S&P Capital IQ

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CNA Financial Corporation NYSE:CNA

FQ2 2014 Earnings Call Transcripts

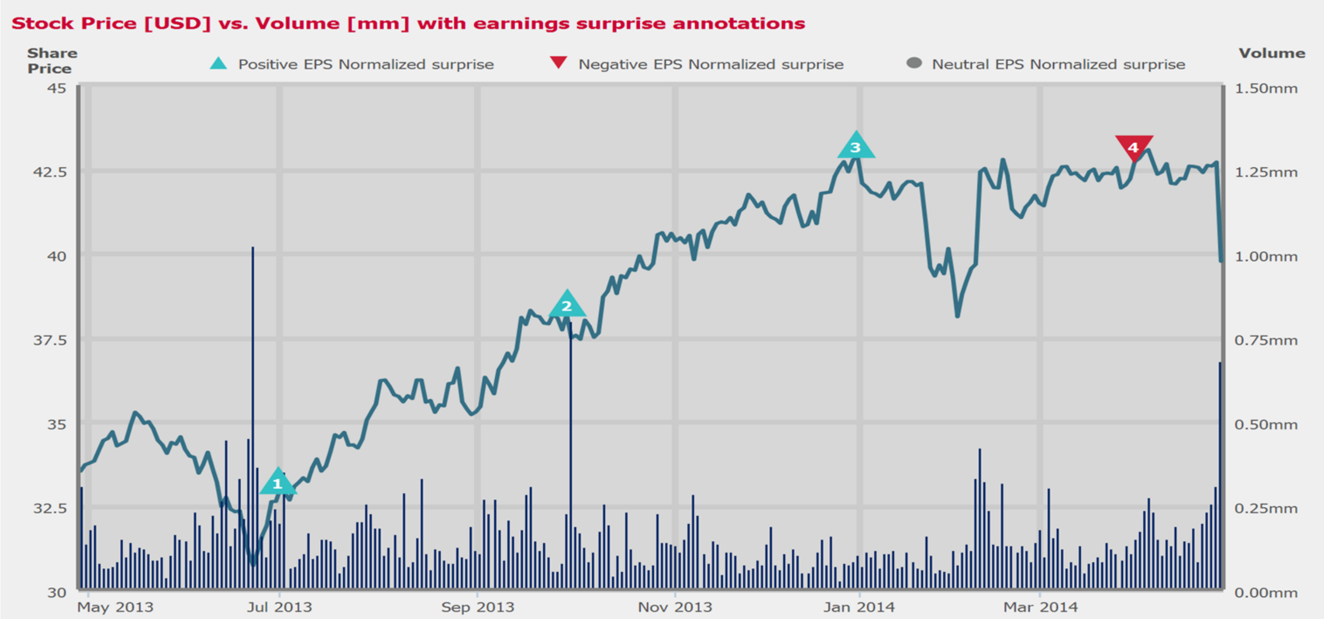
Monday, August 04, 2014 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ2 2014-			-FQ3 2014-	-FY 2014-	-FY 2015-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.82	1.00	▲21.95	0.85	3.34	3.82
Revenue (mm)	-	1654.00	-	1770.00	7112.00	9295.00

Currency: USD

Consensus as of Aug-04-2014 12:09 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ2 2013	0.64	0.75	▲1 17.19 %
FQ3 2013	0.76	1.00	▲2 31.58 %
FQ4 2013	0.87	1.24	▲3 42.53 %
FQ1 2014	0.83	0.70	▼4 (15.66 %)

Call Participants

EXECUTIVES

D. Craig Mense
Chief Financial Officer and Executive Vice President

James M. Anderson
Senior Vice President of Financial Planning & Analysis and Corporate Development

Thomas F. Motamed
Former Chairman and Chief Executive Officer

ANALYSTS

Adam Klauber
William Blair & Company L.L.C., Research Division

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Joshua David Shanker
Deutsche Bank AG, Research Division

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Ronald David Bobman
Capital Returns Management, LLC

Presentation

Operator

Good day, and welcome to the CNA Financial Corporation's Second Quarter 2014 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the conference over to James Anderson. Please go ahead.

James M. Anderson
Senior Vice President of Financial Planning & Analysis and Corporate Development

Thank you, Randy. Good morning, and welcome to CNA's discussion of our 2014 second quarter financial results. By now, hopefully, all of you have seen our earnings release, financial supplement and presentation slides. If not, you may access these documents on our newly designed website, www.cna.com.

With us on this morning's call are Tom Motamed, our Chairman and Chief Executive Officer; and Craig Mense, our Chief Financial Officer. Following Tom and Craig's remarks about our quarterly results, we will open it up for your questions.

Before turning it over to Tom, I would like to advise everyone that during this call, there may be forward-looking statements made and references to non-GAAP financial measures. Any forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made during the call. Information concerning these risks is contained in the earnings release and in CNA's most recent 10-Q and 10-K on file with the SEC.

In addition, the forward-looking statements speak only as of today, Monday, August 4, 2014. CNA expressly disclaims any obligation to update or revise any forward-looking statements made during this call. Regarding non-GAAP financial measures, reconciliations to the most comparable GAAP measures have also been provided in the financial supplement. This call is being recorded and webcast. During the next week, the call may be accessed on CNA's website.

I would also like to remind you that presentation slides have been again posted to our website to provide additional perspective on our financial and operating trends. With that, I will turn the call over to CNA's Chairman and CEO, Tom Motamed.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, James. Good morning, everyone, and thank you for joining us today. In the second quarter, CNA produced operating income of $272 million compared with $199 million in the second quarter of 2013, a 37% increase. Our operating return on equity for the quarter was 9%.

Our Property & Casualty combined ratio was 101.3%, slightly better than the second quarter of last year. Excluding catastrophes and development, the combined ratio was 96.3%, more than 1 point better than the second quarter of 2013. This improvement was driven by lower non-cat accident year loss ratios in Specialty and Commercial, improved Life & Group results and higher net investment income. Results were also positively affected by a postretirement plan curtailment benefit.

Once again, Specialty had a strong quarter, with a combined ratio of 86.4%. Net written premium for the quarter was down 2% due in part to the termination of a MGA relationship due to unprofitability. Excluding this action, premium was flat. Rates increased 4%.

Commercial's combined ratio was 115% in the quarter, which included 10 points of prior year unfavorable development. 7 of the 10 points are attributed to runoff programs that we have previously exited. Commercial rates increased 4% overall and 5% in the U.S., and retention was 70%. We continue to work diligently to improve the quality of the book.

In addition, we strengthened reserves in small business this quarter. We continue to take underwriting and pricing actions in certain classes in our effort to improve profitability. These actions have also driven small business retention ratios down, as well as reduced rate achievement, as we non-renewed accounts that would have otherwise provided larger rate increase opportunities.

Finally, as announced last week, we completed the sale of Continental Assurance Company to Wilton Re.

With that, I will turn it over to Craig. Craig?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thanks, Tom. Good morning, everyone. As Tom mentioned, second quarter net operating income was $272 million or $1 per share, and the operating return on equity was 9%. Our reported net income was $267 million. Our core P&C operations produced net operating income of $236 million compared with $258 million in the second quarter of 2013. The decrease was primarily the result of reserve strengthening in Commercial.

The P&C operations loss ratio, excluding catastrophes and development, was 62.8%, an almost 2-point improvement compared with last year's second quarter. The year-to-date loss ratio of 63.4% has now improved nearly 0.5 point compared with our full year 2013 result. Our second quarter expense ratio was 33.3%, essentially flat with the first quarter and the full year 2013 result.

We continue to be pleased with the ongoing progress in our Specialty business. Specialty's reported second quarter combined ratio was 86.4%, which included more than 7 points of favorable development. The combined ratio, excluding catastrophes and development, was 93.1%, 2.5 points better than last year's second quarter. The year-to-date result of 93.4% has now improved almost 1 point compared with our full year 2013 result, driven by improvements in the underlying loss ratio.

The loss ratio, excluding catastrophes and development, was 62.5%, more than 3 points lower than last year's second quarter and on a year-to-date basis, almost 1 point lower than where we ended 2013.

The improvements were driven by targeted underwriting actions that continue to refine the portfolio mix, as well as rate increases and excess of loss trends. Rate increases for the quarter were 4%, with retention in the low 80%s.

As Tom described, our results in Commercial are not where we need them to be. The reported combined ratio of 115% included 5.7 points of catastrophe losses and almost 10 points of reserve strengthening. The Commercial reserve strengthening was driven primarily by exited programs but also includes small business.

Commercial's combined ratio, excluding catastrophes and development, was 99.4%, almost 2 points better than last year's second quarter. The loss ratio, excluding catastrophes and development, was 64.7%, an improvement of more than 1 point compared with the prior year period. Both the 2014 combined ratio and loss ratio, excluding catastrophes and development, showed improvement this quarter. The year-to-date ratios are now slightly better than where we ended the full year 2013. Rate increases for the quarter were 4%, with retention, 70%.

Hardy reported a net operating loss of $5 million in the second quarter, with a combined ratio, excluding catastrophes and development, of 96.4%. The underlying loss and expense ratios compare unfavorably with the second quarter 2013. The loss ratio was affected by higher-than-expected attritional losses. The impact of FX and integration costs also contributed to the unfavorable comparison.

Hardy's reported combined ratio was 102.9%, which included 4.6 points of catastrophe losses, compared with no cat losses in the prior year quarter. The 2 points of unfavorable development was related to premium shortfalls and not adverse loss development.

The Life & Group segment had a good quarter, producing net operating income of $9 million compared with a loss in the second quarter of 2013. Our long-term care business benefited from favorable morbidity and persistency. Rate increases, higher investment income and a gain on the life settlement contract also contributed to the improved result.

On Friday, we announced the completion of the sale of our life subsidiary, Continental Assurance Company, to Wilton Re. In addition to the sale, we are reinsuring a block of structured settlement annuities out of our Bermuda subsidiary to Wilton. This reinsurance transaction is being done on a funds withheld basis, meaning that we will maintain legal ownership of the assets associated with the transaction, but Wilton will assume the economic risk.

The market value of the asset is currently $35 million higher than the $150 million book value, causing us to recognize a $35 million loss at the date of inception, August 1. This loss will be reflected on our third quarter results. Over time, we'd expect the $35 million loss to unwind as the assets mature and the market value approaches book value. But until then, we'll have periodic realized gains and losses based on the market value change in these assets.

Our corporate segment, which primarily includes corporate expenses, produced net operating income of $27 million compared with a loss in the second quarter of 2013. This result includes $56 million of after-tax income related to a decision that we made this quarter to eliminate a postretirement medical benefit subsidy. The benefit elimination reduced the accrual of future benefits for a significant number of plan participants and triggered the immediate recognition of an unrealized gain in AOCI related to prior negative plan amendments. While increasing current period income, this change did not affect total stockholders' equity.

Book value per share increased 4% in the second quarter to $48.43 a share. Excluding accumulated other comprehensive income, book value increased 2% in the quarter.

Our investment portfolio's pretax net unrealized gains stood at approximately $3.3 billion at quarter end, an increase of over $750 million for the quarter and $1.3 billion year-to-date. Our statutory surplus at quarter end was $11.2 billion, and we continue to maintain significant dividend capacity at the insurance operating company level.

Cash and short-term investments at the holding company level were approximately $1 billion at quarter end, up significantly from year end due to the proceeds from the debt offering discussed last quarter. In the second quarter, operating cash flow, excluding trading activity, was approximately $400 million. Cash principal repayments through paydowns, bond calls and maturities were approximately $1.1 billion.

Second quarter after-tax investment income of $391 million exceeded the prior year result. Both our limited partnership investments and our fixed maturity and other securities contributed to the favorable comparison. Overall, portfolio allocations did not change significantly in the second quarter. The investment grade corporate bond sector continues to represent the largest component of our invested assets.

The average credit quality of our fixed maturity portfolio remained at A. The fixed income assets that support our long-duration lifelike liabilities had an effective duration of 11.4 years at quarter end. The effective duration of the fixed income assets, which support our traditional P&C liabilities, was 4.2 years at quarter end. These durations are both in line with portfolio targets.

Overall, our investment portfolio remains well-diversified, highly liquid, high-quality and aligned with our business objectives.

With that, I'll turn it back over to Tom.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Craig. Before we take your questions, I would like to offer a few comments on the current state of the market.

First of all, I believe the market is exercising good discipline when you look at risk selection and pricing. Although rate increases are decelerating, our rates in the U.S. continue to exceed loss cost inflation.

Second, profitable new business opportunities are not widespread. Underwriters are protecting their best accounts after several years of rate increases and putting them to bed earlier.

Third, we continue to focus on our segment strategy and avoid expanding our appetite for the sake of growth. The carriers' set of expertise in underwriting risk control and claims will fare well even with the deceleration of rate increases.

Let me close with this quarter's highlights. Operating income of $272 million increased 37% compared with the second quarter of 2013. Book value increased 4% compared with the first quarter. We continue to make progress in our core Property & Casualty Operations with our combined ratio, excluding catastrophes and development, improving over the prior period by 1.3 points.

Lastly, we declared a quarterly dividend of $0.25. The entire team here is focused on execution and improvement, and there is confidence about our strategy in our future.
With that, we would be glad to take your questions.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Jay Cohen from BOAML.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

A couple of questions. I guess, I was a little surprised to see the adverse development in small commercial. And I'm wondering if you could go into more detail, what drove that and what lines of business drove that? And then separately, while the U.S. seems to be holding up reasonably well, as you guys described it from a competitive standpoint, suddenly, London is getting quite competitive and prices are down there quite a bit. So what -- the second question is what's the strategy in London, given what appears to be more intense pricing pressure?

D. Craig Mense
Chief Financial Officer and Executive Vice President

All right. This is Craig, Jay. Why don't I try to give you the answer on small business and then let Tom describe what's happening in London. But the small business adverse development is really driven by package and the liability portion of package. And that's really where we've been focusing our attention as we're working to correct, and by taking down some general liability limits, exiting some classes and reducing the unanticipated severity that we're seeing in that business line.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Particular accident years?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I'm sorry?

Jay Adam Cohen
BofA Merrill Lynch, Research Division

The last question. Any particular accident years?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That was '13.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Switching to Europe, we have 2 businesses there. We have Hardy syndicated Lloyd's and we have our regular business in the U.K. and the continent. The Lloyd's market is extremely competitive, as you know, and as you suggested, Jay. So our strategy at Lloyd's is basically to walk away from business when the pricing just becomes ridiculous. And we are very satisfied that they are maintaining the right kind of discipline, and it's affecting their retention. And once again, new business is very cheap there. So I think London -- the London Lloyd's market is, as you said, extremely competitive. What we call the company market, our U.K. and European operation, it's competitive but it's not as competitive as Lloyd's. So I think we're holding our own there. We're happy with what we're seeing. But once again, this is about walking away when the price gets ridiculous.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

I guess, just one follow-up on that if you don't mind. The -- your part of the story there has been the expense ratio's been coming down. Is that -- I assume it's going to get a little tougher if -- you're obviously willing to walk away from business to protect the loss ratio, but in the expense ratio, could that feel some upward pressure?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I think Jay, yes, it could, and we're also in the -- remember, we're investing there and we're investing there for the long term. So we're not going to let this short-term softening distract us from adding and building the right foundational elements to grow over the long term there. So we are actually relocating the offices of Hardy and our other European operations, co-locating them in the fourth quarter so there'd be some expense -- one-time expense charges there. And it'll make improving that expense ratio, which I think we told you before, we had an objective of getting it down to the low 40%s, more challenging and take us a little longer to get there.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

The thing I would add there also, Jay, is we have added people at Hardy. We have brought in a group of people in what they call casualty, but think of that as a little bit of professional liability. And also, we are looking to inject some of our current capabilities in health care, et cetera, into Hardy. And that's one of the reasons behind putting everybody in one place. Like Craig said, it's to get the best of both worlds and create an additive situation rather than just follow the market down.

Operator

And we'll take our next question from Josh Shanker from Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

Given the reserve charge, just want to talk about thinking about a situation in the future where you would call CNA a business that has a higher probability that reserves are redundant as opposed to being deficient. And are you still putting out fires or do you believe that you're already in that position?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think we've identified all the fires and we have firemen surrounding them. We don't think there are any more surprises. We kind of call it the whack-a-mole phenomenon. If you'll recall that game at an arcade where things pop up their ugly head, but we think we've got our handle on all of that. So our objective is to drive more of our business into the segments, with I -- you are probably familiar with. But the segments today are 70% of the book that's gone up from the prior quarter. The loss ratio on the segment business is 4 points better than the overall loss ratio. And that's an area that we think our specialization will continue to sell in the marketplace. So we keep pushing the business towards the segments. And think of it this way, if that's 70% of the business, we got 30 business -- 30% of the business, and if you look at the pieces that are kind of what we're focused on, it's 18% of "fixin' to do", if you will. So we think we're moving in the right direction and we have good traction. But we have identified, what we call, all the fires.

Joshua David Shanker
Deutsche Bank AG, Research Division

Well, so the extent to which -- I mean, when you use the term for yourself whack-a-mole, it's kind of a pejorative term and that things are popping up and surprising. Why do you have more confidence effort this quarter that you're not going to be surprised? And why do you think you got surprised this quarter?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think we got under the machine and we saw the moles before they popped up. So we've kind of identified the outliers that did that fit -- that have been outside the business, so outside this segment business. So if you think of long-haul trucking and international work comp and things that just didn't fit our strategy, we've got a very good handle about that today.

D. Craig Mense
Chief Financial Officer and Executive Vice President

And I think Josh, if you take it -- listen, you can never be absolutely sure of anything, right? But what we'd like to have the reputation and believe we've earned is that when we see something, we don't delay it. We don't put it off, thinking it's going to get better. So we act on what we see when we saw it. So these are primarily businesses that we exited more than 2 years ago where the severity trend has been even worse than we anticipated when we decided getting out. And so count on us to act on things when we see things and not delay things.

Joshua David Shanker
Deutsche Bank AG, Research Division

Well, I appreciate the candor there. The other question, can you discuss the last 3 months of rate approval trend in long-term care, and then what progress you made there?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, the rate approvals are now slightly over 1/2 of what we filed for, at least the most recent filings. Remember, we had really 2 series of rate increase filings, one starting in 2010, one started -- starting in 2012. The 2010 one is largely completed. 2012 is about halfway through, although we're not seeing all of it in the -- yet flow through. The incremental increase from rate this quarter was an additional $5 million. And actually from both programs, you think of it starting at 12 -- it's an additional $12 million in rate coming through the segment this quarter.

Joshua David Shanker
Deutsche Bank AG, Research Division

And in the states where you haven't gotten as much approval as you've asked for -- knowing as much as you know about the political process, what do you think the odds are of you getting rate on rate in the coming year and the regulators trying to just slow your pace of you getting what you think you need versus trying to put a restriction on you achieving that rate?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, it is different in every state as I'm sure you appreciate and know. Regulators have largely been -- worked with us through this. They appreciate the circumstance, the situation and they've been reasonable in both respects. They've certainly been sympathetic to where we are and what we need. Not all of them, some move a lot slower than others. Some states have been reluctant to do anything at all. But in the main, we haven't really seen any change in their attitude towards working with us to get rate increases, which have been -- which are just actuarially justified.

Joshua David Shanker
Deutsche Bank AG, Research Division

Do they come back and tell you, "Look you, asked for too much rate this year but come back next year, we might give you some more?" I mean, what sort of color do they give you on those cases?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, that is one of them. So...

Joshua David Shanker

Deutsche Bank AG, Research Division

[indiscernible] response [indiscernible]

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes, we might get a no response. We're working on it. We might get a "Yes, it's approved." We might get a "Yes, it's approved, but we want you to take it in 3-year different annual increases." We might get it in, "Here's a small amount, come back next year and we'll work with you to get it." So kind of goes across the board as you would -- as you were describing.

Operator

[Operator Instructions] And we will now take our next question from Bob Glasspiegel from Janney Capital.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

With the Wilton Re transaction, I mean, you've showed, Tom, that you're willing to make some tough decisions where businesses can't get to your targeted ROE. On a standard Commercial business, which seems like it's for a long time, has been obscuring much better results from Specialty, what is the glide path to get that to an acceptable ROE? How much patience do you have to work through it? I mean, you've shown a lot of patience to date for sure. And in an environment where you are getting less rate, do we really have to wait to the next up cycle to get to sort of attractive returns in that business, or is there a path that you can get there sooner?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think a couple of things. I think you had about 12 questions there, Bob so I'll try to remember a couple of them. I think first of all, we believe that the segment strategy has legs and will help Commercial going forward. And when I came here, I would say the Commercial book was a very generic, we just would write anything if it had premium dollars connected to it. We have moved much more into specialization, if you will. So although it's Commercial business, we're trying to be more specialized, whether that be technology or it's manufacturing, it's construction, professional firms, health care, whatever it might be. So the book is changing dramatically if you look at the mix of types of customers, as well as the mix of product line. So less workers' comp, workers' comp is more white collar today than it was years ago. But this is -- this takes a lot of time to churn through it. Yes, we may appear to be patient, but I can tell you we're pretty impatient. We are looking at this stuff all the time and constantly putting more tools to work to improve this and improving our pricing and predictive analytics. So it's all work in process, but you know the Commercial industry. Commercial for the industry historically is not a business that makes a lot of money. Specialty is where all the gravy is. But we think we can improve Commercial, and the first goal is to get it clearly under $100 million from a calendar year perspective and then keep driving it down towards $90 million. And we showed improvement this quarter. We've showed improvement for the last few years, and the legacy is this -- these runoff things that are adding to reserves, as well as some severity that we've seen in Commercial auto, for example. So the fact is we keep fine-tuning the book, but we think we're going to get there. And we do have the support of the agency for us. They like the strategy and are working with us. So we'll get there but it takes a long time when you have these legacy things that pop their head up. We have been, as you pointed out, whether it's the transaction with Wilton Re or the asbestos or the sale of Argentina work comp business, which is not a good business, FICO when we sold our interest, we have been cleaning up a lot of stuff. So we just now are really -- have our attention turned to getting Commercial fixed in a big way, and even long-term care made a little money this quarter. So the fact is we keep hunkering down, we're going to get it done.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I'm impressed with the strategy. It just seems like the challenge may be tougher in an environment where rates aren't going up as much. So what you're saying is you do -- go ahead, I'm sorry.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

What I would tell you, Bob, is it's about risk selection and the quality of your pricing. We are spending a lot of time working on pricing, whether that be for small or for middle market, whatever it might be. So as I said in my comments, this is not a period of time that you're going to see the industry grow like crazy, right? I mean, people are protecting their best business. But if we can have a superior offering to our competitors, we'll see the better risks and we'll write them. And that's our plan. So just like I said to the question about Europe, if we don't get the price we like, we're not going to write it. So that stands true in the U.S. too. So -- but we think there's upside with the segment strategy, and we will keep pushing it and hopefully these legacy things are going to be gone forever.

Operator

And we'll now take our next question from Adam Klauber from William Blair.

Adam Klauber
William Blair & Company L.L.C., Research Division

With new business opportunities slowing down, does that -- how does that impact your view on capital return and acquisitions?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, it -- Adam, maybe just made the obvious point that you can see where we are, it's at surplus. And we're certainly generating more capital that we need to support the business and the business growth. So at the appropriate time, we'll be making decisions about that.

Adam Klauber
William Blair & Company L.L.C., Research Division

Okay. And then as far as workers' comp, how are the workers' comp loss picks this year compared to last year and the year before?

D. Craig Mense
Chief Financial Officer and Executive Vice President

They're lower and have been behaving -- at least, at this point., We're going to do comp review again next quarter, which would be the second time we've done it this year. Early indications are things are pretty stable in terms of the improvements that we had baked in and anticipate in.

Operator

And we'll now take our next question from Jay Cohen from Bank of America Merrill Lynch.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

I guess 2 questions. One is a follow-up on the reserve addition. The bigger piece was the businesses you're no longer in. I'm wondering if you could specify what lines were you talking about there.

D. Craig Mense
Chief Financial Officer and Executive Vice President

There were really 3 lines, Jay. One is the overseas workers' comp, which we'd exited a while ago. There were a number of programs there and there's actually 1 last program that runs through December of this year, so we're not entirely out of that. So -- and these are roughly 1/3 of each of them, so 1/3 is overseas comp, 1/3 was this transportation. ENS, all these are excess in surplus lines, ENS transportation book and an ENS habitation book, which, really, the losses came from GL.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it, okay. And then secondly, I guess a follow-up on the last question on capital, because not only the growth is not there, you're generating more than you need. And you may have talked about this before, and I just probably forgot, but the sale of Continental Assurance to Wilton Re, how much capital does that sale free up?

D. Craig Mense
Chief Financial Officer and Executive Vice President

It frees up a little north of $200 million.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

So between that and the excess capital, so you'll kind of get to it when you get to it, but what are some of the -- can you share with us some of the thinking of what you might be doing with this excess capital, which is only growing at this point?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, I mean, listen, we -- we would, of course, we'd love to be able to put it to work in the business. If we can't put it to work in the business, then we consider the options, other options that we've had. And we've told you before, share buyback not an option for us and we focused primarily on the common dividend. And then, of course, last year, we did declare a special dividend. So it just -- this is the middle of the year we don't think it's appropriate time particularly facing win season. Later in the year, we have a better sense of how the full year is going to play out earnings-wise. And that's when we sit with the board and comes with a recommendation and have those conversations.

Operator

We'll now take our next question from Ron Bobman from Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

I had a question about -- you did mention life settlement gain. I think you said gain, not sale. But can you just describe that? I didn't realize that the investment portfolio were sort of underwriting ops, what was in that business? Could you just describe that?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, before just -- let me bring you back -- so its -- in the Life & Group segment, now that we've sold the life company, or that's in discontinued ops. What's left is long-term care business, a small amount of group business and a viatical settlement, a life settlements business. So we had a -- we insured or bought a life insurance on a high net worth individual who passed away, died last quarter, and we received the proceeds of that. So you'll see it, if you look in the P&L, Ron, in other income.

Ronald David Bobman
Capital Returns Management, LLC

So it's -- I guess some -- in some date past, we were in the business of buying these policies, I guess. But when did that stop? How stale is this? How far back where we active doing that?

D. Craig Mense
Chief Financial Officer and Executive Vice President

In the early -- so 10 years, 12 years ago.

Operator

[Operator Instructions] At this time, there are no questions in the queue. And I'd like to turn the call back over to Tom Motamed.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you very much. Have a good day.

Operator
That does conclude our conference. Thank you for your participation.