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Company Conference Presentation

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Chief Financial Officer and Executive Vice President

Christopher John Swift
Chairman and Chief Executive Officer

Douglas G. Elliot
President

ANALYSTS

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Unknown Analyst

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Presentation

Jay Adam Cohen
BofA Merrill Lynch, Research Division

I'm the senior nonlife insurance analyst at BofA Merrill Lynch. On behalf of Seth Weiss, Alison Jacobowitz, Matt Palazola and Ian Ryave, I want to welcome you to our insurance conference.

There's a Yogi Berra quote that I really like. You never go wrong quoting Yogi Berra, I don't think. "It's tough to make predictions especially about the future," which I'm sure we've all heard that. But this year, it just feels like it's so true.

There's so much that has happened in the past year that we really would not have imagined. And these developments have caused notable volatility in stock prices, they've changed our outlook on a variety of issues and subjects. And of course, this has made stock picking pretty difficult, too, and honestly, as this the year starts, it doesn't feel like it's getting any easier. And not only has it made it tough to pick stocks, it's made it pretty tough to run an insurance company.

[Audio Gap]

With President, Doug Elliot; and CFO, Beth Bombara. All 3 really have been critical in leading Hartford through a time of tremendous change in helping to redefine the company. I was going to say define it, but it's really been redefinition. There's still some work to do, and so we're happy to hear them today talk about what the future holds.

I'm going to join them over here, a quick shift. Working now? Can you hear me? Excellent. So I've got a bunch of questions, but before I jump into the questions, I would love to have Chris give us kind of a big-picture view of how you saw last year and what you're focused on for this year.

Christopher John Swift
Chairman and Chief Executive Officer

Great. Well, good morning, everyone, and thank you, Jay, for having us back. Doug, Beth and I really look forward to participating in this. And now that you've upgraded the view, we'll make sure we get this on our calendar next year.

But I would share with you that a month or so ago, Hartford reported fourth quarter and full '16 year results, which were good, satisfying. If I look at most of our businesses, they performed well. If I look at Commercial Lines, Group Benefits, they produced very, very strong margins for the full year. And if I look at HIMCO, our investment manager; Talcott; and Mutual Funds, they're all contributing in their own way.

The one soft spot is Personal Line, and our full year '16 results were nothing short of disappointing, primarily due to BI severity trend. We needed to take adjustments to the 2015 accident year, we also took adjustments in the fourth quarter for the 2016 accident year in response to those trends.

But I would also point out, as evidenced by our price increases, we have been aggressive in getting pricing for the book, taking the necessary underwriting actions and distribution action that I have confidence will improve our result in 2017. So looking further into 2017, we said in the call that we expect it to be a continually challenged year, primarily related to the price increases in comparison to the loss cost trend. That equation remains upside down, and we're going to work hard to maintain our margins, but that's going to put added pressure on the organization going forward. While we see that pressure, we're also optimistic that we have the right strategy and that we're continuing to invest for long-term growth and opportunities that will have to be balanced by the short-term dynamics of profitability and growth. And how you ultimately manage that is by being a very disciplined underwriter, which we'll continue to do.

So we talked about our goals for 2017, and I'll just summarize them real quickly. We want to really maintain our strong margins in Commercial Lines and Group Benefits. Obviously, we need to improve and have to improve our Personal Lines result. We will continue to focus on growing book value per share,

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complemented by our $1.3 billion share repurchase plan. And if you look then at our ROE target, we're quoting, these days, ex Talcott, that we expect a 200 basis point improvement in our ROEs, ex Talcott, as we head into '17.

So in summary, I think we have the right strategy. We're executing well. We know we have more work to do in Personal Lines, but we have a platform that will continue to create shareholder value for the long term. We're focused on expanding our product set, our risk appetite, investing in our technology platform to create greater efficiencies and, ultimately, a better customer experience and an easier business -- easier company to do business with.
So that's what we're focused on, Jay. And thank you for allowing us to be here with you.

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Question and Answer

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Yes. No, it was our pleasure. Let's start on the auto side. That was obviously a topic of discussion. I got a call probably when you announced earnings from a generalist who doesn't really know insurance. And they said, "Why can't they get it right? How hard is it?" They're a little frustrated. And I explained what the issue was. But I guess my question to you is, does the challenges you had in assessing claims trends in 2016 highlight any opportunities for you to improve systems -- pricing systems?

Christopher John Swift
Chairman and Chief Executive Officer

It's understandable, and I understand investors' frustration sometimes. All I could tell you is that each quarter, when we do our reserve analysis, and Personal Lines is part of that detailed quarterly analysis, I mean, we try to make our best calls with the data we're seeing at the time, understanding the environment we're working in. But clearly, we didn't get it quite right, and we've gone back and looked at a number of our processes and opportunities. And all I would just share with you is, at a high level, we have areas where we could continue to get better. The one real opportunity that we identified was we talked about rolling out a new claims system, and we started rolling that out nationwide early '15. I think there was probably more disruption in some of our data patterns, some of our coordination there than we realized. It went fine. It was a great conversion, but any time you have 3,000 people and you change some of their frontline activities, you -- there's some learnings. So I think that was a component of it. But also, our data, even when we look back at it today, I mean, something snapped in a material way in the second half of '15 for us that obviously is clearer 6 quarters, 7 quarters later. But we didn't realize the magnitude of the movements, particularly with increased frequency and severity, at that time. And now it's just more of a sort of a severity trend that we're still working through. So all we've conditioned ourselves to, in periods of rapid change, we just need to push ourselves to think harder, differently, maybe with different data, with outside data to say what's feasible and possible in this rapidly changing environment.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

If I could, the only thing I'd add to that, because we ask ourselves those questions, too, as we look at the development that we saw during the course of '16, in that we did reach out to some third parties as well to look at our processes around reserving. And I would say, on the margin, some suggestions they made that can enhance our process. But going into the fourth quarter and given some of the challenges we had seen during the year, we did want to get that outside look as well to make sure that we were doing all that we could to enhance our underlying processes.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

And was the main conclusion from those outside sources that, "Yes, we actually do pretty well?"

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. I mean, again, there were some things that they pointed out on ways that we could be looking at data that maybe was a little bit different. But all in all, it was relatively consistent with what we were projecting and what we were seeing.

Douglas G. Elliot
President

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Jay, I guess, the other thing I would add is that we had some of those outside parties go back and look at 12/31/15 look to say, "Okay, what did we miss in terms of our process? And what would you have seen? What did you see, et cetera?" So not just kind of a look at June of this year and September and December, but also reflecting back on prior periods. And the other thing I would say is that over the last 2.5 years, we've rebuilt the team in Personal Lines. I think the rhythms and the routines of how we run the business have changed and feel much more like Commercial Lines to me. It's not a knock, it's just an advancement and a speed dynamic in terms of how we run our decisiveness, our choices on the agency side relative to partnerships. I just feel much better about the operating routines.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

So assuming that's all functioning well, now it's really just a question of math, right, getting the right price increases, understanding the claims trends and catching up. So let's talk about the price increases. It sounds kind of easy, let's just raise price, but you want to do it in such a way that you keep the best business and if you lose some bad business, that's okay. How do you manage that process?

Christopher John Swift
Chairman and Chief Executive Officer

Well, I think everyone knows here, I mean, 75% of our book is through AARP, which is really the franchise in our mind. We'd like to grow that. That's been a strategic relationship with us. So I mean, it's important to strike that balance, but I think you got to even take a step back. Is -- what are we really dealing with right now is we dealt with a growth strategy from years past that just was a little flawed. So some of that is reducing our footprint with agency appointments, primarily on the independent side, looking at our class plan in a different, more holistic way. So it is about, I'll call it, pruning the profile of the business and knowing that particularly with AARP, I mean, we've made lifetime commitments into these policyholders. There's 12-month policies. AARP is a committed partner. They know we need to get our profitability right, and been very supportive and constructive. But you try to do it in a way that doesn't shock your existing in-force too much. But particularly, the most remediation, Doug, I would say that we've been doing is in our independent agency channel, where we're aggressively shrinking top line and raising rates there, but we will fix this. You will see improvement in 2017. And AARP is a committed partner with The Hartford.

Douglas G. Elliot
President

Yes .

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Do you have a dialogue with AARP? When you're making these changes, do you have to alert them ahead of time to it?

Christopher John Swift
Chairman and Chief Executive Officer

I would say yes. It's good protocol from a relationship side. So they're primarily concerned about managing their customer experience, the AARP member, so they want consistency, a level of stability, they want great customer service. So as we've been making major changes, particularly in the major states, Florida, Texas, California, they're very much in tune to what we're doing. They understand it. They don't have a veto right. I mean, this is our book to manage, but we understand what's important to them and how they want to have that consistent customer experience. So that all shapes our strategic action.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it.

Douglas G. Elliot

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President

I mean, Jay, it's not a monthly dialogue, it's a weekly. And in fact, more -- I mean, there are points in the month where we're sitting down, discussing things that we can, our strategies, our state strategies. So it's a very engaged process and one that I feel, right now, is on really solid footing. They would like us to be leaning into growth. We want to be leaning into growth. We feel like the actions we've taken are going to allow us to do that. But as you know, we need to get our rate adequacies back to a better state, and we feel like we're doing all that we can to make that happen.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Just a big-picture question on auto insurance. So we have all these cars now that have these safety features. The hope is that, over time, we'll see a lot fewer accidents and, hopefully, less severe accidents, people won't get hurt. And obviously, that's not happening yet. As you take a step back and think about these new features, do you see a point at some point in the future, hopefully, the near future, where we start to see that shift the other way and claims begin to come down because of all this technology? And when is that?

Christopher John Swift
Chairman and Chief Executive Officer

Yes. Well, let's look into our crystal ball. No, it's going to be hard to predict. But I think your basic premise that as the fleet of our cars continues to modernize with more and more safety features, predictably our research would say that the front-end collision and the anti-braking -- or the automatic braking is probably the most key feature. As more and more of that sort of earns in -- or more and more of the cars out there have those more modern features, it will improve safety. But until then, it is an undisputable fact, by my observations of driving on the Merritt highway, that everyone is paying attention to devices that are either built into the car or that they bring into the car. And we got to change and bend that behavioral curve before -- even before all that technology really helps on the front-end collision. But accidents will happen continually. When that will be in place, I don't know. I mean, the average American fleet is about 9 to 10 years old. So if you sort of fast-forward over the next 9 to 10 years, as those fleets become more modern with more safety, you could see at least a reduced incident rate, and hopefully, severity will come with it.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Yes. I'm going to shift gears, but are there any questions on the auto side before I do that? Just raise your hand and wave for a mic. Yes, right in the middle. Can we get a mic right in the middle there?

Unknown Analyst

Do you see any impact from ridesharing like Uber as ownership of vehicles may decrease in some of the more urban areas over the coming few years?

Christopher John Swift
Chairman and Chief Executive Officer

Yes. Clearly, I mean, consumer patterns are evolving, particularly in the urban area, as you would say. So we have 4 children at home. I think 2 of them already have cars. And -- but at the center, urban, obviously, a bigger-city dynamic. But that will continue to influence, I think, the miles driven and, particularly, frequency if people are just using other forms of public transportation or smart transportation. So that is a contributing factor to, I think, the trend in the future that will improve the safety environment.

Douglas G. Elliot
President

I think the adoption of some of the sharing economy ideas, though, will be a little bit slower into our book only because our book is essentially a mature preferred, so a plus-50 crowd. Not that they aren't using

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Uber, but in general, just think about the age of adoption. We'll stay on top of it, but probably not an emerging trend tomorrow for us.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

And by the way, thanks for the ad because tomorrow afternoon, we have a panel discussion on this topic. We have -- the risk manager from Lyft will be here, and we have a consultant from Deloitte. So save those questions for tomorrow afternoon. Let's move on to, I guess, the other big topic that I get asked about, which is Talcott. There's a lot of focus from investors on it. My question, to start off, is how much of a focus is it of yours? Is this a really big issue for you guys? Or is it just kind of sitting there and you're focused more on the core business?

Christopher John Swift
Chairman and Chief Executive Officer

I'll let Beth add her point of view maybe from a time perspective. But since -- we've worked hard in Talcott to manage it over the last 4 or 5 years, right? So it has sufficient capital. It is well understood. It has a team of individuals and professionals that really are taking care of our customers. The leader of it day to day is Brion Johnson, who is also our Investment Manager. He's got a life insurance background coming out of Jackson National Life. So from my perspective, I worry about risk, and so I look at our risk metrics weekly; on Talcott, obviously, monthly. But I could tell you it doesn't consume a lot of time. It is performing more or less as expected. We keep our regulators posted on activities and developments and liquidity from a risk side. So we have to think about it. It's part of our organizational structure, but it's not something I dwell on day to day. And as far as a lot of the chatter, obviously, we're not going to comment on that other than we've always said we're not the rightful long-term owner. It's been 5 years in runoff, and I think we've managed it well. We're comfortable in doing that in the future, but if there's opportunities to explore someone else owning, we'll continue to push ourselves to explore. And if we decide to do anything other than we're doing today, we'll let you know.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

On that topic, you guys are in a room and a bid comes in -- an offer comes in to take this off your hands. Walk me through the factors that will help you determine whether or not you take the offer. What are the key metrics that you're looking at?

Christopher John Swift
Chairman and Chief Executive Officer

I'll let Beth comment, too, but the principles that we've had is: one, it needs to make economic sense, obviously, for our shareholders. Two, it needs to be a clean break. We've talked about that before. Reinsurance works in the past, but for this to make sense, it needs to be a legal entity sale, in fact, 2 legal entities. The counterparty needs to have a high degree of confidence that we could get regulatory approval. And they are still our customers with branded Hartford products, and we need them to sort of respect that customer and what we've sold them in the past and how we want them to be treated in the future. So those are the parameters. And we could talk about -- anything else in detail?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

No, I think that those are the items we think about.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

When you say it has to make economic sense, walk us through the math. What math are you doing to make that determination?

Christopher John Swift

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Chairman and Chief Executive Officer

Ultimately, it's going to come down to -- just the way we think is PV of cash flows. So we will have a point of view of the conditions in the environment that we face in the future, the dividend extraction capabilities, the earnings extraction, the ultimate cash flows to the holding company, and we'll compare that to any hypothetical purchase price today, which we know will have a higher return threshold on it too. So -- and as you've talked about in the past, Jay, I mean, low interest rates -- selling long-duration liabilities in low rates environment is very challenging.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Any other questions? I'm going to move on to a different subject, but question here.

Unknown Analyst

Can you just talk about that and how much easier it gets to sell as long rates rise and what the sensitivity of those cash flows is to higher long bonds?

Christopher John Swift
Chairman and Chief Executive Officer

I would say you have to think about the spectrum of interest rates from short term to 30 years. Most of the long-duration liabilities that we have are in our structured settlement book and terminal funding book, where the long rates at the 30-year level is much more critically important than a 2-year point on the curve. So as we see the Fed raise rates, what's more important for us is to see an increase at all levels across the interest rate curve with that. And if we're only going to get a rise in short-term rates and not long-term rates, that won't be good for these liabilities.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Any other questions on Talcott? Let's talk about commercial insurance, and maybe either Chris or Doug can handle this. Just talk about your outlook on pricing. We just had a company take a really sizable reserve charge. You've seen other companies feel some pressure. Are we in the cusp of something that might change the market? Give us -- just give us your outlook.

Douglas G. Elliot
President

I guess I'll start. I would say, Jay, it is a bit of a line-by-line discussion. I think, if we use auto, we're seeing some of the pressures in Personal Lines auto move into commercial. And I would say that across the industry, over the past 3 to 4, 5 years it's been an underperforming line, and we've been working at it hard. So auto from our book of business has been achieving the higher end of the rate/pricing spectrum curve, in the mid-single digits, maybe plus a little bit over the past 1.5 years, and I expect that to continue. We still have more work to do on our auto book. Across the other lines, workers' compensation right now is relatively healthy. But as we think about loss trends, what I tried to say on the call, our view of where current pricing in the market is and our loss trends, we're a bit behind, and so there's margin pressure there. We have to re-underwrite and underwrite our way through to see if we can out-select to work at that. But our view of medical is still our view of medical long term, right, that we see medical in the 5% to 6% range. And so our plans moving out project that. And then you've got property and GL, all with their own nuances. The property numbers are in pretty good shape. We're feeling a little bit of GL pressure. There's no question we're feeling it. In the slip and fall, we're feeling liability pressure. And we have been adjusting our patterns and our pricing. And in Small Commercial, we've seen a bit of that over the course of '16. We've tried to reflect that with a bit more advancement in our pricing strategy. So Jay, I'm very pleased about our '16 performance, but as I look ahead, I would love to be able to repeat it. Obviously, I'd love to be able to improve on it, but I feel some pressure to do that. And I think our path ahead is to be prudently disciplined, and that may mean that loss trend is slightly ahead of pricing. We hope we can bend that curve in a different direction.

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Christopher John Swift
Chairman and Chief Executive Officer

I would also point out, Jay, I had the opportunity to ride up the elevator this morning with one of my favorite hedge fund investors, who will go nameless. And I would just point out that our book of business is concentrated in the middle to small end of the market. We have a national account book, and the sweet spot is probably, Doug, I always say, $3 million to $7 million of premium equivalency. So for those of you who might be listening to another earnings call right now, it couldn't be further night and day from what we do compared to what a competitor does. So I think we have our arms around the end of the market. We are not putting out unsupported umbrella, excess liability policies. We don't have excess workers' comp. We stick to our core knitting as far as middle America and the small end of the market with risk products that we understand, that have more of a frequency bent, managing frequencies as opposed to the large limits placed out there. Our reinsurance program is modest by evidence of the amount of property cat that we cede, which is roughly in the $60 million premium level. So our risk profile, our target customer, our skill set is in around that middle America, core risk, and I think we do it pretty well.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Because of your focus, the cyclicality of your business will likely be less pronounced than someone who focuses on larger or more specialized accounts.

Douglas G. Elliot
President

Yes, although the Middle Market feels some cyclicality, Jay, going back and talking about 20 years, and I absolutely agree with you in the Small Commercial space. So history would suggest that there have been more moderated cycles in small and we certainly have experienced that ourselves. We're very conscious of that in middle, which is why, the last couple of quarters, particularly going back into '16, our new business levels have been a bit more modified in middle. So we're conscious of what's around us. We're trying to be disciplined about our choices. '17 will bring us new challenges, and I feel like we're just in a better risk place in terms of improved underwriting attitude, aptitude, tools, what we put in the desktop for underwriters. I think we're making better choices, and we need to.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

And on the 2017 margin guidance for the commercial side, as I recall, if you look at the midpoint, it suggests maybe a little bit of deterioration. Is that just some conservatism based on what you've just talked about as far as claims trends go?

Christopher John Swift
Chairman and Chief Executive Officer

I mean, at the midpoint -- the midpoint is our best estimate of our cost of goods sold next year compared to the rate environment that we see. So you could characterize it -- I would just characterize it as our best view of a soft pricing cycle continuing into '17.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

If we do get a more robust economy, stimulus, maybe some inflation, what are the factors that will affect your commercial business, both claims and revenues?

Christopher John Swift
Chairman and Chief Executive Officer

I've always said, particularly if you look at our business mix, I mean, we are very employment-centric, right? We got a large worker's comp book, which is well managed, well understood. We have a big Group Benefits business that's employment-centric. So more jobs, more employees, more wages, it's good

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for The Hartford. On the other side, if we can really create economic growth in infrastructure spending, in manufacturing, in, I'll call it, productivity gains in the U.S., we'll also benefit from there's just more insurable interest out there. The side you worry about is ultimately wage inflation and other inflationary pressure that will put pressure on your cost of goods sold that you need to manage. So picking those cost of goods sold points and reserving to them, that's our discipline. That's why we pick what we did because if you're wrong, you're chasing your tail for a long time, and we don't want to get behind the curve on any inflationary pressure that we're seeing in our book.

Douglas G. Elliot
President

Jay, I would add, from a vertical standpoint, in terms of classes, we've worked hard to improve our construction expertise. Really feel very good about our team momentum leading into '17. I'd love to see more construction work across the country. We're starting to feel some of that. I mentioned that on the call. Our surety business has performed really well over the last several years. I love our team. We've hired a new leader with Ross Fisher in the last 6 months. That will also benefit from a more robust economy. We've leaned into new energy vertical. We hired a couple of talented underwriters because it's not just about oil, it's about the sector, renewables, et cetera. So as we have worked and talked to you about expanding our underwriting attitude and aptitude, we're looking at verticals that will be at the benefit of some of this increased growth.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

So all those being equal, you're cheering for a better economic environment?

Douglas G. Elliot
President

Correct.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Let's shift over to Group Benefits. It probably doesn't get as much attention as it deserves. You've had, I guess, I don't know, maybe a 5-year track record now of margin improvement. You've hit levels that 5 years ago, we probably wouldn't have expected you to get to. The question I have, is there a natural ceiling as you've kind of done all you can do in that business?

Christopher John Swift
Chairman and Chief Executive Officer

Well, thank you for the compliment about Group Benefits, a strategic business for The Hartford. We -- with Doug's leadership and the team, we've worked hard to improve that business, too, and we have a great brand in that business, strong capabilities in life, disability. The new voluntary product set that we've built out is full and robust. So I really like our market position. I like a lot of our distribution partners, both in the P&C and the benefits side, thinking about strategies for the future of how to optimize those. So I think net-net, there's going to be more wind at our back in that business, particularly given some of the distribution things that are happening. That said, there's a natural margin rate to any business in a competitive environment. I mean margins aren't going to go up forever, but we still think we could expand the current margins from where they're at, primarily with more sales of our voluntary product. And we're sort of revamping our A&H product set, more broadly defined. So you'll see much more robust accident products, travel accident products that we'll start to market and freshen up. So with the addition of A&H and voluntary, I do think, as sales volume increase, those margins, in an aggregate basis, will improve also.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

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Yes. I'll just add, over time, when we think about going into '17 and the commentary that we said a few weeks ago, kind of expecting it to be relatively consistent with '16, absent the assessment that we will most likely receive on the Penn Treaty liquidation. But I think, to Chris' point, a lot of the capabilities that we're putting in, I think, over time, we'd see those margins continue to improve.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

I guess the goal would be to grow top line as well, and obviously, that drives earnings growth.

Douglas G. Elliot
President

And we've had now a couple of years of doing that.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes, yes.

Douglas G. Elliot
President

Candidly, only 3 years ago, we weren't in position with the full breadth of product. So we really attack the marketplace and offer all of the capabilities necessary, much different space today.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

We've got 2 minutes left. Are there other questions on topics that I didn't hit on yet in the audience? Just raise your hand. We'll get you a mic if you do have one. Well, I guess, another pitch for my afternoon tomorrow, emerging technologies. I don't want to ignore traditional companies, which are actually doing a lot of interesting things. So can you talk about some of the investments that either you're making or contemplating when it comes to newer business models or newer technologies?

Christopher John Swift
Chairman and Chief Executive Officer

Yes. It's -- I mean, it is dynamic out there, and that's what we've talked in our fourth quarter, that new business models are emerging. Actually, I view it as an exciting and sort of refreshing side of the industry that's going to have to really think about some of these emerging technologies. So at The Hartford, over the last, I'd say, 15 months, we've stood up, pretty quietly, a small innovation group. There's 7 or 8 individuals that are focused on innovation embedded in the businesses and then also at the holding company. We've got a couple of experiments going with Silicon Valley firms. We've broken up sort of our view of where we'd like to spend time and energy and money on distribution-related activities, customer service or in the customer experience activities and then anything to do with underwriting and third-party data. So those are the main quadrants that we're focused on. We haven't deployed any significant capital yet into any of these businesses right now. It is more about experimenting, learning, trying to work in a partnership mode as opposed to having to feel like we -- you control it and own it. And there's just been a lot of research that says how you really innovate is with new ideas and brains, not necessarily with new owners and new structures. So that's what we're focused on, and that's exciting. I'm just -- the team is really ginned up. They got a lot of activities going on, and -- but we're focused on those primary 4 quadrants.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Good stuff. We are buffeting up against our time allotment, so let's cut it off here. Chris, Doug, Beth, thank you very much. Appreciate it.

Christopher John Swift

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Chairman and Chief Executive Officer
Thank you, Jay.

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