S&P Capital IQ

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Kemper Corporation NYSE:KMPR

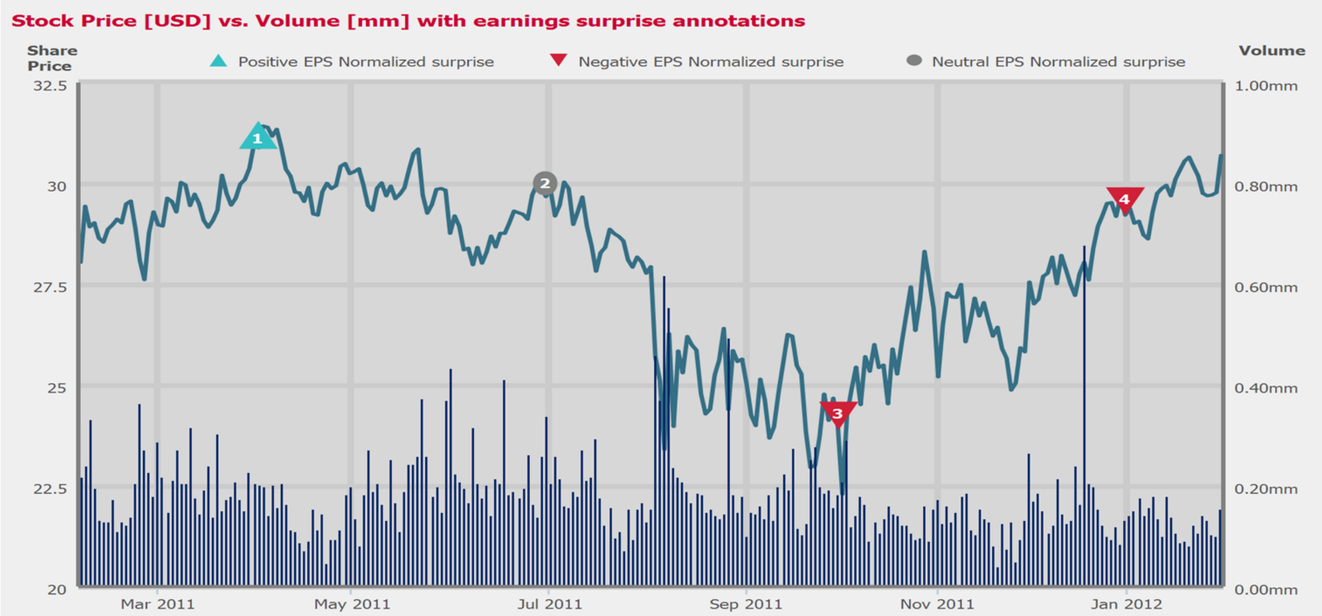
FQ1 2012 Earnings Call Transcripts

Tuesday, May 08, 2012 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2012-			-FQ2 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.53	0.60	▲13.21	0.55	2.21	2.52
Revenue (mm)	617.61	611.20	▼(1.04 %)	619.31	2450.63	2486.50

Currency: USD
Consensus as of May-08-2012 1:28 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	0.65	0.92	▲1 41.54 %
FQ2 2011	(0.42)	(0.03)	NM
FQ3 2011	0.51	0.16	▼2 (68.63 %)
FQ4 2011	0.70	0.42	▼3 (40.00 %)

Call Participants

EXECUTIVES

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Diana J. Hickert-Hill
Vice President of Investor Relations & Corporate Identity

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

ANALYSTS

Chris Leikhim

Paul Newsome

Ryan J. Byrnes
Macquarie Research

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Kemper's First Quarter 2012 Earnings Conference Call. My name is Tyrone, and I will be your coordinator today. [Operator Instructions] As a reminder, the conference is being recorded for replay purposes. I would now like to introduce your host for today's conference, Ms. Diana Hickert-Hill, Vice President, Investor Relations and Corporate Identity. Ms. Hickert-Hill, you may begin.

Diana J. Hickert-Hill
Vice President of Investor Relations & Corporate Identity

Thank you, operator. Good morning, everyone, and thank you for joining us. After the markets closed yesterday, we filed our Form 10-Q with the SEC and issued our press release and financial supplement. You can find these documents on the Investors section of our website, kemper.com. This morning, you will hear from 2 of our business executives, starting with Don Southwell, Kemper's Chairman, President and Chief Executive Officer; followed by Dennis Vigneau, Kemper's Senior Vice President and Chief Financial Officer. We will make a few opening remarks to provide some context around our first quarter results. We will then open up the call for a question-and-answer session.

Please note that our discussion today may contain forward-looking statements. Our actual results may differ materially from these statements. Please refer to our Form 10-K filed with the SEC on February 17, 2012, as well as our first quarter 2012 Form 10-Q and earnings release for financial information on potential risks associated with relying on forward-looking statements.

This morning's discussion also includes non-GAAP financial measures that we believe may be meaningful to investors. In our 10-Q, supplement and earnings release, non-GAAP financial measures have been reconciled to GAAP where required in accordance with SEC rules.

And now, I will turn the call over to Don Southwell.

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Thank you, Diana, and welcome, everyone to our inaugural earnings call. We've been taking several steps over the past couple of years to expand communications with our shareholders. These quarterly earnings conference calls are part of our efforts to the increase interactions with both investors and analysts. On today's call, I'm going to talk about 3 topics: First, the status of our business priorities; second, an update on how each of our businesses performed, including our shared services functions and our investment results; and third, our progress on capital management.

Starting with our business priorities. We offer a suite of auto and home insurance products to a broad spectrum of consumers through a multichannel distribution. In addition, we sell basic life insurance and supplemental accident and health products for individuals and families through dedicated sales forces. Our priorities include, improving profitability in each of our businesses, optimizing our investment portfolio to maximize risk-adjusted returns, managing capital to deliver shareholder value and effectively implementing our Kemper brand.

We're making progress in several areas. While overall P&C markets are not yet firm, market conditions are improving, and we are positioning ourselves to take advantage. We are segmenting our markets to focus on the areas that best fit with our model. We have been able to get price increases through in key areas and remain diligent on that front.

And across our businesses, we closely monitor agency levels and effectiveness to ensure we have the right talent in place to support business growth and to serve our customers well. Our results for this quarter reflect the progress we are making as we implement our plan. Operating results were generally in line with our expectations, taking into account the market environment and the actions we are taking to drive profitability in each of our business units. Dennis will get into the details in just a moment, but let me walk through some high-level thoughts before I turn it over.

Starting with Kemper Preferred, we are seeing some positive signs of growth, particularly in our Package Plus offerings. These products combine auto with home or renter's coverages packaged together to give customers the convenience of a single bill, additional coverage features and attractive discounts. Package Plus policies tend to have lower losses and higher retention. We're focused on new agency appointments in states where we have an appetite for growth in these products.

Our nonstandard auto business announced its name change to Kemper Specialty in April. We're seeing the impact of earlier rate increases and continue this focus, taking additional rate actions in 9 states in the first quarter. In addition, we are seeing attractive growth in Specialty's commercial auto business as competition eases in select geographies. Our strategy in this segment is to tailor our personal and commercial auto products and services to the upper end of the nonstandard market, leveraging technology to deliver convenient and efficient quote and binding processes.

Our third P&C business changed its name just last week, Kemper Direct. We have undertaken significant actions to improve profitability in this business. We are shrinking the business until loss ratios and acquisition fundamentals improve. We are especially focused on the 3 states where we see the most loss pressure: Michigan, New York and Florida. We announced that we are non-renewing our direct auto programs in Michigan and we stopped all marketing in Florida and New York. We are beginning to see some improvement in loss ratio.

We believe that the direct channel offers a compelling opportunity for future growth and profitability, but we are not satisfied with our results in this business. Accordingly, we continue to evaluate improvement actions, including marketing, underwriting, pricing, business scope and organizational structure. I want to touch briefly on our Kemper services group, that part of our organization which supports our Property & Casualty businesses.

Beginning a few years ago, we decided to centralize certain functions common to all 3 P&C segments. This shared services approach enables us to realize economies of scale and increase expertise, while ensuring the best ideas benefit each of our companies. Kemper Services Group includes claims, information technology, finance, reserving, legal and human resources. I'm pleased with the progress these teams have made to date, bringing expertise and best practices across the company, all while reducing expenses and claim costs.

Our Life and Health businesses delivered another quarter of stable earnings. Our Kemper Home Service Companies serve modest income customers providing affordable and convenient life insurance offerings with nearly $5 million policies in force. The stability of the Life business in terms of cash flows and earnings has provided a dependable source of capital to the parent to fund growth opportunities. Our Reserve National business continued to successfully reposition itself toward products that are less affected by national healthcare reform. We believe that Reserve National is positioned to prosper, regardless of national healthcare policy.

During the quarter, our investment portfolio delivered solid yields despite continued low reinvestment rates. This is a strong core capability for us. We're pleased at how well our portfolio yield is holding up.

Moving on to capital management. We continue to manage capital with a goal of long-term shareholder value. We made additional progress in the quarter on the wind-down of Fireside. I'm particularly pleased with how the team has managed through the wind-down process, ahead of schedule and returning $270 million of capital to the parent.

Let me take a few minutes to remind you of our priorities for capital. Our highest priority, and the best use of capital, is to fund organic growth. We're mindful that the growth must meet our standards of profitability, so we remain judicious about where we support new business. A second component of our capital deployment strategy is to consider acquisitions, particularly those that add to our existing portfolio of businesses, making them even stronger. A third priority is to maintain a competitive dividend. Last week, we announced another quarterly dividend of $0.24 per share to be paid in May. And finally, the fourth facet of our capital plan is our share repurchase program. We have about $250 million remaining on our authorization. And including the nearly $20 million repurchased in the first quarter, we are now targeting up to $100 million of share repurchase in 2012.

I want to mention our continued success rolling out the Kemper brand. As I mentioned, we've completed the renaming of our Property & Casualty businesses this spring, and we are evaluating other ways to leverage the Kemper brand. We are recently recognized among the 2012 REBRAND 100 Global Award winners for our new brand. Feedback from our customers, agents, employees and shareholders continues to be overwhelmingly favorable. Our strategy to streamline our businesses under a common look and feel, leverage our scale and promote the Kemper brand is important to realizing our potential for profitable growth.

And now, I'll turn the call over to Dennis to go into more detail on our financials.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Thanks, Don, and good morning, everyone. Today, I'll provide further insights on our first quarter performance in several areas: Revenues and net operating income overall and by business, investment portfolio performance and capital management. Before I begin, a quick reminder that Kemper's 2011 financial statements and quarterly financial supplement have been recast for the adoption of accounting changes required by ASU 2010-26, which relates to deferred policy acquisition costs. The recast 2011 statements also include the impact of a process change to the allocation of net investment income.

Let me turn now to the quarterly results, and I'll begin with revenue. Consolidated revenues in the quarter were $611 million, flat with last quarter. Compared to the prior year, revenues were lower by 4.7% or $30 million, of which $21 million directly relate to actions that we've taken to reposition the direct business and overall lower net realized capital gains. Earned premiums in the quarter were $529 million or 3% lower than the prior year. Kemper Preferred increased its net premiums written to $207 million, up 3.7% over the last year. This growth in net written premium reflected ongoing efforts to enhance segmentation and increase agent engagement, with a focus on preferred target market customer segment.

In the quarter, new business in this most desirable target market grew 48%, and policy retention was strong at 91%. As of the first quarter, this target market now represents 51% of the enforced business, a 5 percentage point increase year-over-year. In Kemper Specialty, net written premiums for the first quarter were $117.7 million compared to $123 million in the prior year. This modest decline in premiums resulted from several targeted rate actions implemented during 2011 to improve profitability.

Net written premiums increased 17.7% from the prior quarter reported amount of $100 million even. The favorable uptick here is in line with the first quarter seasonality that we typically see from our customer base. In commercial auto, we're pleased to see that pricing is firming up in some areas, along with customer demand. The specialty team has been working to shift its focus to light duty vehicles for small businesses and contractors, and that transition is essentially complete, with the focus once again on growing this product line.

Kemper Direct net written premiums were $43.9 million in the quarter compared to $60.9 million for the same period last year. This anticipated decline is due to the company's comprehensive efforts to improve profitability in this business. As Don mentioned, we've taken several actions relating to Michigan, Florida and New York, including shutting off new business, non-renewing the direct auto program in Michigan and significantly raising rates on enforced business. We are beginning to see the benefit of those actions come through, both in lower renewals and higher average earned premiums per policy.

Across the other states, overall loss ratios are near our pricing expectations. As we look ahead for the rest of 2012, we expect the following with regard to the Direct business: Policies in force within Michigan, New York and Florida will continue to decline as the actions previously mentioned take full effect, and we will be largely out of Michigan by year-end. We are selectively writing new business in our latest product offering and the loss ratio performance is encouraging to date. Having said that, the acquisition cost and expense ratios will remain above pricing given current volumes.

Now turning to the Life and Health segment. Total revenues were $216.2 million for the first quarter, up about $2 million or 1% versus the prior year period. Net investment income increased $3 million, which more than offset a little more than $1 million decline in earned premiums. Kemper's supplemental accident & health business, Reserve National, continues to perform well, amidst the changes and uncertainty brought about by healthcare reform, delivering a record $34.1 million of earned premiums in the quarter.

I'll move now to operating earnings and provide some details for each of our businesses. Overall, the Property & Casualty group earned $13.2 million of net operating income in the quarter, up 12% over last year. Both the reported and underlying combined ratios improved by more than 2 percentage points year-over-year, coming in at 101.3% and 100% even, respectively. This improvement in underwriting results more than offset a $5 million after-tax decline in investment income, $3 million of which was due to fluctuations in equity method investment earnings, and to a lesser extent, lower income from equity securities.

Kemper Preferred earned $10.4 million of net operating income in the quarter, down about $900,000 from the prior year. This after-tax earnings variance resulted primarily from 3 items: lower non-cat weather-related losses, higher fire-related losses and lower net investment income. Both the reported and underlying combined ratios improved by more than 1 full percentage point from the prior year. As of last quarter's earnings release, we were targeting 19 of the most severe weather-prone states for double-digit rate increases in homeowners. That number now stands at 20, with 5 of those already filed and approved.

Kemper Specialty earned $4.1 million of net operating income compared to $4.4 million in the prior year. Both the reported and underlying combined ratios were lower compared to last year. Overall, after-tax net development in the current period was favorable by $0.6 million. Included within that net amount was $4 million of favorable development in commercial auto, which was partially offset by $3.4 million of unfavorable development in personal auto. The underlying loss in LAE ratio improved nearly 2 full percentage points compared to last year from rate actions, segmentation and agency improvement initiatives that have been implemented.

Moving to Kemper Direct, the business reported a net operating loss of $1.3 million for the quarter, a meaningful improvement compared to both prior year and prior quarter. The current period earnings included a $1.4 million unfavorable after-tax impact from catastrophes and $2.5 million after-tax favorable prior year development.

In the Life and Health segment, Kemper Home Service Companies earned $25.6 million of net operating income in the first quarter compared to $28.1 million last year. I'll note that the prior year included $4.1 million of after-tax benefit related to a reserve correction on a small block of policies. Equity method investment income was higher by $1.1 million after-tax and incurring claims trends were stable. On a new business front, the Life business implemented a 5.7% rate increase and working agent levels remained in a normal range.

In our Accident and Health business, Reserve National net operating earnings were up 10% versus the first quarter of last year and policyholder retention were stable. Looking ahead, there is uncertainty around national healthcare reform, but the recent actions that team has taken to expand its product line and shift its agency force have been successful to date and position the business well. Let me turn now to our remaining financial topics.

I'll begin with some comments on our investment portfolio, all of which will be on a pretax basis. The portfolio continues to perform well with net investment income for the quarter coming in at $77.4 million, lower by $3.8 million compared to the first quarter of 2011. Of that amount, $3.3 million was related to equity method funds. Overall, the portfolio generated a pretax equivalent annualized book yield of 5.8% in the quarter compared to 6% for the same period a year ago. The blended fixed maturity portfolio duration was 7.3 years, and it's stable to both prior year and prior quarter.

Realized gains on sales of investments were lower by $9.3 million compared to the first quarter of 2011. When it comes -- in terms of portfolio management, we are focused on maintaining a diversified asset mix that balances risks with returns. During the quarter, we've selectively put more money to work in investment-grade and private placement, high-yield fixed income. Looking forward, we expect new money rates to remain challenging, though manageable over the medium term.

Let me turn to capital management. From an insurance operating company perspective, statutory solvency ratios and surplus levels are strong and continue to increase. At year-end, our risk-based capital ratios were 450% for Life and 290% for the Property & Casualty business. On a combined basis, the insurance operating units have a max ordinary dividend capacity of $175 million in 2012. Approximately $90 million of that amount is targeted as dividends to the holding company.

Lastly, in terms of liquidity. The holding company ended the first quarter with cash and investments of $189 million. This does not include any of the insurance operating dividends to be received later this year.

In March, we entered a new 4-year revolving credit facility, replacing the one set to expire in October. The $325 million facility represents an increasing capacity of $80 million, and there have been no borrowings to date under this facility.

And now, I'll turn the call back to Don to wrap up our prepared remarks.

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Thanks, Dennis. In summary, we face challenges in some areas and made progress in many others, including pricing actions, agency staffing, courting customers who align with our value proposition and capital management.
We appreciate your attention this morning. And with that, I'll turn the call back over to the operator to take your questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from Steven Schwartz of Raymond James.

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

If I may, a couple. Could you, Don, could you remind us -- you're referring to, in Preferred, your target market, could you remind us what that is and then maybe talk with reference to the type of rate increase that you're looking for in those 20 states, in homeowners?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

The target market for Preferred are customers with assets to protect. Generally, what would be considered Preferred customers for our Preferred business may -- would have good payment histories and multiple cars and often buy package policies. In terms of rate increases, we are looking definitely for double-digit rate increases in those 20 venues, and I guess I'll turn this to Dennis for a little bit more detail on the rate increase.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Sure. The countrywide overall will be slightly north of 10% that we're targeting. As I mentioned earlier, the strong double digits will be in 20 states, and we've got 5 of those already filed and approved and are moving very quickly on the remainder. So on auto, certainly less, taking that on a measured basis and see that really in the low- to mid-single digits depending upon the states.

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

Okay. And then, Dennis, while I got you here, the -- could you repeat -- you were going a little fast. Could you repeat what the total dividend is expected from the insurance companies?

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Sure. That will be $90 million coming out of the insurance companies. Most of that will be out of the life company.

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

Okay. So that would take the -- assuming that you did that now on a pro forma basis, where would that take the RBC down?

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

By the end of the year, we would expect to be flat with the 450% just given normal operating performance in the Life business.

Operator

Our next question is from Ryan Byrnes of Macquarie.

Ryan J. Byrnes
Macquarie Research

Just one quick question on Fireside. Just wanted to see what additional steps are required, I guess, for that wind-down and how we should view that, and if there's any additional capital to come back to the hold company from that?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

You should view that wind-down as essentially complete. The last employees -- they're just a handful of employees out there, and we've already accrued for shutdown expenses as a little bit of capital left, a little bit of payables left, but you should just consider it all done.

Ryan J. Byrnes
Macquarie Research

And from a capital perspective, same thing as well?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Yes.

Ryan J. Byrnes
Macquarie Research

Okay. And then just quickly turning to the Direct segment. What percentage, I guess -- could you guys give us a ballpark for Michigan, New York, Florida? Just want to try to figure out what kind of run rate we should ultimately expect for that Direct business to run at? And I guess -- and what kind of loss ratio is the target for that business?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

I'm going to hand that one off to Dennis.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

We are targeting if -- and I had mentioned that we're within our pricing expectations for the remainder of the states outside New York, Michigan and Florida. It's in the low-60s is where we're targeting on a loss ratio. What we're really focused on is driving the profitability and wrapping up the remaining pressure we're seeing in those 3 states. We don't give outlook or guidance at this point for the full year, but you can look at the first quarter results, and there will be certainly volatility along the way, fluctuations in that. But we don't expect on an enterprise level to see the Direct results have a material impact on our 2012 performance.

Operator

The next question is from Paul Newsome of Sandler O'Neill.

Paul Newsome

Could you isolate what you -- what was sort of the change that -- in your financials that allowed you to do the extra buyback?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Let me start that, Paul, and then I'll hand it to Dennis for a little bit more color. But we talked in my comments about our capital priorities and those remain unchanged. We were able to pull back a significant amount of capital from Fireside. And as we looked at the year, we're trying to balance those various capital priorities we have, and this seemed like about the right kind of balance. Dennis, do you want to add to that?

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Sure. Paul, maybe to just give you some background on the decision there. To remind everyone, we got back $270 million of capital from Fireside. We used a little bit of that last year as we took lower dividends out of the operating companies for just normal dividends and debt service. And between last year and this year, we'll have -- we'll use a targeted $125 million of that $270 million for share repurchase. That would leave the holding company somewhere just from net Fireside proceeds with about $120 million at the end of the year. We like where the solvency ratios are in the operating companies. We're watching those. We want to make sure that we've got adequate capital to grow in those areas where we're working quite hard to grow. And at this point, we feel comfortable with the balance. We've struck between dividends, share repurchase and keeping some capital available for growth, whether organic or through acquisitions, should something come through that we find an attractive addition to the portfolio.

Paul Newsome

Separately, could you talk about the timescale on the Property and Casualty side for getting to your targeted loss ratios? Are we talking 6 months, a year, 2 years, 5 years? Because I know oftentimes people put in caps into how much they'll raise rates in the filings, so that it could be a multiyear period. How is that working for you?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Well, Paul, we certainly do look at caps in some places. By and large, we're being pretty aggressive with our rate increases with the goal of getting to rate adequacy that would allow target loss ratios pretty quickly. The countervailing pressure here would be if -- severity and frequency. Severity trends in the industry are up a little bit, particularly for liability on the auto side. And if frequency were to start to march upwards, that could set the whole industry back in progress on loss ratios, including us. But assuming a benign trend, we should get there pretty quickly.

Paul Newsome

Any thoughts on -- now, I don't want an exact quarter, but are we talking about 1 year or 5 years or someplace in between?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

I'd say someplace in between, closer to 1 than 5, but someplace in between.

Operator

[Operator Instructions] Next question is from Chris Leikhim of William Blair.

Chris Leikhim

I just had a quick follow-up just on your last comment about severity. Could you guys give a little bit more color on the frequency and severity trends in your Kemper Preferred books for the auto business?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Sure. I'll hand that one off to Dennis for the answer.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

We had -- when you look at the Preferred book, manageable trends. We're not seeing any significant volatility in either area. We really saw more of that in the Specialty book in the current quarter. Relative to the severity was in -- what came through on our prior year development. And by and large, the activity we've seen has been reasonably manageable, and -- but we are watching it pretty closely. There are some signs in some areas where there could be a pickup, and we're watching it pretty closely. But when you -- we look at what we saw in the quarter, generally manageable and not anything that we were surprised by.

Chris Leikhim

Okay, great. And then just a follow-up, are you -- what are you observing in the market in terms of rate for the auto book in the standard business right now, in terms of, sort of, the competitive environment?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

That varies quite a bit depending on location, but I would say standard competitors are starting to take some rate, probably in line with trend expectations.

Chris Leikhim

Okay. And then just a modeling question, what was the average diluted share count at the end of the quarter?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

We're looking it up for you. It'll be just a sec.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

I've got 59.7 million.

Operator

Our next question is a follow-up from Steven Schwartz of Raymond James.

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

A couple. Dennis, in your commentary -- and maybe this goes into what Paul was asking. In your commentary with regards to Direct, you said that although the loss ratio was in line with pricing, the expense ratio was not. So I guess it's a twofold question, what is pricing on the expense ratio? And how large do you think you need to be in that area in order to get there? That would be the first question.

Dennis R. Vigneau
Former Chief Financial Officer and Senior Vice President

Sure. Well, overall, we're targeting to get in the 95, 96 for a combined ratio; 60, low-60s in there for pure loss. So expenses, certainly, other than LAE, just underwriting, below 30 to get to that profit level. In terms of volume, I'd say the book really needs to be -- to bear the current infrastructure, and I'll come back to that -- somewhere in the $300 million range. But again, we're not going to grow that book until we get a few more things under our belt, the 3 states, make sure that those are all cleaned up. And then in terms of actions that are currently under way, there were a number of acquisitions in the Direct business over the years. That team is working very diligently to consolidate systems, consolidate platforms. They've been pushing to leverage the shared services even more. And I think by the time we get to, say, the middle of 2013, by and large, those consolidations and platform efficiencies should be well under way and starting to come through. In terms of shared services, they leverage those along all of the areas that Don mentioned: claims, finance, legal, HR, IT, presently, so -- but there is some of that acquisition platform infrastructure that's just got to be dealt with. And with that comes the movement of some of those books of business. So they're trying to manage that carefully and maintain as much profitability and enforce book as they can as they do so.

Steven David Schwartz
Raymond James & Associates, Inc., Research Division

Okay. And then I guess on the same topic, Don, you mentioned you'll be out of Michigan by year-end, you're no longer marketing in New York and Florida. Is the takeaway there that you are less than impressed by the no-fault reform in Florida?

Donald G. Southwell
Former Chairman, Chief Executive Officer and President

Steven, the no-fault reform is a really good step in the right direction. It doesn't solve all the problems, but it is a good solid step in the right direction. We would like to see much better experience in Florida before we would be ready to resume.

Operator

We have no further questions at this time. I'd like to turn the call over to management for any closing remarks.

Diana J. Hickert-Hill
Vice President of Investor Relations & Corporate Identity

Thank you, operator. This is Diana, and if anybody has any follow-up questions, please feel free to contact me directly. This concludes our call.

Operator
Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect. Have a wonderful day.