This afternoon's conference call will be led by Craig Smiddy, President and CEO of Old Republic International Corporation and several other senior executive members as planned for this meeting.

At this time, I would like to turn the call over to Craig Smiddy. Please go ahead, sir.

Craig Richard Smiddy
President, CEO & Director

Thank you, Joe. Well, good afternoon, everyone, and welcome again to Old Republic's third quarter earnings call. With me today, we have our CFO, Karl Mueller; and Carolyn Monroe, the President of our Title Insurance Group.

So we're, obviously, very pleased with the results we posted for this quarter, especially the record performance we saw in the Title Insurance Group along with the improvement in the underwriting profit in the General Insurance Group. Overall, a very strong quarter with $0.62 of operating income per share and a consolidated combined ratio of 92%.

Although growth in net written premiums returned to our General Insurance Group this quarter, the pandemic has made it difficult to grow General Insurance's net earned premiums this year. However, our Title Insurance Group set yet another production record this quarter and year-to-date.

So we continue to see the benefits of our strategy to focus on the P&C and Title markets, delivering a diverse portfolio of specialty products, combined with an exceptional customer service record in each of these markets. As demonstrated in our results, this strategy continues to contribute to our track record of more consistent growth and profitability when we combine the two.

So at this point, I'll turn the discussion over to Karl to review our overall consolidated financial results. Then he'll turn things back to me to cover the General Insurance Group, followed by Carolyn, who will discuss the Title Insurance Group, then we open up to Q&A. So with that, Karl?

Karl William Mueller
Senior VP & CFO

Very good. Thank you. Good afternoon, everyone. This morning, we announced third quarter net income, excluding all investment gains and losses of $0.62 per diluted share, which is an increase of 21.6% from the third quarter a year ago. For the first 9 months of 2020, net income, again, excluding the investment gains and losses, was $1.50 per diluted share, which was up 10.3% from 2019.

Consolidated net premiums and fees earned grew by roughly 6.5% during the third quarter and 6% for the first 9 months of the year. This growth was primarily fueled by our Title operation as it reported strong 17% growth for both this year's third quarter as well as on a year-to-date basis.

Net premiums earned for the General Insurance Group were relatively flat in 2020 compared to the same period a year ago, posting an approximate 1% decline in both 2020 periods. The run-off mortgage business earned premiums continued to decrease, in line with our expectations. This segment of the business is predictably becoming even less significant to the consolidated totals.

Net investment income decreased by 5.6% for the quarter and 2.5% year-to-date. And that's largely attributable to lower yields that more than offset the growth in the invested asset base and that growth results from the investment of the significant positive operating cash flows that we reported.

Looking then to underwriting results. This quarter's consolidated combined ratio declined to 92% compared to 94.4% registered last year. For this year's first 9 months, the combined ratio improved to 94.2% from last year's 95.2%. The improvement was driven by greater underwriting results in both the General Insurance as well as the Title groups, as Craig and Carolyn will discuss momentarily.

All 3 segments recorded favorable development of claim reserves in the quarter and for the year-to-date. On a consolidated basis, this reduced the reported claim ratios for the current quarter and year-to-date periods by 1.5 and 0.9 percentage points, respectively. The allocation of -- the investment portfolio at the end of September remained relatively unchanged with earlier 2020 and 2019 periods. Approximately 3/4 of the portfolio is invested in bonds and short-term investments, remaining 25% is allocated to equity securities, primarily large-cap companies that have a long history of paying and steadily increasing dividends. We don't currently anticipate any material changes to our investment strategy.

Further improvement in financial markets resulted in a third quarter rise in the valuation of our equity portfolio by roughly $79 million. At September 30, the equity portfolio reflected an unrealized gain of $412 million. And as of yesterday's close, the portfolio had rebounded by an additional $100 million.

The retention of earnings in excess of dividends paid in combination with increases in the fair value of investments during the quarter contributed to the book value per share reaching $20.39 at the end of the quarter. Net, inclusive of dividends paid, is a 4.7% increase from June.

So now let me take a moment or 2 to make a few comments regarding our run-off mortgage insurance segment. One positive development is that the business has returned to operating profitability, which totaled $4.5 million for the third quarter and $8 million on a year-to-date basis. We continue to closely monitor the impact of unemployment levels as well as the effects of government loan forbearance programs on reported delinquencies.

During the third quarter, delinquencies declined by 4.4%. And another positive note is that the proportion of delinquent loans in forbearance increased to 47% of the total, up from 41% at June. Our experience and expectation is that these loans will have a lower ultimate claim rate, and therefore, we continue to segregate and reserve for this population of loans separately.

From a capital perspective, the mortgage company's statutory capital, at the end of September, totaled roughly $424 million. And after dialogue with our state regulators, we expect to resume the payment of extraordinary dividends from the mortgage companies, starting again in 2021.

So overall, as Craig mentioned earlier, we believe the results this quarter were very favorable. And with that overview, I'm going to now turn it back to Craig for a discussion of General Insurance Group.

Craig Richard Smiddy
President, CEO & Director

All right. Thanks, Karl. So as Karl and I both touched on, compared to 2019 third quarter and year-to-date, the General Insurance Group net premiums earned remained relatively flat mostly as a result of the pandemic, while net premiums written began to increase once again in the third quarter. Compared to 2019 third quarter and year-to-date, pretax operating income rose by almost 21% in the quarter and by almost 7% year-to-date. And of course, this is resulting primarily from improved claim ratios.

The overall combined ratio improved from 97.7% to 95.5% in the quarter and improved from 97.1% to 96.5% year-to-date. The claim ratios we reported were inclusive of prior year favorable development of 0.8 percentage points in the quarter and 0.5 percentage points year-to-date. Again, compared to the 2019 third quarter, net premiums earned in commercial auto grew by 1%, while net premiums written grew by 6%. This reflects some restoration of the exposure base in the third quarter along with the positive effects of rate increases, which for this line of coverage, now continue in the low teens.

Our third quarter commercial auto claim ratio improved to 80.4% compared to 85.6% in the same period of 2019. And we think this reflects the work that we have been doing year in and year out on this line of coverage as we continue, of course, with rate increases and as we continue to perfect our stricter risk selection criteria to bring that ratio back in line with our target in the low 70s.

Claim frequency, I'll touch on here, too, for this line rose from the lows we saw in the second quarter, but it's still not at the pre-pandemic levels. And as far as severity that began all the way back in 2013, we think it still continues due to higher speeds and of course, the so-called social inflation influences on settlements.

Turning to workers' compensation. Compared to the 2019 third quarter, workers' comp net premiums earned and written both fell 11%, reflecting a reduced exposure base as payrolls have not rebounded, certainly not to the extent that we saw with commercial auto exposures. And additionally, of course, we're -- we've been faced with rate decreases in the marketplace on this line over the last few years. And although there's still some rate decrease, we're approaching flat rates in this line.

The workers' compensation [indiscernible] ratio came in at 54.1% compared to 55.4% in the third quarter of 2019. Here on, aside from COVID-19-related claims, claims frequency here, too, rose from the lows that we saw in the second quarter, but frequency is still not back to the pre-pandemic levels for this line either.

Just to touch on COVID-19 workers' compensation claims here as well. They continue to behave as we discussed following the first and second quarters, with 95% of our COVID-19 workers' compensation claims coming from loss-sensitive business such as large deductibles. And then separately, 95% of the COVID-19 claims continue to be very mild in nature with very low claim payments, with less than 1% of the claims severe or fatal.

So we continue to be comfortable with our current accident year loss ratio selection for workers' comp, taking into consideration the lower frequencies, the loss-sensitive nature of our business and the high proportion of mild cases for COVID-19 claims.

Turning to general liability. Our claim ratios there show an increase in the third quarter relative to the '19 -- 2019 third quarter. But as we typically point out, this is a smaller line of coverage for us. And therefore, there is less stability in the claim ratio quarter-to-quarter. And recall, we typically provide this coverage along with workers' comp and commercial auto coverages. So for the 3 of those coverages combined, the commercial auto, work comp and general liability, the third quarter claim ratio came in at 72% as compared to 73% in last year's third quarter. The remainder of our other line of coverage claim ratios all showed improvement relative to the third quarter of 2019.

So we think our strategy that includes providing large P&C clients with loss-sensitive programs continues to contribute to greater consistency in our profitability, and while it will be difficult for General Insurance to achieve our top line growth goals for this year, we'll continue to seek the appropriate price for our products and we'll continue to focus on improving our underwriting profitability.

So with that, I'll now turn the discussion over to Carolyn for her comments on the Title Insurance Group who, by the way, along with her team, continue to execute at an extremely high level, providing outstanding customer service. And Carolyn, with that, I'll turn it to you.

Carolyn Jean Monroe
President

Thank you, Craig. As reported this morning, the Title Group posted stellar third quarter and year-to-date results for 2020. Our Title employees continue to press on effectively serving the needs of agents and customers through what continues to be very challenging times. I am grateful and honored to be associated with such a dedicated and hard-working group of individuals.

All-time third quarter and year-to-date highs were set for both underwriting revenue and operating profit. As Karl reported earlier, total premium and

T revenue was up approximately 17% for both the quarter and year-to-date, our pretax operating income of $103 million for the quarter compared to $73 million in last year's third quarter, an increase of $30 million or 41.5%.

Year-to-date, pretax operating income of $212 million compares to $154 million in the prior year-to-date period, an increase of $58 million or 37.9%. Year-to-date 2020, our combined ratio of 91.2% compares favorably to the 92.9% reported for the comparable 2019 period.

Technology continues to be an important focus for our industry and for our company. We continue to make notable inroads with Pavaso, our digital closing platform to meet the growing need and expanded use of remote finding as a result of shelter-in-place orders. We expect this growth in adoption of the digital closing model to continue due to the ease and flexibility being experienced in the marketplace, accelerating its usage and acceptance.

Within the Title Group, we implemented a robotic process automation platform and experienced early success with the initial bot and are moving forward with deployments across all areas of our business to exploit the benefits of this technology. Most notably, we expect to realize improved accuracy and compliance, benefits of scalability and increased speed and productivity, which plays to our strengths in technology and customer service.

The robust growth seen so far in 2020 reflects the continued strength in the U.S. mortgage origination market, in particular, refinances. As we enter the fourth quarter, order counts remain strong, mortgage rates are projected to remain favorable and homeowners, with a renewed focus on their living space, should all contribute to an expected strong finish to the year.

I can't say it enough, my hearts and gratitude goes out to all of our employees as they remain focused and positive as they all deal with the increased daily challenges, both professionally and personally during these difficult times. The same goes for our Title agents, where our focus on service differentiates Old Republic in the market.

Our accomplishments are achieved with the unwavering commitment of our employees and the support of our agents. As with past challenges, we will rely on the same guiding principles of integrity, managing for the long-run financial strength, protection of our policyholders and the well-being of our employees and customers that have served us well for over the last 100-plus years. And with that, I will turn the call back over to Craig.

Craig Richard Smiddy
President, CEO & Director

All right, Carolyn. Thank you very much. Congratulations on a great quarter and year-to-date results. So again, we're very pleased with this quarter's operating results, both in the Title Insurance Group and the General Insurance Group. Our strategic diversification between general insurance and title insurance continues to produce superior, more consistent results, and we will continue on with our focus on underwriting excellence and profitability and, of course, customer service.
So that concludes our prepared remarks, and we'll now open up the discussion to Q&A.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Greg Peters with Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

I guess I have a question that focuses on a line item in each of the segments' operating results and that's around the paid loss ratio, and I'd like to just zero in on the year-to-date numbers. The year-to-date in the General Insurance business is running apparently around 58.2%, which compares favorably from the year ago. And if I look at the annual comparisons, you show in the statistical supplement, it's running lower than all of the preceding couple of years that you identified. Same with the Title insurance, 1.8% versus, I think, 2.9% in the year ago. And then finally, we see this also in your run-off business, the settled and paid loss ratio running well below last year's results. And so I'm hitting all 3 segments, but it does appear like you're building reserves. And I thought maybe you could comment on those numbers in each of the segments.

Karl William Mueller
Senior VP & CFO

Well, Greg, this is Karl. Let me kind of address your question. I mean, relative to the run-off mortgage operation, that just makes complete sense that there's been a slowdown in paid claims because of the foreclosure moratoriums and forbearance programs. Basically, delinquencies are frozen in place. And payments have gone down substantially as we've noted in the release. Same thing, I think, applies largely to the Title Insurance business.

And then as far as General Insurance is concerned, I'm not aware of any unusual trends that would cause the ratio to decline. But certainly, it does result in the reserve balance on the balance sheet increasing as I think we've shown in the release. So nothing changed in terms of claims settlement process from an internal process perspective.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. Well, then pivoting to the General Insurance business, your consolidated result is still tracking, I guess, a little bit above what your 10-year average, what your target is, but it certainly seems like this quarter reflects progress being made to getting back to the low 70s, if not below the low 70s. And I know you commented a little bit about it in your opening remarks, Craig, but maybe you could add some color as we think about not necessarily the balance of this year, but as we think about '21 and '22.

Craig Richard Smiddy
President, CEO & Director

Sure, Greg. Well, as we pointed out in the release, it's very apparent to everyone that the income from our investment portfolio, it is under pressure. The reinvestment yield has come down. And therefore, we have taken it upon ourselves to reinforce with everyone in our organization that it is now more important than ever that we achieve the goals we have set out for ourselves as far as underwriting profitability is concerned. And therefore, we have an underwriting excellence initiative across all of our General Insurance Group companies, in which we are all focused on reducing that claim ratio down to the levels that we want to see it at.

And as I say, it's all underscored by what the future holds for investment income. So we have to -- and we are focusing more than ever on profitability. And it's coming, frankly, through a lot of hard work, and we would expect to continue to see improvement until we hit the numbers that we state in our release that we are targeting.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Got it. I guess the final area I'd like you to comment on. And I guess this would be -- fall under the category as a softball question, but the property business, it's a small segment for you. But some of your peers will report from quarter-to-quarter catastrophe losses and they'll exclude them from the operating results, and you guys are principally a casualtyoriented company. But if you look at the claim ratio on your property business, it improved this quarter relative to a year ago and against the backdrop where there's been a tremendous amount of catastrophe activity in the United States. So could you give us some additional color about that book of business and why you're able to produce the results, which compare quite favorably with most of your peers?

Craig Richard Smiddy
President, CEO & Director

Sure. Be happy to, Greg. First off, it's important to note that, as I think I mentioned on previous calls and previous quarters when we're [indiscernible] our business interruption exposure, in particular, it's important to note that a good amount of that property is inland marine coverage that is sold in conjunction with other lines of business. And that coverage is not necessarily exposed to the volatility of catastrophic losses.

On the other hand, we are -- we do see opportunities in the marketplace in property right now. And rates are robust and where we can add property on to our suite of offerings to our agents and brokers and insureds, we're doing that. And one of the things that I think is very different about us is we have very strong relationships with our reinsurance partners on this line of business, where our retention as an organization on catastrophic losses, we have reinsurance that protects all of our companies on a combined basis with a very low retention. So that in the event of catastrophes, our reinsurance partners are taking out the volatility for us, and we're still able to produce a result that is -- again, doesn't have the volatility that you referenced that some of our peers have. So all of that rolled up together, I think, kind of explains where we're at on property.

Operator

[Operator Instructions] We will take, again, a question from Greg Peters with Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Well, I re-queued because I anticipated the others would ask questions, but certainly, enjoy the opportunity there to get some more in. You said workers' comp, the premium is down 11% or so in the quarter. You said pricing probably leveling out. One of the things that happens in workers' comp, as you know, Craig, is that there's always these pre-year-end premium audits that can lead to additional fluctuation in the top line. Can you talk to us a little bit about that process and if it's going to have any effect on the fourth quarter results? Or have you been sort of in this COVID environment, making adjustments as we go through the year?

Craig Richard Smiddy
President, CEO & Director

Right, Greg, I understand your question. And I would tell you that indeed, we have been making adjustments as the year has progressed. We -- internally here, we refer to it as an accelerated premium audit, which in effect is what it is. And when insureds can demonstrate that their payrolls are less than what was originally estimated and what the original premium was based on, then we will make adjustments.

At the end of the second quarter, we had made premium adjustments of about $30 million. And that number increased in the fourth quarter -- excuse me, in the third quarter by another $15 million to about $45 million. So in our view, we have been addressing it as we've gone along, and we would not expect to see any kind of big surprise in the fourth quarter when it comes to the premium amounts that are -- that we're seeing for workers' compensation.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Got it. The final question I might have for you would be just around account retention, customer retention. I know you called this out in previous quarters as being somewhat challenged in the context of the rate increases that you and the rest of the market are looking for, particularly in commercial auto. Can you give us an update on and give some additional color around retention, especially as it relates to the big 3 coverages that you focus on?

Craig Richard Smiddy
President, CEO & Director

Sure. Customer retention remains very strong, Greg. The -- in commercial auto, it is above 80%, and mid-80s is where that has consistently been. The marketplace is supportive of the rate increases that we're achieving, which is helpful, of course. In other periods where perhaps we saw things a bit early and might have been looking for more rate than the marketplace was looking for, those are more challenging times. But I would say right now, the marketplace is supportive on commercial auto. Frankly, the marketplace is supportive on all lines of business right now. And workers' compensation, as I mentioned in my earlier comments, is coming very close to flat.

And our customer retention there, if you measure it by policy number, is very strong. And -- but it's just the exposures are down for a lot of those customers. So on general liability, it's a bit of a mixed bag. We are -- we have tightened our risk selection criteria on that line and the combination of tighter underwriting standards on general liability along with exposures are down there substantially as well as a result of COVID, but generally, our -- it's a small line, as you know, and our retention ratios are -- we're very comfortable with where they're at.

Rate increases of this -- on the other lines, I kind of alluded to property that we think rates are very good in the marketplace right now. Our aviation business, our professional liability business are seeing extremely robust rate increases that the market is, again, supporting. So it's all good. I think we're learning from this call that when we're hitting on all cylinders, I guess there's just less questions. So that's okay, I guess, if that's the reason.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Judging from your stock price performance, I think you've left everyone speechless, which is unusual for an Old Republic investor call. So anyway, congratulations on the quarter.

Operator

And we will take our next question from Anthony Mottolese with Dowling & Partne.

John Thomas Heagney
Dowling & Partners Securities, LLC

It's actually John Heagney with Dowling & Partners. I do have one question on workers' compensation. Could you talk maybe about the nature of your business being more loss sensitive or high deductible that in terms of being -- having more stability in the underlying performance of it versus some of the market trends and why you think it could potentially trend at a consistent level with where it's been and not the -- not experience as much underlying pressures perhaps the market may going forward?

Craig Richard Smiddy
President, CEO & Director

Sure, John. I appreciate the question. I think the example that I gave when I talked about COVID-19 and what's going on there with comp. I know I mentioned in our other quarters that we really don't have a lot of the exposures to COVID-19 other than the economic impacts that a lot of our peers might have except for comp, and that's why I -- in my opening comments, I talked about comp and it's just a perfect example of where when you have a business that is focused on loss-sensitive clients and when there are losses, they're sharing in those. So it brings us back to my comments that for while only say, 60% of our -- I shouldn't say only, I should say, more than 60% of our premiums is loss sensitive in work comp, which we feel very good about.

But then when it comes to the COVID losses, 95% of the claims that are coming in are on loss-sensitive business. So again, I think it demonstrates that when things do go south and there are challenges, the loss-sensitive nature of our business model helps us control that bottom line volatility and it's a perfect case in point of why it works.

And whenever you have financial alignment between us and the customer, the customer is focused on risk control. They're focused on claims outcomes, and that always bodes well for us as opposed to risk-transfer clients that, so to speak, hand the bag over to the insurer on a guaranteed cost basis and walk away. We think it's a better business model, and that's why more than 60% of our business is focused on that area. And where we don't have loss-sensitive business, we're usually selling the guaranteed cost business in conjunction with other lines, in support of other lines. So for instance, our aviation business isn't necessarily loss-sensitive work comp. And our trucking is -- for the majority of our trucking is not loss sensitive either, but we're writing the other lines of business.

So when we -- I think it bodes well for us if we're writing the other lines of business, if we're going to do it on a guaranteed cost basis.

John Thomas Heagney
Dowling & Partners Securities, LLC

Does the loss-sensitive nature help retention at all in terms of just the headache it might be to move collateral from one carrier to another as you change the program? Or off the market math?

Craig Richard Smiddy
President, CEO & Director

Yes, absolutely, is the response to that. No doubt about it. And that's another reason I didn't give, but is another reason we really like it. It's what we call sticky. When you work with a client and you work with them on setting up claims handling procedures for the claims that they're handling in their retention and when you work with them on setting up collateral and other mechanisms, it's quite inexpensive process. So indeed, it is much stickier, much less commoditized than guaranteed cost, first dollar kind of coverages.

John Thomas Heagney
Dowling & Partners Securities, LLC

Very good. So last question, just out of those core lines of business, you mentioned property is an area you're looking to grow. You've added some other lines or been trying to. Where do you see the opportunities for ORI in General Insurance growth outside of your core commercial auto, workers' comp and GL into '21 or even '22?

Craig Richard Smiddy
President, CEO & Director

Yes. So property is an area that, as we said, we will -- given the market -- favorable market conditions, given our ability to control the volatility on that line of business by partnering with reinsurance partners. As you know, a lot of E&S business is property business. So we will look at opportunities in the E&S space and the property space that arise other lines of business as well, as I think you might have said. We don't want to disproportionately grow our workers' compensation or auto liability book. We're already very heavy in those lines of business.

We'll -- if there's an opportunity that comes along with commercial auto and workers' comp, but it has other lines, we will look at that. But right now, our focus remains on specialty niches. And as long as we can focus on a specialty class, a specialty niche of business, we will look at those lines. We'll do that both organically, internally. So for instance, in our professional liability area, in the last several years, we had primarily been a D&O writer. We have bolted on to that our lawyers professional business, private D&O, other fiduciary lines of business and have grown -- added numerous products to our offering there. So we'll continue to do that. Where we have a footprint already, we look at bolt-on adjacencies. And where we might not have the footprint, we will look at perhaps starting something up or if other opportunities present themselves.

John Thomas Heagney
Dowling & Partners Securities, LLC

Got it. So it's fair to say when you talk about growth, I don't know which one of these are and any other lot of business, it's really looking at your existing distribution partners and channels and identifying what products that can be added to what you have out there versus, say, making a bigger play or create a new distribution channel into property, let's say, or something of that nature. So it's very much targeted on a certain subclass of business within -- or subgroup within property or financial lines or whatever it may be.

Craig Richard Smiddy
President, CEO & Director

Well, that is organically through bolting-on where we already have a footprint, it has been a focus. But we've also entered into new segments. Recently, we've added our residual market business for workers' compensation, whereby we service pools for workers' compensation out of a new Minneapolis operation. We also, 4 or 5 years ago, set up Old Republic specialty and insurance underwriters, which was focused on program managers and was a different distribution. So it really is both, John. We'll do both. If an opportunity comes along and it's a different distribution model, but it's -- the key is, is it's specialty focused. If it's specialty focused where we think we can perform better than the generalists that are out there, we will go after it.

Operator

At this time, in the moment, we have no further questions. I would like to turn the call back to management for any closing remarks.

Craig Richard Smiddy
President, CEO & Director

Okay, well, as we have said, we feel like we were hitting on all cylinders this quarter, and we appreciate all your interest, and thank you for the questions. And we look forward to seeing you and talking to you again next quarter. So thank you very much.

Operator
This concludes today's call. Thank you for your participation. You may now disconnect.