Donegal Group Inc. (DGICA; DGICB)

Q4 2022 Earnings Call Transcript – FINAL

February 23, 2023

Karin Daly – Vice President, The Equity Group Inc.

Good morning and thank you for joining us today. This morning, Donegal Group issued its Fourth Quarter and Full Year 2022 Earnings Release outlining its results. The release and a supplemental investor presentation are available in the Investor Relations section of Donegal's website at www.donegalgroup.com. Please be advised that today's conference was pre-recorded and all participants are in listen-only mode. After management remarks, there will be a question-and-answer session for questions submitted ahead of the call.

Speaking today will be President and Chief Executive Officer, Kevin Burke; Chief Financial Officer, Jeff Miller; Chief Underwriting Officer, Jeff Hay; Senior Vice President, Field Operations, Daniel Delamater, and Chief Investment Officer, Tony Viozzi.

Please be aware that statements made during this call, that are not historical facts, are "forward-looking statements" and necessarily involve risks and uncertainties that could cause actual results to vary materially. These factors can be found in Donegal Group's filings with the Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q. The Company disclaims any obligation to update or publicly announce the results of any revisions that they may make to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

With that, it is my pleasure to turn it over to Mr. Kevin Burke. Kevin?

Kevin Burke – President and Chief Executive Officer

Thank you Karin, and welcome everyone.

From a growth and profitability perspective, our performance in the fourth quarter of 2022 largely reflected a continuation of the trends we experienced throughout the year. Anyone following the insurance industry knows how impactful the current inflationary environment has been for insurance carriers. The historically unprecedented spike in loss costs has caused particularly harsh impacts to carriers with substantial volumes of personal lines business, where the process of obtaining regulatory approvals extends the timeline for implementing rate actions that are necessary to respond to the rapid increases in loss costs and generate profit improvement.

While our 2022 financial results did not meet our long-term profitability target, I am proud of the diligent efforts of the entire Donegal team as we continued to navigate through the inflationary challenges and took aggressive actions to position our company for future growth and success. We made significant progress on a number of strategic initiatives during the year, and I will provide a summary overview of our accomplishments during the year in the call today. I will then hand the call over to Jeff Miller for a review of the financial details, who will be followed by Jeff Hay for a deeper dive into our commercial and personal lines segment performance. You will also hear from Dan DeLamater, the head of field operations for the Donegal Insurance Group, who will provide you his perspective on our sales and marketing efforts and opportunities moving into 2023. Tony Viozzi will end our prepared remarks with an investment update before we respond to questions we received in advance of this call.

We had several strategic areas of focus for 2022, and I am pleased with the progress we made in each of them. First, we maintained growth momentum within our commercial lines segment. We made substantial progress in rebalancing our commercial risk portfolio through the successful execution of state-specific strategies that Jeff Hay will cover in more detail later in the call. While the level of commercial new business writings fell short of our business plan, that shortfall was more than offset by excellent premium retention that was supported by solid renewal premium increases we achieved throughout the year.

I have been providing regular quarterly updates on our multi-year systems modernization project. Following the successful launch of new personal lines products in three states in the fourth quarter of 2021, we continued our new product rollout in six additional states throughout 2022. We are awaiting final regulatory approval to introduce new products in Michigan, which will be our 10th and final state to complete this initiative. We are pleased that the new product launch and rollout has been successful to date and our agents have responded favorably to what was essentially our reentry into the personal lines market. We are actively monitoring the pricing of the new products and the underlying risk characteristics of the policies we are writing as part of carefully managing our growth in the current environment.

The systems modernization project team has been working for over the past two years on the next major software release, which is on track for deployment at the end of March. This release will include a new sophisticated businessowners product, along with modernized commercial auto and umbrella products that incorporate advanced predictive models for refined risk-based pricing and underwriting. The release will also enable enhanced straight-through-processing capabilities that we expect will allow us to attract a higher volume of small commercial accounts. We will be focusing our efforts on the small commercial market as our primary source of profitable commercial lines growth over the next few years. In terms of timing, we plan to introduce the new systems and products in three states in the second quarter of 2023, followed by the remaining 22 states in the third quarter. We are currently offering commercial lines in 24 states and will add the state of Arizona to our service area as part of this rollout.

We added experienced leadership talent to augment our team during the past several years, and we are making great strides toward moving the organization forward at a rapid pace. In addition to forward progress in data analytics, business intelligence and underwriting portfolio management, we are focusing on operational excellence, process improvement and data-driven decision making. We have enhanced our analysis of loss trends and rate indications, as well as our regional business planning and performance monitoring processes that include detailed state strategy reviews and monthly monitoring.

We remain committed to our strategic plan that we believe will help us achieve sustained excellent financial performance. We have more work to do, but I look forward to reporting to you the favorable impact of these efforts in future periods.

At this point, I'll turn the call over to Jeff Miller for a review of our financial results.

Jeff Miller – Chief Financial Officer

Thank you, Kevin.

For the fourth quarter of 2022, net premiums earned grew by 6.5% to $213 million. We achieved net premium written growth of 10.2%, which was mostly related to higher new business writings in personal lines, strong retention results and premium rate increases that averaged 8.9% for all lines excluding workers' compensation. Our underwriting results were impacted by elevated weather-related losses and ongoing inflationary pressures on loss costs for property and automobile physical damage coverages. The overall combined ratio for the fourth quarter of 2022 was 102.8%, compared to 101.6% for the prior-year quarter. The deterioration of the combined ratio was primarily driven by an increase in the expense ratio, which we primarily attribute to higher technology costs related to our ongoing systems modernization initiatives. The fourth quarter loss ratios were comparable for 2022 and 2021, as higher weather-related losses in the fourth quarter of 2022 were largely offset by a higher benefit of net favorable development of reserves for losses incurred in prior accident years compared to the prior-year quarter.

Weather-related losses totaled $16.5 million, or 7.7 percentage points on the loss ratio for the fourth quarter of 2022. We incurred $5 million in losses from Winter Storm Elliott in late December, with our reinsurance agreement with Donegal Mutual limiting the net impact to that amount. The total quarterly weather claim impact was higher than our previous five-year average of 4.4 percentage points for the fourth quarter.

We experienced favorable net development of reserves for losses incurred in prior accident years of $14.2 million, or a 6.7-point reduction in the loss ratio for the fourth quarter of 2022, compared to $5.3 million, or a 2.7-point reduction in the loss ratio for the same period last year. Our insurance subsidiaries experienced favorable development primarily related to reserves for accident years 2019, 2020 and 2021 in personal automobile, commercial automobile and homeowners lines of business where actual loss emergence during 2022 was lower than our actuarial estimates at the end of 2021.

Large fire losses contributed 6.2 percentage points to our fourth quarter of 2022 loss ratio, slightly higher than the 5.5 percentage-point impact to the loss ratio of the prior-year quarter, with an increase in commercial fire severity due in part to higher costs of repairing damaged properties. Our core loss ratio, which excludes the impact of weather, large fires and prior-period reserve development, was relatively in line with the prior-year quarter, with both periods reflecting an elevated impact of inflation.

The underwriting loss we experienced for the fourth quarter of 2022 was more than offset by $9.4 million of investment income and $626,000 of net investment gains, contributing to after-tax net income of $3.5 million.

Turning briefly to results for the full year of 2022, we achieved a 6% increase in net premiums earned and net premium written growth of 4.9%, which was mostly related to higher new business writings in personal lines, strong retention results and premium rate increases averaging 7.2% for all lines excluding workers' compensation. Our full year underwriting results also reflected the ongoing inflationary pressures on loss costs I mentioned earlier. The overall combined ratio was 103.3% for the full year of 2022, compared to 101.0% for 2021. The increase in the combined ratio was primarily driven by a higher loss ratio. Weather-related losses contributed 7.7 percentage points to our 2022 loss ratio, which was just slightly higher than our 7.2 percentage point five-year average weather impact but was nearly 2 percentage points higher than the 2021 weather loss ratio impact. Net favorable development of reserves for losses incurred in prior accident years reduced the loss ratio by 5.4 percentage points for 2022, compared to a 4.0 percentage-point reduction for 2021. The expense ratio of 34.1% for the full year 2022 increased compared to 33.3% for 2021, primarily related to the impact of higher technology systems-related costs. Investment income of $34.0 million for 2022 was more than offset by the underwriting loss and net investment losses of $10.2 million, resulting in a $2.0 million after-tax net loss for 2022, compared to $25.3 million of net income for 2021.

With that, I will turn the call over to Jeff Hay to provide more details about our commercial and personal lines segment results.

Jeff Hay – Chief Underwriting Officer

Thank you, Jeff. While our underwriting results for the fourth quarter and full year 2022 fell short of our long-term profit objective, we did take aggressive steps throughout 2022 to improve our results across our operations. As I summarize the drivers of the fourth quarter results in both the commercial and personal lines segments, I will also discuss many of the actions we have taken to date, along with additional actions we plan to take to generate more favorable results in future periods.

I'll start with our commercial lines segment. We continued our controlled growth momentum in commercial lines net premiums written for the quarter, taking a more conservative approach to new business opportunities as we continue to manage through the challenging inflationary impact on loss trends. Premium retention remained strong in the fourth quarter – holding in the mid-90 percentage range across most of our lines of business – largely resulting from a strong quarterly average rate increase of 9.4%, excluding workers' compensation. Retention levels were lower in our Midwest and Southeast regions where we are taking more aggressive non-renewal actions to drive profit improvement. We also experienced a lower average negative rate impact in workers' compensation, as we utilized various underwriting levers to offset filed bureau loss cost decreases where our experience warrants that action. I mentioned in prior calls that we had refined the commercial auto rate guidance we provide to our underwriters, thereby enabling them to pursue more rate on risks that are underpriced in order to accelerate improved margins within their risk portfolios. I am pleased to report that we are achieving stronger rate increases in our lowest margin business and maintaining higher retention levels in our highest margin business. We are now providing similar rate guidance for other lines of business in our commercial lines segment.

Moving to claim trends in the quarter, although claim frequency generally remained in-line with historical averages, we continued to see elevated severity trends across most of our commercial lines of business as inflationary pressures continued to drive increases in loss costs, particularly in our property and auto physical damage coverages.

As Jeff Miller reported earlier, weather-related losses in our commercial segment were elevated compared to our previous five-year average. The increase was largely driven by the freeze event in late December that led to a significant volume of water damage claims from frozen pipes, including ruptured sprinkler lines in commercial properties as temperatures plummeted throughout a wide area of the country. While more than half the claims occurred in our flagship state of Pennsylvania, we also received claims throughout our operating regions including Georgia, Virginia, Maryland, Ohio and Michigan. While the majority of the claims were related to homeowners' losses, the majority of the loss impact was in commercial property, where average claim severity was much higher, including several large claims due to extensive water damage and lost income.

Large fire losses in the fourth quarter were slightly elevated compared to the prior-year quarter, but down significantly from the third quarter of 2022. Although the frequency of fire losses remains largely in-line with the fourth quarter of 2021, we experienced higher severity, which has been a recurring theme throughout the year that we attribute in part to the higher costs of materials and labor to repair the damaged properties. While it has been difficult to find commonality in the underlying causes of the large fire losses we have incurred over the past few years, we have identified a handful of classes of business and certain property risk characteristics that have higher-than-average vulnerability to fire losses, and we are taking immediate actions to reduce exposures in those classes and risks.

For commercial auto, we were pleased to see our fourth quarter core loss ratio improve over 10 percentage points from the prior-year quarter, which we can attribute in large part to profit improvement actions we implemented over the past several years. Those actions included a substantial reduction of commercial auto exposures in the state of Georgia and the provision of enhanced rate guidance to our underwriters that I mentioned earlier.

For commercial multi-peril, we saw a 3.5 percentage-point improvement in the fourth quarter core loss ratio compared to the prior-year quarter. We achieved an average rate increase that exceeded 9% in this line for the fourth quarter, and we expect to push 2023 rate increases for this line into double digit percentages, as well as adjusting our automated inflation factors to increase property exposure values by 8% beginning in the first quarter. We expect our commercial multi-peril line performance will improve as we earn the significant additional rate and as we reap the benefits of numerous underwriting actions, including targeted non-renewals for unprofitable classes, implementation of higher minimum deductibles in catastrophe-exposed areas, and tightening of underwriting guidelines in certain geographies.

Shifting to personal lines, we were pleased with the return to growth in net premiums written, with 15.6% growth in the quarter as a result of new business from our new suite of products, continued strong policy retention and renewal rate increases averaging 8.3%.

The personal auto core loss ratio was elevated compared to the prior-year quarter due to higher loss severity related to ongoing inflationary impact to loss trends due to supply chain disruption and labor shortage that we have talked about throughout 2022, as well as modestly higher claim frequency from higher driving activity. As for the homeowners line of business, the winter freeze event at the end of December caused a spike in the loss ratio, with weather-related losses comprising 24 percentage points of the homeowners loss ratio in the fourth quarter of 2022, compared to 17.7 percentage points for the prior-year quarter. The homeowners impact of large fire losses was lower than the prior year quarter but remained generally in-line with the third quarter of 2022.

While it was great to see our agents re-engage with us to write new personal lines accounts, the fourth quarter new business growth rate actually exceeded our target. We are closely monitoring the success of our new product suite in the market to ensure we are writing the risks we want to write and that we are achieving expected margins. We are also maintaining focus on the performance of our legacy renewal book of business, where we are also seeing ongoing inflationary pressures on loss costs. Our analysis indicates that, in spite of significant rate increases implemented during 2022, we have not yet achieved rate adequacy. As loss severity trends for both personal auto and homeowners continued on an upward trend in the second half of 2022, we will request regulatory approval for additional rate increases across our ten personal lines states. We have also further adjusted our rate segmentation and tightened underwriting guidelines, along with other measures to carefully manage our growth rate and improve profit margins as quickly as possible.

At this time, I'd like to turn it over to Dan DeLamater for an update on our sales and marketing efforts.

Dan DeLamater – Senior Vice President, Field Operations

Thank you, Jeff. I am excited for the opportunity to share some details about the sales and marketing efforts at Donegal. First and foremost, an important distinctive for Donegal, and one that we believe provides tremendous benefit and opportunity, is that we distribute our products solely through independent agents. In 2022, our agency partners continued to provide new business opportunities to us that resulted in over $100 million in new business writings, with over 70% of that new business in commercial lines. Our agents also helped us to retain quality accounts in spite of significant price increases that were made necessary by the spike in inflation over the past year.

It's important to note that our appointed agency relationships include hundreds of traditional, independently-owned agencies, as well as hundreds more agencies who have either joined a larger membership group or sold to a national or regional organization. Mergers and acquisitions activity within the independent agency channel set all-time-high records for several years running. While this activity has brought significant amounts of new capital into the distribution side of the insurance business, agency ownership changes have also created a challenging competitive landscape for insurance carriers. We are dealing with these market challenges head-on by working strategically with 12 national account organizations that represent agencies responsible for approximately 30% of our total premium portfolio. While we will continue to maintain strong relationships with our traditional agents who have contributed to our growth and success over many years, we view our relationships with these expanding national account organizations as significant opportunities for profitable future growth.

Kevin mentioned our progress in the implementation of new underwriting systems and products. In addition to these advancements, we are also enhancing the sophistication of our sales and marketing efforts with excellent data and automation tools at our fingertips. New and improved business intelligence and CRM capabilities are providing greater insights into market opportunities and agency performance. These resources are helping us identify prospective customers, perpetuate customer and premium retention, manage agency growth and profitability, and to further support our best-in-class service commitment to our agents. We remain focused on providing excellent products and service to ensure we are "There When It Matters Most" for our agents and policyholders.

At Donegal, our goal is to build an effective and efficient sales process for current and prospective policyholders that our independent agents entrust to us. With all of our advancements in product development and underwriting acumen, we remain a relationship-driven, people-first company.

With that, I will turn it over to Tony for an update on our Investments segment.

Tony Viozzi – Chief Investment Officer

Thank you, Dan. For the fourth consecutive quarter, we achieved higher average investment yields, with the fourth quarter average yield up 31 basis points from a year ago to 2.90%. This increase was driven by rising market rates and selectively moving into the most attractive spread products. Additionally, our average reinvestment yield again exceeded that of the maturities, calls, and MBS cash flow we received, by approximately 200 basis points for the quarter.

Total invested assets rose by $27.8 million, or 2%, from December 31, 2021. Net investment income increased to $9.4 million, up 14.5% compared to the fourth quarter of 2021, as a result of an increase in average invested assets as well as the increase in portfolio yield. We expect ongoing improvement in our investment income throughout 2023, as we believe cash equivalent rates will increase and fixed income rates will stabilize as we progress through the year.

Net investment gains of $626,000 were down more than 50% compared to the prior-year quarter, but we were pleased to see an increase in the market value of the equity securities after experiencing significant declines earlier in the year. While equity markets remain volatile, the performance of our relatively modest equity portfolio was generally in line with that of the S&P 500 index. We made a conscious decision to decrease our equity exposure by nearly half over the course of 2022, and we shifted into a heavier weighting of value style stocks. We also experienced a significant decline in our fixed-income portfolio as market interest rates rose sharply during the year. However, we believe that our laddered maturities, coupled with our conservative investment philosophy and flexibility in managing our overall portfolio, has put us in a solid position to recover those rate-driven declines as we hold those investments to their stated maturities.

The decrease in the market value of our available-for-sale bonds reduced our book value by $1.39 in 2022. Other business drivers also contributed to an overall book value decline of $2.16, or 12.7%, from December 31, 2021, ending 2022 at $14.79. We expect to grow our book value through improved operating results and through a recovery of the market value of our bonds over time.

I will now turn it back to Karin, our Investor Relations consultant.

Karin Daly – Vice President, The Equity Group Inc.

Thank you, Tony. Moving onto our Question-and-Answer Session. We requested and received questions from interested parties in advance of today's call. While we have worked answers to most questions into our prepared remarks, we will address a few of the questions directly.

The first question is: Given commentary by many market participants that this year's renewal was the hardest market they have seen in their lifetime, did Donegal Mutual and the Donegal Group subsidiaries make any notable changes to their reinsurance program, and will your reinsurance costs increase for 2023?

Jeff Miller – Chief Financial Officer

This is Jeff Miller, and I'll be glad to respond to that question. Donegal Mutual and the insurance subsidiaries of Donegal Group purchase reinsurance together to achieve economies of scale. We have historically purchased reinsurance coverage at relatively conservative loss retention levels, because reinsurance costs were generally reasonable at lower retention levels due to our relatively conservative risk profile. But as the question suggested, our experience was similar to other reinsurance purchasers who found it challenging to renew coverage at January 1st. Based on some preliminary discussions we had with many of our reinsurers last October, we expected that we would be pressured to increase loss retentions under our reinsurance program for 2023, and we performed various analyses to model the impact of potential changes on our group's economic capital. That analysis served us well as we proceeded through the renewal process, and with the assistance of our reinsurance intermediary, we were able to successfully renew our program for 2023 with increases to retention amounts for several of the programs that remained well within our risk tolerances.

We increased our per-risk retentions for property and casualty losses from $2 million for 2022 to $3 million for 2023. That change did not apply to workers' compensation losses, for which our retention remains at $2 million per loss. For property catastrophe reinsurance, we increased our external reinsurance retention from $15 million per event for 2022 to $25 million per event for 2023. However, I would hasten to point out that Donegal Mutual continues to provide underlying catastrophe reinsurance protection for the subsidiaries of Donegal Group Inc. The individual Donegal Group Inc. subsidiary retention was increased from $2 million per event for 2022 to $3 million per event for 2023. The aggregate retention for any event that impacts multiple subsidiaries was increased from $5 million for 2022 to $6 million for 2023. Therefore, relative to 2022, the incremental increase in losses Donegal Group Inc. will retain for any catastrophe event in 2023 is limited to $1 million.

As a result of increasing our reinsurance retentions, we will have a modest reduction in our reinsurance premium spend compared to 2022, with projected reinsurance premium savings for the Donegal Group Inc. subsidiaries of approximately $1.8 million for the year.

Karin Daly – Vice President, The Equity Group Inc.

Thank you for that update, Jeff. The next question relates to Medical Inflation: Are you seeing any material changes in medical inflation impacting your book? And how should we be thinking about Donegal's potential exposure to medical inflation more broadly?

Jeff Hay – Chief Underwriting Officer

This is Jeff Hay and I can take that one Karin. In my prepared remarks, I discussed the impact that inflation and supply chain disruption is having on our loss cost trends, but that is primarily impacting property and auto physical damage coverages. Medical inflation also impacts several of our products, primarily affecting bodily injury liability claims under personal and commercial auto coverages, as well as claims for incidents such as slips and falls under general liability coverages, and the medical costs related to injuries covered by workers' compensation policies.

While we are continuing to experience inflation impact on these medical-sensitive loss costs, it has been more stable and predictable than for physical damage claims. Medical inflation is captured within our bodily injury claim severity trend, for which the current increase is in the 7-8% range. A modest downward trend in loss frequency for bodily injury claims has partially offset the severity increase over the past few years. We account for these trends in our pricing strategies.

Karin Daly – Vice President, The Equity Group Inc.

Thank you. The next question relates to Workers' Compensation: Can you dig deeper into the workers' comp trends? What are you seeing from a pricing perspective, changes in loss trend, reserving or reserve development standpoint, and is there anything you're watching or concerned about?

Jeff Hay – Chief Underwriting Officer

Jeff Hay here again. As I said in my response to the previous question, medical costs are increasing, but to a lesser extent for workers' compensation claims and that's for a few reasons. Primarily, lower utilization is tempering the medical loss costs for this line, and this is an industry-wide phenomenon. Utilization relates to the number of services needed to treat an injured worker. We and other carriers are seeing a shift from inpatient to outpatient procedures and a movement away from opioids & toward generic drugs. In some cases, MRIs and other medical services are becoming less expensive. Those factors and other advances in medical treatments have contributed to lower utilization that has helped to offset inflation in the costs of medical services generally.

There are a few other factors impacting workers' comp loss trends – the low unemployment level is driving wage costs higher, but wage inflation is not uniform across all industries. Lower wage earners are seeing larger increases, and there has been a shifting workforce which is having varying impacts by industry and class of business. With generally higher wages and less experienced workers for the construction and manufacturing classes, we do see greater risk of higher loss costs in those classes.

With all that said, our loss trends for the workers' comp line remain favorable overall. Our premiums have declined as a result of continued aggressive bureau rate decreases in the mid-single digits, which we work to offset through discretionary pricing actions to the extent possible.

As far are reserves and reserve development is concerned, we have had consistent favorable reserve development in worker's comp over many years. While we closely monitor the loss trends I just discussed, we have not made any significant changes to our philosophy or approach to reserving for this line.

Karin Daly – Vice President, The Equity Group Inc.

Thank you, Jeff. The next question pertains to reserve development. Can you provide a breakdown of the reserve development by line of business and any color on the drivers of that development?

Jeff Miller – Chief Financial Officer

Sure Karin, this is Jeff Miller. For the fourth quarter, we had $14.2 million of favorable reserve development in total, mainly comprised of $7.0 million in commercial auto, $2.8 million in homeowners, $2.5 million in personal auto, $1.6 million in other commercial (which is primarily commercial umbrella liability), and $900,000 in workers' compensation.

For the full year, we had $44.8 million of favorable reserve development in total, mainly comprised of $18.4 million in commercial auto, $10.8 million in personal auto, $4.8 million in homeowners, $4.8 million in workers' compensation and $4.3 million in commercial multi-peril.

As far as drivers are concerned, the actual emergence of paid loss and case reserve activity, primarily for the 2020 and 2021 accident years, was more favorable than anticipated based on historical averages. Particularly for our commercial and personal automobile lines of business, the lower emergence was due to a combination of favorable loss settlements and the benefits we realized from various profit improvement initiatives, including significant reductions of exposures in the state of Georgia over the past few years.

Karin Daly – Vice President, The Equity Group Inc.

Thank you. The last question relates to Capital Management: could you provide us an update on your approach to capital management and where your priorities stand heading into 2023?

Jeff Miller – Chief Financial Officer

Jeff Miller again. We've taken a very consistent approach to capital management, utilizing cash dividends as the primary means of returning capital to our shareholders. We believe this approach appropriately rewards long-term shareholders, and our dividend yield continues to rank among the highest of our regional insurance peers. We continue to focus on growing book value by generating favorable operating returns, and we do not expect any material change in our approach to capital management in the foreseeable future.

Karin Daly – Vice President, The Equity Group Inc.

Thank you for that update, Jeff. If there are any additional questions, please feel free to reach out to us. I will now turn it back to Mr. Kevin Burke for final remarks.

Kevin Burke – President and Chief Executive Officer

Thanks Karin. While there was significant weather-related and large loss impact to the fourth quarter and full year results, we are pleased with the execution and initial benefits of our various strategic initiatives. We are confident that the substantial improvements we are making to our operations will allow us to better serve our agents and policyholders for many years to come, while our unrelenting focus on improving our results will lead us to sustainable profitability. Thanks for joining us today.

Karin Daly – Vice President, The Equity Group Inc.

This now concludes the fourth quarter and full-year 2022 earnings webcast. You may now disconnect.