![S&P Capital IQ]

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The Hanover Insurance Group, Inc. NYSE:THG

FQ2 2017 Earnings Call Transcripts

Thursday, August 03, 2017 2:00 PM GMT

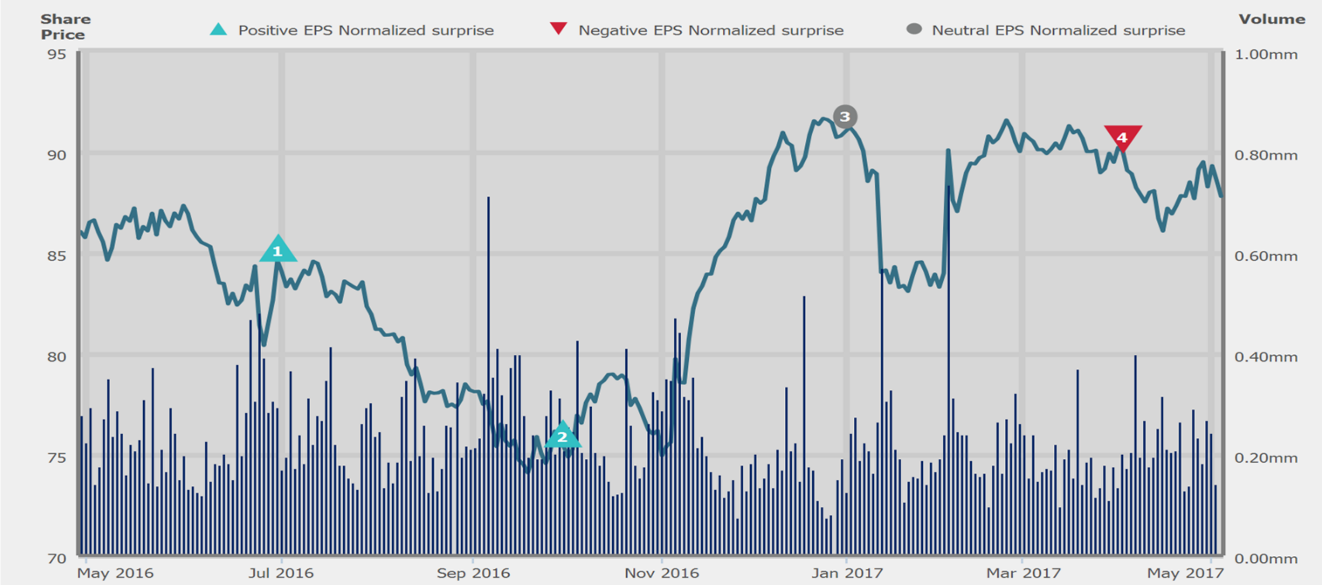
S&P Capital IQ Estimates

	-FQ2 2017-			-FQ3 2017-	-FY 2017-	-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.55	1.69	▲9.03	1.57	6.02	6.93
Revenue (mm)	-	-	-	-	4880.80	5050.10

Currency: USD

Consensus as of Aug-03-2017 2:58 AM GMT

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



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2016	1.19	1.24	▲4.20 %
FQ3 2016	1.55	1.83	▲18.06 %
FQ4 2016	1.03	(0.46)	NM
FQ1 2017	1.72	0.95	▼(44.77 %)

Call Participants

EXECUTIVES

Jeffrey Mark Farber
Executive VP & CFO

Joseph M. Zubretsky
Former CEO, President & Director

Oksana Lukasheva
Vice President of Investor Relations

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Matthew John Carletti
JMP Securities LLC, Research Division

Presentation

Operator

Welcome to the Hanover Insurance Group Second Quarter Earnings Conference Call. My name is Hilda and I will be your operator for today's call. [Operator Instructions] Please note that this conference is being recorded.

And I would now like to turn the call over to Ms. Oksana Lukasheva, Vice President of Investor Relations. Ms. Lukasheva, you may begin.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, operator. Good morning and thank you for joining us for our second quarter conference call. We will begin today's call with prepared remarks from Joe Zubretsky, our President and Chief Executive Officer, and Chief Financial Officer Jeff Farber. Available to answer your questions after our prepared remarks are Jack Roche, President of Agency Markets; John Fowle, Chief Executive Officer of Chaucer, and Brian Salvatore, President of Specialty Lines.

Before I turn the call over to Joe, let me note that our earnings press release, financial supplement, and a complete slide presentation for today's call are available in the investors section of our website at www.hanover.com. After the presentation, we will answer questions in the Q&A session.

Our prepared remarks and responses to your questions today, other than statements of historical fact, include forward-looking statements. There are certain factors that could cause actual results to differ materially from those anticipated by this press release, slide presentation, and conference call. We caution you with respect to reliance on forward-looking statements, and in this respect refer you to the forward-looking statements section in our press release, Slide 2 of the presentation deck, and our filings with the SEC.

Today's discussion will also reference certain non-GAAP financial measures, such as operating income and accident year loss and combined ratios excluding catastrophes, among others. A reconciliation of these non-GAAP financial measures to the closest GAAP measure on a historical basis can be found in the press release, the slide presentation, or the financial supplement, which are posted on our website, as I mentioned earlier.

With those comments, I will turn the call over to Joe.

Joseph M. Zubretsky
Former CEO, President & Director

Thank you, Oksana. Welcome, everyone, and thank you for joining our call today. This morning I will provide an overview of our business performance and progress on our strategic initiatives in the quarter, Jeff will review our financial results in detail, and then we will open the line for questions.

Our second quarter results were solid, in line with our expectations and consistent with our stated strategic position. And we can continue to grow while maintaining our margin profile and producing a double digit return on equity. In addition to delivering a solid financial performance in the quarter, we continued to make progress on our long term strategic initiative, Hanover 2021.

In the quarter, we delivered operating income of $72.3 million, or $1.69 per fully diluted share, a consolidated combined ratio of 95.6%, a combined ratio excluding catastrophes of 90.8%, and an operating return on equity of 10.6%. Our second quarter results included several highlights.

First, we delivered top line consolidated growth of 4.4%. This reflects our controlled and thoughtful approach to business expansion. We continued to capitalize on growth opportunities in lines and segments where we could achieve adequate pricing and target profitability, such as the personal lines account business, small commercial, and higher margin specialty businesses. We also maintained a thoughtful and measured approach to growth in two of the more challenging markets, the U.S. middle market and international specialty, where the competitive forces were more intense.

Second, excluding catastrophes, our domestic and international businesses generated substantially improved performance quarter-over-quarter despite a large property loss in our commercial lines marine business. Our combined ratio improved 2 percentage points, from 92.8% in the second quarter of 2016 to 90.8% this quarter. Our consistent achievement of this low 90%'s combined ratio reflects our disciplined approach to underwriting and reserving as well as our expense rigor. It is testimony to the strategic thesis that we can grow profitably with our existing distribution plan.

Third, our reserving practices remain consistent and appropriately conservative. Favorable development at Chaucer was in line with expectations, while our domestic prior accident year reserve balances continued to hold steady, with no development in the quarter.

Lastly, catastrophe losses of $57.1 million in the quarter were in line with our expectations. While domestic catastrophes were slightly higher than expected, Chaucer's were unusually low. The most notable event was the severe May hailstorm in Colorado, which impacted our commercial lines business.

With half the year now behind us, we are pleased with the underlying trends in our business. We believe we are well positioned to continue to deliver solid results.

I will now take a few minutes to review individual segment performance. In personal lines, we delivered an overall combined ratio of 91.8% and 88.4% excluding catastrophes, with strong results in both our auto and homeowners lines. Personal auto trends were consistent with our first quarter experience. Rate increases averaging 4.4% continued to slightly outpace loss cost trends. This is a reflection of our business mix, risk selection, and the geographic profile of our portfolio.

Our personal lines segment continued to build on its strong growth momentum in the quarter, increasing net premiums written by 8.9%. We achieved solid rate increases of 4.1% overall, with increased retention now at 85%. Policy count increased 2.9% year-over-year, the third consecutive quarterly increase. New business continued to outpace lapses, with good results from both normal flow business and market consolidations.

We had continued success with our account focused Platinum offering, which contributed to our new business growth in the quarter. With Platinum as our flagship personal lines product, we are well positioned to be successful in the emerging affluent marketplace, a sub-segment that represents $8 billion of revenue opportunity in our existing footprint.

Account business today is 84% of our overall personal lines book and 88% of our new business. As in the first quarter, states with smaller market share continue to make meaningful growth contributions, further diversifying our geographic footprint.

Looking ahead, we believe our personal lines business is well positioned. Our rates are balanced for profitability and growth. We still have room for additional rate increases given our price points in the marketplace, and we still have plenty of shelf space to fill with our existing agency plant.

Our commercial lines business also generated solid results in the quarter despite higher than expected catastrophe losses. We reported a combined ratio of 99.4%, which included the impact of the Colorado hailstorm. Excluding catastrophes, we delivered a 92.2% combined ratio, down from 94.4% a year ago, as the 2016 ratio included unfavorable prior year development.

Our current accident year loss ratio, excluding catastrophes, increased by 2 percentage points in the quarter. This was driven by commercial multi peril and other commercial lines and was offset to some degree by improved performed in workers' compensation and commercial auto.

The increases in CMP and other commercial lines were due to multiple factors. We experienced higher current period property losses, including the aforementioned large inland marine loss and resulting reinstatement premium on our property per risk reinsurance treaty. Additionally, the comparison year-over-year is affected by low property losses in the second quarter of 2016.

On the casualty side, the year-over-year increase is also affected by a comparison to very low severity in the 2016 accident quarter, as we substantially increased our liability loss trends in 2016, but did not do so until the fourth quarter.

Meanwhile, we continued to make progress in the workers' compensation and commercial auto lines, as we select our classes carefully, price risks prudently, and use these lines to round out commercial lines accounts on very profitable full account packages.

Commercial lines net premiums written were negatively impacted by the per risk reinstatement premiums, as mentioned. Excluding this impact, net premiums written increased by 3.4%, in line with our expectations. This growth was driven by increases of 6% in small commercial and 5% in specialty, partially offset by a decline in middle market premiums of 3%.

The positive momentum in our small commercial book was driven by increased retention and new business from our distribution partners. The pricing stability and high retention rate we have achieved in this segment give us confidence we can continue to grow profitably. More agent consolidation of fragmented markets in this segment likely will increase our opportunities for higher quality growth.

In middle market, we maintained our disciplined approach, prioritizing profitability over growth. We are applying more aggressive pricing to accounts that require it and maintaining a competitive position on more profitable business.

The second quarter had a disproportionate amount of underperforming renewals that we took action on. Our middle market platform is aimed at the lower end of the market where we can differentiate our products and services.

Core commercial price increases, at 3.7% on average, were up slightly compared to the first quarter of this year. Rates remained below our long term loss cost trends. We do believe, however, that our underwriting discipline and our ability to drive rate where we need it most will allow us to continue to deliver a stable loss ratio.

Our domestic specialty business also generated strong growth in the quarter, with upper single digit premium increases in our most profitable businesses. We continued to capitalize on growth opportunities in profitable sectors of the market, such as inland marine, healthcare, and management liability, leveraging our considerable market insight and strong agency relationships.

As discussed at Investor Day, we have substantial room to write more specialty business with our agent partners by increasing the penetration of our existing products and further expanding our specialty capabilities. Our Chaucer team continued to leverage its strong underwriting capability to deliver solid results in the quarter, generating a 91% combined ratio despite persistent challenging market conditions. Chaucer benefitted in the quarter from unusually low catastrophe losses.

Chaucer produced a solid accident year loss ratio, excluding catastrophes, of 56.3%, compared to 62.9% in the prior year quarter. Chaucer's net premiums written increased 3% on a reported basis and 6% excluding the impact of foreign exchange. This growth is a reflection of our diverse product portfolio, the success of new growth initiatives, and the team's specialty underwriting expertise, where the market looks to us to be the lead underwriter.

For example, Chaucer generated growth through its partnership with AXA in Africa, as well as through the addition of accident and health and marine professional indemnity underwriting teams. Chaucer also expanded its treaty business, growing premiums in a number of attractive markets. These opportunities helped to offset those areas of the market, notably marine and aviation, that are currently marked by intense competition.

Chaucer continued to utilize reinsurance effectively during the quarter, balancing the need to remain relevant to brokers and insureds with risk appetite in more challenging classes of business. Consequently, direct written premium at Chaucer grew substantially more than the increase in net premiums written.

With two quarters of the year now behind us, I will provide a quick update on our Hanover 2021 initiative. We have made strides on many fronts since introducing our strategy in February. We have realigned our leadership team to focus on three main strategic areas; agency markets, specialty, and innovation. And we have filled the last vacant spot on our executive leadership team with the appointment of Brian Salvatore to lead our domestic specialty business.

Brian is a highly experienced and accomplished specialty leader. He will work closely with Jack Roche to increase specialty penetration in our U.S. independent agency channel. He will also partner with John Fowle to leverage Chaucer's expertise domestically and will develop a wholesale and E&S distribution platform.

We have taken important steps to build Chaucer's regional presence and new business pipeline. In June, we received the approval of the Central Bank of Ireland to form a regional subsidiary in Dublin. We plan to start writing business through Chaucer Dublin later this quarter.

Additionally, we acquired SLE Holdings, a market leading Lloyd's managing general underwriting agency in Sydney, Australia. SLE places about $25 million in premium. This acquisition will provide us with additional underwriting expertise, new product capabilities, and greater access to the Australian market.

As we communicated at Investor Day, part of our margin expansion strategy was to be more disciplined on expense management, which would create significant fixed cost leverage and fund strategic growth initiatives. Through the course of a thorough analysis, we have identified expense reduction opportunities beyond what we had previously anticipated.

This week we announced the elimination of approximately 160 positions in the organization, contributing to net annualized savings of approximately $30 million. This, combined with other non-personnel cost savings of $20 million and the continued growth of our revenue base, will provide additional earnings momentum in the last half of this year and into 2018, while also enabling us to reinvest in our business.

Rather than merely allowing expense leverage to occur over time, the opportunity to react more extensively and more quickly was compelling. These expense actions do not impact our ability to serve our partners and customers and do position us to better achieve our strategic growth objectives. Going forward, rigorous expense management will be an integral part of our operating model.

Overall, I am very pleased with our results in the quarter and year-to-date, as they are consistent with the strategic plan we outlined for you at our Investor Day. We are confident we can continue to deliver superior value to our shareholders.

With that, I will turn the call over to Jeff to review the highlights of our financial performance. Jeff?

Jeffrey Mark Farber
Executive VP & CFO

Thank you, Joe. Good morning, everyone. For the quarter, we reported net income of $78.4 million, or $1.83 per diluted share, compared to $2 million, or $0.05 per diluted share, in 2016. 2016 included a one-time non-operating charge of $56 million after-tax associated with debt refinancing in April of last year. After-tax operating income was $72.3 million, or $1.69 per diluted share, compared to $54 million, or $1.24 per diluted share, in the prior year quarter.

Our second quarter combined ratio was 95.6% compared to 97.3% in the prior year quarter, including catastrophe loss ratios of 4.8% and 4.5% respectively. Excluding cats, we generated a combined ratio of 90.8%. This represented a 2 point improvement over the prior year quarter, with underlying contributions from all three segments.

In personal lines, the second quarter accident year loss ratio, excluding catastrophes, improved 50 basis points to 60.2%. Over the last year, we have seen slightly elevated severity in bodily injury and physical damage coverages, which was fully contemplated in our pricing. Frequency continues to remain stable. The combination of consistent rate increases and a strong and improving business mix gives us confidence that our auto book will perform well.

Results in homeowners and other personal lines made meaningful contributions to the above-target profitability of our personal lines business. The personal lines expense ratio increased approximately 1 point over the prior year quarter, entirely the result of the one-time premium tax benefit in the prior year quarter.

Turning to commercial lines, we recorded no prior year development in the current quarter. Six months after our extensive reserve analysis conducted at the end of last year, our prior year loss trends are behaving as expected, and we believe our reserves remain appropriate. The current accident year loss ratio, excluding catastrophes, was 56.8% compared to 54.5% in the second quarter of last year, with the increase driven by commercial multi peril and other commercial lines.

Our underlying CMP results were in line with our expectations, historical trends, and full year 2016 results. The increase in our loss ratio quarter-over-quarter is driven primarily by two comparability issues. First, our second quarter 2016 loss ratio benefitted from unusually low CMP property losses. Second, the 2016 quarterly ratio did not reflect the upward actuarial liability estimate adjustment that occurred at year-end.

In other commercial lines, the increase in the accident year loss ratio, ex-cat, reflects property loss activity, primarily one large fire in our inland marine segment and the impact of the reinstatement premiums associated with this loss. Reinstatement premiums reduced our overall commercial lines growth by 1.4 points and increased our combined ratio by 1.5 points in the quarter.

Our marine business has run at a sub 90% combined ratio over the last three years. We expect that this business will continue to deliver strong top and bottom line results.

In commercial auto, we continued to actively manage our business mix, achieving mid single digit pricing increases. These efforts are reflected in our gradually improving loss ratio.

We are also pleased with our performance in workers' compensation, where we made significant mix changes over the past several years. That said, we continue to watch loss trends in this line very carefully, given the current pricing and potential inflationary trends.

Chaucer produced another solid quarter of results, posting a combined ratio of 91%, with improved loss experience across the board. Current year losses in the quarter were 56.3%, down 6.6 points from the prior year quarter. The comparison is driven by a number of large industry losses in the second quarter of last year.

We experienced favorable development on prior year loss reserves of 7.9%, which was above the prior year quarter development of 4%. Chaucer's expense ratio for the quarter was 42%, below our expectation of 45% and above 37.6% in the prior year quarter. The increase from prior year is driven by foreign exchange movements, which were unfavorable to the ratio in the current period and favorable in the second quarter of 2016. Current quarter expense ratio relative to our longer term view reflects the timing of certain business investments.

Briefly on consolidated top line results, company-wide growth in net premiums written of 4.4% was strong despite being reduced by the reinstatement premium in commercial lines. Excluding this impact, premium growth was 5.1%, which is in line with the trajectory of our strategic plan.

We are seeing positive trends in underlying business metrics. Personal lines growth of 8.9% was driven by renewal premium, including rate increases of 4.1% and improved retention, up 1.6 points compared to the prior year quarter. Commercial lines adjusted growth of 3.4% is driven by robust pricing of 3.7% and solid retention in the small commercial segment.

At Chaucer, we continued to use reinsurance effectively, while at the same time growing new business sourced from industry segments that are priced adequately. The proportion of ceded premiums increased to 26% this quarter, compared to 24% in the prior year period.

Chaucer market conditions remained competitive in many of our segments. However, our deep partner relationships and underwriting focus, coupled with underwriting leadership at Lloyd's, continued to create opportunities for us to write high quality business at attractive margins.

Moving on to investments, net investment income increased by 4.6% in the quarter to $72.3 million compared to $69.1 million in the prior year quarter, as we continued to reinvest higher operating cash flows from underwriting activity. Cash and invested assets were $9 billion at the end of the quarter, with fixed income securities and cash representing 87% of the total.

Our fixed maturity investment portfolio has a duration of approximately four years and is 94.6% investment grade. The portfolio remains high quality and is well laddered.

Our book value per share grew 2.5% to $70.18 in the second quarter. Book value per share, excluding net unrealized gains on investments, increased 2%. From a capital management perspective, we returned $23.4 million to shareholders through stock repurchases in the second quarter, with $156 million available for repurchase under our current share buyback authorization.

Before we open the line to your questions, I would like to provide additional comments on our expense saving program and our outlook. As Joe mentioned, we have identified opportunities to reduce expenses beyond the fixed cost leverage we articulated in our strategic plan.

We are managing expenses in all aspects, first by evaluating our spend more carefully, executing a detailed review of our vendors and other non-employee expenses, and achieving savings on a go-forward basis; second, by driving decision making closer to the customer through a streamlined organizational structure; and third, by realigning talent to strategic priorities, resulting in position eliminations, primarily in the back office.

Specifically, we have initiated staffing actions that will result in the elimination of approximately 160 positions in the company. This will lead to a non-operating charge for the year of approximately $10 million, with $1.8 million having been recognized in the second quarter. Savings from these actions in the latter part of 2017 will be partially offset by opportunistic strategic business investments for an overall small benefit in 2017.

The full extent of the savings benefit will be realized in 2018, for a total of $30 million in compensation expense and $20 million in non-compensation related expenses before factoring in investments in strategic initiatives.

In closing, with a couple of quarters of strong underlying results to our credit, core business performance remains in line with our original expectations for the year and all components of our 2017 outlook, excluding catastrophes. Cats remained a source of volatility in our business, as demonstrated by elevated activity in the first quarter.

Our cat loss ratio as a percentage of premium for the remainder of the year is expected to be approximately 4.5%. Starting in the third quarter, we will provide the market advance notice in quarters where our catastrophe losses in any given quarter are above our catastrophe loss ratio expectation by more than 50 basis points. Such prerelease would be approximately two weeks prior to our earnings release.
With that, we will now open the line for your questions. Operator?

Question and Answer

Operator

Thank you. [Operator Instructions] We have a question from Matt Carletti from JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

I guess maybe first, Joe, I wanted to follow up on the brief comments you had about the acquisition of SLE Holdings. Can you expand on that a little bit? Is the idea there that they have some expertise in terms of products that you can extract to other places in the world, vice versa, that Chaucer has some expertise that could be put through their distribution? And looking at Australia as a fairly mature large market, $25 million in premiums is pretty small. What do you see the potential there over time?

Joseph M. Zubretsky
Former CEO, President & Director

Sure, Matt. We like the acquisition of SLE a lot for a variety of reasons. One, it does give us access to underwriting expertise in a leisure and entertainment marketplace. Second, as we talked about our Investor Day, there are many ways to develop business.

One could buy an insurance company and analyze the reserves and the book of business. In this case, we bought an MGA, paid for its fee stream, and the Chaucer team will set out to convert all of the business to Chaucer paper. So, you only really take what you want, which is a great way to acquire a business.

So, pay for the fee stream, convert the business you want, get access to a different product line, and, in this new hub and spoke world that we're living in with all the business not coming to London directly, it gives Chaucer access to the Australian market, where before we had limited access to that marketplace.

Matthew John Carletti
JMP Securities LLC, Research Division

And then maybe just a couple numbers questions for Jeff. I just want to follow up on the couple numbers you gave on the inland marine fire. I think I heard you right that it suppressed premium growth by 1.4 points and inflated combined ratio by 1.5. Is that just on the multi peril piece of commercial, or was that overall commercial you were referencing?

Jeffrey Mark Farber
Executive VP & CFO

That was overall commercial.

Matthew John Carletti
JMP Securities LLC, Research Division

Jeff, following up on your comments on expectations for the Chaucer expense ratio, am I understanding it right that -- I think you mentioned some investments going forward, kind of starting at the 42% we saw this quarter, expected to build as you make some investments towards 45%. And then I guess the follow on question is how long are those -- do you expect those investments to be made? Is 45% kind of the go-forward rate, or should we at some point in the future expect some retraction from that?

Jeffrey Mark Farber
Executive VP & CFO

Well, I think -- yes, we at 42% in the current period. We expect some additional investments that were delayed a bit that'll be made in the last six months of the year. And that'll drive it a little closer to 45%.

It's really hard to say. We talked about our expense program. Chaucer, obviously, is doing similar things there. There may be less opportunity there given the nature of their business and the mix of distribution costs versus G&A and overhead. So, there John and his team are focused on the expenses there, and we're hopeful that we can bring it down a little bit below 45%. But for now, that's a reasonable proxy.

Operator

Our next question comes from Christopher Campbell from KBW.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

My first question is on the flat core loss ratio year-over-year, which is pretty impressive given what we're seeing at our peers. And it looks like Chaucer's year-over-year improvement, the big driver was some personal lines that was offsetting a little bit of commercial lines deterioration. Just want to think about how should we think about that core loss ratio going forward. How sustainable is the Chaucer improvement?

Joseph M. Zubretsky
Former CEO, President & Director

Well, I think, Chris, overall we're very happy with our combined ratio results in the quarter. It is very consistent with the long term outlook for margin performance that we articulated at our Investor Day, and I think if you think about the three main businesses, thinking about commercial in the mid 90%'s, ex-cat low 90%'s, personal lines in the mid to low 90%'s, all-in maybe closer to 90% or even high 80%'s ex-cat.

And as we said, Chaucer's strategy is to be a top quartile underwriter and a second quartile grower. And so, we're targeting a 95% combined ratio or better over time. Obviously, this quarter, devoid of catastrophes, they did better. But we think that's a very reasonable and prudent long term outlook for the Chaucer business.

So, you can factor all of that math into your model. But this performance we produced this quarter is very consistent with that outlook.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

My next question is the expected expense ratio savings. So, where are these being realized, and then how do these end up being allocated back to the segments?

Joseph M. Zubretsky
Former CEO, President & Director

The process that we undertook was really one of deferred maintenance. The expense structure had not been looked at in a while. And so, targeted areas were enterprise overhead, indirect support services, spans and layers, under-scaled operations, combining functions, those types of activities.

I will tell you that most of the expense we took out was at least two, perhaps even three steps away from the end customer and the agent, so this will not be felt by the field. $30 million of it, as we said, were personnel savings, and $20 million were really going in and opening up vendor contracts that hadn't been opened up in a while, and the ability to negotiate better unit costs on many of our vendor contracts.

So, that's how we did it, and that's how much we believe we saved. Allocating it back to segments has not been done yet. And when we sort of give you guidance on a 2018 plan, we'll factor that into our expense ratio guidance by segment so you can prepare your model.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

That would be very helpful. And then just how much -- it sounds like some of the $50 million might be reinvested back into the business. Is there an idea of how much of that savings would go back into investments?

Joseph M. Zubretsky

Former CEO, President & Director

We haven't made that call yet. If you recall, at our Investor Day we said that we needed to reinvest in the business through helping our agents innovate and create products and services that they don't have today, and that we would find expense savings to fund that.

Obviously, we found more expense savings than we need to reinvest in the business. So, without giving you a number, because we haven't finalized our 2018 plan yet, I would say a modest amount of the savings will be poured back into the business to fund our innovation efforts.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

So, following up on Matt's question but more on the domestic side, it seems like you have the leadership team in place and you're going after distribution. So, would Hanover be open to a Chaucer-like acquisition domestically to kind of accelerate that growth in the business?

Joseph M. Zubretsky
Former CEO, President & Director

The answer is yes. We've looked at many types of business development activities; converting and managing general agencies, meaning converting their underwriting activities to Hanover paper is certainly something that could be done; hiring underwriting teams. Brian will be looking at building out new products and services by hiring people. We just did a renewal rights deal in Massachusetts in our personal lines business that will yield $20 million of premium.

So, there's lots of creative ways -- rather than paying full multiples of books value for an existing enterprise, there's lot of ways to develop business that are more capital efficient and very, very attractive. And we're looking at those constantly in the U.S. and internationally.

Operator

Thank you. We have no further questions at this time. I would like to turn the call back to Ms. Lukasheva for final remarks.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, everybody, for your participation today. And we are looking forward to speaking with you next quarter.

Operator
Thank you. Ladies and gentlemen, this concludes today's conference. We thank you for participating. You may now disconnect.