S&P Capital IQ

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CNA Financial Corporation NYSE:CNA

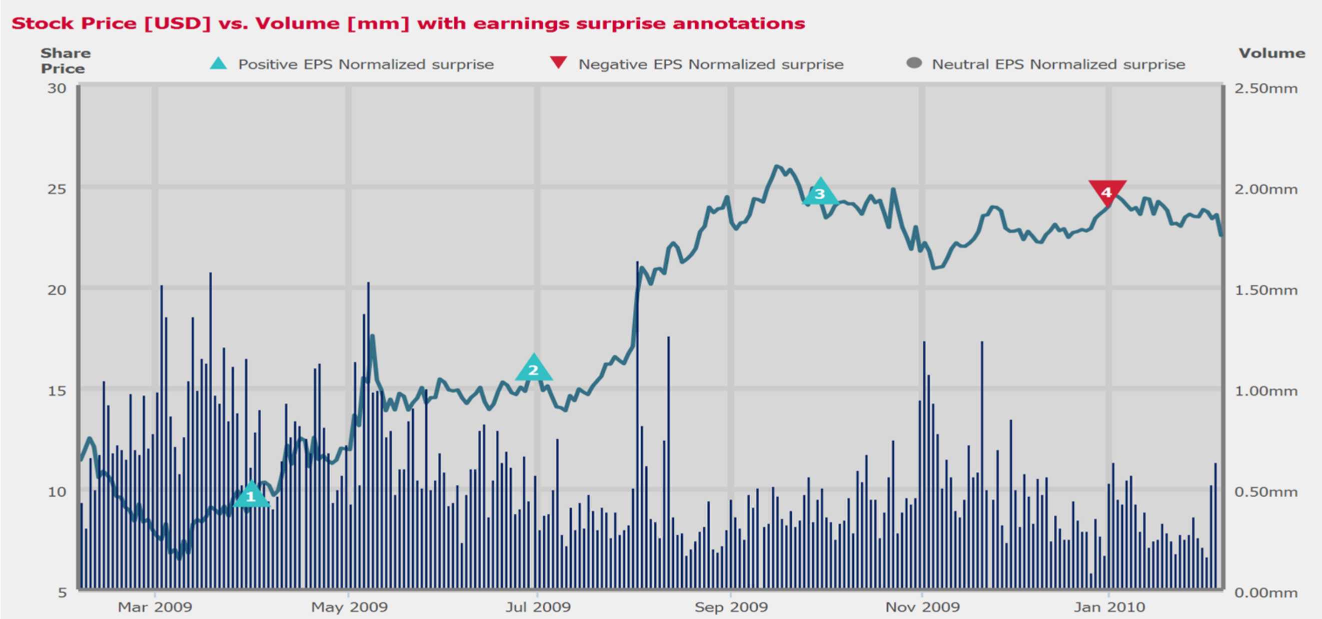
FQ1 2010 Earnings Call Transcripts

Monday, May 03, 2010 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2010-			-FQ2 2010-	-FY 2010-	-FY 2011-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.65	0.74	▲13.85	0.56	2.67	2.55

Currency: USD
Consensus as of May-03-2010 11:34 AM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2009	0.30	0.44	▲1 46.67 %
FQ2 2009	0.68	1.02	▲2 47.83 %
FQ3 2009	0.87	1.11	▲3 27.59 %
FQ4 2009	0.73	0.63	▼4 (13.70 %)

Call Participants

EXECUTIVES

D. Craig Mense
Chief Financial Officer and Executive Vice President

Nancy M. Bufalino

Thomas F. Motamed
Former Chairman and Chief Executive Officer

ANALYSTS

Amit Kumar
Macquarie Research

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Robert Ray Glasspiegel
Langen McAlenney

Ron Bobman
Capital Returns

Presentation

Operator

Good day, and welcome to the CNA Financial Corporation's First Quarter 2010 Earnings Conference Call. [Operator Instructions] At this time, I would like to turn the conference over to Nancy Bufalino. Please go ahead.

Nancy M. Bufalino

Thank you, Joseph. Good morning, and welcome to CNA's discussion of first quarter 2010 financial results. Our press release was issued earlier this morning. Hopefully, everyone has had an opportunity to review it along with the financial supplement, which can be found on the CNA website.

With us this morning are Tom Motamed, our Chairman and Chief Executive Officer; and Craig Mense, our Chief Financial Officer. After Tom and Craig provide their remarks about the quarter, we will open it up for question.

Before we get started, I would like to advise everyone that during this call, there may be forward-looking statements made and references to non-GAAP financial measures. Please see the sections of the earnings release headed Financial Measures and Forward-Looking Statements for further detail. In addition, the forward-looking statements speak only as of today, May 3, 2010. CNA expressly disclaims any obligation to update or revise any forward-looking statements made during this call. This call is being recorded and webcast. During the next week, the call may be accessed again on CNA's website at www.cna.com. And with that, I'll turn the call over to CNA's Chairman and Chief Executive Officer, Tom Motamed.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Nancy. Good morning, everyone and thank you for joining us today. We are pleased to report significantly improved first quarter results. Net operating income was $223 million or $0.74 per common share, as compared to $149 million or $0.44 per common share in the first quarter of 2009. First quarter net income was $245 million or $0.82 per common share, compared with a net loss of $195 million or $0.84 per common share in 2009. These results were driven by investment, common and realized gains. We're also pleased to report improvement in our capital position. Book value per common share increased 6% from year-end 2009 to $47.97, reflecting a $10.2 billion of GAAP common shareholders equity. In our core Property Casualty Operations [Property & Casualty Operations], the first quarter combined ratio was 102, compared with 98.2 in the first quarter of 2009. The difference is attributable to 2.7 points of catastrophe losses this year, as compared to 0.9 points in the first quarter of 2009. Despite the increase, we view our catastrophe losses as reasonable in a quarter that saw heavy catastrophe losses across the industry. Also this quarter, we took 2.7 points of favorable development, compared with 3.7 points in last year's first quarter. Before development in catastrophes, the first quarter combined ratio was 102 as compared to 101 in 2009.

The first quarter 2010 accident year loss ratio was 71.1%, as compared to 70.0% in 2009. Before catastrophes, this quarter's ratio was 68.4% as compared to 69.1% in the first quarter of last year. On a full year basis, the 2009 accident year loss ratio before catastrophes was 69.1% as well. Net written premiums decreased 7%. Now as described in some detail later, a large portion of this decline-related exposure decreases and return premiums in our Commercial segment. Excluding currency fluctuations, our premiums decreased 8%. The property casualty 2010 expense ratio increased two points to 33.5%. One point was the result of costs related to the IT outsourcing initiative, which I will describe later, as well as lower net earned premiums and additional production and underwriting staff in the field. The other point was from higher agency compensation and from industry assessments. I will revisit expenses at the end of my remarks.

CNA Specialty continues to perform well, delivering a combined ratio of 92.5%, compared with 89.1% in the first quarter of 2009. Catastrophes added 0.3 points, compared with 0.2 points in the first quarter of last year. Before catastrophes and development, the first quarter combined ratio was 96.4%, compared with 94% in 2009. Specialties first quarter 2010 accident year loss ratio was 65.7% as compared with 65.1% in 2009. Before catastrophes, this quarter's ratio was 65.4%, as compared to 64.9% in the first quarter of last year. On a full year basis, 2009 accident year loss ratio before catastrophes was 64.9% as well. The 0.5 point period-over-period difference was driven by margin compression with the loss trend exceeding the change in earned rates. Specialties net written premiums were down 2%. With respect to renewals, our rates decreased 1%, which is a two-point improvement over the prior-year period. The ratio of new-to-lost business was 1.1:1, unchanged from the first quarter last year. Our retention improved one point to 86% and our policy count was virtually flat. Specialty continues to enjoy a healthy flow of business. First quarter submissions increased 11% in our Professional and Management Liability businesses. Our written-to-quoted ratio improved four points to 37%. Overall, we are maintaining our underwriting discipline and market position in Specialty.

Turning to CNA Commercial, the first quarter combined ratio was 109.5%, compared to 105% in 2009. Catastrophes added 4.7 points, compared with 1.4 points in the first quarter last year. Before catastrophes and development, the first quarter combined ratio was 106.3% compared with 106.1% in 2009. Commercial's first quarter accident year loss ratio was 75.3%, as compared to 73.6% in 2009. Before catastrophes, this quarter's ratio improved to 70.8% from 72.2% in the first quarter of last year. On a full year basis, the 2009 accident year loss ratio before catastrophes was 72.3%, comparable to the first quarter 2009 result. Commercial's net written premiums decreased 10%. Half of the decrease was the result of exposure decreases and returned premiums. The other half relates to re-profiling of our commercial book, pushing harder on rate and being more selective on new business. Rate increases were 1% in the first quarter of 2010, a two-point improvement over last year's first quarter. Retention declined to 79% from 83%. The new-to-lost business ratio was 0.9:1, as compared to 1.4:1 in the first quarter last year. First quarter submissions in Commercial are up 13%. However, our written-to-quoted ratio decreased two points to 24%, in line with our more selective underwriting and pricing strategy. Now I'd like to come back to expenses, starting with headcount.

Total headcount is down approximately 2% first quarter last year. This decrease also reflects a reallocation of personnel. We made investments in additional production and underwriting staff in the field, while increasing the efficiency of the staff support units. During the first quarter, we began the outsourcing of certain IT functions. The outsourcing initiatives carry an estimated total one-time cost of $41 million, of which $25 million was incurred in the first quarter. The majority of the remaining cost will be recognized throughout the remainder of 2010. We expect to achieve an annual run rate savings of approximately $65 million, a significant portion of the annual savings is expected to be realized in 2011, with full annual savings in 2012 and beyond. Some or all of these savings may be reinvested in the business, either in IT or other investments, to drive our strategy for top and bottom line growth. With that, I will turn it over to Craig.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Thanks, Tom. Good morning, everyone. The first quarter's highlight include net operating income of $223 million, an 8% operating return on equity, net income of $245 million, continued improvement in the value of our investment portfolio, our 13th straight quarter of favorable P&C reserve development and an increase of over $2 in book value per share. I would characterize the quarter as very respectable and reflective of our focused efforts and measurable progress. As you heard from Tom, our Specialty business continues to deliver superior results and our Commercial business results reflect improving discipline. The modest level of cat losses and favorable prior-year reserve development were approximately the same this quarter. Both results reflect our disciplined underwriting and reserving practices.

Our balance sheet and capital position remain very strong and showed consistent improvement again this quarter. We continue to maintain a very conservative capital structure and to exhibit a strong cash flow and liquidity profile. Earnings and the increased valuations of our investments continue to drive capital growth. Book value per common share increased 6% from year end 2009 to $37.97. Regulatory capital increased 3% to $9.6 billion. Improved levels of net investment income, primarily from limited partnerships, were significant contributors to operating income. First quarter net investment income totaled $590 million, up from $420 million in the prior-year period, an increase of 40%. The improvement was driven by our LP investment, which produced first quarter pretax income of $72 million, compared with a $70 million loss in 2009. The first quarter rate of return on LPs was approximately 4%. Income from the remainder of our portfolio, mainly fixed maturities, also improved, increasing approximately 5% from the prior-year period, reflecting our continued growth in investable assets and a reduced cash and short-term investment position.

Net income for the quarter of $245 million included $22 million of after-tax realized investment gain. These results include an after-tax impairment losses of $39 million. The impairments were spread across several asset classes and largely reflect intent to sell decision, that are part of our ongoing management of the portfolio. Credit impairment made up less than 30% of the total. The market value of our investment portfolio increased by over $800 million during the first quarter, driven by improved valuation, as well as operating cash flow. The portfolio's pretax net unrealized gain was $560 million at March 31, 2010. This compared to a $25 million net gain position at year-end 2009. We continue to benefit from improved valuation as credit spread narrow, as well as from the recovery of our structured portfolio. Our effort to reposition the investment portfolio to manage risk and volatility and to drive more consistent performance in the future has been largely completed.

The majority of our investment purchases in the first quarter of 2010 were centered in investment-grade corporate bond and taxable mutual bond. During the quarter, we made net purchases of $1.4 billion of investment-grade corporate, which increased this asset class to 44% of invested assets at fair value, as compared to 42% at 2009 year end and 24% at year-end 2008. We added approximately $1.1 billion of taxable municipal bonds during the quarter. Our total investment in this class was $1.2 billion at quarter end. These investments are included within the taxable fixed maturities line shown on Pages 5 and 6 of our financial statement.

Cash and short-term investments were reduced to $2.6 billion at the end of the first quarter, as compared to $4.1 billion at year-end 2009. This level of cash and short-term holdings still significantly exceed our affected liquidity need.

Our investment decisions reflect our sustained emphasis on diversification, quality and liquidity, as well as the importance of ensuring that our portfolio is aligned with the needs of our Insurance business. The effective duration of the overall portfolio was 6.1 years at quarter end, compared with 5.8 at year-end 2009. This change largely reflect the reduction of our short-term holdings. We continue to segment our portfolio to facilitate our disciplined approach to asset-liability management. The effective duration of the asset which support our P&C liabilities was 4.4 years at quarter end, which is within our target range. The fair value of these assets totaled $29.9 billion and represented approximately 75% of our fixed income investment. About a quarter of our fixed-income investment, which total approximately $10.8 billion at fair value, are held in a separately-segmented portfolio to match our long-duration like for like liability [ph] associated with businesses and run-off. These assets have an effective duration of 11 years, which is in line with portfolio target.

Our operating cash flow remained very strong. In the first quarter of 2010, we generated approximately $250 million of operating cash flow, excluding operating activity and after paying for dividends. During the quarter, we received approximately $750 million of principal cash payments.

Returning to a discussion of our capital position, all of our capital metrics, total capital, statutory surplus, RBC ratio, debt-to-capital, coverage ratio and all rates-to-capital [ph] models are well above our target level. Our regulatory capital levels, reflects upon the same improvement. Our statutory surplus increased from $9.3 billion at year end to $9.6 billion at the end of the first quarter. We now have over $930 million of dividend capacity on our primary insurance subsidiary. Our financial stability is further enhanced by slightly over $350 million of cash and short-term investment, that we continue to maintain at the holding company, which is more than 2x our annual debt obligations.

Now I would like to report briefly on our Non-Core businesses. Our Life & Group Non-Core segment has its first quarter net operating income of $1 million, compared to a net operating loss of $22 million in 2009. The increase was primarily driven by improved performance in our remaining Pension Deposit business and an assumed reinsurance compensation in our Group Reinsurance Run-off business that had a favorable impact on consumer development.

The Corporate segment, which had a first quarter net operating loss of $3 million in 2010, as compared to a net operating loss of $9 million in 2009. The improvement was driven by higher net investment income. With that, I will turn it back to Tom.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you, Craig. All in all, we had a good quarter. Net operating income was $223 million or $0.74 per common share, net income of $245 million or $0.82 per common share, continued strong performance by our Specialty business and incremental progress on improving the profitability of Commercial, favorable results from a catastrophe perspective, 2.7 points of catastrophe losses in a quarter marked by heavy losses industry-wide, strong investment results with $22 million in after-tax capital gains and a $535 million improvement in our unrealized position. Improvement in our capital position reflected in a 6% increase in book value per common share to $37.97, with GAAP common share holders equity increasing to $10.2 billion.

I would like to close with a few comments on our outlook. At the end of 2009, we anticipated that market conditions might begin to improve in light of low investment returns, the depletion of reserve redundancy and the generally weak economy. Instead, we are seeing competition intensifying across most of the lines. The weak economy continues to pressure premium volume but the impact appears to be moderating. As I mentioned, return premiums and exposure decreases, reduced our commercial premium by approximately 5% this quarter, up two points from first quarter '09, but down a point from the fourth quarter of '09. In this environment, we believe we are well served by our steady and consistent focus on improving the profitability of our commercial book and continuing to build on the strengths of our specialty book.

As discussed previously, we have a three-part strategy. First, developing and deepening expertise in an expanded set of industries. Across these industries, we continue to build underwriting and pricing discipline, which is evident in our Commercial segment, accident year results have improved. We are encouraged to have moved into positive rate territory, increased submissions reflect producer understanding of our appetite and abilities. Our selective approach to underwriting and pricing is reflected in lower retention and hit ratios. We are determined to make Commercial a better business.

Second, managing the mix to improve profitability. We continue to execute our plans to grow Specialty in fix and grow Commercial. Specialty had another good quarter, a 92.5% combined ratio and healthy business flow, speaks to our ability to maintain a strong market position without sacrificing underwriting discipline. Third, extending our geographic reach and increasing our capabilities at the point of sale. We continue to focus on making our producer relationships more effective and building a distinctive market position. The opening of three new offices, with two more on the horizon, positions us to continue to improve business flow and drive profitable growth over time. In addition, we continue to manage our expenses to support our strategies and build human capital. By reallocating personnel to underwriting and production positions, we are putting more of our resources to work and producing profitable business. In summary, we believe that we are pulling on the right levers and making steady progress on becoming a higher-performing company. Now we would be glad to take your questions.

Question and Answer

Operator

[Operator Instructions] And we'll take our first question from Jay Cohen of Bank of America-Merrill Lynch.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Given the dividend capacity, given the liquidity at the holding company, it seems as if CNA is in a great position now to pay back the Loews preferred. I'm wondering what your thoughts are on that.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Jay, it's Craig. I'd say, we agree. So the capital position -- I guess it's several thoughts. One, the capital position is very strong, and we think the market is beginning to appreciate just how strong the credit is, that it's improving. But we do think, it's still somewhat underappreciated, and we expect that to change over time. So we don't -- I guess, the other thought is we don't have any particular external constraint. Admittedly, we're moving a bit cautiously or have moved a bit cautiously here because of what we have lived through. But the payback is also economically compelling. But beyond that, I can't really comment on any specific capital plan.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

And you would have to pay back that security before you pay a common dividend, correct?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That's correct.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Secondly, the accident year loss ratio excluding catastrophes in the Commercial business being better, I'm wondering, given the rate trend, I guess, our overall expectation is generally, to see that number deteriorate for just about everyone. Obviously, you guys are restructuring that business where you're underwriting it and that clearly is having some impact. Is there anything else going on? Were the non-cat losses somewhat light this quarter? And I guess would you expect that number for the full year to be lower than where it was in 2009?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think, the first thing, Jay, if you look at some of the first party coverages, we've been able to, I'll say, improve our losses in those areas. If you look at the first quarter of 2009, the property book took a lot of large hits. As you have described, we are re-profiling, repositioning the book. And what you find is first party business is the first thing you can have an impact on. You live with casualty, because of the tail, for a longer period of time. But we're clearly seeing improvement by what we're doing on the first party side. The second thing is frequency is down in the commercial lines arena for us. So that gives us some hope that we are getting out some of the gunk as well. So we're getting rid of some of the large losses, and we're cutting down on the frequency. So all of that's favorable. As to how it plays out, the business is lumpy. First quarter, most people don't think it's a big cat quarter; everybody thinks it's the third. But clearly from our perspective, we believe that a lot of the actions we have been taking are going to pay off. And whether they pay off second quarter, third quarter or fourth quarter, you know how written premium turns to earned. It's going to take some time to earn this stuff through. But we are optimistic, and we believe we are, as I said, pulling on the right levers.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

That's the deep water rig in the Gulf, can you talk about your potential exposure? And if you have any views on the industry exposure, that'd be interesting as well.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

On the P&C side, we don't have any exposure to that. So clearly from a claims standpoint, we're not in the energy business. We're not in that type of oil and gas. That's something that's not in our portfolio today, nor is it planned for the future.

Operator

And moving on, we'll take our next question from Bob Glasspiegel of Langen McAlenney.

Robert Ray Glasspiegel
Langen McAlenney

Just to follow-up, a couple of them that I do need relative to Jay's line of questions, did you say that $300 million at the holding company a loss of excess?

D. Craig Mense
Chief Financial Officer and Executive Vice President

Over $350 million, Bob.

Robert Ray Glasspiegel
Langen McAlenney

And you have $900 million of dividend capacity?

D. Craig Mense
Chief Financial Officer and Executive Vice President

That's correct.

Robert Ray Glasspiegel
Langen McAlenney

So if you wanted to pay down the preferred, you said, it would sound like you would have about $1 billion available to do it? Or is there some other number that just could cap the upside of how much you possibly could do?

D. Craig Mense
Chief Financial Officer and Executive Vice President

You got to just take into account what it does to coverage ratios and what it does to leverage ratios.

Robert Ray Glasspiegel
Langen McAlenney

I'm just saying you couldn't do more than $1 billion or you could do about the $1 billion, that would tap all your cash at the holding company without increased borrowing.

D. Craig Mense
Chief Financial Officer and Executive Vice President

Right.

Robert Ray Glasspiegel
Langen McAlenney

On Commercial lines, I mean, I applaud you for taking the stand. I heard you try to raise rates and lose business. How much tolerance for the top line declining do you have, Tom? And when does that strategy start to stress?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I think, the short answer, Bob, is we have more tolerance to push the retention number down if we can get rate. Clearly, a point of rate is worth a lot more to us than a point of retention. So we're going to push rates. And right now, what I would tell you is month-to-month, it's a little lumpy. But some months are better than ever, and we are maintaining our discipline, pushing rates. And so far we're pretty confident that we can still keep pushing that number up.

Robert Ray Glasspiegel
Langen McAlenney

Someone's willing to write this business at lower rate than you're willing to write it, to take it from you. Is there any characterization of whether it's regionals, nationals, subs of Bermudas trying to grow U.S.? Is there any sign of whose got the appetite to write these stuff you don't?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

We don't keep track of the fools. The reality is if they want to price it less, be our guest. We've lived with these accounts. We know what the performance is, and we know what we have to do to make them profitable. So clearly, in this business, everybody thinks they're smarter than the other guy, well, that's okay. But from our perspective, we will shed Commercial business. We don't believe we can make money on it. We have said on earlier calls, our objective is to make a profit in every line of business, every geography, and we're committed to that. And we are pleased with the returns to date. But as to who's writing it, I'd say it's a little bit of everybody.

Operator

And we'll take our next question from Amit Kumar of Macquarie.

Amit Kumar
Macquarie Research

I'm just staying on the topic in terms of competition. It does seem to be a bit of variance from what others are saying. Can you just expand on that a bit more? Is it some specific lines and accounts? Or is it terms and conditions where you're seeing a new competition emerge at this stage of the cycle?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Your question is Commercial?

Amit Kumar
Macquarie Research

Yes.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I would say a couple of things. Clearly, I think, others were pushing rates up earlier than we were. We're a little late to the party there. So as you have described, and I think, what you were saying is, their wait profile is not necessarily going up. It might be stable or slumping a bit. So I think, we got to the party a little late. So we are pushing now. So that would be one of my categorizations. The other thing is, when you look at our growth or lack thereof in Commercial, we are looking at a good amount that will return premiums, because this business is retrospectively rated. And after return premiums, the fact is the economy is not great and exposures are down. We have a construction book of business and that's taken a pretty good hit from the economy. So I think, clearly, while we look at our numbers, we have pretty good confidence in why the rates are going up, and why we are losing business and obviously, returned premiums are an economic issue.

Amit Kumar
Macquarie Research

Maybe just moving on to the IT transformation cost. Just trying to understand this a bit better, is it all on sort of back-office kind of things? Or does this improve the claims and distribution side of the business too?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

This is primarily what we would call home office expense, it's in the world of applications and mainframe. Somebody mentioned they may not have heard the numbers. The outsourcing initiative, the one-time cost is $41 million. We incurred $25 million of that in the first quarter. The remainder we'll incur through the rest of the year. But clearly, one of the things that we have done is simplify how we do business internally at CNA. And a lot of these costs are coming out, because we are simplifying how we do things, eliminating systems that don't make a lot of sense and trying to build things that work across the enterprise as opposed to building things to satisfy every constituency in the company.

Amit Kumar
Macquarie Research

On the catastrophe losses, can you just give some more color on that? What sort of policies were impacted? And what kind of losses did you see in the first quarter?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Well, you know it's a property event. Whether you talk about Northeast storms, Chilean earthquake, these are all property losses in the first quarter. I would say in general, they were smaller losses. It did not trigger any reinsurance. But we're pretty pleased with an overall 2.7 points of cat. It was $40 million all up. $27 million was in the Northeast, where the winter storms were frequent. And we had about $13 million in Chile.

Amit Kumar
Macquarie Research

Just on the reserve releases, could you give -- and maybe I missed this in the comments, could you just talk about what time periods did these reserve releases come from?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

On the Commercial side, it would have been accident years 2007 and prior. And in the Specialty business, 80% of their releases would have been 2006 and prior, the remaining 20% in the 2007 accident year.

Operator

[Operator Instructions] And moving on, we'll take our next question from Ron Bobman of Capital Returns.

Ron Bobman
Capital Returns

The premium numbers year-over-year in CNA Commercial obviously declined. And you touched on -- I think, you used the words sort of more selective or selective approach. And I think, the ratio you talked about sort of the win-to-renewal ratio obviously dropped, I think, from 1.1 to 0.7. And so I'm curious to know, how do you actually implement that more selective approach or selective approach? How does it sort of get distributed into the underwriting offices and underwriters' desks to sort of implement that selective approach?

Thomas F. Motamed
Former Chairman and Chief Executive Officer

I would say, first of all, it starts with a coherent, clear and convincing strategy at the home office level, which we have done in Commercial. We already had that in Specialty, so we started with that last year. First thing we did was we said we wanted to focus on approximately 10 industry verticals, where we believe the opportunity for growth and profit were best. And to minimize the amount of business, we wrote in other industries that did not fall within those 10. And if you look at that a year later, what I would tell you is that's turned out pretty well. We are writing more business in the areas we want, less in the other areas. So clearly, that's part of it from a new-business standpoint. So the message is clear with our people in the field. It's becoming clearer and clearer with our producers as we see more submissions in those areas we are interested in. When it comes to rate, we are building more tools within CNA that allow underwriters to look more frequently at their portfolios to determine what they are doing in what we would call schedule credits and debits on accounts. In other words, how much price elasticity are we willing to take in certain lines of business and certain industry segments, and we have tightened that up quite a bit. And when we have done that, that has impacted retention as well. So as we go to the market and say, on our existing portfolio, we need more rate, well guess what, some of the buyers aren't willing to pay for a higher price and the business moves. But we are not going to sacrifice our objectives on getting more rate for the exposure. And clearly every branch has metrics for rate, for exposure, for a price change, for new business, for lost business, for retention, and we now watch that stuff very much more closely than we did in the past. And we have also made our field offices responsible for most of the lines of business that CNA writes. We do have certain lines of business that are controlled from a central location. But we believe that we have created much more accountability at the point-of-sale or not only overall performance, but line of business performance and segment performance.

Operator

And it looks like there are no further questions at this time. Thus, that will conclude today's question-and-answer session. We'll turn it back over to our presenter, Tom Motamed for any additional or closing remarks.

Thomas F. Motamed
Former Chairman and Chief Executive Officer

Thank you very much. Have a great day.

Operator
And ladies and gentlemen, thank you again for your participation. This does conclude today's conference call.