S&P Capital IQ

CONTENTS

CALL PARTICIPANTS 2
PRESENTATION 3
QUESTION AND ANSWER 9

The Hanover Insurance Group, Inc. NYSE:THG

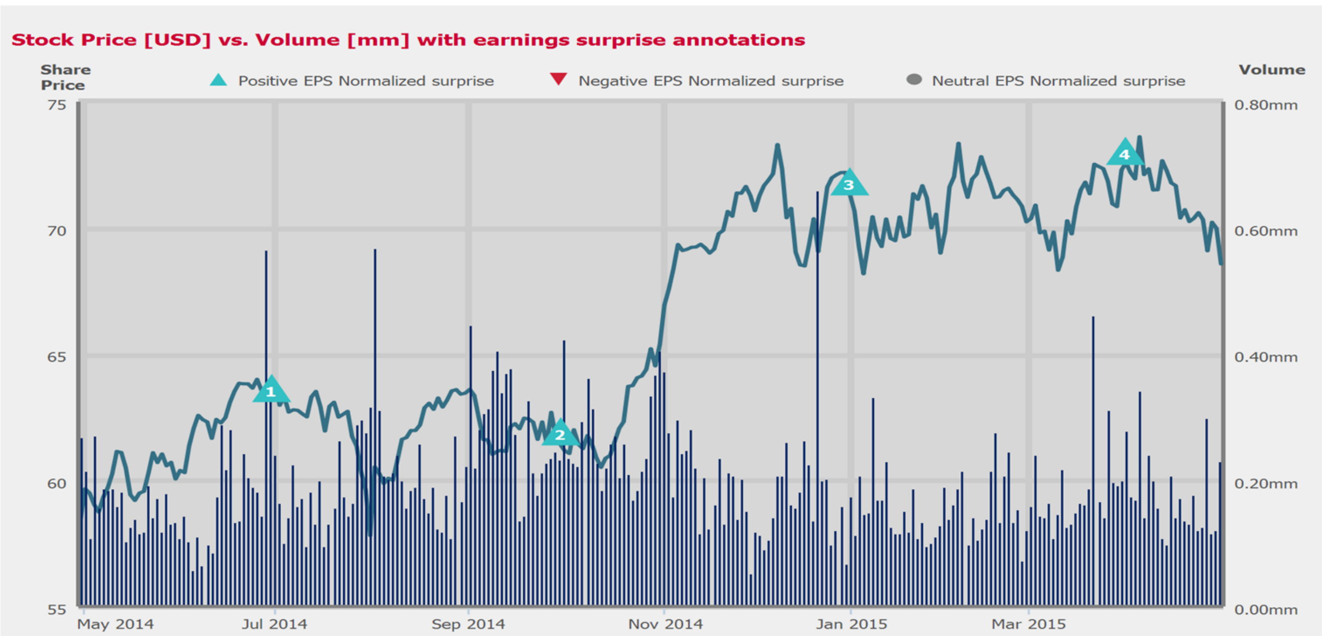
FQ2 2015 Earnings Call Transcripts

Thursday, July 30, 2015 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ2 2015-			-FQ3 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.40	1.56	▲10.64	1.48	5.82	6.31
Revenue (mm)	1306.00	1293.40	▼(0.96 %)	1208.90	4794.00	4838.70

Currency: USD
Consensus as of Jul-30-2015 7:51 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2014	1.18	1.30	▲1 10.17 %
FQ3 2014	0.91	1.06	▲2 16.48 %
FQ4 2014	1.50	1.77	▲3 18.00 %
FQ1 2015	1.08	1.27	▲4 17.59 %

Call Participants

EXECUTIVES

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Oksana Lukasheva
Vice President of Investor Relations

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

Unknown Executive

ANALYSTS

Daniel D. Farrell
Piper Jaffray Companies, Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2015 The Hanover Insurance Group Earnings Conference Call. My name is Jasmine, and I will be your operator for today. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

And I would now like to turn the conference over to your host for today. Ms. Oksana Lukasheva, please proceed.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, Jasmine. Good morning, and thank you for joining us for our second quarter conference call. We will begin this call out with prepared remarks from Fred Eppinger, our President and Chief Executive Officer; and David Greenfield, our Executive Vice President and CFO. Available to answer your questions after our prepared remarks are Jack Roche, President of Business Insurance; Andrew Robinson, President of Specialty Lines; Dick Lavey, President of Personal Lines; and Bob Stuchbery, President of International Operations and Chief Executive Officer of Chaucer.

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

Our prepared remarks and responses to your questions today, other than statements of historical fact, include forward-looking statements including our earnings guidance for 2015. There are certain factors that could cause actual results to differ materially from those anticipated by this press release, slide presentation and conference call. We caution you with respect to reliance on forward-looking statements and, in this respect, refer you to the Forward-Looking Statements section in our press release, Slide 2 of the presentation deck and our filings with the SEC.

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

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

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Thank you, Oksana, and good morning and thank you for joining our second quarter earnings call. We are very pleased to report another quarter of strong and improving financial performance. We delivered an operating income per share of $1.56 and an operating return on equity of 10.7%. We produced robust bottom line results, in line with our expectations, strength and the quality of our book of business and made progress across our organization.

We feel good about our financial achievements and the current market position. Our strategic investments to improve our portfolio and market position have strong traction that is demonstrated by 10 consecutive quarters of improvement in our domestic businesses.

Additionally, we believe our franchise is well positioned to the current environment. Our target markets, our distribution strength and our underwriting leadership in preferred segments should allow us to effectively compete in today's environment and continue to create market opportunities. Progress on all our strategic initiatives gives us confidence in our ability to continue to generate strong earnings growth through 2016 as we generate earnings accretion in our improving portfolio and grow the top line.

I'll touch on some of these points as I comment on our second quarter achievements and business initiatives, but first I'll let David review our financial performance. David?

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Thank you, Fred, and good morning, everyone. We reported a very strong quarter, in line with our overall expectations. And based on our year-to-date position, we remain confident we can achieve the full year financial targets we have set.

Net income for the quarter was $121 million or $2.68 per diluted share compared to $83 million or $1.84 per share in the second quarter of last year.

Operating income showed good improvement and was $70 million or $1.56 per diluted share compared to $58 million or $1.30 per diluted share in the second quarter of last year. The larger than normal difference between net and operating income in the current quarter is primarily due to the $40 million realized gain or $0.91 per share from the transfer of our U.K. Motor business that we successfully closed on June 30. I will discuss this transaction in more detail in a few moments, but it's worth mentioning now that our team worked hard to close the transaction ahead of our anticipated third quarter schedule.

The overall combined ratio was 96% in the quarter compared to 97% in the prior year quarter. Catastrophe losses added 4 points to the combined ratio, down close to a point from the prior year quarter.

Favorable reserve development remained largely unchanged at about 2.5 points for both periods with some movement between the lines.

The ex-cat accident year combined ratio was in line with the prior period, with an improved expense ratio and a slightly higher loss ratio as underlying improvements in domestic business were overshadowed by large loss activity in the energy line at Chaucer.

Catastrophe losses for the quarter were $46.5 million, mostly driven by the domestic lines. Chaucer catastrophe losses were, again, very low, less than 1 point of the combined ratio.

Moving onto underwriting results, excluding catastrophe losses. In Commercial Lines, through our continued efforts in both rate and business mix management, we were able to drive improvement in the accident year loss ratio in all lines compared to the prior year quarter. The loss ratio this quarter was 57% compared to 58% in the same period last year. In particular, we continue to see improvement in commercial auto trends. Bodily injury severity trended as expected as our aggressive pricing and mix management initiatives take hold. Though our recent experiences improved, our outlook in this line, this business remains below long-term profitability targets, and we continue to follow a cautious approach. In that regard, we modestly added to prior year reserves related to commercial auto, including within AIX, which is reported within other Commercial Lines.

In Personal Lines, the accident year loss ratio excluding catastrophes for the quarter was 62%, slightly improved from the second quarter of 2014. We continue to see the benefit of ongoing pricing and underwriting actions in the underlying loss trends. However, the improvement was partially offset this quarter by the emergence of some additional first quarter non-cat weather losses in the homeowners line as well as higher-than-usual severity of large losses, which can be uneven quarter-to-quarter.

Rate increases in auto and home are around 5%, which is comfortably above loss cost levels, providing us with confidence in our ability to generate further margin accretion as we navigate the current market environment.

Domestic expense levels were as we expected. In Commercial Lines, the expense ratio improved by 0.5 point compared to the prior year quarter, reducing the ratio to 36%. This improvement reflects continued operating efficiencies and the operating leverage we are achieving as we continue to grow this business.

The Personal Lines expense ratio was in line in the current quarter against a higher-than-usual expense ratio in the prior year quarter. We expect the Personal Lines expense ratio to continue to trend at around 28%.

Chaucer delivered strong performance, with a combined ratio of 91% compared to 92% in the prior year quarter. Catastrophe losses were very low this quarter at less than 1 point of the combined ratio. The accident year loss ratio, however, was higher this quarter and reflected higher large loss activity in the energy line. Loss activity like this is a part of Chaucer's business, and we expect a certain level of volatility from period to period.

Finally, I'd like to provide additional financial details around the closing of the U.K. Motor transaction that occurred on June 30th. Our exit was executed through a 100% reinsurance arrangement for prior claim liabilities and in-force policies, along with property sales and policy renewals. Upon closing, our net loss reserves were reduced by approximately $300 million. We also transferred unearned premiums of $137 million and other related items for a total impact of approximately $447 million.

On the asset side, we transferred approximately $380 million of invested assets and cash, the balance representing goodwill and intangibles, various receivables and a ceding commission. The impact of this transaction on the quarter's operating results was negligible. And as it relates to future periods, underwriting income will not be materially impacted, but the components of Chaucer's combined ratio will change.

As you can see from the pro forma results we provided on Page 12 of our second quarter earnings presentation, the U.K. Motor business produced a relatively higher loss ratio and lower expense ratio as compared to the rest of Chaucer's business. The expense ratio for the ongoing business is expected to be at around 40%, up from 38%, which will be offset by a decrease in the overall expected loss ratio. Our long-term target for the go-forward business remains at a 95% combined ratio. And additionally, the transfer of invested assets will result in modestly lower net investment income in the future.

The total consideration for the transaction was $65 million after adjusting for related intangibles, accounting for the value of the real estate sold as well as transaction costs and other items, we realized a gain on the transaction of $40 million that included $3.8 million of realized gains on investment assets transferred. So all-in, the exit of this business increased our book value by $0.83 per share this quarter.

Moving on to the top line. Consolidated net written premium growth for the quarter was strong, driven by 5% growth in Commercial Lines and 2% in Personal Lines, partially offset by a 5% decrease in Chaucer, which included a negative foreign exchange impact of about 4 points. The Chaucer growth numbers are presented without giving consideration to the ceded premium of $137 million that was transferred as part of the U.K. Motor transaction on June 30th.

Looking specifically at the ongoing Chaucer business and excluding the impact of foreign exchange, net written premiums grew by 2%, bringing the adjusted consolidated Hanover growth to 3.5%. Fred will have more to say on our top line performance in a few moments.

Turning to investment results. Cash in invested assets were $8.3 billion at the end of the quarter, with fixed income, securities and cash representing 89% of the total. Our fixed maturity investment portfolio has a duration of 4.3 years and is roughly 94% investment grade. The portfolio remains high quality and well laddered for the challenging rate environment.

We increased net investment income by 5% for the quarter to $71 million, compared to $67 million in the prior year quarter, as we continue to reinvest higher operating cash flows. The low rate environment continues to pressure investment returns. The earned yield on our fixed maturity portfolio was 3.6% in the quarter, compared to 3.74% in the prior year quarter and 3.64% in the first quarter of 2015.

However, we continue to carefully expand our portfolio mix into non-fixed maturity instruments. We allocated a portion of new money to higher yielding asset classes such as limited partnerships and commercial mortgage loan participations. This gradual change in the portfolio composition is contributing to growth in net investment income, helping to offset the current interest yield pressure.

I'll just finish with a few comments on the strength of our balance sheet and capital position. Book value per share grew 0.5% to $66.28 in the second quarter. Book value per share excluding net unrealized gains on investments and derivatives increased to $60.96, up from 4.3%.

Our total capitalization is $3.7 billion. During the quarter, we continued to actively and opportunistically manage our capital. We purchased about 213,000 common shares for a total of $15 million. Additionally, outstanding debt decreased to $835 million at quarter end after we bought back $6 million during the quarter. The debt-to-capital ratio now stands at 22.3%, down 1.8 points from 24.1% at the end of 2014.

Looking ahead, we believe the capital is best deployed for continued business growth, but we will continue to monitor opportunities to repurchase equity and debt.

Overall, we are proud of the strength of our current balance sheet and believe it will continue to provide a solid basis for us to grow our business.

And with that, I'll turn the call back to Fred.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Thanks, David. We are very pleased with our financial accomplishments and strategic initiatives we executed in the first half of 2015, which had enabled us to achieve good growth and target returns in the quarters ahead.

In Commercial Lines, we delivered solid growth of 5%, with premium increases in all our segments. We continue to focus on areas where we can grow profitably, capitalizing on the momentum, the franchise value with the strong positions we've earned with our partner agents.

We are pleased with the traction we made in Small Commercial. We further leveraged our local operating model, and the flexibility of our point-of-sale and non-point-of-sale offerings that make us unique in the marketplace.

In middle market, we remain focused on building and investing in the industry solutions that will maximize profitability and allow us to gain additional shelf space with our partners.

Pricing increases in Core Commercial were 5.5%, down approximately 1 point in the first quarter as some of the more significant pricing we were achieving in segments where we needed it has normalized.

Our pricing remains above loss costs and retentions remain stable. We are satisfied with our pricing and retention trends, which continue to run in line with our expectations, and feel we will continue to improve our margins. Our target markets, primarily made up of smaller accounts, are stable and still present us with significant opportunity.

New business was robust in both small and middle market showing continued momentum. We have never been more optimistic and confident in the quality of our new business we are writing. We continue to benefit from the cross collaboration with our partner agents as we grow and share -- gain share with them. Our access to attractive business has benefited our Specialty Lines, where we experience 5% growth in the quarter. We are using our market insights to proactively target desirable accounts and strengthen our position with our partners.

Our Specialty business continues to build scale and create opportunities for us. Our specialty offerings including marine, specialty industrial, healthcare and our diversified portfolio of professional liability products has strong momentum with our distribution. As a result, we enjoyed improved shelf space with some of the best and most sophisticated agents in these areas.

Today, we successfully -- we are successfully leveraging our specialty infrastructure and distributed underwriting capabilities to effectively get access to some of our agent's most attractive business. And with plenty of room to grow their best partners, we have generated strong momentum for the second half of 2015 and beyond.

Overall, in Commercial Lines our strong foundation of broad and innovative capabilities, our market insight and strong partnership allows us to achieve necessary pricing and produce quality growth even in the current low growth industry environment. Commercial Lines underwriting continued to perform well, yielding over 1 point of improvement in the underlying loss ratio and 0.5 point expense ratio as we expected.

Turning to Personal Lines. We continue to maintain the growth momentum we've established, generating a 2% increase in the net written premium in the current period. The rate increases continue to hold at 5% for both auto and home, and we expect we'll be able to maintain pricing at this level through 2015 and into 2016.

Retention was 83%, up 2% from the year ago and consistent with the first quarter, as we see diminished effect of our successful exposure management efforts, the impact of our growing account mix and the penetration of our Platinum product. Notably, account policies in force grew slightly in the quarter.

Our strategic focus on account business, which represents nearly 80% of our book, is a key driver of our strong operating and financial metrics. Writing total accounts allows us to provide customers with a holistic offering and enhance coverages, which makes the business sticky, and improves our overall retention. Our Platinum product complements this account stretch. With Platinum still being relatively new to the market, we expect to garner additional benefits including increased retention and, in time, higher profitability levels, driven by this product's customizable coverages and superior service features.

We remain diligent in our efforts to achieve a leadership position in the bundled account segment with our agents with several initiatives underway. We are implementing a set of new operating enhancements, which, among other things, will meaningfully improve our agency interface and customer self-service capabilities. We are also continuing to implement robust agency engagement programs, targeting agency representatives to principals to operating level to further promote our Platinum offering, conveying augmented appetite and elevate new business.

We support agents in being connected with and servicing their customers in today's environment, helping them round accounts and to retain and protect the most valuable customers. These efforts will create efficiencies and improve the ease of writing account business for our partners, while also creating business opportunities and operating efficiencies for us, and giving visibility to our gradually increasing growth momentum into 2016.

Personal Lines produced good underlying improvement in the quarter, and despite a few large losses and the impact of the first quarter weather in the homeowners line, there is more underwriting improvement to be had in the next year or so and given our current pricing levels and improved business.

At Chaucer, market conditions remained challenging, and as long as the environment persists, we remain cautious in our growth in the segment. We have a strong reputation as a market leader in many of the specialty classes at Lloyd's. We continue to leverage this leadership position and our in-depth underwriting expertise to maintain our business position and to find target opportunities for attractive growth. Overall, we had a solid second quarter.

Moving closer to our ROE target, we feel great about our position, strategic and market focus, which is playing out well in the current environment. With visibility into strong earnings growth in 2015 and through 2016, we are very excited about the opportunities that lie ahead.

As we wrap up the first 6 months, we feel very positive about the progress we made in the quarter. And in this respect, we remain on track to deliver an EPS for the year in the range of $5.70 to $6 a share, consistent with our previous guidance. With that being said though, we do not expect significant differences in underlying earnings in the third and fourth quarters. We do plan on catastrophe loss ratios of approximately 6.5% and 4.5%, respectively.

Operator, could you please open the lines for questions? Thank you.

Oksana Lukasheva
Vice President of Investor Relations

Operator, we are ready for the questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Matt Carletti from JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

Just a few questions. Couple -- that are more high level and a couple of just quick numbers questions. First one is, there's been a lot of M&A out there, a few that would be, I think, viewed as, at least in some businesses, competitors of yours. And I'm just curious, thinking, is Chubb specifically and maybe some others. What has your feedback been from agents in terms of your positioning with what's going on? Or have you seen anything yet more tangible in terms of any changes or benefits you might expect from that shifting landscape?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes. I think it's probably too early to see anything specific. But I would say that, typically, in any of the M&A activities that you see, there's often some disruption and opportunity. And I think we, as a company, are very well-positioned right now in the marketplace, and if some occurs, I think it could create some opportunity for us. We don't expect it per se, we don't plan for it. But as you know, we've had some nice success in shifting share with our agents, and if there are opportunities we'll be able to capitalize on those.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. And then the -- the next kind of market-related question I had was, relates to Chaucer, specifically energy. Just kind of -- there's been a lot of kind of market noise and scuttle about how much rates are down and a lot of that oil price driven. What is your kind of guy's view of the landscape? And then specifically, can you kind of remind us where -- how your book fits versus that, because my understanding is it's only -- certain pockets of the energy market are more or less than others.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Exactly. So Bob, do you want to run with that or? He's not on, so okay.

Unknown Executive

But he should be on. The operator must have misinterpreted [ph] his line.

Oksana Lukasheva
Vice President of Investor Relations

Operator, can you please open Bob Stuchbery's line?

Operator

Yes. I'm opening that line now.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes, go ahead, Bob. Sorry.

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

I'm here. London is online. As you know, we are a market lead in energy business. We've got an established and, what we call, a good quality book of business. And even recently we've changed that leadership position with Kelan Hunt joining us within the last month. Yes, it is a difficult market. Our book tends to be more offshore, less Gulf of Mexico, and rates are off and business opportunities are down due to, as you mentioned, the oil price, reduced activity and also the lack of construction opportunity as well just as that's drying up. And we have seen, and we'll see our income reduced back. But really it's just a matter of -- this is a market cycle. There's nothing particularly different in the way that we underwrite our book. And it's reasonably defensive position at the moment.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes. So I would say -- we feel pretty good about our portfolio Chaucer [ph], and we've got it to about flat. There are -- that is the segment, I think that is kind of most affected by the economic trends in that business, and so that -- there'll be some shrinkage in that business. But as far as our total profitability and position and some opportunities that we see, we'll hold our own. I think we feel pretty good about that right now.

Matthew John Carletti
JMP Securities LLC, Research Division

Great. And just a quick numbers question. Both the Chaucer acts to your loss ratio, which had some energy impact, and then the Personal Lines, which had some kind of pulled over Q1 weather impact. Are you able to quantify the impact of each of those on those numbers to kind of get a little more run rate or x noise?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes. I mean, I would just tell you. On the Personal Lines side, it's relatively small.

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Less than a point.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Less than a point. On Chaucer, I just would continue to come back to you. You've seen the results have been very well over the last many quarters. And we always try to guide back to a 95. So energy did affect us. Obviously, there were some other losses in the book this quarter. But we don't quantify the amount because I don't want you to take the current run rate as their go-forward rate. You would -- we still would go back to the 95 as the rate that we use on that book.

Operator

And our next question comes from the line of Dan Farrell from Piper Jaffray.

Daniel D. Farrell
Piper Jaffray Companies, Research Division

I was wondering if we can spend a little time on Personal Lines. And your PIPs count change continues to gradually improve. It's still a little bit negative. I'm curious how long you think before that can reflect positive. And then your comments on the Platinum products still being in relatively early stages. So I want to get a little more color on how much more benefit you think that can provide, you talk about that sort of like retention and growth.

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Yes. So let me just comment on the PIP count. Because what's happening is we still have some monoline that is just dropping off. Well, we don't talk about it this much because the big numbers are down. There's still -- we're still working on some thinning. So that's what you're really seeing as the monoline -- particularly the monoline property business is decreasing a tad. But right, yes, when you look at our Account business, year-over-year we've grown 1.7 and our sequential account growth is 0.3. So we're seeing every quarter improvement growth in our Accounts business. And on the Platinum side that business is performing really terrific. The retentions of our account is -- of our Account business is in the high 80s -- almost reaching 86. And so some of the quality indicators that Fred was referencing that will lead to improved performance in the future. I think I referenced this on the last call, but just the limit profile, the percentage of the accounts that have an umbrella attached is nearing 40%, just 20 points better number of accounts with limits of 100, 300 on liability side. So it's -- it is early. So it's hard to say what the precise improvement will be in our loss ratio, but we're optimistic absolutely with that kind of profile of the business that it will turn to better results.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

And again, what we would argue is that the agents -- these are -- the agents have a significant portion of their book, really their better book are these types of accounts. And the product is the best out there as far as the experience for the customers with the self-service and a dedicated service in claims, et cetera. And so what we believe is as they experience it, we will see a shift of some of their best business to us. So we'll both grow with them organically, but we'll also better serve some of their existing customers. And that's why we're -- what we're seeing is, as these things get rolled out and kind of be embedded with the agents, our experience is going to be that we will see share shift to us over time. Our total growth as we signal, we do see in the 2 -- slightly higher range for the remaining of the year and -- so it will be into '16 when we see PIP year-over-year growth.

Daniel D. Farrell
Piper Jaffray Companies, Research Division

That's helpful. And then just a question on investment portfolio and investment income. David, you mentioned in your remarks a little bit about some of the movements you're making into non-fixed income assets. I was just wondering if you could expand a little more on that. And then as we think about the passive investment yields, can these ongoing shifts that you're doing, can that help offset some of the yield pressure we're seeing? And I forget if you also just mentioned what new money yield is on the portfolio versus the overall existing fixed income portfolio.

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Yes, sure. So there's a lot of questions wrapped up in there. So [indiscernible] all of them. But just in terms of the new areas or -- well, they're not so new. We've been kind of pushing money into some of these categories over the last probably year to 2 years. But we have about 7% of the portfolio in funds, either hedge funds or partnerships or other strategies that are outside of the core fixed income portfolio. We make very modest investments on a per partnership basis. So we feel pretty good about that and the risk spread of that portfolio, and it's obviously been helping us tremendously. We did start a commercial mortgage participation portfolio a little over a year ago, and that's obviously, growing a little bit. You can see that's roughly about 16% of our other asset portfolio at this point, and growing nicely. And obviously, we're careful in that regard. So we're really happy with that. And obviously, the main component of the assets of the equities where we're investing in high dividend yield strategies or funds, market-based funds or index-based funds, which are obviously doing well as the market is increasing. In terms of kind of new money yields, we are seeing somewhere around 3.5% in terms of the earned yield -- sorry, new money yields are going to be a little bit lower than that. But I think when you look at some charts we put out, we are feeling like we are kind of at the lower end of the curve, and we've been holding on. The rates haven't come down much in terms of our earned yields over the last few quarters. And we think as we move forward with some of the strategies we're employing, we'll be able to start to see that pick up. And obviously, the big question will be what the fed does with interest rates in the future, and how quickly those start to move up for the whole sector. And so -- I'm sorry, new money yield, I don't have it in front of me, but I'll give it for you, 2.8%.

Operator

[Operator Instructions] And our next question comes from the line of Meyer Shields from KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

So going -- starting off, first one is bundling. Obviously Progressive is making very concerted push to increase its attractiveness as a sort of bundled Personal Line insurer. Are you seeing the level of marketplace competition focused on that changing?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

There is a lot of discussion about it, I would tell you. I think that in the agency channel the vast majority of this account business is controlled by, frankly, smaller regional companies. And so right now, like you've seen a number folks mention that they're going to do more, they're going to try to invest in it. But currently, we're kind of -- we feel like we have kind of an industry-leading solution there. But we're, obviously, not taking that for granted. As we mentioned, we are continuing to enhance and invest in it. But lots of discussion, we'd say that it's a dominant...

Unknown Executive

And I would just add that, for our target customer segment, right, we're not seeing that Progressive's announcement of moving into the home business is going to sort of eat into that segment. Their auto business tends to be in a different segment than ours. So as they move into home, arguably the home business attached to that auto customer is what will be targeted initially. And our target mass affluent market segment, right now we're not dealing that increased competition. But as Fred said, we love good, healthy competition and we'll keep our..

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Yes. I think one -- It's one of these things in my view that lot of our competition has kind of neglected the service aspects for it shockingly, as an example. Most of the account-oriented business in the regional companies, they don't even have service centers. So there's a big gap in how some of that business is serviced, and how much self-service capability they have. And that's why we are enjoying kind of an interesting opportunity here, because structurally a lot of these folks, when they have the coverages is one point, but whether they can actually service the business is kind of a bigger point.

Unknown Executive

And also maybe final comment. This is where our distribution strategy really comes to help us secure a solid position in this market segment. Our deep relationships with the narrow number of -- select number of agents. And so all the work could be done to kind of sort of win over the CSR, the account managers, that will pay dividends, right? Progressive even has stated publicly that they're challenged in that segment and they're working hard to improve their kind of shelf space with an agency. So this is where our distribution strategy really comes and pays dividends for us.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. That's very helpful. And then shifting gears. Obviously, tons of consolidation at least a tad are out there. Are you seeing an uptick in maybe smaller, call them call not-high-profile companies that are thinking that they might need to affiliate with a larger company?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

You mean on the underwriting side, you're talking about?

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Yes. In other words, are smaller companies knocking on your door or more, saying, hey, it's time to talk?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

No, I mean, I think there's -- obviously, we've done roughly 10 or 12 depending on how you think about the [indiscernible] rights deals we've done, transactions. And we're always kind of being thoughtful about what helps shareholder value in positioning our franchise. And so we're always having conversations. I don't -- in my view, I haven't seen a material uptick in interest and/or conversations. I think it's one of those constant things. Because what's interesting is a lot of things that are happening in our industry, frankly not just because of some of the announcements recently, but if you look at the last 5 years whether it's the weather volatility or regulatory need around risk management and capital, the need for spread of risk and scale and the technology investments these folks are all wrestling with, there's always a number of people that are being thoughtful about it. But I would caution people to think there's going to be a big wave. I mean, an enormous amount of these small companies are mutuals that have a very different motivation, philosophy. And I had mentioned this like at our Investor Day. If you look at the share of the smaller, $100 billion, that's controlled by the smaller companies, that has shrunk materially in the last 15 years, maybe $30 billion. So they're slowly shrinking, a lot of them. But I don't see some massive movement to consolidation. I just think it's one of those things that the business itself will find, there will be some consolidation to better equipped more targeted solutions. So again, lots of conversations, but I would say nothing, no earth-shattering change in the trends there.

Operator

And there are no remaining questions at this time. I would now like to turn the call back over to Oksana Lukasheva. Please proceed.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, everybody, for your participation today, and we're looking forward to speaking to you next quarter.

Operator
Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. To you all, have a great day.