S&P Global
Market Intelligence

CNA Financial Corporation NYSE:CNA

FQ4 2021 Earnings Call Transcripts

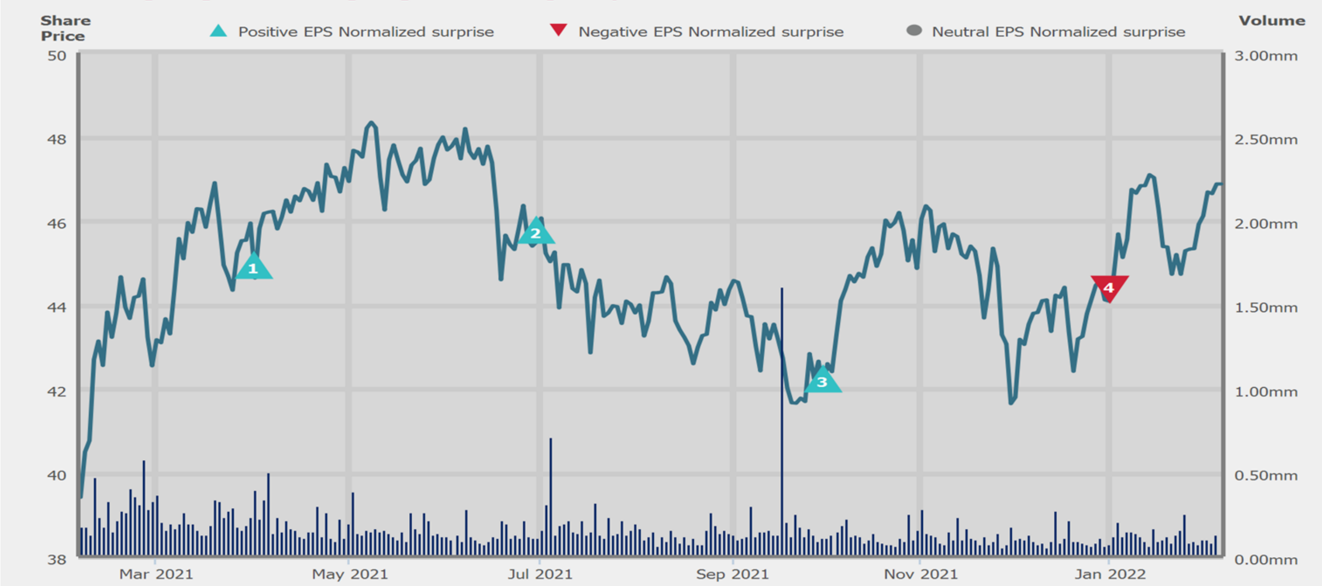
Monday, February 07, 2022 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2021-			-FQ1 2022-	-FY 2021-			-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.00	0.97	▼ (3.00 %)	1.21	4.08	4.06	▼ (0.49 %)	4.30
Revenue (mm)	NA	2166.00	NA	2080.00	NA	7921.00	NA	NA

Currency: USD
Consensus as of Feb-07-2022 3:00 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2021	0.93	0.96	▲1 3.23 %
FQ2 2021	1.12	1.25	▲2 11.61 %
FQ3 2021	0.68	0.87	▲3 27.94 %
FQ4 2021	1.00	0.97	▼4 (3.00 %)

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Call Participants

EXECUTIVES

Dino Ennio Robusto
Chairman & CEO

Lawrence Albert Haefner;Interim
Chief Financial Officer

ANALYSTS

Gary Kent Ransom
Dowling & Partners Securities, LLC

Joshua David Shanker
BofA Securities, Research Division

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

Presentation

Operator

Good morning, and welcome to CNA's discussion of its 2021 fourth quarter financial results. CNA's fourth quarter earnings release, presentation and financial supplement were released this morning and are available via its website, www.cna.com. Speaking today will be Dino Robusto, CNA's Chairman and Chief Executive Officer; and Larry Haefner, CNA's interim Chief Financial Officer. Following their prepared remarks, we will open the line for questions.

Today's call may include forward-looking statements and references to non-GAAP financial measures. Any forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made during the call. Information concerning those risks is contained in the earnings release and in CNA's most recent SEC filings. In addition, the forward-looking statements speak only as of today, Monday, February 7, 2022. CNA expressly disclaims any obligation to update or revise any forward-looking statements made during this call.

Regarding non-GAAP measures, reconciliations to the most comparable GAAP measures and other information have been provided in the financial supplement. This call is being recorded and webcast. During the next week, the call may be accessed on CNA's website. If you are reading a transcript of this call, please note that the transcript may be reviewed for accuracy. Thus, it may contain transcription errors that could materially alter the intent of the meaning of the statements.

With that, I will turn the call over to CNA's Chairman and CEO, Dino Robusto.

Dino Ennio Robusto
Chairman & CEO

Thank you, Tracy, and good morning. In the fourth quarter, we continue to effectively leverage the favorable market conditions and achieve strong quarterly results, which topped off a great year with record core income. Before I provide details, let me offer a few highlights on both periods.

Our gross written premiums, excluding our captive business, grew by 16% in the fourth quarter and 10% for the full year. Importantly, the overall P&C rate increase remained at 8% in the fourth quarter, consistent with the third quarter, leading to a full year rate increase of 9%, which was well above long-run loss cost trends.

The all-in combined ratio was 92.9% for the quarter and 96.2% for the year, each representing the best ratios in 5 years. Our underlying combined ratio was 91.2% for the quarter and a record low of 91.4% for the full year. All of this led to record core income of just over $1.1 billion for the year, up 50%, and core EPS of $4.06 per share.

Drilling down on the details, starting with the fourth quarter. Our P&C operations produced core income of $353 million or $1.29 per share. Our Life & Group segment produced core income of $6 million and our Corporate & Other segment produced a core loss of $94 million, mainly impacted by a noneconomic charge related to asbestos and environmental. As usual, Larry will provide more details on Life & Group and the Corporate segments.

In the fourth quarter, the all-in combined ratio was 92.9%, 0.5 point lower than the fourth quarter of 2020 and the lowest all-in quarterly combined ratio since 2016. Pretax catastrophe losses in the quarter were $40 million or 2 points of the combined ratio compared to $14 million in the prior year period. The P&C underlying combined ratio of 91.2%, a 1.4 point improvement over last year's fourth quarter result.

The underlying loss ratio in the fourth quarter of 2021 was 60.1%, which is down 0.3 points compared to the fourth quarter of 2020. Excluding the impacts of COVID in the prior year quarter, the underlying loss ratio improved by 0.8 points as we continue to recognize some of the margin build in the current accident year from the earned rate increases as we did last quarter. For P&C overall, prior period development was favorable by 0.3 points on the combined ratio.

Turning to production. Gross written premium, excluding our captive business, grew by 16% in the fourth quarter, which was twice as high as the first half of the year. Net written premium grew by 11% for the quarter, an increase of 6 points from the third quarter. New business grew by 28% in the quarter and the overall written rate increase was 8% while earned rate in the quarter was 10%. In addition, retention of 83% was higher than it's been all year. And the strong production results were broad-based across all the operating segments.

In terms of the business units, the all-in combined ratio for Specialty was 89.9% and the underlying combined ratio was 90.1%, a 0.5 point improvement compared to last year. The underlying loss ratio improved by 0.9 points to 59.1%. The expense ratio increased by 0.5 points to 30.9% from a one-time true-up. And Larry will provide more detail in the discussion on expenses.

Gross written premium ex captives grew 15% in the fourth quarter with 58% growth in new business. This is the sixth consecutive quarter of double-digit growth in Specialty. And we also achieved an overall rate increase of 11%, up 1 point from the third quarter. We achieved higher rate in management liability and our Affinity Programs and stable rate in our health care business. In addition, retention improved 3 points to 83%.

Turning to Commercial. The all-in combined ratio was 94.9% in the quarter, including 2.9 points of cat. This was the lowest all-in combined ratio in 4 years. The underlying combined ratio was 92.2% this quarter, which was the lowest on record and was 1.4 points lower than the fourth quarter of 2020 and 2.4 points lower excluding the COVID frequency impacts that lowered the loss ratio in 2020.

The underlying loss ratio of 61.4% improved by 0.3 points compared to the fourth quarter 2020, excluding the COVID frequency impacts. As we referenced last quarter, the underlying loss ratio for commercial was higher in the latter half of 2021 resulting from mix change between Property & Casualty net earned premium due to the new property quota share treaty we purchased in June. The expense ratio improved 2.3 points to 30.4% this quarter.

Commercial achieved a 19% growth in gross written premiums ex captives with 16% growth in new business. Rate at 5% was only slightly below the third quarter. And excluding work comp, the rate change was plus 7% in the quarter, which was consistent with the third quarter. Retention was up 2 points to 84%, which was the highest of any quarter this year.

Retentions were strong in all of our Commercial business units. And middle market retention improved to 85%, which is the highest level since prior to the pandemic. Exposure change was plus 2% in Commercial this quarter as a result of increases in payrolls and sales volumes as the economy continues to improve. This is the highest exposure increase since the first half of 2019.

For International, the all-in combined ratio was 94.8% in the quarter. The underlying combined ratio improved by 4.2 points to another record low of 90.9% this quarter. The expense ratio improved to 2.6 points to 32.4% and the underlying loss ratio improved 1.6 points to 58.5%. We are very pleased with the improvement in our international results, which highlights our disciplined approach to the re-underwriting and catastrophe exposure reduction we executed.

International achieved a 9% growth in gross written premium and new business growth of 15%. Rates were up 13% this quarter, achieving double-digit rate for the seventh consecutive quarter and 9 of the last 10 quarters. In addition, retention at 82% was the strongest quarterly retention in over 3 years.

Now let me provide some perspectives on the full year performance. As I mentioned before, core income was a record for the year, increasing 50% to a little over $1.1 billion or $4.06 per share. And net income for the year was just over $1.2 billion or $4.41 per share. This compares to $735 million and $690 million in 2020, respectively. The increase from the prior year is attributed to significantly improved underlying underwriting gain, and while still substantial, a lower level of cat loss compared to 2020 as well as higher net investment income driven by limited partnership returns.

The all-in combined ratio was 96.2% with 5.1 points of catastrophe loss and 0.3 points of favorable prior period development. This is the lowest calendar year combined ratio in 5 years and a significant accomplishment considering the heavy levels of catastrophe loss again this year. Cat losses were $397 million pretax in 2021 compared to $550 million last year. But catastrophe losses in 2021 were actually higher than the $355 million catastrophe results in 2020 when you account for the COVID cat charge we incurred in 2020.

Our P&C underlying underwriting profit for the full year increased 31% to $667 million as the underlying combined ratio improved to 1.7 points to 91.4%. It's the fifth consecutive year of improvement in the underlying combined ratio. The underlying loss ratio in 2021 was 60%, down 0.2 points compared to 2020. Excluding the impacts of COVID in the prior year, the underlying loss ratio improved by 0.6 points. The expense ratio improved to 1.5 points for the full year.

All three operating segments produced strong underlying results in 2021. For Specialty, the underlying combined ratio of 89.7% was the best on record and 1.6 points lower than 2020. Commercial produced an underlying combined ratio of 92.6% in 2021, which is also a record and 1.3 points lower than 2020. Multiple years of re-underwriting initiatives in our International portfolio have paid off, an underlying combined ratio of 92.1% in 2021, 3.5 points lower than 2020.

Turning to production for the full year. Gross written premium growth ex captives was 10% this year. We achieved strong new business growth of 19% and a full year rate increase of 9%. Retention was 82% for the full year. Net written premium grew by 5% for the year. In terms of the wider spread between gross and net written premium for the year compared to 2020, this is a function of the new property quota share treaty agreement, which was on a risk-attaching basis, causing the spread to widen.

Before I turn it over to Larry, I'd like to acknowledge Scott Lindquist, who is also on our call. He'll be transitioning with Larry through the first quarter, and will be handling the earnings calls after the first quarter. We are excited to have Scott on board.

And with that, I'll turn it over to Larry.

Lawrence Albert Haefner;Interim Chief Financial Officer

Good morning, everyone. I will provide some additional information on the results, as Dino indicated.

Starting with core income for the fourth quarter. Our P&C operations produced a core income of $353 million, as Dino indicated. A key contributor to the strong result was our pretax underlying underwriting income of $167 million, a 22% increase from the fourth quarter of 2020. In addition, our catastrophe losses were relatively modest at $40 million pretax despite the fact that estimated cat losses for the industry were significantly above the 10-year median for fourth quarter events. For full year 2021, the record core income of $1.106 billion produced an ROE of 9.1%, up substantially from 2020's 6.1%.

Our Q4 expense ratio was a key component of our higher underlying underwriting profits. For the fourth quarter of 2021, the expense ratio was 30.8%, which was 1.2 points lower than the fourth quarter of 2020. In Specialty, the expense ratio increased slightly in the quarter by 0.5 point compared to a year ago due to recognition of higher profit sharing in the quarter for one of our profitable programs. In Commercial, the expense ratio improved by 2.3 points this quarter, largely from growth in net earned premium. International also showed significant year-over-year improvement of 2.6 points, driven by net earned premium growth and lower acquisition cost.

On an annual basis, the expense ratio was 31.1% in 2021, 1.5 points lower than full year 2020. We believe 31% is a reasonable run rate going forward as we continue to make investments in talent, technology and analytics. The expense ratio improved for each segment with Specialty improving 0.8 points from 31.3% to 30.5%; Commercial improving almost 2 whole points from 33% in 2020 to 31.1% in 2021; and International improving 2.4 points from 35.5% for 2020 to 33.1% for 2021.

Moving to prior period development. For the fourth quarter, the overall Property & Casualty net prior period development impact on the combined ratios was 0.3 points favorable compared to no impact in the prior year quarter. Favorable development was driven by Surety in the Specialty segment for more recent accident years, somewhat offset by Management & Professional Liability. In the Commercial segment, favorable development in workers' compensation was offset by unfavorable development in auto and general liability. In international, favorable development in our Commercial classes was offset by unfavorable development in our Specialty classes.

In terms of our COVID reserves, we made no changes to our overall COVID catastrophe loss estimates during the quarter. We continually review our COVID reserves, and our previously established estimate of ultimate losses and LAE remains appropriate. The majority of the loss estimate remains in IBNR.

For the full year 2021, overall development was favorable by 0.3 point compared to 0.7 points favorable in 2020. The paid-to-incurred ratio of 0.89 was elevated in Q4 relative to the first 3 quarters of 2021 due largely to payout of catastrophes that occurred in prior quarters. However, the 0.89 ratio remains at the lower end of our pre-pandemic range. The ratio, which fluctuates quarter-to-quarter, has been consistently lower over the past 2 years with several factors driving that, including our growth in underlying underwriting profits.

We have also had lower non-cat paid losses across several product lines, where we have taken significant underwriting actions, such as our medical malpractice and excess liability lines that we have previously discussed with you. The slowdown in the court docket has also contributed to the lower paid losses. On a full year basis, the paid-to-incurred ratio was 0.78.

Moving to our non-Property & Casualty segments. Our Corporate segment produced a core loss of $94 million in the fourth quarter, which compares to a $49 million core loss in the fourth quarter of 2020. The loss for fourth quarter 2021 was predominantly driven by our annual asbestos and environmental reserve review completed during the quarter. The results of the review included a noneconomic, after-tax charge of $48 million, driven by the strengthening of reserves associated with higher defense and indemnity cost on existing accounts and compares to last year's noneconomic, after-tax charge of $39 million.

From a core income perspective, the impact of the fourth quarter 2021 charge was a reduction of approximately $0.18 per share versus an approximate reduction of $0.14 per share impact in the fourth quarter of 2020. Following this year's review, we have incurred cumulative losses of $3.4 billion, which is well within the $4 billion limit of our loss portfolio transfer cover that we purchased in 2010. Importantly, paid losses are at $2.2 billion.

You will recall from previous year's reviews that there is a timing difference with respect to recognizing the benefit of the cover relative to incurred losses as we can only do so in proportion to the paid losses recovered under the treaty. The loss recognized today will be recaptured over time through the amortization of a deferred accounting gain as paid losses ultimately catch up with incurred losses. As of year-end 2021, we have $429 million of deferred gain that will be recaptured over time.

In addition to the impact from our annual asbestos and environmental reserve review, net investment income in the fourth quarter attributed to our Corporate segment is down $13 million after tax on a year-over-year basis due to the loss portfolio transfer agreement we entered into at the end of last year related to legacy excess workers' comp reserves.

We also strengthened our legacy mass toward IBNR reserves this quarter by $16 million on an after-tax basis. For Life & Group, we had core income of $6 million for the fourth quarter of 2021, which is $20 million lower than last year's fourth quarter as those results benefited from favorable morbidity experience driven by the pandemic.

I wanted to comment on the approaching change in GAAP accounting methodology related to Long Duration Targeted Improvements, or LDTI, which will apply to our Life & Group businesses. We will adopt this new accounting guidance effective January 1, 2023, and we'll apply it as of January 1, 2021. We are working diligently on this implementation and intend to discuss the impacts on our first quarter call.

We do expect the impact of this change will be a material decrease in accumulated other comprehensive income, predominantly being driven by the difference between the expected interest rates from our investment strategy and the liability discount rate assumptions required under this accounting change. This accounting pronouncement applies only to GAAP basis financial statements and has no statutory accounting or cash flow impacts on the businesses. As a result, this accounting change is viewed by us and the industry as noneconomic as none of the fundamentals of the businesses are changed by it.

Turning to investments. Total pretax net investment income was $551 million in the fourth quarter, essentially the same as last year's fourth quarter. The results included income of $108 million from our limited partnership, or LP, and common stock portfolios as compared to $114 million on these investments from prior year quarter. The strong LP returns for the quarter across both the P&C and Life & Group segments were significantly driven by private equity funds and reflected the lag reporting results from the third quarter. As a reminder, our private equity funds, which comprise approximately 2/3 of our LP portfolio, primarily report results on a 3-month lag basis, whereas our hedge funds are on a real-time basis.

Our fixed income portfolio continues to provide consistent net investment income, stable relative to the last few quarters and the prior year quarter. While the current low interest rate environment continues to be a headwind, the impact on our net investment income has been mitigated by our strong operating cash flows, which have been driven by our growth in premium volume, strong underwriting profitability and the slower payout of losses that I previously discussed.

Pretax net investment income for the full year 2021 was $2.2 billion compared to $1.9 billion for 2020. The increase was largely driven by our LP and common stock investments, which had pretax returns of $402 million for 2021 compared to $144 million for 2020. The returns from our fixed income securities portfolio was essentially the same for 2021 as it was for 2020 as our higher asset base offset the lower average portfolio yield. Our average book value has increased to $1.4 billion from year-end 2020 while the pretax effective income yield decreased 20 basis points.

To give a sense of magnitude of the increase in our operating cash flow, in the fourth quarter, operating cash flow was strong once again at $643 million. And on a full year basis, it increased approximately $860 million from full year 2020 after adjusting for the payment to purchase our excess workers' comp LPT agreement.

From a balance sheet perspective, the unrealized gain position of our fixed-income portfolio was $4.4 billion at year-end, down from $4.8 billion at the end of third quarter, reflecting the slightly higher interest rate environment. Fixed income invested assets that support our P&C liabilities and Life & Group liabilities had effective durations of 4.9 years and 9.2 years, respectively, at year-end.

Our balance sheet continues to be very solid. At year-end, shareholders' equity was $12.8 billion or $47.20 per share. Shareholders' equity, excluding accumulated other comprehensive income, was $12.5 billion or $46.02 per share, an increase of 10% from year-end 2020, adjusting for dividends. We have a conservative capital structure with a leverage ratio of 18% and continue to maintain capital above target levels in support of our ratings.

We are still digesting the potential changes to the S&P capital model, and we'll do -- although we do not currently see this fact changing, of course, the final version of the model has not been determined and S&P has determined the deadline for companies to provide feedback. We continue to work with them to fully understand the potential impact of the proposed changes.

Finally, we are pleased to announce we are increasing our regular quarterly dividend 5% to $0.40 per share, which will be payable on March 10 to shareholders of record on February 22. In addition to the increase in our regular quarterly dividend, we are declaring a special dividend of $2 per share, also payable on March 10 to shareholders of record on February 22.

With that, I will turn it back to Dino.

Dino Ennio Robusto
Chairman & CEO

Before opening the call to the Q&A session, I'd like to offer a few comments about how we perceive the marketplace dynamics might evolve in 2022. Most importantly, we see pricing remaining favorable with overall rate increases persisting above long-run loss cost trends for most of 2022 in light of the oft-quoted headwinds and social inflation and economic inflation and elevated cat activity.

All of the headwinds are still present, and there has been no significant change since last quarter. The uncertainty these factors create, the loss cost trends, have only been exacerbated by the Omicron variant, which has slowed the full return of court activity and docket logs to a pre-pandemic level, which is why we have continued to prudently recognize margin improvement in our current accident year loss ratio.

And although written rate increases in the last 8 to 10 quarters have allowed us to make up most of the lost ground from 2015 when the rate versus loss cost trend started to become a headwind, it can easily become insufficient if loss cost trends increase further. And this is why we are focused on pushing for more rate and where needed additional improvements in terms and conditions.

As I mentioned earlier, our pricing remained stable for the third quarter at 8 points while retention increased 2 points. So even though rates have moderated from their high-water mark in the fourth quarter of 2020, we believe the pace down will be slower than the pace rates increased. Finally, as seen by our increasing overall growth as well as our growth in new business as the year progressed, we are bullish about our continued prospects to add meaningful levels of quality business to our portfolio in 2022.
And with that, we will take your questions.

Question and Answer

Operator

[Operator Instructions] We will now take our first question from Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

So listening on prior calls, and this one, too, you spoke about the need to perhaps increase the loss cost trend assumptions based on what you're seeing in the marketplace. But of course, we all talk about the risk from dockets opening up and creating more losses. At the time that the courts were closed and the dockets were thin, what data was coming in that said that, "You know what, we need to increase our loss trend"? Was it more or less a hunch? Or did you actually see underlying court data saying that court decisions are getting more generous to the plaintiffs to win one?

Dino Ennio Robusto
Chairman & CEO

Josh, the way I would answer it is, based on some of the information we talked to you about originally with lines like medical malpractice and some of the auto liability as we have a portion of the portfolio in construction, which wasn't as impacted by COVID benefits and also just umbrella, what we were seeing at the time, even before the pandemic and then it continued in those lines through the pandemic, in particular in professional liability, you saw things like a little bit higher attorney representation on cases, which also might have led to some additional frequency of cases potentially interested in being litigated.

You saw some higher settlement demands even when the facts of the case didn't warrant it. And so those are the kinds of things that despite the dockets being lower, it's got implications on settlement values, and we saw that, and we continued to move our long-run loss cost trend. In the last quarter, you also recall we increased our property long-run loss cost trends about 2 points that have less to do, obviously, with dockets and it had to do with our view that economic inflation supply chain issues would probably continue. So there's a dynamic, in particular in lines like medical malpractice, that started before the pandemic and continued through it in terms of the settlements that we saw.

Joshua David Shanker
BofA Securities, Research Division

And if I try and think about that in terms of this docket issue in paid-to-incurred ratio, I mean, nobody really knows. But do you have any advice for us in thinking about how to think about paid-to-incurred ratio in '22 and '23, given that the courts will presumably reopen?

Dino Ennio Robusto
Chairman & CEO

Yes, I'll give it -- Josh, I'll let Larry jump. He's got considerable amount of time on these paid-to-incurred ratios.

Lawrence Albert Haefner;Interim Chief Financial Officer

Yes, Josh, we spend a lot of time thinking about that as well, I can assure you of that. And it really is difficult to parse between them right now, which is why we have been prudent about it. But as we look at it, as I mentioned in my remarks, where we have seen lower non-cat paid ratios -- paid loss dollars actually is in product lines where we have taken pretty significant underwriting actions, like medical malpractice and some of our excess liability lines, particularly with auto exposures.

So it's really hard for us to try and separate what the difference is between those. But we do know that the paid-to-incurred loss ratio is down significantly from pre-pandemic days. And we're just being cautious about recognizing any of that potential improvement, if it exists, until we know more about what's happening as those dockets open back up.

Operator

We will now take our next question from Gary Ransom from Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I wanted to focus on the areas where the rates are moving up more noticeably. That would be financial lines in the Specialty segment and small commercial in the Commercial segment. Is there something particular going on that's making those move up and accelerate compared to some of the other segments or lines?

Dino Ennio Robusto
Chairman & CEO

Yes. There's a little bit on each. I mean, clearly, on the financial lines, which includes our cyber, cyber has been accelerating the rate increase. And if you look at it in the fourth quarter, we actually got triple-digit rate increase. And the other lines had some more stable sort of behavior. On the small business, Gary, we -- it's on our BOP policy. We had filed for about a few points of rate increases. We also got 3 points of exposure change and our retention is also up. So it's all sticking. So it's really just filings in the BOP policy on small business.

Gary Kent Ransom
Dowling & Partners Securities, LLC

And if I look at the growth, I think you did mention in Commercial about the exposure increases. But just across the whole business, is -- can you somehow parse out the amount of exposure increase we're seeing versus rate or other factors?

Dino Ennio Robusto
Chairman & CEO

Well, in Commercial, we've got about 2 points of exposure growth. And that was, as I think I may have mentioned in the prepared remarks, really just you're seeing more in the way of sales, you're also seeing payroll increases. You have underwriting actions that work against that a little bit. It's hard to know exactly. But our sense is we probably had 1 point reduction in exposure in Commercial due to our underwriting actions. And so maybe you're looking at 3 points in the absence of that, which I think is sort of reflective of the economic activity. That's about the sort of best detail I can offer there on the exposure, Gary.

Gary Kent Ransom
Dowling & Partners Securities, LLC

That's great. And one other thing on -- more on the loss trends and just thinking about your loss picks for the full year. Were there any adjustments or true-ups that you kind of changed your view at all in the -- as you look back at 2021 in any of the segments or areas?

Dino Ennio Robusto
Chairman & CEO

No, there was nothing really significant at all in the quarter and when we looked at the long-run loss cost trends, which obviously, despite the name of long-run, we look at them all the time, the reality is still relatively in line with what the changes we had made in the third quarter. So there was nothing in the way of any meaningful true-ups.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Okay. Great. And one last one, can you remind us what your COVID reserves actually are at this point?

Lawrence Albert Haefner;Interim Chief Financial Officer

Yes. Gary, they are $195 million.

Dino Ennio Robusto
Chairman & CEO

That was the original.

Lawrence Albert Haefner;Interim Chief Financial Officer

That was the original estimate. We've held that.

Gary Kent Ransom
Dowling & Partners Securities, LLC

Right. Okay. And was some of that recognized in '21? Or was all of that in '20?

Lawrence Albert Haefner;Interim Chief Financial Officer

All of that. That was the initial statement we've put up, and we're still comfortable with that.

Dino Ennio Robusto
Chairman & CEO

Yes, we never moved it from there.

Operator

[Operator Instructions] We will now take our next question from Meyer Shields from KBW.

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

I want to follow up on Gary's question with the exposure unit growth. In your view, does that exposure unit growth likely to have any impact on the loss ratio?

Dino Ennio Robusto
Chairman & CEO

I can't hear him. I didn't hear that much. Did you hear that?

Lawrence Albert Haefner;Interim Chief Financial Officer

Meyer, we're struggling a little bit hearing you. But are you asking what the impact on the loss ratio is from the exposure growth?

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

Sort of. I'm asking whether you expect it to have an impact on unit growth -- I'm sorry, on the loss ratio. I'm asking whether exposure unit growth should have an impact on the loss ratio going forward.

Lawrence Albert Haefner;Interim Chief Financial Officer

It's minimal right now. I mean, certainly, when you think about workers' comp and you think about payroll, what's going up, is it salaries going up? And how is the salaries that you're insuring compared to average weekly wage versus just growth in number of employees, right? Because if it's just payroll going up, the average amount being paid and you're above the average weekly wage, it would have some benefit. But we haven't really incorporated any benefit into our loss ratios from that.

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

Okay. No, that's helpful. On -- you talked about inflation and obviously, it's everywhere. Just hoping you could zero in maybe on whether the various forms of inflation that we're seeing now are likely to translate into above-average loss trend on the Affinity business.

Dino Ennio Robusto
Chairman & CEO

And so on inflation -- on the social inflation side, you're referring to, Meyer?

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

So I'm trying to incorporate or just to see whether any -- like because there's so many different aspects of inflation now and most of them seem to be getting worse, whether any of those matter to Affinity.

Dino Ennio Robusto
Chairman & CEO

Yes. On Affinity, we've talked a little bit about it before, Meyer, in the context of social inflation because it's all professional liability, our Affinity Programs. And as I think I've indicated before, these programs largely comprised of single practitioners like nurses. And they typically -- their coverage is largely supplementary to the facilities and rarely is there any singular accountability to the practitioner and the facilities have higher limits, where typically you see the plaintiffs go after from a social inflation. So it's clearly had a lot less impact on the Affinity portfolio, even within the MedNow side of it, than it did on the regular health care portfolio. And it's mainly there that we focus on, given it's professional liability.

Operator

There appears to be no further questions. I'd now like to turn the conference back to Mr. Robusto for any additional or closing remarks.

Dino Ennio Robusto
Chairman & CEO

Okay. Thank you, everyone, and we look forward to chatting with you next quarter.

Operator
This concludes today's call. Thank you for your participation. You may now disconnect.