S&P Capital IQ

CONTENTS

Cincinnati Financial Corporation NasdaqGS:CINF

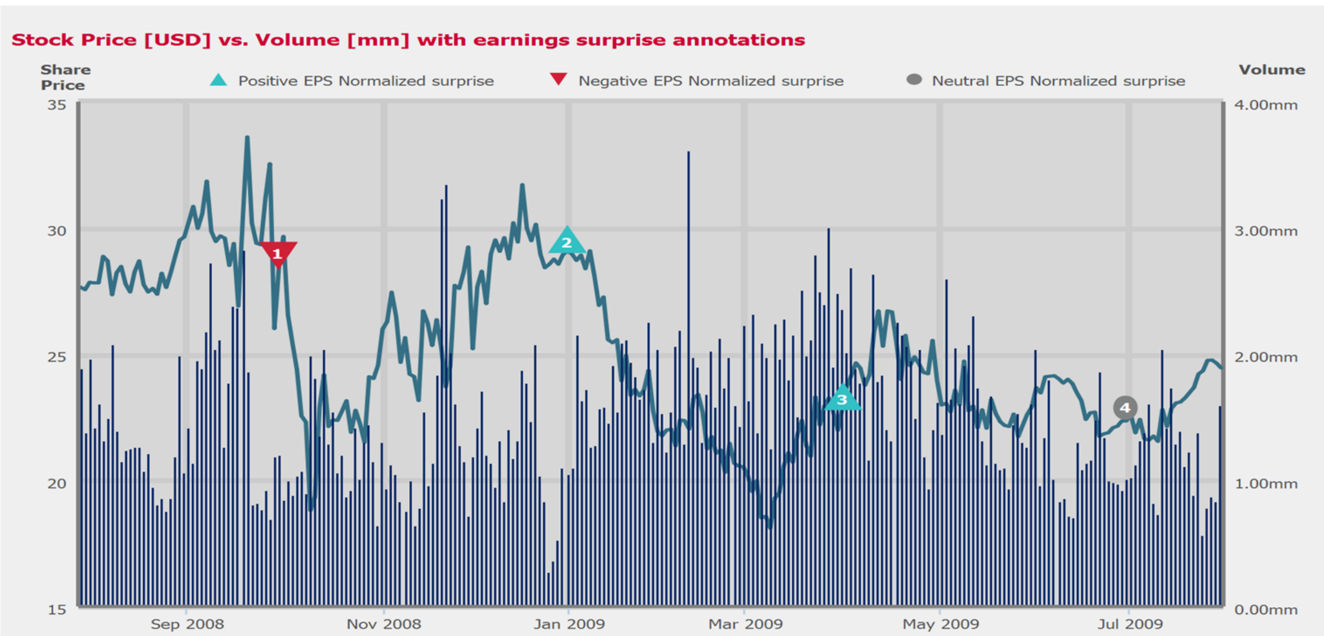
FQ3 2009 Earnings Call Transcripts

Thursday, October 29, 2009 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2009-			-FQ4 2009-	-FY 2009-	-FY 2010-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.42	0.59	▲40.48	0.46	1.04	1.89
Revenue (mm)	891.10	1007.00	▲13.01	907.65	3622.20	3694.95

Currency: USD
Consensus as of Oct-29-2009 11:30 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2008	0.50	0.45	▼1 (10.00 %)
FQ4 2008	0.52	0.57	▲2 9.62 %
FQ1 2009	0.20	0.23	▲3 15.00 %
FQ2 2009	0.14	(0.03)	NM

Call Participants

EXECUTIVES

Dennis E. McDaniel
Vice President, Investor Relations Officer and Vice President of the Cincinnati Insurance Company

Jacob F. Scherer
Former Chief Insurance Officer

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

Martin Francis Hollenbeck
Chief Investment Officer, SVP, Asst. Secretary, Asst. Treasurer and President of CFC Investment Co.

Martin Mullen

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

ANALYSTS

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

J. Paul Newsome
Sandler O'Neill

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Michael Wayne Phillips
Stifel, Nicolaus & Company, Incorporated, Research Division

Presentation

Operator

Good morning, my name is Courtney and I'll be your conference operator today. At this time, I would like to welcome everyone to the Cincinnati Financial Third Quarter Conference Call. [Operator Instructions] Thank you. Mr. Dennis McDaniel, you may begin your conference.

Dennis E. McDaniel
Vice President, Investor Relations Officer and Vice President of the Cincinnati Insurance Company

Hello. This is Dennis McDaniel, Cincinnati Financial's Investor Relations Officer. Thank you for joining us for our Third Quarter 2009 Conference Call. This morning we issued a news release on our results along with our supplemental financial package and we filed our quarterly report on Form 10-Q. If you need copies of any of these documents, please visit our investor website, www.cinfin.com/investors. The shortest route to the information is in the far right column via the quarterly results quicklink. On the call you'll hear from Ken Stecher, President and Chief Executive Officer; and Chief Financial Officer, Steve Johnston. After their prepared remarks, we will open the call for questions. At that time, some responses may be made by others in the room with us, including Chairman, Jack Schiff Jr.; Executive Vice President, J.F. Scherer of Sales and Marketing; Principal Accounting Officer, Eric Mathews; and Senior Vice Presidents Marty Hollenbeck, Investments, and Marty Mullen, Claims.

First, please note that some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to various filings with the SEC. Also, reconciliation of non-GAAP information as required by Regulation G was provided with the release and also is available on our website. Statutory data is prepared in accordance with Statutory Accounting Rules and therefore is not reconciled to GAAP. With that, I'll turn the call over to Ken.

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

Thanks, Dennis. Good morning to all of you. Let me start by saying that our improved results reflect our company initiatives to improved profitability and drive future premium growth, as well as the rising market values of our investments and milder weather. Altogether, these factors drove double-digit growth in book value during the third quarter. Among the many other positive trends for the quarter, investment performance was excellent. We believe our current portfolio provides for a good balance of capital appreciation and income growth and this quarter demonstrated that balance.

Portfolio values rose over 7% during the quarter with bonds and stocks up about the same rate. As expected, investment income trended up, nicely compared with the first half of 2009 on track to resume growth. On the insurance side of our operations, our property casualty at third quarter combined ratio was firmly in the profitable range at 95.1%. The ratio would have been below 100% even if catastrophe losses had been four percentage points higher at our historical 10-year average for the third quarter. The combined ratio also included overall favorable reserve development, reflecting our consistent reserving patterns.

As we said in our news release, we still have much work to do and we are taking action to fix problem areas. Several initiatives aimed at improving our homeowner and workers compensation lines of business, which added about 10 points to the overall quarterly loss ratio. In both areas, we are using predictive modeling to improve our pricing accuracy. While it will take time for the benefit to roll through renewal business, we already have seen a rise in the average quality of our homeowner accounts. We are doing a better job of attracting our agents best homeowner accounts and charging others in line with the insured risk. For workers compensation, we are implementing claims procedures to help control costs by bringing faster and more specialized service to bare on those claims. Also, our agents are working with us as we non-renew our lease profitable workers compensation policies and our commercial lines accounts. With their help, in most cases, we are successfully retaining their profitable Commercial Insurance Package business for those same accounts.

Our response to market conditions remains disciplined, while it's still very competitive out there. Terms and conditions have remain fairly stable and our agents are working with us. There are several components driving our property-casualty premiums trend. Overall, our third quarter net written premiums increased one half of a percent. Absent the effect of the higher seeded premiums last year to reinstate catastrophe reinsurance coverage after Hurricane Ike, premiums would have declined by about 7/10 of a percent.

Over the third quarter, we continue to see slightly lower commercial renewal pricing, the low single-digit decreases are bit better in the second quarter. Many accounts renewed flat or with small increases. We do walk away from underpriced accounts, as reflected by a decline in New business for policies with annual premiums over $100,000. For our third quarter New business, we estimate that we wrote 24% less of those large policies. Lower insurable exposures also continue to affect commercial premiums. The rate of premium decline for Contractor business classes and our general liability and workers compensation lines has been about double the rate of decline for non-contractor classes.

We also see the lower exposures when we perform premium audits. So far this year, the decline in audit premiums accounted for more than one percentage point of the decrease in commercial lines premiums. Partially offsetting those factors, are premium growth initiatives that also position us for a broader long-term success. We're seeing healthy new business, up over 15% for the quarter and year. Newer agents appointed in the past couple of years are responding to the Cincinnati style, including our strong field marketing support and claim service, broad range of products and three-year commercial policies. A good example is in Texas where we've been operating for less than a year. One of our Texas agents has already written over $1 million in business with us. We are comfortable with our new business growth. It's driven not by price but by expansions of our agency force, our geography and our product lines. We continue to price each account on [ph] merits and with the intention of providing an appropriate margins for profit.

Our Surplus Lines business launched in 2008 is another good example of prudent growth. We formed our own E&S broker and markets only through agencies that represent Cincinnati Insurance. At this point, we write about 1% of their total excess in Surplus Lines volume. Our Surplus Lines business has a dedicated staff of experienced underwriters at our headquarters, including some recruited because of their specific E&S underwriting background. The average account size is just over $5,000 and 99% of our general liability and professional policies have limits of $1 million or less. The strength of our business model has encouraged our agents to give us a first look at their quality accounts in a steady stream of new business. We recognize that agencies also need carriers with technology strength. Our new systems support agency and company efficiency, removing potential impediments to future growth.

As we deploy enhanced technology, we are improving our competitive and operational position. We expect that as market and economic conditions also improved, these systems will enable us to grow without significant addition to expenses. Our systems for the big step forward earlier this month when agents in five states began using new policy administration system for commercial package and auto. For the first time, we are giving agency option to have us direct bill these policies. While many agencies now are engaged in the training process, at this early stage, we already have quoted and issued about 1,800 policies from this system. Agencies in six additional states will begin using the system in the fourth quarter and in 2010, we are planning on adding 19 more states. At the same time, we're testing and preparing to deploy a next-generation web-based personal line system in early 2010. Our technology progress and our even key yield [ph] underwriting approach demonstrate our commitment to remain a key driver of agent success into the future. We'll do that by strengthening not changing the service and advantages we offer to agents and our clients.

We believe that our long-term focus also will bring rewards to shareholders, including the attractive dividend they already receive. With strong capital and outstanding agency force, superior service and a solid scalable infrastructure, Cincinnati Financial is ready to achieve future profitable growth of our Insurance business. With our diversified portfolio and focus on operating profitability, we see strong potential for book value growth. Our actions to date in 2009 has strengthened our position to endure periods of economic and market pressure remaining focused and competitive. Now Steve will discuss details of the quarter.

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Thank you, Ken, and thanks to all of you for joining us today. The third quarter was profitable with both insurance underwriting and investments, contributing to strong growth and book value and driving the year-to-date value creation ratio up to 15%. The combined ratio of 95.1 generate a pretax underwriting profit of approximately $36 million for the quarter. Catastrophe losses were relatively light to the quarter at $6 million or 0.9 loss ratio point, compared to 8.4 points for the 2008 third quarter.

Our Homeowner Line of business remains a challenge with a loss and loss expense ratio of 96.4, including a catastrophe loss contribution of 18 points. Needed rate increases took effect a few weeks ago on October 1. Total property casualty reserves on prior accident years develop favorably benefiting the third quarter combined ratio by 12.4 percentage points, which is comparable with 13.6 points of favorable development during the third quarter of 2008.

Most of the favorable development came from our umbrella line and there was none of the workers' compensation unfavorable development that we experienced during the first half. Our reserving philosophy remains unchanged. We continue to target total reserves in the upper half of the actuarial range.

Now for some details on investments, our more diversified investment portfolio contributed nicely to net income and book value. While pretax investment income was down quarter-over-quarter versus 2008, we saw a sequential quarter increase of $7.9 million or 6.7% over this year's second quarter to $126.9 million. During the quarter, we produced $75 million in after tax realized capital gains, which is net of 7.2 million and others than temporary impairment. Even after harvesting the gains, we ended the quarter with approximately $700 million in net unrealized capital gains after tax.

Looking forward to the fourth quarter, there are a couple of recent developments that we want to share. You may have noticed that we have had an overweight position in the healthcare sector, which at September 30 accounted for approximately 25% of our equity portfolio, which is approximately 13% for the S&P 500. At September 30, we held 4,425,000 shares of Wyeth, with a market value of $215 million and a cost of $62 million.

Early in the fourth quarter, Pfizer closed its acquisition of Wyeth and we received approximately $140 million in cash and 4.4 million shares of Pfizer for our Wyeth shares. We will judiciously reinvest the cash proceeds consistent with our investment policy. As for the second item, also in September 30, we held, as a level-three investment, shares of the insurance services office at a value of $61 million and a cost of $784,000. Early in the fourth quarter, ISO completed an initial public offering and is now trading on the NASDAQ exchange with the symbol BRSK. We tendered approximately 20% of our shares at the IPO receiving $25.6 million in gross proceeds that we expect to produce approximately $16.7 million in after tax net realized gains to be included in the fourth quarter results.

Overall, our liquidity, balance sheet and financial condition remained very strong putting us in a solid position to grow profitably. The property casualty, premium-to-surplus ratio improved 0.85:1 with statutory surplus growing to nearly $3.5 at September 30. In addition, at the holding company level, we have over $1 billion in cash and marketable securities. Our debt to total capital ratio also improved to 15.3% and our non-convertible non-callable debentures are not due until 2028 and 2034.

Summing everything up, the contributions to book value per share for the quarter are as follows: underwriting profit contributed $0.14; life insurance operations, $0.04; investment income other than life insurance and reduced by non-insurance expenses nets to $0.41; realized capital gains, $0.46, unrealized capital gains on the fixed-income portfolio, $1.63; unrealized capital gains on the equity portfolio contributed $0.66. And we paid to our shareholders $0.395 per share in dividend. Totaling it all up, book value increased by $2.95 or 11.6% during the third quarter to $28.44 per share. Speaking of the dividend, the company's financial strength enabled the board to increase the quarterly dividend to $0.395 per share. Consistent with our long term approach, this now makes 49 consecutive years that we have increased the dividend. The value creation ratio, which factors in both growth in book value and dividend contribution now stands at 15% year-to-date.

Looking longer term, for the five-year period from 2010 to 2014, we continue to target an average value creation ratio of 12% to 15%. That concludes my prepared comments and I'll turn it back over to you, Ken.

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company
Thanks, Steve. Steve gave you a good overview of the metrics we use to assess our progress and balance risk with opportunity. With that, let me open the call for questions. Just a reminder, Jack Schiff, J.F. Scherer, Eric Mathews, Marty Mullen and Marty Hollenbeck are here plus Steve and me, we all are available to respond. Operator, we're ready for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Paul Newsome at Sandler and Nielsen (sic)[Sandler O'Neill & Partners].

J. Paul Newsome
Sandler O'Neill

The last companies are talking about the third quarter being competitively worse than the second, maybe things are still improving but the improvement is falling. What's your thinking? Is it about the same? Are we plateauing maybe just a bit more about the competitive environment ?

Jacob F. Scherer
Former Chief Insurance Officer

We still hear the worst stories coming from the field. It still concentrates a bit more on the larger accounts as evidenced by the fact that we've written so many fewer larger accounts. We're still seeing opportunities. We're not having on new business opportunities according to a survey of the field reps. We're not having to get more aggressive than we've been throughout the year to write a very good account. So I think typically what happens towards the end of the year is that there's a certain amount discussion about the fact that people have production goals to meet before the end of the year and they pass that information through the system whether it's to their agents whatever the case would be. And they're always tends to be a little bit more sense of urgency to put some business on the books. I would say that we haven't seen a remarkable uptick in the level of competition in the third quarter and hopefully not in the fourth quarter.

J. Paul Newsome
Sandler O'Neill

I may have missed this but on the book value was higher than I expected which is wonderful. I'm attributing some of that to some fairly bond performance, maybe you could just comment a bit about what happened here. Usually you're still conservative but not much happen. Is there any particular reason the bonds would have done it unusually well this quarter?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

May I just give you the overall number right off the top that I did give out and was the book value did increase by $1.62 due to unrealized gains the fixed income portfolio and turn it over to Marty Hollenbeck for the color.

Martin Francis Hollenbeck
Chief Investment Officer, SVP, Asst. Secretary, Asst. Treasurer and President of CFC Investment Co.

If I had to point to one thing, I would say it is the general credit spread tightening. We've been very active buyers this year in the market for investment grade corporate bonds and that market has gotten much healthier than what it was earlier this year.

Operator

Your next question comes from the line of Dan Schlemmer from FPK.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

A couple questions more on the investment portfolio, if I can. One, Dennis, you talked about the overweight healthcare. I mean, you guys have made a pretty substantial move over the last year. Are you guys, as far as overall diversification across industries, are you where you want to be now or what are you still trying to move in that regard ?

Martin Francis Hollenbeck
Chief Investment Officer, SVP, Asst. Secretary, Asst. Treasurer and President of CFC Investment Co.

We're close. We're not all the way there. We feel like we've made a lot of progress. There was no one sector that's significantly out of whack. Steve had mentioned the Wyeth-Pfizer situation, that 25% roughly weighting at the end of the quarter. If you had accounted for the subsequent Wyeth-Pfizer closing, it would have been closer to 20. And we continue to take a hard look at all the weightings. We don't intend to be an index fund with even weightings, but you won't see huge steps in any one direction. To answer your answer question direct, we're close.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

And specifically on the financial sector, which obviously you've had -- historically had been a fair amount overweight and I think what you've said is you've moved away from that mostly on dividend concerns. Can you sort of comment on, I mean your view on what you're trying to do with financials, if there's desire to increase or are you, specifically on that sector, happy with where you're at?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

If you notice on the website, where the portfolio actually did increase from the third quarter over second quarter, we do now own a bank in Northern Trust, which did not cut through dividend, although it did not increase it. So it's an area we will have an interest in going forward, as a lot of these things get healthy again and start resuming dividend paying and dividend increasing. So longer term, we will definitely be back in the financial area.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

On the investment portfolio -- sorry to put you on the spot so much, Marty. But just on the ISO, can you tell us what that looks like at Q4 then? I mean presumably, there's a pretty significant impact on the market value of the position you continue to hold. I'm not sure if there's a lock-up period or anything else there that may be results in some discount or anything else. Can you just comment on that?

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

Dan, I think you actually nailed it. There's two series of class B shares, half of which are locked up for 18 months, half of which will be locked up for 24 months. The adjusted market value, just for the IPO split, was about $10.05 on the shares we have remaining. I think it closed last night at $27.69, so you can see the kind of jump that's occurred since third quarter end. We're not entirely sure yet, to be frank with you, as to what kind of a discount, if any, liquidity discount will be on that mark. We believe the SVO, Securities Valuation Office, will ultimately give us that price.

Operator

Next question comes from the line of Michael Phillips of Stifel, Nicolaus.

Michael Wayne Phillips
Stifel, Nicolaus & Company, Incorporated, Research Division

On your loss ratio, how much of a disadvantage do you think those loss ratios, which don't seem to be improving still -- how much of a disadvantage do you think they put you on, in terms of pricing?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I don't think we feel at a disadvantage in the market due to our pricing. I think, as you point out, that our accident year loss ratio, combined ratio, if you back in to it by removing favorable development from prior periods, is high in the 106 range for combined ratio, but I think the unknown yet is where does the current accident year stand in terms of this position. We haven't had a history of conservatism and that each year has developed favorably on a go-forward basis. We think we've been conservative in terms of building in provisions for potential future inflation explicitly. And so I don't think in the market, it is putting us at a disadvantage.

Michael Wayne Phillips
Stifel, Nicolaus & Company, Incorporated, Research Division

Your net investment income, how do you see the pretax kind of -- over the next couple of quarters there's been some kind of random moving parts there in the past couple quarters. I'm not sure I accounted for all that correctly here, but I think I might have. But how do you see that over the next couple of quarters, pretax all-in and life MP&C [ph]?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

We think -- our focus has been on repairing that investment income number. We kind of thought we've turned a corner this quarter. It was our first sequential increase in a number of quarters. Year-over-year, we're still down. We do believe that fourth quarter will show a positive year-over-year number and we're about three quarters fixed instruments right now and about a quarter of common stocks. We think we can resume somewhat historical-type growth rates.

Operator

[Operator Instructions] Your next question comes from the line of Mark Dwelle from RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Couple of questions mainly related to market conditions. Firstly, we've heard a lot of conversation in terms of there being more intense competition at the larger account level and so forth. When you characterize that competition to the extent that maybe you're losing account or you compete aggressively and aren't the ultimate winner on an account, would you characterize the competition as being national players or other regional or super regional players ?

Jacob F. Scherer
Former Chief Insurance Officer

Typically, national players.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Are there any particular segments of the business whether workers comp or auto or multi-peril, whatever, where you're seeing, I'll say, a greater ferocity of competition?

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

We've seen actually -- I guess it depends on what the area of the country, we've seen some carriers, they enhanced commissions for workers comp, even monoline workers comp, so the private has some size to it. But generally speaking, the business we compete for at the agency level is an account-style business. So the agent brings the account to either Cincinnati Insurance Company or a group of carriers within the agency, it typically includes the auto or workers comp, the umbrella. So when you're competing, you're competing on an account level and you're in or you're out. And typically, the agency is not splitting the accounts apart, where workers comp goes one way, the umbrella goes another, the auto goes another. The exception to that would be that there is still fairly active monoline workers comp marketplace out there.

We've had some success, as was mentioned in the prepared remarks, that where we've identified some total accounts where we're not happy with the performance of workers' comp, we've actually retained greater than 80% of the balance of the account and our agencies have placed the workers comp in a monoline market. So as far as really characterizing the marketplace, there's -- obviously, exposure units are down, top lines are down, people are trying to either defend their position within their agencies or try to make -- be opportunistic about gaining position in an agency. But I would characterize the competition to the greatest extent that the larger the account still, as we've talked about for many quarters, the more aggressive the competition and sometimes, the more irrational it is.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Turning over then to the Personal Lines, that unit showed some pretty good progress over recent quarters and I know some of that was kind of catching up on systems, catching up on price and so forth. How do you see that developing as we begin rolling towards 2010? Is there still further room for both rate increases, as well as some further market share penetration?

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

Well, we have filed for rate increases that were effective on October 1 and we'll continue to fine tune our rates. We're more comfortable with our better insurance scores in terms of the level of pricing we're seeing there. And we believe there's room to go yet on increasing the rates on the higher insurance scores. So to have the same percentage increase in new business next year as we had this year is obviously unlikely, particularly in view of the fact that we have some of this net rate increases going through throughout the country. Our agencies still like our claims service, our agencies would prefer to put Personal Lines business with our company. I think we've erased, to a great degree, the discouragement that was in place relative to automation and billing. As a matter of fact, in January, we'll be rolling out -- or early next year, we'll be rolling out a new version of our automation system that has been receiving excellent marks early on from our agencies. And so from an operational standpoint, I think we're really feeling very good about what we can offer to our agents. The fine tuning of our rates, the need for that is obvious, in terms of particularly on the homeowner side and we're moving towards that. So I really think in terms of potential, we're doing business in all but seven of our states. As far as Personal Lines is concerned, we've added quite a few agencies. In addition to the agencies we appoint, typically, this year, we've appointed 73 so far in that area, but we've added a great deal of agencies that were already agents for Cincinnati Insurance Company in the Commercial Line side. And so we're seeing a lot of opportunities there, so very encouraged from an ease of doing business standpoint, very encouraged from our ability to gather data and be able to analyze it more specifically. And we continue to move on the fine tuning of our rates.

Operator

[Operator Instructions] Your next question comes from the line of Dan Schlemmer from FPK.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

Sort of a follow up to the prior question about the accident year loss ratios. If you take the loss ratio during the quarter, the 62.7 and back out the 0.9 for CAT and the 12.4 for reserve development, sort of an x CAT, x development, to 74.2 versus the 74.9 for Q3 '08 and it's sort of consistent between Personal and Commercial, both of which [ph] it's sort of on par with the prior year. So I guess the expectation on what we're seeing mostly on pricing is downward pricing. So I would have expected a little bit of an increase in net loss ratio. I was just wondering if you can comment on what's driving that, whether it's your own pricing or if you have -- if you've seen loss trends or other things that maybe make up the difference?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I think it's consistent enough that there is just a noise in there. I think that we should make sure to comment though that we are working hard on the underwriting side, in terms of being judicious, being disciplined and we feel that we are feeling like we're gaining some traction. But the numbers are pretty consistent, which I think in this kind of a pricing market is a good thing and that we do feel that the reserves are in a solid position.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

Can you give a little bit more detail on the favorable development? I know the release noted that it was mostly from umbrella liability. Can you talk about maybe if there were underlying drivers? What accident years, if that's across a broad range of accident years or if there's something specific underlying that?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Not so much this quarter. I mean, if you remember back to the first couple of quarters, we did make some additions to the workers' comp line to reflect potential inflation increases. I think you're right on, when you see it in the umbrella line, which is in our Commercial Casualty line of business for the most part and we're just seeing favorable trends relative to where we set the reserves in prior years.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

So what kind of year, I mean, is it going back a lot of years? Are we talking about like 2000, 2001 or is it mostly from '07, '08 or...

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

I don't actually have the accident years specifics here in front of me. We have that, but I don't have it here in the room.

Martin Mullen

Our commercial general liability book, the exposure line from a liability being three, four years before those cases are settled. I think for the most part, most of the relief or positive development could be on cases within the last three or four years in taking that time line that takes to resolve a commercial auto or perhaps a general liability loss.

Daniel Schlemmer
Fox-Pitt Kelton Cochran Caronia Waller Limited, Research Division

Just the life insurance premium and the big jump on, I guess it's mostly from fixed annuity, is there an underlying driver that's causing that or what's that coming from?

Steven J. Johnston
Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Just a comment or two on the Life company, as you probably already observed in the industry, the life insurance industry is down pretty substantially. Since they had life insurance company, though we do write annuities, we're a good, strong term insurance writer and we'd say, we've really done remarkably well compared to the industry. Insurance buyers right now are turning, I think overwhelmingly into buying just death benefit, buying term insurance. And so between the network of property and casualty agencies, they continue to do very well in this area and they're really showing more attention to Life Insurance because of the challenges on the Property and Casualty side. We've really just seen a lot of success in our Life company. So that's been very satisfying.

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

I think the interest rates we're crediting, they're not the highest. They're competitive, but we're not trying to come in, to write a lot of business and then have to reduce rates later. And so it is something we think following consistent pattern historically. What Dave Popplewell has told me, he's President of our Life company, is that a lot of the insurers or the annuity buyers are out of the property casualty agencies and they're looking for just a good stable market with a good solid company and we offer that. We have good ratings and we are very consistent with our interest rates. We don't bounce up and down. We maintain a fairly level competitive rate. So I think there's a lot of business flowing our way just because of those market conditions.

Operator

You have no further questions at this time.

Kenneth William Stecher
Non-Executive Chairman and Chairman of the Cincinnati Life Insurance Company

If there's no further questions, thank you all for joining us today. We look forward to speaking with you again on our year-end call. Have a good day. Thank you.

Operator
This concludes today's conference call. You may now disconnect.