S&P Capital IQ

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Cincinnati Financial Corporation NasdaqGS:CINF

FQ4 2017 Earnings Call Transcripts

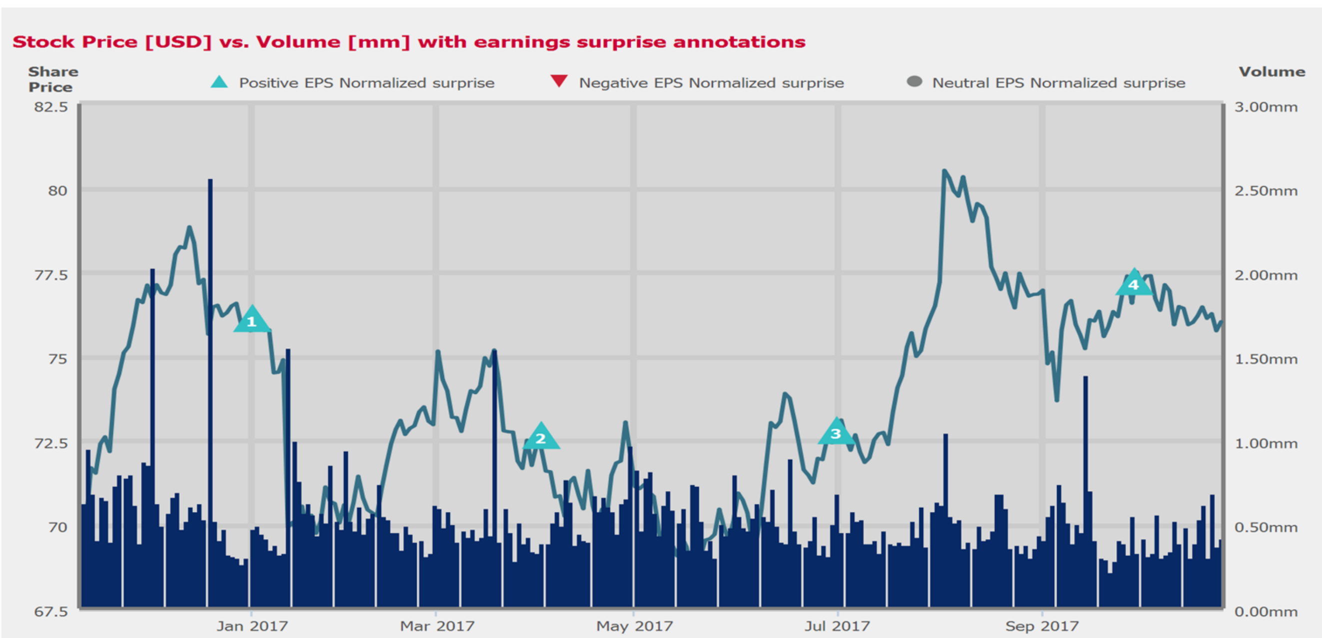
Thursday, February 08, 2018 4:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2017-			-FQ1 2018-	-FY 2017-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.85	0.93	▲9.41	0.86	2.67	2.74
Revenue (mm)	1417.80	1411.00	▼(0.48 %)	-	5738.80	5732.00

Currency: USD

Consensus as of Feb-08-2018 10:34 AM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ4 2016	0.65	0.75	▲1 15.38 %
FQ1 2017	0.51	0.59	▲2 15.69 %
FQ2 2017	0.50	0.64	▲3 28.00 %
FQ3 2017	0.51	0.58	▲4 13.73 %

Call Participants

EXECUTIVES

Dennis E. McDaniel
Vice President, Investor Relations Officer and Vice President of the Cincinnati Insurance Company

Jacob F. Scherer
Chief Insurance Officer and Executive Vice President

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

ANALYSTS

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

Joshua David Shanker
Deutsche Bank AG, Research Division

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Presentation

Operator

Good morning. My name is Jamie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter 2017 Earnings Conference Call. [Operator Instructions] Dennis McDaniel, Investor Relations Officer, you may begin your conference.

Dennis E. McDaniel
Vice President, Investor Relations Officer and Vice President of the Cincinnati Insurance Company

Hello. This is Dennis McDaniel from Cincinnati Financial. Thank you for joining us for our Fourth Quarter 2017 Earnings Conference Call.

Late yesterday, we issued a news release on our results, along with our supplemental financial package, including our quarter-end investment portfolio. To find copies of any of these documents, please visit our investor website, cinfin.com/investors, and the shortest route to the information is the Quarterly Results link in the navigation menu on the far left.

On this call, you'll first hear from Steve Johnston, President and Chief Executive Officer; and then from Chief Financial Officer, Mike Sewell. After their prepared remarks, investors participating on the call may ask questions. At that time, some responses may be made from others in the room with us, including Chairman of the Board, Ken Stecher; Chief Investment Officer, Marty Hollenbeck; and Cincinnati Insurance's Chief Insurance Officer, J.F. Scherer. Chief Claims Officer, Marty Mullen; and Senior Vice President of Accounting, Theresa Hoffer are also on the call.

First, please note that some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC.

Also, a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and therefore is not reconciled to GAAP.

Now I'll turn the call to Steve.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Thank you, Dennis. Good morning, and thank you for joining us today to hear more about our fourth quarter 2017 results.

Results for the year ended on a high note, with fourth quarter net income up significantly from a 22% increase in non-GAAP operating income plus a benefit of $495 million due to revaluation of net deferred tax liabilities from tax reform.

Reflecting our record-high earnings and rising valuations of securities markets, we also reached a new record for book value at $50.29 per share. Our primary long-term measure of financial performance is our value creation ratio or VCR, which was 11.9% for the fourth quarter and 22.9% for full year 2017, with both periods benefiting by approximately 7 percentage points from tax reform. VCR included favorable effects from rising valuations of securities markets, with full year 2017 contributions of 8.6 percentage points from our stock portfolio and 1.1 points from our bond portfolio.

Investment income for the year at $609 million also reached a record level.

Each of the items I just highlighted, plus strong performance from our insurance operations, which I'll cover in a moment, was considered by our Board of Directors and factored into recent decisions to reward shareholders, including a special dividend paid in December and a 6% increase in the regular cash dividend declared in January. We continue to steadily grow premiums, and our fourth quarter 2017 property casualty combined ratio improved by more than 3 percentage points.

Our fourth quarter 92.9% combined ratio helped improve full year 2017 to 97.5% for our 5-year average of 94.6%, and we reported a 29th consecutive year of net favorable reserve development on prior accident years.

Growth is 6% in 2017 net written premiums, contributed to a 5-year compound annual growth rate of 6.8%, nearly double the property casualty's industry rate.

We believe we can successfully balance prudent underwriting and business growth to improve on 2017 combined ratio before catastrophe effects for a 2018 GAAP combined ratio in the low- to mid-90% range. We also believe our 2018 property casualty premium growth rate can be within a percentage point of 2017. Our 2017 catastrophe loss ratio was a full point above the average of the previous 10 years. We recognize that weather, the significant changes in the industry market conditions that influence insurance policy pricing trends are some variables that will affect the property casualty results we ultimately report. While 2017 ended with many positives, we are closely watching our combined ratios before catastrophe effects, which rose 3 percentage points during 2017, and we are intensifying our efforts to move in the right direction.

Most of our policies are written on a package or account basis, which includes coverages for more than one line of business. It's important to manage profitability of each line of business within a package as well as for the account in total. In our opinion, there are several benefits to bundling coverages for insureds. Agencies and our clients appreciate dealing with a single insurance company to provide protection and service, and we seek to retain accounts while also addressing rate adequacy or policy terms and conditions as needed.

We apply segmentation principles for each individual policy as underwriters seek to obtain relatively higher renewal pricing on expiring policies that [aren't] analytics, predictive models and underwriting expertise indicate have relatively weaker pricing.

As an example of our segmentation efforts, I'll share some pricing details about our general liability coverages, which represent the largest component of our commercial casualty line of business.

The least adequately priced part of general liability according to our models averaged 2017 renewal price increases at a percentage in the high single-digit range. Those models indicate the bulk of our general liability business is at or near price adequacy, and average percentage price increases in the low single-digit range, while the most adequately priced portion averaged a small percentage price decrease.

Results for our auto lines of business are starting to show improvement from rate increases and ongoing pricing precision efforts and will continue to direct additional attention to our commercial casualty line of business. Although still profitable, we believe commercial casualty will benefit from the same focused efforts we've applied successfully to our Worker's Compensation and auto lines of business.

Regarding profitability for commercial casualty. On Page 14 of our supplemental financial package, you can see a 3.5 percentage point increase in commercial casualty's accident year 2017 total ratio for losses and loss expenses relative to the accident year 2016 measured at 12 months. You can see also a relatively small amount of net unfavorable reserve development on prior accident years. Our fourth quarter 2017 ratio is 0.9, representing $2 million; and a full year 2017 ratio of 1.0, representing $11 million.

Similar to what we have disclosed in the past, rising paid losses prompted us to estimate the IBNR reserves at levels more likely to be adequate, and IBNR represents 3.4 points of the 3.5 percentage point increase I just mentioned for the current accident year measure. Rising paid losses also drove the unfavorable reserve development on prior accident years.

Here are the main takeaways for commercial casualty as we see it. Rising levels of paid amounts in related ratios for some of those [more] developed accident years influence our estimate for reserves and resulted in what we believe is a prudent reserve position. Our commercial casualty full year 2017 loss and loss expense ratio of 63.9%, combined with an estimated underwriting expense ratio of 32 points or so, indicates an estimated combined ratio of approximately 96%. By intensifying our segmentation efforts, we aim to improve profitability over time.

Each of our insurance segments experienced another quarter and year of what we consider to be healthy premium growth.

For our commercial lines segment, net written premium growth was 3% for both the fourth quarter and full year 2017, with the full year combined ratio of 96.4%. Overall, commercial line's estimated average price increases were similar to the third quarter, with commercial auto remaining in the high single-digit range.

For our personal lines segment, 9% fourth quarter net written premium growth contributed to full year 2017 growth of 8%. The full year 2017 combined ratio rose 1.6 percentage points with 1.5 points of that from catastrophe effects. Estimated average premium rate increases for personal lines in total were slightly higher than the third quarter of 2017, with personal auto average rate increases remaining in the high single-digit range.

Policy retention rates for commercial and personal lines were similar to a year ago. For commercial lines, our 2017 policy retention continued near the high end of the mid-80% range. And for personal lines, it averaged approximately 90%.

Our excess and surplus lines segment again reported excellent results, with double-digit growth and net written premiums for both the fourth quarter and full year of 2017 and a full year combined ratio slightly over 70%.

Our life insurance subsidiary also made a strong contribution to net income, including a substantial portion of the overall benefit from tax reform and grew fourth quarter 2017 life insurance earned premiums by 11%.

Cincinnati Re returned to profitability in the fourth quarter of 2017, following the quarter where profitability suffered from catastrophe loss effects of extreme weather. With this 87% fourth quarter combined ratio, Cincinnati Re made a nice contribution to our overall earnings. It continues to grow as we expected and helps diversify our business for smoother results over time.

Regarding the significance of tax reform for Cincinnati Financial, I'll highlight a few items and let Mike address effective tax rate assumptions applicable to 2018. As noted earlier, the revaluation of net deferred tax liabilities provided a boost to fourth quarter earnings and book value. Much of that benefit stem from the large amount of unrealized gains embedded in our common stock portfolio, highlighting some of the benefits of our equity investing approach, capital appreciation potential and a tax-efficient way of compounding investment income over the long term. While we do not anticipate significant portfolio restructuring in the short run, we do believe we will likely allocate more new money into taxable over tax-exempt bonds. Our allocation to common stocks will remain unchanged. Also to the extent tax reform helps grow the U.S. economy, that will create opportunities for profitable premium growth, which in turn can result in greater shareholder value creation.

Next, our Chief Financial Officer, Mike Sewell, will comment on investor results -- investment results, reserve development and other key areas of our financial performance and financial condition.

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Great. Thank you, Steve, and thanks to all of you for joining us today.

Fourth quarter 2017 was our 18th consecutive quarter of investment income growth, rising 2% on both a quarter and full year basis. Dividend income was up 5% for the quarter and 6% for the year, and interest income was up 1% for both of those periods. Our equity portfolio's unrealized gains continued to rise, up 14% for the quarter to more than $3.1 billion. The bond portfolio's pretax average yield was 4.34% for the fourth quarter of 2017, down 18 basis points from last year's fourth quarter. That yield decline continues to reflect the effect of higher-yielding bonds that continue to be called or that mature.

Taxable bonds purchased during 2017 had an average pretax yield of 3.88%, 23 basis points lower than we experienced a year ago. Tax-exempt bonds purchased averaged 3.29%, up 25 basis points from a year ago, while the total bond portfolio's effective duration remained at 5.2 years we've reported in recent quarters.

Cash flow from operating activities continue to provide funds for our investment portfolio. Funds generated from net operating cash flows on a full year basis again totaled more than $1 billion, down $63 million or 6% from 2016. A $102 million increase in catastrophe losses and loss expenses paid this year was the key contributor to the decrease.

In our earnings news release, we disclosed an estimated 2018 effective tax rate for investment income of approximately 16%, assuming pretax investment income amounts and portfolio mix matches 2017. For all other income, we believe approximately 21% is the appropriate effective tax rate estimate for 2018. Recognizing that amounts of permanent book tax differences vary over time and could cause that estimated percentage to change.

We continue to carefully manage expenses while at the same time investing strategically in our business. Our full year 2017 in property casualty underwriting expense ratios rose slightly, up 0.1 percentage point for 2016.

Moving on to loss reserves. Our consistent approach to setting overall reserves again resulted in property casualty net favorable development on prior accident years for both the quarter and full year 2017.

Favorable reserve development on a full year basis benefit our combined ratio by 2.5 percentage points, 1 percentage point lower than the average of the prior 3 years. In total, 2017 favorable reserve development continued to be spread over most of our major lines of businesses and over several accident years, including 43% for accident year 2016, 8% for accident year 2015, 19% for accident year 2014 and 30% for 2013 and prior accident years.

Regarding capital management, our approach and financial strength remain stable. We continue to have excellent financial flexibility, including year-end holding company cash and marketable securities that rose 18% from a year ago.

Our financial flexibility was increased by recent action by the Board of Directors, which we announced previously, expanding our share repurchase authorization by 15 million shares. To add a bit of perspective, the total repurchase authorization at the beginning of February at just over 17 million shares represents approximately 10% of total outstanding shares. During the fourth quarter, we repurchased a total of 300,000 shares at an average price per share of $72.45.

Another aspect of capital management is providing liquidity in rare periods of extreme loss activity either from catastrophe events or unusually large individual claims. On January 1 of this year, we again renewed all of our primary property casualty treaties that transfer part of our risk to reinsurers. For both our per-risk treaties and our property catastrophe treaty, terms and conditions for 2018 are similar to 2017. Rates rose modestly on a percentage basis in the low single-digit range for the per-risk treaties and likewise for the property catastrophe treaty.

To conclude, I'll summarize fourth quarter contributions to book value per share. They represent the main drivers of our value creation ratio. Property casualty underwriting increased book value by $0.35. Life insurance operations added $0.06. Investment income, other than life insurance from reduced by noninsurance items, contributed $0.57. The change in unrealized gains at December 31 for the fixed income portfolio, net of realized gains and losses, decreased book value per share by $0.05. The change in unrealized gains at December 31 for the equity portfolio, net of realized gains and losses, increased book value by $1.48. Revaluation of our net deferred tax income -- income tax liability as a result of tax reform increased book value by $3.02. And we declared $1 per share in dividends to shareholders, which included a $0.50 per share special dividend. The net effect was a book value increase of $4.43 during the fourth quarter to a record $50.29 per share.

And now I'll turn the call back over to Steve.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Thanks, Mike.

As I said in my opening remarks, 2017 ended with many positives. We again achieved strong growth and accomplished a 6th year in a row of underwriting profit. We extended our record of annual dividend increases to 57 years, and we have already set the stage [for a] 58th year.

Last week, A.M. Best recognized our capital strength and upward operating trends by affirming our A+ financial strength rating with a stable outlook and raising our issuer credit rating outlook to positive.

The key to our consistent results lies with our associates, who continue to deliver outstanding service to our agents and their clients, deepening our relationships with our agents and executing on our strategies for long-term success.
We appreciate this opportunity to respond to your questions and also look forward to meeting in person with many of you during the remainder of the year. As a reminder, with Mike and me today are Ken Stecher, J.F. Scherer, Marty Mullen, Marty Hollenbeck and Theresa Hoffer. Jamie, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Arash Soleimani with KBW.

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

This is Anthony in for Arash. I wanted to touch on commercial casualty and was wondering if you can provide more color about what's going on there in respect to loss trends. Specifically, I think you mentioned seeing elevated disparity. How much of that drove the increase?

Jacob F. Scherer
Chief Insurance Officer and Executive Vice President

Anthony, this is J.F. Scherer. Yes, we're seeing some severity. Some of the good signs we're seeing, not only in commercial casualty but really across our entire book of business is improvement in frequency over our entire book of business. Despite the economy heating up, despite the fact that there are a lot of inexperienced and -- drivers of driving cars and working in the construction industry, we think our underwriting has paid off in controlling the frequency. But there is a severity increase that we think, as Steve mentioned in his remarks, opportunity for rate increases are our most underpriced casualty part of our book of business. We think we can keep up with it.

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And I guess to follow up on that, I think we previously spoke about 63% possibly being a suitable run rate. Should we now anticipate 67.5% as the new run rate? And also, why not take a larger charge in commercial casualty and call it a day?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I'm not sure, Anthony, I heard those run rates. I think that when we book a reserve, we do our best to do a consistent approach to book what we feel to be the best estimate that we have at the time, and we feel we have a good estimate. I think also, and kind of going back to my set comments, that I think to the extent we've seen rising trends, we've been able to address it and at the time when we're -- it's still profitable. Now when we add an expected expense ratio there, we're still under 100%. There are a lot of moving parts in there. And I think importantly, we have an agency strategy. Within that strategy, we sell most of our accounts on a package basis. Within that package, we have different lines of businesses, coverages moving in different directions. And we consider all those, look at every policy individually. And we feel confident that we're in a position to address some of these rising trends that we see, we feel that we've booked them in our reserves, and we have confidence in the continuation of the profitability of the casualty line.

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And is 6.75% the new kind of suitable run rate?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I'm not sure that we provide a run rate. We look at everything, and I think we gave a feeling for overall, where we think we can come in with a combined ratio in the low- to mid-90s.

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And I guess similarly, I was wondering if you can talk a little bit about the elevated core loss ratio and Worker's Comp. And then specifically, what are your thoughts on the pace of state regular actions and how that'll impact how you're thinking about in terms of rates going forward?

Jacob F. Scherer
Chief Insurance Officer and Executive Vice President

Yes, I think your point about the state regulatory action, the NCCI has been reducing loss cost factors for the industry, and we monitor that and use those for our rates. That is a headwind for us and for the industry. In addition to that, we've seen a pretty -- what I would view is to be a fairly overheated market in the Worker's Comp area, a lot of aggressive commission approaches that some companies are taking. So as we've talked about in the past, we're a very conservative writer of comp. We have not allowed those loss cost decreases that NCCI has put through to completely go through our book of business, so we're trying to maintain rates best we can there. I will say relative to new business, our new business writings, whatever we're writing in new business and comp, has -- we've been not paying a new business penalty there. In fact, it's been more than adequately priced. So I think we're anticipating that NCCI will continue to come out this year with lower rates, and we're going to approach how we'll manage our work comp -- the book of business conservatively as a result.

Anthony To
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Lastly, I guess some housekeeping items. What was the current premiums in-force for high net worth? And then also, can you provide an update on, I guess, the progress of the 10 loss ratio points better than the non-high net worth personal lines business that you previously mentioned?

Jacob F. Scherer
Chief Insurance Officer and Executive Vice President

Sure, we're at $250 million in high net worth business now. What we've seen in terms of the results in our high net worth book of business is the states where we have open high net worth, our new areas of high net worth, are performing very well. Where we sell some elevated large losses in our personal lines book of business, and particularly in the high net worth, we're in what I would have considered to be the more mass affluent part of that book of business. And with exception of one claim, in states where we've been active for a very long time and agencies we've been active for a very long time. And so we're continuing to underwrite and re-underwrite the book of business we had on the book for some period of time. But as a general statement, very pleased with our results in high net worth. We have quality of business that we're getting in states like downstate New York; New Jersey; Massachusetts is now open for high net worth; and in particular, California. And we're very pleased with the quality of business we're getting and the results we're getting there as well.

Operator

Your next question comes from Josh Shanker with Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

Just wanted to hear your thoughts on taxes impacting the pricing in areas where you guys compete in and what you think the long-term trajectory looks like.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

This is Steve. And I think the taxes, the tax reform has been very good. I think it's been most beneficial when we look at fairness. I think it's really leveled the playing field. I think in terms of the pricing as we go forward, it comes down to elasticity of supply and demand. The perfect -- in a perfectly elastic world, taxes would just flow through as another cost. I think probably the insurance industry is somewhere in the middle there. But I do think over a period of time, a portion of it certainly will pass through in terms of pricing. But I would emphasize it would be relative to where pricing would otherwise be rather than the current pricing level. We're all in the area where there are positive loss cost trends, we're taking rate. But I do think over time there is some elasticity in the P&C industry, and that rates will reflect that. And I think it's a good thing because it will pass on the benefits of this tax reform to middle-class Americans. I think insurance is the quintessential middle-class product. And to the extent that the tax reform is beneficial in passing on some savings to the -- to our consumers, I think it's a good thing.

Joshua David Shanker
Deutsche Bank AG, Research Division

So just to clarify, you're saying the ROE on the business will be the same even if the underwriting margins are different?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I didn't comment on that directly, and there's a lot of other variables that would play into that. I just think we'll have to see how this plays out, but I do think it's going to come down to elasticity of supply and demand. It's a very competitive industry. As I look at television commercials, I wonder if there would even be television commercials if it wasn't for the insurance industry. And it just is indicative of how competitive it is out there, taxes are a cost to the extent costs go down. And in a competitive environment, I think people will compete on a cost-based position. And we feel very optimistic about the impact of tax reform on our business in terms of not only directly on us in terms of tax rates but also on stimulation of business in the United States of which -- that's where we get most of our premiums from, that's going to be good for us. The impact on our total return strategy and investing, that's going to be good. Our investment income, it's going to have a positive effect and also on the underwriting results. So I think we're just going to see how this plays out in a competitive environment.

Operator

[Operator Instructions] Your next question comes from the line of Scott Heleniak with RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

The first question I just have was just generally about -- most companies this quarter have talked about an improving economy starting to help the top line. I think you referenced that a little bit. And I just wonder if you might be able to quantify what that benefit was maybe this quarter and what it has been, whether you're seeing a better incremental benefit now versus a few quarters ago.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Scott, I think it's changing quickly enough. I would agree that it's been beneficial. And I think even more importantly it's -- I believe it will be -- it will continue to be beneficial and probably at an accelerating rate given the stimulating effect of the tax reform that we've had.

Jacob F. Scherer
Chief Insurance Officer and Executive Vice President

Scott, this is J.F. I might add to that is -- and this is part of what I made reference to, is that we are also watching carefully from an underwriting standpoint. One of the things that we've noticed in the improving economy in discussions with agents and they with their commercial contractor policyholders is that there's a fairly significant shortage of workers out there. We've talked about it in the context of drivers. There's a driver shortage. Consequently, we have to underwrite more aggressively and closely to make certain that we're identifying inexperienced drivers. And the same would be true for general construction work or any other work involving, let's say, labor that would be outside younger, inexperienced workers present an additional workers comp exposure, and so we are recognizing that and also underwriting more closely to reflect that.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. Yes, that makes sense. Definitely would have expect to see those kind of trends. The other question I had too along those lines a little bit was the -- was about severity. You mentioned the commercial auto -- commercial casualty, and I'm assuming commercial auto as well. So is that -- are those the only places where you're seeing that rise in severity? Is the rest of the book pretty much stable?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I think for most lines with changes in frequency and severity, in terms of our pricing, I think it's more predictable when we focus on the loss cost trend, which is the combination of the 2. And so we will try to break it down between frequency and severity. But I think we get a more stable result when we look at the long-term trend than just the overall combination or loss cost trend. And we think we're in a position to keep pace with the loss cost trends. And from what I've seen from the -- out of our models, they're showing that we're at least as adequately priced across most all of our lines. Worker's Comp [maybe be] an exception, but that's at a very profitable level given the loss cost trends we're seeing. We're at least as adequately priced as we were a year ago.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. And the -- was there any unusual change in non-cat claims year-over-year, non-cat property claims year-over-year? Was there -- how did that look versus last year's fourth quarter?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I think for the fourth quarter, it was fairly tame. Mike is looking up the numbers, but I don't remember that, that would be a metric that jumped off the page at me.

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Yes. No -- you're right, Steve. This is Mike. For the fourth quarter, our non-cat weather losses was about 1.9 points, and that is right on the 5-year average at the end of '17, or the end of '16, which the 5-year average was 1.8 points. So we were right on top of it.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. And my final question just is about reinsurance. And I know we talked about this a couple of months ago, but now we, I guess, have a better picture of the -- what the market environment looks like, and you just had January 1 renewals. So you obviously got some nice traction on that business last year, over $100 million in premium, and just wondering if you could update us on how you're looking at that business. Is there really big opportunity in 2018 to continue to scale that up by a reasonable amount as well?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Yes, great question. I think that we are going about it in a very prudent and conservative manner with the focus on profitability. I feel the same way that I had commented about it last quarter. The discipline is coming through in the 1/1 renewals. If I look at what we did in terms of our property cat book, we only added 3 new accounts at 1/1, and we declined 49 opportunities at 1/1 due to pricing. Another area where we got growth would be what we would call new contracts on existing clients, and we had 2 of those. But the preponderance of the growth came from existing clients where we either had some combination of expanding shares, some rate improvement, underlying growth of the companies that we're reinsuring. So I'm happy with the way that we're growing. It's very much consistent, the way we drew up the strategy.

We're executing the plan with the idea that we want to grow the bottom line more so than the focus on the top line.

Operator

There are no further questions at this time. I will turn the call back over to Mr. Johnston for any closing remarks.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Okay. Thank you, Jamie. It's just great to have everybody, and thank you for joining us today. We look forward to speaking with you again on our first quarter 2018 call. Thank you.

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