Atlas Financial Holdings, Inc.

2017 Fourth Quarter Conference Call

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Executives

Paul A. Romano - Chief Financial Officer and Vice President

Scott David Wollney - CEO, President & Director

Analysts

John Deysher -

Jon Paul Newsome - MD of Equity Research & Senior Insurance Analyst

Sam Hoffman -

Samir Khare - Analyst

William J. Dezellem - President, Chief Investment Officer, and Chief Compliance Officer

Presentation

Operator

Greetings, and welcome to Atlas Financial Fourth Quarter and Year-end Conference Call. [Operator Instructions] As a reminder, today's call is being recorded.

I would now like to turn the conference over to your host, Scott Wollney, Chief Executive Officer of Atlas Financial. Please go ahead, sir.

Scott David Wollney

Thank you very much, Rob, and good morning, everyone. With me today is Paul Romano, our Vice President and CFO. I'll turn it over to Paul to review our policy regarding forward-looking statements.

Paul A. Romano

Thank you, Scott, and good morning, everyone. Yesterday, after market close, Atlas issued its 2017 fourth quarter financial results and filed its annual report on Form 10-K. Copies of this press release are available at the Investor Relations section at the company's website at www.atlas-fin.com.

On this call, Atlas may make forward-looking statements regarding the company, its subsidiaries and businesses. Such statements are based on the current expectations of the management of each entity. The words anticipate, expect, believe, may, should, estimate, project, outlook, forecast or similar words are used to identify such forward-looking information.

The forward-looking events and circumstances discussed on this call may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the companies, including risks regarding the insurance industry, economic factors and the equity markets generally and the risk factors discussed in the Risk Factors section of its Form 10-K for the year ended December 31, 2017.

No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made. And the company and its subsidiaries undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

When discussing our business operations, we may use certain terms of art which are not defined under U.S. GAAP. In the event of any unintentional difference between presentation materials and our GAAP results, investors should rely on the financial information in our public filings. All amounts discussed on this call are in U.S. dollars unless otherwise indicated.

We will be utilizing a slide show presentation in conjunction with this call. Though we may address a few slides specifically, in general, we will use this as an accompaniment. Feel free to follow along as we will follow the basic structure of the document. This presentation is available on our website's Investor Relations section and then under the Earnings Release Info selection. For those of you following along with our presentation, we'll begin on Slide 3.

With that, I'd now like to turn the call back to Scott.

Scott David Wollney

Thanks, Paul. The entire Atlas team remains focused on our strategy of providing a specialty product to a unique segment of the commercial auto space. Operating as a hyper-focused niche player has been the investment thesis surrounding Atlas since inception. And despite recent challenges, we're confident it remains sound.

The foundation of our model is a significant data, infrastructure, industry knowledge, expertise and distribution initially consolidated through the acquisition of our 4 insurance subsidiaries. This heritage serves as the basis for the strong value proposition and comparative advantages we deliver to our customers and business partners. In recent years, we focused on amplifying these factors through the use of technology and analytics.

In our announcement of preliminary unaudited results on March 1, we detailed the company's decision to strengthen reserves, so we'll not reiterate that information at this time. We are available to answer follow-up questions, however.

On this call, we'll discuss trends in our business, our ongoing commitment to the utilization of predictive analytics and technology to deliver better-than-industry results; detail the framework that we plan to use to communicate quarterly updates regarding the status of our outstanding claims; reiterate our projections for 2018; and further comment on our strategy to capitalize on a hardening commercial auto rate environment in our specific niche. After that, we'd be more than happy to take your questions.

Additional time was required to file our financial statements this quarter. Ultimately, our results fell squarely in the range that we provided to investors on our preliminary announcement with no material changes. We appreciate your patience in this regard.

On Slide 3 of our accompanying presentation, we provide a number of financial metrics that reflect our reserve strengthening and the impact it had on our bottom line. Gross written premiums for the fourth quarter increased 4.3% to $54.2 million, which reflected a continuing shift towards limo and livery business from traditional taxi. At this point, the limo and livery segment, which includes commercially licensed transportation network drivers, represents approximately 50% of our overall business. It's important to note that this segment had the least amount of relative reserve strengthening at year-end.

Nonemergency para-transit is the next largest segment, representing approximately 1/3 of our book with taxi representing the remaining 20% or so. As we outlined on Slide 4, our expectation is that this business mix trend will continue with taxi remaining largely flat and an increasing migration of commercial drivers, both in the traditional livery and TNC-related space, seeking commercial insurance from Atlas as a specialty provider who understands how to appropriately cover them and will handle their claims in a hyper-focused manner that has always distinguished us. While the dramatic shift from taxi to TNC is most likely moderating, we do see continuing underlying growth in the livery space as well as in the nonemergency para-transit segment.

We have used and continue to utilize predictive analytics in our selection and pricing in a way that our competitors do not, and expect to write in excess of $300 million in premiums in 2018, subject to market conditions. This represents a consistent rate of growth relative to last year. We are comfortable that this continued stable growth can be supported with our existing surplus levels, increased use of our reinsurance arrangements and retained earnings going forward.

Based on recent commercial auto industry results, we expect further market hardening through 2018. Based on current market conditions and prior year results, we expect incremental rate increases. And as always, we'll focus on underwriting profit as a priority as opposed to top line growth.

Within this overall growth, as I noted earlier, there has been a meaningful shift in mix from a few years ago and a more gradual shift from 2016 to 2017, which we illustrate on Slide 5. While we have been successful in writing a select number of larger operators generally incorporating in-vehicle technology as well as customized insurance programs as a competitive advantage, our focus remains on owner-operators and small fleets.

On Slide 6, we break down our gross premiums written by geography and state with New York remaining the largest state in which Atlas writes as well as the largest addressable market in our niche overall. We continue to evaluate each market to identify potential environmental and competitive changes, and we'll shrink or expand in any given area with the objective of optimizing underwriting margins.

As an update on Michigan, claims continue to run off as expected. As of December 31, 2017, open claim inventory related to the state has been reduced by approximately 32% compared to year-end 2016 with 423 pending claims. As of March 31, 2018, open inventory shrunk further to 375.

As discussed during our earlier call to announce preliminary unaudited results, an increase in severity across commercial auto has led to a distinct increase in the pricing dynamics throughout the market. We expect that this dynamic will create further rate buoyancy and also makes it unlikely that price-aggressive new entrants will materialize in the foreseeable future in our niche.

On Slide 7 of our presentation, we provide the most recent industry data available from the Council of Insurance Agents & Brokers as of the fourth quarter of 2017. This data demonstrates that the industry is taking marginally higher rate increases and even more so in the smaller account sizes, which make up the majority of Atlas' business. We remain very optimistic that this favorable pricing environment will improve further still in the near term.

Since 2012, we have successfully implemented sequential rate increases in the mid- to high single-digit ranges relatively greater than ISO and do expect to realize the benefit of this activity over time. As I noted earlier, we also expect incremental lift, in terms of rate to risk relativity, to come from the use of our predictive analytics initiatives.

As shown on Slide 8, our total in-force premium has grown to more than $268 million at the end of the fourth quarter. Seasonality will have an impact, in terms of written premium and our unearned premium reserve in any given quarter, although this should continue to flatten as our book becomes more diversified.

On our call held on March 1, we committed to providing metrics relative to claim benchmarks for both our pre and postpredictive modeled claims. As described more fully on that call, we concluded a detailed file-by-file claim review for nonmodeled claims, including all Michigan modeled and nonmodeled claims at the beginning of this year. In total, approximately 1,500 claims were evaluated and benchmarked.

After closures in calendar year 2017, there were 1,213 remaining open claims in this group. Each quarter, we will provide detail regarding the quantity of closed claims, the amount paid for those claims, as well as a comparison to our file review-based benchmark. This bucket is predominantly made up of accident year 2015 and prior claims.

All postmodeled liability claims have case reserves established by our predictive analytics tools at 45 days of claim age. These case reserves will serve as a benchmark for this bucket of claims, which includes all liability claims received from mid-April 2016 forward.

While it is certainly too early to read too much into the claim payments made since year-end, the data is directionally positive. At this point, of the 1,213 file-reviewed claims that were opened at year-end, 238 have closed for a total payment amount of $6.7 million as compared to our range of $4.4 million to $10.1 million and an expected aggregate payment amount of $6.7 million. All Michigan claims are included in this bucket. Of the postmodeled claims since we launched this process, 5,869 claims have been closed for a total payment amount of $37.8 million as compared to case reserves of $50.8 million or approximately 25% less than case. We are committed to transparency and hope this information will be useful on a quarterly basis.

Now I'll once again turn it over to Paul for a more detailed review of our financial results and to highlight key aspects of our allocation of capital. I will then return for concluding remarks prior to Q&A.

Paul A. Romano

Thanks, Scott. As always, I encourage you to review our filings, our slide presentation, and to reach out with any questions.

As shown on Slide 10, gross premiums written increased 4.3% to $54.2 million. For the full year, gross written premiums were $276 million, the highest level in the company's history.

Our bottom line results were largely impacted by the company's strengthening of reserves that were preannounced last month. As a result, our net loss was $54.3 million or $4.48 per common share diluted, in the fourth quarter of 2017. The full year, the net loss was $3.22 per common share diluted with a full year pretax operating loss per share of $3.62.

Slide 11 details this reserve strengthening by business segment and accident year. On a pretax basis, overall strengthening totaled $74.8 million, which equated to $48.6 million on an after-tax basis.

Slide 12 breaks out our loss, expense and combined ratios, after accounting for the effects of prior accident year reserve strengthening. Including the strengthening impact, our accident year loss and loss adjustment expense ratios, on a combined basis for the years 2013 through 2017, were 95.5%, 91.3%, 76.2%, 64.7% and 59.5%, respectively. Results with and without the impact related to Michigan, are also broken up further on this slide. We are also reiterating our previous guidance, which anticipates the full year 2018 loss ratio to be in the range of 60% to 62%.

Slide 13 provides both annual and quarterly trend information in terms of our combined ratio and its components. As we've indicated on prior calls, we feel that year-over-year comparisons are more useful than quarter-over-quarter, given the nature of our business. On a full year basis, excluding share-based compensation expense, our underwriting expense ratio was 27.5%.

Slides 14 and 15 provide an overview of our overall balance sheet strength in our cash and invested assets. Our investment strategy remains conservative with the primary objective of matching duration with the liquidity and cash flow needs of our insurance businesses. On a full year basis for 2017, net investment income was $4.9 million and there were $872,000 of net realized gains. Book value per common share on December 31, 2017, was $7.42, which is in line with the range we provided investors on our March 1 call regarding preliminary nonaudited financial results.

A detailed summary of the changes in book value can be found on Slide 16. It should be noted that in Q4, there was a decrease in book value per share of $0.87 related to the decrease in deferred tax assets as a result of the change in the tax law enacted in December 2017.

As shown on Slide 17, at December 31, 2017, our operating leverage, as measured by net written premium to combined statutory surplus, increased as a result of growth as well as the reserve changes. Managing our statutory operating leverage is important from both regulatory and rating agency perspectives. At this time, we are focused on optimizing operating leverage on the GAAP side. Statutory surplus as at December 31, 2017, was $87.8 million.

In the second quarter of 2018, our quota share cession rate will be increased from the current 25% at Global Liberty, and 5% in the other 3 insurance companies, to a range of 30% to 35% for all 4 companies. As previously indicated, we have support to increase the cession rate to as much as 50% should market conditions result in opportunities for higher levels of profitable growth than currently anticipated.

We are committed to self-funding organic growth. As we've communicated in the past, we intend to ensure that the various tools we've implemented to manage operating leverage are consistently evaluated to maximize ROE over market cycles. We'll monitor the potentially improving competitive and pricing environments to ensure that we are prepared for incremental opportunities in both the near and longer term. Pursuant to the 10b5-1 share repurchase plan put in place in 2017, the company bought back approximately 255,500 shares in the past month or so.

With that, let me turn the call back to Scott for his concluding remarks.

Scott David Wollney

Thanks, Paul. For those of you following along on our presentation, please move to Slide 19. Over the past few quarters, we've emphasized the importance of utilizing technology through all facets of our operation. After the initial formation of Atlas, we began focusing on optimizing operating efficiency through the use of technology. We then expanded our focus to include in-vehicle and other emerging technologies.

To further amplify the benefits of the significant assets within our enterprise, we also developed and implemented a number of machine learning-based predictive analytics initiatives. Fortunately, we are seeing a very encouraging amount of evidence that these tools had a marked positive impact and support loss ratios in line with expectations in more recent years, despite continuing industry challenges.

We remain committed to initiatives that are both positively impacting our internal operating efficiency, distribution channel engagement and customer experience while also positioning Atlas for the future. As illustrated on Slide 20, our vision is to deploy industry-leading technology initiatives in a way that is more nimble than other large companies, potentially doing similar things in ways that differentiate us from the smaller companies against whom we generally compete.

These initiatives include the use of predictive analytics on the front end in underwriting and pricing as well as on the back end in terms of claims triage and routing. We've also partnered with industry-leading in-vehicle technology firms and are very encouraged, both in connection with claim adjudication as well as actual claim cost reductions. I believe we're still at the early stages of demonstrating the ultimate impact and value of these initiatives on our traditional markets.

These traditional markets collectively represent an approximate $2.25 billion addressable market. This segment provides meaningful opportunity for a company of our size but serves as a competitive moat to larger insurers, not only from a move-the-needle perspective but also based on the complexity and transactional nature of this business. As we've commented before, this addressable market does not include noncommercial transportation network drivers, which we expect to represent approximately $1 billion of additional addressable market over time.

If you move to Slide 21, our sequential pricing changes relative to ISO, shows that Atlas has positioned our base rate changes above the levels that most of our competitors follow. Our ability to support this marginal rate has historically been the result of our strong value proposition, which is now being further amplified. Ultimately, our focus in optimizing the return on deployed capital, with respect to both new and renewal business, is a critical imperative.

We've always believed that a strong value proposition would allow us to charge marginally more than the local nonstandards or large generalists in our niche. During the past couple of years, through our increased use of analytics, we have effectively re-underwritten our book to further leverage these value drivers. In terms of hit ratio, we are focused on maximizing the hit ratio for accounts predicted to be better than average and are prepared to lose business to lower-priced competitors if it is predicted to be more challenged.

We expect to write in excess of $300 million in premiums in 2018, subject to market conditions, actions by rating agencies, and our objective of optimizing return on deployed capital. As I noted earlier, this represents a consistent rate of growth, relative to last year, and we're comfortable that this continued stable growth can be supported with our existing surplus levels, increased use of our reinsurance arrangements, and retained earnings going forward. Based on recent commercial auto industry results, we expect further market hardening throughout 2018.

At this $300 million level of premium and expected use of the company's existing reinsurance programs with a combined ratio in the mid-80s, it's reasonable to expect annual net earnings per share to exceed $2.

At this time, let's open it up for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from the line of Sam Hoffman with Lincoln Square Capital Management.

Sam Hoffman

I just had one follow-up question on the reserves. So you said that there were $50.8 million of case reserves on the new policies; and the old policies, there were $6.7 million of reserves. So what about all the other reserves? I mean, don't you guys have more than $100 million of total reserves? And where are those?

Scott David Wollney

Yes. So to be clear, what we're sharing there is the result of claims that have been closed in 2 buckets. So the first bucket are claims that came in before we began using predictive analytics to triage and route those claims. And the second bucket are the claims that came in beginning in mid-April 2016 forward, which would have been modeled. And so in the first bucket, the claims that we shared, which again have only been closed since year-end, so it's a relatively small amount, relative to the benchmark that our claim file audit suggested, came in essentially in line at $6.7 million. So that is not the level of reserves for those claims. The reserves set at year-end actually exceed the amount that our claim file audit suggested we need for those claims. So that really is just demonstrating at this early stage that those claims are coming in, in line with our own internal file audit, which also suggests then that it will come in below the claim reserves set for that group of claims. The second bucket, which are the modeled claims, have case reserves set at 45 days of claim age. And those case reserves have been demonstrating consistent redundancy as we've closed claims in that bucket. And so again, the number of claims we provided there were claims closed since the model for claims was implemented, where the case reserves were set by the model. And again, at this point, the paid versus case demonstrates about a 25% level of redundancy in those case reserves. And again, the total reserves carried at year-end 2017 exceed the combination of the file-based reserve estimate plus the predictive model-based case reserves. So we are not providing a specific gauge in terms of overall potential reserve redundancy. We're providing a framework to show quarter-by-quarter as we go forward that settlements are in line with expectation and that will then demonstrate that there is also reserve sufficiency. So that's the intent of sharing that information. And I think over time, it will be clear as to what that suggests.

Paul A. Romano

And I think also, Sam, on Page 61 of the K that was filed, there's a new sort of illustration about where the case -- where the reserves are, in terms of case reserves versus IBNR, both on the current year, which was 2017, versus the prior years, 2016 and prior. So at December 31 on a net reserve basis, we had $104 million of IBNR on case reserves of about $54.1 million, so roughly a 2:1 ratio of IBNR to case reserves.

Operator

The next question comes from the line of Paul Newsome with Sandler O'Neill.

Jon Paul Newsome

I wanted to ask a little bit more about the expense line outlook and how it may or may not be affected by the change in quota share.

Paul A. Romano

So actually, it will be affected by the quota share because we're going to be seeding much more premium. So we're going to -- in our seeding commission, so that the actual commission rate, when you see the financial statements themselves, they'll -- it will shrink from the current levels, like 12.9 million -- 12.9% of net earned premium. And it should shrink below the 10% level. However, what will happen simultaneous to that will be when you look at the net impact on other underwriting expense ratio, that will go up. So really, what we have to do is focus our attention on both the combination of the acquisition costs, which are the commissions and taxes net of the seeding commission, and the other underwriting expenses. So keeping in mind the target of the 24.5% to 26.5% that we've previously established, we'll continue to manage that within that range.

Operator

Our next question is from the line of John Deysher with Pinnacle Capital.

John Deysher

I was just curious. The other investments, $31.4 million, what is that exactly? I'm looking at your K and I can't quite find that. But what's embedded in the other investments line?

Scott David Wollney

So it's a combination of things. Most are $1 million to $2 million individual investments and most are private placement asset-backed, generally real estate. And so we have always tried to take a conservative investment approach. And so for a portion of the surplus, a couple of years ago, we began allocating to some of those private transactions with the idea that we could still match the duration to our liquidity needs and generate a higher yield than our new money yield, which at the time was slightly under 2%. That's grown a little bit with the interest rate environment changing. But it's essentially intended to provide slightly higher yield as a trade for liquidity but not to credit quality. So again, these are virtually all backed by specific tangible assets, generally commercial real estate. We do also have some ILS investment in there, which is noncorrelated, obviously, to our business. And the return on that, even including last year which was a relatively heavy storm season, has also been pretty significantly above our new money yield on the bond portfolio. So that has been kind of a gradual change over the last 2 to 3 years and something, obviously, that we'll continue to keep an eye on as we go forward.

John Deysher

Are those fair valued? And if so, how frequently?

Paul A. Romano

Those are based on the equity method. And they're evaluated on a quarterly basis and then trued up at the end of the year based on the audits of those funds or investments.

John Deysher

Okay, so -- and would it be possible to put the cost of those investments on the balance sheet as you do with equity and fixed income, so we can track exactly how it's doing?

Paul A. Romano

Well, typically, we wouldn't. But I can tell you on an annualized return basis, our funds have returned 5.6% yields over time, which is -- far exceeds our current fixed income portfolio of about 2.2% to 2.4%.

John Deysher

Okay. It's just a little concerning because it's 35% of your book value.

Scott David Wollney

Well, again, none of those are investments that we deem to be significantly risky investments. We've always stayed away from going into pure equities. As you know, most property casualty companies have a pretty significant allocation to the market, as it were. We've chosen not to do that. And so again, in these cases, these are asset-backed investments, where the valuation is audit-based. We've been very careful about the investments we've chosen and generally have taken a gradual approach to allocating capital on those funds. And that's all done, obviously, with the oversight of our -- and involvement of our Investment Committee as well. So we are comfortable with those investments and believe that they are appropriately conservative and do not believe that it's giving us significant exposure to the market, as it were, and so are comfortable with those investments.

John Deysher

Okay. Just one final question on that topic. So the auditors sign off on that value?

Paul A. Romano

Yes, they do.

Operator

[Operator Instructions] The next question is from the line of Bill Dezellem with Tieton Capital.

William J. Dezellem

You had mentioned in the opening remarks that you do not tend to write large operators, it tends to be the smaller operators. But in the cases of large operators, you have written some of those using your in-vehicle technology. And I'm wondering, what have you learned, or what are you learning, with that in-vehicle technology with those operators? And how might you be able to use that going forward?

Scott David Wollney

Sure, it's a great question, Bill. I mean, we have partnered with a number of different companies that have in-vehicle technologies that include video, telematics, facial recognition. And in particular, last year, we really pushed to get more and more of that technology in our insured fleets, both so we can affect more positive outcomes, in terms of evaluating accidents as well as potentially preventing them. And so a couple of key takeaways, and this, I don't think, will be a surprise to anybody. Distraction is clearly the single largest cause of accidents. And with one of the technology partners that we're working with in particular, and they were actually one of the firms that presented at our Investor Day last summer for those of you who were there, we've been able to ascertain that distraction is 2 to 3 times more significant in causing accidents, both severe and nonsevere, than aggressive driving is. And so one of the key takeaways is telematics alone is really not as powerful, or isn't nearly as powerful, as telematics, coupled with facial recognition or other methods of identifying distraction. And so one of the areas we're really focusing on is leveraging that, again not only from an underwriting or in risk selection in driver management perspective, but also to consider how those technologies can be used to actually reduce distraction and therefore reduce accidents. The worst accidents, some of the biggest severity accidents are those where no one ever hits the brakes. And generally speaking, that is often attributed to distraction. So that was one of the key issues or key learnings. Another is, depending on location and the type of fleet, there are different technologies that are the most appropriate solution. For owner-operators, it's generally -- gamification is probably the best approach to behavior modification, whereas for larger fleets are more invasive approach, one that might involve more proactive accident avoidance technologies, can definitely be more effective. And oftentimes with larger fleets, focusing on identifying the generally small amount of the worst drivers and proactively doing something about that -- first, identifying it, providing evidence that they are a challenge and then addressing it, has really had a meaningful impact on the fleets. But the key really comes down to engagement. So whether it's a small operator or a large operator, there really has to be a willingness to want to engage, whether it's to save money, be safer, have less downtime, all of these things are positive but not everybody recognizes that. And so one of the things we've been very careful to do is to really try to select accounts who are motivated and are interested in partnering with us along these lines. So when we talk about, kind of the effective re-underwriting of the book over time, that has really been part of it, is focusing on those accounts that are interested in being active and being proactive and improving not only their business but our collective bottom line results. And we're really finding that those accounts are performing much, much better, especially in the last few years, where we've implemented these things across more of our book. So today, we have these kinds of technologies in more than 20% of our overall insured vehicles and are being very active about trying to increase the number of vehicles that have the technology, both because it helps us to continue to collect incremental data, which is powerful both on a claim-by-claim basis as well as we start incorporating it more into our machine learning-based analytics approach, and also because it just flat-out helps to reduce both frequency and severity.

Operator

The next question is from the line of Samir Khare with Capital Returns Management.

Samir Khare

I just had a quick question on the -- I think what you -- the guidance you had for the accident year loss ratio in 2018 was 60% to 62%. Just given that 2017 had an accident year loss ratio of 59.5% and you're giving the rate increases that you are -- why wouldn't the accident year loss ratio be lower than that?

Scott David Wollney

So we intend to be conservative, in terms of our loss ratio pick, until we are clearly seeing the result hold up over time. And so throughout this year, obviously, we'll see a lot of claims for accident year '16 and '17 close. And as we committed, we'll be providing clarity around how those are closing relative to expectations. Provided they do close as we expect, that will give us, and presumably other external stakeholders, the confidence that those more recent accident year loss ratios are, in fact, holding up. But until then, we feel like it's appropriate to take a more conservative approach in terms of the current year loss ratio. So to be clear, we are going to be pricing well below that target range. But given that some of the historical challenges related to strengthening have been industry trend issues that neither we nor the industry predicted 2 or 3 years ago, we do think it's important to be conservative, in terms of our loss ratio pick for the current year, until we really see the actual results bearing out as expected.

Operator

At this time, I will turn the floor back to management for closing remarks.

Scott David Wollney

Great. Thank you for the questions, and thank you, everyone. We look forward to talking again soon.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.