S&P Capital IQ

CONTENTS

Old Republic International Corporation

NYSE:ORI

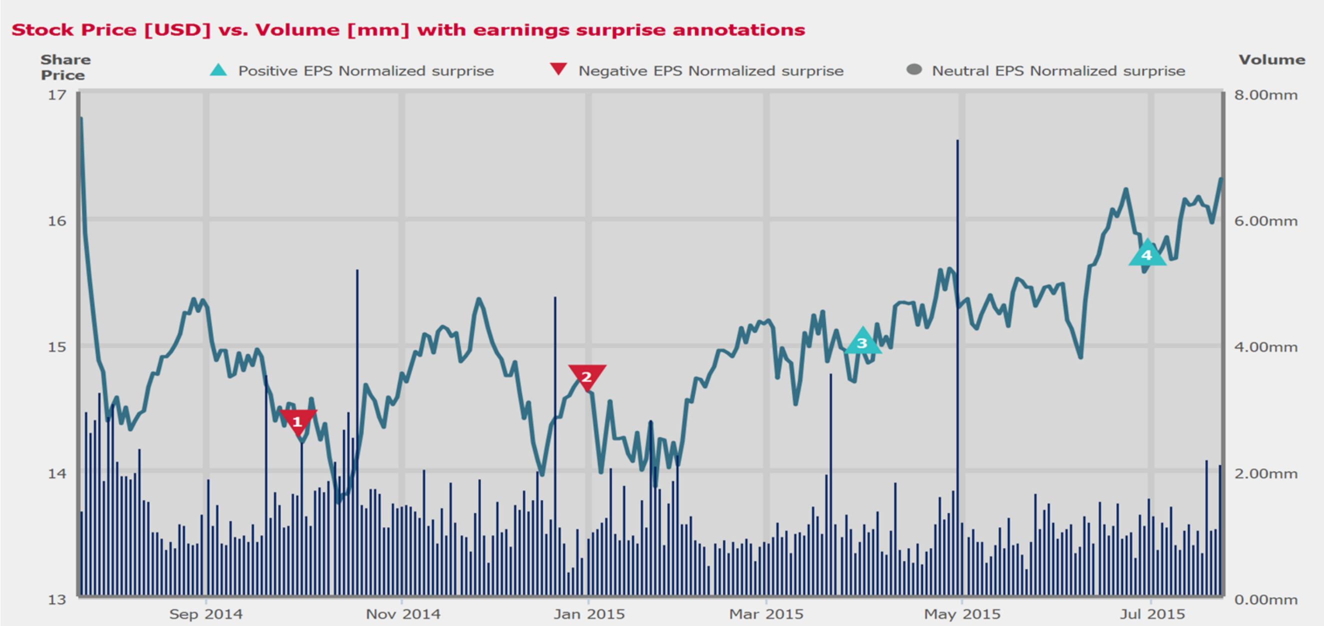
FQ3 2015 Earnings Call Transcripts

Thursday, October 22, 2015 7:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2015-			-FQ4 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.27	0.35	29.63	0.25	1.18	1.12
Revenue (mm)	1400.00	1545.70	10.41	1406.00	5547.00	5725.00

Currency: USD
Consensus as of Oct-16-2015 7:20 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2014	0.26	0.25	(3.85 %)
FQ4 2014	0.24	0.21	(12.50 %)
FQ1 2015	0.24	0.32	33.33 %
FQ2 2015	0.24	0.32	28.00 %

Call Participants

EXECUTIVES

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Craig R. Smiddy
President & COO of Old Republic General Insurance Group Inc

Karl W. Mueller
Chief Financial Officer and Senior Vice President

Marilynn Meek

Rande K. Yeager
Chief Executive Officer and President

ANALYSTS

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

Christine Amanda Worley
JMP Securities LLC, Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

Presentation

Operator

Good day, everyone, and welcome to the Old Republic International Third Quarter 2015 Earnings Conference Call. [Operator Instructions] I would like to remind everyone that this conference is being recorded. I would now like to turn the conference over to Marilynn Meek with MWW Group. Please go ahead, ma'am.

Marilynn Meek

Thank you, operator. Good afternoon, everyone, and thank you for joining us for Old Republic's conference call to discuss third quarter 2015 results. This morning, we distributed a copy of the press release. If there's anyone online who did not receive a copy, you can access it 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 dated October 22, 2015. Risks associated with these statements can be found in the company's latest SEC filings.

Participating in today's call, we have: Craig Smiddy, President of the Old Republic general insurance group; Rande Yeager, Chief Executive Officer of the Old Republic Title Insurance Companies; Karl Mueller, Senior Vice President and Chief Financial Officer; and Al Zucaro, Chairman and Chief Executive Officer.

At this time, I'd like to turn the call over to Al Zucaro. Please go ahead, sir.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Thank you, Marilynn. Welcome to everyone. As always, we appreciate your interest. And as we've done in the past, we'll cover matters specific to each of our key segments, and we'll do this in the same order as the discussion of the segments takes place in the news release this morning.

So with that, I'll ask my friend here, Craig Smiddy, to address our general insurance business operations to date. Craig?

Craig R. Smiddy
President & COO of Old Republic General Insurance Group Inc

Okay. Thank you, Al. The general insurance group experienced 5.4% growth in net premiums earned compared to third quarter '14. For 2015 year-to-date, the increase was 6%. We believe this growth rate should continue for the remainder of the year. While our rate increases are moderating, we still expect organic growth and strong retention ratios to persist on our existing accounts. We also anticipate continued reasonable growth of new business. So in summary, most of our operations should experience modest top line growth for the foreseeable future, which as always, will vary by type of coverage and our insurance products.

While we operate in several distinct specialty marketplaces, we are generally seeing rate levels continuing to moderate in what is always a very competitive environment. Some of our operations are achieving low to mid-single-digit rate increases, while other parts of our business that have had less than acceptable underwriting results are achieving mid- to high single-digit rate increases. We're doing this in conjunction with necessary underwriting adjustments and reorientation of the business mix from both coverages and geographical standpoints. In all this, we continue to emphasize underwriting profitability at the expense of top line growth, particularly with regards to parts of our construction book of business.

The general insurance group's overall composite ratio improved from 100.2% for the third quarter last year to 96.5% for the third quarter this year. Year-to-date through the third quarter, the overall composite ratio improved from 98.9% in 2014 to 96.9% this year. All of this improvement is coming from the claims ratio component. The commercial auto claims ratio increased from 73.6% in last year's third quarter to 76.1% in third quarter of this year. Year-to-date, the ratio was 77% versus 74.5% for 2014. We're continuing to keep an eye on frequency and severity trends to gain the greatest assurance that our underwriting focus and rate adjustments are commensurate with these trends.

The workers' compensation claims ratio improved from 86.6% for the third quarter in 2014 to 77.6% in the same quarter this year. Year-to-date, this ratio was 79.8% in 2015 versus 84.2% in 2014. We expect this claims ratio for the coverage to keep trending favorably to more historic levels in the mid-70s for the foreseeable future. As we indicated last quarter, underwriting performance of the general liability insurance coverage is much more volatile quarter to quarter because of lower premium volume rewrite in it. Claim severity therefore can create much more volatility on such a smaller book of business. The claims ratio declined from 94.2% in last year's third quarter to 93.3% in the third quarter this year. Year-to-date through September of this year, the claims ratio improved from 85.6% to 76.1% for the same period of 2014.

The remaining insurance coverages we underwrite have continued to perform very well through the first 9 months of this year. Looking to the near term, we believe that each of our specialty operations will enhance their competitive positions within their respective niche. The overall focus in each case remains on the production of favorable underwriting results and the achievement of the long-term objectives outlined in the 5-year plan we established in 2012.

So on that note, I'll turn the meeting over to Rande Yeager, who will address our title group performance.

Rande K. Yeager
Chief Executive Officer and President

Great. Thanks, Craig. It's really good to be 108-year-old title insurance company and still be growing very nicely.

As we reported this morning, the Old Republic Title business broke an all-time record for the second consecutive quarter. The record stood from 2003 until it was broken in the second quarter of this year. In this year's third quarter, title insurance produced pretax operating income of $55 million. That's -- that bested this year's second quarter record earnings of $47.7 million by about 15%. We also exceeded 2014's third quarter pretax operating earnings of $28.2 million by about 95%. Moreover, the company set an all-time quarterly record for premiums and fees of $566.7 million. That's about 20.5% more than 2014's third quarter's results.

We're experiencing significant and roughly equal growth across both agency and direct sectors of our business. Our market share continues to hover around 15%. And the commercial title insurance portion continues to grow at more than a 20% clip and is accounting for nearly 20% of our business. Claims reserves established in the prior years continue to develop favorably. Claims ratio for the quarter and year-to-date periods compares very well with the ratio we experienced in 2014. As you might expect, all of our operating ratios have improved. The expense ratio dropped from 89.2% in 2014's third quarter to 85.9% in 2015. And our operating margin in the third quarter improved from 5.9% to 9.6%. Year-to-date, the improvement was from 4.5% to 7.8%. These are very healthy margins for the title insurance business.

We believe that we're in a moderately robust housing market. Last quarter, we explained how our earnings were especially significant relative to the mortgage markets of 10 to 12 years ago. Mortgage originations in 2003 were -- we'd set the old record before the last quarter, were about $4 trillion. And by contrast, 2015's mortgage origination market is probably going to weigh in at about $1.4 trillion. We ask ourselves whether we could ever see another $4 trillion mortgage origination market, and of course, our answer is yes. Maybe not anytime soon, but we should see volumes trending upward for an extended period of time. As the economy continues to improve and credit issues quiet and the effect of some of the regulatory changes abates, we think there'll be a real opportunity for continued growth in the title business. And with this scenario, we fully expect to continue making a solid contribution to Old Republic's consolidated bottom line.

And at this point, I will turn the meeting over to Al Zucaro for comments on the RFIG runoff segment.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Look at this RFIG runoff set of numbers in the latest quarter and year-to-date statistics that we show in the news release. It's obvious that we've continued to make some additional provisions for litigation exposures that continue to exist in those 2 buckets of business that we refer to as the RFIG book. And we've made these additional provisions in both the MI and the CCI blocks of business. And that's the main reason, as you can readily see, that the reduced bottom lines we show for both MI and CCI runoffs are occurring in this most recent quarter and year-to-date period in both buckets.

With respect to the CCI litigation, the expense provisions this year have been somewhat less severe than they were in 2014. Although you may remember reading the material we've put out, that in the second quarter of 2014 we did settle a large claim, a large litigation claim in the CCI area, and that caused the provision for claim costs in that particular quarter to jump up. We don't have that situation this year, and that's why it's, as we say, it's a much more -- much less severe type of hit. Nevertheless, the underwriting performance for the much smaller CCI block of business is not as favorable as the MI portion. In both regards, however, we do continue to expect a final resolution of the litigated claims within the next several months, perhaps before year-end insofar as MI in particular is concerned. And as we've said in past occasions, our expectation is that a final resolution of both sets of cases should not have a significant adverse effect on Old Republic's consolidated financial condition.

If we leave aside these litigation matters, these runoff books of business are nonetheless progressing pretty much as we anticipated. As you may heard us say over the -- over time, over the last number of years, we do think that the mortgage guaranty business will run itself off by 2022, 2023. And we -- as we have in the past, expect that the runoff will be favorable, that we have every expectation that the book, the MI book, should produce some reasonably consistent additions to the existing capital structure. And of course, the accumulating surplus in that business will continue to inure to the benefit of the Old Republic consolidated equity account over the runoff period. So again, leaving aside the litigation, I think we are looking at some reasonably favorable resolution of the runoff book.

So on this note, I'll give the reins to my colleague, Karl Mueller here. So Karl, do you want to discuss the financials?

Karl W. Mueller
Chief Financial Officer and Senior Vice President

Yes, I do. Thank you. Yes, as we reported in this morning's news release, consolidated assets grew to $17.3 billion at quarter end, while our shareholders' equity account declined modestly to $3.8 billion or $14.95 per share. The highlights of Old Republic's financial condition as of September 30 as follows.

Our cash and invested assets remained more or less flat at $11.3 billion by comparison to amounts reported at the end of June. The table on Page 5 of the release, however, shows that the cost basis of the investment portfolio actually increased by approximately $440 million during the first 9 months of 2015. This growth was offset by further declines in the fair value of the investment portfolio during the second and third quarters in particular. At September 30, the portfolio was comprised of approximately 82% allocated to fixed maturity and short-term investments, with the remaining 18% directed towards equity securities, which is pretty consistent with the prior quarter end.

Investment income increased to $104 million during the quarter or by 21% by comparison to the same quarter in 2014. For the first 9 months of this year, investment income rose by nearly 14% to $289 million. As mentioned in prior quarterly calls, this higher level of investment income is substantially due to the greater invested asset base, accompanied by an increase in the overall portfolio yield. Additionally, in the latest quarter, investment income benefited from a nonrecurring special dividend attributable to one equity investment that added approximately $10 million to this source of revenue. The credit quality of the fixed income portfolio remains at an overall A rating, and the average life continues to be approximately 5 years.

Consolidated claim reserves remained largely unchanged at the end of September by comparison to both the June and prior year-end balance sheets. For the first 9 months of 2015 and 2014, consolidated claim reserves have developed slightly favorable. As we noted in this morning's release, the general insurance group experienced slightly unfavorable reserve development in the third quarter and first 9 months of this year. This added 1 percentage point to the reported claim ratio for both periods. Although still unfavorable, the prior year claim development shows marked improvement relative to the same periods in 2014, and is trending closer towards the segment's long-term experience of recording adequate reserves at each period end. Consistent with the past several quarters, the mortgage insurance group experienced favorable development of prior year reserves as quantified on the top of Page 4 of the news release. And lastly, the title group reserves developed largely in line with prior estimates.

Shareholders' equity at September 30 totaled $3.8 billion or $14.95 per share, as I mentioned earlier. And that's a reduction of $0.21 per share for the quarter and $0.20 per share for the first 9 months of this year. The reconciliation of book value per share located on Page 6 of the release shows that net operating income and realized gains in excess of the quarterly cash dividends paid to our common shareholders continues to add to the book value per share of Old Republic. The volatility in reported book value per share continues to be most significantly impacted by changes to the unrealized gains and losses in the investment portfolio, particularly with respect to equity securities. Finally, the capitalization ratios shown on the bottom of Page 6 are essentially unchanged at the end of September by comparison to the prior quarter and year-end.

So those are the highlights of our current financial condition, and I'll turn things back to Al for any closing comments.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Okay. So there you have it in a nutshell. The overall business is getting to the point where it's basically firing on all major cylinders, and it's regaining its customary stability.

With regard to our general insurance book of business, we're making substantial progress in redirecting a couple slots of business that have been the source of headaches for us for a while, as Craig indicated before. And while this may be -- this may cause, i.e. the changes we're making, may cause a bit of a slowdown in the top line growth, particularly when it comes to the workers' compensation types of coverages in particular, that the underwriting results should, and are expect to improve significantly, particularly on comp where again, as Craig indicated, we have an objective of driving that loss ratio down to the -- to mid-70s, where it has been, more often than not, except for the last 3 to 4 years. And I think we're going to succeed in that.

The substantial investments we've made, on the other hand, in our title business, both in terms of adding significant people talent to what was already one of the industry's most talented group of people, and as well as to our service infrastructure, all of that should lead us to even greater performance. And as Rande said before, we have every expectation that the title business will continue to be a substantial contributor to Old Republic's longer-terms performance. And of course, as we have in the past, we'll be doing this on the basis of unquestioned financial stability and solidity, as we have throughout the rest of Old Republic's business. And finally, as we said, the clouds are parting over our business in the area of the runoff, of the MI and CCI coverages. And we think that the long-overdue settlements of the litigation, that's been a very sticky point for us for several years, that we think that, that -- those settlements are imminent and should be out of the way in the next several months.
So on that note, we'll be happy to address any questions that we may have left unanswered, either in the news release or in the brief planned comments of ours.

Question and Answer

Operator

[Operator Instructions] Your first question will come from Greg Peters of Raymond James.

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

A couple questions. On the reserves side, I know asbestos and environmental is a low -- has a low percentage of your total reserves, minor, immaterial, frankly. But we did see Travelers come out in the third quarter with an addition to their reserves. Maybe you can just give us an update to your perspective as it relates to Old Republic. And then, just piggyback that into just an update through the third quarter results on the case reserves and some of the other lines of business where you've had some challenges recently, namely the workers' comp area?

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Well, I'll start by speaking to the A&E reserve question, Greg, and that is, as you properly said, that's not been a high visibility type of issue for us for years. And a lot of it stems from the fact that we've typically, particularly in those earlier years, before the rules of the game were changed in A&E, that we were typically issuing policies for $1 million or couple of million bucks. So that when we got hit on any of these claims, we tended to be -- they tended to be relatively innocuous. We did have a book of business that we wrote back in the early 1980s for a couple of years through an MGA operation. And that's a book of business we've regretted writing for quite a while now. But that's been the main or a main source of whatever issues we have with A&E. The long and the short of it is if you look at the 10-K reports that we put out every year, you'll see that it's been trending down in terms of the overall reserve exposure we have there. So again, it's not an issue for us. It may be for large companies as you may -- as you mentioned with Travelers and so forth, which were at the center of the general liability area and were issuing some significant policy sizes. And that's the main reason, obviously why they still may be feeling some heat from that area. As to general reserves, Karl, do you want to address the -- that part of the question? So what's happening there?

Karl W. Mueller
Chief Financial Officer and Senior Vice President

Well, Greg, is your question specific to case reserves or just the overall reserve development?

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

Well, I was thinking about the case side of the equation, but maybe you could broaden the response to case and IBNR?

Karl W. Mueller
Chief Financial Officer and Senior Vice President

Well, I think as we've mentioned on prior calls, there are a couple of books of business that we have had our challenges getting our arms around. And we've dedicated significant management time and attention and effort in addressing those issues and have, we think, put in policies and procedures and have the right people looking at the right issues to make certain that we're setting appropriate case reserves in any given period, such that we get to the ultimate estimate of our obligation as quickly as possible. So that's been the source of some of the development we've had in prior quarters. We think we're getting our arms around that. As a consequence, I think that's being reflected in the lower prior year development numbers that we reported this morning.

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

All right. Okay. I guess, just 2 cleanup questions, one on the title and the other on the runoff business. On the title business, the loss ratio, the claims ratio definitely on -- for the first 9 months is trending better than it did a year ago. Is that reflecting in part the growth of the commercial side of the equation that's causing that downward improvement? Or is there some other broader macro issue that's causing that improvement in the loss ratio? And then, just to the RFIG runoff business, Al, if you could just -- as I look at the third quarter result, and you talk about the increased litigation, and I'm just trying to think about what this business will look like post-settlement, both from a loss and an expense ratio standpoint. And so any guidance there would be helpful.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Okay. Well, Rande, do you want to address the trends in the loss ratio for the title business?

Rande K. Yeager
Chief Executive Officer and President

Sure, and those are good observations, Greg. This commercial business certainly has an effect on the long-term loss history the company will have. And as that business grows, I -- it certainly helps the loss development, on a trending basis. As you know, on the -- in the title business, we have about a 20-year tail. So it takes some time to show up in terms of the actual numbers, but we've grown that business so much, by about a couple hundred million dollars on an annual basis over the last 5 years, 5, 6 years. So that certainly is having an effect, but it'll have even more effect down the road as it continues to grow. And then, the other factor, I think has a bigger effect, at least right now on the loss development, is the quality of loans that we've experienced since the kind of the go-go years of mortgage originations. So I think what you're seeing is a better quality of loan with even less risk to the title company than we've ever seen before, so. I think that's probably the major factor right now, but I expect the loss ratio to look continually better.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

And I think that's right, because particularly in a good economy and in improving housing markets, history shows that loss costs tend to come down. Whereas when housing and mortgage lending sour, as they did during the Great Recession years, you always expect the loss ratio to go up. With respect to the runoff business, I'll say this: Again, that the MI business, if you track, as I'm sure you do, Greg and others do, if you track the trend in our earned premiums, quarter to quarter, you'll see a general decline of $9 million, $10 million per quarter in terms of earned premiums. By the same token, if you track the actual loss ratio that we've been booking, it's not inconceivable during this runoff period for MI that we could end up with loss ratios in the 40s or 50s, okay? Because all of bad -- most of the bad claims have gone through the system now, so that we now get more into a regular type of market, and therefore a regular type of loss or claim emergence. From a cost standpoint, I think we can operate that business at a 9% to 12% expense ratio. So you put those 2 elements together, albeit on a declining earned premium base. And that's why we say that through 2022, '23 when the business should basically be fully off the books, that, that will show some continuing, though declining, profitability. With respect to the CCI, again that's a much smaller book of business. And again, the only difference, the -- a major difference between that book of business and the mortgage guaranty business, is that we do have some potential recoveries on prior paid losses by virtue of salvage and subrogation recoveries. And we just don't know the level of it at any point in time, but it's there, and that should help the bottom line contribution of that business. And there again, I think we can run that business off at a 9% to 10% expense ratio. So again, once we get rid of this litigation, this thing should not, should be a nonevent for us. And if anything, particularly with respect to MI, we should -- you should see an amplification of the capital bucket by virtue of the earnings we would expect to produce. As you saw this morning, MGIC reported its earnings. And even though there, you've got a different story in that it's still very much actively engaged in the business. But the trends there are the same in terms of what's happening to their claim costs and so forth. So we're getting into a much more normalized market, which should have a beneficial effect on MI companies, whether they're actively engaged or not. Okay?

Operator

And from Dowling & Partners, we'll go to Gary Ransom.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes, I had a question on commercial auto. There's been a mixed experience across the industry. Recently, we've seen some big corporations like FedEx talk about increased frequency, more driving, more goods. And I was just curious if what you are seeing in frequency and severity is trending up at all.

Craig R. Smiddy
President & COO of Old Republic General Insurance Group Inc

I'll try to address that. I think I did touch on that slightly in saying that when it comes to our commercial auto lines, we're definitely focused on the frequency and severity trends. And we're making sure that our rate increases, particularly on that line, are commensurate with those trends that we're seeing. But it is fair to say that there are a lot of issues in the external environment that are driving some frequency and severity, distracted driving, construction, less experienced drivers, so on and so forth. So there are factors that are out there. We're keeping an eye on them overall. We feel that our -- the rate increases that we are getting on that line are keeping pace with those trends.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Is this the line where you are getting the largest rate increases, versus workers' comp or others?

Craig R. Smiddy
President & COO of Old Republic General Insurance Group Inc

Yes, not necessarily. The -- as I mentioned, where we are getting the largest rate increases are around the areas of the portfolio where we have experienced some underwriting difficulties, particularly on the workers' compensation and some segments of workers' compensation. So that would probably be the areas where it's the greatest. But I would say, perhaps a close second would be on the commercial auto business.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

But again, because of the nature of those lines, as I'm sure you are fully aware, Gary, it's a lot -- we're able to fix rate issues or risk selection a lot quicker on the automobile liability side, the trucking side of the business than we are on comp. Because on comp, one of the additional elements we have to deal with is the cost to catch up with inflationary cost pressures on the medical portion of that business. So that's why, as Craig just said, that's where we're getting the largest case -- largest price increases.

Gary Kent Ransom
Dowling & Partners Securities, LLC

If I look at the trend of your workers' comp loss ratios, it was very good improvement this quarter. And when I put that against the 1 point of adverse development overall, or I guess it was a little bit more in general insurance. But is there at all favorable development in any of these lines? Or is workers' comp being affected by something going the other direction?

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Oh, yes. Yes. Most of our issues on loss development have been in the comp area. Once in a while, we get a hit on general liability because of issues that again Craig alluded to before, with respect to fortuitous events, which can affect adversely pretty quickly, a small book of business. But no, when it comes to loss reserve developments, the issue for us has been comp, comp and comp. The auto line...

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes, just looking at the actual loss ratio in the quarter though, I mean, it is a lot better. I don't know how much it's better than anything in the recent past. And what was it that enabled it to come down that quickly?

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Well, we don't think it came down that quickly. But anyway, go back, if you go back to our results for the last -- what would you say, Karl, the last 24 months, through year-end 2014, particularly in the second half of last year, if you look at those quarterly results, you will see that we disclosed, very consciously and consecutively each quarter, the hit that we were getting on the loss ratio by virtue of adverse loss developments. And that was much more accentuated in the final quarter of last year, when the thing really fell out of that, okay? And I believe we said, at the end of the -- during the second quarter conference call, we said that one of the reasons we felt more comfortable about the reserve developments fixing themselves, and therefore, the loss ratio gradually getting better, was that we had hit ourselves pretty good with respect to prior year's reserves in that second half of last year. And therefore, that is the main element for the loss ratio being driven down as consecutively as you see it, now in the first, second and now the third quarter of this year. And I believe, Gary, you were at the recent road show? And we said at, at that time, also that -- we said the same thing at that time, right? That we did not expect the remainder of this year, which when we were there, would have been the second half of this year, to look anything as bad as it did for last year, for that very reason. So it's all fitting, if you put it all in.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes, it's -- I guess we can express it as much more adverse development last year and less of that this year. And otherwise, the underlying loss ratio is similar? Improving?

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Well, again as Craig says, our objective, and we believe we have the basis for doing that, by virtue of the rate increases that we've been putting through, as well as the selection of risks that we are doing, again as Craig said, we are cutting back on some parts of the business. He mentioned specifically some construction types of areas, where the combination of those 3 elements: underwriting selection, pricing and being more careful about where we are running the business, okay, writing the business, that we aim to get that loss ratio down to the mid-teens, which is where it should be, from a long-term perspective on comp.

Craig R. Smiddy
President & COO of Old Republic General Insurance Group Inc

Mid-70s.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Mid-70s, I'm sorry.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Mid-70s, I knew you'd [indiscernible]

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Wishful thinking.

Operator

[Operator Instructions] We'll take our last question from Christine Worley with JMP Securities.

Christine Amanda Worley
JMP Securities LLC, Research Division

Just one sort of numbers cleanup question. In the title line, how -- was any of the top line strength that we saw in the quarter related to a lot of mortgage volume being pushed through before the CFPB's new mortgage disclosure rule went into effect at the beginning of October?

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Rande?

Rande K. Yeager
Chief Executive Officer and President

No, I can -- sure, I can answer that. We did see a bump just like the week before. And I think that was the matter of processing under the old rule, as opposed to anything that occurred after October 3. But the rest of the quarter really was an increase in purchase money transactions. We had some little, we call them little boomlets in the refinance business, because interest rates were kind of going up and down, and people thought it might be the last chance to pick up a very low interest rated mortgage. So commercial business was real high, and of course, that's not affected by CFPB. So I think, yes, there was a little bit and we saw a little bit of a slowdown the week after the CFPB introduced the rules. And -- but I don't think it was a great deal of the business. But we're -- it's a wait and see as to how it will affect it in this quarter, when you'll really see the effect of what the rule may have done.

Christine Amanda Worley
JMP Securities LLC, Research Division

Okay. So but it sounds like generally, not necessarily anything that was more loaded into the third quarter that would have happened in the fourth quarter? I mean, any slowdown we see will just be general, sort of cyclicality of housing market in the fourth quarter?

Rande K. Yeager
Chief Executive Officer and President

Yes. You got the seasonality of, yes, the mortgage market, right.

Operator

It appears there are no further questions at this time. Mr. Al Zucaro, I'd like to turn the conference back to you for any additional or closing remarks.

Aldo Charles Zucaro
Chairman and Chief Executive Officer

Okay. Well, we have none, no additional remarks. I think we've said everything we were prepared to say, and hopefully answered the questions that were raised, to everyone's satisfaction. So having said that, we'll look forward to our next visit, sometimes in January of 2016, which is right around the corner. On that note, we'll bid you a good afternoon.

Operator
Ladies and gentlemen, that does conclude today's presentation. We do thank everyone for your participation.