S&P Global
Market Intelligence

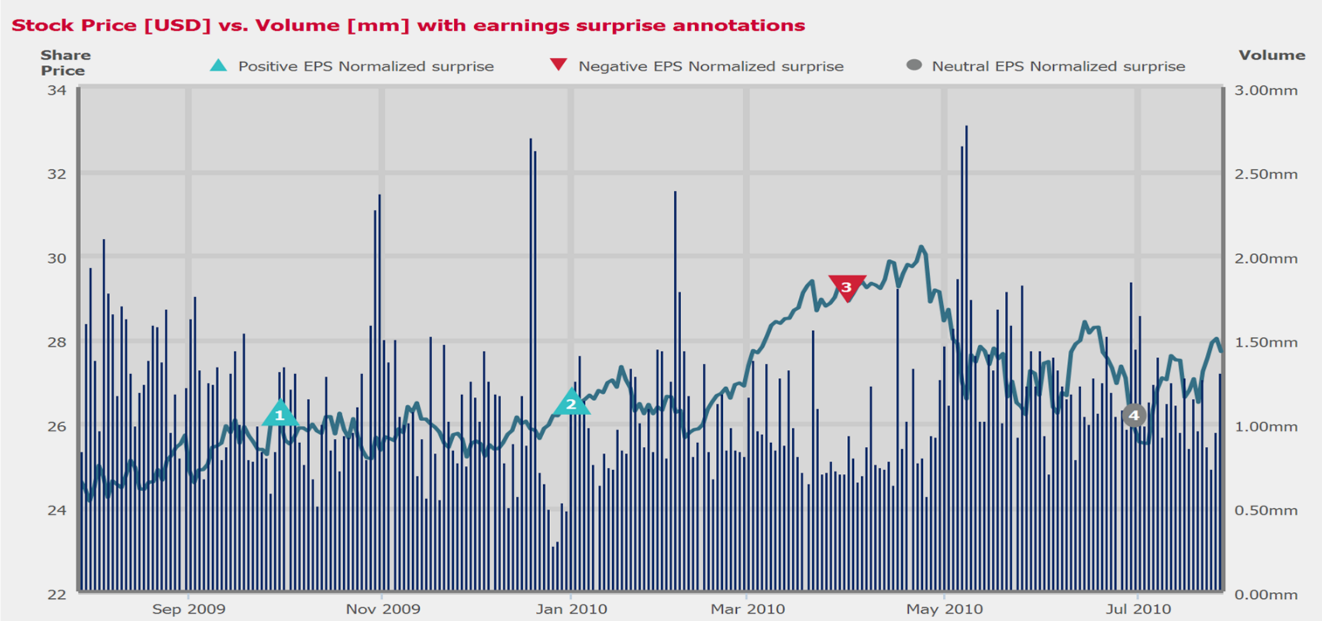
# Cincinnati Financial Corporation
# NasdaqGS:CINF
# FQ3 2010 Earnings Call Transcripts

## Thursday, October 28, 2010 3:00 PM GMT

## S&P Global Market Intelligence Estimates

| | -FQ3 2010- | | | -FQ4 2010- | -FY 2010- | -FY 2011- |
|---|---|---|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| **EPS Normalized** | 0.40 | 0.34 | ▲(15.00 %) | 0.40 | 1.42 | 1.59 |
| **Revenue (mm)** | 898.76 | 1071.00 | ▲19.16 | 907.53 | 3631.86 | 3686.72 |

Currency: USD
Consensus as of Oct-28-2010 2:07 PM GMT




| | - EPS NORMALIZED - | | |
|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE |
| **FQ3 2009** | 0.42 | 0.59 | ▲ 40.48 % |
| **FQ4 2009** | 0.52 | 0.53 | ▲ 1.92 % |
| **FQ1 2010** | 0.44 | 0.39 | ▼ (11.36 %) |
| **FQ2 2010** | 0.26 | 0.26 | ● 0.00 % |

# Table of Contents

# Call Participants

## EXECUTIVES

**Dennis E. McDaniel**
*VP & Investor Relations Officer*

**J.F. Scherer**

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

**Marty Mullen**

**Steven Justus Johnston**
*President, CEO & Director*

## ANALYSTS

**Caroline Steers**
*Macquarie*

**Fred Nelson**
*Crowell, Weedon & Co.*

**Josh Shanker**
*Deutsche Bank*

**Mark Dwelle**
*RBC Capital Markets*

**Paul Newsome**
*Sandler O'Neill*

**Vincent D'Agostino**
*Stifel Nicolaus*

# Presentation

**Operator**

Good afternoon. My name is Steve and I will be your conference operator today. At this time, I would like to welcome everyone to the Cincinnati Financial Corporation third quarter conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you. Now, I'll turn the call over to Dennis McDaniel, Investor Relations Officer. You may begin.

**Dennis E. McDaniel**
*VP & Investor Relations Officer*

Hello. This is Dennis McDaniel. Thank you for joining us on our third quarter 2010 earnings conference call. Late yesterday, we issued a news release on our results along with our supplemental financial package and we filed our quarterly report on Form 10-Q. If you need copies of any of these documents, please visit our investor website, www.cinfin.com/investors. The shortest route to the information is the far right column via the quarterly results quick link.

On this call, you will hear from Ken Stecher, President and Chief Executive Officer, and Chief Financial Officer, Steve Johnston. After their prepared remarks, investors participating on the call may ask questions. At that time, some responses may be made by others in the room with us including Chairman, Jack Schiff Jr.; Executive Vice President of Sales and Marketing, J.F. Scherer; Principal Accounting Officer, Eric Matthews; Chief Investment Officer, Marty Hollenbeck; and Chief Claims Officer, Marty Mullen.

First, please note that some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC. Also a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and therefore is not get reconciled to GAAP.

With that, I will turn the call over to Ken.

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

Good morning and thank you for joining us today to hear about our third quarter and nine-month results. Results for the third quarter were mixed. While the property casualty underwriting performance was disappointing, we did see some bright spots. Those included strong profitability in commercial casualty, our largest line of business and the beginnings of payback on our pricing precision efforts.

Growth of our insurance business continued where we have targeted initiatives to achieve growth. Our investment portfolio registered strong gains and book value grew at a good pace.

Investment income also rose for the quarter and nine months although it declined slightly compared with one quarter ago and that reflects the low interest rate environment we are currently facing. Beyond the near-term challenges, our capital and operating cash flow are strong. And we see the prospect of increasing benefits from our profitability and growth initiatives.

These factors facilitated the decision made during the third quarter to increase our regular quarterly cash dividend to shareholders. The dividend paid earlier this month marked the 50th year in a row of annual dividend increases, a record of consistency matched by only 10 other public companies.

Initiatives to improve the profitability of our property casualty operations are in progress. We expect over time to see more benefit to our financial results. Our investments in pricing precision and technology are having a positive impact now on our personal lines segments, helping to produce an improved loss ratio as well as premium growth in that area.

We expect our more recent and future introductions of predictive analytics tools to improve future profitability for our other lines of business. That includes workers' compensation or use of predictive models began in the third quarter last year. Personal auto, where we just began use for rates effective in the fourth quarter and ultimately all of our major commercial lines.

Other initiatives to improve profitability of our commercial lines segment focus on workers' compensation. We are addressing it from many sides including expanded loss control services and a more rapid claim reporting and management process.

At the same time, we see our new policy administration systems letting us streamline processes and improve workflows, helping with expense management. The new commercial lines system now is available in 25 states and will go to five more states this quarter.

Steve will review the expense ratio trends shortly. Our new policy administration systems also give our agency some efficiencies and cost savings that encourage them to place and keep their business with Cincinnati.

Growth in commercial lines remains a challenge with pricing declines in the low single digits and reduced insured exposure levels that include negative effects on audit premiums. Our property casualty written premiums increased for the quarter and held steady for the nine-month period.

We are working to win our agents best new and renewal accounts by increasing the value we give them in terms of service, up-to-date technology and broad coverages. Diversification beyond our largest segment, commercial lines, is helping us maintain and increase premiums.

Personal lines net written premiums rose $43 million or 8% for the nine months. Excess and surplus lines rose $15 million or 50%. Net written premiums for Life Insurance products grew 7% to $125 million for the nine months. We are seeing strong retention of our commercial renewing accounts, which helps mute the effects of pricing changes adding to stability.

Our personal lines retention has also remained at a high level even with rate increases for much of that segment. As for property casualty and new business, our marketing territory, agency and product expansion activities helped drive that measure, which rose 2% for the quarter even though new commercial business declined from states where we are more established. As recently announced, we are now marketing through our first Connecticut agency, bringing to 38 the number of states where we actively market. Results continue on track in states where we began marketing in just the past couple of years.

Net written premiums from Texas, Colorado and Wyoming have increased $21 million to $29 million so far in 2010. We had a target to appoint 65 new agencies across our marketing territories in 2010. And we raised the target to 80, having already appointed 71 new agencies in the first nine months.

The agencies we've appointed year-to-date have an aggregate of nearly $1.2 billion in property casualty premiums annually with various carriers. As always, our goal will be to become the number one or number two carrier in each agency by premium volume and generally achieve a 10% share within 10 years.

Our current agencies have spread our reputations, smoothing the way for us to attract the most professional agencies as we expand. They have talked up the exclusivity of the relationship, support they get from our local field teams, our responses to local conditions, our three-year commercial policies and industry-leading claim service. Agencies also are responding favorably to our new target markets initiative including the first new product, our educational institutions program.

Development of additional programs is proceeding on track and our agents are pleased they have access to additional support and expertise for marketing profitable targeted classes of business. We expect all of these efforts in 2010 to move us into a stronger long-term competitive position adding some scale, technology and expertise to our proven advantages in areas such as relationships and local decision-making, disciplined underwriting, solid reserving and outstanding claims service.

We see it happening and are grateful to you for your interest in the potential impact of these growth and profitability initiatives. Now, Steve will give you the CFO report.

**Steven Justus Johnston**
*President, CEO & Director*

Thank you, Ken and thanks to all of you for joining us today. The value creation ratio, our primary financial performance measure that combines growth and book value with capital return through dividends was 7.1% for the quarter. That brings the year-to-date ratio up to 9.4%, which on a pro rata basis is consistent with our five-year target annualized goal of 12% to 15%.

In the third quarter, the dividend component of the ratio contributed 1.4 points and growth in book value contributed 5.7 points. It was a strong quarter for the balance sheet. GAAP shareholders equity grew to just over $5 billion, reaching that level for the first time since March of 2008. The low point was $3.9 billion at March 2009.

Book value per share finished the quarter at $30.80, up 8.3% from $28.44 at September 30, 2009. Strong gains, realized and unrealized in both the stock and bond portfolio drove the growth in book value.

Contributing to the $155 million in pre-tax realized gains was the sale of the remaining shares of Verisk Analytics. Our cost was approximately $0.13 per share. About a year ago, we sold 20% of our position at the Verisk IPO for approximately $22 per share.

During the third quarter, we sold the remaining 80% for a pre-tax realized gain of approximately $128 million. We plan to invest the after-tax proceeds into stocks that pay a dividends as Verisk did not pay one. Even after realizing considerable gains, our total unrealized gains at September 30 rose 27% to over $1.3 billion, including $748 million from the bond portfolio and $580 million from the stock portfolio.

While the stock market has been volatile in recent quarters, we continue to see value in high-quality dividend paying stocks. They offer both short-term income growth advantages in a low interest rate environment and the potential for long-term book value growth through capital appreciation.

Investment income for the quarter was $128 million, up $1 million from the third quarter a year ago and year-to-date, investment income is up approximately 5%. However, with interest rates remaining very low, we are investing new money that yield much lower than our embedded yield.

In the third quarter, investment income was down $2 million sequentially from the second quarter. Obtaining our goal of the sub 100 combined ratio in a tough environment continues to be a challenge. As Ken noted, we already are profitable in some lines and we have initiatives in place to improve overall underwriting results.

The GAAP combined ratio for the quarter was 103.9%. Through nine months, it was 104.7, an improvement of 1.7 points from a year ago. Catastrophe losses contributed 3.8 points to the quarter and 6.5 points year-to-date. The 3.8 points for the quarter was almost three points higher than unusually low cat points we reported for the last year's third quarter.

Favorable development on prior accident year's reserves contributed 8.2 points to the quarter and 7.9 points year-to-date. The contribution for the third quarter was about four points lower than last year. We continue to be conservative and consistent in our reserving practices.

Looking at the current accident year loss ratio excluding catastrophes, results for the first nine months of 2010 compared with the full year 2009 were mixed. For commercial lines, the ratio is six tenths of a point higher as commercial pricing continues to be competitive. For the personal lines segment, the ex-cat accident year loss ratio improved almost three points in large part due to better pricing.

The consolidated property and casualty underwriting expense ratio was 32.3% for the third quarter and stands at 33.1% year-to-date, which is towards the lower end of the 33% to 34% range we communicated during the first quarter's call. We think a good way to summarize the various components of quarterly financial performance is in terms of changes to book value per share.

The property casualty underwriting loss reduced book value by $0.11. Life Insurance operations, a core component of our agent-centered business model, added $0.04. Investment income other than Life Insurance and reduced by non-insurance expenses, contributed $0.44.

The change in unrealized plus realized capital gains on investments provided growth of $1.70. And we paid to our shareholders $0.40 per share in dividends. The net effect of the third quarter was an increase in book value per share of $1.67 or 5.7%.

We ended the quarter reaching milestones in assets and shareholders equity that reflect our financial strengths. The quality of our balance sheet remains as high as ever and strong liquidity in the parent company is up 8% from the end of last year. We see that actions are paying off.

Our long-term view of our business and the benefits of our unique operating model increase our confidence that we can bring shareholders to rewards of better results in the future. That concludes my prepared comments and I will turn it back over to Ken.

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

Thanks, Steve. Steve provided a good overview of key components of our financial performance and strong capital position. We continue to execute on our strategic initiatives and maintain our long-term perspective on growing shareholder value. We appreciate this time to discuss our current results and the many opportunities we see ahead to achieve our goals.

We are acting now on those opportunities, also continuing to execute our traditional strengths of our superior agency relationships, consistent reserving and strong capital that increases our financial flexibility.
Let me remind you that Jack Schiff, Jr., J.F. Scherer, Eric Mathews, Marty Mullen and Marty Hollenbeck are here with Steve and me. We are all available to respond to your questions. Steve, we are ready for questions.

# Question and Answer

**Operator**

(Operator Instructions). And your first question comes from the line of Vincent D'Agostino from Stifel Nicolaus. Your line is now open.

**Vincent D’Agostino**
*Stifel Nicolaus*

Good morning. Just two quick questions looking at workers' compensation. With the backdrop of low to mid-single digit average rates declines and constrained client payrolls, with the negative 1.4% work-comp net written premium growth this quarter, it seems pretty favorable compared to those two headwinds. I'm just curious if that growth is coming from geographical expansion or are you guys gaining some traction with rate or seeing some pockets of exposure growth? And then just one follow-up.

**J.F. Scherer**

This is J.F. Scherer. Yeah, we are seeing some improvement in rates in comp and really as we analyze things, that probably accounts for the difference between the industry numbers and our numbers that we have for the last several quarters had some success there.

**Vincent D’Agostino**
*Stifel Nicolaus*

Great. And then I think in the Q, you had mentioned using some work-comp underwriting specialists. Just curious if those are coming from external hires or something that you are developing internally through training or some sort like that?

**Marty Mullen**

Underwriting specialists from the perspective of commercial lines? This is Marty Mullen. We have two issues going on with specialists from the underwriting side as well as the claims side. Underwriting specialists have been appointed to commercial lines underwriting teams that review all large accounts for work-comp, new and renewal. And also on the claims side, we have expanded our workers' compensation specialists in the field by over 20% last year and that expansion continues in various states.

**Vincent D’Agostino**
*Stifel Nicolaus*

That 20% on the work-comp expansion for the specialists, those are external hires, then?

**Marty Mullen**

For the most part, those are external hires. There are some conversions of our multiline reps to the specialist titles only for those multiline reps that exceed or excel in the handling of the workers' compensation claims. Otherwise we have been successful in hiring specialists from other carriers in the workers' compensation field specialist role.

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

This is Ken Stecher. I will just add that overall, our headcount is down about 2% from the beginning of the year. So even though we have hired some additional staff as we open up new territories and things like that, the technology and some of the benefits that we see from that are allowing us to bring headcount down in certain areas.

**Vincent D’Agostino**
*Stifel Nicolaus*

Great. Thank you. That's all I had.

**Operator**

Your next question comes from the line of Josh Shanker with Deutsche Bank. Your line is now open.

**Josh Shanker**
*Deutsche Bank*

Yeah. Good morning, everyone.

**J.F. Scherer**

Good morning, Josh.

**Josh Shanker**
*Deutsche Bank*

In terms of thinking about the workers' comp business, if everything - sort of all the initiatives you are putting together work the way you want them to, how quickly could you turn around the loss ratio in that business?

**Steven Justus Johnston**
*President, CEO & Director*

Josh, this is Steve. There's a lot of uncertainty there. It's a long tail line. With some of the claims initiatives, it's difficult to see just exactly how quick they can come into play. But we are targeting to return to profitability with a steady improvement over time but to get that line profitable in the 2012 timeframe. We think we will see improvement in 2011, but it could be until 2012 before we see profitability.

**Josh Shanker**
*Deutsche Bank*

Okay. Second question, expansion into Connecticut. If there is any state that I associate with being a mature insurance market in my mind, I think it's Connecticut. Is there any difference in trying to break in there than it is in other states?

**J.F. Scherer**

Josh, this is J. S. Scherer. We haven't found that there has been a difference other than the Department of Insurance as we filed our - made our filings has been a bit more friendly, if you will. It's a more friendly insurance environment for obvious reasons. But as far as our model, the appointment of agencies, the attractiveness of our model to those agencies both in Connecticut and simultaneously with the appointment of Connecticut agencies we will be opening down state New York agencies, will be handled from the Hartford area. We have seen the same receptivity from agencies, same enthusiasm and we think that the model we bring to the table can be effective there as well.

**Josh Shanker**
*Deutsche Bank*

Okay. Just a quick numbers question. As of the quarter, there were $580 million in pretax unrealized equity gains. Is there a rule of thumb that you might be able to give to talk about tax rate on that if you were to recognize those gains today?

**Marty Mullen**

This is Marty. The tax rate is 35% on realized gains and that's kind of important to balance sheet.

**Josh Shanker**
*Deutsche Bank*

Even though a lot of those gains are probably long-held positions?

**Marty Mullen**

Correct.

**Josh Shanker**
*Deutsche Bank*

Okay. Thank you.

**Operator**

Your next question comes from the line of Paul Newsome with Sandler O'Neill. Your line is open.

**Paul Newsome**
*Sandler O'Neill*

I was wondering if you had any updated thoughts on the catastrophe losses for you in the quarter. Obviously they were not as good as you would have liked. And they do seem to be quite different from most but not all of the companies that reported so far in this quarter. Regional differences aside, is there any possibility that this is more of an underwriting issue?

**Marty Mullen**

I will tackle that question first, Paul. This is Marty Mullen. We had seven cats in the third quarter, approximately $22.3 million in for loss. Other cats they were kind of diversified across our geographical spread, no particular areas hit more than others. The majority of the dollars on those cats were spread among those seven claims. There was nothing of any particular interest to separate one from the other.

**Paul Newsome**
*Sandler O'Neill*

It sounds more like it's pretty sustainable.

**Marty Mullen**

As far as our projections for this current quarter, it's about the same as has been the norm for seven - for that quarter. Most of those were in the month of July. We had three in the month of September, so I don't think there's anything abnormal about the storms for that third-quarter period.

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

Paul, this is Ken. I would add one comment. There was a pretty severe hailstorm in Montana on the very last day of the second quarter. And that turned out to be a lot more substantial than we thought and we had booked an estimated number in the second quarter of about $4 million. That developed to about $18 million. So that is partially contributing to the third-quarter results and maybe that has something to do with the different numbers you are looking at.

**Paul Newsome**
*Sandler O'Neill*

It is quite a possibility. I will let some other folks ask questions. Thank you, guys.

**Operator**

(Operator Instructions). Your next question comes from line of Caroline Steers with Macquarie. Your line is now open.

**Caroline Steers**
*Macquarie*

Hi. Thank you. I am actually just wondering how much of your portfolio right now is being reinvested over the next one to two years? And then what you are seeing as the reinvestment rate now versus current yields? And then with the money that you are reinvesting, where are you putting it right now? Thanks.

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

Caroline, it's Marty Hollenbeck. We have about 4% of our bond portfolio maturing through 2011 with an average yield of about 4.9%. 2012, it's about 5.6% at about 6%; and then in 2013, about 9% at a 4.9% yield. Obviously with rates where they are right now, we - it would be very difficult match a lot of those yields. We are still of the opinion that the longer-term threat is with higher rates than inflation. So we are not extending duration at this time. So we are accepting some lower yields in the short-term but we are offsetting that with, as Steve mentioned in his prepared remarks, the Large Cap Blue Chip dividend paying, dividend growing stocks that we favor will do well both in a lower interest rate environment and longer-term we believe in an inflationary environment, so.

**Caroline Steers**
*Macquarie*

Okay. So should we expect sort of any increase in the allocation to equities going forward or do you expect it to sort of be where it is right now?

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

I would say right now it would probably be a floor, which is about 25%.

**Caroline Steers**
*Macquarie*

Okay.

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

I think we will favor that.

**Caroline Steers**
*Macquarie*

Okay. And then just sort of shifting to the underwriting side, I was just wondering some companies had mentioned some erosion in terms of conditions and I was wondering whether you guys were seeing that and if so, in what lines of business?

**J.F. Scherer**

Caroline, this is J.F. Scherer. We have been watching that fairly closely and actually we are not seeing that. The one thing that we do observe is that some of the larger carriers are extending limits in flood and earthquake, higher limits on certain properties that perhaps two or three years ago we weren't seeing in the marketplace. But beyond that, at least in our book of business and what we compete for, it's a price competition issue more so than terms and conditions.

**Caroline Steers**
*Macquarie*

Okay. And then just on when you look at new versus renewal prices, are you seeing a big difference there or are they about the same?

**J.F. Scherer**

On new business, I'm hesitant to say that we are seeing the light at the end of the tunnel, but particularly with some regional carriers, we are seeing some folks indicating that they are pulling their horns in a bit.

But as a general statement, new business, the pricing on new business is much more competitive than renewal pricing.

**Caroline Steers**
*Macquarie*

Okay. And then just finally, when you look to expand into new states, is that mainly in the commercial line segment or personal line segment that you are focused on?

**J.F. Scherer**

We do focus on commercial lines, as we have in Texas, Colorado, Connecticut and in a couple of weeks, we will have appointed our first agency in Oregon. In all of those areas what we tend to do is going with commercial lines first, get comfortable with the environment, also get comfortable with the degree to which the agencies we appoint handle personal lines. We do look for our agencies to be involved in the process more so than carriers that would approach personal lines in a more commodity basis.

We do have plans in Oregon for example to open personal lines in the not-too-distant future. Nothing planned right now for Texas and Colorado. Connecticut will be a state we will look at as well. But we do get comfortable with our agencies first in commercial lines.

**Caroline Steers**
*Macquarie*

Okay. Thank you very much.

**Operator**

Your next question comes from the line of Mark Dwelle from RBC Capital Markets. Your line is now open.

**Mark Dwelle**
*RBC Capital Markets*

Good morning, a few questions. Just trying to - the overall decline in commercial lines for the quarter was about 3% on a net written premium basis. You had commented in terms of both reduced price and reduced exposure. You also commented that new business was weak and I was just trying to - amongst the 3% decline, if there's a way to kind of apportion that 3% between those various factors?

**Steven Justus Johnston**
*President, CEO & Director*

Mark, we are all staring at each other on that one. I would say - this is Steve, Mark. I would say for the quarter that of that 3% decline, most of it would be in the rate for the quarter. I think that our retention is a bright spot. It stayed high. The new business while it is down, it's hard to say, as J.F. mentioned before, where that's priced. But when we look at in terms of rate on the Commercial Lines side of it, I would say most of that is going to be in price.

**Mark Dwelle**
*RBC Capital Markets*

Okay. Second question is in terms of - you've been in Texas and Colorado and I think New Mexico for a little while now. Those were new states a few years ago. Are you seeing any differences in terms of how your underwriting margin is coming out in those states as compared to - I will say some of the more historical Midwestern states where you have been writing for a long time?

**J.F. Scherer**

When we go into those states, we don't try to aggressively price our way into getting some share. With our loss ratios - it's very early. With the loss ratios we are seeing in all of those states have been good. The comment that I would make most particularly about Texas is that the economy there is noticeably better than it is in the Midwest. And with new businesses being created, jobs being created and so price competition for business isn't nearly what it is for example in Ohio, Indiana, Illinois and Pennsylvania and certainly Michigan.

So if there's an observation that we would have made particularly in Texas, where things are going very well, it's that our field underwriters there, all of which have experience in other states, these are experienced field reps, have noticed that they haven't had to be as aggressively priced on accounts. So that has been a bright spot as we've gone into in particular Texas.

**Mark Dwelle**
*RBC Capital Markets*

That's certainly good news from that perspective. On the personal lines side, just one question there. In terms of - it seems as though you are getting some rate increases there. Do you feel like you are - for awhile you had always been a little bit below some of the competition? Do you believe that you are kind of back up to kind of in line from a rates standpoint there or maybe even above at this point?

**Steven Justus Johnston**
*President, CEO & Director*

Mark, this is Steve. In terms of competition, I think that it is tough to gauge with so many players pricing. I think that given our growth we would consider that we are certainly in the ballpark competitively. I do think we all feel that we have a ways to go yet in terms of the rate that we need to take. We took some rate here in the fourth quarter of 2010. We plan on continuing that again fourth quarter of 2011 at this point. But at this point I would say given what we are seeing in terms of retention and the ability to grow new business that we are certainly in the ballpark with our competitors.

**Mark Dwelle**
*RBC Capital Markets*

Okay. That's helpful. I'll leave it to the next guy, thanks.

**Operator**

(Operator Instructions). And you have another question from the line of Fred Nelson with Crowell, Weedon & Co. Your line is now open.

**Fred Nelson**
*Crowell, Weedon & Co.*

Did I hear that you sold, Marty, all of the VRSK?

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

Yeah, Fred. That's correct.

**Fred Nelson**
*Crowell, Weedon & Co.*

Okay. Good. And then you can use the gain there against any losses?

**Martin Francis Hollenbeck**
*Chief Investment Officer, Senior VP, Assistant Secretary & Assistant Treasurer*

Yeah.

**Fred Nelson**
*Crowell, Weedon & Co.*

Good. Okay. Thank you.

**Operator**

There are no further questions at this time. Mr. Stecher, I will turn the call back over to you.

**Kenneth William Stecher**
*Non-Executive Chairman of the Board*

Thanks, Steve. Thanks to all of you for joining us today. We look forward to speaking with you again on our fourth-quarter call.

**Operator**
Ladies and gentlemen, this concludes today's conference call. You may now disconnect.