S&P Capital IQ

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Cincinnati Financial Corporation NasdaqGS:CINF

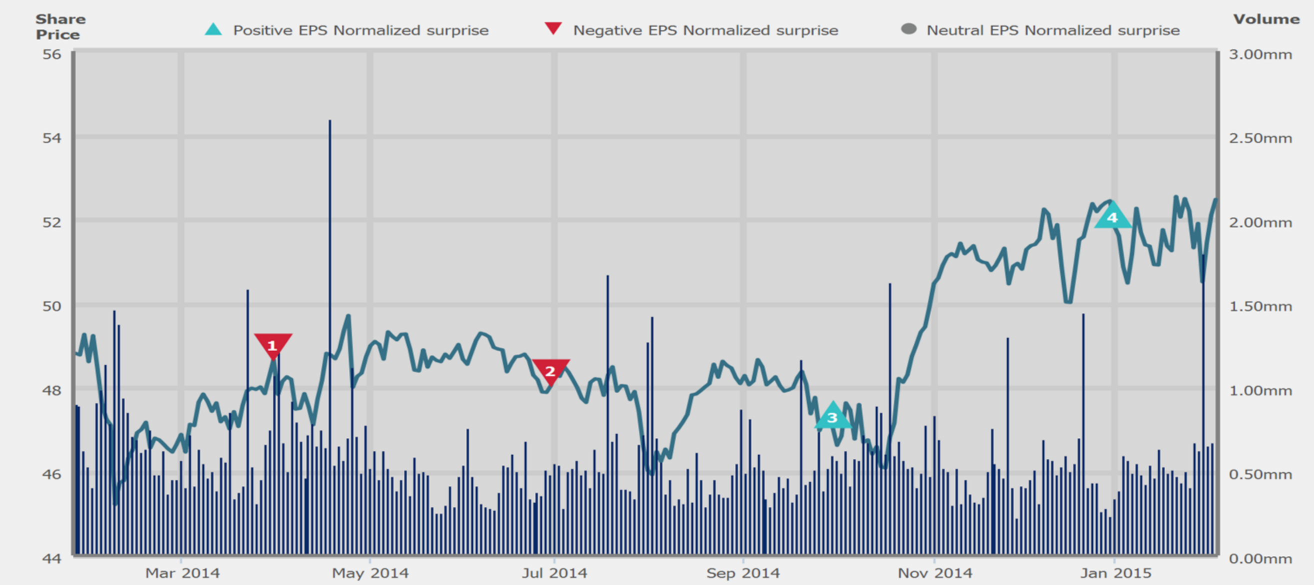
FQ1 2015 Earnings Call Transcripts

Wednesday, April 29, 2015 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ1 2015-			-FQ2 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.72	0.59	(18.06 %)	0.43	2.56	2.83
Revenue (mm)	-	-	-	-	-	5385.85

Currency: USD
Consensus as of Apr-29-2015 1:45 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2014	0.54	0.46	(14.81 %)
FQ2 2014	0.51	0.46	(9.80 %)
FQ3 2014	0.72	0.85	18.06 %
FQ4 2014	0.83	0.89	7.23 %

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

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Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good morning. My name is Erica, and I will be your conference operator today. At this time, I would like to welcome everyone to the first quarter 2015 earnings conference call. [Operator Instructions]

Dennis McDaniel, Investor Relations officer from Cincinnati Financial, 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 from Cincinnati Financial. Thank you for joining us for our first quarter 2015 earnings conference call.

Late yesterday, we issued a news release on 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 Cincinnati Insurance Company's Executive Committee Chairman, Jack Schiff, Jr.; Chairman of the Board, Ken Stecher; Chief Insurance Officer for the Cincinnati Insurance Company, J.F. Scherer; Principal Accounting Officer, Eric Mathews; 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 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 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.

And with that, 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 first quarter results. The quarter included several areas of good performance, including enhancing our balance sheet strength. We see incremental progress as we steadily execute our underwriting and pricing strategies. And our investment strategy in successful portfolio management produced our seventh consecutive quarter of investment income growth.

Careful underwriting and disciplined pricing, along with more favorable weather than the first 3 months of last year led to a first quarter 2015 consolidated property casualty combined ratio of 97.5%. While that ratio improved by 2.8 points compared with the year ago, it did not meet our expectations.

Every major line in our property casualty segments, except for our Commercial and Personal auto, had loss ratios that translated into estimated combined ratios near or within the 90% to 95% range. We strengthened reserves for those auto lines of business causing our overall combined ratio to rise above the sub-95% we're seeking for the year 2015. And we believe our balance sheet is now stronger than it was at year end.

We continue to further segment our business using pricing precision and risk selection decisions that combine data models and informed underwriting judgment on a policy-by-policy basis.

In the first quarter, we experienced strong retention and satisfactory renewal pricing, although premium growth continues to slow as we exercise pricing and underwriting discipline. As noted in the past, we tend to avoid drawing conclusions about trends based on a single quarter of data for certain measures, including premium growth.

We continue to earn quality new business from our agencies, and we experienced a healthy pace of new business premium growth in our Personal Lines and Excess & Surplus Lines segments.

In addition to continuing to develop new products and services through our target markets department, we continue to make progress on expanding our current products and services aimed at high net worth policyholders offered through our Personal Lines Insurance segments.

We believe we are on track to begin offering a new suite of high net worth insurance products in the second half of this year through agents in the state of New York. Those products will include higher coverage limits than we offer today along with other new options.

In addition to growth opportunities with our agencies on a direct written premium basis, we see long-term opportunities in assumed reinsurance.

Last night, we announced, with a separate news release, an important initial step for realizing future opportunities, hiring Jamie Hole as Managing Director, Head of Reinsurance Assumed to lead this initiative.

We recognize the current challenges in the reinsurance market and won't be trying to grow that business quickly. Instead, we'll take our time and maintain underwriting discipline as we develop relationships and expertise that we believe will benefit the company and shareholders over the long term.

Looking forward -- toward 2020, we're in the early phases of establishing the vision of what's to come. As always, that vision will include continuing to profitably grow the company with our successful agency-centered model in focusing on our value creation ratio to measure long-term value for shareholders. Over time, we expect to develop more specific objectives and plans, and we'll communicate them at appropriate times.

For the first quarter, average renewal price increases for Commercial Lines continued at percentages near the middle of the low single-digit range, very similar to the fourth quarter. That average includes the muting effect of 3-year policies that were not yet subject to renewal pricing during the first quarter.

For smaller commercial property, commercial auto policies that renewed during the first quarter, we continue to obtain meaningful price increases. Those commercial property policies experienced percentage increases averaging in the high single-digit range.

In commercial auto, average increases in the mid-single-digit range. For our personal auto policies, renewal price percentage increases averaged near the low end of the mid-single digit range. Homeowner policies were a little higher in the same range.

For our Excess & Surplus Lines segment, the first quarter of 2015 average renewal price increases were also near the low end of the mid-single-digit range. That segment of our business turned in another outstanding quarter with a combined ratio below 90% and net written premiums up 20%.

Our life insurance subsidiary, including income from its investment portfolio, again contributed nicely to earnings and again grew premiums in its largest product line, term life insurance.

In conclusion, our primary measure of long-term financial performance, the value creation ratio was 1.3% for the first quarter, with operating income leading the way. We feel we are well positioned for good overall financial performance for the remainder of 2015.

I'll now ask our Chief Financial Officer, Mike Sewell, to add his insights about 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. I'll start with some analysis of investment results. Investment income grew in the first quarter, mainly from the boost by stock portfolio dividends that rose 13% for the quarter. Yields continue to slowly decline for our bond portfolio. We generated a 1% increase in interest income over the first quarter of 2014 as our net purchases of bonds during the last 4 quarters totaled $375 million.

Our bond portfolio's first quarter 2015 pretax average yield reported at 4.7% was 12 basis points lower than 1 year ago but only 2 basis points lower than what we reported for the fourth quarter of 2014. We now report in our 10-Q the yields for new bonds purchased during the quarter, and we added a table for yields of bonds expected to be redeemed by year for the next 2 to 3 years. You can see that taxable bonds purchased during the first quarter had an average pretax yield of 4.34%, while tax-exempt bond purchases averaged 3.13%. Our bond portfolio's effective duration remained the same level as last year end at 4.4 years.

Cash flow from operating activities continues to help our investment income grow. Funds generated from net operating cash flows for the first quarter of 2015 rose 67% to $215 million, contributing to $93 million of net purchases of securities for our investment portfolio. Paying $38 million less for catastrophe losses was part of the reason for the increase in operating cash flow for the first quarter of this year compared with the year ago.

We're still carefully managing expenses. And the 0.02 ratio increase for the property casualty underwriting expense ratio was also explained in our 10-Q. As noted on our fourth quarter earnings call, we think investing our business in areas such as enhancing pricing and underwriting expertise is a good trade-off over time. A short-term increase in expense can create long-term value for investors. As an example, since the first quarter of last year, we strategically invested in the Personal Lines staff additions to support high net worth market expansion, and we anticipate a good return on that investment.

Loss reserves are the next subject of my comments. Our approach to setting overall reserves remains consistent with the past, as we aim for net amounts well into the upper half of the actuarially estimated range of net loss and loss expense reserves.

In the first quarter, we strengthened reserves for our auto lines of business. For our other lines in total, the best estimate by our actuaries of ultimate loss and loss expense ratios for all accident years in aggregate was similar to our year-end estimate. The ratio for our total property casualty net favorable reserve development on prior accident years was similar to the full year 2014, benefiting the combined ratio by a little more than 2 points.

Overall, our first quarter 2015 net favorable development was, as usual, spread over several accident years, including 30% for accident year 2014; 22% for accident year 2013; 39% for accident year 2012; and 9% for all older accident years in aggregate.

Steve noted that we enhanced the strength of our balance sheet this quarter. There are many ways to assess capital strength, and we think it's an important aspect is our liquidity and financial flexibility.

Cash and marketable securities for our parent company rose 2% from year end, topping $1.8 billion at the end of the first quarter. Our strong capital also positions us well to continue to grow our insurance operations.

I'll end my prepared remarks, as usual, by summarizing the contributions during the first quarter to book value per share. They represent the main drivers of our value creation ratio. Property casualty underwriting increased book value by $0.11. Life insurance operations added $0.05. Investment income, other than life insurance and reduced by noninsurance items, contributed $0.37. The change in unrealized gains at March 31 for the fixed income portfolio, net of realized gains and losses, increased book value per share by $0.19. The change in unrealized gains at March 31 for the equity portfolio, net of realized gains and losses, decreased book value by $0.18. And we declared $0.46 per share in dividends to shareholders.

The net effect was a book value increase of $0.08 during the first quarter to another record high of $40.22 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 mention a few other events of the quarter that showed the commitment of all our associates to keep getting a little bit better every day, keeping us on track to deliver shareholder value far into the future.

First, we've made outstanding strides in improving our realtime download capabilities, which make it easier for our agency customers to do business with us. At their recent conference, NetVU recognized those efforts by presenting us with their Quantum Award for operating superior workflow productivity. NetVU is the agent-based user group of Vertafore's agency management system.

Second, we are working to be good stewards of all our resources, including our natural ones. Our headquarters facility recently earned a silver level certification for lead for existing buildings, operations and maintenance. We are one of only 40 buildings with more than 100 million square feet to earn certification in this lead category nationally.

We appreciate this opportunity to respond to your questions and also look forward to meeting you in person with many of you during the remainder of the year.
As a reminder, with Mike and me today are Jack Shchiff Jr., Ken Stecher, J.F. Scherer, Eric Mathews, Marty Mullen and Marty Hollenbeck. Erica, please open the call for questions.

Question and Answer

Operator

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

Joshua David Shanker
Deutsche Bank AG, Research Division

I know you guys don't like to make a forecast based on 1 quarter. But there's a real trend if we look at the Homeowners Line. You guys were growing double digits as recently as a year ago, fourth quarter was light, so as that -- there's no growth this quarter in it. And I know you're making a drive in that high net worth product, I guess. What's happening there? Can you talk about that a bit?

Jacob F. Scherer
Former Chief Insurance Officer

Josh, this is J.F. Scherer. A couple of things happening there. We were taking some pretty significant increases in homeowner rates over the last several years that have moderated now. That drove a lot of the growth. We think we've reached rate adequacy in a lot of the states, and so we're doing a fair amount of tweaking, but nothing as drastic as we had been. We're also in the process of running off our Florida-originated Personal Lines book of business. That started last July. And so that's contributing to an absence or it's diluting growth in the Homeowner Line as well. So that'll finish up, we have 1 more quarter of that. And then beginning in the third quarter, the comparisons will be without the effect of Florida. Our new business in homeowners was up 16%. The initiative we have with a high net worth is really starting to take effect right now, so we're seeing a bit more business generated in the higher net worth area in both homeowner and auto for that matter. So I think what you'll see, without making any predictions of it, is a rebound in the growth rate in the Homeowners Line.

Joshua David Shanker
Deutsche Bank AG, Research Division

And just philosophically, why leave Florida now? I mean, if 3 years ago, 5 years ago, 8 years ago, I think these times, someone could have made the digitally Florida, currently, reinsurance in Florida is probably more affordable than it's been in a long time. What was the mathematics about why leave Florida now?

Jacob F. Scherer
Former Chief Insurance Officer

Well, we spent that -- the period of time that you just described trying to negotiate with the Department of Insurance for rate adequacy in our homeowner book of business. It was willfully inactive, inadequate and had gotten at that way over a period of time for, really, matters related to legislative reasons, where the legislator had passed limitations. They could not raise rates for our book of business, for our rates to the level we had to have. It took us a lot of time to exhaust all those options, and when it was finally concluded that we were not going to be able to get adequate rate increases, we chose to leave. There wasn't going to be enough relief, not even close to enough relief in reinsurance cost in Florida to cause us to believe that the risk we were taking at the rates we were being allowed to charge were worth it. So in the Commercial Lines area, there is more rate flexibility. Obviously, the Department of Insurance is interested in protecting the Personal Lines clients whereas business clients can -- or big boys can make their own decisions about what they pay for insurance. So we're still there in Commercial Lines, we still monitor what goes on within the state. It could very well be that based on more flexibility in the state of Florida that we could someday write more business down there. But for -- as it is right now, the only personal lines business that we're writing in Florida is business that's collateralized. By that, I mean, it's originated from states outside Florida with business that we believe warrants us to take whatever risk we might take on a secondary residence in Florida.

Joshua David Shanker
Deutsche Bank AG, Research Division

Understood. And look, I've asked this question several ways in every conference call, at least somebody has, I'll ask it in a different way. It does seem that your loss-picking [ph] is more accurate now than it was, maybe, 5 years ago. And some people might view that as a pejorative statement because, usually, you had a thick cap of favorable development. And now, you're giving numbers closer to rights. I don't know how you view all that. Do you feel that you have a better grasp on loss-taking now? Do you think the attitude has changed by giving numbers right versus getting them overestimated has changed? Just it feels palpably [ph] different and maybe in 2 years, we'll look back at this time and laugh at it, as a psycho moment, but it does seem with all the disinflationary pressure in the last few years, I'm surprised there's not more reserve releases.

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

Well, good point, Josh. I think, over time, we've been consistent in our approach. I think we always go with the actuarial people's best estimate of their -- the ultimate losses. I think I would think that with every area of our company, I would agree that I think, over time, there's been improvement, and they have gotten better at picking the ultimates. But I also agree to you that there's a tremendous amount of -- or agree with you that there's a tremendous amount of uncertainty. It will be interesting to look back in a few years and see how accurate, in fact, everything has turned out to be. But I just always try to stress that it's a very consistent approach. We go with the actuaries' best estimates, and we do feel in every area of the company that we're trying to get a little bit better, a little bit precise all the time.

Operator

Your next question comes from the end of Vincent DeAugustino from KBW.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

To start off, on the assumed reinsurance in the discussion here, I know it's fairly preliminary, but I'm curious if any blinds that you might target. And then it sounds like this may be more of a direct effort, but there's some mention of JLT, maybe it was implied, but JLT played a fairly big part here. Just trying to understand the distribution nature of that effort.

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

Sure, Vince, good questions. I guess, one thing I'd like to make, one point is, this assumed reinsurance is not entirely new to us here at Cincinnati over the past year. I guess, over the past 20 years or so, voluntary assumed reinsurance has been as high as about 2.4% of our net writings. This has largely been done through the various pools, retrocessions that we've been involved with, with reinsurers and companies that we've had long relationships with. But we've been very passive participants. In my opinion, we've kind of lacked expertise and recognizing that it's a tough market. Right now, we're down to just 1 contract that we're involved with. So we feel here, we've got the opportunity to bring in really some excellent talent. And Jamie Hole, we know we have a known quantity. We've had a long successful relationship with both Jamie and, as you mentioned, with JLT. We've worked together for a long time, and we are, as you mentioned, we're confident that we'll get good deal flow from JLT over time as well as other entities that we work with. We think Jamie is going to bring with him -- or maybe not bring with him, it's probably not the right word, but he will establish a small team of experts as part of Cincinnati Insurance. We're going to do this without establishing a new legal entity, a new company, and we're going to execute what we, I think, we described as an allocated capital model. We're going to do our best just contract by contract to estimate the capital that would be needed for that individual policy. And we'll only move forward if we feel that we can get a fair risk-adjusted return on that policy. We recognize this is a really tough market right now, and we're going to be very judicious. Just look at everything, kind of to your other point, policy by policy, we don't have a specific line of business strategy or anything like that. This is going to be very much technically based on a policy-by-policy basis. We're only going to look at diversifying opportunities. So obviously, nothing in the Midwestern convective storm area. And we think the diversification that we may be able to achieve over time should really be helpful to us in driving up our overall risk-adjusted returns. Again, we're going to very much walk before we run and be very, very disciplined in putting our capital to work here.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

I guess, one thing I'd say is among some of the other companies we covered, I think Cincinnati has a very good reputation among your peers, and I don't think there's any doubt about your capital adequacy. So that said, I'm wondering if there would be a target for U.S. regional business outside of the Midwest? Or to your point on diversification, if you'd book outside of the U.S. to kind of get you some of that diversification benefit?

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

Right. We're going to be very flexible, certainly not in the Midwest but beyond that, we're going to be very flexible. And again, just kind of policy by policy, contract by contract, look at them very closely one by one.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. All right then, I guess, bringing it a little bit closer to home here. So on the paid-to-incurred ratio, I noticed that, that dropped pretty decently in the quarter, and so I just wanted to check in and see if that's the result of maybe a little bit lower weather losses or -- and obviously, development in some of the lines plays a part there. But just curious if any of this is stemming from a little bit higher of initial asking [ph] of your pick, or just any color there would be helpful.

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

Yes. Good point. I do think that, again, we go with our actuarial best estimates. I think they've been very prudent in the way they've gone about things. I think with a couple of lines, the auto lines, while we've had favorable development overall, and again, building on 26 years or so in a row of favorable development, we haven't had a couple of lines. The auto lines have had some adverse development. And I think particularly here in the first quarter, it is a situation where you've seeing some adverse development and now you're making the initial pick on just 1 quarter, the first quarter of a new accident year, you certainly don't want to step into the same situation that we were in before. And so I think that being prudent in the picks that they're making for the current accident quarter, particularly in those auto lines, given what we've seen.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Would it be fair to say in your auto lines that you're kind of responding to some of the same trends, and to your point, trying to make sure it doesn't reemerge here this year? Or is there anything incremental that has emerged since the year-end review where, from a loss cost side, you kind of have to maybe take another step back?

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

I think it would be more of the former.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then just one last one, if I can sneak it in. The press release noted sort of the $5 billion goal, and I think there's been some conversation about a 2020 plan looking a little bit further out. So I'm curious if you guys would be prepared to talk about growth plans looking further out and reconciling that to the pace of the '15 goal and the sort of expectations where we are today.

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

Yes. We set that 2015 goal several years ago, and I think it was a -- it's a really good goal and it really spurred us forward. I think one thing that we've always made perfectly clear is that we're only going to do it if we can do it profitably. So I think it really has been a beneficial goal to us, and then if we look back -- just, I guess -- just recently, the A.M. Best, in one of their best weeks in March, put out the new rankings of companies with U.S. in net written premium. And we moved up to 22nd, so kind of over this period of time, we started at year-end 2010 as the 26th largest writer based on the United States net written premium. Each year we've moved up 1 position from 26th to 25th to 24th to 23rd, at the end of '14, 22nd. So I think setting and the work that goes in to setting these plans is very important. We have stressed that we're only going to do it if we can do it profitably. And we're glad to say that over that period of time, other than really cat riddled 2011, we've been able to put in sub-100 [ph] combines, and we'll look -- I think we're looking a little pretty good about that again here for 2015. So it's been a good goal. I think it's going to come down to the wire. So we are hedging a little bit here as we make our disclosures, but I think it's really good to set out ambitious challenging goals there that are achievable, but always keeping our focus that it needs to be profitable growth. And we'll do the same thing as we move into our planning for the 2020 goal. And at this point, I might ask J.F. if he has any other color he'd like to add to that.

Jacob F. Scherer
Former Chief Insurance Officer

I think -- Vincent, I think Steve's summed it up pretty well. We still think we have tremendous potential. So when we get around the setting of projection for 2020, we'll certainly be ambitious. We're still in 39 states, our penetration rate in those states is still relatively low. Number of agencies we have, still relatively low. And sub-1500 agencies, we think we have tremendous opportunity within those agencies, they write over $30 billion in premiums within those agencies that we don't write. But really, as Steve said, we've done so much in the area of fortifying our profitability between the analytics, modeling, loss control, inspections, special services, specialization and underwriting in target markets. Notwithstanding the fact that the $5 billion might be a -- it might be a little short of that this year. We're certainly not pessimistic about how we can look at 2020 and beyond. We're feeling actually pretty good about that.

Operator

Your next question comes from the line of Scott Heleniak from RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Just wondering if you could touch on the expense ratio. I don't know if you got any kind of estimation. Is this a good kind of quarterly run rate to you as far as what it might be for the full year? It might be up a little bit. I know you mentioned some of the initiatives. So is that your expectation? And is most of the increase -- you talked about strategic investments, is that mostly personal lines and technology? Or is there anything else I'm missing?

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

This is Mike. There's quite really a lot of different strategic investments that we're making. And so for kind of a run rate for the rest of the year, it's going to be a combination, obviously, of our investments, how much we're spending and then the growth of the premiums. Some of the investments that are in there, I mentioned, was related to our high net worth homeowners and so forth, but we're investing, hiring more. We've got more inspectors. We started a customer care center that's going to be really increasing or ramping up this year. Our target markets, the focus that we have there, IT, as you mentioned. And we've been adding more actuaries to be able to really help how we segment the business price, our price adequacy ratio, et cetera. So you've really got a combination of a lot of investments. We've been watching our existing costs and really just trying to control those, and so we're still controlling those. But while -- you can only squeeze so much out and so with the investments that we're making. And then as you look here at the first quarter compared to the first quarter prior year, with our combined ratio being a little bit better, our profitability there, there is also just a slight uptick that's going to be in there, also related to our profit-sharing or contingent commissions and so forth for our agents. So kind of a combination of all that, you saw a little bit of an uptick. Let's wait to see how the rest of the year pans out, but we're not really changing our direction on increasing expenses overall. Still in controlling them, strategic investments, grow premiums.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay, good answer. And then just building on that a little bit, you guys were at the national advertising campaign during the quarter. So what are your expectations as far as kind of where this might be as far as that part of the business, as you roll out, increased to high net worth rollout in 2015 and 2016?

Jacob F. Scherer
Former Chief Insurance Officer

Scott, this is J.F., have you seen it? Have you seen the ad?

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

I have not.

Jacob F. Scherer
Former Chief Insurance Officer

Not. Well, maybe we need to run it more often or something. Actually, this is the first time we've done any national TV ads. The ad is being run 2 weeks on 2 weeks off, and will run through September. It's being seen on CNN and Fox News, a variety of shows on Fox News, so that could run the gamut from Bill O'Reilly to Anderson Cooper. There's a demographic on those cable channels that we like in terms of being a slightly higher net worth audience that we're interested in but also business owners. So we're not trying -- I guess, the point I would make, we're certainly not trying to compete with the major advertisers out there. What we're wanting to do is, as we have in the past, is to showcase the value of an agent and the role the agent plays in their relationship with our company. And simultaneously with that, we have ramped up a lot our digital advertising. And so, obviously, the TV ad is -- will play a part in all this, but digital advertising will play a major part. As much as the public is an audience for this ad, we want our agents to be an audience for it as well. And as a result of seeing Cincinnati Insurance Company on a national level, that creates confidence in them, certainly with our expansion out west into some areas where Cincinnati Insurance Company had not been active, it's valuable for our name to be out there, so that they can make reference to it. And for that matter, we're going to be writing first lines businesses in New York City. And so to be seen by potential customers there would be a value. So it's part of a very large initiative that we have, both internal with our agencies digitally as well as nationally. So I'd expect you'll see a consistency in this, but certainly not a drastic expansion there. And we have been -- we're measuring both qualitatively and quantitatively the effects of it, and we're seeing, on our website, more activity on the weeks that are on. And most notably, the find an agent tab that is clicked by visitors has gone up significantly as a result -- during the times that this ad is playing. So we think it's paying off already.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. Next question was just on, I think Vince talked about this a little bit. Just on the commercial and personal auto reserves strengthening, so there was no real change in the first quarter as far as severity or frequency of the claims that were coming in. Was there anything you can comment specifically on that, that might have drove that?

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

Yes. I think I'd reiterate the -- just what we've always said is that we have seen -- I think, it's more as you look over long-term, but the trends and paid losses that have caused us to want to strengthen those reserves for those auto lines, for the, all prior years, and I think that as long as what -- as well as what we're seeing is influencing the actuaries to be pretty prudent with their initial pick here for the first quarter -- first accident quarter here in 2015.

Operator

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

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

I was hoping you could talk about the continued distribution expansion with a little bit more detail, just to kind of give us an update.

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

Paul, we've been appointing agencies about 100 new relationships a year over the last 5 or 6 years, and we'll probably continue expanding at that particular pace. As you know, there still continues to be a lot of M&A activity, consolidation of agencies. In some cases, it works to our benefit, where the combined agencies creates more opportunity for us in a community. And in some cases, it creates disruption and our premium activities go down a little bit. So we continue to take a look at new appointments. And whether they be in Ohio or new states, I don't think you're going to see much of an increase beyond that, the 100 or so new agency appointments. You will see some personal lines-only appointments that are most associated with high net worth specialists. So what we'll see, a few more of those. But I think as you look out into the horizon, we could end up appointing 500 agencies over the next 5 years. And with the kind of consolidation that's occurring, maybe only net out 150 or 200 increase. But it is our plan to continue to appoint more agencies. Does that give you the detail you were looking for?

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

Yes, that's good enough.

Operator

[Operator Instructions] Your next question comes from the line of Mike Zaremski from Balyasny.

Michael Zaremski

A follow-up. If I understood correctly from one of the previous questions, it sounded like the increases in the action year x catastrophe loss ratios in personal and commercial were primarily due to what you're seeing in both commercial and personal auto. And if that's correct, along the same lines, I know you guys talked about non-catastrophe weather-related losses being lower than year-ago levels. I was curious if there were other items which may have been unusually elevated, maybe such as personal auto losses between $1 million to $5 million or maybe other items.

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

No. I don’t think there are a whole lot of other items. I think you touched on them with the personal and the commercial auto. I think there was a bit of an elevation in the commercial casualty. But I think you've pretty much hit on what we're seeing in the quarter.

Michael Zaremski

Okay. And so then if I think about where pricing is in personal auto and Commercial Lines, I mean, is there -- are you guys getting enough price to get margin improvement on a go-forward basis?

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

I think we are, Mike. Time will only tell, but I think from what I see, not only in pricing, but what we're doing on the underwriting side of things, where we really team up with it, with the claims, we've got every area of the company contributing towards improvement. And I think we're still on trajectory of improvement here.

Operator

There are no further questions at this time. I turn the call over to Steve Johnston.

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

Thank you, Erica, and thanks to all of you for joining us today. We hope to see some of you this Saturday at our annual shareholders meeting at the Cincinnati Art Museum. If you can't make it, please listen to our webcast. The meeting is available at cinfin.com/investors. And if not, we look forward to seeing you again at the second quarter call if not before. Thank you. Have a great day.

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