S&P Capital IQ

CONTENTS

Cincinnati Financial Corporation NasdaqGS:CINF

FQ3 2015 Earnings Call Transcripts

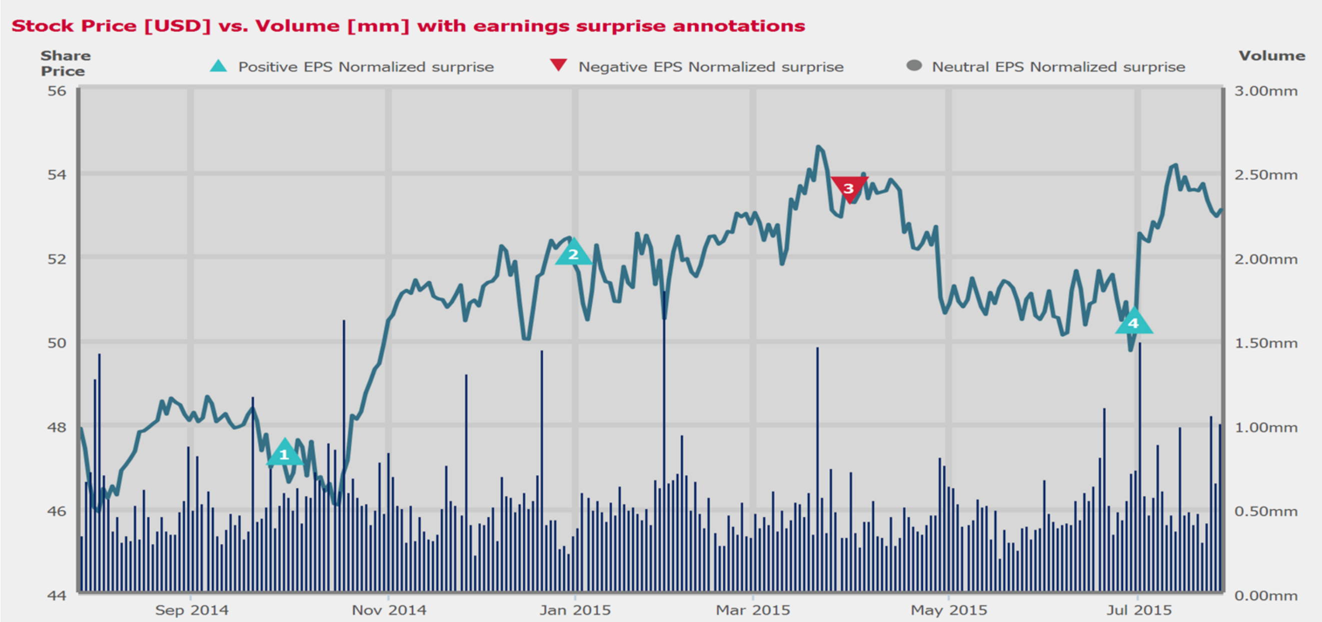
Wednesday, October 28, 2015 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2015-			-FQ4 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.65	1.04	60.00	0.83	3.10	2.57
Revenue (mm)	1266.00	1278.00	0.95	1281.00	5148.00	5262.00

Currency: USD

Consensus as of Oct-28-2015 9:34 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2014	0.72	0.85	18.06 %
FQ4 2014	0.83	0.89	7.23 %
FQ1 2015	0.72	0.59	(18.06 %)
FQ2 2015	0.41	0.83	102.44 %

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

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

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

ANALYSTS

Joshua David Shanker
Deutsche Bank AG, Research Division

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Unknown Analyst

Presentation

Operator

Good morning. My name is Nick, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the third quarter 2015 earnings conference call. [Operator Instructions]

Dennis McDaniel, Investor Relations Officer, 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 of Cincinnati Financial. Thank you for joining us for our third quarter 2015 earnings conference call.

Late yesterday, we issued a news release about our results, along with our supplemental financial package, including our quarter-end investment portfolio. To find copies of any of these documents, please visit our investor website, cinfin.com/investors. The shortest route to the information is the Quarterly Results link in the navigation menu on the far left.

On this call, you'll first hear from Steve Johnston, President and Chief Executive Officer; and then from Chief Financial Officer, Mike Sewell. After their prepared remarks, investors participating on the call may ask questions. At that time, some responses may be made by others in the room with us, including The Cincinnati Insurance Company's Executive Committee Chairman, Jack Schiff, Jr.; Chairman of the Board, Ken Stecher; Chief Insurance Officer for Cincinnati Insurance, J.F. Scherer; Principal Accounting Officer, Eric Matthews; Chief Investment Officer, Marty Hollenbeck; and Chief Claims Officer for Cincinnati Insurance, Marty Mullen.

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 those risk and uncertainties, we direct your attention to our news release and to our various filings with the SEC.

Also, a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and, therefore, is not reconciled to GAAP.

Now I'll turn the call over to Steve.

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

Thank you, Dennis. Good morning, and thank you for joining us today to hear more about our third quarter results.

Overall, it was another strong quarter. Our results reflect well on our strategy and on the efforts of our associates and independent agents.

We continue to see ongoing benefits from executing on the fundamentals while enhancing performance through various initiatives. Together, our underwriting programs and investment philosophy translated into substantial underwriting profit and the ninth consecutive quarter in our streak of investment income growth.

Disciplined underwriting and pricing on each policy was slightly offset by less favorable weather-related catastrophe effects than in the third quarter of last year. In total, we achieved a third quarter 2015 consolidated property casualty combined ratio of 87.8%. Our 9-month 2015 combined ratio before catastrophe effects was also 87.8%, improving that ratio from both full year 2014 and 2013.

Each of our major lines of business have performed well so far this year, except for commercial auto and personal auto. We continue to take action through better pricing precision and other initiatives for improved performance over time for our auto business.

In late 2011, we established a long-term target of possibly reaching $5 billion in direct written premiums by the end of 2015. While it looks like we won't quite reach that level this year, we've often emphasized that we seek to grow only where we believe we can do so profitably. I'm pleased with our overall underwriting profitability so far this year and won't be disappointed if we don't write $5 billion in premium until 2016.

Over the past 5 years or so, our premium growth has approximately doubled the U.S. P&C industry. We continue to earn quality new business from our agencies, including the areas we've been emphasizing, such as personalized products and services for our agencies' higher-net-worth clients.

Of the $16 million increase in 9-month new business written premiums for our personalized segment, nearly 20% of the increase was from high-net-worth policies. We launched Executive Capstone, our new suite of high-net-worth insurance products in New York during September. We expect those products to contribute significantly to profitable premium growth over time.

We're on track with progress for an initiative we announced in the second quarter, expansion of reinsurance assumed, which we refer to as Cincinnati Re. We have an experienced executive leading the effort and continues to develop a small team of excellent people to help execute our plans. We aim to remain disciplined in this expansion, particularly during tough reinsurance market conditions.

At September 30, we had entered into a handful of diverse treaties. If each treaty remains in effect for it's full term and premiums that are subject to the risk we are reinsuring occur as anticipated, we estimate those treaties should generate approximately $30 million in premiums over the next year or so. Premiums losses and expenses recognized during the third quarter of 2015 for our reinsurance assumed program were each less than $500,000 and immaterial effect on results for the quarter.

Turning to renewal policies. As we further segment our business, we use pricing precision tools and informed underwriter judgment to select and retain policies at prices we believe provide an appropriate return for the risk we assume. Overall pricing for the third quarter was similar to the second quarter. Average renewal price increases for commercial lines continued at percentages in the low single-digit range. That average includes the muting effect of 3-year policies that were not yet subject to renewal during the third quarter.

For commercial property and commercial auto policies that did renew during the third quarter, we continue to obtain meaningful price increases with property averaging in the mid-single-digit range and auto averaging near the high end of the low single-digit range.

Our most profitable line of business in recent quarters, workers' compensation, averaged slightly negative pricing during the quarter. While the average pricing change may have been negative, we continue to price on a policy-by-policy basis.

Certain policies that we determine needed a price increase received it. Our personal auto policies averaged renewal price increases near the low end of the mid-single-digit range while homeowner policies were a little higher in that range. For excess and surplus line segment, third quarter 2015 averaged renewal price percentage increases that were near the low end of the middle single-digit range. The E&S segment continues to perform very well, producing another quarter with a combined ratio below 80% and double-digit growth in net written premium.

Our life insurance subsidiary, including income from it's investment portfolio, also had another good quarter. Strong growth and profit in the third quarter drove our 9-month life insurance results above last year's.

Our primary measure of financial performance, the value creation ratio, is by design long term in nature. We know that measure may sometimes fall below target in the short term due to securities and market volatility. We are staying focused on underwriting profitability and growth. Our insurance business is in excellent shape, contributing more significantly to this year's 9-month value creation than a year ago. We have confidence in all of our associates, in the relationships we build with independent agencies and in the ongoing benefits of our strategic initiatives that aim to continually improve performance.

I'd like to conclude by expressing my sympathy for those impacted by the flooding this fall. We sent a storm team of our own highly trained associates to South Carolina to meet face-to-face with policyholders, quickly beginning the recovery process. We currently estimate our total losses from that industry catastrophe event to reach between $4 million and $8 million. That's $4 million and $8 million.

I'll now ask our Chief Financial Officer, Mike Sewell, to highlight other aspects of our recent financial performance.

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Great. Thank you, Steve, and thanks to all of you for joining us today.

First, I'll highlight some important aspects of our third quarter investment results. While the fair value of our equity portfolio fell 4% during the quarter, we ended that period with a net unrealized gain of over $1.5 billion before taxes for our common stockholdings in total.

We had another quarter of investment income growth, with an increase of 4%. All 50 common stocks in our core portfolio increased their annual regular dividend over the 12-month period of October 2014 through September 2015. The median dividend increase for those stocks was 7.6%.

For our equity maturity portfolio, our -- I'm sorry, for our fixed maturity portfolio, interest income rose despite declining average yields, in part due to a 9-month 2015 net purchases totaling $486 million. The bond portfolio's third quarter 2015 pretax average yield, reported at 4.62%, was 14 basis points lower than a year ago.

Taxable bonds purchased during the third quarter had an average pretax yield of 4.64% while tax-exempt bonds purchased averaged 3.32%. In both cases, those yields are higher than we experienced a year ago.

Our bond portfolio's effective duration as of September 30 was 4.7 years, up from 4.4 years at year-end. The increase was due primarily -- due to the impact from rising interest rates on our callable bonds, not a change in strategy.

Cash flow from operating activities again contributed to investment income growth. Funds generated from net operating cash flows for the first 9 months of 2015 rose 19% compared with a year ago to $755 million and helped generate $624 million of net purchases of securities for our investment portfolio.

We're still carefully managing our expenses. Because we continue to strategically invest in our business, third quarter and 9-month property casualty underwriting expense ratios rose slightly compared with prior year periods.

Moving to loss reserves. I'll first remind you that our approach to setting overall reserves remains consistent with the past. We continue to aim for net amounts well into the upper half of the actuarially estimated range of net loss and loss expense reserves.

For the first 9 months of 2015, favorable reserve development on prior accident years benefited our combined ratio by 4.4 percentage points, slightly better than 3.9 points for the first 9 months of last year and in line with first half of this year. Other than commercial and personal auto, our major lines of businesses have developed favorably so far this year. For our auto lines, nearly 75% of the unfavorable reserve development was for accident years 2013 and 2014. Our 9-month 2015 net favorable development was again spread over several accident years, including 41% for accident year 2014, 21% for accident year 2013, 29% for accident year 2012 and 9% for all order accident years in aggregate.

Our capital strength remains excellent and includes liquidity and financial flexibility. Cash and marketable securities for our parent company at September 30 totaled just over $1.8 billion, up 1% from year-end. Our strong capital is vital for ongoing growth of our insurance operations as well as other management actions, such as returning capital to shareholders.

During the third quarter, we used $73 million for cash dividends to shareholders. We also used $21 million to repurchase 400,000 additional shares at an average cost of $51.74 per share. Similar to our share repurchase -- purchases in recent years, it was a maintenance-type action intended to partially offset issuance of shares through equity compensation plans.

I'll end my prepared remarks as usual by summarizing the contributions during the third quarter to book value per share. They represent the main drivers of our value creation ratio.

Property casualty underwriting increased book value by $0.53. Life insurance operations added $0.07. Investment income, other than life insurance and reduced by noninsurance items, contributed $0.47. The change in unrealized gains at September 30 for the fixed income portfolio, net of realized gains and losses, decreased book value per share by $0.07. The change in unrealized gains at September 30 for the equity portfolio, net of realized gains and losses, decreased book value by $1.37. And we declared $0.46 per share in dividends to shareholders. The net effect was a book value decrease of $0.83 during the quarter -- third quarter to $38.77 per share.

And now I'll turn the call back over to Steve.

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

Thanks, Mike. In closing our prepared remarks, I'd like to share some other positive news we received during the quarter.

While we don't seek accolades, it's nice when we are recognized for our efforts. Forbes has again ranked Cincinnati Financial Corporation among America's 50 most trustworthy financial companies in 2015. This marks the fifth consecutive time Forbes has recognized Cincinnati Financial for openness and integrity in accounting, governance and management.

As we head into the last quarter of the year, we're committed to maintaining the momentum we created so far in 2015. We are confident that Cincinnati Financial is on the right track to deliver shareholder value far into the future. We appreciate this opportunity to respond to your questions and also look forward to meeting in person with many of you during the remainder of the year.

As a reminder, with Mike and me today are Jack Schiff, Jr., Ken Stecher, J.F. Scherer, Eric Matthews, Marty Mullen and Marty Hollenbeck.
Nick, would you please open the call for questions?

Question and Answer

Operator

[Operator Instructions] Your first question comes from Josh Shanker from Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

I wanted to get a little detail on your entry into the New York market and appetite for high-net-worth homeowner products there, given incoming carriers and whatnot.

Jacob F. Scherer
Former Chief Insurance Officer

Okay, Josh, this is J.F. We started things off in New York similar to the way we do things in other areas, is to appoint a few agencies. So we have appointed 12 agencies in the New York City, Long Island area and 2 outside of that area but close by, so a total of 14 agencies. And our intent would be to keep the number of appointments at a fairly low amount. Our appetite, as advertised, is with Coverage A limits up to $50 million. I wouldn't expect to see a lot of that at those level, but we clearly have an appetite that is reflective of the qualifications that Will Van Den Heuvel has brought to the company, along with the team of people he's continuing to assemble. So we've got our marketing folks on the ground in that area. We also have -- which I think is an important consideration, some professionals that Will has recruited from -- that have worked with him in his prior areas to head up our risk control and our appraisal and valuation units in those areas as well. We have a specialist here in Cincinnati in high-net-worth. We've trained 100 of our field claims reps in high-net-worth areas. And so I think we're prepared to provide the kind of claims service that distinguishes us around the country as well. So it's been a good start. Obviously, we're not trying to explode on the scene. We're trying to do things the way we normally do it, slow and steady, but the appetite from an agency standpoint to do business with us has been great.

Joshua David Shanker
Deutsche Bank AG, Research Division

And what about the source of business? Are you taking that business from incumbent? A lot of high-net-worth writers say there are plenty of opportunities to gain business in the general market, people who are not being served by a high-net-worth specialist. Are you -- New York is pretty sophisticated buyer's market. What does the marketplace look like there?

Jacob F. Scherer
Former Chief Insurance Officer

Well, we're gaining business. The agencies we've appointed have pretty much all been high-net-worth specialist agencies, so we're writing business in some cases from within their agencies. We've helped them write new accounts. We've written some accounts that have previously been written by some of the major players in that area. But as you mentioned, an awful lot of that marketplace, the majority of that marketplace is currently being served by carriers that don't specialize in the high-net-worth area. And we're seeing some business, not only in New York City and in that area, but also around the country from carriers that would not be the -- in those top 5 carriers that everyone speaks of when it comes to mind.

Joshua David Shanker
Deutsche Bank AG, Research Division

And in terms of thinking about the current accident picks in commercial casualty, obviously, a very, very good quarter and a big pick down in terms of loss ratio. When you have a business -- what sort of allocation's IBNR? And what allocation is case to the extent that when you make such a big move in your new loss pick, how do you think about that? Where's the data flow coming from that gives you your best estimate?

Steven J. Johnston

Chief Executive Officer, President, Director and President of Cincinnati Life Insurance Company

Yes, Josh, this is Steve. And basically, we look at it in terms of estimating and making -- or our actuaries do -- the best estimate of the ultimate accident year for each accident year. And they'll use a variety techniques for commercial casualty. In particular, they're going to use a multiple aggression -- multiple regression technique on paid losses, which would take any variability in claims reserve setting and so forth out of the equation, although they do also look at incurred methods, Bornhuetter-Ferguson methods and so forth. But there's an emphasis there on the paid losses, in regressing along 3 different ways: the accident year, the report year and the calendar year. So I think in answer to the question, the main point is to try -- the best, the actuaries to try their best to pick the appropriate accident year ultimate, then they would subtract off the page in the case reserves to arrive at the indicated IBNR.

Joshua David Shanker
Deutsche Bank AG, Research Division

, If I'm getting too specific with the next question, I completely understand. How far is the current ultimate pick for 2014 comparing cash as to where you're picking 2015 today?

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

We have that. I need to find that exhibit probably in the supplement here.

Joshua David Shanker
Deutsche Bank AG, Research Division

I can come back to Dennis on it. I appreciate the help.

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

Okay. I think the way to look at it would be just to go to the supplement for that particular line and look at the current accident year before catastrophes, which they wouldn't be for casualty, any catastrophes. And just multiplying that by the premium, that would be the pick for the ultimate.

Joshua David Shanker
Deutsche Bank AG, Research Division

Okay, okay. I may need a little more help, but [indiscernible].

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

Okay. Glad to do it.

Operator

Your next question comes from Mark Dwelle from RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

A few questions. Let me start with just clarifying a couple of numbers. In your opening remarks, you said that the high-net-worth products were 20%. That's of the personal lines new business, not of all new business, right?

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

That's correct.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. So that's sort of $6 million-ish for about 1 month worth of work?

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

Yes. And -- but the point, and I think to emphasize a little bit what J.F. said, is that we launched the Capstone high-net-worth in New York in September, but we've also added 4 endorsements to our Executive Classic, which would have been our existing high-end homeowners, to bring it up to snuff and are selling the high-net-worth product through existing agencies throughout the country. So that growth there would also be counted in terms of the high-net-worth new business.

Jacob F. Scherer
Former Chief Insurance Officer

Mark, this is J.F. Yes, I'd just emphasize what Steve said there. Since Will has joined the company, we've communicated to all of our agencies across the country that we have a more comfortable appetite for the high net worth. I think before -- and as we've mentioned before, about 10% of what we have written has been high-net-worth. So I would probably describe it more mass affluent with Coverage A limits of $2 million or less. And so when we say high-net-worth, it's $1 million Coverage A or more. We're still -- and we're writing a lot in the $1 million to $2 million to $3 million range. So the response we're getting from agencies throughout the country that already had represented us for personal lines has been improved.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. So the -- just to paraphrase what you've said, it would be a mistake to assume that the $6 million is all New York area. Some of it is New York, certainly, but it's also the rest of the Cincinnati map is in that total via the endorsement of the existing product.

Jacob F. Scherer
Former Chief Insurance Officer

A small percentage would be New York.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Got it. Okay. That was my first question. And actually, you answered my other question related to high-net-worth on where limits tend to get kick in. The second question I had, again, in your opening remarks, Steve, you mentioned the Cincinnati Re, and I think you said $30 million of premium. Was that right or how should...

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

Yes, that was correct. And we might want to just amplify a little bit in terms of how we're booking the premium, and I'll turn it over to Mike to maybe touch on that.

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Yes, that would be great. Hey, Mark, it's Mike. So currently, Cincinnati Re, we have 6 contracts or treaties and they're generally running 12 to 18 months in duration. And although the premiums are not always known on day 1, we estimate that we'll receive $32 million over the period compared to the $15 million that we reported at the end of the second quarter. So we basically have doubled that amount. The amounts that we've reported in the third quarter financials, though, are not material quite yet. When we write a contract, we may know what the entire premium -- or we may not know what the entire premium will be until the cedent actually cedes all the risk to us. So an example might be, say, if I use an example like workers' compensation in California, we may not know what the final premium on the specific contract will be until we know how much ultimately the cedent writes and cedes to us. So at any given point in time, it can be difficult to give a future written or earned number projections. So -- but what we've stated so far is we're going to walk, not run, as we build this business. And we're only going to take risk with superior returns that enhance our VCR. So congratulations right now to Jamie Hole and the team for, I think, a great start, and we'll have more to report to you on future quarters.

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

And Mark, this is Steve. I just want -- and kind of the intention of the disclosure here is that we're being our usual prudent self when it comes to booking revenue. But we also want to let you know that we have 6 contracts out there that have the potential of ultimately producing $30 million in written premiums. So we could have losses. We're being cautious on both sides, I think.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Right. Okay. So most of that was exactly what I was going to ask. The 2 other little bits related to that. Again, this is really more just disclosure and where I find it. I assume all this is currently being reported up through the commercial lines unit and that those amounts are also showing up in the new business written -- new business written premiums totals.

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

That's another great question, Mark, and I should have -- I probably should have touched on that. We're doing this similar to the way we did our E&S business when it was a startup. So currently, it is in Other for our segment business. So you won't necessarily see it in there. When it gets to be larger, it will actually be reflected as its own segment within the Q. So it's in Other right now, so you really can't -- because it's so small. So again, we expect it to grow. And then at some point, it will be material enough to break out as it's own segment. So you'll soon see a commercial lines, personal lines, E&S, Cincinnati Re assumed life investments and then you'll end up with Other. So that's the way we're expecting it to go.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. Good on that. And then the last question that I had. In the commercial lines unit, you had an excellent quarter from an accident year standpoint and even a non-accident year standpoint. But the improvement in the accident year, I guess, in the commentary in the press release, you talked about the 9-month improvement related to non-cat weather and large claim losses and so forth. Do those comments apply equally to the quarterly improvement?

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

This is Steve. I believe they do. I think the quarter and the year, it's been pretty consistent across time.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

So I guess the -- what I'm really more directly asking -- or indirectly asking is, so to some extent, that's just, I mean, obviously, it's good any time, but there's likely to be some mean reversion on that in some other quarters, where those things start to swing back against you.

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

Well, I guess, maybe I want to make sure I was stating it right. We're trying to peel right down to the core, ex-cat accident year, and we just feel we're making incremental steady improvement. It's not huge, but it's -- we're just grinding it out and we're going to have some noise based on large losses and so forth. But we feel that with the initiatives in place, we're still -- have a runway to go on some incremental improvement. And -- but I would make those comments more in terms of the 9-month data in that there's less variability there.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. And then last question. Mike, you had mentioned the buybacks. Those were all last quarter, right? There wasn't anything incremental this quarter.

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

Actually, there was incremental this quarter. So what we had -- so it's quite coincidence, maybe. There was 400,000 shares in the second quarter and also an additional 400,000 shares in the third quarter. So year-to-date, we've purchased back 800,000 shares for a total price of just a little over $41 million. So it's kind of averaging in the low $51 per share.

Operator

[Operator Instructions] Your next question comes from Ian Gutterman [ph] from Alliad [ph].

Unknown Analyst

I guess my first question is the E&S business had a spectacular quarter underlying -- about an 82% accident year. And normally, that's, say in the -- I know it bounced around a lot, but I think it's the best you've ever had, potentially. Anything unusual there? Or is it just a lack of property events or change in mix? Just curious what's going on there.

Jacob F. Scherer
Former Chief Insurance Officer

Ian [ph], this is J.F. No, our mix really hasn't changed much. It's about 15% property. So it's a pretty heavy casualty book of business. I think the newsworthy items in E&S, it was mentioned as well, is that we're seeing a lot of pressure on larger accounts, almost all of which are going into the standard markets. So competition is kind of accelerated there. I think we've just done -- the folks that are -- Don Doyle and the folks that are running E&S, who have just done a really good job of making certain that we're being thorough underwriters. And I think we've got a good opportunity within our agencies. Our agencies write ballpark $2.5 billion in E&S business in their agencies, and our model is unique. We provide a good option for our agencies. And so I think we can continue to be pretty choosy about what we write. And from the very beginning, Don has taken the approach that if we're -- being in this business, there are going to be times when you have to be tougher and maybe not grow as much, though I don't think we're at that point yet. But we've been able to continue, I think, growing it. We've had 61 consecutive months of rate increase, so I think that fortifies the results there. So all in all, nothing's changed, nothing that would have caused that loss ratio to go down a lot more. We're just continuing to be, we think, pretty good fundamental underwriters.

Unknown Analyst

Got it. Great. And then, before I move on, Mike, since I have you here, on commercial auto, switching topics, any additional color you can give on sort of where you're seeing pressure in the book? Meaning, is it local vans? Is it the construction business? Is it stuff you had that's maybe longer haul? I'm just kind of curious where -- or maybe it's all of the above, but I'm just curious if there's any particular areas that stand out.

Jacob F. Scherer
Former Chief Insurance Officer

Yes, I was going to say yes, yes and yes. There's really no smoking gun that I can tell you on commercial auto. There's a variety of things for us, as you probably noted, it's a severity issue, not a frequency issue. And we're seeing and the industry has seen with the economy improving, a lot of newer employees, therefore, a lot of newer drivers that are out there, some of the drivers of which -- and we've seen it in some of our claims -- are, in our view, perhaps a little too young should be driving the size of truck that they've been given responsibility for. Regrettably, we find that out after the fact. The American Truckers

Association (sic) [American Trucking Association] just, I guess, by way of a comment said that by -- at the end of 2014, there was a shortage of 38,000 drivers. And at the end of this year, there would be a shortage of 48,000 drivers. So we're trying to concentrate better at verifying driving records, driving experience and the assignment of vehicles to particular drivers, help out there. But it's -- even in Ohio, which is our -- it's gold-standard state as far as profitability. It's been a little tougher here in Ohio. We noticed on -- when you drive around -- I'm sure in your area, and they have signs above the highway that says the number of deaths, well, the number of deaths on Ohio highways is up double digits this year. This is anecdotal to -- by way of a description, but distracted driving, we believe, also has had some effect. Obviously not on the frequency, but you had some situations where there were no skid marks, and somebody that was texting or talking on the phone piles into someone. And so I think the industry is searching for a variety of things that are contributing to this, but I think it's not one thing, it's a lot of things.

Unknown Analyst

Got it. And just related, does it put any pressure on the comp book for certain types of customers? Meaning, if I have a business that has a lot of delivery vans or something, and obviously if someone gets in an accident on the job, I'd assume there's the comp payout, too. So does that create any inflation pressure on comp as well?

Jacob F. Scherer
Former Chief Insurance Officer

Could very well and something we're paying attention to when our loss control folks go out there. They're on the lookout for that type of thing. We haven't seen it in our comp book yet, but, yes, we're looking for it.

Unknown Analyst

Got it. Great. And then just lastly, for Mike, was there any change in any of the segments in, I guess, adjusting the picks for the year? Meaning, do you sort of true-up the year in this quarter at all, and so maybe some of the change from trend is related to catch up from either release you were adding from the first half?

Michael J. Sewell
Chief Financial Officer, Senior Vice President and Treasurer

The picks really haven't moved a whole lot. We look at it every quarter. The actuaries perform a thorough review during the quarter. So I'd say it's been fairly flat from quarter-to-quarter, but it's a thorough review each quarter when they're looking at the picks.

Operator

[Operator Instructions] There are no further questions at this time. Mr. Steve Johnston, I turn the call back over to you.

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

Well, thank you, Nick, and thanks to all of you for joining us today. We look forward to speaking with you again on our fourth quarter call. Have a great day.

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