

Q3 2015 Earnings Call

Company Participants

- Alan D. Schnitzer, Vice Chairman & CEO-Business and International Insurance
- Brian William MacLean, President & Chief Operating Officer
- Doreen Spadorcia, Vice Chairman; CEO of Claim, Personal Insurance and Bond & Specialty Insurance
- Gabriella Nawi, Senior Vice President-Investor Relations
- Jay S. Benet, Vice Chairman & Chief Financial Officer
- Jay Steven Fishman, Chairman & Chief Executive Officer

Other Participants

- Amit Kumar, Analyst
- Brian R. Meredith, Analyst
- Jay A. Cohen, Analyst
- Jay H. Gelb, Analyst
- Josh Clayton Stirling, Analyst
- Kai Pan, Analyst
- Larry Greenberg, Analyst
- Michael Nannizzi, Analyst
- Ryan J. Tunis, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen. Welcome to the Third Quarter Results Teleconference for Travelers. We ask that you hold all questions until the completion of formal remarks, at which time you will be given instructions for the question-and-answer session. As a reminder, this conference is being recorded on October 20, 2015.

At this time, I would like to turn the conference over to Ms. Gabriella Nawi, Senior Vice President of Investor Relations. Ms. Nawi, you may begin.

Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Good morning, and welcome to Travelers' discussion of our 2015 third quarter results. Hopefully, all of you have seen our press release, financial supplement and webcast presentation released earlier this morning. All of these materials can be found on our website at www.travelers.com under the Investors section.

FINAL

Speaking today will be Jay Fishman, Chairman and CEO; Alan Schnitzer, Vice Chairman, Chief Executive Officer of Business and International Insurance and who, as already announced, will succeed Jay as CEO on December 1; Jay Benet, Vice Chairman and Chief Financial Officer; Brian MacLean, President and Chief Operating Officer; and Doreen Spadorcia, Vice Chairman, Chief Executive Officer of Claims, Personal Insurance and Bond & Specialty Insurance. They will go through the financial results of our business and the current market environment. They will refer to the webcast presentation as they go through prepared remarks and then we will take questions.

Before I turn it over to Jay, I'd like to draw your attention to the explanatory note included at the end of the webcast. Our presentation today includes forward-looking statements. The company cautions investors that any forward-looking statement involves risks and uncertainties and is not a guarantee of future performance. Actual results may differ materially from those projected in the forward-looking statements due to a variety of factors. These factors are described in our earnings press release and in our most recent 10-Q and 10-K filed with the SEC.

We do not undertake any obligation to update forward-looking statements. Also in remarks or responses to questions, we may mention some non-GAAP financial measures. Reconciliations are included in our recent earnings press release, financial supplement and other materials that are available in the Investors section on our website.

And now it is my pleasure to pass it to Jay Fishman.

Jay Steven Fishman {BIO 14011069 <GO>}

Well, thank you, Gabby. Good morning, everyone, and thank you for joining us today. By now, you've seen our third quarter results and, as you can see from the release, it was a terrific quarter that adds meaningfully to our very strong 2015 year-to-date performance. We reported operating income of \$918 million and an impressive operating return on equity of 16.2%, bringing our year-to-date results to more than \$2.5 billion in operating income and a nearly 15% operating return on equity. We achieved these results through very strong underwriting performances across all of our business segments, and solid investment performance consistent with our expectations.

Our long-term average annual operating return on equity stands at 13.4%, well in excess of our cost of capital and since 2006 we have returned a total of more than \$33.5 billion in capital to our shareholders. Remarkable numbers, and we couldn't be more pleased.

We have shared with many of you that one of our missions over the last couple of years has been to identify that which we do right, and institutionalize those behaviors to make sure that they have continuity and will continue to contribute to our absolute as well as our relative superior performance. Some of those behaviors are obvious and they include things like our remarkable expertise in workers comp claim handling, which certainly provides Travelers with a relative competitive advantage. But as I reflected on this quarter's earnings, as well as the string of quarters that we've put together over the

recent past, my hypothesis is that the competitive advantage of analytics, risk selection and pricing management have had a meaningful effect, particularly cumulatively.

I can't prove it to you because I don't know what our results would have been if we weren't as good as we are, but I do believe that one of the important factors that has led us to produce industry-leading returns is the fact that we have managed the changing rate environment over the last five years as effectively as we have.

Everybody understands that our capital management policies have added to those returns and that analysis is easy to do. But I am a believer that the numerator in that calculation has been positively impacted, and will continue to be so by the way we have managed renewal rate, retention, and capital allocation across our accounts. I am certain that it has mattered, and you should know that the commitment to analytical insight that produces these advantages is very much a part of the DNA of this place.

In short, the place is in great shape. It was another impressive quarter. It's business as usual and it feels like the perfect time to be conveying the leadership to the next generation. And in that regard, let me turn the call over to Alan.

Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you, Jay, and good morning. It was a great quarter and, speaking for the next generation, we're very grateful to be stepping in when things are in such great shape. Thanks for that, Jay, and congratulations. I'll share just a few thoughts this morning before Brian and Doreen take you through the segment results, and let me start with Personal Insurance. We're about two years into Quantum Auto 2.0 and the results have been excellent. Our initial loss experience is in line with our original estimates while the take-up of the product has been better and faster than we had anticipated. It's nice to see the Agency Auto policy count in premium growing. Very well done and congratulations to the team.

In Business and International Insurance and Bond & Specialty, we posted excellent results. We're pleased to see production in the quarter that reflects a continuation of the trends we've been seeing all year; very high and consistent retentions reflective of a stable marketplace and steady renewal premium increases at levels that are reflective of healthy returns.

These results are consistent with the messaging we're giving to our field organization, which is to retain those accounts that are meeting our return expectations and to try and improve the profitability on those accounts that don't. In that regard, in our Middle Market business, we continue to be successful in improving the written margins on our quintile four and five business. As you've heard us say many times, including in Jay's commentary this morning, we manage on a very granular account by account or class by class basis, and given current returns, that blends to very high retentions and stable renewal premium increases.

To sum it up, the operating and production results over the past nine months are very encouraging and, taken together with our relentless focus on execution and deep and talented management team, give us great confidence in our ability to continue to - to deliver superior returns. And with that, I'd like to turn it over to Jay Benet.

Jay S. Benet {BIO 2456473 <GO>}

Thanks, Alan. As you heard from Jay and Alan, we're very pleased with our third quarter results; operating income of \$918 million, up from \$893 million in the prior year quarter and operating return on equity of 16.2%, up 100 basis points from last year's third quarter. Current operating income was driven by a very strong consolidated combined ratio of 86.9%, which was 3.1 points better than the prior year quarter. This improvement resulted from the continuation of very strong current accident year underwriting performance along with higher net favorable reserve development.

Operating income was also driven by solid net investment income, which was consistent with our expectations, although lower than the very strong prior year quarter. Fixed income NII of \$422 million after tax was down \$32 million from the prior year quarter, principally due to what we've been saying for many years now; securities that had higher book yields have run off during the past 12 months and have been replaced with securities having lower yields due to the current interest rate environment.

Another contributing factor to lower fixed income NII was the modest reduction in average investments that resulted in part from the company's \$579 million first quarter 2015 payment to settle the Asbestos Direct Action Litigation. Non-fixed income NII of \$68 million after tax was down \$53 million from a very strong prior year quarter, primarily due to lower private equity and hedge fund returns. Private equities and hedge funds produced NII of \$35 million after tax this quarter as compared to \$79 million after tax in the prior year quarter.

As I mentioned, earnings continue to benefit from net favorable prior year reserve development, which amounted to \$199 million pre-tax this quarter, \$86 million higher than the prior year quarter. In Business and International Insurance, net favorable development of \$49 million pre-tax resulted from better than expected cat and non-cat weather related losses in our Property business for recent accident years, better than expected loss experience in GL for 2005 through 2013, and workers comp for 2005 and prior and in our Canadian operations, partially offset by a \$224 million pre-tax increase to our asbestos reserves.

The asbestos reserve increase related to a broad number of policyholders and was driven by higher estimates for projected settlement and defense costs for mesothelioma claims than we had previously assumed. Notwithstanding these higher cost estimates, our overall view of the underlying asbestos environment is essentially unchanged from recent periods.

In Bond & Specialty Insurance, net favorable development of \$103 million pre-tax was concentrated in Contract Surety and Fidelity for 2008 through 2013. Partially driving this

FINAL

Bloomberg Transcript

FINAL

favorable development was a reduction in outstanding exposures related to the financial crisis of 2007 and beyond. And in Personal Insurance, net favorable development of \$47 million pre-tax resulted from Homeowners & Other liability for 2013 and 2014, and Auto liability for 2012 through 2014. On a combined stat basis for all of our U.S. subs and excluding A&E, there were no accident years or product lines that had any meaningful unfavorable development this quarter or year-to-date.

Third quarter operating cash flows were very strong at \$1.8 billion, while holding company liquidity, which included the proceeds from our August 25 issuance of \$400 million of 4.3%, 30-year senior debt, ended the quarter at over \$2 billion, well above our target level. The proceeds from this debt issuance will be used towards retiring \$400 million of debt that is maturing on December 1 of this year.

Our debt-to-total capital ratio of 23%, or 21.9% adjusted for the retirement of the December 1 maturity, was well within its target range, and all of our other capital ratios were at or better than their target levels.

Net unrealized gains were approximately \$2.2 billion pre-tax, or \$1.4 billion after tax, down from \$3 billion and \$2 billion, respectively, at the beginning of the year due to higher rates that were driven by spread widening.

Nonetheless, book value per share of \$79 grew 2% from the beginning of the year and, importantly, adjusted book value per share of \$74.35, which eliminates the impact of unrealized investment gains, grew by 5% during this time period.

We continue to generate much more capital than we need to support our businesses and, consistent with our ongoing capital management strategy, we returned \$939 million of excess capital to our shareholders this quarter through dividends of \$189 million and common share repurchases of \$750 million, bringing total capital return to shareholders to almost \$2.8 billion year-to-date.

So, Brian's now going to discuss underwriting results in Business and International Insurance.

Brian William MacLean {BIO 4679150 <GO>}

Thanks, Jay. Business and International Insurance had a great quarter, with excellent returns and production results. Retention remained at a historically high level, the pricing environment was stable, and renewal rate change continued to be positive. New business results were solid. Although, as we have discussed previously, new business flow was somewhat lower than we would like as a result of strong retentions across the industry.

Turning to the financial results, operating income for the quarter was strong at \$546 million, while the combined ratio was 92.2%. The underlying combined ratio, which excludes the impact of cats and prior-year reserve development, was 92.5% for the quarter, an improvement of about 2.5 points year-over-year, driven primarily by favorable non-catastrophe weather losses. Looking at the top line, net written premiums for the

FINAL

segment were up a point year-over-year. Domestic Business Insurance premiums were up 4%, driven by changes in the timing and structure of some of our reinsurance treaties in prior quarters, which primarily impacted our first-party businesses and property lines.

Turning to Domestic BI production trends, we remain pleased with the continued execution of our very granular pricing strategy. As we've been saying for some time, given the attractive returns that we are generating in this business, our focus continues to be on retention. And accordingly, we are very pleased that retention remained at 84% for the third quarter in a row. In addition, as Alan mentioned, we continue to seek and are able to get price increases where needed. Overall renewal premium change came in at 3%, with renewal rate change consistent with the second quarter. New business of \$444 million was down somewhat compared to both the prior year and recent quarters, reflecting the market dynamics I mentioned earlier.

Looking at each of our individual Domestic businesses, the production story is generally consistent with what I just described. I would, however, bring your attention to Other Business Insurance. As we mentioned last quarter, renewal rate change for this business has turned negative, driven by the National Property business. But even here, it's a very positive overall story, with strong returns, retentions in the low 90s%, and pricing that is slightly negative but stable. Excluding National Property, renewal rate change for Other Business Insurance remains positive and down only slightly from the second quarter.

Turning to International, net written premiums were down 19% primarily due to the adverse impact of foreign exchange. Excluding this impact, International net written premiums were down 6%, driven by highly competitive market conditions at Lloyd's, reflective of global economic pressure on the marine and energy lines.

In terms of production, retention remained strong. Renewal premium change turned slightly negative due to about a point and a half of negative exposure change resulting from the lower line sizes that we have taken in the Lloyd's business. The rate change component of renewal premium change was a little more than a point positive. In Canada, renewal premium change continued to be positive. New business was down somewhat quarter-over-quarter, with half of the decline driven by the impact of foreign exchange and the remainder driven by Lloyd's.

So all in, we continue to feel great about the performance across the segment. Returns continue to be attractive and stable, and we remain pleased with the granular execution of our strategy.

With that, let me turn it over to Doreen.

Doreen Spadorcia {BIO 4883600 <GO>}

Thank you, Brian, and good morning, everyone. Please forgive me for having a scratchy voice. I apologize to all of you.

Bloomberg Transcript

FINAL

Bond & Specialty Insurance had another quarter with exceptional financial results. We feel terrific about the fundamentals that drive these results: disciplined underwriting execution, aggressive management of risk and limits, the continued enhancement of underwriting analytics, strong account and agency relationships, and superior claims management. Operating income for the quarter was \$196 million, an increase of almost 20% from the third quarter of 2014, driven by better underlying underwriting results and higher net favorable prior-year reserve development.

Third quarter underlying combined ratio of 76.1% for the segment improved by 5.6 points from the prior year. About half of this improvement was due to favorable re-estimation of losses in Management Liability. Underlying underwriting results remain very strong and well within our target.

As for top line, net written premiums in the aggregate were up slightly from 2014. Surety was 3% higher, primarily attributable to Middle Market construction accounts. And across our Management Liability businesses, we drove to a higher retention of 87% and improved new business from the prior-year quarter. So all in all, another great quarter for Bond & Specialty.

I'll turn now to Personal Insurance, where we once again produced strong underwriting results in both Agency Auto and Agency Homeowners & Other. We continue to be exceptionally pleased with the growth in our Auto book and are very encouraged with the continued momentum we're seeing in Homeowners. For the segment, operating income for the quarter was \$241 million, a slight increase from the third quarter of 2014. The underlying combined ratio was strong at 85.2% and benefited from generally benign losses in Homeowners. On a run rate basis, the segment continues to perform in line with our long-term return goal.

Looking specifically at Agency Auto, we continue to be very pleased with the profitable growth we are generating. Top line results remain strong, driven by both new business and retention, and underlying margins continue to run in line with expectation, and in a range we're comfortable with.

The combined ratio for the quarter was 93.9% and included almost 2.5 points of favorable prior year reserve development. Similar to the last couple of quarters, the favorable prior year reserve development was driven by better than expected severity in bodily injury. The underlying combined ratio of 96.2% was essentially flat to the prior year results.

As for loss trend, our view of frequency in severity remains consistent with recent quarters. We are certainly aware that there's a lot of discussion in the industry about trend, particularly increasing frequency. While we may observe normal fluctuations in any particular period, due to things like weather, we currently are not seeing any meaningful change in our overall frequency trend. As always, we continue to monitor external data and our own results very closely, but as I said, our view of overall loss trend remains consistent with recent quarters, at around 3%.

FINAL

As for Agency Auto production, retention of 83% has trended up meaningfully from the beginning of 2014, and remains consistent with recent periods. New business premium of \$218 million was more than 30% higher than the third quarter of 2014. We continue to grow policies in force, which increased by almost 50,000 during the quarter. Net written premiums increased 10% from the prior year quarter. So again, by all measures, great results for Auto for the quarter.

Turning to Agency Homeowners & Other, we once again had strong financial results with an underlying combined ratio of 71.5%, driven by benign loss experience, both in weather and non-weather. This result is somewhat higher than the prior year quarter due to last year's losses being even more favorable than this year. Run rate margins in this business remain well within our expectations.

As for Agency Homeowners production, we are very pleased with the progress we're making. New business premiums were up 28% from the prior year quarter and continue to trend favorably, while retention remained strong at 84%. Policies in force have leveled off sequentially for the last two quarters, and net written premiums, when adjusted for the timing and structure of certain reinsurance treaties in prior period, were essentially flat from the prior year quarter. As we said in previous calls, this is an area of high focus for us, and we're encouraged with the positive results we're seeing to date. So, to sum up Personal Insurance, another great quarter.

With that, I'll turn the call back to Gabby.

Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Tina, we're ready to start the Q&A portion, please.

Q&A

Operator

Thank you. One moment please for our first question. Our first question comes from Jay Cohen, Bank of America. Please go ahead.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Yes. Just a numbers question; I think you said on the call and I missed, there was some current year development I think in the Management Liability side. Could you just give me that number again? I'm sorry I missed that.

A - Doreen Spadorcia {BIO 4883600 <GO>}

The number is about \$10 million and that's generally due to Fidelity and Crime and I'll just tell you we had favorable reserve development in prior accident years and that indicated to us that 2015 will perform better than we originally projected.

FINAL

Q - Jay A. Cohen {BIO 1498813 <GO>}

That's helpful. And then I guess bigger picture on the development, which just continues to be such an incredible source of earnings and so resilient, can you talk maybe broadly, Doreen, about the claims environment, what you're seeing and what you're not seeing, certainly on the liability side?

A - Doreen Spadorcia {BIO 4883600 <GO>}

So you're moving out of Surety then at this point.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Correct.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Okay. I think we tend to see a pretty stable environment in general liability. And there were things that we were thinking might impact that, whether it was people, higher unemployment rate and we might see more liability claims. And we thought maybe if people also were in the financial crisis that we thought jury awards might go up, we didn't see any of that.

The litigation rates are pretty consistent. We don't have less or more of that and it's performed pretty much, I would say, better than we thought it would have during the really tough years. For us, in certain lines it's due to particular things. We had some areas where we had fewer large losses; others, we might see the opposite of that, but to us, the legal environment has performed pretty well. It's not what we would have expected politically, either.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Got it. Thanks, Doreen.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question?

Operator

Thank you. Our next question comes from Larry Greenberg of Janney. Please go ahead.

Q - Larry Greenberg {BIO 16478161 <GO>}

Hi, good morning. And I guess before a question, given that Alan is stepping in very shortly, Jay, I just want to congratulate you on an incredible career and legacy, and certainly wish you the best of luck in the future. You've really been a leader for Travelers, but also the industry and have created some phenomenal value for your shareholders and taught a lot of people about the value of prudent capital management. And you've been generous and patient in answering our sometimes inane questions and certainly sharing

Bloomberg Transcript

your industry insights, and I just want to thank you personally for that. And I'm sure many others on the call feel the same way.

A - Jay Steven Fishman {BIO 14011069 <GO>}

Well, Larry, thank you. As I say over and over, I've been so fortunate to be surrounded, I'm sitting at a table here, with what I think is the most thoughtful, smartest, most committed management team I've ever been around. It's really quite remarkable, and when you're surrounded by people like this, it just isn't nearly as hard as it may seem, and so thank you.

I'd also tell you that one of the great things that's been fun for this is there's a handful of you on the call, and there's a couple in the room here, but there's a few people that we've been speaking to right from the very beginning. I was doing the arithmetic this morning. I think this is my 56th earnings call, and there's a few of you who have been there right from the beginning and it's been great fun to work with people over that period of time; just a real great joy, actually, and watching how people can change their view of the business and how the business has changed.

So thank you for the comment. I'm most appreciative. Nobody else follow up, please, with that. That's the last thank you you'll get, but, Larry, thanks. Go ahead with your question.

Q - Larry Greenberg {BIO 16478161 <GO>}

I know you talked a bit about Quantum and maybe it's nothing more than it just continues to develop traction in the marketplace, but it seems like the traction is more than certainly I would have expected at this point. And I'm just wondering if you could give some more color on what's really happening, where the rubber meets the road. What's the feedback from the agents? Is it simply that in more time, you're getting more traction? Or anything you could share on that would be helpful for me.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Sure. This is Doreen and good morning. I think that it's fair to say that it's gotten more traction quicker than even we thought, and Alan commented on that. We did a lot of work before we designed the product, looking at what we thought it needed to be from a pricing standpoint before we started modeling it and looking at what expenses we needed to take out.

Along with that, we have a really, I would say, gifted sales force that is out with agents every day talking about the product. We've also introduced some sales marketing tool kits that allow agents to regularly reach out to prospective customers. I think the agents, you know, I'm a little biased in this, I think the agents really want to do business with us and we gave them a competitive product and a quality product that allowed them to do that.

And I think the other really exciting thing about it is that the agents are also seeing that they're picking up a bigger share from the captives and the direct market, which is what we hoped, would happen for them, so that they just didn't see that they were getting a lower commission. So they see that, net-net, they're getting into markets that they might

FINAL

Bloomberg Transcript

not have been as successful at and they're producing more volume, and the feedback has been very good. We meet with them very, very often, and I think that's probably - it just worked as we hoped it would.

Q - Larry Greenberg {BIO 16478161 <GO>}

Do you think that the issues that some in the industry are having with frequency might be additionally creating some opportunities for you?

A - Jay Steven Fishman {BIO 14011069 <GO>}

Larry, it's Jay. I can't think of a topic that we've spent more time trying to understand ourselves because obviously we're anticipating someone asking, gee, why don't you think you're experiencing some of the frequency trends that others are? And the truth is that we don't know. But I'd make the following observations; one is that where you start from is an important assumption. We're talking about changes in frequency from period to period. And so, one of the interesting questions is always how good are those original estimates from which you're adjusting? Was there a pattern or trend that evidenced itself later, sooner? So, the starting point matters, and it can't be dismissed.

The other, which I find more than intriguing; there's a tendency to assume, analysts in particular, that the Auto Insurance customer is the equivalent of a monolith. They're all the same. And we know definitively in the data that's just not the case. And we know that, for example, from our experience of being a GEICO partner for as many years as we've been, the customers that buy directly are, on average - now it doesn't mean there aren't a lot of exceptions, but on average, they are younger, more single, more single cars, more minimum limits. They're a different driver than a higher-end, older, importantly older, a driver, the sort of type that has typically been a Travelers customer.

So, you could speculate, and that's all it is. Is it possible that distracted driving is impacting that younger group disproportionately relative to the older drivers? Is it possible that as employment has improved and miles driven increased, that the unemployment improved amongst the younger drivers at a faster rate than older, because they had not come down as much? And as a consequence, you're seeing - and, again, this is hypothesis, not a fact, that you're seeing an increase in miles in the group that tends to have a higher rate of frequency.

So, that's the best we can offer at the moment, those two dynamics of who's the driver and what's changed in their world. And they are quite different. And then what's the starting point from which they're coming. I think Doreen had it exactly right. I had a conversation a couple of years ago with an agent, and it's just one. He was using Quantum 2 to do outbound calling to those customers that Travelers had the Homeowners on but someone else had the Auto.

And so he was out there reaching out and saying, look, we've got a product that's lower rate than the old Travelers was, and you put the two products together and you've got the combined product discount. And suddenly that quote for the Auto became remarkably compelling for a meaningful number of customers out there.

So, sort of one of the surprises was the account rounding that took place around Quantum, and that certainly added to the volume. So, it started off with really hard management work of reducing costs, tough stuff, tough to execute locally, hard human things, and then having a product that could compete with the marketplace that exists today. The core reality of making sure you're not irrelevant in a changing marketplace.

Q - Larry Greenberg {BIO 16478161 <GO>}

That's great. Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Thank you. Our next question comes from Josh Stirling, Sanford Bernstein. Please go ahead.

Q - Josh Clayton Stirling {BIO 17463087 <GO>}

Hi. Good morning. So, I was hoping to talk just a little bit about pricing, and you guys have done a good job of laying out a really interesting phenomenon in the Other Business Insurance line, which is there's a huge difference between property and your overall renewal rate changes. And if you sort of observe from 50,000 feet, it looks like most of your renewal rate changes across a lot of your lines are kind of like ending up in this 1% to 2% sort of positive but not as much as it was a couple of years ago phenomenon.

In Other Business Insurance, which I think you'll correct me, but I think this is national account and more specialty and wholesale stuff. Obviously, it's declining now for the past couple of quarters, and I'm, one, wondering if you can sort of talk a little bit about what's structurally different about this business relative to some of the other sort of more small Mid Market Commercial personalized things, and if we can sort of understand that and sort of as we get better in forecasting it.

But then also, perhaps just more technically, is this something that's really just a phenomenon of the property pressures that are coming from sort of changes in the reinsurance markets? And, ultimately, almost if you re-frame this not as a question of pricing but as a question of margins, would you guys think of yourselves as writing Property business today at a stable margin but perhaps with less total price?

A - Jay Steven Fishman {BIO 14011069 <GO>}

Josh, Alan and I are going to tag team this.

First, I'd make the observation that to the extent that capital, new capital, comes into our industry, it comes into those areas that are easiest to put capital to work quickly. So, you will often find it in large account business, where frequency, claim frequency, is not an issue. You'll find it in unregulated, the non-admitted market, ENS. So, capital goes where it

can be most easily deployed, and the large account Property business is a really good example of an area where capital can be committed pretty easily without much infrastructure or regulatory hoops to go through.

Now, there's something in particular about the National Property business, and Alan's talked about that. But, first, we start off with an industry phenomena of to the extent new capital is coming in, that's an area.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Josh, it's Alan. Let me start with just getting a little bit of perspective on your commentary.

You said that National Property, everything was sort of 0% to 1%, and I would say that's not exactly true. There's a range from a little bit negative on National Property to, say, the Auto lines, where it's a challenge from a return perspective, and we're getting rate in excess of loss trend there. So, I would just encourage you not to think about the whole book being at 0% or 1% but there being a range that really corresponds to profitability. Also, in terms of what's in that business, it's certainly our National Property, but there's really no casualty in that business at all. It's National Property, it's Boiler, Inland/Ocean; so, just to be clear about what's in it.

You made the comment about returns. The returns in that National Property business are very, very attractive. And so I would say that the pressure that we're seeing from price really is coming from two places. There probably is a component of that's an easy place for the incremental capital coming into the business to find a home, but also the returns are very, very good. And so we continue to have very high retentions and to grow that business.

Q - Josh Clayton Stirling {BIO 17463087 <GO>}

That's great. Thank you. So, if I can ask a final question. And, obviously, the past decade or so of Travelers has been one of capital returns and discipline. And that's been fantastic for shareholders, to the credit of everybody on the call.

But the trade-off from that, obviously, naturally is that there are some other companies that have chosen different approaches where they basically retain earnings and they grow through acquisition or other sources. And I'm wondering as you guys look sort of from where you are today, as you look forward, think about the next five years or 10 years and think about other companies getting bigger and the importance, I presume, of Travelers maintaining its market share as sort of a number one or number two player with all of your agencies. I'm wondering how your, sort of, strategic calculus might change and sort of more of a focus on growth to keep up with the Joneses might be something we should anticipate from Travelers.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Josh, let me take that, too. And let me start by saying, and I've said these words before, Jay has really managed this through an ensemble cast. So, everyone around this table, I think, feels like we're contributing authors to the strategy that we put in place and that

FINAL

we've implemented and executed over the years. And we all feel very, very comfortable that what we've done has created enormous shareholder value. And so we will continue to be return-focused, and I would encourage you to all look at the first slide that we put in the webcast every single quarter, quarter in, quarter out, and we spend a lot of time looking at that internally.

I would - if you go back 10 years, and you look at, and Jay's actually put up this slide before, you look at the way we've deployed capital. We have grown, and we would certainly rather grow than not grow, and we've deployed capital where we think we can and grow at attractive returns. So, if you look at Commercial Accounts over the years, or you look at the Surety business when the credit environment allowed us to do it; there's all sorts of examples in all different time periods across all of our businesses when we've grown. And we'll continue to make every effort to do that when we can.

We understand that there's a relevance to market share and scale, so we're not indifferent to it. And we will hopefully make the right judgments in balancing the way we manage the business for returns, and thinking about the relevance of growth and scale over time.

A - Jay Steven Fishman {BIO 14011069 <GO>}

And I would just add that, in the context of acquisitions, we've been actively engaged. Anything that's transpired, we've looked at, we've established views of value and where value can be created, and points at which it can't be. And if we were to find a transaction that would fit strategically, that would enable us to either reduce the volatility of our own returns, or potentially even improve them, and, of course, that's hard, being the highest return competitor in the industry. But if we can find that, we're not uncomfortable moving ahead. We've done a few transactions in our lives, and feel that we've got the skill base to execute, and so we'll always keep looking.

Q - Josh Clayton Stirling {BIO 17463087 <GO>}

Great. Well, thank you, Alan, good luck and, Jay, we'll miss you on these calls.

Operator

Thank you. Our next question comes from Kai Pan of Morgan Stanley. Please go ahead.

Q - Kai Pan {BIO 18669701 <GO>}

Good morning. Thank you. I have to say, Jay, congratulations. A great career ending on such a high note.

And then for Alan, I think the same announcement, I'm wondering you must have given some thoughts on your priorities or where you see area you can fully improve the organization.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Bloomberg Transcript

FINAL

Yeah, thanks for the question, Kai. I've certainly been thinking a lot about it and I guess I would go back to where I started with the last question, which is: We've all been managing this and we've all been on this trajectory and path together and we'll continue to do that. I'm in this really fortunate position at the moment, as I said at the opening of the call, not just that I'm stepping into terrific results, but I'm stepping into a very familiar situation. So the management team, the strategy, the board, all of that's really familiar and that gives me a great opportunity to be very thoughtful and very deliberate and to take my time together with the rest of the team as we think about what's next.

So we will do that in due course, and this has really given me an opportunity over the last couple of months to spend time with the leadership team, to be on the road with our field organizations, to spend time with distribution, so it's been really a luxury and a privilege, and we'll take the time to be very thoughtful and deliberate about it.

Q - Kai Pan {BIO 18669701 <GO>}

Okay, thank you. And a follow-up question on your year-over-year improvement on the underlying margin. You said the lower non-cat loss has contributed to that. My understanding it's a lot here third quarter you have sort of above normal and I don't know if this year is like below normal of non-cat activities and could you quantify that? Just wonder, like, going forward, we see this year's level would be more normalized non-cat weather events.

A - Jay S. Benet {BIO 2456473 <GO>}

This is Jay Benet. As you've heard us say on the call before, I mean we've always struggled with the concept of what actually is normal, and what we do in our Qs and Ks is give and indicate for weather...

A - Jay Steven Fishman {BIO 14011069 <GO>}

For weather.

A - Jay S. Benet {BIO 2456473 <GO>}

For weather. I'm sorry, for weather. For other things we do know what is normal. But when it comes to weather, what we're doing in our Qs and Ks is really making comparisons of actual costs in one quarter to actual costs in another quarter. So you do hear us talk about, this was more favorable than last year, or this was less favorable than last year, but to try to quantify in any meaningful way how that then compares to what's normal is difficult.

What we do try to provide is some color to say that the weather seemed to be fairly benign this quarter so I think we would say that whatever normal is, it's probably a little more expensive than what we saw this quarter, but we leave it to you to actually try to dollarize that, if you will.

Q - Kai Pan {BIO 18669701 <GO>}

Well, just year-over-year comparison, if you look at relative basis, how much that contributed to the 240 basis points?

A - Jay S. Benet {BIO 2456473 <GO>}

Well, just looking at it year-to-year basis, it was primarily a change due to the level of non-cat weather in Bl.

Q - Kai Pan {BIO 18669701 <GO>}

Okay. But, thank you so much.

A - Jay S. Benet {BIO 2456473 <GO>}

And that's what we try to communicate, hopefully clearly, in the Q and the press release.

Q - Kai Pan {BIO 18669701 <GO>}

Great. Thank you so much.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question please.

Operator

Thank you. Our next question comes from Ryan Tunis of Credit Suisse. Please go ahead.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Hey, thanks, good morning. My first question I guess is just given the 10-year back at 2%, how should we think about the NII run rate on the fixed income portfolio headed into next year as it compares to this year? And also, how should we be thinking about alternative returns headed into the fourth quarter with I guess probably some lagged alts on PE, especially given energy?

A - Jay S. Benet {BIO 2456473 <GO>}

Yes, we try to be very clear in our Q in the outlook as to what's taking place in the fixed income environment and we don't try to make predictions of the future interest rates. We more or less look at it on the basis of if today's rates were to maintain themselves over the next 12 months or so, what's the likely impact of that on the reinvestment capabilities for assets that are turning over in that timeframe? And based upon that, we've made a disclosure in the Q saying that on a quarterly basis, we would expect the fixed income NII, all things being equal, to go down about \$25 million to \$30 million from where it would have been in the prior year quarter on a comparative basis.

And that would be an after tax number. And that's frankly consistent with not only what we've been saying, but more or less what we've been seeing over the last several years, if you follow what's taken place in our fixed income portfolio.

As it relates to the non-fixed income portfolio, we do report private equities on a three-month lag basis. We report hedge funds on a one-month lag basis, so it's not quite the

FINAL

same in terms of the time differential. And, from our own forecasting standpoint, we do our best to look forward and try to determine, based on equity markets and not just private equities and hedge funds, but what the real estate markets are doing, because that's a substantial portion of the non-fixed income portfolio and we try to internally estimate what we think fourth quarter and into next year returns are going to be, but we don't have a crystal ball, so when people ask me what we think, I try to guide them to look at the past several quarters and draw some conclusions from that as to what kind of trajectory we might be on.

If you look last year versus this year, we did disclose that the re-pricing of oil worldwide had an impact on our valuations and that's worked its way through the valuations at this point in time. So other than that, there's really nothing more I can think of adding to that.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Okay, understood. And then I just had two quick number questions on FPI. And my first one I think is a follow-up on Jay Cohen's question on the current accident year favorable development. And I think Doreen mentioned it was in Fidelity and Crime. And I'm wondering should we think about that as like a change in trend that will, all things being equal, also be a tailwind headed into next year?

A - Doreen Spadorcia {BIO 4883600 <GO>}

My answer to that is no. It's really more of a factor of what we've seen in prior accident years and that influencing what we think 2015 would be. So no, we would not view that as a trend going forward in 2016.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

That's helpful.

A - Jay S. Benet {BIO 2456473 <GO>}

This is Jay Benet. I'll ask a question of Doreen, a follow-up, but that does set the tone for the starting point for 2016 though, right?

A - Doreen Spadorcia {BIO 4883600 <GO>}

Yes, right.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Okay, that's helpful. And then the other one for FPI was just looking at the general admin expenses, they were down about \$6 million to \$10 million this quarter from where we've seen the run rate. Is this a good run rate going forward? Or is that one time, that \$93 million?

A - Doreen Spadorcia {BIO 4883600 <GO>}

You're speaking to the intangible that was fully amortized, so that's a one-time event, yes in the second quarter. Is that what we were talking about?

A - Jay S. Benet {BIO 2456473 <GO>}

Yes, if you talk about Bond & Specialty, the reduction in expenses that...

A - Doreen Spadorcia {BIO 4883600 <GO>}

Yes.

A - Jay S. Benet {BIO 2456473 <GO>}

...we're referring to, there was an intangible that became fully amortized and as a result, that expense now goes away. So...

A - Jay Steven Fishman {BIO 14011069 <GO>}

...it continues.

A - Jay S. Benet {BIO 2456473 <GO>}

...yes, it continues to go away.

A - Jay Steven Fishman {BIO 14011069 <GO>}

It continues on into the future.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Yes.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Okay. I Appreciate it. Thanks, guys.

A - Gabriella Nawi {BIO 2211991 <GO>}

Okay. Yes, we can take these offline, so next question please. Thanks.

Operator

Thank you. Our next question comes from Michael Nannizzi of Goldman Sachs. Please go ahead.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Thanks. So just returning to Auto for just a second if I could, I guess not being an operator, trying to see inside the operating lens a little bit, it looks like so you're increasing rate and growing as a result of Quantum 2.0. This frequency dynamic has popped up elsewhere that you guys haven't seen, it's still not clear what's underneath that.

How do you sort of balance the goal of repositioning Auto via Quantum 2.0 and being top three with raters and growing at a pace you're comfortable with, but doing that in a

changing loss environment and whether that creates the risk of adverse selection?

A - Jay Steven Fishman {BIO 14011069 <GO>}

It's Jay Fishman. Just two or three observations and if Doreen wants to add in; one is, you said higher rate, that's 2.0 versus 1.0. It's actually a lower rate. In other words, 2.0 - again, you'll get all sorts of sales that are different; different underwriting elements, but the concept behind 2.0 was across the board a lower-priced product than 1.0 was. 1.0 in a comparative rating environment was not nearly competitive enough. 2.0 was designed to be substantially more competitive. And that actually has happened. The volume and the product is a function of how it shows up on a technology platform in an agent's office, and in that regard 2.0 is doing exactly what we had hoped it would.

As to the changing loss environment, I'm not sure we could look any harder than we look. For us, it hasn't happened. And so we just keep going on. Whether it's paid losses, incurred losses, early indicators of losses, early indicators of activity, there's just been not a meaningful change. And I don't mean to hem and haw that because any quarter numbers move a little up or a little down all the time, but in looking for something systemic, we just don't see it here. I don't know, Doreen, if you want to...

A - Doreen Spadorcia {BIO 4883600 <GO>}

I would like to add, we do expect when we add new business that that's going to perform, at least initially, at a higher loss ratio. And as that becomes more tenured, it begins to perform in the range of where our tenured business is. So when we've said that everything is in line with our expectations, that's exactly what we mean. We assumed certain things about how the new business would perform and it's within those guardrails.

We've just started going through our renewal cycle with the first of the Quantum book. We expect that to even perform at lower levels of loss, but within planned expectation. So I agree with Jay, we're not seeing anything that's systemic in the environment. But our view of new business is, it gets to the returns over time and we expect it'd be there.

A - Jay Steven Fishman {BIO 14011069 <GO>}

And I would just add, because it's something we take for granted here, I often find there's confusion. There's no difference in the price between a new account and a renewal account. They are the same. And so, when Doreen says that a block of new business doesn't perform as well as once it's seasoned, it's not because the rate changes. It's because the underwriting improves with performance.

As you begin to understand the dynamics of each individual account, you can begin to make adjustments all the way from lowering rate where someone has earned it, increasing rate where someone has earned that, or non-renewing where the circumstances warrant it. And so the improvement with age is not about a new business penalty. It's a phrase that's often used. It's really about the unseasoned underwriting performance that occurs in any new block of business in any business and improves with time.

FINAL

Q - Michael Nannizzi {BIO 15198493 <GO>}

Got it. I guess my question, when I mentioned rate increase, I was looking at the renewal premium change. So I guess what you're saying is that the cost reductions that you made including the commission reductions are enough to even make the premium lower in 2.0 versus what it would have been in 1.0, despite the fact that you've got renewal premium change.

A - Jay Steven Fishman {BIO 14011069 <GO>}

Yes, exactly right.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Okay.

A - Jay Steven Fishman {BIO 14011069 <GO>}

And so the renewal premium change is positive and obviously some of that, a meaningful amount of that, is still Quantum 1 that's on the books.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Right.

A - Jay Steven Fishman {BIO 14011069 <GO>}

I mean where Quantum 2 is entirely our new business now, but there's a not insignificant amount of Quantum 1 that continues. It's aging. It's meaningfully profitable, does quite well. Now that obviously will - the Quantum 1 percentage will go down with time, the Quantum 2 in the portfolio will go up, but you've got it exactly right.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Great. Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Thank you. Our next question comes from Brian Meredith, UBS. Please go ahead.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Yes, thanks. Two questions here. First one, Doreen, I noticed in the 10-Q that you've changed your outlook for underlying margins in the Personal line sub-segment to go from kind of stable going to 2016 to now I guess smaller margins. What's behind that change?

A - Doreen Spadorcia {BIO 4883600 <GO>}

Brian, that's really as the amount of the Quantum business comes in.

Q - Brian R. Meredith {BIO 3108204 <GO>}

So expectations are still pretty strong growth in Quantum? So that's why it's just better than expected?

A - Gabriella Nawi {BIO 2211991 <GO>}

Brian, it's Gabby. Are you talking to all of PI or was that specifically...

Q - Brian R. Meredith {BIO 3108204 <GO>}

Yes, it's all Personal lines. When you look at...

A - Doreen Spadorcia {BIO 4883600 <GO>}

Oh, okay.

Q - Brian R. Meredith {BIO 3108204 <GO>}

...all Personal lines you make that overall kind of general comment.

A - Gabriella Nawi {BIO 2211991 <GO>}

Yes.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Yes.

A - Gabriella Nawi {BIO 2211991 <GO>}

So it's more of a - sorry.

A - Doreen Spadorcia {BIO 4883600 <GO>}

...weather. No, it's more of a weather...

A - Jay S. Benet {BIO 2456473 <GO>}

It's a combination of the new business and Quantum, as Jay and Doreen just talked about that impact, as well as the whole concept of what the weather might be.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Got you. So it's good, solid weather in the third quarter, so kind of looking forward. Okay, that makes sense.

The second question just quickly, and maybe I'm reading too much into this, is looking at your exposure in Business Insurance, you continue to kind of moderate here exposure

FINAL

Bloomberg Transcript

increases. Anything to read into that?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

No, Brian. It's Alan. I would say generally reflective of economic conditions.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Okay. So you're seeing economic conditions may be slowing a little bit?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

No. No, we're seeing...

A - Jay Steven Fishman {BIO 14011069 <GO>}

We're all looking at each other, trying to understand what you're seeing and reacting to.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Just looking at Business Insurance, and if I look at - you provide the exposure, other as a percentage, right, and it's been moderating over the last year. Small business, you definitely saw it come down, as far as the rate of increase.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Pretty small numbers you're looking at. So, if you're looking at selected, sequentially, it's 4.9% to 4.1%. If you're looking at overall BI, ex-National, it's something like 2.4% to 2.2%. So, you're really talking very small changes in a number that is hard to even calculate with any precision.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Got you.

A - Brian William MacLean {BIO 4679150 <GO>}

Yes, and Brian, this is Brian MacLean. Remember that in the production statistics, those are really the underwriter and the account and the producer's estimate of what's going to happen with exposures going forward. So, it's a little bit of what gets pushed into the price. Then there's also audit premium, which is coming through the actual premium line, which has been a little bit higher. So, the actual exposures we're seeing are pretty consistent.

A - Jay Steven Fishman {BIO 14011069 <GO>}

And, typically, as it ages, it goes up...

A - Brian William MacLean {BIO 4679150 <GO>}

Yes.

FINAL

A - Jay Steven Fishman {BIO 14011069 <GO>}

...because the audit premium gets reflected. And so, the natural trend is for a customer to underestimate prospective exposure to save rate. And then, of course, the audit brings it back up and comes in later. So, there's a bit of, I wouldn't call it seasonality time of year, but timing associated with it.

Q - Brian R. Meredith {BIO 3108204 <GO>}

Great. Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Thank you. Our next question comes from Jay Gelb of Barclays. Please go ahead.

Q - Jay H. Gelb {BIO 21247396 <GO>}

Thank you. I wanted to follow up on the M&A environment, and I know there was some previous commentary around in what circumstances Travelers might be interested in doing a deal. I wanted to see if you could tailor those comments a bit more towards International versus Domestic.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Sure, Jay. It's Alan. I'll take that. So, we would apply the same kind of thought process and lens to a transaction outside the U.S. as we would to the U.S. Either it's going to contribute to our mission of improving returns or creating more profit dollars at the same returns or improving volatility. And so we would apply the same lens and go through the same thought process.

A transaction outside the United States, given our footprint and our scale, may be different in that analysis than one would be in the U.S. So, that's why a \$1 billion transaction in Canada, for instance, was so attractive to us. A \$1 billion transaction in the U.S. would certainly be less strategic from that perspective.

So, we will continue to look in our existing and beyond footprint outside the U.S. and will undertake transactions when they make sense on that basis.

Q - Jay H. Gelb {BIO 21247396 <GO>}

Okay. Thanks for that. And then, on the premium growth for the quarter, gross written premium was up 0.6%, net up 2.6%. So, am I right in assuming that it was purchasing less reinsurance was the main driver of the net growth? Or was there something else there?

A - Jay S. Benet {BIO 2456473 <GO>}

Bloomberg Transcript

FINAL

Yes, this is Jay Benet. In prior quarters, we've made some changes to our reinsurance, so it's not that we're purchasing less reinsurance. But you recall earlier in the year, we talked about changing our cat cover, which previously had been a July 1 renewal, and we canceled it as of 12/31. This was the Gen Cat. Canceled it as of 12/31 last year, and on January 1 of this year, bought the Gen Cat cumulative cover.

So, what you have in this particular quarter is a comparison to a quarter last year where we had a purchase of reinsurance. This year, we didn't have it, but the same kind of cover with a different set of limits and different types of aggregation, was done in January 1.

All that said, if you want to get a better view of things without looking at the reinsurance, look at year-to-date information because it washes itself out. There were some other similar types of changes, some in terms of timing, some going from quota share to excess cover, but, yes, we really haven't fundamentally changed the program.

Q - Jay H. Gelb {BIO 21247396 <GO>}

So the year-to-date net written premium growth trend would probably be a better indicator?

A - Jay S. Benet {BIO 2456473 <GO>}

Yes.

Q - Jay H. Gelb {BIO 21247396 <GO>}

Thank you.

A - Jay Steven Fishman {BIO 14011069 <GO>}

And, Jay, it's Jay Fishman. Just one additional thought again we take for granted here so often, on your acquisition question. We are a small and middle market insurance company. We're a very big one, but we're a small and middle market company. We really don't, for substantive reasons, aspire to be a global account casualty underwriter. It's a different business. It's not one that we're particularly well suited. We really don't do it in the U.S. in any meaningful way.

And so all of these questions about international acquisitions, and they're relevant, really we get very local-focused. What can we do in the particular geography that we're talking about as opposed to how does it allow us to write global casualty for a Fortune 10 company. That's just not our business. It's not what we do. So we tend to think of it as quite local and not global in that sense.

A - Gabriella Nawi {BIO 2211991 <GO>}

Okay. And this will be the last question please.

Operator

Bloomberg Transcript

Thank you. Our final question comes from Amit Kumar of Macquarie. Please go ahead.

Q - Amit Kumar {BIO 16979665 <GO>}

Thanks. Thanks for fitting me in. Just one question, a clarification question; in response to Larry's question, I think you mentioned that you're capturing more share in the captive and direct channels. And I was trying to figure out that that's a different shopping experience and why would a captive policyholder be willing to move their Auto policy to an independent agent, I guess given the lack of a bundling discount? Maybe just explain that a bit more to me.

A - Doreen Spadorcia {BIO 4883600 <GO>}

Yes, I mean, I don't know exactly why they might switch from one to the other, but they have more choice. If they're with a captive agent, they have a product and that's it. And if they start shopping around, which we know many more customers are shopping, then they might choose a different distribution channel so that they can have choice.

A - Jay Steven Fishman {BIO 14011069 <GO>}

The data is, what I'm thinking about, is quite dated. But I know we have information. Of course, it's self-disclosed where the customer tells us their previous insurer was. And I'm going back quite a ways, but it has longstanding been predominantly captive companies and other direct companies moving into the independent agent channel. Disproportionate part of our new business rather than - there is obviously one agent company moving to us, but disproportionately more captive than direct as a percentage of that volume. I haven't looked at that in a couple of years, but that's at least what the standard has been.

A - Doreen Spadorcia {BIO 4883600 <GO>}

And we've seen more of it with 282, Jay.

Q - Amit Kumar {BIO 16979665 <GO>}

Got it. Okay, that's all I have. Thanks. Thanks for the answer and thanks for fitting me in.

A - Gabriella Nawi {BIO 2211991 <GO>}

Very good. That will conclude our call for today. As always, we're available in Investor Relations for any follow-up questions. Thank you very much, and have a great day.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect all lines. Thank you and have a good day.

FINAL

Bloomberg Transcript

FINAL

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript