S&P Global
Market Intelligence

American Financial Group, Inc. NYSE:AFG

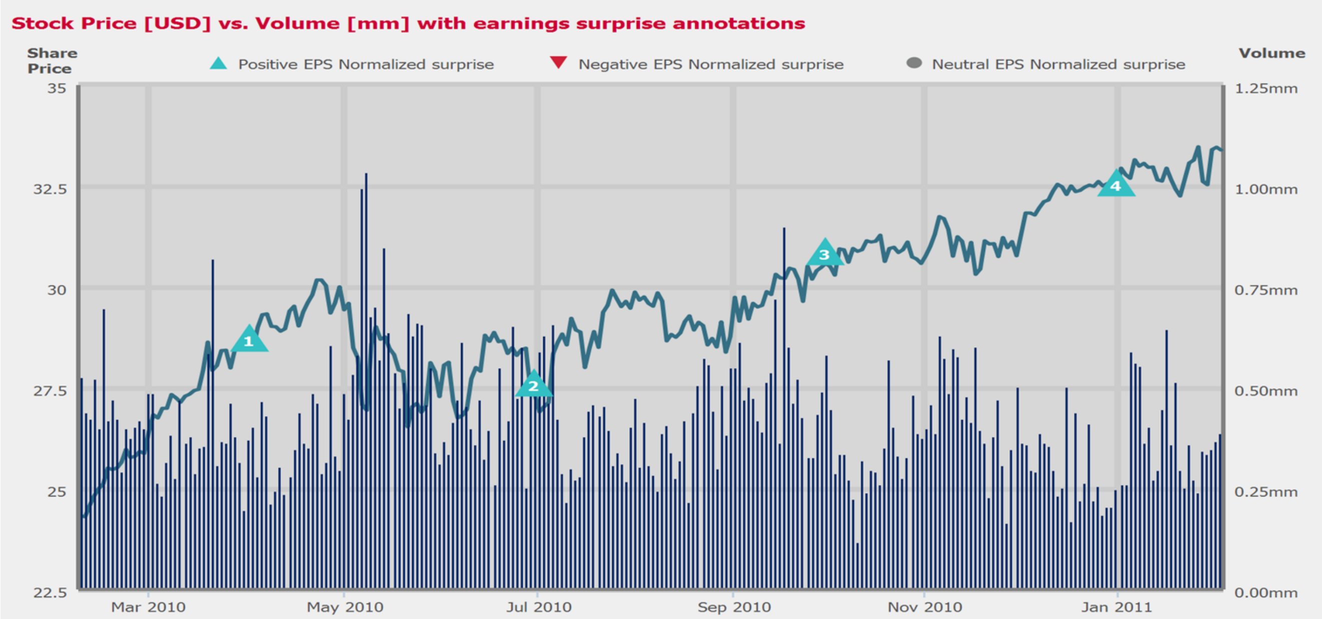
FQ1 2011 Earnings Call Transcripts

Wednesday, May 04, 2011 3:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2011-			-FQ2 2011-	-FY 2011-	-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.79	0.81	2.53	0.78	3.48	3.55
Revenue (mm)	666.30	1039.00	55.94	664.76	2750.17	2739.80

Currency: USD
Consensus as of May-04-2011 2:05 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2010	0.83	0.91	1 9.64 %
FQ2 2010	0.60	0.91	2 51.67 %
FQ3 2010	1.01	1.07	3 5.94 %
FQ4 2010	0.97	1.03	4 6.19 %

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EXECUTIVES

Carl Lindner III

Keith Alan Jensen
Former Senior VP & CFO

ANALYSTS

Amit Kumar
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Ron Bobman
Capital Returns

Presentation

Operator

Good morning. My name is Bonnie and I will be your conference operator today. At this time, I would like to welcome everyone to the American Financial Group 2011 First Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you.

I would now like to turn the call over to Mr. Keith Jensen, Senior Vice President. Please go ahead sir.

Keith Alan Jensen
Former Senior VP & CFO

Thank you very much. Good morning and welcome to American Financial Group's 2011 first quarter earnings results conference call. I'm joined this morning by Carl Lindner III and Craig Lindner Co-CEOs of American Financial Group. If you're viewing the webcast from our website, you can follow along with the slide presentation, if you'd like.

Certain statements made during this call are not historical facts and may be considered forward-looking statements and are based on estimates, assumptions, and projections, which management believes are reasonable, but by their nature, subject to risks and uncertainties.

The factors that could cause actual results and/or financial condition to differ materially from those suggested by the forward-looking statements include, but are not limited to those discussed or identified from time-to-time in AFG's filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K and quarterly reports on Form 10-Q. We do not promise to update such forward-looking statements to reflect annual results or actual results or changes in assumptions or other factors that could affect these statements.

Core net operating earnings is a non-GAAP financial measure, which sets aside significant items that are generally not considered to be part of ongoing operations. These include net realized gains or losses on investments, the effects of accountings changes, discontinued operations, significant asbestos and environmental charges, and certain other non-recurring items.

AFG believes that this non-GAAP measure to be a useful tool for analysts and investors as they analyze ongoing operating trends and these will be discussed for various periods during the call. A reconciliation of net earnings attributable to shareholders to core net operating earnings is included in our earnings release.

Now, I'm pleased to turn the call over to Carl Lindner III to discuss our results.

Carl Lindner III

Good morning and thank you for joining us. Yesterday afternoon, we released our 2011 first quarter results. Although our core net operating earnings per share were down approximately 11% from the comparable 2010 period, we're pleased to report solid operating results that we're consistent with our overall expectations. We're especially pleased with our continued strong property and casualty operating results in a challenging property and casualty marketplace and the record operating results posted by our Annuity and Supplemental Group.

We believe that our specialization strategy and the strong alignment of interest we've created with the leaders of each of our specialty business units have contributed to these results.

I am assuming that the participants on today's call have reviewed our earnings release and the supplemental materials posted on our website. I'll review a few highlights and focus today's discussion on few key issues. I'll also briefly discuss our outlook for the remainder of 2011.

Let's start by looking at our first quarter results summarized on slides three and four of the webcast. Net earnings per share were $0.79 for the quarter, 15% lower than the comparable 2010 period. 2011 results included realized losses of $0.02 per share and reflect the impact of share repurchases during the last two years. Our core net operating earnings were $86 million or $0.81 per share compared to the prior year's results of $103 million or $0.91 per share. Record operating earnings in our Annuity and Supplemental Insurance Group were more than offset by lower underwriting profit in our specialty, property, and casualty insurance operations and lower property and casualty investment income.

Annualized core operating return on equity was approximately 9%. One of our important strategic objectives is to deploy our excess capital in a way that enhances shareholder value. To that end, we continued our share repurchases and purchased 2.5 million shares of our common stock at an average price of $34.04 per share during the first quarter of 2011. The average purchase price was approximately 89% of the book value per share as of March 31, 2011. We feel this remains an effective means of increasing shareholder value. There are approximately 10.2 million shares remaining under our current repurchase authorization, which our board extended in February this year.

Share repurchases are one of several alternatives for deployment of excess capital. In addition, we continue to strive for healthy profitable organic growth and look for opportunities to expand our specialty niche businesses through start-ups or acquisitions where it makes sense to do so.

As you'll see on slide four, AFG's book value per share, excluding appropriated retained earnings and unrealized gains and losses on fixed maturities increased 2% during the quarter to $38.33. Tangible book value on a comparable basis was $36.02 at March 31, 2011 up 2% from year end 2010.

Our capital adequacy, financial condition, and liquidity remained strong at our key areas of focus for us. We've maintained capital on our insurance businesses at levels that support our operations and are in excess of amounts required for our rating levels. At the end of the first quarter, our excess capital was $890 million, which included cash at the parent company of approximately $330 million.

On slide five, you will see summary results for our specialty, property and casualty operations. Property and casualty, specialty insurance operations generated an underwriting profit that was lower than the first quarter of 2010. The reduced profit is primarily the result of a $24 million decrease in favorable reserve development when compared to 2010 first quarter results. The combined ratio was 92, five points higher than the first quarter 2010.

The recent tornados in the United States as well as catastrophic natural disasters in Japan, Australia, New Zealand, and the unrest in North America and the Middle East have all been silvering. We pray for god's blessing upon the many people that have been so heavily affected.

Our catastrophe losses of $8 million in the 2011 first quarter were comparable to the amounts reported in the prior year. We're in the early stages of assessing our loss results for the most recent tornados and severe storms in the U.S. Our losses in Japan, Australia and New Zealand are minimal. These events reinforced the wisdom in our taking an active approach to managing catastrophic risks, specifically quake and hurricane. Giving consideration to the changes recently introduced by RMS 11 are 1 and 250-year wind and quake exposures are less than 2% of shareholders' equity.

We have received preliminary notice of some potential claims arising primarily from market forms political risk business in Africa and the Middle East. Typically, there is a 180-day period associated with political risk insurance during which the result of the unrest is assessed. We are in that period and have commenced the early stages of investigation. AFG share of any potential loss will be after the application of available reinsurance, potential segregation recovery, and will be substantially limited to our proportional share of market form. We don't believe that the impact of notices received today will be material to AFG. However, it's a volatile environment, we're continuing to monitor and in which additional notices are possible.

Our range continue in much of the Midwest prompting some questions about excess moisture for crop insurers. For the most part, there isn't any meaningful loss to potential corn yields in much of the Midwest unless planting is delayed until the late May. Soybean planting would need to be delayed until late June before any meaningful loss of yield potential would occur. We continue to monitor the situation closely although it's a little early to get overly concerned about excess moisture and preventive planting circumstances.

Gross and net written premiums were up modestly in 2011 first quarter compared to the same quarter a year ago. Additional premiums from National Interstate's third quarter 2010 acquisition of Vanliner were offset somewhat by lower premium volume in our targeted markets operations and the decision to exit our excess workers' comp business. Overall, average renewal rates for the first quarter of 2011 were flat when compared to the prior year period. While the business environment continues to be competitive, we are achieving price increases in more of our businesses.

Gross investment income related to our property and casualty operations was down approximately 20% during the first quarter of 2011 when compared to the first quarter of the prior year. This is primarily due to decreased holdings and higher yielding investments and generates lower reinvestment rates as we discussed during the last quarter's call.

Now, I'd like to discuss a few highlights from each of our specialty business groups on slide six. Property and transportation group reported first quarter 2011 underwriting profits of $33 million, about 4% higher than in the prior year period. Improved results in our agricultural operations were offset by lower underwriting profits in our transportation businesses, particularly those that serve independent owner operators. Catastrophe losses in this group were $5 million compared to $8 million in the prior year periods.

Almost all of our property and transportation businesses reported strong underwriting profits during the first quarter of 2011. Our average renewal rates for this group during 2011 so far were flat compared to the prior year period.

Our specialty casualty group reported a first quarter 2011 underwriting profit of $2 million compared to an underwriting profit of $18 million in the first quarter of 2010. Lower underwriting profits were due primarily to a $19 million decrease in favorable reserve development. Lower underwriting profits and a book of program business contributed in large measure to these results. Improved profitability in our general liability operations primarily that those that serve the homebuilders industry as well as in our executive liability in excess of surplus lines businesses partially offset these results. Average renewal rates for this group during the first quarter of 2011 were up 1% compared to the prior year period.

Specialty Financial group reported underwriting profits of $10 million in first quarter 2011 compared to $21 million in the first quarter 2010. Lower favorable reserve, favorable development resulting from a reserve increase in a runoff book of collateral mortgage protection insurance and the absence of favorable development related to our runoff automobile residual value insurance operations more than offset higher underwriting profits in our financial institutions business. Average renewal rates for this group during the first quarter were down 1% compared to the prior year period.

Now, let's move on to review of our Annuity and Supplemental Insurance Group on slide seven. The Annuity and Supplemental Insurance Group generated record core net operating earnings before income tax of $52 million for the 2011 first quarter, 18% higher than the same period a year earlier. These results reflect higher earnings in our fixed annuity operations, especially our bank distribution channel as well as the impact of expense savings.

Record statutory premiums of $779 million in the first quarter were 57% higher than the first quarter of 2010 primarily as a result of higher sales of annuities in the bank market. We continue to experience strong persistency in our annuity businesses and remain committed to product designs that reward policyholders and agents for long-term persistency.

Now, please turn to slide eight for a few highlights regarding our investment portfolio. During the first quarter 2011 AFG recorded after-tax, after DAC realized losses of $3 million compared to net realized gains of $3 million in the prior year period. The after-tax, after DAC unrealized gains on fixed maturities were $334 million an increase of $8 million since December 31, 2010. The vast majority of our investment portfolios held on fixed maturities approximately 91% of our fixed maturity portfolio rated investment grade and 96% with a designation of NAIC 1 or 2. As we discussed last quarter, they continue to runoff and disposition of securities in our non-agency RMDS portfolio as well as generate lower reinvestment rates has resulted in continued pressure on investment income. We have provided additional detailed information on the various segments of our investment portfolio in the investment supplement on our website.

Now, I'd like to review our outlook for 2011. Our 2011 core net operating earnings guidance remains in the range of $3.30 to $3.70 per share. We expect results in our property and casualty and annuity and supplemental businesses to be consistent with the guidance provided in our call last quarter with a few minor adjustments. We now expect net written premiums in our specialty property and casualty operations to be 9% to 13% higher than 2010 levels. And we expect that Property and Transportation group’s net written premiums to increase by approximately 14% to 18% primarily as a result of projected higher spring commodity prices and National Interstate's acquisition of Vanliner. Additionally, we now estimate that 2011 investment income and AFG’s Property and Casualty segment will be down approximately 12% for the full year.

A summary of our 2011 guidance is outlined on slide nine for your convenience. These 2011 expected results exclude the potential for significant catastrophe and crop losses, significant losses from political unrest, significant adjustments to asbestos and environmental reserves, large gains or losses from asset sales or impairments and unlocking adjustments related to the annuity deferred acquisition costs.

Now, we'd like to open the lines for any questions. Thank you.
Ms. Bonnie?

Question and Answer

Operator

(Operator Instructions) Our first question comes from Amit Kumar of Macquarie.

Amit Kumar
Macquarie

Thanks and congrats on the results. Just quickly maybe starting with market form, you said you don't expect the impact to be material. How do you define materiality?

Keith Alan Jensen
Former Senior VP & CFO

We're thinking of that in the sort of traditional process against earnings in the 5% to 10% in sort of a subjective view for materiality thresholds would be.

Amit Kumar
Macquarie

Okay, that's helpful. And then may be just staying on Q2, can you talk about the - and I apologize if you've talked a lot about the recent tornados and the recent storms, do you have sort of an early view of how that could also impact Q2 results?

Carl Lindner III

Yeah, Amit I think it's probably too early for us. It's going to take us a few more weeks to kind of really get our arms around it. We have claims reported from a number of our business units, with the largest activity from our agricultural business, financial institutions, property and inland marine. But it's going to take us probably a few more weeks to really kind of get our arms around.

Amit Kumar
Macquarie

Okay, that's helpful. And may be just going back to the crop discussion, and obviously there is a lot of talk about delayed planting and it being at an all time low compared to the past history and is half of your top line maybe just revisit the discussion on sessions and losses and what does happened if it is in fact delayed meaningfully?

Carl Lindner III

Let's talk maybe about preventive planning just for a second. If preventive planning coverage would be triggered as typically 60% of the coverage that would otherwise have been provided that might be one thing to start with. What was backup just for a second, probably for prevented planning coverage is a trigger, you're going to have to have unfavorable planning conditions that we need to persist until early June for corn and probably early late June, early July for soybeans.

Corn goes under the ground before soybeans and corn needs to probably get in by late May and soybeans probably need to get in by late June. So, little early to really get too worry. Why you were asking though, one interesting thing here recently was, as the flooding of the Army Corps of Engineers, the string, the levee in a couple different slots and the flooding I think it was about 120,000 acres in that.

We've done a kind of quick take on that. I think the industry will probably be talking to the government and around whether there really is loss or not, but let's assume there is a loss it gets kind of hurt. Based off last year's figures we probably have about $3.5 million of liability in that particular area.

Amit Kumar
Macquarie

Got it. That's helpful. Can you sort of go back and I know there was a lot of price sort of volatility in 2008 and can you just remind us when you look at 2008 and look at things today how does it compare?

Carl Lindner III

Well I can speak for today. Generally the current prices, futures prices in that are above the spring strike prices by quite a bit. So even if there is some speculation within the market, which would bring prices down that doesn't overly concern us at this point. Generally it's when you have a drop in prices that exposes you more in that.

So I mean right now if you take a look at the price of corn versus the discovery price I think its up probably 50% soybean is up pretty close to the same now. Yeah if the worry is speculation in that I think there is plenty of room probably for any kind of speculative bubble to adjust there without having some huge impact on us.

Amit Kumar
Macquarie

Got it and then just one question then I will re-queue after this. You talked about RMS-11 how does that impact to your reinsurance purchase or your top process behind your reinsurance purchase?

Carl Lindner III

Well we have January one renewal so we don't have anything that we are facing immediately. Now last year our catastrophe cost went up I think low teens, when really talking to our reinsurers, quite a few of our reinsurers actually used a more conservative estimate than what RMS was in that. So RMS itself I think will have maybe some impact, will create a greater demand for coverage. In our case I'm not really sure it really makes a whole I don't think it's going to have that big of an impact with regard to our renewal. I think our own experience this year will be a big driver. And then I think probably, overall I think this year there is going to be more pressure just from the worldwide storms. The storms here in the U.S., what's going on in New Zealand, Australia, I think those are going to be the bigger drivers on what the industries cap, what the reinsures charge going forward, particularly those you get hit hard in that. But I think that will be the bigger drivers in worldwide storms versus RMS '11.

Amit Kumar
Macquarie

Got it. And that's all for now. I will re-queue, thanks.

Operator

Thank you. Our next question comes from Jay Cohen of Merrill Lynch.

Jay Cohen
Merrill Lynch

Thank you. Let's see, I'll start with may be these political risk claims that you had talked about from market form. I assume first of all there is nothing in the first quarter for these potential losses?

Keith Alan Jensen
Former Senior VP & CFO

That's correct.

Jay Cohen
Merrill Lynch

And then secondly what are the events that give rise to claims here? I was always thinking about this business more in the form of your nationalization or some sort of confiscation, what are the events that give rise to a claim?

Carl Lindner III

There is two different, we write a small trade credit book, [SCIA] in the United States which is primarily a trade credit and then through market form we write a small book that would deal with things like political risk, contract, frustration. Let's talk about trade credit first. They are kind of like a contract with a private company covering default or non-payment with no contractual right to do so. So, example if a beef company exports beef to a food distributor in a foreign country and the buyer refuses to pay without the right to do so. That will be an example of trade credit.

Contract frustration, the example would be a contract with a government or government owned entity that covers cancellation for non-payment, government intervention or non-performance due to war, civil war and insurrection in the buyer's country. So, an example might be a major oil company contracts to buy oil from the state oil company in Saudi Arabia. Civil war makes the export impossible. After a 100 day waiting, 180 day period coverage will be possible.

Political risk, that might be, one example might be a mobile oil rig that's destroyed during a civil war. The government taking of a fixed asset or mobile goods following the abandonment because of evacuations, government failing to issue a permit to export, confiscation, destruction due to riots, civil war, that type of thing.

Jay Cohen
Merrill Lynch

Got it. So places like Egypt some of these things obviously seem to be happening to some extent and thus you may have some claims.

Keith Alan Jensen
Former Senior VP & CFO

Right, but it's important to focus Jim on the fact that even when an event happens there is this 180-day period which is really trying to give time in the contract for resolution of the evenness. We've seen in some of these countries from the first sort of hit that there is going to be political unrest, until it's all over it's really a relatively short period of time. And so if the asset comes back into production, the trade credit is subsequently hedged, you don't get hit for it because it was in risk for a period of time.

Carl Lindner III

Like the case of oil if there is a new government in that contract, the insurer renegotiate or the company renegotiates the contract with the new government and the contract is performing then there wouldn't be a loss.

Jay Cohen
Merrill Lynch

Got it.

Carl Lindner III

Segregation also plays a big role in a lot of these claims in that too.

Jay Cohen
Merrill Lynch

Right, right, and it sounds like you have reinsurance in place as well.

Keith Alan Jensen
Former Senior VP & CFO

We do have a reinsurance program.

Jay Cohen
Merrill Lynch

Great, second question, you mentioned in the specialty casualty business program business that was down, it sounds like it may not be performing that well. Can you be more specific in the type of program that is?

Carl Lindner III

I guess we don't write a lot of program business, that kind of a can have buyers against writing a lot very much of it. But they were a couple of programs in particular that we got rid off, whether has been some unfavorable development.

Keith Alan Jensen
Former Senior VP & CFO

Primarily in the hospitality arena some bread and breakfast type operations and temporary housing operations.

Jay Cohen
Merrill Lynch

Okay. And then the last one was in the specialty financial business, again how many little education collateralized mortgage protection business. Can you just kind of go through what that business is and why you're getting some reserve development there?

Keith Alan Jensen
Former Senior VP & CFO

It's a business that we roll little bit of back in 2002, 2003 and 2004 that's been in runoff ever since then, where Fannie Mae was a lender and we were ensuring the collateral up to the outstanding loan value and we're starting to see a few claims on that as we've indicated.

Jay Cohen
Merrill Lynch

Okay. Does this have the potential to balloon into something, tell me you mentioned mortgage, sirens are to go off, could you just balloon into something potentially much larger?

Keith Alan Jensen
Former Senior VP & CFO

It could have some additional development, but this is not something that we expect has the becoming something like the residual value of it, you and we've talked about over the years now has gone.

Jay Cohen
Merrill Lynch

Just because it's a much smaller business for you or was at the time?

Keith Alan Jensen
Former Senior VP & CFO

It was the smaller business. The aggregate limits are dramatically smaller.

Jay Cohen
Merrill Lynch

Great, very good. Thank you.

Operator

(Operator Instructions)

Our next question comes from Amit Kumar of Macquarie.

Amit Kumar
Macquarie

Thanks. I guess three quick follow-up questions. First of all, just on the discussion on excess capital and its utilization I just wanted to go back and revisit NATL National Interstate. Recently we saw another peer and take out at sub, has your view changed based on the current market conditions or should we expect no change in perpetuity?

Carl Lindner III

I don’t think anything is ever in perpetuity, but we continue to look at National Interstate as a core operation for us and core part of our business in that. And again I think if you continue to take a look at our stocks valuation, we think our repurchasing our shares continues to be more attractive than purchasing National Interstate shares if you just look at the valuation differences in that in the short term. But in perpetuity of nothing's ever in perpetuity.

Amit Kumar
Macquarie

I was just trying.

Carl Lindner III

Nice try Amit.

Amit Kumar
Macquarie

I guess the two other quick questions are, there has been some discussion on modest change or improvement in the California comp market and maybe we haven’t talked about that in a while maybe we can revisit that in terms of trends?

Carl Lindner III

Sure. Yeah, I think when you look at the industry numbers right now, I mean they’re terrible. But there is modest improvement from the industry estimates I think they’re going from a 129 to 125. We probably with estimate republic at about 115, 116 for 2010 and get up might be modestly better. It’s a competitive market still though there is price being taken and we maybe on the more aggressive price side with an 8% change year-to-date probably to get to get our business back to 13% to 15% return and low 100s combined ratio we need to get 20% instead of the 8% that we’re getting right now. And the market is not allowing us to currently get that.

We feel our reserves are solid in our business today, probably some different than others. I think probably the good news is I think Governor Brown is saying that he is not going to look at any new workers comp bills in the next couple of years. So I think you should have a pretty steady environment. The economy seems to be improving. I think the republic renewal payrolls seem to be increasing and the California comp seems to be somewhat on demand. And I think those are all positives. But we need to get more price in order to get our business back to a solid return.

Amit Kumar
Macquarie

Recently there was this discussion coming out of WCIRB, and they were planning to issue that notification and it did not happen and that became an informational filing regarding the 40% rate increase. I mean what is the biggest impediment in terms of you trying to get a price increase?

Carl Lindner III

Each individual company can file their own price increases in that. From my standpoint, there probably isn’t too much of an impediment. It is the competitive environment. Everyone needs to file more significant rate increases and renew their business at that for the business to improve. That’s not happening yet. There is still some companies that are too aggressive out there which is hard to explain, hard to understand. I do think California comp and workers comp nationally probably is the, it has to be the kind of the leading edge of price correction, activity really within our industry when you take a look at the results in that.

Amit Kumar
Macquarie

Okay, and in terms of, you just mentioned the competition, are these public companies or non-public companies?

Carl Lindner III

Sum of both, yeah.

Amit Kumar
Macquarie

It's interesting. And okay, the only other, this is the final question. I do appreciate your patience. You're having a lot of growth from the indirect bank annuity segment and the index annuity segment and it's becoming a bigger proportion of your earning with every passing quarter. I'm just wondering what's your ultimate appetite for this market going forward?

Craig Lindner

This is Craig. We don't have a specific number in mind. If we can earn what we think are the appropriate returns in the business then we'd like to continue to grow it. If we can't then we'll slow it down.

Carl Lindner III

Our strategy is to, on a continual basis, try to allocate capital to the places that have the best returns.

Amit Kumar
Macquarie

Okay. And then may be just remind us, this is for the brokers who are writing a mortgage policy and can you just refresh us what exactly is the, this indirect product?

Craig Lindner

There are either fixed annuities or indexed annuities that are sold through the banks but there is a type of a broker arrangement, brokerage arrangement with the banks. So there is an intermediary who is out, who is involved with the sale to the bank's customers and they're selling all annuity products. The biggest would be indexed annuities.

Amit Kumar
Macquarie

And these bank customers, I'm just sort of trying to get, understand the profile a bit better, are these the ones who have sort of a checking deposit or are these mortgage customers, who exactly are these people?

Craig Lindner

I mean, they could be mortgage customers, but there is really, there is no relationship between what we're doing and the mortgage business.

Amit Kumar
Macquarie

Right.

Craig Lindner

They're typically customers who are looking for a decent return on their investments and if they are willing to go a bit longer buying the bank product then it could be a replacement to CD.

Amit Kumar
Macquarie

Yeah, okay, got it. Okay, that's actually very helpful. That's pretty much it. Thanks so much. Thanks for the answers.

Carl Lindner III

Thanks, Amit.

Operator

Thank you. (Operator Instructions) Our next question comes from Ron Bobman of Capital Returns.

Ron Bobman
Capital Returns

Hi. I think Carl commented on California comp, I was curious if you give us some sort of maybe at least directional information and on the sort of rate and coding environment and some of your other commercial lines and sort of not so much necessary first quarter activity, but what you're seeing sort of towards the end of the first quarter and coming into the second quarter. Is it the rating environment status quo continuing to improve deteriorating maybe some of the major line categories that you're active in? Thanks a lot.

Carl Lindner III

Sure. I mean, in the property and transportation, I think as we disclosed, our pricing went up about a point and our specialty casualty segment pricing was flat and the property and transportation down 1%. I think if you, overall the lines that we seem to be getting price in California comp we mentioned we're getting about 8%. We are getting on the program business that we're staying on. We're getting some price there. In businesses like all the non-U.S. med-mal and Marketform, we're getting some decent price there, marine liability because of the various events worldwide they are in our Marketform book we're getting some price in that part of our book and then smaller price increases in a number of other areas. So I am hardened that it seems like we are getting, there is more of our businesses where we're getting some price increase versus that being outside of workers' comp. They're not being too many places looking backwards. So, I think the rate environment seems to be improving at this point.

Ron Bobman
Capital Returns

Are your business unit heads directing their underwriters and field underwriters to be a bit more involved in trying to get rate? Are you getting any sort of commentary from the unit heads along those lines or no change really?

Carl Lindner III

No, I think it really depends on the profitability business-by-business as to the aggressiveness. If we have great continued returns and businesses, it's a bit harder to your focus maybe more on retention of business versus trying to push through huge increases, businesses like California comp, I think I just spoke to, what I think we really need versus what we're getting and we're going to be fairly aggressive. All I know this is our Republic subsidiary we're losing more market share over the last couple of years than our other competitors. So, that kind of tells you how aggressive we are there. So again, I think the tone depends on the profitability business-by-business in that. Program business I don't - we have a small part of our very small percent of our business in that, but we've been pretty aggressive on the price side and cancel a few accounts and other accounts on the business, we're taking aggressive approach.

Ron Bobman
Capital Returns

Actually, if I can have an unrelated question since the meet went on and on and on, I feel I could follow up. On the crop business should we assume that as it relates to sort of sessions to the government program or even third-party reinsurance that your crop operation might buy, that it hasn't really, you haven't changed the amount of reinsurance protection either government or private for the current crop year as compared to last year's. Is that a decent assumption?

Carl Lindner III

Yeah, that's a decent assumption.

Ron Bobman
Capital Returns

Okay, thanks a lot and best of luck.

Carl Lindner III

Thank you.

Operator

At this time, there are no further questions.

Carl Lindner III

All right. Thank you. We appreciate your time today, appreciate your interest, and we look forward to reporting to you on our second period results. Thank you. Have a good day.

Operator
Thank you. This concludes today's conference call. You may now disconnect.