S&P Capital IQ

CONTENTS

CNA Financial Corporation NYSE:CNA

FQ4 2015 Earnings Call Transcripts

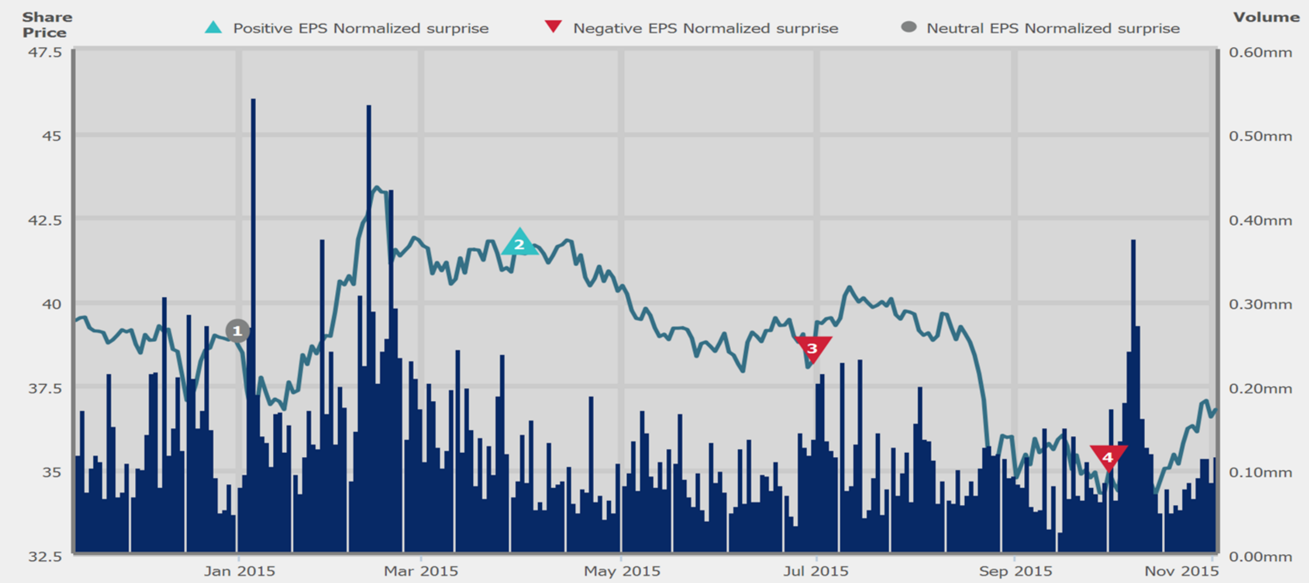
Monday, February 08, 2016 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2015-			-FQ1 2016-	-FY 2015-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.89	(0.19)	NM	0.77	3.03	1.90
Revenue (mm)	2356.00	1585.00	(32.72 %)	-	9227.00	6421.00

Currency: USD
Consensus as of Feb-08-2016 1:42 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2014	0.76	0.76	0.00 %
FQ1 2015	0.81	0.83	2.47 %
FQ2 2015	0.79	0.49	(37.97 %)
FQ3 2015	0.78	0.77	(1.28 %)

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

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Jeffrey Paul Schmitt

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 Fourth Quarter 2015 Earnings Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr. James Anderson. Please go ahead.

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

Thank you, Katie. Good morning, and welcome to CNA's discussion of our 2015 fourth 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 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 in 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 those risks is contained in the earnings release and in CNA's most recent 10-K and 10-Q on file with the SEC.

In addition, the forward-looking statements speak only as of today, Monday, February 8, 2016. CNA expressly disclaims any obligation to update or revise any forward-looking statements made during this call.

Regarding non-GAAP measures, reconciliations to the most comparable GAAP measures have been provided for in the financial supplement.

This call is being recorded and webcast. During the next week, the call may be accessed on CNA's website.

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 fourth quarter, CNA reported a net operating loss of $52 million, which was significantly affected by a reserve charge in our long-term care runoff business as well as an investment accounting change. Excluding these 2 items, net operating income was $171 million.

For the full year, CNA produced net operating income of $515 million compared with $849 million in 2014. The decrease was driven by lower investment income, primarily in our limited partnership investments and the fourth quarter long-term care charge I previously mentioned.

Our capital position remains very strong and Property & Casualty income continues to be stable. As a result, we are pleased to announce a $2 per share special dividend this quarter. This is the third year in a row that we have declared a special dividend for our shareholders. This is in addition to our regular quarterly dividend of $0.25 per share.

Our Property & Casualty underwriting results continue to show meaningful improvement. Our full year combined ratio of 95.4% was a 2.3 point improvement compared with the 2014 result. The underlying loss ratio improved 1 point. This marks the fifth year in a row of underlying loss ratio improvement. The expense ratio increased 1.3 points. Craig will say more about this shortly.

Our combined ratio for the fourth quarter was 98.9%. The quarter saw increased activity in natural catastrophes in our International business.

Specialty had another strong year in a challenging market. The combined ratio of 88.7% is slightly higher than the prior year. Specialty's combined ratio, excluding catastrophes and development, was 93.6% for the year.

The fourth quarter combined ratio of 95% was affected by a heightened level of loss activity, primarily in the public management liability and health care arenas. Specialty's combined ratio, excluding catastrophes and development, was 95.4%.

Net written premiums grew 2% in the quarter. Rates were essentially flat, while retention improved to 87%.

Turning to Commercial. We continue to make solid progress on underwriting profitability. Our full year combined ratio of 101.5% reflects an 8 point improvement compared with 2014. The underlying loss ratio improved 3 points. Additionally, the year benefited from a modest amount of favorable loss development as compared with unfavorable development in 2014. The combined ratio, excluding catastrophes and development, of 98% was an improvement of 0.6 points.

In the fourth quarter, Commercial had a combined ratio of 99.6%. The underlying loss ratio was almost 4 points lower than the prior year quarter.

Excluding catastrophes and development, the combined ratio was 98.3%. Net written premiums grew 2%. Rates increased 1% and retention improved to 84%.

International produced a combined ratio of 97.6% as compared with 92.4% in 2014. The combination of higher catastrophe losses, large loss activity and less favorable development than in the prior year resulted in the decline.

Excluding catastrophes and development, the combined ratio was 99.8% compared with 99.2% in 2014.

For the fourth quarter, International had a combined ratio of 110%, which included 10.7 points of catastrophe losses, driven by 3 significant storms in the U.K. The combined ratio, excluding catastrophes and development, was 103.1%.

Net written premiums declined 1%. However, premiums grew 8%, excluding foreign currency fluctuations. Rates decreased 1% and retention was 73%.

With that, I will turn it over to Craig.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thanks, Tom. Good morning, everyone. Given the number of moving pieces in this quarter's results, I wanted to spend some time to provide you with more insight into the significant items: the long-term care unlocking charge, investment income and our expense ratio.

Let's start with long-term care. The Life & Group segment reported net operating loss of $243 million, which reflects the result of the long-term care claim and active life reserve reviews.

Our claim reserve reviews show actual claims severity, the combination of claim duration and benefit utilization to be favorable to our prior assumptions. However, we strengthened the frequency component of the IBNR claim reserve to better match the incident rate assumptions that were an outcome of the active life reserve review. This translated to a $9 million increase in claim reserves.

Now let's move to the active life reserve review. Page 14 of our earnings presentation shows the results of our annual gross premium valuation analysis. As you can see from the exhibit, increased morbidity was the driver of the approximate $400 million change in our reserve estimate. This was driven primarily by increased claim frequency assumption, consistent with the experience trend we have observed over a number of recent quarters.

Our discount rate, persistency and premium rate increase assumptions did not change significantly and largely offset one another.

After taking into account the $100 million margin at December 31, 2014, the indicated deficiency resulted in a $300 million pretax charge to earnings and a corresponding increase to net debt reserves.

As a result of recognizing the deficiency, we unlocked our reserve assumptions, which were previously locked in at the time the policies were first written. Our carried active life reserves are now based on our current best estimate assumptions with no margin.

Future periodic income for long-term care will reflect any variance between actual experience and the reset assumptions contemplated in our best estimate reserves. While there will undoubtedly be variability in our future periodic results, our reset assumptions should theoretically produce a breakeven underwriting result.

While we were required to recognize a premium deficiency for GAAP reporting, there was no indicated premium deficiency on a statutory basis.

We view the GAAP unlocking as an earnings, not a capital event, which coupled with our P&C earnings strength contributed to our Board of Director's decision to declare the special dividend this quarter.

I also want to remind you of our ongoing efforts to continuously improve our management of the long-term care business. We have a number of specific initiatives and actions that have recently been completed and others that we continue to execute upon. These efforts demonstrate our commitment to managing the risks of the business while improving the standard of policyholder service.

Slide 15 provides you with a snapshot of some of these strategic initiatives, including the recent closing of the group long-term care block to new entrants; the build-out of our new claim and policyholder administration operation, centered on an in-house claim team supported by a new vendor; and significant investments in data, analytics and talent.

Now, let's turn to investments. Net investment income for the quarter was $428 million, down $83 million from the prior year quarter. The decrease was driven by lower income from limited partnership investments, which returned just under 1% this quarter as compared with 2.2% in the prior year quarter.

For the full year, limited partnership investments returned 3% as compared with just under a 10% return in the prior year.

These investments continued to perform as we would expect. And over time, they have provided diversification to the overall portfolio with less volatility and higher risk-adjusted returns than equities.

An additional driver of the net investment income decrease as compared with prior period is related to the fixed maturity securities portion of the portfolio, where an accounting change to better reflect the yield on securities with call provisions resulted in an approximate $39 million reduction in pretax income in the period.

Going forward, we would expect this change to reduce quarterly pretax investment income by a few million dollars compared with our previous run rate.

Our fourth quarter P&C expense ratio increased just under 4 points compared with the prior year quarter to 35.8%. There are a number of components driving this unfavorable comparison. You may remember that 2014 fourth quarter was helped by some favorable recoveries that reduced our expense ratio by 1.5 points. Conversely, in the fourth quarter of 2015, an increase in loss-based assessment fees related to our prior Defense Base Act workers' compensation program, along with higher continued commissions as a result of lower loss ratios in Property & Casualty, added over 1 point to our expense ratio this quarter.

Increased technology and other underwriting investments spend in addition to lower earned premium account for the remainder of the difference.

We believe our full year expense ratio of just over 34% is more representative of our current run rate.

Now let's look at additional key financial measures. Our investment portfolio of net unrealized gains stood at $2.3 billion at quarter end and approximate $300 million decrease from the end of the third quarter due to increased yields.

At December 31, shareholders' equity was $11.8 billion and book value per share was $43.49.

Excluding accumulated other comprehensive income, book value per share was $44.66, an increase of 4% from year-end 2014, adjusted for dividends.

Statutory surplus at December 31 was an estimated $10.7 billion for the combined insurance operating companies, and we continue to maintain more than adequate dividend capacity. Cash and short-term investments at the holding company were $482 million at year-end. We continue to target cash at the holding company equal to approximately 1 year of our annual net corporate obligations.

In the fourth quarter, operating cash flow was $342 million. Cash principal repayments through paydowns, bond calls and maturities were approximately $1 billion.

Fixed income assets that support our long-duration Life & Group liabilities had an effective duration of 9.6 years at year-end. This duration has drifted slightly lower during the year as a result of declining market yields, which affect the duration of callable bond in our municipal bond portfolio.

The effective duration of the fixed income assets that support our tertiary [ph] P&C liabilities was 4.3 years at year-end. We continue to manage the assets to match the characteristics of the underlying liabilities.

The portfolio durations remain in line with the portfolio targets. We continue to maintain a very conservative capital structure. All our capital adequacy and credit metrics are well above our internal targets and current ratings. As I said earlier, this sustained capital strength was a significant factor in the board's decision to declare the $2 per share special dividend and the $0.25 per share quarterly common shareholder dividend.

With that, I will turn it back to Tom.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Craig. Before we take your questions, I would like to make several closing comments. Once again, we are pleased to return excess capital to our shareholders. This is the third consecutive year of the special dividend. The combined ratio in our Property & Casualty business of 95.4% in 2015 is the lowest it has been in 5 years. Specialty continues to be a profitable and resilient business in a challenging environment.

Commercial continues to show improvement in the underlying loss ratio. Commercial retention showed considerable improvement, reflecting less churn in our existing portfolio due to underwriting actions. Finally, we continue to invest in people, technology, process and tools for the future. With that, we will take your questions.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Josh Shanker with Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

I wanted to talk a little bit about the long-term care charge. To what extent was the charge the result of changing assumptions? And to what extent was it the result of the new methodology or new process that you have in place?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Josh, it was 100% due to changing assumptions and had nothing to do with changing methodologies or the new reserving processes we put in place.

Joshua David Shanker
Deutsche Bank AG, Research Division

So what did the new processes tell you? What did you learn?

D. Craig Mense
Chief Financial Officer and Executive Vice President

What did we learn? I think if you're referring to the processes or the assumption changes, the assumption changes were driven by morbidity, really, claim frequency increase, which is something that we've been mentioning and reporting on that we really noticed over the last 5 quarters. So the real driver of the reserve charge was a change to our assumption about claim frequency, which affected morbidity outcomes.

Joshua David Shanker
Deutsche Bank AG, Research Division

But there was nothing incremental you learned out of the new granular approach?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, yes, I think we have better -- it did enable us and was helpful in determining what those assumptions were. And we've been -- because we have much more granular information really moved to -- away from what would have been a dependence on industry and historical factors and some statutory or actuarial studies about morbidity as well as mortality and able to be much more dependent upon our own results and the trends we saw in our own results. So that's what gave us the confidence to change as well as gives us the confidence going forward that we've appropriately accounted for what we'd expect the results to be.

Joshua David Shanker
Deutsche Bank AG, Research Division

And in terms of your recommendation and the board's decision on the $2 per share special dividend, what impact did the long-term care charge have on those discussions? And could it have been a bigger special had the charge not occurred or really was not an important part of the discussion?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I would say that it's -- the more accurate reflection, it was not an important part of the discussion. And I think we said in prior and what I would suggest going forward is that we have more-than-adequate capital and strength in the balance sheet and that earnings going forward is what we would look at as being available for dividend if we didn't have a better use for them. Essentially, we dividended more this year than almost 150% of earnings. So the reserve charge really has essentially been accounted for the excess capital that we had accumulated over time. So therefore, it became something we could kind of exclude from our thinking and just think about the earnings excluding that reserve charge when we talk to the board about the special dividend.

Joshua David Shanker
Deutsche Bank AG, Research Division

And final question, when thinking about the gap between your Property & Casualty combined ratios and best-in-class peers, it looks like the industry is having some tough pricing issues right now. And I expect and I hope that CNA will narrow the gap between itself and the best-in-class peers. Does that mean going forward, do you think that there's a lot of room to improve your combined ratio or the gap will be narrowed as the pricing environment takes its toll on peers' very excellent margins? Where do you think the trend is in CNA relative to peers? And where will that gap go?

D. Craig Mense
Chief Financial Officer and Executive Vice President

So I think -- I'd answer it a couple of ways, Josh. One, if you look at the accident year loss ratios and you look at the information that we've shown you in the earnings presentation slides, you can see that we have consistently improved the accident year underwriting. And I'd say that if you look at our very best peers, we're still on an all-in basis now, Property Casualty total. We have narrowed the gap to probably 2 or 3 points on the loss ratio component. We actually think we've closed almost completely the gap into most of the -- our other peers, better peers on the loss ratio side. We do think that despite the ongoing -- really, the softening of the market relative to rates, so we will see some margin pressure coming from earn rate and written being slightly less than trend. But remember, we are still improving our execution, improving our risk selection, improving our pricing differentiation, and we would expect -- and improving, really, our portfolio composition as we move away from poor performing business-to-business where we have more confidence. So all those -- we think all of those factors will enable us to continue to show some modest level of improvement in the loss ratio over the course of 2016. On the expense side, because we -- and you know that we've said before, we have been focused on improving our underwriting capability as measured by loss ratio and loss ratio competitiveness. And we've been making -- trying to be mindful of the long-term gain and making important investments in technology and other underwriting capabilities, which is meant that we still -- we now have a -- probably another 2 or 3 point difference in the expense ratio to peers. I wouldn't expect -- we do think that we can maintain the expense ratio rate where it is. And as I pointed you all to looking really at the full year expense ratio is more representative. We think we can maintain it that there. And I don't have any current intentions of doing anything or plans to be able to reduce that margin, and we will need to turn to that at some point in time. But we are not -- no near-term plans to do that.

Joshua David Shanker
Deutsche Bank AG, Research Division

And one more question, if I can. There's not so many questions on these calls, so I'll take some liberty. Before Dino comes to work for CNA, are there any risks or issues precluding ACE and Chubb employees looking for a new home from coming to CNA?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

This is Tom. There probably are some restrictions on certain people at Chubb relative to what level they were in the organization. But that's between them and the new Chubb. That has nothing to do with us. So I think that's really the short answer.

Operator

We'll take our next question from Jay Cohen from Bank of America.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

A couple of questions. First is the higher contingent commissions. Given the higher level of profitability you've been able to achieve, is that something that will continue going forward? Or were there some sort of catch-up in the fourth quarter?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That was more of a catch-up effect in the fourth quarter, Jay than a go-forward expense issue.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it. And then you had, I guess, on the press release, talked about and the call health care reserves. Adding to those from higher years -- or maybe it was current year, but we've had one other company talk about MedNow or health care in general being an issue. Can you talk about what's happened there from a claims standpoint and what gave rise to that strengthening?

D. Craig Mense
Chief Financial Officer and Executive Vice President

I think it's something -- this is Craig, Jay, that we really started noticing back in probably 2011 that medical severities have been up across our health care books, so whether that was hospitals or nursing homes or nurses or dentists caused by just an increasing -- really just outcome claim severity outcome. And I think what we've also mentioned that over -- particularly the last couple of years, maybe heightened sensitivity, too. We thought a lot of people were chasing -- making it a more competitive market and, to a certain degree, chasing yesterday's returns on that. So health care has also been affected by rate declines or competitive pressures over that time. But as to the losses, it's really medical severity and it's pretty much across -- has been across the book of business. And we think we've reacted appropriately to it in terms of our underwriting posture as well as how we've set current loss ratios and reserves.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it. And then lastly, you talked about some large loss activity. I think it was certainly in the International side, maybe in Specialty as well. Is that something you can quantify? In other words, the type of large loss activity you saw this quarter relative to what you would normally expect to see?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, with -- I don't know if I can quantify it for you. Well, I can quantify it in terms of what the impact was on the Specialty loss ratio. So we have seen a heightened level of losses in the public D&O book and, as we said, in our health care book. So it's kind of, by definition, losses in public D&O were large, right? So we just have seen increases of -- really, frequency of large losses across public D&O and the other. So that caused us to both add to prior year reserves in Specialty. Now those were offset by other good news. We didn't have any adverse development in Specialty, but it did cause us to increase the full year Specialty loss ratio by just a little less than 0.5 points. And then that is reflected in -- as you understand, when you do a re-estimation fourth quarter, you do 4 quarters of catch-ups, so it elevated the Specialty loss ratio this quarter by little over 1.5 points.

Operator

We'll take our next question from Jeff Schmitt with William Blair.

Jeffrey Paul Schmitt

Question about the limited partnership investments. It sounds like maybe 65% or 70% are in hedge funds. Is that -- pretty much all of that mark-to-market immediately? I'm trying to get a sense on how much of the total portfolio has a lag in the mark-to-market.

D. Craig Mense
Chief Financial Officer and Executive Vice President

You're correct in that about 70% of the limited partnership portfolio are hedge funds and it's about the same amount that is current mark-to-market.

Jeffrey Paul Schmitt

And is the remaining amount more -- is it basically private equity funds?

D. Craig Mense
Chief Financial Officer and Executive Vice President

It's private equity and some real estate.

Jeffrey Paul Schmitt

Okay. And there may be a lag there?

D. Craig Mense
Chief Financial Officer and Executive Vice President

There is a -- well, there is a -- the longest lag you would see is 3 months, and that's only about 15% of that portfolio. The other is just a 1 month lag. But I think you should -- I would encourage you to view those LP results as very much a market impact timing.

Jeffrey Paul Schmitt

Yes. Okay. That's helpful. And then could you maybe discuss some of the loss trends in some of your key lines, workers' comp or professional liability?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Could you speak up? We couldn't hear that question.

Jeffrey Paul Schmitt

I'm sorry. Could you discuss some of the loss trends in some of your key lines like the workers' comp and professional liability?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Yes. Workers' comp, I think the loss trends are improving. It's getting better. And if we look at pricing, we've had the benefit of some good rate increases in workers' comp over the past few years. It's kind of slightly negative on the rate side, but loss trends are improving. Part of that is also due to the mix. We're writing more white-collar work comp and getting out of the industrial or blue-collar typical work comp, which tends to have more catastrophic claims. So yes, moving in the right direction in work comp. What was the other line you asked about?

Jeffrey Paul Schmitt

Professional liability.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Yes. As Craig mentioned, public D&O, you write pretty big limits, and many of these losses follow limits. So we just had a situation that we had a couple of them in the fourth quarter. That's the nature of that business. It's lumpy. But I would not say it's a trend that's really affecting the whole portfolio.

Operator

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

Ronald David Bobman
Capital Returns Management, LLC

I had a question. Craig, you mentioned briefly in some of the LTC actions something to the effect that limiting or stopping the addition of new lives or new accounts moving into the closed block. And I didn't understand what you meant by that, if I'm close to sort of repeating what you said.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Yes, you are. What I said and I hope it was not -- wasn't confusing, we have -- we closed the group business to new customer, meaning sponsoring company entrants a long time ago. But we have allowed new employees of existing groups to continue to buy coverage. So that's meant that the number of lives in the group business has remained relatively stable over the last 10 years. So the action that we've taken over the last year is to really go back to all of those group sponsors. And as -- effective February 1 of this year, we've closed that book to any new entrants. So then our -- that book will just kind of naturally decline over time. So if you're a new employee of one of our sponsoring organizations, you can no longer buy group long-term care.

Ronald David Bobman
Capital Returns Management, LLC

Got you. Okay. And so -- is it so then sort of safe to assume that you're writing no new long-term care group or individual?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That's correct.

Operator

[Operator Instructions] We'll take our next question from Bob Glasspiegel with Janney.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Statutory earnings for 2015 and likely dividend capabilities for '16?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Statutory earnings were a little north of $1 billion, so $1.1 billion. So dividend capacity would be approximately 10% will be that or 10% of stat surplus, which is, as I said, $10.7 billion. And then you understand the calculations, kind of a running calculation less whatever amount of dividends you made over the prior 12 months.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Right. Given that your overall risk seemed to be shrinking in 2016, there's no reason why you wouldn't have the capability to take that if you wanted to? Is that valid, the assumption?

D. Craig Mense

Chief Financial Officer and Executive Vice President

That's correct. I mean, I think you should think of it -- our dividend capacity is over the course of the whole 12 months as being roughly equal to earnings or 10% of surplus.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Right. Your partnerships didn't return quite as much as I had modeled in light of where the markets were. Were there any impairments notably that held back, real estate maybe? Or...

D. Craig Mense
Chief Financial Officer and Executive Vice President

No, not at all, Bob. So there are no impairments or nothing unusual in the partnership. That's just a reflection of the market. And remember, that the way we've constructed that portfolio is to give us what we presume to be or intend to be better returns but less volatile returns than what you see in the S&P. So when you have a big spike up in the S&P, we don't get immediate response. But if you look at over the course of the full year, our LP returns were 3%, which is twice what the S&P 500 index would have performed. So it's just a reflection of the responsiveness and immediacy of the reaction to S&P. We're not -- remember that we have a bit of a long equity bias, but it's not just a long equity portfolio.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

And just the choppiness of the -- last Loews' questions as well, but choppiness of the first quarter, does that make you want to increase your commitments, decrease or you're staying the course in a very choppy market than change how you think about things?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Well, I think, actually, if you -- that's a good question. And if you -- once you dig into the -- our published material, you'll notice that we've actually taken money off the table in the LPs. We already acted given our outlook for the market. We've reduced our allocation to that asset class and likely to continue, perhaps, reduce it further as we're going forward.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

Selling the weakness, got you.

D. Craig Mense
Chief Financial Officer and Executive Vice President

No, I think we -- we sold [indiscernible] before. Yes.

Robert Ray Glasspiegel
Janney Montgomery Scott LLC, Research Division

I meant this quarter? No, no, that was a great sale before.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thank you.

Operator

At this time, there are no additional questions in the queue. I'd like to turn it back over to management for any additional or closing remarks.

Thomas F. Motamed

Former Chairman and Chief Executive Officer

Thank you very much. See you next quarter.

Operator

That concludes today's conference. We appreciate your participation.