S&P Capital IQ

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The Hanover Insurance Group, Inc. NYSE:THG

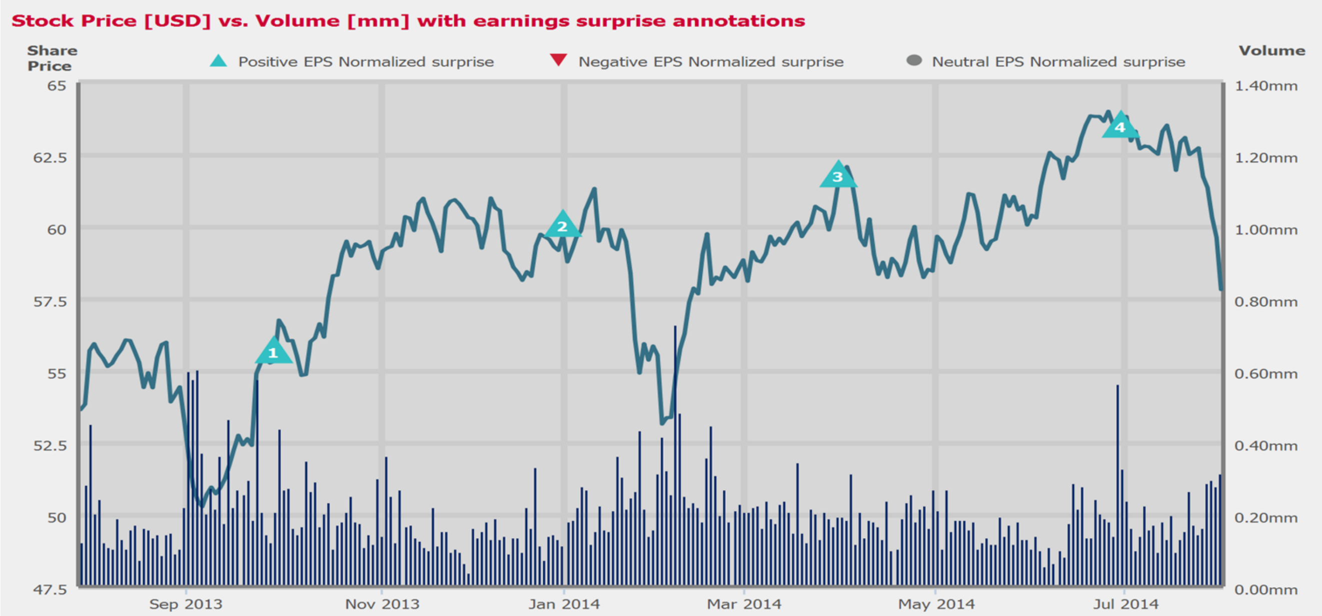
FQ3 2014 Earnings Call Transcripts

Thursday, October 30, 2014 2:00 PM GMT

S&P Capital IQ Estimates

	-FQ3 2014-			-FQ4 2014-	-FY 2014-	-FY 2015-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.91	1.06	▲16.48	1.46	4.84	5.64
Revenue (mm)	1219.10	1244.80	▲2.11	1081.83	4775.00	4909.65

Currency: USD
Consensus as of Oct-30-2014 9:41 AM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ3 2013	1.04	1.36	▲1 30.77 %
FQ4 2013	1.08	1.33	▲2 23.15 %
FQ1 2014	0.94	1.05	▲3 11.70 %
FQ2 2014	1.18	1.30	▲4 10.17 %

Call Participants

EXECUTIVES

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

John C. Roche
President of Hanover Agency Markets

Oksana Lukasheva
Vice President of Investor Relations

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

ANALYSTS

Daniel D. Farrell
Sterne Agee & Leach Inc., Research Division

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

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Third Quarter 2014 The Hanover Insurance Group, Inc. Earnings Conference Call. My name is Denise, and I'll be the operator for today. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now turn the conference over to Oksana Lukasheva, Vice President, Investor Relations. Please proceed.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, Denise. Good morning, and thank you for joining us for our third quarter conference call. We will begin today's call with prepared remarks from Fred Eppinger, our President and Chief Executive Officer; and David Greenfield, our Executive Vice President and CFO. Available to answer your questions after our prepared remarks are Andrew Robinson, President of Specialty Lines; Mark Desrochers, President of Personal Lines; Jack Roche, President of Business Insurance; and Bob Stuchbery, President of International Operations and Chief Executive Officer of Chaucer.

Before I turn the call over to Fred, let me note that our earnings press release, financial supplement and a complete slide presentation for today's call are available on the Investors section of our website at www.hanover.com. After the presentation, we will answer questions in the Q&A session.

Our prepared remarks and responses to your questions today, other than statements of historical fact, include forward-looking statements, including our earnings guidance for 2014. There are certain factors that could cause actual results to differ materially from those anticipated by this press release, slide presentation and conference call.

We caution you with respect to reliance on forward-looking statements and, in this respect, refer you to the Forward-Looking Statements section in our press release, Slide 2 of the presentation deck and our filings with the SEC.

Today's discussion will also reference certain non-GAAP financial measures such as operating income, operating results excluding the impact of catastrophes and accident year losses combined ratios excluding catastrophes, among others. A reconciliation of these non-GAAP financial measures to the closest GAAP measure on a historical basis can be found in the press release or the financial supplement, which are posted on our website, as I mentioned earlier.

With those comments, I will turn the call over to Fred.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Thank you, Oksana. Good morning, everyone, and thank you for joining our third quarter earnings call. We are very pleased with the third quarter results as well as the progress we are making with respect to our key strategic priorities. And our improving results and market momentum is beginning to demonstrate the growing value of our differentiated market position. While we were challenged by some severe weather in one of our largest markets, we enjoyed improved accident year margins in each of our segments, good growth supported by solid pricing trends and increased retention.

Net income per share was $1.22 for the quarter. We delivered operating income per share of $1.06 and annualized operating ROE of 8%, which withstood a substantial weather anomaly in Michigan, along with other catastrophe events.

On an ex-cat basis, operating income for the current quarter improved substantially by 27% compared to the third quarter of 2013.

The main highlights of our quarter include building growth momentum and continuing underlying margin traction in Personal Lines, improving margin in Commercial Lines along with continued profitable growth and another strong quarter at Chaucer. With year-end approaching and as we finalize our planning for 2015, we feel very good about our improvements we've made and the positive trends we've established, which brings our goal to generate top quartile performance closer within reach.

I will now turn the call over to David to review our financials, and after that, I will come back to discuss our position within the industry and provide a longer-term perspective of our performance and our outlook for the fourth quarter.

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Thank you, Fred, and good morning, everyone. Our third quarter results were very strong despite experiencing unusually large catastrophe activity in Michigan. We are pleased with the ongoing improvement in underlying trends and our ability to deliver on financial goals and growth targets.

Net income for the quarter was $55 million or $1.22 per diluted share compared to $61 million or $1.37 per diluted share in the prior year quarter.

Operating income was $48 million in the quarter or $1.06 per diluted share compared to $61 million or $1.36 per diluted share in the third quarter of last year.

Turning to underwriting results. Our combined ratio increased by 2 points this quarter to 98.2%, driven entirely by higher-than-expected catastrophe losses in the quarter. At 7.4% of net earned premiums, catastrophe losses were nearly 5 points higher than in the prior year quarter and higher than our normal expectations.

The accident year combined ratio, excluding catastrophes, improved by 3 points, reflecting very strong underwriting performance in each of our business segments.

Catastrophe losses in the quarter were $88 million, of which $72 million came from the domestic lines. More than half of our U.S. catastrophe losses stemmed from Michigan events, which primarily affected Personal Lines. We also experienced additional losses related to prior quarter catastrophe events, and Chaucer's $16 million of catastrophe losses included weather events in Mexico and Europe.

The unusually high catastrophe activity in Michigan is an anomaly against a long track record of strong and consistent profitability with low weather volatility in that state. This loss of activity demonstrated how much more resilient our company is today and how much progress we've made in diversifying our footprint. Just a few years ago, this would have absorbed most of our quarterly earnings. Today, with the strength of our organization and growing earnings power, we were still able to deliver strong earnings.

Moving on to accident year loss ratios, excluding catastrophe losses. In our domestic business, the loss ratio improved by nearly 3 points to 59% in the third quarter of 2014. In Commercial Lines, the more than 2-point improvement resulted from far better loss experience in other Commercial Lines and, to a lesser extent, in commercial auto.

In other Commercial Lines, which included our specialty businesses, the ratio improved by more than 6 points over the prior year quarter. This was driven by previous and ongoing mix management and pricing actions. Specialty business maturation and organic growth should continue to drive margin accretion in this segment.

In commercial auto, our continuing reunderwriting efforts and rate actions are helping. And although we are pleased with the lower losses in the current quarter, we are not yet satisfied that we are at our desired level of profitability in this line. There is still additional loss reserve development coming from prior accident years, which warrants a continued cautious approach to this line.

We achieved 8 points of pricing increases this quarter and continue to maintain a rigorous stance towards auto heavy and monoline accounts. This, along with other profitability actions in Commercial Lines, will continue to impact our growth next quarter.

In Personal Lines, the ex-cat accident year loss ratio improved by approximately 3 points from the same period in 2013. This is in line with our expectations, owing to our ongoing pricing and mix management initiatives.

The personal auto underlying loss ratio improved by more than 2 points as a result of rate increases, continuing shift towards account business and underwriting refinements.

The homeowners line improved by 4 points over the prior year quarter, driven by pricing and mix shift, but also reflecting a favorable comparison to a higher-than-usual incidence of large losses in the third quarter of 2013.

Moving on, expenses in our domestic businesses were little changed compared to the prior year quarter. We achieved a modest improvement in the Commercial Lines expense ratio. This was driven by increased premium volume and operating efficiencies. And while expenses can sometimes vary from quarter-to-quarter, we remain on track to achieve the target 1-point improvement in Commercial Lines for 2014. While a lower earned premium base in Personal Lines continues to impact the expense ratio, our return to growth in this line should relieve that pressure, and we continue to expect the full year ratio to be fundamentally in line with 2013.

Chaucer delivered a strong performance this quarter, resulting in a combined ratio of 92%, similar to the prior year quarter but with some underlying differences. The segment's performance included a 4-point improvement in the ex-cat accident year loss ratio, driven by lower large losses in marine. This was largely offset by lower prior year favorable reserve development and additional point of catastrophe losses.

Chaucer's expense ratio also was in line with the prior year quarter. Chaucer continues to benefit from a low level of global loss events, and we maintain our long-term combined ratio expectation of 85% for this segment -- I'm sorry, 95%, pardon me.

Turning now to the top line. Net written premium increased 5% this quarter and growth in all -- with growth in all segments. In Commercial Lines, growth was in high single digits. Personal Lines growth momentum improved to 2%, driven by our Platinum initiative as well as a lessening impact of exposure management actions. Finally, Chaucer's net written premium increased 4%, primarily reflecting increased new business writings in casualty and other due to the new team that joined us in late 2013.

As the market condition in Lloyd's continues to be challenging, our efforts are strongly based on balancing our conservative appetite, with the need to maintain and enhance our underwriting leadership and relationships with brokers.

Turning to investment results. Net investment income this quarter was $68 million, $2 million higher than the prior year quarter. The prolonged low interest rate environment continues to put pressure on investment income, but we have countered that with positive operating cash flows and changes in the portfolio mix towards equities and other instruments. The earned yield on our fixed maturity portfolio was 3.68% in the quarter compared to 3.99% in the prior year quarter and 3.74% in the second quarter of 2014.

At September 30, 2014, cash and invested assets were $8.5 billion, with fixed income securities and cash representing 91% of the total. 94% of our fixed income portfolio is investment-grade, and the average duration of the portfolio is 4.2 years.

We continue to prudently expand our portfolio mix into non-fixed maturity investments, including equities, participation in commercial mortgage originations and partnerships. This strategy helps diversify the portfolio from spread products as well as offset the continuing pressure on the fixed income portfolio from continued low interest rates.

We ended the quarter with a strong total capital position of $3.7 billion. Book value per share was $63.37, down 0.4% in the quarter and up 6.6% year-to-date. The slight decline for the quarter was due to the impact of rising interest rates and equity market fluctuations on net unrealized investment gains.

Net unrealized investment gains were approximately $293 million at the end of the third quarter as compared to $222 million at the beginning of the year and $361 million at the end of the second quarter. It is a very fluid time in the market, and we do expect some volatility in our net unrealized investment gains position going forward. As an example, although we saw a $68 million decline in the net unrealized gains during the third quarter, as of this week, a substantial portion of that decline had recovered.

Our debt to total capital ratio of 24.6% remains well within our target range. And this quarter, we repurchased approximately 226,000 common shares for $14 million. On a year-to-date basis, we repurchased approximately 347,000 common shares at the cost of $20 million. We continue to favor capital deployment options that profitably grow our business.

The strength of our balance sheet and stable reserve position support our ultimate goal, which is to grow our business and achieve our financial goals.

With that, I'll turn the call back to Fred.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Thank you, David. The third quarter highlighted our ability to continue to build on the business momentum we have seen in recent periods. We are in a strong competitive position as we advance our self both in the underwriting performance and our relationships with partner agents and brokers. And we believe we are well-positioned to continue to improve based on our strategic -- strong strategic position and business model in each of our segments. Let me touch on 3 factors that lead us to this conclusion.

First, we are pleased with our Personal Lines account strategy and new Platinum experience product, which positions us well in the value-oriented account market.

Second, in Commercial Lines, we are well-positioned in the middle to small account markets, supported by a unique operating model and a broad business portfolio, including our specialty business and an effective distribution strategy that creates an opportunity to access the most attractive segments.

And finally, the expertise in underwriting leadership position at Chaucer provides us with good options and strong leverage in navigating the current market challenges.

So let's look at each of these factors through the lens of recent results, starting with Personal Lines. This business continued to gain growth momentum, delivering an increased premium of 2% this quarter, and at the same time, we achieved price increases of 5% in auto and 7% in homeowners, relatively consistent with the last several quarters. We are confident our strong and improving retention in Personal Lines means we will be able to maintain similar levels of rate increases in the future.

Furthermore, our distinctive account solution, The Platinum Experience, has provided strong new business growth, which is up significantly from prior periods. We are very pleased with the successful launch of our Platinum product and its early metrics. The product is now live in 15 states, which represent about 85% of our country-wide Personal Lines new business.

Platinum is a robust platform that emphasizes our foundational strategic elements, account focus and a value-added approach. We expect it will continue to provide meaningful new business growth, and early indications also support our expectation of increased retention going forward.

Additionally, in states where we have launched Platinum, we have achieved strong increases in new account business, umbrella penetration, coverage limits and other factors that collectively point to further mix improvement in our book going forward. We believe, over time, this will lead to better account persistency and attractive returns.

Although we recognize peer companies' commentary about increased competition in the auto marketplace, we believe we have a strong strategic position in our target segment that provides ample opportunity to profitably grow and gain share with our partners. Our approach to the business and partnership with agents who sell value gives us access to a relatively large customer base, where customers look for an effective account solution with responsive service and strong coverages.

With the bulk of our exposure management actions coming to an end in 2014 and our increasing retention and new business left -- lift, we believe the Personal Lines growth momentum will continue in the fourth quarter and into 2015 [ph]. At the same time, the combination of pricing and mix improvement should result in continued margin accretion into next year.

In Commercial Lines, specifically core commercial, we continue to have market momentum generating 8% growth, although this was partially offset by some targeted profit improvement actions primarily in the auto line. Pricing increases in core commercial for the quarter were approximately 7%, relatively unchanged from last quarter, driven by increases in all our businesses.

Specialty lines have continued to improve profitability as these businesses mature. All production indicators remain strong. We are achieving rate in excess of loss trends and growing at a good pace while keeping strong retention. We are now seeing the benefits of the significant investments we have made over the last few years of talent and our unique operating model. Improving returns again this quarter support our confidence that these businesses will continue and provide consistent value to our franchise.

While there are market challenges and we are not immune to them, we believe our strong strategic position and unique operating model sets us up well to compete in the current environment for a couple of reasons.

First, our focus on smaller accounts and value-added segments where business is stickier by nature shields us from some of the excess market capacity that is flowing into the market, primarily settling at the upper end of the account spectrum.

Second, our rigor and pricing segmentation and consistency in messaging with our partner agents have allowed us to focus on winning and retaining more attractive segments in the business.

Despite headwinds in the Lloyd's market, Chaucer delivered yet another strong performance this quarter. There was some weather-related catastrophe activity this past quarter, particularly in Mexico and Europe, although it was offset to a degree by more favorable non-catastrophe large loss experience.

Over the years, Chaucer has worked diligently to assemble a number of solid specialty positions and strong teams in energy, marine, casualty and other lines. And our leading position in these classes and our diversified portfolio will help us successfully navigate the challenge of the current environment. We will be cautious given the market conditions, but we will continue to write business and seek out attractive market opportunities in our focused class.

Overall, our third quarter results are a very strong indication that our strategy and approach to the business are the right ones for us. As we have previously mentioned, we built our company to perform well at all stages of the market cycle, which now puts us in a favorable position as we continue to capitalize on market disruption. We believe we will maintain momentum and profitably grow in most of our domestic businesses. And underlying margins will continue to improve, driven by rate, profit management actions as well as an improving business mix.

It is also important to note that going forward, the persistency of our earnings is much stronger. And although Chaucer's future performance will reflect the challenging market conditions and produce a more normalized combined ratio of 95%, we think we have visibility to enough improvement in our overall business to produce another 1- to 2-point margin accretion in the future.

Before we open the line for questions, let me summarize our current position and outlook. Overall, we are pleased with our results in the quarter and the encouraging trends supporting this, underlying -- including underlying loss improvement, expense improvement and premium growth across our franchise. And despite higher-than-expected catastrophe losses in the current quarter, we are maintaining our guidance at the lower end of our initial range and believe we can deliver earnings per share of approximately $4.80 for the full year of 2014. The estimate includes catastrophe assumptions of the fourth quarter of 4%, and I would remind you about our usual winter weather seasonality. We also expect low to mid-single digit net premium growth in the fourth quarter as we continue our target reunderwriting exposure management initiatives.

Operator, can you now please open the line for questions?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Vincent DeAugustino with KBM (sic) [KBW].

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

So good quarter. Just some, I guess, more strategic questions, I suppose. So this morning, Selective had talked about kind of a similar product launch to your guys' Platinum product that's doing quite well. So just kind of curious if you think that within some of your peers that are in that more agency-focused, Ivy League agent-type segment, if that shelf space is getting a little bit crowded. I know it's early.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

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Yes. I talked a little bit about this at our agency meeting. What's fascinating about it, we believe that the $90 billion agency business, $70-plus billion of that is this value-added segment, value-added account-oriented segment. 2/3 of that is really dominated by the small regional companies that have, in my view, less sophisticated product. They don't have the self-service attributes that we have. They don't have a technology investment capability we have. So what's interesting right now, in my view, is that it's kind of a wide open market. A lot of people that talk about this segment are talking about really more of a Chubb segment. So this middle market segment, what we see is -- what we're trying to do is kind of wide open right now. There may be people, like you mentioned this morning, they were starting to invest in it. But it's a very nice market for us because these are businesses or accounts, if you will, that agents have served for a long time. But in some ways, they've been underserved because of the technology ability of these regional companies or the features that they have and the ability to kind of tailor, if you will, the solution for that midsize account that has multiple things. So we're pretty bullish on our ability to capture. Our agents control across the country, not just in our current Personal Lines footprint, about $38 billion to $40 billion of that market. So for us, there's a lot of opportunity there as we work with our partners to serve it better.

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

Okay. A lot of good color there. And just to switch over to Chaucer. So Bob, I mean, this probably has been talked about over the years at some point or another. But just with crude prices coming in a bit, if there was any slowdown in activity for that industry. I mean, has that to date? Or would you expect that to potentially kind of impact the energy line at all?

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

Sorry, Vincent, can you just repeat that? It was difficult for us to get good [indiscernible].

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

Absolutely. Yes. So just with crude pricing coming in, I was just curious if that would potentially impact any economic activity for that industry and thereby potentially impact Chaucer's top line for energy.

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

Yes, it will have some effects on some of the earnings we get through our business that we write that are adjustable. But it also gives us other opportunities to some of the developing lines that we're exploring, where they are those technologies that are new that we're involved in as well. And we're trying to lead that position as well. So I wouldn't expect it to have too much of an effect on our particular sector and the areas that we participate in.

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

Okay. Good to know. And then, two, I think aviation was one of those emerging. I know it's small and still have opportunity for you guys. But we've kind of heard that the rate increase environment hasn't quite been as robust as what some insurers were hoping for. So I was just curious if that's what you've seen as well.

Robert Arthur Stuchbery
Former Chief Executive Officer and Executive Director

Yes. I think that -- there's 2 elements. This one is what we call the sort of general aviation and the airline business, which, following some losses, we'd expect to see more of a wholesale increase in this sector. The reality is that affected airlines are obviously being -- seeing those increases. But across the marketplace, it's pretty flat at the moment. We're not seeing those signs come through. The other thing I talked about on the last quarter's call was aviation war, where we would expect to see rates to be going up. And this is the area that we started to underwrite from around the 1st of April this year. So our expectation of rates increasing in that sector are definitely being fulfilled, but across the main aviation airline, rates aren't moving up much at all.

Operator

Our next question comes from Dan Farrell with Sterne Agee.

Daniel D. Farrell
Sterne Agee & Leach Inc., Research Division

Fred, just want to ask you on Personal Lines. In the past, you guys have wanted to focus on your existing state mix since you were managing exposure. But with the exposure management sort of winding down or at least a big part of it and, obviously, this Platinum product performing well, any thoughts on potentially expanding the state footprint?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Dan, it's a great question. And I mentioned it briefly at some of our meetings. We are assessing right now, because of our partners coming to us, some targeted -- small targeted list of states that fit what their footprint is, and so more to come on that. But again, you're absolutely right. We have -- by the end of this year, most of our exposure management will be behind us. That was -- primarily, what was left was kind of some New England and New Jersey business. And now we've got a nice growth happening with essentially our partners broadly across our footprint. And we are kind of with them having conversations of some targeted areas. And so more to come, I think, in the next couple of quarters about what we -- where we go with that. But it is -- again, we've mentioned it in Small Commercial as well. There's a combination of we're a little bit ahead on our product and packaging on this segment. But also the agents, as they consolidated by other agencies, they're consolidating their markets, just like they are in Small Commercial. And because we have the tools to do that effectively and we've been very successful with that, a lot of them are coming to us and saying, "Could you participate in that with us more broadly?" So more to come on that. But again, as I said in our Investor Day, we're not going to play in every segment in the business, but we love our segment that we're in and we think that there's some nice profitable growth for us to continue with.

Daniel D. Farrell
Sterne Agee & Leach Inc., Research Division

Great. And then just a question on the Commercial Lines segment. There was very good year-over-year improvement in total. But one area that was a little higher than a year ago was commercial multi-peril.

Was that due to just a more difficult comparison? Or is there a little less rate there relative to some of the other segments or anything else that's just sort of slowing that?

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes, Jack, why don't you take that?

John C. Roche
President of Hanover Agency Markets

Yes. Predominantly a tough comparison. If you looked at third quarter of '13, we had our best quarter in 2 years. So that was a bit of a tough comparison. But also, the CPP line tends to be bumpy. And so even beyond the weather, you're going to have -- as you've seen from some of our competitors, you're going to have some losses that show up in whatever quarter they show up on. But over the 3-year period, we like the trend in this line and we don't expect this line to be anything but one of our contributors to our profit improvement.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

And we've seen very good stable pricing. So we're in a segment...

John C. Roche
President of Hanover Agency Markets

This is one of those places where you've heard the market a little bit at the very high end and property come under pressure. Our segment, we're getting nice price increases in that line. So we don't see any kind of trend that scares us at all.

Operator

[Operator Instructions] We now have a follow-up question from Vincent DeAugustino with KBW.

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

Just 2 follow-ups. So a couple of years ago, you guys started expanding into the lower hazard workers' comp space. And so I was just kind of hoping to get an update just on how that space is going from...

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

I'm going to let Jack follow up. But what's a little different for us, right, we've never been kind of a monoline player. What we have been doing is, if you think about our Small Commercial strategy, where we built a lot of capabilities for the full account, including comp, that's where a lot of our growth has come, and that will continue. As we grow our Small Commercial, we're very effective now at the account approach of that business. And so the vast majority of our success, I would say, is that flavor. Jack, I don't know if you want to...

John C. Roche
President of Hanover Agency Markets

Yes. I think that's -- that continues to be our focus. I would say that as the workers' comp environment has improved over time and you see a relatively benign kind of loss trend, we have been a little bit more active in some of the sectors like technology, beyond Small Commercial, where we believe the dynamics are such that we can improve our margins. So we're trying to become a little bit less conservative as the environment improves. But I think as we said before, we're still relatively cautious on this line of business and have maybe a more conservative long-term view that, really, we'll continue to maintain.

Frederick H. Eppinger
Former Chief Executive Officer, President and Director

Yes. And we -- as you know, in our middle market or what we call schmiddle [ph], to the low end to middle, our industry solutions like tech have been very successful for us, and those are very effective for us to write multiple lines in those industry solutions. And that's been very successful and will continue to be for us, I think.

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

And as Fred articulated earlier, we do see, with the consolidation of business on the distribution side, increasingly some of the large and midsize agents are looking to kind of consolidate markets and to clean up the efficiency of their business. That presents us some unique opportunities on an account basis to help bring some business together that was previously split by our competitors or even, in some cases, rounding out some accounts of our own. So we -- that does tend to drive some of our workers' comp growth.

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

Okay. Good to hear. And just one last one on my end. So David, you had mentioned, as far as the share repo, just clearly, the first preference being cap deployment in the business. And the average price there was quite good. So was that just an opportunistic-type deployment? Or is there kind of any incremental thought change?

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Yes. No incremental thought change. Absolutely, as you said, if you remember back in August, the markets were extremely volatile, just as they are today. But we did see a drop in the price, and we used the opportunity to do some open market purchases. And again, we -- I always say we do have a minimum level of repurchases that we build into our plan each year, and this is consistent with what our expectations were for the year.

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

Okay. And so we should think about $400,000 as the maintenance level, around?

David B. Greenfield
Former Chief Financial Officer, Principal Accounting Officer and Executive Vice President

Yes, our dollar terms around 20 -- the $20 million.

Operator

We have no further questions. I will now turn the call back over to Oksana Lukasheva for any closing remarks. Please proceed.

Oksana Lukasheva
Vice President of Investor Relations

Thank you, everybody, for your participation today, and we are looking forward to talking to you next quarter.

Operator
This concludes today's conference. You may now disconnect. Have a great day, everyone.