

Liberty Mutual Holding Company Inc.

FQ4 2019 Earnings Call Transcripts

Thursday, February 27, 2020 4:00 PM GMT
S&P Global Market Intelligence Estimates**

**Estimates Data not available.

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	8

Call Participants

EXECUTIVES

Christopher Locke Peirce
Executive VP & CFO

David Henry Long
Chairman, President & CEO

Dennis James Langwell
Executive VP & President of Global Risk Solutions

Edward Peña
VP & Director Investor Relations

James Francis Kelleher
Chief Legal Officer & Executive VP

Neeti Bhalla Johnson
Executive VP, President & Chief Investment Officer of Investments

ANALYSTS

Brett G. Gibson
JP Morgan Chase & Co, Research Division

Chad Stogel

Robert Glenn Hauff
Wells Fargo Securities, LLC, Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Liberty Mutual Insurance conference call on its fourth quarter and full year 2019 financial results. [Operator Instructions]

To begin Liberty Mutual's presentation is Ed Peña, Vice President and Director of Investor Relations. Mr. Peña?

Edward Peña

VP & Director Investor Relations

Good morning, and welcome to Liberty Mutual's Fourth Quarter and Full Year 2019 Earnings Call. Hopefully, you have seen the earnings release and financial statements posted on our website, libertymutualgroup.com.

David Long, Chairman and Chief Executive Officer of Liberty Mutual Insurance, will begin his opening remarks by speaking to the results in the quarter. Following David, Chris Peirce, Liberty's Chief Financial Officer, will review our financial results. Also participating on today's call are Neeti Bhalla Johnson, Chief Investment Officer and President of Liberty Mutual Investments; Jim Kelleher, Chief Legal Officer; Tim Sweeney, President, Global Retail Markets; and Dennis Langwell, President, Global Risk Solutions.

Also, as a reminder, today's discussions may contain forward-looking statements that represent the company's beliefs concerning future operations, strategies, financial results or other developments. Actual results may differ materially from those expressed or implied. Please refer to the Liberty Mutual website for a complete discussion of the risk factors related to this presentation and the company. The company does not intend and does not undertake any obligation to update forward-looking statements, which speak only as of today's date.

I will now turn call over to David for his opening remarks.

David Henry Long

Chairman, President & CEO

Thanks, Ed, and good morning, everybody. For the fourth quarter, we reported a consolidated net loss of \$299 million compared to consolidated net income of \$249 million in 2018. Prior year losses on liability, casualty and specialty lines was the key driver of the net loss in the quarter, as we booked \$555 million of adverse development versus \$40 million of favorable development last year.

In November, though, we did enter into a new adverse development cover with National Indemnity Company. And as you know, it takes a while to put these things together, and we actually began this process in early 2019 when we first noticed trends. And Chris will cover the details of that agreement shortly. After the reserve strengthening in the quarter, we are now attached to National Indemnity's \$1 billion layer. It's a challenging time for us in the industry, with rising loss trends in commercial lines, but we're responding strongly through rate increases, claims actions, insurance and targeted reunderwriting.

Net written premium in the quarter was \$9.8 billion, up 3.7%, or 4.5% excluding the impact of FX, and I'll discuss top line in more detail shortly, but the key drivers this quarter was strong organic growth in Global Risk Solutions and in our east and west regions in Global Retail Markets.

The combined ratio for the quarter was 106.7%, an increase of 6.3 points compared to Q4 2018. The prior year development I mentioned earlier contributed 6 points to the increase. In addition, a 2.3 points increase to the core loss ratio and 1 point of current year reestimation, both primarily driven by elevated liability trends, also contributed to the deterioration. These increases were partially offset by 2.7 points of cat favorability and a 0.2 point decrease in the expense ratio.

Moving on to business results. Global Retail Markets net written premium was \$6.7 billion, an increase of 1.1%, or 1.7% excluding the impact of foreign exchange. Growth in international operations, particularly in private passenger auto, drove the increase in the quarter. Organic growth in international was 10%, with India, Thailand, China and Brazil leading the way.

Within U.S. personal lines, we were encouraged by strong new business production in the fourth quarter, up 22.1% for auto and 24.9% for homeowners compared to Q4 2018, and we'll look to accelerate growth in the U.S. in 2020.

Renewal rate increases were in the low single digits for both private passenger auto and homeowners. But in business lines, we're aggressively pursuing rate above trend. In the quarter, we achieved renewal rates of 6.6%, with the biggest increases coming from commercial auto at 11.8% and general liability at 9.6%. GRM pretax operating income for the quarter was \$413 million, down \$213 million from the fourth quarter of 2018. This decrease primarily reflects higher non-cat weather losses, higher loss picks in U.S. business liability lines and losses related to civil unrest in Chile.

Turning to loss trends. In U.S. personal lines, both bodily injury and collision frequency continued to decline 2% to 3%. Severity remains fixed in the mid-single digits. For property, trends remained stable at around 5%, which is in line with long-term averages. For GRM U.S. business lines, both auto and general liability, severity remained elevated in the mid-single digits due to medical inflation and rising legal costs. Severity for commercial property is around 5% to 6%, and frequency is increasing in the low single digits. Workers' compensation trends in small commercial are generally unchanged from prior quarters.

The combined ratio in the quarter was 96.8%, up 3.5 points in the prior year quarter. Investments in technology and increased advertising spend drove a 1.3 point increase in the expense ratio, while adverse liability trends within U.S. business lines drove a 2-point deterioration in the core loss ratio and 0.5 points of current year reestimation.

Unfavorable prior year development in the quarter compared to favorable development last year also contributed 1.1 points to the deterioration. Catastrophe losses were favorable 1.4 points quarter-over-quarter.

On to Global Risk Solutions, where net written premium for the quarter came in at \$3.1 billion, an increase of 8.3%, or 9.6% in constant dollars. The increase was mostly driven by rate increases and new business in North America specialty and Liberty specialty markets. Within these segments, premiums were up \$586 million. Acquired premium and surety contributed an additional \$39 million to growth in the quarter. We also put in place a new global casualty reinsurance program, which, when combined with other changes in internal reinsurance, reduced growth by \$265 million. And the sale of some Ironshore international entities also reduced growth by \$156 million.

We, like others, have been responding to elevated trends in commercial and specialty lines with rate increases, disciplined underwriting and added reinsurance protection. Our retention levels remain high, indicating that the broader market is recognizing similar trends and acting accordingly. Lastly, workers' comp frequency trends showed a modest increase, a reversal of recent years' declines, which is something that we're monitoring closely.

For the full year, renewal rate increases totaled 7.8% in the aggregate. Rates were up across the board, with the exception of workers' compensation, which was flat. Leading the way were excess and umbrella lines at roughly 20% but trending up to 32% in the fourth quarter. Auto liability at 13.6%, and casualty and specialty both in double digits. In commercial property, rate increases totaled 13.9% overall and more than double that for shared and layered and E&S exposures.

The pretax operating loss in the quarter was \$357 million compared to \$103 million in Q4 2018, and the loss in the quarter was driven by higher loss ratio selections for prior accident years, which carried into the 2019 accident year, and losses in the quarter were partially offset by favorable cat activity.

The combined ratio was 117.9% for the fourth quarter, a 6.2 point increase from the same period in 2018. Unfavorable prior year development contributed 5.3 points to the combined ratio and led to a 1.9 point increase for the current year reestimation. The expense ratio was up 2 points from the prior year

quarter, driven by a onetime intercompany reduction in GRS technology costs in 2018 that did not recur and further strategic investments in technology. The core loss ratio in the quarter increased by 2.7 points compared to Q4 2018 due to the reestimation of current accident year loss picks. Cat favorability was 4.9 points relative to the prior year quarter.

Turning to investments. We had net investment income, including LP, LLC and other equity method investment income of \$597 million, a decrease of \$155 million from the prior year quarter. The decrease reflects unfavorable valuations from energy funds and less favorable valuations and distributions in private capital investments compared to 2018. Net realized gains for the quarter were \$50 million versus net realized losses of \$139 million in the fourth quarter of 2018. The realized gains include unrealized equity gains due to the adoption of ASU 2016-01 and gains on the sale of corporate bonds, offset somewhat by foreign currency charges on recent divestitures and intangible write-offs.

So to sum it up, earnings in the quarter fell below expectations, but we feel the actions we took to strengthen our balance sheet and protect against further earnings volatility where appropriate given the current trends. This should lead to improved core operating performance in 2020.

And with that, I'll turn the call over to Chris.

Christopher Locke Peirce
Executive VP & CFO

Thanks, David, and good morning, everyone. Full year 2019 pretax operating income before partnerships, LLC and other equity method investment income was \$581 million, down \$872 million from 2018. Similar to the quarter, this decrease primarily reflects the loss trends David discussed as we strengthened current and prior accident year reserves on liability and specialty lines. This was partially offset by lower catastrophe losses.

The core combined ratio for the year was 95.4%, 1 point higher than 2018 as the core loss ratio increased 1.8 points due to adverse liability trends and higher non-cat weather losses, partially offset by a 0.8 point reduction in the expense ratio, driven by lower employee salary and benefit expenses in GRS and corporate. The all-in combined ratio includes an increase to prior year development of 2.7 points, offset by a 1.2 point improvement in the catastrophe ratio, bringing the total combined ratio to 101.7%, up from 99.2% in 2018.

Net written premium for the year was \$39.8 billion, an increase of \$714 million or nearly 2%. Excluding the impact of foreign exchange, net written premium grew 2.8%. Premium growth was predominantly driven by a \$788 million increase in Liberty specialty markets, increased rate across most lines of business and strong organic growth in GRM east and west of \$249 million, offset by \$408 million due to the change in structure and expansion of our global casualty reinsurance program and \$374 million of unfavorable foreign exchange. Retention across both businesses has remained strong despite continued rate increases, especially in commercial and specialty.

Partnership, LLC and other equity method investment income decreased \$277 million to \$701 million, reflecting unfavorable energy valuations, partially offset by more favorable valuations in traditional LPs. Realized gains for the year were \$443 million, an increase of \$590 million from 2018, driven by a \$469 million net change to unrealized gains, primarily due to the adoption of ASU 2016-01 and \$404 million of net gains on fixed maturity sales. This was partially offset by \$229 million of impairment charges related to corporate real estate, natural resources and intangible assets as well as \$105 million of foreign currency charges, which David mentioned.

Turning to our capital and capital structure. We took advantage of the falling interest rate environment to lower our overall borrowing costs. In September, we exchanged \$1.25 billion of debt across 6 securities, with a weighted average coupon of 6.1%, for senior notes with a coupon of 3.951% due 2050. This exchange, along with other liability management transactions earlier in the year, will reduce run rate interest expense by about \$41 million.

On the reinsurance side, we've taken several actions this year to mitigate the reserve risk from ongoing U.S. liability trends. During the year, we revamped our global casualty program by adding a quota

share and increasing our excess of loss coverage. And as David mentioned, we purchased a new adverse development cover with National Indemnity. This ADC provides coverage for up to \$1.3 billion in reinsurance protection for certain GRM U.S. business lines and GRS National Insurance, workers' compensation, commercial auto liability and general liability claims.

The first layer of the contract attaches at \$300 million, below applicable held reserves of approximately \$8.3 billion at inception. The second layer provides adverse development coverage for \$1 billion above a retention of \$8.7 billion. We paid National Indemnity a premium of \$300 million, consisting of assets corresponding to liabilities seated at inception and additional premium of \$162 million.

To close out the financial results, consolidated net income from continuing operations was \$1.1 billion, down \$538 million from 2018. Excluding the after-tax impact of unrealized gains on equity securities and unit-linked life insurance, net income in the year was \$768 million. Cash flow provided by continuing operations was \$3.5 billion, down \$71 million from the prior year, reflecting the consideration paid as part of the ADC transaction previously mentioned, partially offset by higher cash flows from underwriting.

GAAP equity at the end of the year was \$23.6 billion, an increase of roughly \$2.9 billion over the prior year-end, driven primarily by unrealized investment gains due to a decline in interest rates and net income of \$1 billion. Statutory surplus at the end of the year was \$20.5 billion, up from \$19.8 billion in 2018, primarily reflecting strong net income.

We ended the year with financial leverage of 25.8%. This level is well within the requirements for our ratings and in the range of our expected leverage levels.

This concludes our prepared remarks, and we'll now open it up for questions.

Question and Answer

Operator

[Operator Instructions] And our first question will come from Brett Gibson, JPMorgan.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Great. Can you talk a little bit more -- give a little more detail about the unfavorable development that you saw in the quarter, both asbestos, environmental and maybe the prior year? Just a little more detail on the drivers? How you feel you're positioned going forward and how we should think about future charges, especially on the asbestos environmental?

[Technical Difficulty]

Operator

Once again, presenters, we're unable to hear you. Please standby.

And Mr. Gibson, if you wouldn't mind, please repeating your question for our presenters.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Sure. Presenters, are you there? Hello, gentlemen, can you hear me?

[Technical Difficulty]

David Henry Long

Chairman, President & CEO

Okay. I think we're good to go. My plan to cut off the operator to avoid questions apparently didn't work. So we're ready, and willing, and able to answer any questions anyone might have.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Great. Can you hear me, gentlemen?

Christopher Locke Peirce

Executive VP & CFO

Yes.

David Henry Long

Chairman, President & CEO

Yes.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Okay. Okay. Great. So I just wanted to address the unfavorable development that we saw. If you can give us a little more details on the drivers of that? And then, specifically, how much -- as we think about this going forward, how much of future development will be covered by the ADC? And then maybe just touching on not just the asbestos environmental, but other factors that we should be thinking about? And then I have a separate question after.

Christopher Locke Peirce

Executive VP & CFO

Sure. So I think the easiest way to think about the total prior year development we booked in the quarter is really thinking about the new ADC that Dave referenced that we entered into in Q4. So as we went through the details of it, we had -- we transferred \$300 million of existing held reserves, but then we paid about \$162 million for effectively \$1 billion layer. So we booked that expense. And then as we referenced, there was a \$400 million corridor between our existing held reserves and where the new cover attached, and so we effectively booked that corridor through our own results.

So that -- and the accounting comes off a little bit differently because of some discounting and things. But essentially, that's the bulk of it, is booking the \$400 million to get up to the attachment point and the \$162 million of premium. There were -- the A&E that we booked is covered by the previous ADC that we had entered into. It is retroactive accounting, but we did have some room, some deferred loss position to absorb that. We also had some favorable workers' comp releases, which go into that treaty as well.

So the A&E piece effect really didn't impact the P&L. So the overall impact really was driven by the liability lines and the booking of the new ADC.

David Henry Long

Chairman, President & CEO

I would add -- I'd just add a little bit. There are other -- as we look across our entire portfolio of reserves, we did, as I said, comp comes out favorable, some of that seeded off, some of that stays. We did have some favorability on property lines, and we did have some unfavorability on some of the specialty lines. So a lot of that effectively net. So it's pretty close to 0, and the ADC elements of it really are what drives the P&L hit.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Okay. That's helpful to clear that up. I'd separately wanted to talk about the social inflation landscape, can you give us a broad sense of where the company is most focused, what investors should be looking for? Obviously, commercial auto is important here, but can you also touch on how we should be thinking about these issues as it relates to opioids, talc round up, et cetera.

Christopher Locke Peirce

Executive VP & CFO

Might be easiest to take that in some pieces. So if there's specific on opioids and talc and things.

James Francis Kelleher

Chief Legal Officer & Executive VP

Yes. I could speak -- it's Jim Kelleher. I could speak to the opioid. We, and I assume all of our competitors, are very closely monitoring the events on opioids because liability claims are being asserted by virtually everyone in the opioid supply chain. And it's become apparent to us that there will be significant economic losses, but it's really too early to tell how much of that would actually translate into insured losses.

Christopher Locke Peirce

Executive VP & CFO

Dennis?

Dennis James Langwell

Executive VP & President of Global Risk Solutions

So on the social inflation question, our view isn't going to be a whole lot different from what you've heard from other companies. There are a lot of factors going into it. There's expert usage that's increased and become more sophisticated technology usage, collateral source limitations as offsets, millennials on juries are impactful, and then litigation funding, of course. So -- as well as regulatory changes such as the reviver statutes.

All of these factors are driving much, much higher loss trends in casualty lines. So in excess and umbrella, as an example, we're seeing loss trends in the low double digits, 10% to 11%, which is somewhat unprecedented. We're seeing that also across commercial auto, not quite as high, but primary general liabilities up at mid-single digits. Commercial auto, about 7%, and our actions along those lines are really, as David mentioned, multifaceted, number one. We bought reinsurance as we started to see this emerge early in 2019, that being the casualty program that Chris talked about, where we bought additional excess of loss reinsurance as well as quota share reinsurance.

We're also pretty meaningfully reunderwriting the account and reducing limits that we'll put out and where we attach in programs and raising rates pretty significantly. As David mentioned, the rate activity on umbrella and excess is in the high 20s to 30% range depending on the segments. In commercial auto was in the -- just about the mid- teens, and then general liability, it's high single digits. All of these are well in excess of the loss trends that I mentioned.

David Henry Long

Chairman, President & CEO

Yes, that -- this is Dave. That said, it's going to take a little time for those rates to pan in, and this is a situation whereby we'll need more than 1 year of price increases to get to where we need to get to.

Brett G. Gibson

JP Morgan Chase & Co, Research Division

Got it. I had one specific follow-up on opioids, if I could, and that is, what are the key things to consider from a coverage perspective? And how should we think about the impact that it's ultimately worked out via settlement versus judgment? Does that matter? Can you just give us some help on that?

James Francis Kelleher

Chief Legal Officer & Executive VP

Yes. So it's a little difficult to answer that question because every policy holder that we have has different policies and different -- and there are different terms and conditions. It's very premature in the cycle of this litigation to have a handle as to what actual insured losses might be, there obviously will be -- yes. Yes. Most of the suits that we've seen so far, we position those, the no coverage.

So this has a long way to go, and I don't want -- I don't have a crystal ball as to know as to how this will actually get ultimately resolved.

Operator

[Operator Instructions] Next, we'll go to Rob Hauff with Wells Fargo Securities.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

A quick clarification question. I just want to make sure I have the new ADC cover correct with the mechanics here. Did you guys say that you've already gone through your \$400 million retained layer? So any further development from here will be absorbed through the NICO cover? Is that the way to think about it?

Christopher Locke Peirce

Executive VP & CFO

Yes. Rob, this is Chris. That's exactly right. So we are into the layer. So of that \$1 billion layer, we went in a little over \$100 million into it. So any future development on those covered lines is immediately going there.

I would just continue to remind everyone, we do have to deal with the retroactive accounting rules on that. But from an economic standpoint, we are attached into the layer at this point.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

Okay. \$100 million into the layer, \$900 million left or so.

Christopher Locke Peirce

Executive VP & CFO

Yes. I mean a little more than \$100 million. So we have \$800 million and change left of the cover.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

Okay. Okay. That's helpful. And then within GRS, just looking through your financial statements here and some of the triangles, it looks like that general liability line, as you guys highlighted, was a big source of some of the reserving pressure.

It sounds like you're getting some pretty big price increases on that line of business. It's going to take some time to work through. I mean can you give us some context? Where is that combined ratio today for that line of business? What kind of margin are you getting between current price increases and loss cost? Just kind of frame that up for us to give us some confidence that you're getting some positive spread there and underwriting margins will improve from here?

Dennis James Langwell

Executive VP & President of Global Risk Solutions

Yes. So underwriting margins will improve, Rob, by virtue of simply rates exceeding loss costs, but we're starting a little bit behind, obviously, with the catch-up on rates. So combined ratio of that -- those casualty lines is in the kind of the \$115 million range. So there's some work to do there as far as getting rate and staying ahead of loss costs. But over the next couple of years, as David mentioned, we'll get that down into a reasonable profitability picture.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

Okay. And then topic right now, obviously, front and center with everybody is coronavirus. I don't know if you guys could talk about what kind of exposure you have to BI or any other types of lines overseas.

And then, obviously, it's a bigger issue if this spreads to the U.S., how are you guys talking about exposure within the U.S. internally? Any perspective there would be helpful.

David Henry Long

Chairman, President & CEO

Yes. Rob, this is Dave. So yes, people talking about it a little -- a fair amount. So I would say we're looking at it through 3 different lenses. The first one, as you know, we have a company in China that's got about 1,100 people in it. We also have operations in Hong Kong and Singapore. And if it comes to America, we're obviously concerned about our people.

Just to give you a little bit of an idea, in China, we had folks working from home at this point. Over 400 of our 1,100 folks are back working in offices, so they seem a little less concerned about it than we do here.

So on a local perspective, the financial impact would be small. If we take a look, and this pertains to your question a little bit, if we take a look at our potential commercial insurance cover, again, it's early, and this needs to get to sort of the pandemic sort of proportions before we would be overly concerned about it. There's still only 80,000 cases even though it's in a lot of different countries. Unless this thing gets to pandemic proportions, it's a non-event for us. If it does, we would estimate the impact to be somewhere in manageable, like another moderate cat event.

So would it have some impact? Yes. But we're far away from that. And if it does arrive here, we're prepared from a business perspective, we can have tens of thousands of people working from home or working remotely. So operationally, we'll be fine. Financially, it would be manageable.

The third lens, and again, it's early to tell, but the markets are doing their best to make us pay attention probably the most significant potential impact to us would be the financial markets rather than the insurance side. And we think we're actually pretty well positioned, but I'll turn it over to Neeti, just to give you an idea of what we're thinking from an impact on financial markets perspective.

Neeti Bhalla Johnson

Executive VP, President & Chief Investment Officer of Investments

Thanks, Dave. So Rob, what I would say is, one, I think it's pretty clear that we lack medical precedence to gauge how serious this could be just because there are more unknowns than knowns when you talk to the experts on this. Secondly, I would say, we had actually been quite surprised coming into this year because the coronavirus news, in some form or fashion, has been known in China since December. And so we've been surprised as how the equity market simply seem to be shrugging this boss as a complete nonevent and relying on the U.S. growth picture holding up and monetary policy support providing the floor.

That being said, you saw, whether it was rates, whether it was the dollar, whether it was commodity, we're clearly signaling something was worse than what the equity market was. So that's kind of the second point, and it feels a little bit like catch up at this point in time in terms of the action function in the equity market.

The third thing I would say is, I think you know we've been concerned, just overall, about equity valuations and sentiment for a while now, and so we actually came into the year underweight risk assets as well as probably holding the highest quality credit portfolio that we've had in over a decade.

And so as we assess the potential impact here, and being very humble about the fact that it is hard to predict how some of these things play out, we are comfortable with the current positioning of being underweight risk assets. We've run a number of stress scenarios and think the impact of sort of a one to 2 quarter extending into potentially a year of disruption is manageable.

That being said, we're monitoring the position situation overall very, very closely and taking a deep look at really where the physicians may have cash flow issues because this will become a liquidity question pretty soon.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

That's great color. And then, I mean, if -- just staying with the investment side, if I wanted to focus on where there could be some volatility. Obviously, the equity or alternative portfolio, can you remind us again, is that accounted for on a one quarter lag? Or is that real-time for you guys?

Neeti Bhalla Johnson

Executive VP, President & Chief Investment Officer of Investments

The equity -- the public equity, clearly, as you know, flows through the income statement now as a result of the accounting change, so that's captured real-time, effectively. And the alternatives are, as you know, because of the quarter lag, generally tend to be September to September, is how we think about the books.

And so I think it will be interesting to see how long this persists because if you kind of use the end of 2018, volatility as maybe one way to think about the lagged impact in alternatives, you have sort of 3 to 4 months of volatility in the public markets back then but didn't really show up at all.

I remember, we had this exact conversation around the private books, and we didn't really show up -- it didn't show up in the private marks. I think it just persists beyond. It -- we are -- we are cognizant, we've stressed the portfolio. The other thing that we're very mindful of is potentially the cash calls pick up, and so we're mindful of that and ready.

Robert Glenn Hauff

Wells Fargo Securities, LLC, Research Division

That's helpful. And then last 1 for me, David, I mean, obviously, 2019, it seemed to be a year of some reserve cleanup. You guys did a few transactions. I'm curious, what are your strategic priorities for 2020 looking into this year? Top 2 or 3 things that you're looking at that we can sort of gauge how you guys are doing looking out?

David Henry Long

Chairman, President & CEO

Yes. Yes. Sure. Heading into 2019, Rob, we thought it was going to be a year of sort of execution after we sold the Life company and sort of reorganized into 2 big business units, it just turned out to be a little bit more complex than that from a financial perspective. But yes, we did a little bit of kitchen sinking here. And so as we look into 2020, I think the priorities would be: make sure that we continue to book current year at appropriate levels; push GRS to get back to profitability; generate a little bit more growth, in particular, in U.S. personal lines, and we're getting some good traction. Just so that we can take advantage of one of our more profitable businesses.

I think we have to keep an eye on expenses because there's a need to not only compete, but invest for the future. And a couple of other things that pertain to people that -- and the environment in which we work, that I care about a lot, but won't impact financial results directly.

So if you want to hold me to 3 things, they'll be: improved profitability in GRS; get better growth in GRM, in particular, in the U.S.; and manage those expenses down a little bit.

Operator

[Operator Instructions] We'll go to Chad Stogel with Spectrum.

Chad Stogel

My questions were broadly answered there. Maybe just if you can elaborate at all on the coronavirus, policies that would be most exposed because business interruption at a high level tends to exclude disease, but are there certain types of sublimits and riders that are purchased?

Dennis James Langwell

Executive VP & President of Global Risk Solutions

Yes. This is Dennis. With GRS, we have a lot of specialty coverages, which could come into play depending upon the severity of this, such as event cancellation insurance. We have A&H across the businesses, which is a potential exposure, some of our trade credit is exposed in the U.S., some workers' compensation exposure for health care workers. You can go down the line, but in the aggregate, we don't view it as in the pandemic as a hugely material event for us on an insurance side.

Operator

And Mr. Peña, it appears there are no further questions at this time. I'd like to turn the conference back over to you for any additional or closing comments.

Edward Peña

VP & Director Investor Relations

Thanks, everybody, for joining us today and for your questions. If you have any other follow-up questions, please feel free to reach out to the Investor Relations team. Thank you.

Operator

Thank you. And this concludes the Liberty Mutual Q4 and full year 2019 financial results presentation. Thank you for participating.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2020 S&P Global Market Intelligence.