Kemper Corporation

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Earnings Call

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Call Participants

EXECUTIVES

Bradley Thomas Camden
Executive VP & CFO

Joseph Patrick Lacher
President, CEO & Director

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Michael Anthony Marinaccio
Vice President of Corporate Development

ANALYSTS

Andrew Scott Kligerman
TD Cowen, Research Division

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Jon Paul Newsome
Piper Sandler & Co., Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to Kemper's Second Quarter 2024 Earnings Conference Call. My name is Ina, and I will be your coordinator today. [Operator Instructions] As a reminder, this conference call is being recorded for replay purposes. I would now like to introduce your host for today's conference call, Michael Marinaccio, Kemper's Vice President of Corporate Development and Investor Relations. Mr. Marinaccio, you may begin.

Michael Anthony Marinaccio
Vice President of Corporate Development

Thank you, operator. Good afternoon, everyone, and welcome to Kemper's discussion of our second quarter 2024 results. This afternoon, you'll hear from Joe Lacher, Kemper's President and Chief Executive Officer; Brad Camden, Kemper's Executive Vice President and Chief Financial Officer; and Matt Hunton, Kemper's Executive Vice President and President of Kemper Auto.

We'll make a few opening remarks to provide context around our second quarter results, followed by a Q&A session. During the interactive portion of the call, our presenters will be joined by Chris Flint, Kemper's Executive Vice President and President of Kemper Life; Duane Sanders, Kemper's Executive Vice President and Chief Claims Officer, P&C; and John Boschelli, Kemper's Executive Vice President and Chief Investment Officer. After the markets closed today, we issued our earnings release, filed our Form 10-Q with the SEC and, published our earnings presentation and financial supplement. You can find these documents in the Investors section of our website, kemper.com.

Our discussion today may contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the company's outlook and its future results of operation and financial condition. Our actual future results and financial condition may differ materially from these statements. For information on additional risks that may impact these forward-looking statements, please refer to our 2023 Form 10-K and our second quarter earnings release.

This afternoon's discussion also includes non-GAAP financial measures we believe are meaningful to investors. In our financial supplement, earnings presentation and earnings release, we have defined and reconciled all non-GAAP financial measures to GAAP, where required, in accordance with SEC rules. You can find each of these in the Investors section of our website, kemper.com. All comparative references will be to the corresponding 2023 period, unless otherwise stated.

I will now turn the call over to Joe.

Joseph Patrick Lacher
President, CEO & Director

Thank you, Michael. Good afternoon, everyone, and thank you for joining us today. Let me start by saying that I'm proud of the strong results we delivered this quarter. This represents the fifth consecutive quarter of significant improvement in our underlying business. It's the third straight quarter of generating operating profitability. Our Specialty Auto business delivered a strong combined ratio, well below our long-term target, and Specialty Auto generated sequential quarter PIF growth of about 4.5% (sic) [4.6%]. Again, while we delivered great progress, these are also objectively strong results.

Before we dive deeper into discussing these results, I'd like to step back a moment and do 3 things: first, to remind us of the backdrop of the still volatile market environment that exists, given the pandemic-induced abrupt reduction in driving, the subsequent rapid driving restart with massive supply chain-induced inflation, and the delayed impact of rate increases in a highly regulated industry. The market was virtually guaranteed to see significant losses, underwriting restrictions and a subsequent hard market.

The marketplace structure virtually guaranteed that this would take several years to work itself out. And as we've discussed before, our response was to institute nonrate actions to partially restore profitability while we filed for clearly needed rates. As those rates earned in, we would gradually remove the nonrate actions and return to a normal balance. This was likely to temporarily produce combined ratios below long-term historical ranges. This is where we are right now. From here, we'll continue to remove nonrate actions, take maintenance rate changes and guide the business back to more traditional margin and growth ranges.

Second, I want to add some clarity and insight to our 2024 guidance. In late '23, we said we would achieve a 10% or greater ROE in 2024. Given our strong first half results, let me be clear that we expect to solidly beat that 10% for the year. We do not see deteriorating trends that would cause earnings to meaningfully decline in the second half of 2024. That said, we are not updating our guidance. If we update annual guidance each quarter, we'll effectively be giving half year or quarterly guidance. This is too precise for this industry.

Third, last quarter, we told you that our long-term goal for Specialty Auto was to produce a 96% combined ratio or better, and grow as much as possible within that. This is a long-term operating parameter for this business. You should not use it as any form of earnings guidance. With this business currently generating a roughly 90% underlying combined ratio, it's safe to assume that we believe long-term shareholder value creation will be better served by allowing the combined ratio to drift closer to the 96%, if increased growth can be economically delivered. That combined ratio movement will not be rapid, and it's likely to occur over at least 4 to 6 quarters. Hopefully, this backdrop provides context to both review our current results and for you to project our results going forward.

Now let's move to Page 4 and jump into this quarter's results. Overall, we delivered $75 million of net income and ROE of about 11.5% and an adjusted ROE of over 17%. Specialty P&C generated a very strong 90% underlying combined ratio, a great improvement year-over-year and sequentially. In our last call, we indicated that we expected sequential quarter PIF to stabilize midyear. As we saw our underlying results improve monthly, we were able to accelerate our new business expansion, and this resulted in a strong 4.5% sequential quarter PIF increase.

This underscores the strength of our franchise and the competitive advantages we have in the marketplace. That said, the second half of '24 is likely to produce PIF growth at a more modest rate, given the seasonality in our business. Matt will discuss this in more detail later.

The underlying fundamentals of our Life business remains stable, and the business continues to produce consistent distributable cash flow. However, the segment was negatively impacted this quarter by a valuation adjustment on a real estate investment. Brad will touch on this later.

With that, I'll turn the call over to Brad.

Bradley Thomas Camden
Executive VP & CFO

Thank you, Joe. I'll begin on Page 5 with our consolidated financial results. This quarter, we generated fifth consecutive quarterly improvement in our underlying results and a third straight quarter of solid operating underwriting profits. Net income was $75.4 million or $1.16 per diluted share and adjusted consolidated net operating income was $91.7 million or $1.42 per diluted share. These earnings translate to an 11.5% return on equity and a 17.6% adjusted return on equity.

Previously, we described adjusted ROE as return on tangible equity. We have changed its name to more align with industry practices. Further details are provided in our non-GAAP disclosures. As Joe indicated, we expect to solidly beat the 10% return on equity guidance for the year and do not foresee trends that would cause earnings to meaningfully decline in the second half of 2024.

Driving our consolidated financial results this quarter was a 4-point sequential improvement in Specialty P&C's underlying combined ratio. Incremental earned rate exceeding loss trends and expense discipline were key drivers of this quarter's results.

As we discussed during the first quarter call, we've been intently focused on expanding our new business writings and moving from profit restoration to growth. Due to the monthly improvement in the underlying combined ratio in Specialty P&C during the quarter, we accelerated our production expansion efforts while maintaining a sufficient margin of safety. This resulted in a 4.6% sequential quarterly increase in PIF. Our swift return to growth highlights our franchise's strength and competitive advantages. That said, given seasonal buying patterns, we expect sequential quarterly PIF growth to be moderate for the remainder of the year.

As we return to a more normal operating environment and further expanding business writings, we anticipate that the combined ratio will migrate back to a more traditional range over the next 4 to 6 quarters. However, this will not be a linear transition due to seasonality other market dynamics. Matt will provide further details on this later.

Turning to Page 6. Our insurance companies are well capitalized and have significant sources of liquidity. At the end of the quarter, parent company's liquidity was approximately $1.1 billion, consisting of revolver and intercompany lending capacity and holding company cash and investments. Our healthy liquidity balance allows us to pay shareholder dividends, interest payments and support our operating subsidiaries.

The P&C and Life businesses continue to improve their capital ratios. Specialty P&C operating profits and the Preferred P&C wind-down are helping to increase P&C capital levels. During the second quarter, the preferred P&C exit released $44 million of capital, and an additional $50 million is expected to be released during the second half of 2024. This exit is modestly ahead of schedule and should release over $130 million of capital this year. Given the slower pace of capital release going forward, we do not plan to provide additional details on this initiative after this quarter.

Regarding our balance sheet, we remain focused on reducing our debt-to-capital ratio. By the end of the first quarter of 2025, we anticipate that our debt-to-capital ratio will be in the high 20% area. And by year-end 2025, we expect it to be in the mid-20% range. This improvement will be achieved through operating earnings and debt reduction, including the previously discussed plans for the February 2025 debt maturity.

Moving to Slide 7. Net investment income for the quarter was $93 million, and our pretax equivalent annualized book yield is 4%. This quarter's figures were negatively impacted by $15 million pretax valuation adjustment related to real estate investment. This is not a run rate item. We anticipate net investment income returning to more normal levels in future periods.

Given the market interest regarding commercial real estate, we provide further detail on Slides 13 and 14 of the earnings presentation. Here, you will notice about 8% of our portfolio is in commercial real estate, of which, over 80% is illiquid or short term. Overall, we continue to maintain a high-quality, well-diversified $8.7 billion investment portfolio and have had no changes to our long-term philosophy or execution.

I'll now turn the call over to Matt to discuss the Specialty P&C business.

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Thank you, Brad, and good afternoon, everyone. Thank you, Brad, and good afternoon, everyone. Moving to Page 8 and our Specialty P&C business. For the segment, we produced an underlying combined ratio of 89.6%, representing a 4-point improvement sequentially. Both our private passenger auto and commercial vehicle businesses reported underlying combined ratios of 90% or better.

As we discussed last quarter, now that we've restored profitability, we pivoted our focus to PIF growth. Given the volatile market environment, we continue to incorporate an additional margin of safety in our business practices. We achieved a 4.6% sequential increase in PIF this quarter and are pleased with the incremental progress.

I'd like to provide some brief overall comments on the Specialty Auto environment. As we see the market today, we have a few tailwinds. We continue to operate in a hard market and demand for our products remained strong. Our businesses have a long-standing set of competitive advantages that we've continued to strengthen. These capabilities have enabled us to rapidly increase PIF growth and navigate market challenges. We are deploying a methodical yet agile approach to new business.

Our analytics tools are allowing us to read segment-level performance early and adjust as needed. As we observed our second quarter combined ratio performance coming in better than planned, we were able to increase our production appetite and more rapidly expand our policies in force. This was done well within our desired margin of safety.

Like last quarter, Page 9 details policy-in-force trends. As noted, our sequential quarter PIF increased by 4.6% as compared to a decline of 5.5% in prior quarter. On an annualized basis, this represents an improvement from minus 20% to plus 20%. This shows significant progress.

As you can see in the bottom chart, the year-over-year metric trails and map that progress. As we shift to the back half of the year, we remain diligent and nimble with our production approach. We expect to see low single-digit sequential quarter PIF growth in the back part of the calendar year due to lower seasonal shopping patterns. We expect growth to increase for 2025.

Finally, we're pleased that the business is moving back to a more traditional focus on maximizing growth while maintaining a 96% or better combined ratio. We believe both our PPA and CV businesses are well positioned to navigate the ongoing market environment.

I'll now turn the call over to Joe to cover the Life business and closing comments.

Joseph Patrick Lacher
President, CEO & Director

Thanks, Matt. Turning to our Life business on Page 10. As we mentioned earlier, the second quarter was negatively impacted by a valuation adjustment on the real estate investment. Excluding net adjustment, adjusted net operating income for the segment would have been $11.7 million, relatively in line with last quarter. While modest inflationary pressure continues to impact low to moderate-income consumers, our new business production and persistency levels came in slightly favorable to last year. Mortality remains in line with pre-pandemic levels.

Turning to Page 11. In closing, I'd like to do 3 things: first, reiterate the highlights for the quarter. Overall profitability was strong and continues to improve. This was led by Specialty P&C strong underwriting results, which enabled us to deliver our fifth consecutive quarter of underlying business improvement.

Specialty P&C's improved combined ratio allowed for further expansion of our production initiatives, resulting in a 4.6% sequential increase in PIF, exceeding expectations we discussed last quarter. We anticipate low single-digit PIF growth for the remainder of the year.

The underlying business fundamentals of our Life business remained stable, and we maintain a well-diversified, high-quality investment portfolio, which we expect to deliver normal ranges of net investment income going forward. While I'm proud of the results we delivered this quarter, we're not satisfied, we maintain our focus on delivering consistent long-term profitable growth. Second, during recent quarters, we've had a practice of pre-releasing portion of our results. Now the market environment and results are returning to more traditional variability. Going forward, we will discontinue this practice.

And third, my thanks go out to our entire Kemper team for their efforts in the quarter and as we move forward. These results would not be possible without their hard work and dedication.
With that, operator, I'll turn it over to you so that we can take questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Gregory Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So for the first question, I'd like to go back to the PIF result and the growth on a sequential basis in the second quarter. I'm wondering if you could provide us some additional market information about which geographies you're having more success in growing.

And I'm just trying to get a lay of the land in terms of how your markets are positioned from a competitive position from pricing because there's been so much pricing change that's happened in the marketplace. Just curious how that all rolls up into your guidance for PIF for the second half of the year?

Joseph Patrick Lacher
President, CEO & Director

Greg, I'm going to throw most of the commentary over to Matt to do this. I'm just going to take the last-tenth of your question, which was how does this all roll up into our guidance for the second half of the year?

We're -- the biggest piece of our guidance for the second half of the year is around seasonal buying patterns. And historically, in this business, our customer segment and consumers just did less shopping, buying, switching in the back half of the year. We've talked to you about that for years.

We talked to you about it last quarter, that stays in our forecast and our expectation setting process. It's possible in this environment. That turns out to be different, but that's the basis for that expectation, that starts with that. And with that, I'm going to let Matt talk about the state-level commentary and the bulk of your question.

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Great. Thanks, Joe. So I think the comments overall are bang on, on the demand side. From a customer perspective, we've seen continued demand for our products. We're seeing it at an agent level as well. I think that's generally true across all markets when you think about the geographic dynamics that sit underneath there. And from a supply perspective -- carrier perspective, I think the story varies pretty greatly by market.

When you think about California, Florida, that's where the predominance of our production, at least out of the gate, has come from as we look to continue to methodically expand our business. We'll continue to grow in our other markets. But it's really a function of where the market is from a competitiveness perspective.

When you think about the nonstandard auto marketplace, competitors are reengaging at different rates. I think some of the larger players are feeling more confident about their adequacy, yet they still maintain some underwriting discipline that's maybe more rigorous than a traditional marketplace. Whereas the smaller players, the regional players are a bit slower to react and stabilize there.

And so there's a lot of texture by geography, but both from a supply perspective and a demand perspective, I think generally good about our ability to balance. And as Joe said, as we continue to march forward on reexpansion in our production, we'll be opportunistic about how we take advantage of the opportunities that are presented to us.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. Well, One of the -- I'm mindful of, Joe, your comments about the combined ratio targets, the 96%. Can you talk a little bit -- and about the concept of the new business penalty, as you turn the spigot on and start growing your new -- your policy counts, what is the drift up in the combined ratio? Is that driven by a new business penalty? Or is there something else going on inside that?

Joseph Patrick Lacher
President, CEO & Director

Sure. And I'm going to break this into a couple of parts. We will see a drift generally back towards, what I would say, are traditional Kemper combined ratios that are probably in that 93%, 94%, 95% range. 96%, I would say, is more of a ceiling than a target. We're not trying to get to a 96% and hover. We're trying not to exceed 96% and then grow as much as possible. What will cause that drift is part of the new business penalty as we start new business again, partly taking nonrate actions off.

Those other things we did that restricted growth, and we said we were always going to take those off. We were going to get a little extra rate, which allowed those to come off because those effectively restricted production and customer service and other opportunities. So we're getting that back to a balance.

We would also expect that sometime in '25, despite us taking, what we would call, maintenance rate, we will get to a spot where there's likely to be some loss inflation that is a bit in excess of earned rate just because of the fact that right now, we're probably well below long-term target combined ratios. We expected to overshoot a little bit. We hope that's only for a few quarters.

I'm not specifying what a few is, I'm deliberately not saying whether it's 1, 2, 3, 4. But some period of time, as we try to opportunistically grow as much as we can while being below 96%. I'm not trying to be cute, but what I'm trying to do is your ability to exactly model rate, loss trend, new business penalty and nonrate actions will be largely very difficult for you to do because we can't even give you some good guidance on it because we're going to adjust as we're moving. What we've tried to do is give you a picture of the pace of the slope of change and help you get the answer that way.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. And just a clarification. One of your -- well, the largest nonstandard most visible company, publicly traded company out there came out with their Q, and I think they said -- they called out a couple of rate decreases in the second quarter. Just to close out my questions, did you guys do any downward rate revisions in the second quarter? Or are you still where you were at the end of the first quarter in terms of rate levels?

Joseph Patrick Lacher
President, CEO & Director

Yes. We did a small one in Florida, hat was heavily textured. Matt, do you want to provide more commentary?

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Yes. In Florida, we did a small minus 2% in aggregate rate change. It was heavily textured, segmented. It balanced our rate need by coverage in a way that I think sets us up more optimally going forward, as we prospect out over the next 12, 18 months. But that was the only negative change that we have planned at this point.

Joseph Patrick Lacher
President, CEO & Director

And again, Greg, this goes back to what we would have described. We're moving into a phase, where we're going back to maintenance rate and normal -- more normal ordinary course of business. We expressed a high degree of confidence in what our profitability targets were in the back half of this year, when we said we didn't see anything that was going to meaningfully move earnings in a downward trajectory over that time period. And we're trying to say as we go through, what I've described as the rebalancing phase, by the time we get into '25, we expect this to be a more normal earned rate, loss trend, growth dynamic where we're talking about market dynamics and not sort of these disrupted swings.

So we're in the back part of that, it becomes a little hard to pick quarterly or 6-month numbers, and that category of maintenance rate changes, sometimes they're up a little, sometimes they're down a little. They're either in line with inflation or they're getting us tuned by coverage.

Operator

And your next question comes from the line of Paul Newsome from Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Just maybe a little bit of a follow-up. Where would you put yourself in terms of taking off the nonrate action. Do you feel like you're very much in the middle, pretty much done? How do you think of that from maybe a spectrum perspective?

Joseph Patrick Lacher
President, CEO & Director

It's hard to exactly measure, Paul. We -- depending on how we were talking about anywhere from 2/3 to 80%. And there's times when we sometimes argue with ourselves about where exactly it is. But that -- it's somewhere in that range, probably 3 quarters is a good guess.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Makes sense...

Joseph Patrick Lacher
President, CEO & Director

And there's a lot of feel to it in terms of what it is.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Yes, almost by definition, it's hard to quantify, right. The -- is there anything when you look at the outlook for investment income other than that real estate items that would make it not a run rate?

And maybe a little bit on the Life company PC in particular, given that you have lot of capital out there. So I assume shifted a lot of investment income over. Does that -- as we look particularly at the Life company, also investment income overall, are we at sort of a run rate perspective for that or not? Is there more sort of cash flow changes to happen that will affect investment income?

Joseph Patrick Lacher
President, CEO & Director

Brad, why don't you take a shot at the overall and then we may ask a follow-up, Paul, to make sure we're thinking about the Life question the right way.

Bradley Thomas Camden
Executive VP & CFO

When you look at net investment income overall, it was down about $12 million with respect to that real estate investment. So if you add that back, you're close to like a 105-ish type number, in line with where we were in Q2 through Q4 of last year. I'd expect us to be back there given where rates have been and continue to be and so forth. So think of this as a onetime -- not a onetime, but a non-run rate adjustment this quarter. And then going forward, we'll be back up to where we were historically. Can you give me a quick favor and just reask the second part of your question with respect to Life?

Jon Paul Newsome
Piper Sandler & Co., Research Division

Sure. I'm sorry if I'm not as coherent as it should be. So the Life operation earnings were down a lot in part because of that one write-off. But if you look at it more broadly, you have reduced a lot of the investment income in that item -- in that line because of the capital moves you made. And I'm not certain where -- essentially, I'm trying to get to a run rate of what the Life company earnings would be given the changes in investment income in that line that have to do with not just the onetime real estate write-down this quarter, but also all the other shifting you've done from a capital perspective.

Bradley Thomas Camden
Executive VP & CFO

Got it. And you're referencing the capital that we've taken out with respect to the Bermuda optimization. So I'd expect the run rate earnings in Life to be lower by about $15 million to $20 million as a result of that capital moved up to the parent.

Joseph Patrick Lacher
President, CEO & Director

Over the course of a full year. And to be clear, the real estate investment, we're really telling you that valuation adjustment has no impact on run rate. You're asking the question the right way. The capital distribution will shift it from Life to the parent.

Operator

[Operator Instructions] Next question comes from the line of Andrew Kligerman from TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

Just before I ask my two questions -- few clarifications, Joe, by the way, really nice progress in this quarter. I think Greg was asking something earlier, and you said you expect to overshoot a bit. Does that mean you would drift sort of to the northern end of 93% to 95%? I wasn't quite sure what you meant by over [hover at 96%].

Joseph Patrick Lacher
President, CEO & Director

That's a great clarification. I meant the other direction. And then when things were ugly and we were 100% plus, we expected that we would add rate that perhaps -- the combination of rate action to nonrate actions might exceed our need. We would put on the nonrate actions, which were inadequate among themselves. We would wait till the combined ratio improved to an attractive level, and we were confident in that then we would take the nonrate actions off.

As a result, if we were trying to get to a 95%, we might get down to 90% then the nonrate actions work themselves off and we move back up. We're in the overshoot part of overshooting a little bit too much to the good after having been in the bad, not that I expect that we're going to get over the 96%. I think right now we're in the part where I would say we've overshot a long-term target to the good. Does that make sense? Did we lose you Andrew?

Andrew Scott Kligerman
TD Cowen, Research Division

Absolutely not. Can you hear me?

Joseph Patrick Lacher
President, CEO & Director

We can.

Andrew Scott Kligerman

TD Cowen, Research Division

Okay. Great. Yes. No, makes a ton of sense. And just another clarification. I think I heard Matt and you, Joe, mention that you expect low single-digit PIF in the upcoming quarters. So does that align with -- and this is something you talked about last quarter. You said the second quarter versus the first quarter, typically, based on seasonality, is up 25%. And then the first and third quarters are slightly -- or actually, the third quarter is slightly less than the first. And then the fourth quarter is down 40% versus the first. So the pressure is on...

Joseph Patrick Lacher
President, CEO & Director

Yes. Let's break -- I'm interrupting you, let's break them apart. There's loss frequency seasonality and there is sales seasonality. The first half of the year sees more buying activity than the second half of the year. The first and second quarter are the two highest quarters for new business, and the third and fourth are the lowest. First and second are close, sometimes one is higher than another. Third is distinctively lower than the first and second. And fourth is the lowest of all 4.

And to some degree, we're not 100% sure, there's not a poll. It appears to us that people shop for auto insurance less and spend less money on that in the holidays, either they're busy or they're saving up money for the holidays or they're doing something. Their shopping increases, maybe it's car buying season. They've paid off the holiday bills. They've gotten their income tax return, they buy a new car, that trigger shopping activity. It appears to be around those kind of behaviors, that causes more nonstandard auto shopping in the first and second quarters, less in the third and even less in the fourth.

So we're expecting fewer -- the same way Macy's expects more sales in November and December and less in May and June. We expect more in the first 6 months of the year and less in the last 6 months. And if there's just fewer shoppers, we might actually capture a greater share of the shoppers, but less sequential quarter PIF growth as a result.

Andrew Scott Kligerman
TD Cowen, Research Division

Great. So basically, no standard -- no nonstandard auto Christmas presence in December. But with that said, you're still saying, though, low single-digit PIF growth sequentially in the next 2 quarters. I want to make sure because, even with that pressure, it sounds like you could still be up in the low single digits? If I understood that correctly.

Joseph Patrick Lacher
President, CEO & Director

That's our general expectation.

Andrew Scott Kligerman
TD Cowen, Research Division

Perfect. And then the last clarification. The thinking was last quarter that rates you'd earn in about 7 points in the second quarter and 7, in the second half. And then if I looked at Slide 8, it looks like you've got 8 points in the second quarter and then maybe the balance comes in the second half. It looks like around 5. So there's still 5 to earn in. Is that the way to think about it for the balance of the year?

Joseph Patrick Lacher
President, CEO & Director

Close, Andrew. So year-to-date, we've got about 17 points of rate earned. What we provided here on Slide 8, I believe, in the upper right-hand area, is the estimate for the third quarter, which is about another 5 points. And maybe there's 2 or 3 points to be earned in the fourth quarter. So we got -- for the back half of the year, 7 to 8 points left to be earned in. And that was -- I think we answered this question in the first quarter, we expected about 24 points of rates to be earned in for the year. So that's how it gets broken down.

Operator

There are no further questions at this time. I will now hand the call back to Mr. Joe Lacher for any closing remarks.

Joseph Patrick Lacher
President, CEO & Director

Thank you, operator, and thanks, everybody, for joining us today and for your continued interest. Again, we're pleased with the results that we have right now, and we're going to continue to drive forward on improving them, and look forward to talking to you again next quarter. Take care.

Operator
Thank you. That concludes our conference for today. Thank you for participating. You may all disconnect.