S&P Global
Market Intelligence

The Allstate Corporation NYSE:ALL

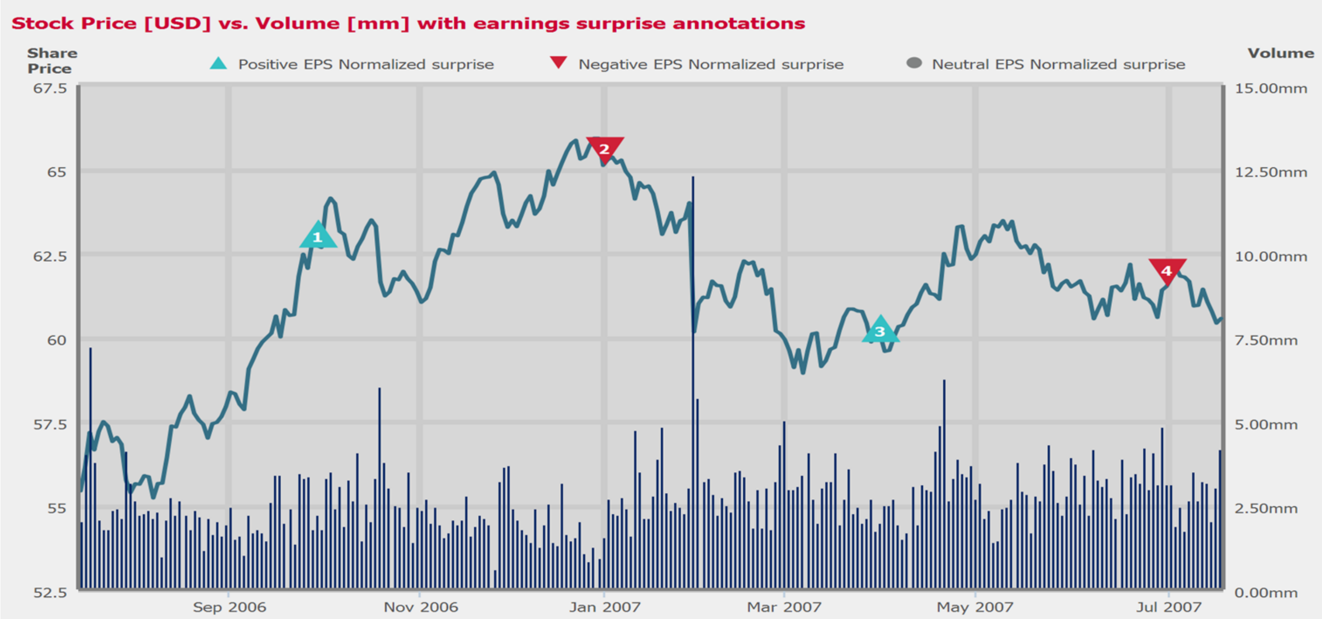
FQ3 2007 Earnings Call Transcripts

Thursday, October 18, 2007 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2007-			-FQ4 2007-	-FY 2007-	-FY 2008-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.70	1.54	(9.41 %)	1.75	7.07	6.80
Revenue	-	-	(0.75 %)	-	-	-
Revenue (mm)	6870.42	6819.00	-	6741.15	27231.98	27208.92

Currency: USD
Consensus as of Oct-18-2007 1:12 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2006	1.74	1.88	8.05 %
FQ4 2006	1.84	1.78	(3.26 %)
FQ1 2007	1.86	1.93	3.76 %
FQ2 2007	1.80	1.76	(2.22 %)

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Call Participants

EXECUTIVES

Dan Hale

George E. Ruebenson

Robert L. Block

Thomas J. Wilson

ANALYSTS

Alain Karaoglan
Banc of America Securities

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UBS Securities

Charles Gates
Credit Suisse

Daniel Johnson
Citadel Investment Group

David O. Lewis
Raymond James

David Small
Bear Stearns

Jay Cohen
Merrill Lynch

Jay Gelb
Lehman Brothers

Joshua Shanker
Citigroup

Matthew G. Heimermann
J.P. Morgan

Michael Phillips
Stifel Nicolaus

Robert Glasspiegel
Langen McAlenney

Tom Cholnoky
Goldman Sachs

William Wilt
Morgan Stanley

Presentation

Operator

Good day ladies and gentlemen, and welcome to the Allstate Corporation Third Quarter 2007 Earnings Conference Call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will be given at that time. [Operator instructions]. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Robert Block. Sir, you may begin.

Robert L. Block

Thank you and good morning and welcome to our third quarter earnings conference call. Today, Tom Wilson, Dan Hale and I will provide commentary on our results which we released yesterday. If you need a copy of the press release or our investor supplement schedules that can be found on our IR portion of the Allstate website. Following the formal comments, we will hold the question-and-answer session. We expect this call to last about one hour.

Please note that the following discussion may contain forward-looking statements regarding Allstate and its operations. Actual results may differ materially from those projected in these statements. For information on important factors that could cause such differences, see the Risk Factors section in our 2006 10-K, our second quarter 10-Q and yesterday's press release.

We may discuss some non-GAAP measures for which you will find reconciliations in press release and investor supplements available on our website. This call is being recorded and your participation will constitute consent of any recording, publication, webcast, broadcast of your name, voice and comments by Allstate. If you do not agree with these terms, please disconnect now.

A replay of this call will be available shortly after the call end. And all of our remarks are current only as of the date and time of this call. Finally, if you have any additional questions at the conclusion of the call, Investor Relations team will be available to handle them.

Now, let's begin with Tom Wilson. Tom.

Thomas J. Wilson

Good morning. Thank you for joining us. Our third quarter results continue our record of delivering balanced results in line with our commitment. Overall, I would characterize our results as solid performance in a competitive and volatile market. We achieved this success by sticking to our strategy and utilizing disciplined and decisive decision making. We also benefited from the investment decisions we made over the last several years.

Revenues increased $9 billion, a 3% increase over the third quarter of 2006, due to strong investment results. Our net income was $978 million or $1.70 a share. Operating income for the quarter was $1.54 a share, that's 18.1% below last year, which is primarily due to lower favorable prior year reserve related increased catastrophe losses, and an expected deterioration in our combined ratio when you exclude those two items.

Our return on equity for the last 12 months was strong at 23.2%. Book value was $37.45 per share, which is 7% above the prior year and 3% higher than the second quarter this year.

Let me walk through the main components of our business, and then Bob and Dan will go through some detail. Allstate Protection's multi-faceted strategy for profitable growth continues to work although, you can see the impact of heightened competition this quarter. The combined ratio of 86 for the quarter and 84.7 for the year-to-date when you exclude catastrophes and prior year reserve related continues to be within our expectations for the year. Margins on this basis did decrease in the quarter and George

Ruebenson's team is focused on both cost control and price actions to make sure we generate attractive returns.

Standard auto growth was off slightly, as we focused on controlling margins and competing on a broader front than just price. The successful rollout of Your Choice Auto continues, and we are now in 83% of the country with Florida being our biggest new state that we added to the list. We are making good progress in Your Choice Homeowners, and Allstate Blue, and additional consumer focused innovations are planned for next year.

We were pleased that our customers and shareholders did not have to experience any large hurricanes in the quarter. Our strategy to reduce our catastrophe exposure, however, has not changed and is on schedule. They were a number of smaller catastrophes reducing homeowner profitability, but the total was within our expectations. We are focused on homeowner loss costs and pricing, since frequency and severity increases when you exclude catastrophes remained higher than we would like.

Allstate Financial continues to successfully implement strategies to raise their returns. Fixed annuity sales were down 44% versus last year's third quarter, which reflects lower industry sales and our higher return requirement. They were higher, however, than the second quarter this year. Operating income was flat to last year's third quarter as higher spread and benefit margins were offset by investments in growth and a lower capital base.

The Allstate investment team had a truly outstanding quarter, particularly when you consider the difficult investment market. Net realized capital gains were a $121 million, as gains in the equity portfolio more than offset the negative impact of interest rate hedges and minor realized losses on fixed income securities. And that really reflects the strategy that we've implemented over the last several years and base which includes a disciplined and analytical approach to the market.

Our previous actions to reduce our credit risks served us well as spreads widened. The credit skills we applied to the selection of investment grade securities, backed by sub-prime residential mortgages. And I want to stop there for just second to say, a lot of times people talked about sub-prime with us. We invest in investment grade securities. They have to be backed by sub-prime mortgages. The skills we brought to that process benefited us unrealized, and these are unrealized losses on the portfolio being only 6% or $280 million.

So, if you step back in summary and in a competitive operating environment in rapidly changing investment market, it's necessary to make conscious trade-offs to achieve balanced result, and we did that well in the third quarter. The property casualty combined ratio, excluding catastrophes in prior year reserve releases is 84.7 for the first nine months, which is well within our full year expectation of 84 to 86 that we discussed at the beginning of the year.

Growth in the property casualty business was below target, but we remain convinced that our multi-faceted approach is competitively differentiating and we will drive long-term success. Allstate Financial is improving returns and our investment discipline and skills also served our shareholders very well this quarter and for this year-to-date as well.

So with that, let me turn it over to Bob.

Robert L. Block

Thanks Tom. Beginning with our property liability results, net premium written of $7.08 billion declined slightly from the third quarter 2006, while earned premium posted a small increase for the quarter. Top-line growth in auto insurance was essentially offset by a decline in homeowners as we continued to reduce our exposure to mega catastrophes. The impact from reinsurance ceded on the top line was negligible as the costs for the 2007 season stabilized with respect to those same costs for the 2006 season.

Underwriting income for the quarter was $617 million, a decline of $461 million from the $1.08 billion we posted in the third quarter of 2006. This decline was due to an unfavorable swing in prior year reserve re-estimates of $273 million, $81 million more in current year catastrophe losses, and the balance of that decline coming from underlying margin pressures.

The posted combined ratio for the quarter was 91%, versus the third quarter 2006 result of 84.1%. However, I must point out that the underlying combined ratio for the quarter was 86%, an excellent result relative to others in the industry. But, 1.7 points higher than our third quarter results of 2006.

We continue to record excellent underwriting results achieving profitable growth in a very difficult and competitive marketplace. Going at a deeper into the operations, we continue to grow our auto business with a 2.3% increase over the prior year quarter in Allstate brand standard auto, aided by increases in units and a smaller increase in average premium.

Your Choice Auto continues to be well received by consumers and has now been rolled out 46 states, Florida and Hawaii coming on board in the third quarter. The increasingly competitive auto market has had an impact on our new business generation and to some extent our retention ratio. However, we remain price competitive in the high lifetime value consumers markets.

Further, as we analyze the local markets, it seems that the prices have stabilized a bit as competitors react to loss cost pressures. We continue to believe that the best opportunity for profitable growth over the long run is to offer consumer choice at competitive prices. Utilizing sophisticated pricing structures and leveraging effective marketing campaigns, we can attract and retain profitable customers, winning at the local market level, driving long-term growth.

Shifting to a review of total auto loss cost results for the quarter, the statistics I will be quoting show up on page 19 of our investor supplement, if you want to follow along. The combined ratio for the Allstate brand total auto was 89.3% or an increase of 5.6 points when compared to the third quarter 2006. About half of that increase was due to reduced level of favorable reserve re-estimates, 50 basis points was due to increased cat losses, and the balance was due to lower cost increasing faster than average premium.

Specifically we experienced continued pressure in property damage frequency of 4.3% while bodily injury frequency flattened. Bodily injury paid severity increased 7.3% while property damage paid severity went up only 2.8%. To counter these trends in loss costs we filed and received approval for rate changes in 16 states averaging 4.4% on an annualized basis in the quarter. For the first nine months we have filed and received approval for rate changes in 28 states averaging an increase of 4.2% annually. This is in keeping with our philosophy of preserving margins to generate profitable long-term growth.

Quickly turning to the homeowner line, net premium written for the quarter fell 3% compared to the third quarter of 2006 to just over $1.7 billion, $1.59 billion for Allstate and $145 million for Encompass, as we continue to manage our exposure to mega catastrophes. The combined ratio for this line climbed to 92.5% from 77.7% posted in the third quarter of last year.

This increase was entirely due to more catastrophe losses experienced this year as well as a reduction in favorable reserve re-estimates. That said loss cost pressures have been increasing for a while and we have responded with rate changes and loss mitigation efforts to protect the margins in this line of business.

Finally, a review of Allstate financial results reveal the continuation of improvement in return for this business. Deferred fixed annuity deposit fell during the quarter relative to the third quarter of 2006 but did increase sequentially. This follows the general trend in the industry as well as our strategy to raise new business returns.

New sales of financial products for the Allstate exclusive agencies grew in the quarter to $704 million, an increase of 21.8% over the third quarter of 2006.

Operating income for the quarter was a $147 million flat with the third quarter 2006. Improvements in product margins were essentially offset by increased expenses and taxes. In keeping with the theme of approved returns ALIC or Allstate Life Insurance Company paid an $85 million dividend to its parent AIC in the quarter and expects to pay another dividend in the fourth quarter of approximately $240 million. That amount could be increased with the approval from regulators.

With that let's move on to Dan Hale for his commentary and investment results and other issues. Dan?

Dan Hale

Thanks Bob. I'll begin with a brief summary of our investment performance for the quarter including comments on our sub-prime related holdings. Then cover our catastrophe losses, after that I'll bring you up to speed on the results of the annual third quarter ground up discontinued lines reserve review. And then close view with additional comments on capital management actions and related balance sheet metrics.

As at the end of September our investment portfolios totaled a $121 billion with a net unrealized gain position of $2.6 billion about the same as it was at the end of the second quarter. Fixed income portion of that unrealized loss position amounted to $1.1 billion and was essentially flat with the balance at the end of June as well.

During the quarter our property liability portfolio generated $474 million on net investment income which was just 4.2% more than for the comparable quarter of '06. Allstate financial net investment income grew 2.2% to $1.1 billion. Net realized pre-tax capital gains for the quarter totaled a $121 million for the combined portfolios with $225 million of gains related to the dispositions of equity securities offset partially by $32 million of losses and dispositions and fixed income securities by $50 million of losses related to valuations and/or settlement of derivative instruments and by $24 million of investment write-downs. And none of those write-downs were sub-prime related.

And speaking of sub-prime related investments at the end of the quarter we had $4.4 billion on a market value basis of investment grade securities where the underlying collateral was sub-prime or residential mortgages and $84 million in collateralized debt obligation with some exposure to sub-prime holdings.

As I mentioned earlier none of these investments were other than temporarily impaired. We value these securities based on independent market quotations which were vetted by our internal valuation committee. At the end of September these securities had a combined unrealized loss position of $280 million compared with an unrealized loss of $44 million at the end of June.

As we said last quarter we expect to receive all our payments on these securities in accordance with their contractual terms. 93% of our RMBS securities are rated AAA or AA and only five securities in our portfolio have been downgraded since the end of the second quarter.

Our CDOs with some exposure to sub-prime collateral were also 93% AAA or AA and only one of them was downgraded since the end of June. One other CDO security was forced to liquidate and we received our full principal and interest payment.

And turning to our catastrophe losses for the quarter, they totaled $343 million or about 5% of earned premium. That $343 million also included $57 million for prior year hurricanes. Those increases were for additional expense reserves needed because those prior year hurricane claims are taking longer to close and have been assumed in our previous estimates.

Although ISO's property claim services estimates show a reduction in catastrophe losses this year versus last year and only six events in this year's third quarter versus seven last year. The National Oceanic and Atmospheric Administration or NOAA, their weather data shows that the number of hail and wind events increased 5% for the third quarter this year. That was more consistent with our experiences as our third quarter cap losses were up about $80 million as a result of 21 events.

When you consider the fact that there have been no major hurricanes, this has still been an active year for catastrophes. Our year-to-date cat losses totaled $937 million which is $406 million or 76% more than last year through the third quarter.

Operating liability prior year reserve re-estimates for the quarter resulted in a $52 million net strengthening of reserves. Including $69 million from discontinued lines and coverages and that $57 million mentioned previously for prior year catastrophes. Those amounts were offset partially by $74 million of favorable re-estimates of prior year auto claims severity development that was better than anticipated in previous estimates. For the third quarter last year there were $221 million of net favorable prior reserve re-estimates.

The discontinued lines and coverages segment includes $1.6 billion in reserves for exposure to asbestos and environmental claims. As you may recall during the third quarter of each year we perform a detailed and comprehensive ground up review of discontinued reserve requirements which includes assessments of claim activity trends and other characteristics of potential exposures.

Following this year's review we added $63 million to reserves for environmental exposures as a result of increased claim activity related to site specific remediation where clean up costs, estimates and responsibility for clean up costs have been more fully determined. Part of the increase reflected increased IBNR to cover future claims based on the recent increase in claim activity.

Additions to the reserve for asbestos amounted to only $6 million primarily for products related coverage. I should emphasize that we continue to be encouraged over the slower pace of the asbestos claim activity as a result of various state legislative actions and increased legal scrutiny for the legitimacy of claims.

In the third quarter last year we added $86 million for asbestos exposures. In the area of capital management actions we repurchased 14.4 million shares during the quarter for $773 million or $53.65 per share. A portion of those repurchases related to the settlement of our accelerated stock repurchase agreement initiated in the second quarter. So far this year we've repurchased 50 million shares for about $3 billion or $59.34 per share.

We still expect to complete the current $4 billion share repurchase authorization by the end of the first quarter of next year. At the end of this quarter there were $820 million remaining under the current authorization.

Our book value at the end of September, book value of $37.45 per share representing an increase of 6.8% over year ago. Excluding unrealized net gains and fixed income securities the increase was 9.7%.

Remember we generated those increases in book value per share despite the fact that our share repurchases over the past 12 months have reduced shareholders' equity by about $3.5 billion.

In addition, the adoption of SFAS 158 related to defined benefit pension accounting in the fourth quarter of '06 reduced our book value by $1.80 per share. Without that change our year-over-year book value per share growth would have been up another 5%.

Our return on shareholders' equity at quarter's end was 23.2%. This 21.2% for the operating income return which excludes unrealized net capital gains as a denominator

And finally we are reaffirming our total year adjusted combined ratio outlook within the range of 84% to 86%. Excluding catastrophes and prior year reserve re-estimates our adjusted combined ratio was 86% for the third quarter and it's been below 88% for the last 18 quarters.

On a year-to-date basis, it was 84.7%. Now Bob, I think we are ready for questions.

Robert L. Block

Okay, Matt if you can start the Q&A session.
Question And Answer

Question and Answer

Operator

Thank you sir. [Operator Instructions] Our first question is from David Lewis from Raymond James. Your question please.

David O. Lewis
Raymond James

Thank you and good morning.

Thomas J. Wilson

: Good morning.

David O. Lewis
Raymond James

Can we talk a little bit more about the prior year reserve development? If I understand correctly the homeowners was adverse $49 million but I assume that includes the $57 million that you put up from prior year cats, is that correct?

Dan Hale

Yes, that's reduction as far as reserves included the $57 million in prior year reserve re-estimates for the hurricanes.

David O. Lewis
Raymond James

So, if we can kind of look through that then maybe in future quarters, if there isn't any other adjustments there then that may actually be kind of a flatter number, if not even some favorable development. Is that a good way to look at it?

Dan Hale

Well I did say we did have favorable $74 million adjustment in the quarter for prior year auto claims severity development. And that was as a result of them being better than anticipated in previous estimates. So, again we look at the reserve positions in that each quarter and based on the indications what's happening on reported results we adjust accordingly.

David O. Lewis
Raymond James

So is that unreasonable to assume that on an aggregate basis you may have some favorable development continuing over the next few quarters?

Dan Hale

As I said we will continue to evaluate the reserve requirement. Hopefully there will not be any additional prior year reserve re-estimates for hurricane, but again each quarter will take a good look and make sure that we have an appropriate balance so that we are adequately reserved.

David O. Lewis
Raymond James

Very good thank you.

Dan Hale

Thank you.

Thomas J. Wilson

: Thank you.

Operator

Our next question is from David Small of Bear Stearns. Your question please.

David Small
Bear Stearns

Yes, good morning, just two quick questions. We have seen now few quarters where there's been a slowdown in new applications particularly in what you call your hurricane exposed states. Can you just maybe give us some of the things you are doing as a management team to address that?

Thomas J. Wilson

: Hi David, Tom Wilson. Yes I will. First, our overall strategy is to offer innovative consumer focused products at a fair price. So what do you around that? First, and that is not just in the non-cat states right, we do that everywhere if you are really talking auto insurance which is I assume where you are at, is... first is making sure we have good innovative product which is Your Choice Auto, we have been rolling that out. We also have Allstate Blue which you are seeing picking up a little momentum in this quarter and Your Choice Homeowners which is really only catching hold in the non-cat states, right?

So secondly, we always want to make sure you have a good price. And as Bob mentioned, we look hard at the prices. We have some new sophisticated modeling technology to enable us to look at where we are priced well. And when you look at the high lifetime value segments which, where we are targeting, we are very competitive in those states and we like our win ratios there.

If you look at the low lifetime value segments, these are people who shop a lot more in... much more focus on price, we are not very competitive when you look at those. If you look in the middle I would say we are in a balanced position. So, when you look at the combination of good products and pricing, we feel good about that. Obviously advertising is important as well, and we continue with our very successful advertising program and we have put a bunch of money in it.

I do think David that the increase in advertising that you are seeing in the industry has started to have some impact on retention ratios, both I think it's obviously our retention ratio is down a little this quarter. And, I suspect you will see that with other people as well. The reason I say that is our quote levels are way up this quarter. So, the offset today is of course you're taking it more do business. So, good marketing, differentiated product, good pricing and then making sure you treat your customers well, it's a last piece of that and we've been working hard on a whole long list of customer loyalty efforts as well.

David Small
Bear Stearns

And then maybe if I can just ask you a follow-up, on the last quarter call you indicated that severity even though it popped up in the quarter. But you look at the rolling twelve months in your pricing, is it where it was within your pricing ranges? Now we've seen two quarters in a row with severity looks all a bit high, are we still within your pricing for... where you are pricing for this?

Thomas J. Wilson

: Well I assume you are talking about bodily injury severity?

David Small
Bear Stearns

Yes.

Thomas J. Wilson

: Okay let me... George Reubenson who as you know leads Allstate Protection, and also led our claim organization for five years before that. He is here. George, maybe you can.

George E. Ruebenson

Yes just a couple of comments. First of all in bodily injury, I do think that six months increase is more than we have seen in the past and actually more than we would like to. But I think you really have to look at the history of it. We have a long proven history of being able to handle bodily injury claims. But having said that there are a couple of things that are going on. One of them is that we've had medical inflation in the 4% to 5% range. This year we've also had a mix of all the report years [ph]. I know we don't disclose report year information, but in the quarter we had more older higher priced claims that happened to be settled. So with those distorts numbers a little bit.

But maybe more importantly is, the question of what does it do to our margin? Bodily injury is about 25% of the entire auto premium. Property damage in collision is about 55% we are running much more modest increases there. And I think that we have an integrated profit management process at the local levels. In every one of our states we have local market operating teams that are keeping an eye on this, and as Bob referenced in his opening comments we have already taken quite few rate increases and in those states about 4% to 4.5%. So we believe that we are going to be able to take rates that are going to cover the increase in several of the pure premium areas.

David Small
Bear Stearns

Okay. Thanks.

Operator

Our next question is from Bob Glasspiegel of Langen McAlenney. Your question please.

Robert Glasspiegel
Langen McAlenney

I actually was going to focus... good morning. I was actually going to focus in on frequency which standard auto was the first uptick for BI, and property damage was taken up. And so the question is, is the gravy train of favorable frequency sort of playing out, and does that link to the... to reserves not being good... to a greater extent going forward?

Thomas J. Wilson

Bob, this is Tom. Good morning.

Robert Glasspiegel
Langen McAlenney

Good morning.

Thomas J. Wilson

Let me... I guess let me answer your question a couple of different ways. First the gravy train I think it depends... we don't really see it as gravy train, we see it as... those are trains we react to, and we factor in. If you look at the long term 8, 10, 15 years frequency has gone down. And we see that trend continuing. But safer cars, more house... cars per household, older drivers all concept. So we see that trend continuing.

If you look at this quarter or this year it looks a lot more like '04 and '05 than '06. So particularly when you look at whether you look at gross your net frequencies, it's looking a lot more like those years. So I wouldn't say that the long-term trend has churned and we expect to see people getting into more actions. So longer term things are still in place. I think what you just see is that '06 was an abnormally low year. As it relates to... of reserves, our frequency really doesn't have a whole lot of impact on reserves because you know what you got, it impacts your... incurred but not reported a little. But it really has little impact on the reserving.

Robert Glasspiegel
Langen McAlenney

Okay. If I could follow-up you seem to drop a cuddle of, we may have to adjust pricing on auto to the trends that are happening which I did not know as if I am over reacting over analyzing but, was that a signal that, that you may have to be a little more aggressive in taking some right actions?

Thomas J. Wilson

Yes, I think what Bob... I think what George said Bob was that is... we have... and it's an ongoing process that we don't. George's team is doing that by state is what he said, and they have people looking at by territory by coverage, ripping it apart and they make changes when they can. So, I think what George is saying, I think George, you see it in the number already.

George E. Ruebenson

: Yes it's already there and that if we see upward pressure we'll continue to take rates where appropriate.

Dan Hale

As Bob indicated in his opening remarks, in 28 states increases averaging 4.2% so that is part of our strategy to file in appropriate.

Robert Glasspiegel
Langen McAlenney

Thank you very much.

Thomas J. Wilson

: Thanks Bob.

Operator

: Our next question is from Jay Gelb of Lehman Brothers. Your question, please.

Jay Gelb
Lehman Brothers

: Thanks and good morning. Tom, I was wondering if you could talk about the adjusted combined ratio trend. The goal was 84 to 86 for this year, and Allstate's already at the high end of that range. What steps are Allstate going to take to prevent that from pushing through the high end of the outlook as you look forward?

Thomas J. Wilson

: Good morning Jay. First, the 84 to 86 we always meant it to be an annual number and so not a quarterly number. And we are at 84.7, so I might have a slightly different shade on the... we're at the high end of the range. Secondly, what are we doing to make sure we've maintained margins? Let me maybe start with sort of what's the overall competitive environment so that it might be helpful to set some context and then we'll go into the things that we've mentioned.

First, if you look at the overall pricing environment, because that's where a lot of people are focused. And if you look at State Farm, Geico, Farmers, Nationwide, what you would see is State Farm took almost all decreases this year. You would see Geico's taken a lot mostly decreases probably in the 80 plus percent range, and I am just looking at by state. I am not weighting it, I am not doing percentage up or down, I am saying what was an increase, what was a decrease. So what you would find is Farmers has taken a lot more increases than decreases. And you would see Nationwide has been about 50-50.

If you look at it by quarter, you would see that the first quarter had probably three times as many decreases as increases. You would see that the second quarter had two times as many decreases as increases, and you would see in the third quarter there were actually fewer increases than decreases. So, what that says is price competition focused with a couple of companies and that... in that... those decreases have moderated as we have gone throughout the year. Keep in mind that about half of the business comes from people who are not in the top five, and I didn't quote Progressive because I don't have decent numbers on them right now. But... so that kind of gives you some sense for our pricing.

And then let's go over to the loss side, and if you look at fast track, and what's happening there, other companies are seeing the exact same trend in frequency and severity and in some cases on average in fact, higher than ours, which says that their margins are probably lower than ours. Then, what are we doing in that environment, right? So we talked about having things like duatory [ph] where we get higher average premium. We talked about great advertising. We talked about taking price when we needed. We have talked about controlling claims and having next-gen claims and rolling that out. So, all of our strategy we think continue to be appropriate and will help us achieve balanced results in this environment. Is that helpful?

Jay Gelb
Lehman Brothers

It is. Thanks very much for the answer.

Operator

Our next question is from Joshua Shanker of Citi. Your question, please.

Joshua Shanker
Citigroup

Good morning everyone.

Thomas J. Wilson

: Good morning.

Joshua Shanker
Citigroup

Hi. Few questions. One is regarding the marketing budget for 2008 versus 2007. Can you give us some color on where you think that your ad spend and market exposure is going to be? And two, some details on progress in finding out top management for your direct brand and I'll interested to know where you see that being three years from now.

Thomas J. Wilson

Okay. Josh, did the marketing people ask you to ask that question? I am kidding. Josh, I think you should continue to see us be aggressive in our marketing next year. I think you will see us tighten up our targeting a little bit because as you look at the increased shopping behavior, we need to make sure our marketing is targeted towards those high lifetime and medium lifetime value customers as opposed to low lifetime value customers because we have much higher close rates when we look at those segments. We'll make a few changes in some sponsorships that we're doing but you should expect to see us continue along with the... our stand approach with heavy advertising behind it and then broader local marketing. You should also expect to see us introduce some new products next year, to build on the success we've had in Your Choice Auto, Your Choice Home and Allstate Blue.

In terms of direct, you are correct. We have been looking for someone to lead that business for us. In the meantime, George is... has that team highly focused on increasing volumes and they have made great progress continuing to increase that business this year.

Joshua Shanker
Citigroup

Bob, would it be incorrect or not yet known to say whether or not 2008 will be a higher year for Aspen and Allstate than 2007, or is that still not yet determined?

Robert L. Block

I would say, we don't know yet Josh. We're... I don't think you would expect to see us go down given what's going out with media prices and the things in the marketplace. You wouldn't expect to see it go down given with State Farm, Geico and Progressive are doing in advertising, how big increase it is, is something we're still trying to work our way through.

Joshua Shanker
Citigroup

Okay. Thank you very much.

Operator

Our next question is from Dan Johnson of Citadel Investment Group, your question please.

Daniel Johnson
Citadel Investment Group

Thank you and good morning.

Thomas J. Wilson

: Good morning.

Daniel Johnson
Citadel Investment Group

Can you talk a little bit about the reserve additions for the '05 storms? Can you talk a little bit about what drove that? And then secondarily, can you talk a little bit about if the releases from '06... the releases that we saw in '06 were those related to '05 storms or '04 storms? Thank you.

Dan Hale

Dan, the increase that you saw this quarter $57 million as I mentioned it was related to expenses for those basically '05 hurricanes and principally Katrina, as it's taking longer for those claims to be settled and we are forecasting out a longer period. So it requires an increase in provisions for those reserves. We've had some ups and downs in the reserves re-estimates since the initial reserves were set flowing '04 and '05, but net net each quarter, again we look at what is required and as of this point in time we think we are adequately reserved for both years.

Daniel Johnson
Citadel Investment Group

So, let me go back and ask the question here again. The reserve adds for this year you said you have of course higher expenses. Are you talking about LAE or are you actually talking about higher loss expectations?

Dan Hale

It's more LAE kind of expenses.

Daniel Johnson
Citadel Investment Group

Great and then from the storms from... are the releases from last year, were those driven by '05 adjustments or '04 adjustments?

Dan Hale

There were some of both as I recall but I would have to take a good look at hat Dan.

Daniel Johnson
Citadel Investment Group

I can follow up offline. Thank you.

Dan Hale

Yes if you would. Great thanks.

Daniel Johnson
Citadel Investment Group

Yes thank you.

Operator

Next question is from Charlie Gates from Credit Suisse. Your question please.

Charles Gates
Credit Suisse

Ah, yes sir. In follow up to your comment or one of your's comments in your introductory remarks, pricing has stabilized in the local markets as competitors witnessed deteriorating results. Could you elaborate on what you saw again in the third quarter because I think that was garbled?

Thomas J. Wilson

Oh, I am sorry, Charlie this is Tom. Even the question that Jay had asked or...

Charles Gates
Credit Suisse

Yes, just again would you go through basically how you saw the environment?

Thomas J. Wilson

Sure, I'll do it again. What I did Charlie was we looked at price changes by state, by competitor right in the stuff we had. So I don't... I don't have everything they do but we can look what they have done publicly. And we just said simply did State Farm increase it or decrease it, right? And we did it both by company and by quarter looking at State's. And what you would see is at State Farm took almost all decreases and I think there was like one increase that I saw. Geico took mostly decreases and maybe it was like 10%-20% increases. Farmers took a lot more increases than decreases. And Nationwide was about equal. So what does that say in general? I am not... is that you see most of the price competition coming from State Farm and Geico, you see other participants like Farmers and Nationwide in a different position. And so... and then I ask... you also have to factor in about half of the business comes from non-major carriers if you look because about half of the business is there and that's where we get lot of our business.

So when you're looking at pricing you can't just focus on State Farmer, Geico you have to look at the overall market. When you look at it by quarter, Charlie what you would see is the first quarter had three times as many decreases as increases. You would see the second quarter had two times as many decreases as increases. And you would see in the third quarter that there were fewer decreases than increases. So what does that say? It says that the number of decreases has gone done as we've gone through the year. That's what we're exhibiting. I don't what that speaks of the future but what I can say is that when you talk to the people on a local market, they would say that there is not... the number of price decreases has moderated. I put on top of that the fast track results which only go to the second quarter. So you're kind of matching apples and oranges here. That other companies appear to be having the same increase in frequency and severity that we have and then on average its actually impact looks like it's higher. So that tells us that we have the confidence to continue to stick with our strategy which is innovative products for customers, offering good value. Charging higher prices when our cost trends tell us we should charge higher prices. Is that...

Charles Gates
Credit Suisse

That was great.

Thomas J. Wilson

Okay.

Charles Gates
Credit Suisse

Thank you very much.

Thomas J. Wilson

I amsorry I garbled it last time. Sometimes I am trying to talk fast to you guys.

Charles Gates
Credit Suisse

Thank you.

Operator

Our next question is from Michael Phillips of Stifel Nicolaus. Your question please.

Michael Phillips
Stifel Nicolaus

Thanks, good morning everybody. I guess good question following up from the last one here. And it's the classic growth and margin question related to your standard auto business. Your margins are... I would say better than a lot of your competitors and on the other side you're growing yet taken modest increases whereas, as you just said first quarter second quarter there are more decreases than increases. So how do you think about... one could say you could give more growth if you weren't taken some increases as much as you were and so how do you think about that balance? I hear you with your goals for this year with 84-86 overall, but kind of going into next year how do you think about that balance?

Thomas J. Wilson

Well, Michael thank you for that comment, actually sounded positive which is one of the first few things that I have heard.

Michael Phillips
Stifel Nicolaus

It was not the best yes.

Thomas J. Wilson

: Yes thank you. As... I feel good about the quarter. It's a tough environment we are working hard but we are sticking to our guns and we are making good decisions. And it's really... note our decision process is really the same as always been which is to more profitable growth. We're not going to grow and lose money, we don't think that make sense. We think where we are at we can profitably grow from here. We do recognize that the returns in the standard auto business have been high, and that they were going to come down a little bit which is why we talked about 84 to 86 through the year. And we said that average price increases will be less than what we think the frequency and severity increases will be in terms of total costs. But we think we can manage our way through that and we feel like we are doing that and you can see that if you look at our average premium was up above 1% this quarter, which is higher than it was in the prior quarter and higher than our competitors. So I can't speak for what they are going to do but I can say what we are going to do is we want to continue to achieve profitable growth.

Michael Phillips
Stifel Nicolaus

Okay that's fair. You can take in kind of these modest increases overall. Kind of in general for auto and for a couple of quarters, it seems like and all the while some of your major competitors haven't been doing. So you are still growing that growth. Can you talk about where the PIP growth is coming from an auto?

Thomas J. Wilson

All right the PIP growth in standard auto?

Michael Phillips
Stifel Nicolaus

In standard auto yes.

Thomas J. Wilson

: It's coming from... it changes by state of course and let me maybe come back to that the modest increase. I think something George said this is George is doing this by state. So each state has its own plan, its own strategy. So in fact in New York we have twelve different strategies, we have strategies for downstate, upstate, urban areas. And so when you step back and look at it in total, we feel very good about our growth in the Southeast. California we are off a little bit but still growing, because we are in a debate with the insurance department as to what our prices should be, which we probably will end up lowering price in California auto jurisdiction. So yes sometime late this year or early next year. But so California is off a little bit, Texas is off a little bit. New York we are still doing well, New Jersey we are doing well. So, it varies by state. The big states continue to be the battle grounds for... with most of the companies and but... So, each state is a different story, I don't know how to really answer though than to say we fight them each block by block.

Michael Phillips
Stifel Nicolaus

I'll try and appreciate it, Tom.

Operator

Our next question comes from Matthew Heimermann of JP Morgan Securities. Your question please.

Matthew G. Heimermann
J.P. Morgan

Hi good morning everyone.

Thomas J. Wilson

: Good morning.

Matthew G. Heimermann
J.P. Morgan

Couple of questions. First it was about 3 years ago I think when you... as you were going through your capital management thought process, where you ultimately increased the dividend by I think about 20% after kind of more 10% in previous years. As we go into next year and given some of the things we are seeing in the margins and the like, are you thinking the mix of buybacks or dividends at this point?

Thomas J. Wilson

Matt, we do this, we already do it in February. We sit down look at the dividend. Our track record has been to increase it every year. We did do that 20% increase which is really in reaction to the change in the tax laws, didn't appear to do much the stock price, would be my answer. So, but I think you should expect to see more what you got from us absent any change in the environment. But right now, we are feeling pretty good about the plan we have in place. Dan is working way and finishing up the share repurchase program we have going in when... if you look at the timing of that we've kind of set that all up. So it happens in the first quarter.

Matthew G. Heimermann
J.P. Morgan

And then another quickie was on the loss cost trend side, are there any differences between what you are saying and your choice customers versus the rest of the book?

Thomas J. Wilson

Let me tell George to take that.

George E. Ruebenson

No, actually we're not. Your choice, we have a pretty good up sale. So we do see some small variations as far as the limit, the values of the cars, but as far as the year-to-year trends, no.

Matthew G. Heimermann
J.P. Morgan

Okay, and then one final if I can sneak in. There's been a lot of run-up companies that have been popping up in places to deal with asbestos. Is that something... would you consider trying to sell some of those reserves? And has any one approached you to date on that?

George E. Ruebenson

No one's approached us to try to buy it back. I suspect we probably would not find that attractive. Typically what happens in lot of those times is people trying to work out a balance sheet item and want some ramification as opposed to trying to get where it is. We think we're adequately reserved. We like the money. We like the processes we have in place now. That said we do go back and do commutation which is in a sense the same economic answer that you are talking about... and we do that all the time. I don't maybe Dan, you have some view as to what we are doing on commutation is that...

Dan Hale

No we have defended it to pursue opportunities to commute where it makes economic sense and negotiate settlements that are appropriate. So I think you're right. Somebody did want to come in and offer us a huge premium though we would certainly want to talk to them.

Matthew G. Heimermann
J.P. Morgan

Fair enough thanks.

Operator

Our next question is from Brian Meredith of UBS, you question please.

Brian R. Meredith
UBS Securities

Yes good morning, two quick questions, for you. First one, the BI severity, I know we have... we talked about kind of what's going on with BI severity on this call. The question I have is that the trends at BI severity continue here. What is the impact on reserving? I think that has a much bigger impact on your reserving than let's say frequency would have. Am I correct in that assumption?

Dan Hale

Well we continue to look at what they are. Overall as we discussed with you in the past, each quarter we do an in-depth review of our reserves, our coverage by state or group of states by reported year and to be sure that our recorded amounts are consistent with the paid and the current trends that we are seeing. In this quarter as you saw we did have the $74 million favorable re-estimates for auto claims severity. So overall we think our severity trends are clearly within previous and current inflation assumptions and we'll continue to look at what the assumptions are. If they change going forward and what the rate changes are they are able to get as far as pricing.

Brian R. Meredith
UBS Securities

Right but am I correct in saying that the BI severity is a big component of what you are looking at in determination of whether you've got a reserve release in auto part?

Dan Hale

We look at all our coverages. I think as George indicated percentage of the book was about 25% as opposed to property damage about 55% and weight it that way and see we just look at the changes in severity for total auto for the quarter, that's a little less than 4%. When you look at it that way, that's overall again we're very comfortable where we are on the pricing assumption.

Thomas J. Wilson

: The difference still is we use report year in setting reserves which you see as paid which has some mix of report year. So it's got some '03, '04, '05, '06, '07 in it and just to double under... triple underlined what Dan said if Dan thought for fourth year numbers were outlined he wouldn't release reserves this quarter.

Brian R. Meredith
UBS Securities

Got you. Okay it makes sense thank you. And then second question, I noticed that your other underwriting expenses are up, I think 6, little over 6% this quarter versus being down the last two quarters. Anything unusual in the quarter?

Thomas J. Wilson

: No, in terms of underwriting expenses, we continue to be focused on underwriting expenses to make sure we have a competitive price, little more in marketing this quarter than in the prior quarters. And also keep in mind that when average premiums are not going up much and you are paying people more and in effect what you will see your expenses, if you can keep your expense ratio flat, we're actually increasing expenses at less than inflation which we are doing by off-shoring jobs, technology work by cutting expenses in various parts of the business.

Brian R. Meredith
UBS Securities

Great and the last question, homeowners loss mitigation you said, can you tell us some of the stuff that you're doing to try to get the severity number down?

Thomas J. Wilson

Well, Brian at first severity number should be, what it's going to be, because we should pay for right amount of people. So we don't look at reducing severities as the way to improve profitability. What we do is look at the way in which we settle claims or loss costs and that sort of stuff and make sure that we have good consistent processes as they give customers the amount of money they need. And George, maybe you want to talk about that. And second, the other piece to it though is to the extent you feel like you have good control over your costs and what George also said... or Bob, maybe Bob said in his comments. You look at the average price increases in homeowners and you will see that there is a lot more there than there is in auto because we are reacting to these trends which everybody else is seeing as well in a much less competitive market. George, I don't know if you want to talk about claim practices.

George E. Ruebenson

Yes the claim practices that I alluded to as far as bodily injury, we have had the same success, actually in homeowners. If you look at our fast track over a long period of time we significantly outperformed the industry. One of the issues to keep in mind on severity for homeowners is about change in deductibles and change in the value of the home. We have been writing more higher value homes to take those two factors together mathematically that adds about 8% to 9% to severity. The severity numbers that you see are also incurred severity or paid severity, they don't include the closed without payments. We had an increase in that and it is... when you adjust for that, we are more in about 10%, 11% range than we are in the higher range. So, we are pretty close to what the inflationary pressures are.

Brian R. Meredith
UBS Securities

Got it, thank you.

George E. Ruebenson

: Again, we are taking rates wherever we think it's appropriate.

Brian R. Meredith
UBS Securities

Thanks.

Operator

Your next question is from Tom Cholnoky of Goldman Sachs. Your question please.

Tom Cholnoky
Goldman Sachs

Good morning Tom. I was... I guess my question really comes down to your ability to actually get rate increases. I mean if I look at some industry data, if you look over the last 10, 11 years, auto is kind of run around in the mid 70's loss ratio, you are well below that. And I guess how do you sell rate increases to various state regulators? When you are generating 20 plus percent ROEs, you are in the mid 60's or so in round numbers of a loss ratio, I guess I kind of find it hard to how you end up selling that.

Thomas J. Wilson

Well, Tom good morning. First, I would tell you every state is different. So, in Illinois there is a lot of pricing freedom. If you go to California there is not pricing freedom. So, everyone is different.

Tom Cholnoky
Goldman Sachs

Right. No, I understand that but I mean in the states where you clearly have to get approval.

Thomas J. Wilson

Wellcouple of things are different. First then they were back a long time ago, which is you see relatively modest or flat or in some cases declining prices in auto insurance in most states. So, that takes the political pressure off. The phones are not ringing in the department of insurance and saying why is my insurance going up by 10% when I haven't had an accident. So you have a much more benign overall environment in which to maneuver and make changes.

Secondly, the changes we're talking about are not so high that they're shocking anybody. I mean if you take an average of $600 and you apply 5% to it you're talking about 30 bucks for 6 months. So it's not like you are bankrupting anybody by it. Thirdly, there is a lot more price sophistication today. So in even 7 or 8 years ago, regulators had much greater capability to be able to look and control the prices. When you're using algorithms which are very sophisticated it's a lot harder for them to be able to get in. So, I don't want you to charge $5.75 in this particular area because algorithms are lot different.

So and then thirdly it's about making... lastly I guess it's about offering innovative products in which our overall price level is. So, when you have something like you virtually saw that what is different than everybody else and then you have to look at where your price is relative to the other people in the marketplace. And that's where I go back to the comment that Bob made and I made about. We feel like we are competitively priced in the high lifetime value segments which is where we want to be priced. So, yes, a lot of times people start talking about increases and decreases and they forget the focus on the fact. We have this issue with some regulators as well.

Now forget the focus on the back, but what's the absolute downs? I mean if we have a conversation with regulators before, it will take extra for the decrease of 5 points. Now it will be like if 5 is high, as they were... I would take a decrease of five points too. The good news is that we are a lot lower than them. So taking in increase is not necessarily a bad thing. So we feel like it's worked okay, is our pressure, yes. But sometimes people make a political issue out of it so they can get some votes, yes. Will we have some places where they negotiate it down? Yes. But overall, do I think that changes are strategy of making sure we have good profitable growth to differentiate the product? No.

Tom Cholnoky
Goldman Sachs

But should I think in... when I think about your accident year loss ratio. Should I think that this is the worst that it is going to get, given that you are taking these aggressive actions?

Thomas J. Wilson

Tom, we moved away from giving guidance.

Tom Cholnoky
Goldman Sachs

No, no I understand that very clearly. But you fixed it... if you've reported a certain accident year ratio and you are also telling us that you want to get rates up. It would suggest that you kind of reached an intolerable point with respect to any marginal erosion.

Thomas J. Wilson

: Tom I can't answer that question because every state is different.

Tom Cholnoky
Goldman Sachs

Right.

Thomas J. Wilson

: Secondly, the concept that we are at in intolerable point where we are earning the kind of returns we are in standard auto doesn't feel right to me.

Tom Cholnoky
Goldman Sachs

Okay.

Thomas J. Wilson

: We are earning good returns in that business. And so it's not like... you know if you had said to me we are losing money, then I'd say yes that's intolerable. If we weren't earning across the cat, I'd say that's intolerable. But given the returns we are operating at, yes I think we have earned the right to have a flexibility to run our business in a way that achieves profitable growth.

Tom Cholnoky
Goldman Sachs

Right, right. No, I am just trying to understand where your goal is in terms of margins that's all. Okay great. Thank you.

Thomas J. Wilson

: Thank you.

Robert L. Block

Thanks Tom.

Operator

: The next question is from Alain Karaoglan of Bank of America Securities, your question please.

Alain Karaoglan
Banc of America Securities

Good morning. Could you remind us what are your financial goals from a return on equity point of view operating leverage and financial leverage? And essentially what does that mean in order to achieve these goals from a combined ratio and personnel auto?

Thomas J. Wilson

: Well, I think if there is a player there's a whole bunch of pieces to that equation. Let me start with the capital structure and... what you see is we've had relatively modest leverage in our balance sheet and that's where we are today. We've always said if we feel comfortable, if we need to, we can take on much more debt than we have today. But we have to have a good use for that money and we haven't seen that to date other than to continue to buy back shares. So, if you want to start with a leverage piece.

In terms of the return on equity, I think our stated goals, long time ago were 15%, our return on equity and you can... we have obviously done much better than that, and we are not out quoting sort of what return on equity targets we have just like we don't want to give guidance for you. I don't want to back into the guidance by giving you some other number. Just like to say that, we like our returns on equity in the level they are at today and we are working hard to maintain them.

In terms of what combined ratio does that translate into, that would require us to... if we would have to have conversation about cats and all that kind of stuff. So, what I would suggest is if you need some help with your model Bob or Phil can help you get through that.

Alain Karaoglan
Banc of America Securities

Actually I don't need help with the model. But Tom, but I was focusing more that if your ROE goal is 15% that would suggest that the combined ratio in personal auto could be well above where it is today and you can still achieve your goals and so shouldn't we expect some margin... and I know you like the margins and the returns today, but shouldn't have suggest that you should continuing margin deterioration going forward?

Thomas J. Wilson

If you suggest, we have not quoted a combined ratio goal like some of our competitors that we're seeking to get to... we prefer the flexibility to run our business with looking at both profits and growth and how do we drive up for our shareholder value, so we don't have a simple formula that we use that way.

Alain Karaoglan
Banc of America Securities

Okay. Thank you very much.

Thomas J. Wilson

: How about two more questions.

Operator

Our next question is from William Wilt of Morgan Stanley, your question please.

William Wilt
Morgan Stanley

Hi, good morning. I will just keep it to one quick one. The source I was using for measured media spending had Allstate down about 15% year-on-year through the first of '07, I guess a) do you agree that's order of magnitude to correct that decrease, it is off of a pretty tough comp because I think you increased advertising spend significantly in the first half of '06 but a) is that directionally about right and b) do you did that might have contributed to the slowdown albeit a slight in PIP growth in the first half, for the first three quarters of the year? Thanks.

Thomas J. Wilson

Bill, this is Tom, first, on an overall basis we will spend more in marketing and more in advertising this year than last year, and when you're looking at '07 versus '06, in the beginning of '06 if my memory serves this right we put a whole bunch of money in January and parts of February to put a launch behind your choice auto. Even though we didn't have it in all the states at that point we made to call that we wanted to broaden and precede the market and get in. So that would just be a timing issue as it relates to that piece and what was the second part of the question?

William Wilt
Morgan Stanley

Just wondering if you think that you are seeing the obvious slight slow down, you acclaimed part of that, but do you think that that's contributed to the gradual slowdown in PIP growth?

Thomas J. Wilson

I don't think it's the decreased advertising. When you get into sort of share voice, share spend there are all kind of different measures we use. Although economically we like what are advertising and marketing is doing for us. We think we are getting positive returns of it. I think what you are seeing is with the increased levels of advertising in the industry which you have talked a lot about in your reports is really starting to drive more shopping behavior. And that was as I said our quotes were way up in the third quarter, and I suspect that, that can't just be because our advertising is good. I suspect everybody is close to us. At the same time if you look at our attention it's down a little bit and in a short-term I would prefer that our items in force have gone up in the third quarter rather than down 50,000 out of 80 million. But I think it actually placed our strength because as people are shopping we have something nobody else has Your Choice Auto. We have a great advertising program. We have a great brand, we have got 30,000 people out there who only sell our stuff. So I think on a longer term basis increased shopping behavior will work to our advantage. Did it work to our advantage in the third quarter? Hard to tell, you can't do a variance analysis and get that close on 50,000 out of 80 million.

William Wilt
Morgan Stanley

Yes that's great. Thanks very much.

Operator

Our final question for today is from Jay Cohen of Merrill Lynch. Your question please.

Jay Cohen
Merrill Lynch

Yes two that haven't been answered. The first is with Allstate Blue when did that initiative really kick in? And when would you expect to see the non-standard premiums begin reacting to it? And then secondly based on your conversations with reinsurance participants would you expect to see your reinsurance costs going down in '08 assuming no major changes in the programs?

Thomas J. Wilson

: On Allstate Blue, George we're in 11 states now?

George E. Ruebenson

: Yes. Two more this year.

Thomas J. Wilson

: Two more this year and I'd say, you know that's you should expect to see that business turn probably some time late next year. Is that time right, George?

George E. Ruebenson

: Yes.

Thomas J. Wilson

: I guess in terms because right now we're still losing more than we're adding.

George E. Ruebenson

: Yes but we'll double the number of states in '08 and towards the end of next year we shouldn't see an upturn and non-standards overall.

Thomas J. Wilson

: On reinsurance remember we have some programs which come up for renewal this year some of which are extended beyond that period time but we would certainly expect that our reinsurance partners find a way to reduce our cost substantially since of they have had a good couple of years here. How about Dan, you can pass that along to them for...

Jay Cohen
Merrill Lynch

I'll mention that. Won't do any good but I'll mention that.

Thomas J. Wilson

: We can always use the help. Great questions and dialogue, let me close with a couple of thoughts. First our multi-faceted strategy, good operational focus and the decisive actions have enabled us to generate both attractive returns and meet our commitments. And I don't want to go pass that well I think we didn't really talk about investments this quarter but we had a great investment quarter. Secondly the strategies where we're leveraging our brand our market position, the investment capabilities, analytical skills have worked well in this environment our consumer focus is differentiating versus our competitors and it's winning in the market place. So this is a very powerful company we've a great team and we expect to continue to winning. So we look forward to seeing you throughout the rest of the year. Thanks again.

Operator
Ladies and gentlemen thank you for participating in today's conference. This concludes the program. You may now disconnect. Good day.