Keefe, Bruyette & Woods Insurance Conference

Company Participants

- Meyer Shields, Analyst
- Peter Zaffino, Chief Executive Officer, General Insurance and Global Chief Operating Officer

Other Participants

- Unidentified Participant

Presentation

Meyer Shields {BIO 4281064 <GO>}

We're going to get started now. I want to welcome Peter Zaffino, who is AIG's Chief Operating Officer, Chief Executive Officer of General Insurance. We also have a solid team from AIG here, including Sabra Purtill, who heads Investor Relations, Rating Agency, Communications, Deputy CFO -- I'm sorry, Rating Agency Relations, Deputy CFO and Head of Corporate Development; and Lucy Fato, General Counsel. So a solid team.

We're going -- Peter is going to start-off making a few introductory comments, and then we're going to head into Q&A. I do obviously have a list of questions, but if there are questions from the room, obviously, the point of this is for everyone to get the information that they need. So please do not hesitate to signal to me if you've got a question, we'll get the mic to you and then proceed there.

And with that, Peter, please.

Peter Zaffino {BIO 15942020 <GO>}

Great. Good morning, everyone. I thought, I would start with some prepared remarks, a lot happening at AIG, so I thought, I would baseline and then we'll spend some time with Meyer. So, Meyer, thank you for hosting us at the KBW Insurance Conference. I am going to start with about 10 minutes of prepared remarks, and we'll begin with a few comments about Hurricane Dorian, which continues to unfold as we speak.

Dorian proved to be an interesting and challenging storm to track, it strengthened into a major hurricane on Friday, achieving Category 3 status, reached Category 4 status by Saturday morning, and by Sunday, it was a Category 5, as you all know. Hurricane winds were peaking at 180 miles per hour. There have only been three hurricanes since 1950 that have been stronger. So, it was a serious storm.

Forecasts were continuously updated with wide dispersion and the storm track resulting in a high level of uncertainty in landfall and potential losses, and that is still fluid. While there was concern about landfall in the Bahamas, Florida, Georgia and Carolina's, in the end, Dorian stalled over the Bahamas and has downgraded to a Category 2 hurricane. We continue to keep a close eye on Dorian and in particular on the potential for landfall in the Carolina's. I'm trying to draw an analogy and a comparison, and Hurricane Matthew in 2016 is an interesting comparison to Dorian, both in intensity and storm track.

The industry then, and again with Dorian avoided much of what could be a significant loss. And when we looked at Matthew, we will have to do the same thing with Dorian once the information is more accurate, is that, Matthew could have been 10 times its size with just 30 miles west. And so, they're really sensitive to the track. And I just think it's a real reminder that continue need to be diligent in the management of aggregation of property risk and also how it's priced.

Working with the team over the last few days really crystallized for me the significant progress that we've made in General Insurance over the last two years, and I'll spend more time talking about that. Our focus and disciplined approach to repositioning the portfolio has led to smarter decision making, more predictable outcomes and improved performance. We went from an insurance company that had an inconsistent approach in the marketplace. We took outsized risk, created significant volatility and deployed substantial gross and net limits. And now we feel we're becoming an insurance company that has a clearly defined risk appetite, disciplined execution of underwriting and reinsurance strategies, significantly less volatility and demonstrating market leading behaviors that continue to improve our overall portfolio.

We've taken significant action to position our businesses, to be leaders in their respective markets, by making foundational changes to our underwriting approach and reinsurance strategies, while focusing on building and retaining a best in class team. We're operationalizing these actions through General Insurance by embedding more disciplined end-to-end business process and prudently managing expenses, which will ensure consistency and sustainability for future growth and investments.

The significant progress we've made towards achieving full year underwriting profitability is the result of a change in our business mix, reduced volatility stemming from our underwriting actions, a very comprehensive reinsurance program along with the acquisitions of Validus and Glatfelter that contributed. It's worth revisiting the significant changes we made to gross and net limits, it's a -- I think it's really compelling.

On our year-end 2018 earnings call, we disclosed that in property, for example, gross limits deployed in the field were going to be reduced from $2.5 billion to $750 million. Net limits were reduced from $611 million at the end of 2017 to a range of $5 million to $50 million as we enter 2019 on a per risk basis. In primary D&O, gross limits were reduced by over $8 billion in the aggregate throughout 2018, and we also materially changed gross and net limits in Lexington, which is our E&S entity within AIG financial lines and casualty.

I'd like to remind you of the dramatic change on our reinsurance strategy, particularly in light of Hurricane Dorian. You may recall that AIG's 2017 North American CAT cover consisted only of a per occurrence protection attaching at $1.5 billion. We experienced material catastrophe losses with Hurricanes Harvey, Irma and Maria in 2017, none of which resulted in recoveries from the North American CAT cover.

Since then, we've enhanced the program significantly by reducing the per occurrence attachment point in North America to $750 million and adding a global aggregate protection that attaches at $750 million, with a $100 million per event deductible. In addition, in the second quarter 2019, we entered into separate discrete CAT covers that further reduce our retentions in the Private Client Group and other geographies that have catastrophe exposure. We also made significant changes to our reinsurance programs in Japan and other international jurisdictions. Allow me to briefly comment on rate trends.

As Mark and I said in our second quarter earnings call, we continue to see meaningful rate increases across our portfolio. In the high single digits in the second quarter compared to a mid single-digit improvement in the first quarter of the year. Note that nearly 60% of the second quarter's gross premium was associated with double digit rate increases, whereas less than 10% was associated with rate decreases. Our comprehensive and disciplined strategy to reposition our businesses as market leaders has improved the quality and rate adequacy of our overall book of business.

Given recent news reports, I also briefly want to touch on recent developments concerning the litigation related to opioids, which have been filed primarily by state and local governments against manufacturers, distributors and retailers of opioids. While it's too early to predict or quantify the outcome of all the litigation or the insurance that may apply, we've been very closely tracking these developments, so that we can address these complicated risks appropriately, as they continue to evolve.

Before turning to AIG 200, I'd like to comment on our talent, and I've actually talked about this quite a bit over the past two years. In General Insurance, we continue to strengthen our underwriting leadership team and new talent to our reinsurance organization. We are expanding our operational capabilities that linked to the rest of the organization and overall continue to deepen our bench. I'm very proud of the team we've built and our improving financial performance is a reflection of their dedication, expertise and commitment to the journey.

Now, I'd like to spend a few minutes on AIG 200, which we first mentioned externally on our second quarter earnings call, and Meyer wrote a little bit about it. Brian asked me to lead this program in my capacity as AIG's Global Chief Operating Officer. AIG is focused on the long-term strategic positioning and we're identifying opportunities to achieve operational effectiveness, recalibrate our standard and become a high quality, top performing company. The elements of this program have been under development for several months. Colleagues from around the globe have been involved providing information and suggestions regarding AIG's current strengths, development needs and obstacle standing in the way of sustaining growth and success.

By the second quarter, this program had matured sufficiently to officially brand it [ph] internally and announce it externally. The name AIG 200 was selected because it represents a pivotal way from AIG's past and focuses on investing in critical areas, as we build for the future. While the primary purpose is not about cost cutting, we do expect our work will ultimately lead to a reduced expense base over time, and more importantly, an improved experience for our distribution partners, clients, policyholders and colleagues. There are four core objectives to AIG 200, that the work will undertake and will align to. One, is achieving underwriting excellence; two, is modernizing our operating infrastructure including using straight through processing and replacing some unnecessary manual efforts with technology and digitized workflow; three, enhancing user and customer experiences; and four, becoming a more unified company.

While efforts are still underway to determine the size required investments and the expected financial impact, I thought it would be helpful to add some detail by giving a couple of examples of the work we're undertaking. First, in Japan, in early 2018, we completed a merger of our consumer and SME-focused businesses into one entity, and our go-to-market consumer brand, AIG Sompo. As part of AIG 200, we will improve the strategic positioning of this business by transforming it into a next generation digital insurance company.

The design of the new digital first operating model has been completed and once executed, we will bring the kind of anywhere, anytime, any device experience to our customers and agents that they expect in the digital age. This new operating model will drive significant efficiencies in our business, as well as we will be replacing paper intensive manual processes with automation and digitization.

Second, shared services. We've identified this area as a significant opportunity and priority for AIG 200. Shared services has delivered value for AIG. However, that value has not been fully realized and the teams in the areas are siloed. As part of AIG 200, we'll enhance and transform AIG's shared services from its current by function, by business model, which is largely focused on lower cost transactional efficiency to a best-in-class, fully integrated, multi-functional digital end-to-end process operation, delivering value through scale and simplification.

Our new shared services operation will be focused on customer and user experience and deliver top performing benchmarks with respect to costs, quality of service and speed of execution. We're in the process of consolidating our existing shared services into one team and adding resources with significant shared services and functional domain expertise to execute on this transformation. More broadly, I want to emphasize that AIG 200 is a multi-year enterprise led program that will define, who we are as a company, how we differentiate ourselves in the global insurance marketplace, and how we create value for shareholders, clients, policyholders, colleagues and other key stakeholders. AIG 200 is designed to move our infrastructure meaningfully into the future, as we work to sustainably improve financial performance over that time.

Similar to General Insurance, we're filling critical roles with seasoned executives with proven track records of achieving excellent results during transformation. Significant resources are being deployed to AIG 200, and we expect to provide an update on our third quarter call. So Meyer, I hope that was informative and at least provided some insight on some of the questions you may have.

And I think with that, we'll have a discussion.

Questions And Answers

A - Meyer Shields {BIO 4281064 <GO>}

Fantastic. Thank you very much. From my perspective, I want to say that one of the most reassuring aspects of AIG 200, and again, we're obviously learning a lot about it, is that, you have the time and been able to address sort of the critical underwriting pressures within General Insurance. And it takes so much -- there is so much lead time between you putting the people into place and their efforts bearing fruit, that this is a demonstration, I think, of sort of the internal stabilization of the underwriting platform that maybe you had the wherewithal to think about the next phase and how do we move AIG to that level of stability?

And I want to talk a lot -- a lot of the questions that we get obviously, with regard to AIG or with regard to the General Insurance turnaround. And I want to put the discussion in the context of what is obviously -- and I use supposition, and that is that if underwriting results were unacceptable, one approach would be to raise rates on every single account such that the expected returns were okay. And again, that's not really feasible, and it's also not the approach that AIG has taken. You've taken -- you've done a lot more work in terms of refining, underwriting appetite, broker communications, risk selection, et cetera. I wanted to drill down at some of those individual issues to really get a sense and communicate a sense of what AIG has done differently.

So let me start really with risk selection. It's been -- afraid that Brian has emphasized over and over again, and he was talking about it well before there were signs of rate hardening. I have to imagine that it involves more than going to individual desk underwriters and saying write better accounts. So what actually is -- what's involved in communicating and actually obtaining improved risk selection?

A - Peter Zaffino {BIO 15942020 <GO>}

So there is multiple strategic imperatives that took place. I think first was, trying to define what AIG was going to be in terms of risk selection and its risk appetite. So when we came in, there was just two verticals, one consumer, one commercial. But that had -- and a company our size had enormous implications of taking very large risks on, multiple geographies, multiple classes and actually having multiple points of entry within the AIG. So what we decided was to make certain that we had businesses that had clear risk appetite, it was clearly defined, but had a unique, as did Brian, perch from our prior roles. And when you are doing significant limits that are commoditized, you do not get paid in the marketplace. So, like if you are taking massive limits, at some point that it goes into more of a commoditized market and then price becomes a driver. So, you are not going to paid for.

You cannot increase rates in a marketplace that gets commoditized in certain layers. So we decided that one is, it was too much volatility. You are not going to get paid for the risk if you're taking those substantial limits. There was no reinsurance that was mitigating some of the large limit strategy, so you're taking huge losses on property and in casualty and clearly defining what that risk appetite was going be for the Lexington, for commercial property, what we want to be doing in having a pure E&S player.

And then not telling the underwriters and leaders like, okay, please get a good risk selection, please get the appropriate price in terms and conditions, but I'm going to manage measure top line every month, that where you are. I mean, like we have to make sure that we were reflecting upon our growth. And we think that there are some real green sheets for growth. But at the same time, we want to create a culture of underwriting profit, underwriting excellence. And that's been the journey we're on.

A - Meyer Shields {BIO 4281064 <GO>}

Okay. Can you give us an update in terms of where you are and where you need to be in fostering and communicating that culture?

A - Peter Zaffino {BIO 15942020 <GO>}

Well, we have some terrific leaders that had joined the Company, that have tremendous track records of underwriting profitability. Dave McElroy comes to top of the list, Mark Lyons, Tom Bolt. We have strength in our chief underwriting office by taking Kean Driscoll, who was the Chief Underwriting Officer, is now the Chief Ubnderwriting Officer in Property, was the CEO of Validus Re, Lex Baugh. So we really strengthen the senior leadership teams to be able to drive the messaging and then have started to be very active in building the bench.

As you go down on AIG's there is a lot of very good people and they have calibrated very quickly to what we wanted to revise for our underwriting strategy and risk appetite. So it was -- it's constantly internationalizing what we say we're going to do. And when we monitor and meet with the businesses every quarter to make sure we are making the progress. And quite frankly what we have been able to do over our calendar year, I think it's tremendous.

A - Meyer Shields {BIO 4281064 <GO>}

Yeah. Fantastic. And again, if there are questions in the room, please don't hesitate. So let me know, I want to touch on another, I would say critical components of the strategy. And you represent a little bit which is the reinsurance purchasing strategy. There's been a significant update in reinsurance purchasing. I would say, going back to the immediate aftermath of Hurricane Irma. And then, since then, at more typical reinsurance points. If the business is that are priced, then where does the importance of buying more reinsurance interact with that?

A - Peter Zaffino {BIO 15942020 <GO>}

There is several categories to think about with reinsurance. First is, the AIG that Brian and I entered did not buy a lot of reinsurance. So you have, when you look at the -- a massive activity in 2017, having no recoveries on North American CAT, that's probably not structured right. There was no such thing as the international catastrophe program for Property at AIG. Again, not best practices.

So some of the things we had to do is core to the organisation of making sure that we did not have outside volatility and we did not have unexpected result and we preserved capital. And that was kind of the baseline strategy. We want to have -- even the property CAT program in 2017 had no reinstatement level. You don't want to be all fine reinsurance after CAT it's not healthy and it's not cheap.

So coming up with a core program and then looking at the Company as one organization, where it was bought in silos and you saw what happened to us in Japan, that was largely done because we bought it in two separate towers, there was an old structure, consumer and commercial same capital base. And so just getting a philosophy of how are we going to look at aggregation across the globe. And then the other element of it is just not comfortable taking significant net limits.

Now, when I say taking significant net limits is relative to what we were taking. I don't apologize when we go to talk to clients that I can only put out $750 million of property line, that's a healthy limit, that is a lead limit, that is something that's going to help and drive leadership in the marketplace. I think also pivoting to the right language that we are still a very large insurance company that can be very prevalent in solving risk issues for clients and for brokers.

And then the last one is where we just felt, again that large one is strategy, wasn't just for property, was also on casualty. And that was an area where we felt the book was underperforming. And so in a period of time where we're transitioning into better gross underwriting, having reinsurance partners there for us to do a lot of variety of things. One is to help us stabilize volatility. Two is to work with us in partnership, I mean, on our core casually treated with 15 reinsurers. And so they're in with us partnering all the time in terms of how we're doing certain things. How we actually positioning ourselves in the market. Are we doing the things we set on risk selection in terms and conditions that apply. And so I think that's helped us accelerate the turnaround.

A - Meyer Shields {BIO 4281064 <GO>}

One area that, it's not quantifiable, but I think it's internally important. And again, I'm drawing on my own experience, because when I was actually in the industry, I worked for a large multinational company that wasn't making any money. I like to think that, that wasn't all my fault, but was certainly reality that we were defenseless, we didn't understand enough about the risks we were taking. So to some extent, the brokers service their clients well, and said, hey, you can get cheaper insurance at company X, company B, without them knowing that they're underwriting at a loss. Can you talk a little bit about the broker communication, obviously, there is some based on where, Brian has spent time and we used that time, there's some strong relationships there. But can you take us through the process and the product of redefining to the brokers what it is that you want to do?

A - Peter Zaffino {BIO 15942020 <GO>}

That's a great question. And you'll have to ask them, because if (inaudible) tell me and then you could validate it. So I think the brokers very much want a very active and very thought leadership quality in AIG. So they very much want a strong AIG. And I thought coming in from running a global broker, that would get more resistance to not again doing a risk appetite change repositioning the portfolio, new people and the receptivity has been overwhelmingly positive.

And so certainly out of the gate, the first couple of quarters, getting that risk defined, I mean, brokers want -- if they could pick one thing that they'd like, probably 50, but if they pick one, it's certainty like tell me what you're going to do and make sure you deliver on that. So when we're going through the initial phases of the turnaround, it was hard to articulate what we wanted to do and execute on it. But that happened very quickly for us. And I think the relationships with the brokers have been fantastic. You use data points, my first RIMS, it was that dialogue, like, why are you doing to change risk? Who were going to be doing the underwriting with?

And then the second RIMS, which just happened this April 2019, the conversation had totally changed in one year, which is how we can be relevant to their program? How we can help them? And I think we have industry leading cyber expertise thinking through the implications of that and how we look at our multinational platform and where their services that can differentiate? So I think the conversation changed and quite frankly, we outlined to them in very clear words what we were going to do. And we were going to shrink our gross limit strategy, we were going to not have multiple channels where brokers can find ways into risk.

We were going to have the lessons in the wholesale distribution channel be an E&S player. And where we think we need more rate, we're driving more rate. And so, again, I think that the receptivity, it's not like they're overly static about it, but I think they were receptive to it. And they partnered with us, and I think it's worked well. They've really been very helpful.

A - Meyer Shields {BIO 4281064 <GO>}

Great. It's an interesting thing, because simplistically, if you're reducing your growth limit size, you're making more work for the brokers.

A - Peter Zaffino {BIO 15942020 <GO>}

Yes.

A - Meyer Shields {BIO 4281064 <GO>}

So for them to respond positively, they have to be optimistic enough in terms of the coming stability of what it is that you're trying to do, so that there's not another plan in two years?

A - Peter Zaffino {BIO 15942020 <GO>}

Correct. But I don't see us changing. I mean, we will revise the plan, where we see opportunities for growth. We will make sure that we pivot. And again, if we were seeing here a year ago, we talk about being an industry leader in certain classes, probably not. But I feel like we're pivoting and accelerating to be able to do that. So what next year looks like? I think it's going to be more areas, I think we'll be able to articulate, pockets where we think we really want to grow and make sure that we further refine the capabilities that we have. And again, AIG 200 will be part of that as we bring the company together to have a much better user experience for all of our different stakeholders.

A - Meyer Shields {BIO 4281064 <GO>}

Okay. And again, if there are questions, is there microphone in the room that we can bring.

Q - Unidentified Participant

So just following up on that, given all the changes in your gross and net appetite, but also the pricing environment now, could you maybe talk about your outlook for NPW for next year?

A - Peter Zaffino {BIO 15942020 <GO>}

We're going through a budgeting process now. And so, there is a bunch of different variables that will contribute in terms of what the growth will be or if we shrink. I mean, we're very focused on, again underwriting profitability, there will be opportunities, we're still earning in some of the trees [ph], that we purchased on some of the core casualty. I think as we improve on, I'm going to stick with the reinsurance for a second, is that as we improve on the overall gross portfolio, I think this is part of Meyer's question, there will be opportunities where we may not need as much CAT reinsurance just because we don't have the same PMLs that we started with or where we are today. And then we'll we bend the curve in 2020, we will be able to do that.

How much and to what magnitude is yet to be seen? And then again, I don't think I was talking about growth at this point last year, I think there was some opportunities, particularly in A&H. We have a great A&H capability, we now have a single leader again back to AIG, was highly fragmented. We've brought in a team, we've been investing in digital capabilities all year and very much want to grow that as one of the single largest opportunities for us in the global insurance market. So you'll start to see opportunities of growth there.

And then we'll take a look at other portions of the portfolio where we think there may be unique opportunities, but our messaging is delivering underwriting profit and we focused -- and I think that we've exhibited, that we are watching the net premium written and net premium earned very carefully. Because you haven't seen our expense ratio increase during the period of time where we've seen shrinkage, and so we've managed that very carefully and we'll continue to do so. But I do think there is going to be some opportunities for growth, but the remediation isn't fully done. So there will be worked on in 2020, that may require us to shrink a couple of lines of business.

Q - Unidentified Participant

Thank you very much. Can you talk a little bit about some of the -- I guess, what could be emerging liability concerns that are in the market over the last six to 12 months, reopening of laws and others and how your reinsurance program comes into play for some of those legacy liabilities?

A - Peter Zaffino {BIO 15942020 <GO>}

That's why I put in my prepared remarks, because I knew I'd get the question. Because it's not up, it's a very complicated issue, it's emerging. As I said, I think that the fact that like state and local government is dealing with a lot of the issues. We've seen a lot more in terms of whether it's revised or statutes. There is a lot happening. We're very coordinated in AIG and focusing on -- and we'll provide relevant information that's fact based as we can each and every quarter where there is relevance. But it's something that we're watching very carefully, and there is a lot more, as I said in the last couple of quarters, that has focused us on making sure that all the different areas where we may have exposure, that we're carefully thinking it through.

Q - Unidentified Participant

Maybe then at a higher level, could you just touch on the years of coverage that the NICO cover?

A - Peter Zaffino {BIO 15942020 <GO>}

But again, it's a very difficult question because I don't know what I'm covering. I mean, look at what exactly emerges and what is covered under products or not in certain cases or what might be excluded in other -- I mean, I have to wait to see how it emerges on the direct side, before I would understand how it's going to apply to the reinsurance side?

Q - Unidentified Participant

Okay. Thank you.

A - Meyer Shields {BIO 4281064 <GO>}

Okay. We've got a question in the back.

Q - Unidentified Participant

Hi. You mentioned earlier that you are likely to give an update on the Q3 call for the AIG 200. Is it likely that we'll get some numbers at that time? Meaning, potential positive impact on expense ratio, likely investment charges, that sort of thing? Or is it still too early for that?

A - Peter Zaffino {BIO 15942020 <GO>}

We may be prepared, but I think if I was to look at it today, I would say it's probably premature to give a lot of specificity. The reason is, I gave you two examples. There are multiple programs in flight that we want to make sure that we're getting the right priority, that even talking through the shared services, that's fully scale would understand the implications of the cost to achieve the benefit, and that we can commit to our stakeholders of what the run rate benefit is. The works that I said, that we've been doing over the past few months has been bottom up.

There's been a lot of great ideas that have surfaced from colleague input, and we want to make sure that we're not rushing to the answer and that we're looking at the implications and the intersections that exist in the organization to prioritize the biggest opportunities. I mean, I, again, I highlighted two, there is many more and we want to be able to come out with a coherent strategy and not piecemeal it as to what's going to be the cost to achieve and what will be the run rate benefit. So the third quarter may be premature, but we're working towards getting much more specificity.

Q - Unidentified Participant

I had another question, I'm going to change direction a little bit. I'm actually very happy that this is the question that's coming up the end rather than beginning of the session, because it's about pricing. And I think a key message from Brian, the entire time it has been that pricing is not the primary issue and that there are improvements that can manifest themselves without the benefit of pricing. Now we are seeing pricing move and there is probably some give and take in terms of how much of that is a cause of AIG's movement and how much of it is an effect of AIG's movement, because we do have a lot of market clout [ph].

But if was hoping, you can talk a little bit about what we're seeing? And in general, I want to frame this in the context of pricing changes that AIG is now enacting versus market pricing. Are there areas where you're able to, because of what I think still sustained market dominance and maybe some pricing issues that are a vestige of previous strategies that actually allow for a bigger gap in pricing relative to loss strategy?

A - Peter Zaffino {BIO 15942020 <GO>}

So there is several ways to answer that. One is -- and again, this is more of an anecdote, but it will emerge over quarters, is that, we may have liked the risk. And -- but the way it was structured, the terms and conditions and the limit management just was poor. And so what I've observed over the past several quarters is that, we have been on accounts that have had losses, but historically would have had $50 million, $100 million, who now have $10 million. So I think that -- one of the volatility and that risk selection and how you position the portfolio takes time, but is improving.

On the pricing, again, we're a lead and so like what happens with the rest of the market, I always viewed, again in my prior role that, the large global insurance companies or the big domestics are really the ones that have to demonstrate leadership. And we're very focused on what we want to do in all aspects of our business. And what I look at, what I cited on the second quarter about, sort of primary D&O, that we were pushing rate around 30%, like our policy retention is north of 90%.

And so we're shrinking our limits dramatically, and so when you look at the premium, you're like, well, they're not really driving as much premium, but we're getting, again, 30%

rate with much less aggregate that I cited again on the second quarter call. So there is a dynamic there, is like if you're pushing rates and you're having significant retention issues, then maybe, you're not really achieving what you want to achieve. But if you're pushing rate, shrinking limit, you like the way your book is performing and you're getting 30 points, and that's not where the loss cost trends are, that should position that portfolio well over time.

The Lexington, I talk about it a lot because it's such a dramatic change. If we were changing our distribution strategy and changing risk appetite, we wouldn't be getting 50% increase in submissions. That submission flow has been dramatic and it's coming from the wholesale market, and so there is two dynamics there. One is demonstrating leadership position and making sure that our risk appetite is well outlined, taking less limits, all of that coming in, allowing us to underwrite better, and so they're responding to that. But the second piece of this market that's changing is more is going into the E&S market. So, our timing of strategically repositioning that and being very disciplined in the risks that we want to underwrite and get in the risk appetite out having a clear and consistent strategy to our stakeholders is really proving to be very rewarding. Again, it's early days, but all of that is very positive.

A - Meyer Shields {BIO 4281064 <GO>}

Fantastic. We are getting out of time. Obviously, we could spend hours talking about what's going on at AIG, but this has been very, very informative and very helpful, and I think very positive. So thank you very much.

A - Peter Zaffino {BIO 15942020 <GO>}

Thank you a lot, Meyer. Thank you.