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TRV - The Travelers Companies, Inc. at Bank of America Merrill Lynch Insurance Conference

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PRESENTATION

Jay Cohen - *BofA Merrill Lynch - Analyst*

Good morning, everyone. We're going to get started now if we could find our seats. My name is Jay Cohen. I'm the senior property casualty insurance analyst at BofA Merrill Lynch. And on behalf of my colleagues -- Alison Jacobowitz, Seth Weiss, and Matt Palazzolo, I'd like to welcome you to the 21st Annual Insurance Conference. We think it's 21st; we're not quite sure. I've been here through about 16 or 17. There was some before me, so it's around 21.

We've got a wide variety of companies presenting over the next two days from small-cap names to large global companies. For all of them, growing earnings, producing acceptable returns, remains a pretty tough challenge, given the global economic backdrop, and obviously, low interest rates.

So managements are pulling a number of levers to try to achieve their goals, including raising prices, changing products, changing designer products, managing capital, cutting costs. And over the next two days, we'll have the opportunity to hear from these managements in more detail, as far as how they're setting about these goals. Hopefully, we'll get a better sense of exactly what these managements are dealing with, and get a better sense what the outlook is for these companies.

As far as the conference goes, we've got an excellent conference staff. So if you have any comments or questions, the room kind of across the way is where they are. Feel free to go and ask them. The one-on-one and small group meetings are upstairs, mostly on the 9th floor, some on the 5th floor. If you haven't picked up your schedule, that also should be done at the desk. Hopefully, you got it when you registered.

I want to apologize ahead of time for some construction that's going on here. Unavoidable; there's a bit of noise. It shouldn't be too bad, but I'll apologize ahead of time if it does get bad. And then as far as the lunches go, we'll have some working lunches. We'll have boxes laid out outside this room.

Our first speaker today is Brian MacLean from Travelers. He's President and COO. This is Brian's 25th year with the Travelers. And if you look at his bio, which I did, you'll see that he's responsible for basically everything related to insurance at the Company. In the past, Brian has run commercial lines; he's run claims. So he's seen this Company from many different angles, and of course, very well-suited to address the questions we have for him.

Brian?

Brian MacLean - *The Travelers Companies, Inc. - President and COO*

Thanks, Jay. Good morning. Interesting to see so many of you out there at 8.30. I will -- before I start, I'll just make the kind of obligatory comment to remind you that the customary explanatory note and disclosure statements are at the back of the presentation. And I would recommend you take a glance at those.

I would also say that what we tried to do in this presentation was, for those of you who may not follow us that closely, put in some summary information. I will go through that pretty quickly, and want to focus on a couple of these slides. But that was just kind of the construct we had. So let me begin.

You know, this is a slide we use to start virtually every presentation we have. And it is our long-term financial strategy. Simply put, we are here to create shareholder value. And we believe we will do that by generating superior returns in this industry, which we pegged at kind of mid-teen returns over time.

Let me take a second and talk about how we've done on that front. So this is 2005 through 2012. '05 was the first full year of the Travelers/St. Paul merger. And you can see on the bottom right of that slide that the aggregate for these years is about a -- well, not about, it is a 12.8% return on equity. That is, obviously, not quite mid-teens returns, but we're pretty proud, given the economic environment we've faced in the last four or five years. And as Jay just said, the pressure that that's put on investment yields and general economic conditions, we're pretty proud of that result.

You will also note the typical, I think, or common volatility, given the catastrophe results in the business -- so, 2011, and a much lower return on equity. Some of the early years like '06 and '07, partly driven by very light catastrophes.

And what this is trying to do -- again, we show this slide a lot, so some of you are familiar with it. But the red and blue bar is our investment yields, so you can see a very consistent return from the fixed income portfolio. The yellow is the underwriting income, so some volatility there. And that's what I will spend most of the morning talking about.

We also are real believers that competitive advantages matter. We know that we are in a very large industry with lots and lots of competitors, but we also think that you can do a lot to differentiate yourself. And we think we're pretty successful at that. And these are the ones that we would really put as the major ones, where we believe, first and foremost, in product breadth, specialization, very focused and specialized underwriters.

One of our mantras, "Generalists do not succeed in this industry." We have a leadership position with independent agents in the US market. And particularly in the commercial space, we think we are the clear leader there. We have the best data and analytics in the industry. And I'll talk about why that is so critical in what we're doing. And our claim and risk control capabilities are with the absolute best of any of our competitors.

So those are the things that really matter. Real simplistically, $22.5 billion of premium. We talk about it in three segments. It's about two-thirds commercial business, about one-third personal, and I'll go through each of the segments now.

Business Insurance, our biggest business, just shy of $12 billion, about 54%, I think, of our total franchise. And just showing you the business split out two ways. On the left side is, kind of in a broad sense, how we think of the markets. So, in some cases like small commercial, we think select accounts; we think of customer size. In other places like industry-focused -- which would be construction, technology, Public Sector, oil and gas, a few others -- we are very focused on specific industries.

In other places, we're very focused on the specific product, like large property accounts, et cetera. On the right side, you will see broken out by line -- basically, I think the message there is a pretty diverse portfolio [of] 29% comp is the biggest line, but nothing there is dominating. We really write the full spectrum of products there.

So let me take a minute and talk about rate. Jay mentioned that the industry and we are clearly focused on improving the returns in this product. And we've been talking about this pretty clearly. We show this data every quarter. The graph is showing you the components of our price change. So it's got total price change is the green; red is the rate component; and blue is the exposure and other component of the price change.

And I'd focus you on the red circle on the bottom left of the slide. And that's really bringing your attention to the end of 2010, where we came out very publicly with the statement that we felt the returns on the product were reaching dangerously low levels, and that we were going to embark on a very active strategy to improve the pricing in our business. And that we were going to do it thoughtfully, and we were going to do it selectively, but we had to move the needle.

We feel, as you look at this slide, the next -- the right-hand side of the slide is the last eight quarters broken out. And you can see the progress, and we feel really good about that. So, across the last two years, we've consistently been saying that our underlying loss trend has been running at about 4%. And, basically, by underlying, we mean excluding cats and prior-year development.

But -- so excluding the cat losses at about 4%, or normalizing for cat losses, you can see that by the second half of 2011, we felt pretty good that we were, at that point, on a written basis, running a decent amount ahead of the loss trend. And we feel really good that, as we look at the fourth-quarter and third-quarter of 2012, we're running a good bit ahead of that 4% loss trend. And we're now, obviously, getting the compounding of the rate on top of rate.

So when you look at an account that renewed in the fourth quarter of '11, and you look at about what rate that would have gotten, and then you look at it renewing again in 2012, with a 4% loss trend, we're getting some real traction.

I'd also note that we said on our fourth-quarter call that we felt encouraged that, within the fourth-quarter, December was the strongest month. And January was looking similar. And I would now tell you that January has come in almost exactly on the same production number -- so, rate, retention, et cetera; renewal price change numbers that we saw in December, which were very strong. And so we are encouraged that 2013 is off to a good start here -- which, obviously, gets to the question of, so where do we go from here?

We have said numerous times publicly, and we'll continue to say, that we're not going to forecast rates. We don't -- we are not going to say this is what we think it's going to be in six months. And we, also, with our people, do not set rate targets and say this is where you have to get to. We understand that market conditions can change.

With that said, I will tell you -- let me go into why we believe we still need to continue to drive this strategy, and why we think the product continues to warrant it. And so, here's a fairly simple illustration, but if we take commercial business -- and this is, obviously, somewhat driven on what we've actually achieved.

So, if you look at the rate -- renewal rate that we got in 2011 and 2012, and you think of a 4% loss trend, underlying loss trend, which is what we've been experiencing, and you did the arithmetic on that, round numbers, our 2010 business to the business that we put on the books in the fourth quarter of 2012, combined ratio has improved about 3 points. Just the arithmetic of getting that rate and having that loss trend.

So you'd look at that and you'd say, Gee, that's pretty powerful. The challenge is that when we look at that on a return on equity perspective, we're about the same place -- return on allocated capital -- that we would have been in 2010. So a little bit of an illustrative example. Our numbers are not perfectly this way, but it's the basic story.

And why did we get 3 points of improved combined ratio and no change in return on allocated capital? It's simplistically two things. Number one, investment yields have continued to deteriorate and decline. And that is especially on the longtail lines, making it challenging to improve returns. And the cat exposure has gotten worse. The actual experience that we in the industry had in 2011 and 2012 was really bad. I'm going to talk about it more in a couple of minutes. And that, obviously, has led us to increase our catastrophe assumptions going forward.

So, a lot of progress has been made. We feel great about what we've been able to accomplish in rate. We feel good that January looks strong. And we feel confident that we need to keep moving forward. Where the market goes, it will go. But we're on the same strategy that we've been on, and we're going to continue to actively and selectively drive for better rates on this business.

We've also talked a lot -- I'm not going to go into detail on this slide, but we've shown it for several quarters. This really shows the concept that, for those of you that haven't looked at it before, it really breaks our business into three buckets -- the most profitable on the far left; the least profitable on the far right; and it shows retention and price change across that. This is a real simplistic example of how we look at this by business. So, within our business, we're looking at a much more granular level than this.

But the point of this slide is simply that, obviously, the aggregate rate retention, et cetera, numbers mean something to us. But what really we look at to understand how we're doing is, at a granular level, are we getting the price increases on the right account? And are we working really hard to retain the best business? And are we succeeding at that? And we feel very comfortable that we are.

So where is this leading us? This is -- the graph up above is the underlying GAAP combined ratio broken out by loss and expense. Underneath, at the bottom of the page, you can see the total GAAP combined. So the underlying excludes the cats and the prior-year development. And we feel good that -- you know, the bottom line on this is we feel good that, in 2012, we saw some real improvement. And assuming that loss trend sticks kind of where it is, given the written rate that we've put on, we think that we'll continue to see some improvement going through here.

Flipping to the Financial, Professional, and International Insurance segment -- about $3 billion. So the smallest of our three segments. It's a little less than two-thirds the Bond and FP business, and about one-third International. So I'll talk about those two pieces separately.

Just shy of $2 billion in Bond and Financial Products. I know many of you know surety is a real strong franchise within our business. We are the market leader in the surety product. We feel great about what we have done there, both from a building the franchise and a profitability perspective. Our returns there have been very strong.

The challenge in the surety business, particularly on the construction side, which is the bulk of our business there, is that that marketplace -- the economic pressures on that marketplace have shrunk the market. And so our top line has been coming down. We are okay with that. We would absolutely -- we would obviously love it to be going the other direction for the right reasons, but we are not going to chase the volume to get to a place where our underwriting standards wouldn't normally let us go. So we feel great about our surety business.

On the management liability side, a broad array of products. I would emphasize a couple things. We are, by and large, a small to middle-market writer there. So, in things like financial institutions, we are heavily Community Banks. We write a lot of private nonprofit. So we're a smaller -- smaller market player kind of across the spectrum there. And, obviously, there's some exceptions to that. But that is our basic profile.

Similarly to the Business Insurance, this is the same slide, with the components of price change. I'll make a couple points. Number one is, by the second quarter of 2011, we weren't seeing the traction that we were beginning to see across the broader property casualty marketplace. That was discouraging to us. We feel good that, over the last six quarters, that has improved dramatically. And rate is now up to -- you know, you can read this slide -- about 8%, so a dramatic improvement. We think that the product absolutely needed that and we are encouraged that that has been moving forward.

I'd also comment on the blue line there, the exposure change. That's really driven by a movement in our Community Bank book and some of the private nonprofit from three-year to one-year policies. So, it's really not a drop in the underlying exposure of our business. It's just the policy term change that's working its way through there.

So we feel good about this. But similar to Business Insurance, we are committed to continuing on this strategy. And we think the product warrants it. And we are hopeful that the market conditions will allow us to do it.

Again, similar to Business Insurance, where we get that price change is really important. And so here's an example of within the management liability business -- and the slide is a little different in that it's got returns instead of combined ratios on the bottom, but same concept. Most profitable business on the left; least profitable business on the right. The bars are showing you the retention across that spectrum. So we're pleased that we're retaining more of the better stuff. And you can see the rate change is dramatically higher on the poorer performing accounts.

Now I'm going to make another point with this slide about data and analytics. Because anybody can look at this and go, isn't this what every underwriter in the business is trying to accomplish? And the answer is, obviously, yes. Everyone gets the concept that we should try to keep our best accounts, and improve the profitability most aggressively on our poorest performing accounts.

The question is, how good of underwriters do you have? And what data and information do they have to be able to see those decisions, and convince the broker and the customer that they are the right decisions? And so this is a business that we did not, have four quarters ago, the same data and analytic capability that we had across Business Insurance, and that we had in some other areas in management liability. And so the blue is showing you what our first-quarter results were from a retention and a price change perspective.

And the takeaway to me here is, this really shows you the power of superior information and data and analytics. Because these were the same underwriters trying to drive the same strategy in the first quarter as they were in the fourth quarter.

They didn't get a whole bunch smarter with IQ points over the year. They just got much, much better information, which allowed them to see more clearly the performance of their individual accounts, and give them cause and effect information that they could go back to the broker and the customer and say, this is why we need to drive the strategy where we need to drive it. And it's brought about dramatically improved results. So we feel really good about this concept.

On the International side, a relatively small player. But with that said, $1.1 billion of premiums, so not insignificant to us. You can see the components between our Lloyds franchise is the biggest piece, about 40%. And then we have domestic operations in UK, Ireland and Canada.

The international story for us has really been a little bit of a journey. The last, I would say, three or four years, we've been really focused on building out our talent set there, and building an underwriting culture and best practices that are consistent with what we've got in the broader franchise and the broader domestic franchise.

A lot of the analytic tools that we use in Business Insurance in the US, we did not have in our International framework. We have built those out. And we've really been working on de-risking the portfolio, and really looking at the exposures we have, and making sure that we were comfortable with what we've got.

So when we put all of that together -- this is the total Financial, Professional, and International segment -- and you look at -- you know, just like we had in BI there -- the top, the bars, are the underlying loss and expense ratios, and the bottom is the total GAAP combined ratio. And you can see that the investments that we've made, both in International from a platform perspective in management liability, have driven the expense ratio up a bit.

The loss ratio has been improving, particularly in 2012. And it's really a story of a couple different things. But a big part of it is what we've done in International has, although driven up the expense ratio, really improved the loss performance there. And we think we're now in a position where we're more comfortable with that business, and positioned if the market conditions are right to grow it.

On the management liability side, it's been a little story of two things. One is, on the core management liability products, the pricing that we've gotten in the last year has really helped the profitability and some of the underwriting actions we've taken. The surety -- the decrease in surety volumes -- and this doesn't have to do anything with the quality of the business -- but the decrease in the surety volume -- which, as you all know, has a much lower loss ratio component -- has driven -- pushed this kind of the other way a little bit.

So, a couple things going on in there. But, overall, an encouraging picture. And we see some real improvement here and are encouraged by it.

Personal lines -- a big franchise for us -- $7.6 billion. Fundamentally an independent agent franchise. You can see one thing that's a little different than us, we are 53% homeowners and 47% auto. The industry has pretty much flipped from that. It's a little more -- it's like 52%, 53% auto. So a little bit more of a focus in homeowners.

We also have a relatively small direct-to-consumer business. We're at about $150 million in premium on that. Just a couple comments on that, and then I'll go into the agency business. I would emphasize on direct-to-consumer that that is a very long-term, strategic initiative for us.

We are encouraged by what we have learned about the consumers that come through that channel. We are building technology, both to -- from the sales perspective, but also from the service perspective, which will, quite frankly, be applicable across all of our businesses. We have learned a lot on the marketing front, and are doing things in a very focused way to test price elasticity.

But the bottom line there is it is a long-term strategic initiative for us. We are not looking for a near-term marketing success. We are looking for a long-term underwriting success. And we're going to continue with that and we're committed to it.

On the agency business, I'm going to break out the auto and home, and talk about them separately. So, auto has been -- and we talked about it in the call -- a place where, quite frankly, we are disappointed with the returns that we're generating. And we need to do better. And in the near-term, pricing needs to be a significant component of that.

So you can see on these trends -- and we've gone from a roughly 2% to 3% price change environment eight quarters ago, to upwards to 9 points of price change in the fourth quarter. That's a fairly significant increase. And, again, we think the product really warrants it. Our underwriting -- our underlying loss trend in this business is running at about 5 points. And the challenge there has been the severity issues, particularly on the bodily injury side. So we are going to continue to drive this strategy.

And here are some of the underlying -- and this is industry data here -- trends that we're looking at that concern us with this business, and why we're convinced that we need to do the things on the pricing side that we are currently doing. And you can look at this slide and the results are pretty clear.

The industry from 2001 through about 2008 had a pretty consistent dynamic running through it, which was, severity was kicking up, but we were having unprecedented improvements in frequency; fundamentally, all the good things that are going on in society around vehicle safety and youthful drivers, and all the different things that are driving through that industry. And so we had some really dramatic frequency improvements offsetting the severity trends a couple of years ago. That has bottomed out.

We're encouraged a bit that both the industry and we saw a little bit different frequency trend in 2012 to the better, so maybe that will continue. But in the last couple of years, the severity trends have continued, and the frequency has not only bottomed out but started moving the other way. This creates a really challenging picture for the industry. And we, included.

So we need to continue to address that -- which gets us to our returns. And if you just focus on the upper right, we do not aspire to a 99-and-change combined ratio in this business. That is not where we are going to succeed. And we are committed to getting that down several points to generate the appropriate returns in this business.

So, that is our strategy here. And we're going to continue to drive the rate gains. As the rate gains that we got in 2012 earn in, some of that will naturally happen. Again, with the caveat of assuming loss trend continues to behave the way -- consistent with how we see it. But we've got work to do in this product.

Homeowners, similar challenges, but easier to talk about it. In short, it is weather. This has been an incredibly strong franchise for us. If you look at our combined ratio performance over a long period of 10 to 15 years versus the industry, we have a very consistent delta outperforming the industry in this product. We love our franchise; we love our capabilities. We think we've got a real advantage with our independent agent franchise here. But in the last couple of years, the weather volatility and challenges have made this product difficult.

So, you can see the pricing dynamic here is really different than all of the other businesses. And if you go back to '07, '08, '09, '10 through '11, pretty significant price increases consistently running through this business. So, somewhere between 6% and 8%. Given what's happened with Mother Nature in the last couple of years, we felt that we really needed to move that more aggressively. And so you can see the results in the --throughout the 2012 year. And we're now up to north of 13 points of price change on average in the book. So, really, a needed effort.

And this is just -- you know, you can look at the weather a zillion different ways. Here's, to us, a 40,000 foot real simplistic way. This is industry data and this is catastrophe losses divided by premium. And the industry went 30 years at about a 1% of premium catastrophe losses. Then we went to 20 years of roughly 3.5%, and the last three years were at 7.6%.

You may be, some of you probably are, people who look at this and go, just the normal volatility of Mother Nature. We don't know. We're not meteorologists. We don't ascribe to that belief, though. In the business that we're in, we've got to believe this is a pattern, and it will have some sustainability to it. So we have to take action.

And we are doing it with pricing. But in this product, importantly, we're doing it with a lot of other levers. So, from a pricing perspective, you can -- this gives you some more granularity. In 27 states, we've got rate increases of 10% or more. And in another 13 states, we've gotten rate increases of between 5% and 10%. So it is very broad-based.

One of the things that we are seeing here in both the homeowners product and on the commercial side, is unlike past events where there would be a storm like we just had with Sandy, and the part of the country and the part of the market that's affected reacts, and the rest of the country goes, that's not us -- the dynamic right now is different than that.

I think most people, even if they're sitting there going, that storm wasn't me, it's further evidence that weather patterns are becoming challenging, and there are more and more frequent and volatile events all over the place. So, just another data point that there's challenges.

So it's driving a broader improvement in the business. But, like I said, it is not just pricing. Risk-sharing in this product has to change, and has to change fairly aggressively. And we've been, I think, at the forefront of that. So -- and this is, obviously, talking about deductibles. In 45 states, we've made changes there. And in many of those states, they have been pretty significant changes. So, we just think there has to be more risk-sharing in this product. And we believe the consumer should be demanding it to make the product more affordable.

We're also changing underwriting guidelines. We are looking very aggressively at roof exposures. Hail has become a major, major cause of loss in this product. And understanding better the age and quality of the roof is fundamental to underwriting. And also, implementing notice of loss limitations, where you've now got, depending on the state, between six and 12 months to report your loss. It was a challenge when we were getting, 18 months after the event, hail claims from all over the country. So, we've moved, and you can see we've moved that in 29 states.

So, doing a lot of things in the homeowners side. Continue to feel good about the franchise. And continue to feel good -- here's the returns in this product, so again, same slide, underlying loss and loss adjustment expense ratio, and underwriting expense ratio on the top. Pretty strong numbers, obviously, in this product to say, but excluding cats is a huge but, so you can see the numbers down below.

The point I would make again to just point to the weather volatility, we thought 2008 with -- I believe that was Ike -- was a really bad cat year at 18.5, roughly, points in our combined ratio. And when you look at the last two years, you realize 18.5 wouldn't have been such a bad year.

So, we've got to continue to respond with this product. But we are encouraged that there is real progress here. And I would emphasize we feel great about our capabilities. And wherever the product performs, we think we'll be able to be at the best end of that spectrum.

So, really, in summary, and then I'll have a couple of minutes to take a few questions, this is what we're about. And just going through the blue boxes, it really does start with competitive advantages. They matter. This isn't just one big industry on the tide that bounces up and down. Companies can differentiate themselves and we think we do that. Our whole deal is about generating top-tier earnings and capital levels, and then appropriately rightsizing our capital, and returning the excess to shareholders, as we have fairly aggressively done over the last couple of years.

So, with that, I will -- Jay, if you want, open it up for a couple of questions. I know you're on a tight schedule, and I'm pleased that there were no jackhammers.

QUESTIONS AND ANSWERS

Jay Cohen - *BofA Merrill Lynch - Analyst*

Yes, there's mics being passed around, so if you do have a question, raise your hand and you'll get a mic. I'll start off, though, with a couple of questions.

The direct-to-consumer business, I seem to recall you talking about this, oh, three or four years ago, suggesting this is a kind of a five-year experiment. That's in my head. I'm not sure if that's right or not, but it seems to be an ongoing experimental thing for you guys. Why are you so patient? And is it taking longer than you might have expected?

Brian MacLean - *The Travelers Companies, Inc. - President and COO*

So, it has taken longer than we expected. And -- but why we're so patient is, it goes back to, we didn't embark on this to really have a marketing topline success. We embarked on it for really two reasons. One was a little bit of the defensive, which is -- and I'll emphasize that we love our agency channel and we're committed to it. And we're believers that that's going to continue to be a very strong source of business for us. And the quality of the customers that we get through that are great.

With that said, defensively, we could be wrong. And there could be a faster, more dramatic shift than we would anticipate, and then we -- more dramatic than we, in fact, have seen. So, part of it was defensive. The other was the offensive. The belief that we could really build something here -- not so much focused on building a huge direct-to-consumer franchise independent of itself, but building something that would be complementary to what we've already got on the independent agent side.

And one of the real learnings that we've had that's been a pleasant surprise is the type of customers that we have attracted to the direct-to-consumer look a lot more like our agency customer profile than we had expected. And that's been a good thing. But we've also been able to build -- you know, the technology capabilities that we've built and the marketing capabilities that we've built in this business are applicable across the franchise, also. And that's been a positive piece.

So, admittedly, the journey has been a bit slower than what we thought, but it's always been a long-term -- right, I honestly don't remember if we said five years ago. But you may very well be right. We'll pull a transcript. (laughter)

Jay Cohen - *BofA Merrill Lynch - Analyst*

Let me throw one more at you while I have the mic here.

Brian MacLean - *The Travelers Companies, Inc. - President and COO*

Sure.

Jay Cohen - *BofA Merrill Lynch - Analyst*

Workers' Compensation, this was an issue, I want to say, about six or five quarters ago with frequency going up. This last quarter, you suggested that the claims trends have normalized, as I recall. Can you talk more about that? What are you seeing? And are you planning for this kind of environment going forward? Are you still somewhat concerned about the claims inflation in that business?

Brian MacLean - *The Travelers Companies, Inc. - President and COO*

So, we're significant players in comp, and I think we are as good as it gets in that business. We understand the product. So we do a fairly sizable guaranteed cost business. But as many of you know, we are a significant player in the loss responsive business there, where we're managing comp claims for both large commercial employers and for residual market pools.

So, we have a perspective on the business that's pretty robust. I think we understand comp very well. In understanding comp well, we know you have to be careful with this line. And it's a challenging line. So I'm focusing on your last comment of, are we concerned with -- I forget your exact words, but -- loss costs going forward? We are always very concerned with where loss costs are going, in comp, and going to watch that very closely.

Specifically, on the frequency side. Again, what we saw -- you know, there's a normal pattern where there's -- when there's economic downturns, frequency will actually improve temporarily in comp. As employers lay off people, they usually do the smart thing and lay off the least experienced workers first. Employees, as they see people getting laid off, will work through minor injuries or little -- they'll work through things, because they're afraid of not coming back. So that creates kind of an artificial bubble, favorable bubble in frequency.

And then frequently, as the -- commonly, as the economy improves, that will reverse. And people who were working through little injuries will eventually have to go out on comp, et cetera. So all of that will work through.

That, in this economic cycle, was more dramatic on the down, and came back quickly and more dramatic on the up than we had anticipated. And I would chalk it up to the fact that we went through an economic cycle, which none of us could fully compare to the historical trends that we'd seen in our careers.

So, we missed that for, I would say, about 12 months of our business. And as you just said, about -- I can't remember the exact timing, but five, six -- four or five, six quarters ago, we reacted to that a bit. And the trends are now not completely back to the historical norms, but moving in that direction. And we're comfortable that they're heading back there.

One of the positive things about the comp line is that, over a very long period of time, you know, many, many decades, there's been a fairly consistent improvement in frequency, which is driven by all of the good things of employers and insurers, and risk control, figuring out how to make workplaces safer and avoid injury. So that's been a pretty consistent pattern. So we think we're heading back there.

We feel -- we completely get that that comp from an industry perspective is a challenged line. And we look at it very, very closely. We feel good about our business. And -- but we're going to continue to drive it.

Well, thank you for your attention, and good luck with the rest of the day.