S&P Capital IQ

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Cincinnati Financial Corporation NasdaqGS:CINF

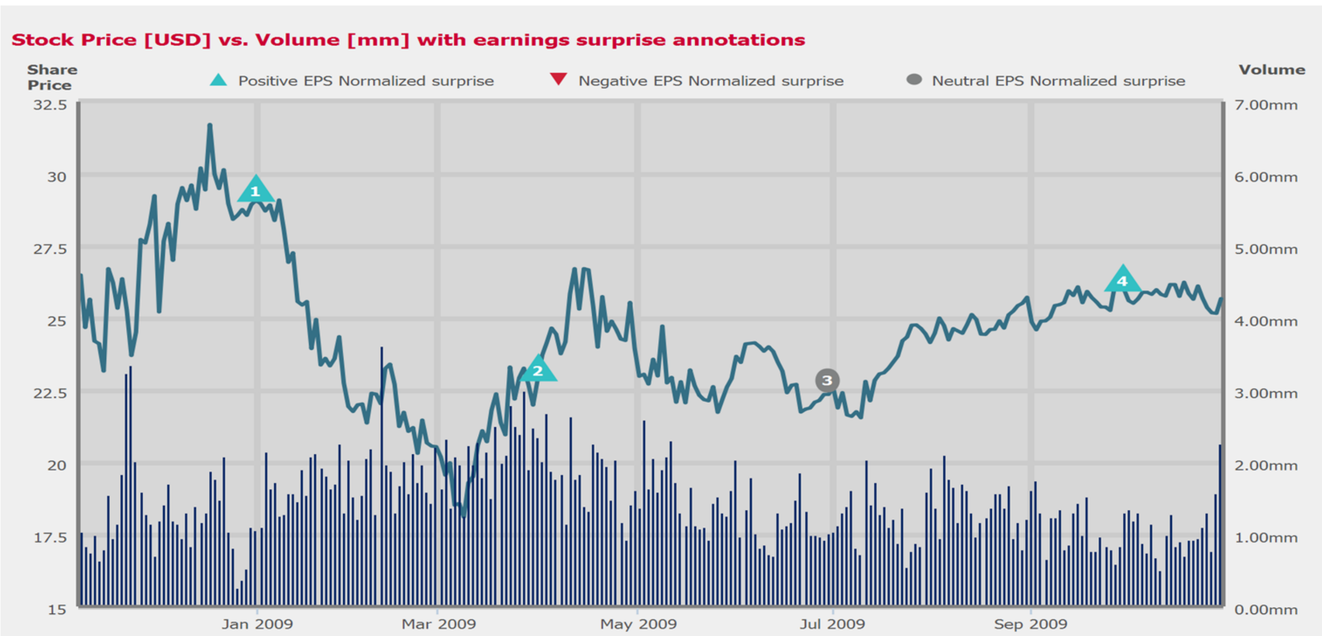
FQ4 2009 Earnings Call Transcripts

Thursday, February 04, 2010 4:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2009-			-FQ1 2010-	-FY 2009-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	0.52	0.53	1.92	0.50	1.30	1.32
Revenue (mm)	911.63	1133.00	24.28	946.00	3706.00	3903.00

Currency: USD
Consensus as of Jan-19-2010 1:07 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2008	0.52	0.57	1 9.62 %
FQ1 2009	0.20	0.23	2 15.00 %
FQ2 2009	0.14	(0.03)	NM
FQ3 2009	0.42	0.59	3 40.48 %

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Call Participants

EXECUTIVES

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

Jacob F. Scherer
Former Chief Insurance Officer

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

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

Martin Mullen

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

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Macquarie Research

Jon Paul Newsome
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Presentation

Operator

Good morning. My name is Rachel and I will be your conference operator today. At this time, I'd like to welcome everyone to the Cincinnati Financial Fourth Quarter Conference Call. [Operator Instructions] I would now like to turn the call over to 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, Investor Relations Officer for Cincinnati Financial. Thank you for joining us for our fourth quarter 2009 conference call. This morning, we issued the news release on our results along with our supplemental financial package. If you need copies of any of these documents, please visit our Investor website, www.cinfin.com/investors. The shortest route to the information is in the farther right hand column via the Quarterly Results quick link.

On the call, you have here Ken Stecher, President and Chief Executive Officer; and Chief Financial Officer, Steve Johnson. After their prepared remarks, we'll open the call for questions. At that time, some responses made by others in the room with us that include Chairman, Jack Schiff Jr.; Executive Vice President, J.F. Scherer, Sales and Marketing; Principal Accounting Officer, Eric Mathews; Chief Investment Officer, Marty Hollenbeck; and Chief Claims Officer, 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 these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC. Also, a reconciliation of non-GAAP information, as required by Regulation G, was provided with the news release and is also available on our website. Statutory data is prepared in accordance with statutory accounting rules and, therefore, is not reconciled to GAAP.

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

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

Thank you, Dennis. Good morning to all of you. Thank you for joining us on a morning so crowded with several insurer conference calls.

As highlighted in our news release, positive third quarter trends continued in the fourth quarter. For the second half of 2009, we had solid earnings and favorable trends. We made an underwriting profit on an all-lines basis with a 96.8% combined ratio for the second half. That period contrasted sharply with our first half, which included the effects of high catastrophe losses. As a result, strong full year 2009 results in many areas were offset by weak workers' compensation and homeowner results, which added almost 12 percentage points for the full year consolidated combined ratio of 104.5%.

For purposes of analysis, our combined ratio for the total of all lines of business, except workers' compensation and homeowners, would be in the low- to mid-90% range. We have taken and will continue to take action on workers' compensation and homeowners.

In the homeowner line, the changes in our pricing structure have improved the quality of accounts. In workers' compensation, we are using predictive analytics as an underwriting and pricing tool, and we have improved the process of taking claim reports from our insured employers. We're adding to our loss control staff to help serve these accounts and reduce claims. We're optimistic that these efforts are taking us in the right direction to return profitability to these two lines of business overtime.

In addition to the $10 million fourth quarter underwriting profit, we saw a healthy growth of our investment income in the fair value of our investment portfolio. We were very pleased to see good growth

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of pretax investment income which rose almost 5% compared with fourth quarter 2008. We're also preparing to turn the corner on an after-tax basis, which is a right metric to evaluate, given our shift in asset allocation over the past year.

We believe the portfolio is positioned for growth of investment income in 2010. And for the full year 2009, unrealized gains in the portfolio nearly doubled even after harvesting a significant amount of gains. We now have more than $1 billion of pretax unrealized gains in the portfolio with the equity portfolio representing 2/3 of that total.

A year ago, we told you our plan for improving our capital position. We have accomplished that through prudent management of our investment portfolio, identifying and applying our risk tolerance parameters at the asset-type sector and issue levels. We have positioned the portfolio to benefit from favorable market trends in the future while managing downside risk.

Our equity portfolio's total return for 2009 was positive at a double-digit rate, although it lagged the broader indexes mainly because the market rally did not favor the higher quality dividend paying stocks we prefer.

Risk management from an enterprise perspective continues to be an important part of our strategy for effectively managing capital. We are watchful of internal risk as well as broader risk, such as potential regulatory changes. Now let's turn to our Property Casualty Insurance business.

While premium growth remains a challenge due to the weak economy and soft pricing, our growth initiatives have prepared us to achieve healthy growth as markets improve. These targeted growth initiatives already have created some growth areas during 2009. Now we are being careful to drive growth only where we see the potential until we have an acceptable profit margin. Our 3.3% full year net written premium decline is modestly better than the P&C industry trend of negative 4.8% for the first nine months of 2009.

Underwriting discipline slightly lowered our Commercial Lines policy retention to the 89% to 90% range toward the end of 2009. We consider that a healthy sign that we are walking away from under-priced business. While we don't expect to see a significant improvement of industry commercial pricing in 2010, we believe our agents and field representatives are up to the task of identifying quality accounts and competing to get them on the books at an acceptable target profit margin.

We showed good growth in Personal Lines and E&S as noted in our news release. Quality is our emphasis in these areas, too. Our pricing changes are producing a shift in our Personal Lines book with more growth in the tiers with lower risk indicators. Our E&S business continues to draw accounts that are typical of our conservative appetite with modest average premiums of about $5,300. Many of these accounts have been long established in our agents' offices so they have no lost histories.

Another area where we're growing very selectively is agency appointments. We mentioned in our news release that we will continue in 2010 to research new space and ad agencies to represent us. We select agencies that are a good match philosophically and that have the potential to make us their number one or number two carrier by premium volume as they grow with us over the coming years. We want a meaningful and mutually-beneficial relationship. This approach works for us so we have the number one or number two spot in more than 75% of agencies that have represented us for five years or more. So we have tremendous room to grow in Texas, Colorado, Wyoming, New Mexico and Washington, which are states of operation new to us since 2007.

We know that all of our agencies, new or established, need to operate efficiently to succeed. And we're committed to delivering technology that helps them grow. Our agents are responding positively to progress we've made in 2009 and early 2010.

Last year, our staff successfully accelerated the schedule and delivered our new commercial package and other system to agencies in 11 states. Those states produce approximately 55% of our Commercial Lines premium volume. We'll continue that accelerated pace in 2010. By year end, agencies in a total of 30 states have produced nearly 95% of our Commercial Lines premiums. We'll benefit from this system and

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its direct-bill capabilities. While it will take some time to move all of our three-year commercial policies to the system at renewal base, we are well on our way.

We're working this week to get our agents up and running smoothly on a new dot-net version of our Personal Lines system. It was deployed Monday to all of our Personal Lines agencies in all states. The system offers easy navigation and processes all six of our Personal Lines of business. We are also proceeding with other initiatives to expand our online services for Personal Lines policyholders in 2010.

These technology advances are part of our agent-centered strategy. We believe they complement our competitive advantages and strong relationships, great claim service and financial strength, improving our position as the go-to carrier in each agency.

To summarize, we're building a portfolio of quality books of insurance and processing systems that can stand the test of time. We're overcoming near-term challenges to assure an infrastructure that creates value for the long term.

Now Steve will discuss details for the quarter.

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

Thank you, Ken, and thanks to all of you for joining us today. The fourth quarter was profitable with P&C insurance underwriting, life insurance operations and investments contributing to solid book value growth and pushing the full year 2009 value-creation ratio up to 19.7%. The fourth quarter combined ratio of 98.6% reflected no catastrophe losses and benefited from favorable reserve development, including 1.7 points from reserves for catastrophe losses occurring in prior periods.

As Ken mentioned, in terms of the full year, 2009 was a tough one for our homeowner line of business. However, increased rates and improved pricing position began taking effect on October 1. Those pricing changes, the absence of catastrophes and the favorable development throughout the fourth quarter homeowners' loss and loss expense ratio to an encouraging 53.0% and contributed to a profitable 90.9% combined ratio for the Personal Lines segment.

Total P&C reserves on prior accident years developed favorably, benefiting the fourth quarter combined ratio by 10.4 points. For the full year 2009, prior accident year reserves developed favorably by 6.4 points, which compares with 10.7 points of favorable development during 2008.

You'll recall that during the first half of 2009, we strengthened reserves for workers' compensation claims occurring in prior accident years. Removing the impact of workers' compensation, the total of all other lines developed favorably by 9.1 loss ratio point during the full year of 2009. Our reserving philosophy remains unchanged. We continue to target total reserves in the upper half of the actuarial range.

Now for some details on investments. The more diversified investment portfolio contributed nicely to net income and book value growth. Pretax investment income increased to $131 million, up $6 million or 4.7% quarter-over-quarter versus 2008 and up $4 million sequentially over this year's third quarter.

Of the 46 stocks we owned at year end, 39 increased their dividends in 2009 and by an average of 7.6%. Pretax realized gains increased to $247 million for the quarter and to $336 million for the full year. Gains during the quarter benefited from two notable transactions.

At September 30, we held shares of both Wyeth and Pfizer. During the fourth quarter, we received cash and Pfizer shares when Pfizer closed its acquisition of Wyeth. We have then sold approximately 2.2 million shares of Pfizer. The net result was $169 million in pretax realized gains. These transactions helped reduce the percentage of our common stock portfolio in the healthcare sector to 18% at December 31 from 25% at September 30.

Also during the fourth quarter, we sold approximately 20% of our position in Verisk at its initial public offering, realizing a pretax gain of $26 million. We continue to be transparent in our entire portfolio at December 31. It's posted on the Investor section of our website.

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Liquidity, the balance sheet and our overall financial condition remain very strong, putting us in a solid position to grow profitably. The year-end P&C, premium-to-surplus ratio improved to 0.80:1 from 0.89:1 at December 31, 2008, with statutory surplus growing to over $3.6 billion at year end 2009. At the holding company level, we have approximately $1 billion in cash and marketable securities, and our debt-to-total capital ratio also improved to 15%.

In terms of capital management during the quarter, we returned capital to shareholders in the form of our regular cash dividend. The stock currently has an attractive dividend yield of approximately 6%. And our Board believes many shareholders value are a long-time tradition of increasing the dividend. While our $0.0395 dividend represents a relatively high 75% payout ratio to operating areas for the most recent quarter, our strong capital and prospects has improved future earnings, provide flexibility for our rewarding shareholders through return of capital.

Summing everything up, the contributions to book value per share for the quarter are as follows: Property-casualty underwriting profit contributed $0.05; life insurance operations, $0.06; investment income, other than life insurance and reduced by noninsurance expenses, net to $0.38; the change in unrealized plus realized capital gains on investments netted $0.71; and as we mentioned, we paid to our shareholders $0.0395 per share in dividends. Totaling it all up, book value increased by $0.81 or 2.8% during the fourth quarter to $29.25 per share. The value-creation ratio, which factors in both growth and book value and dividend contribution, finished 2009 at 19.7% with 13.6 points coming from growth and book value and 6.1 points being contributed by the dividend. Looking longer term, for the five-year period in 2010 through 2014, we continue to target an average value creation ratio of 12% to 15%.

That concludes my comments and I'll turn it back over to Ken.

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

Thanks, Steve. Before we open the call for questions, I'll call your attention to our news releases this past Monday. Before we announced our regular quarterly dividend, $0.0395 per share, reflecting the increase last August. We also appointed a new Director of IT and a business strategy expertise. We're fortunate to add Linda Clement-Holmes from Procter & Gamble to our Board, rounding out that group of uniquely- and highly-qualified leaders.

I also note the passing in January of Bob Schiff, one of our company's foreign insurance agent founders. He had retired from our Board and his independent agency several years ago, but the spirit of Bob and all the founders lives on in our agency centers business model.

We value the agents' local knowledge and customer perspective. We believe those are tremendous tools that when optimized, can lead to great results and a great future for agents and their company partners. No matter whatever processing and pricing tools we employ, the agents' insights will be the most valuable. With that, let me open the call for questions. Just a reminder, that Jack Schiff, Jacob Scherer, Eric Matthews, Marty Mullen and Marty Hollenbeck are here with Steve and me. We are all available to respond. Rachel, we're open for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Michael Phillips from Stifel, Nicolaus.

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

Can you just give some details on what you're seeing in Personal Auto in terms of liabilities or severity trends?

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

This is Steve. Yes, we are, I think, pretty typical and that we're seeing our frequency flat to slightly down and our severity up, but not outside of the range of where we see our pricing being able to handle it. Marty Mullen is here from claims. I don't know if Marty would like to add anything else.

Martin Mullen

Yes. Thanks, Steve. Actually, the Personal Auto is almost flat with a slight severity of about 2%.

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

So no real impact on that line from recession- and economy-driven type of things?

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

We're not seeing it, Mike.

Operator

Your next question comes from the line of Paul Newsome from Sandler O'Neill and Partners.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

I actually want to ask sort of a broader commentary about how you are thinking about stock buyback versus the dividend, particularly given the price to book value is below 100.

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

Paul, this is Ken. We are very proud as you've heard us say before about our dividends with our shareholders and the long-term shareholder base that we have. So I think our preference is really that we will continue the regular cash dividend and try to increase that on a yearly basis like we have for the past 49 years. As the capital base is rebuilt and our earnings increase and the payout ratio starts to trend down, if our capital stays strong and the price of our stock is below book, we'll entertain share repurchases at that time, that I think our first preference is maintain the cash dividend policy we've had for many years in the past.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

So it sounds like book value repurchases really would happen once you have a pretty healthy payout ratio?

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

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I think that's fair.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

And then on a different topic, the accident years are pretty high for both lines, Commercial and Personal Lines. It sounds like you're putting rate through on Personal Lines, please tell me if I'm wrong, but outside of just the workers' comp line, are you trying to broadly put through rate on the Commercial Line as well?

Jacob F. Scherer
Former Chief Insurance Officer

It's J.F. We're doing our best, I would say, that on a majority of accounts, we are able to put through some fairly decent low-single digits rate increases in Commercial Lines. The competition remains, obviously, our renewals or someone else's new business and we're still seeing quite a bit of competition, most especially in larger accounts. So when I say larger accounts, I'd characterize those as being $100,000 in premium or more. And in those cases, we are continuing to see some fairly significant competition. As was mentioned before, our retention ratio is going down slightly in Commercial Lines so we are walking away from some accounts just choosing not to compete. But really what we're seeing in the marketplace continues to be, I guess, a dual strategy from a lot of carriers back to being that everyone's trying to put through renewal increases. But the same carriers that are doing that or trying to do that are sometimes some of the most competitive carriers you'll find out there in new business. So we're trying to pick our spots, doing our best to weed out the poorer accounts. So that when we've had to be more competitively priced, we are doing it on the highest quality accounts we have.

Operator

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

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Just a question on workers' comp, I know you've talked about this for most of 2009. But the loss ratio was elevated again this quarter. Just wondering if you could just give us an update on what you're seeing there as far as frequency and severity trends. Any kind of stabilization there? And do you think you're kind of ahead of the curve as far as reserving versus income in loss trends?

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

Maybe I'll start out here, Scott, and then pass it over to Marty. I think he's got some comments as well. You're right, I mean it's been a troubling line. It's been a line that we've all recognized as something we need to improve. So we basically end up on the problem from just about every aspect of our company. And on the pricing side, we have introduced predictive modeling, which we didn't have before, which we think will help with our pricing position, and that's available now for all New and Renewal business. In terms of loss control, we've added emphasis there and resources there that should be able to help us go out and help our agents to help their clients to keep a safer workplace and keep the losses down. Our Claims department, and Marty will elaborate about this, just opened up a new call center that helps us get to the injured parties more quickly. So I think it requires more than just one aspect of our company, and I think we're all approaching it holistically. And I think Marty Mullen has some good insights to share as well.

Martin Mullen

Yes. Thanks, Steve. Scott, it looked exactly what you've pointed out. The fourth quarter compared with 2009 to 2008, the frequency was fairly flat. But in the fourth quarter of '09, there was a severity increase year-over-year in the fourth quarter, mainly related to some individual case losses that were very high. We have made the effort, in fact this week, we're having field meetings with our field staff, with the entire emphasis on the team effort with sales, underwriting loss control or any claims to make this a profitable

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line of business. So as we continue to move forward, I'm sharing all the tools in the implementation of the efforts that we have in place are going to get dividends in the coming year.

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

Scott, this is Kenneth. I think you heard before, too, and you saw it on previous quarters this past year. We think we've been a little conservative in trying to look ahead quite effectively with potential rising healthcare costs and things like that on this whole tail of line. We're trying to address that. So we'll see how that all plays out, but we have made an attempt to account for that.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

And then switching over to the E&S unit, can you talk about the growth outlook there? I saw the premiums were down a little bit in Q4 relative to Q3. But just thoughts on the opportunities you're seeing, I guess, it's now been in existence for about a year and a half or so, kind of where do you see the opportunities given how difficult pricing is and where you see that business heading in 2010?

Jacob F. Scherer
Former Chief Insurance Officer

Scott, this is J.F. Schere. We've been quite pleased with how things are going with our E&S company. We are about $31 million, almost $32 million, in New business last year. Interestingly enough of the 1,180 agencies we have, we wrote at least a policy for over 1,000 of those agencies, so we're getting a lot of good play throughout the country for the E&S business. The average premium, as just mentioned in the remarks, is relatively low. We're not trying to burn our way into the market by a long stretch. We think we bring, from a model standpoint, a good model to our agencies. So we are operating direct with only the independent agencies to represent the Cincinatti Insurance Company. Our field marketing reps on the property and casualty side promote this business. However, I might point out that they are not the underwriters that underwrite the price of the business. We have underwriters here in Cincinatti that are specialists in Excess & Surplus Lines that are doing that. But we are promoting it both from inside and out because we're not doing business with the wholesaler marketplace. There are funds available to pay a higher commission to our agencies. I think they're equally important. The field claim staff that would be handling the standard claims for our agencies are also the same field staff, that our agencies very much appreciate, would be the ones handling the Excess and Surplus Line of claims as they occur. And then finally, as an exclamation point on our effort towards profitability, the premiums and losses, associated with Excess & Surplus Lines, are included in the profit-sharing contract that we have with our agencies. So lest anyone will be concerned and our agencies would take a throw-it-again-for-the-wall approach on E&S business with us, they're going to be quite careful because our profit-sharing contract is an important part of their compensation with us about what they offer us. And having said that, when you add all of those positives together, we have a tremendous opportunity within our agencies. In many cases, our agencies are offering to allow us to look at their entire book of Excess & Surplus Lines business and pick through it the types of things we think, given our level of development, we're capable of writing profitably. So our approach, as has been mentioned before, is to walk before we run on this. Our agencies write collectively in their agencies about $2.7 billion in Excess and Surplus Lines of business. And though we don't believe that we're going to be a market because some of that's very complex or all of it, we do think we're a market for a fairly decent percentage and we'll be given an opportunity to compete for it.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

The 65 new agency appointments that you have on track for this year, any geography specific way that you are focusing on more than or so in others, I would assume would be newer states, but can you talk about sort of the newer states you're ramping up, agency appointments versus some of your core states where you'd be looking to get better returns in these states?

Jacob F. Scherer
Former Chief Insurance Officer

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Yes, we had a good year last year as far as the appointments we've made in our newer states. At Texas, we appointed 20 agencies with 23 locations, for example. Colorado, 10 with 11 locations. We won't be adding agencies in those new states as well as Washington, some in Wyoming. But what we find in terms of taking with the 65, we do have under consideration some states that are now inactive for us, keeping in mind that we are licensed in all 50 states but inactive in 37. But we've investigated Main, Massachusetts, Connecticut, Oregon, for example, have made no decisions on those, but have satisfied ourselves that we believe the regulatory environment in those states is fair enough for us to consider it. So that will affect the number of appointments we'll make. And then we really do take a look at all of our states. As time goes on, some agencies reach the end of their productive cycles. And so consequently, it could be that in Ohio, we'll be looking for some appointments. But one of the things that drives our interest right now probably more than anything else is the geographic diversification, most especially from a Personal Line standpoint to beef up our activities in states that are less cat [catastrophe] prone, so we'd really take a really close look at those particular states. And as you've already mentioned, out west really we think has some real potential for us.

Operator

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

Daniel Schlemmer
Macquarie Research

A question, if i could, on the Verisk holding. And that's suddenly become your second largest single holding. I was wondering if you can sort of tell us how that makes sense in terms of your overall portfolio. Is that something you didn't intentionally acquire? So just curious what you're thinking is on that, how it fits in with your overall desire for dividends, managing concentration risk et cetera.

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

Dan, it's Marty Hollenbeck. As you mentioned, we sort of inherit that and then on the IPO, we sold 20% of it. The remaining shares we have, which is about 4.9 million, split into some Class B restricted shares, half of which were tied up until April of 2011, the other half until October of 2011. They currently don't pay dividend, as you mentioned, so they don't fit our core philosophy. So at the next chance we have to sell some, we'll take a hard look at that strategy. And if they have not at that time, it's to the dividend and chances are we'll sell at least some of them.

Daniel Schlemmer
Macquarie Research

And on that staying with the Verisk, as you mentioned, the lockup, then on the valuation, do you make any adjustment there for the liquidity, or is the value reflected sort of full market value?

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

No, we used a third-party pricing system and they gave it in about a 9.6% discount to the December 31 closing price.

Daniel Schlemmer
Macquarie Research

A separate question just in the release. There's a comment about Personal Lines working in 2010 on tools that make it easy for agents to compare our Personal Lines rates, which just curious what the objective is there. I don't think of rate as the Cincinnati strength. It's not a low-cost provider, so sort of curious if you could comment on that a little bit.

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

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Dan, this is Ken. I'll comment in this briefly and J.F. and Steve might want to add. I mean, I think we have worked very hard with our pricing points the past year to try to get our rate competitive. So we are and we definitely want to do that. We want to grow that book of business again. J.F. I think has the number of how much the Personal Lines business has written in our agencies. And I think we will consider our fair share. Secondly, when I have trailed with the visit agencies, some of them, they use these comparatorators [ph] where they can kind of enter the data for an individual person and they can get the price points for three or four of their personalized carriers. So we want to provide that technology and we will be part of that process. And we don't have to enter our data the second time to get our quote. So I think that's part of what we are referring to there, but I'll let Steve and J.F. add to that if they'd like.

Jacob F. Scherer
Former Chief Insurance Officer

I would only add that it's important, as Ken mentioned, from an efficiency standpoint of the agency for the agency to compare whatever number of carriers do they have. We're not trying to compete to be the low price. At the same time, we have to be in the system for them to be able to see what price we have. And then our job at that point is to make certain that we've convinced them that we're worth the extra cost of the lowest cost provider. So at the same time, while we focused on making certain that our rates are adequate in the ballpark, if you will, we also expect and market our product on the basis of a higher value that we provide and, therefore, a slightly higher cost.

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

This is Steve. I think I'm just reiterating what Ken and J.F. said. But you pointed, we do a sell-in relationship. I think our agents are putting their best accounts with us. We just want to be in a position where we make it as easy for our agents to do business with us as possible.

Daniel Schlemmer
Macquarie Research

Just as you see pressure particularly in the Commercial Lines, are there any particular segments you're seeing the strongest pressure in? Is it your construction book mostly, or are other segments that you're seeing particularly fierce competition?

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

And I wouldn't call what we're seeing in construction as fierce competition so much, it's just economy-related depression of exposures. That's where the depression of price comes in there. We're not seeing necessarily a strong competition for a rate in that particular area, probably as much as anything. And we need to wear this out, but the larger the account, the more it attracts a variety of competitors. And I think there's a sense because you have a lot of premium to work with that you've got a lot of margin that you can risk. So I would say that it's simply the larger accounts that seem to be the most competitive. By class of business, obviously, there are carriers out there that are niching, that are going after certain classes, that type of thing. And so when you have a carrier that decide they're going to specialize, for example, in colleges or something of that nature, they're bringing something to the table in terms of more aggressive pricing as well. But I wouldn't characterize the marketplace as in terms of a class of business of one being more competitive than the other.

Operator

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

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

Thank you, Rachel. Thank you, all for joining us today. We look forward to speaking with you again on our first quarter call. Have a great day. Thank you.

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

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