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# EDITED TRANSCRIPT

General Electric Co Insurance Teach-in Conference Call

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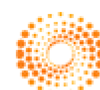

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the GE Insurance Teach-In Conference. (Operator Instructions) My name is Brandon, and I'll be your conference coordinator today. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Steve Winoker, Vice President of Investor Communications. Please proceed.

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**Steven Eric Winoker** ***General Electric Company - VP of IR***

Thanks, Brandon. Good morning all and welcome to GE's Insurance Teach-In session. Today's call will be focused on our insurance portfolio. We'll be hosting the GE Outlook next week, as you know, at which time we'll address GE and GE Capital related questions.

I'm joined by members of the senior leadership team of our North American Life & Health, or NALH, business.

Before we start, I'd like to remind you that the presentation has been available since earlier today on our investor website. Please note that some of the statements we're making today are forward-looking and are based on our best view of the world and our businesses as we see them today. As described in our SEC filings and on our website, those elements can change as the world changes.

Now moving to the agenda on Slide 2. Our goal for this call is to provide a better understanding of our insurance portfolio at GE Capital and our potential exposure. We hope that our increased transparency in the 2018 10-K, coupled with our discussion today, will address many of your questions. And in line with our recent investor communications at GE, we want to be direct about our realities, as you've heard from Larry, and how we're operating differently.

With that, I'm very pleased to introduce to you our speakers from NALH: Bob Deutsch, Managing Director; Tim Kneeland, CEO; and Anthony Grandolfo, Chief Investment Officer. As you can see, they're all relatively new to GE, as am I, but combined, they have almost 100 years of insurance industry expertise.

Now with that, I'll hand it over to Bob to get started.

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**Bob Deutsch**

Thanks, Steve. The team and I are happy to be here with you today.

Starting on Slide 3. If there's one thing I'd like you to walk away with, it is that we are making every effort to reduce our overall insurance risk and drive economic value. The new addition to our leadership team bring an extensive insurance experience to the table. Besides the



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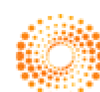

3 of us, we also have a new Controller. And with the impending retirement of our Chief Actuary, there's a search underway for that important position. Our experienced team is focused on improving the way we manage this business through a more active approach, which we will discuss in greater detail. In line with this approach, we are committed to ensuring that the key risks, management actions and results of our insurance portfolio are clearly communicated to investors and regulators. We will continue to communicate relevant updates going forward.

As background, our business was obtained by [assumed] reinsurance, which presents complexities and challenges that our peer companies largely don't have. While the characteristics of GE's insurance portfolio are well understood by the leadership team and actuarial staff, we want to make sure that our investors have a good understanding as well. It's important to note that the tails on both our long-term care and structured settlements products are very long, over 50 years. And frequently, the policyholders in our long-term care book purchase favorable policy features as part of their overall coverage. Despite these inherent challenges, there's a great deal we can do to operationally drive better results, including better premium management and a more active investment strategy that Tim and Anthony will take you through.

We are also going to discuss the rigorous process and assumptions that we have built into our recently completed GAAP loss recognition testing, or LRT; and annual statutory cash flow testing, or CFT. As discussed on the fourth quarter earnings call, the LRT resulted in an $82 million pretax charge. While this net charge was relatively small, the LRT was driven by large changes in both the morbidity improvement and discount rate assumptions. The statutory testing results were the key driver of the $1.9 billion capital contribution made on February 19, which was in line with previous guidance. We continue to project an incremental $9 billion of capital investment to be funded through 2024. We believe our stated reserves are appropriate today, based on our review of the risk in our portfolio and the expected future experience. As the business continues to evolve, we will reassess our reserves. Tim will discuss our testing process and sensitivities in more detail.

Finally, we are always continuing to explore options for this portfolio, including potential transactions, provided they are in the best interest of GE shareholders. As I mentioned earlier, our management team is very focused on minimizing GE's overall insurance risk and improving performance.

To understand where we are today, you should know how we began and evolved. Moving to Slide 4, we outline the history of GE reinsurance. GE entered insurance through a series of acquisitions in the '80s and '90s. In 2004 and 2006, respectively, GE exited Genworth and Employers Reinsurance Corporation, shedding nearly $130 billion of insurance-related assets. NALH has not accepted any new business after 2008.

NALH principally consists of 2 companies: Employers Reassurance Corporation, or ERAC; and Union Fidelity Life Insurance Company, or UFLIC. We will discuss the characteristics of the underlying blocks of business later. To support the 2 companies, we have Capital Maintenance Agreements in GE in place, which, in general terms, requires us to maintain a 300% risk-based capital ratio. At year-end 2018, our ratios were 365% in ERAC and 426% in UFLIC. As you know, in 2017, we took a pretax GAAP charge of $9.5 billion after an extensive review of our assumptions across our insurance products and the rebuild of our claim cost curves. Our actuarial work at that time was reviewed by 2 outside actuarial firms and was subject to an external audit. As a result, we committed to fund $14.5 billion between 2018 and 2024, subject to certain guidelines with the Kansas Insurance Department, with $5.4 billion contributed thus far. However, the remaining $9 billion estimate is contingent on the results from our annual statutory testing.

In 2018 and 2019, with a new leadership team and initiatives in place, we have increased focus on active management of the portfolio to improve the day-to-day operating performance.

Slide 5 is very similar to one we shared in early January 2018. NALH operates predominantly as a reinsurer. And here, you see how our role as a reinsurer connects with others in the insurance supply chain. Consumers or policyholders buy policies from primary insurers who are responsible for underwriting, policy administration, claims adjudication and general interaction with policyholders. Primary insurers may have relationships with reinsurers, such as NALH, that typically assume part or all of the risks associated with various sets of policies or blocks of business written by the primary insurer. Furthermore, in some instances, reinsurers may transfer a portion of their risks to retrocessionaires.



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Looking closer at NALH's reinsurance book specifically, it falls into 4 broad categories: First, long-term care, which comprises 2/3 of our statutory reserves. This coverage provides individuals with benefits to cover costs associated with nursing homes, assisted living facilities and home health care. As you may infer, our assumptions for long-term care products relate to how long people will pay required premiums, how long people will live and how well they will live. The book is subject to risks of the likelihood that policyholders will, in fact, need eligible care as they age and then the duration of any claims made. In addition, the investment portfolio that is used to fund policyholder claims in future years is sensitive to interest rates, which, over time, impacts the returns available to cover claims.

Second is structured settlement annuity. These policies generally provide payments to injured plaintiffs in various third-party litigation over time. Key risks include interest rates as well as mortality, or how long people live, as a portion of our policies often provide payments over the life of the insured.

Third is reinsurance of traditional life and other policies, with life policies paid out upon the death of the insured. Risks include interest rates and mortality. If people pass away sooner than expected, claims are paid earlier. This shortens the time during which premiums are collected and the investment portfolio can earn income. Fourth, and the remaining balance of the reserve, is other contracts and other adjustments. As you can find in our 2018 10-K, this includes variable annuity contracts, our electric insurance company as well as unrealized gains.

You also see our gross GAAP and statutory reserves at year-end by product. The statutory reserves reflect the remaining $9 billion estimate of additional actuarial reserves. There are risks associated with each of these blocks, and these will be discussed shortly.

Turning to Slide 6 and 7. I'll cover the characteristics of the largest products in our portfolio, starting with the long-term care block. As I noted earlier, our long-term care business is made up of 2 books: ERAC on the left and UFLIC on the right.

ERAC is the larger of the 2 books with 202,000 policies in force and $23 billion of statutory reserves; and the more challenging, with lifetime benefits on 70% of the policies, inflation protection on 81% and an average age of 75. In addition, 34% of the policies are joint life. This book carries higher reserves for life, as you can see, with statutory benefit reserves per life of $79,000, reflecting the greater presence of favorable policyholder benefits.

UFLIC has 72,000 policies in place and $7 billion of statutory reserves, but with lifetime benefits on only 35% of the policy, and it has inflation protection on 91% and an average age of 82. UFLIC's reserves for life are somewhat lower at $72,000. In comparison to published peer statistics, these per policy and per life reserves are at the high end of the industry range.

Finally, as we call out with number 3, it is important to note that 76% of our policies are still paying premium. That offers us the opportunity to work with our ceding companies and state regulators for appropriate rate increases and offer modified benefits, all in a way that is consistent with meeting our important obligations. Tim will cover this in more detail.

Let's move to the characteristics of our structured settlements and life insurance businesses on Slide 7. The structured settlements business is extremely long-tailed, with business that lasts over 50 years. The primary risks through the structured settlements are interest rates and mortality, which we review regularly. During 2018, the mortality assumptions on our life contingent structured settlement contracts were deemed appropriate by an external actuarial consulting firm. In addition, approximately 40% of the statutory reserves relate to a portion of the business that has certain predefined payment pattern -- payment schedules which are not subject to mortality risk. Regarding the life reinsurance business, the net amount at risk is the total death benefit that GE would pay if all policies experienced 100% mortality today.

ERAC was a large reinsurer of 20- and 30-year level premium-term life insurance, and therefore, this is a significant portion of the net amount at risk. Based on internal experience of our expired 10- and 15-year level premium policies and substantial industry evidence, we expect to see high lapse rates following the 20- and 30-year level premium periods, when the life insurance premium rates increased dramatically.



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We're trading the graph on the bottom right as our expected runoff of the net amount at risk. Given the lapse rate assumptions, we expect that the net amount at risk will drop approximately 70% over the next 10 years due to policy lapses.

I'll now turn it over to Tim to discuss our processes and assumptions.

**Tim Kneeland**

Thanks, Bob, and good morning, everyone. Looking at Slide 8. I'll take a moment to discuss both the LRT and CFT annual processes to assess the adequacy of the reserve balances. Each year, experience studies are prepared to help us evaluate the performance of our portfolio against our prior assumptions. Following this, our broad experience team, along with outside actuarial consultants, will use this information to update the baseline assumptions for the future. Unlike GAAP, CFT projections are assumptions that are augmented with provisions for adverse deviations, or PADs, for testing under moderately adverse conditions. As Bob mentioned at the beginning, our LRT can drive a GAAP earnings adjustment, whereas CFT drives statutory capital contribution requirements from GE Capital to the insurance subsidiaries.

Our actuarial teams project and review the corresponding cash flows under each set of assumptions. The results are discounted to the valuation date to assess our current reserves efficiency or deficiency. For LRT, this discounting is done using the expected portfolio rate, which is developed in a separate process. Anthony will provide more color on the GAAP process in a minute. For CFT, discounting occurs as the projected portfolio earn rates based on the existing asset portfolio, combined with the reinvestment of net cash flows under multiple interest rate scenarios -- under the level of interest rate scenario and reinvestments occurred based on risk-free yields or U.S. Treasuries as of 12/31/18, plus the spread based on current as well as historical spreads.

As was disclosed in the 10-K, there will be a new GAAP accounting standard. This new accounting standard, which will be effective in 2021, is a complex change made even more complex for reinsurers. We will provide more detail as we get closer. As an important note, the new accounting standard will not impact the CFT process. Throughout this process, we have a formal challenge procedure using a diverse team that includes outside actuarial consultants to help us evaluate our assumptions and to validate our cash flow projection models. In addition, we have internal auditors reviewing the control framework, and it is subject to an external audit as well. This process may seem straightforward, but we must keep in mind that as a reinsurer, we are dependent on accurate and timely reporting from over 200 ceding companies covered by more than 1,000 reinsurance treaties.

Now let's take a moment to review our recent LRT and CFT results for 2018 in detail on Slide 9. On the left-hand side of the page, we list the LRT details. We recorded a pretax charge of $82 million, with the key drivers being changes in the LTC morbidity improvement rate, LTC projected utilization and discount rates. For morbidity improvement, we decreased our death assumption from 1.6% a year to 1.25% for all blocks. In addition, (inaudible) improvement with period on specific underlying blocks. This change resulted in a $1.2 billion increase in reserves. Our assessment of the appropriate morbidity improvement assumption is informed by 3 sources: independent actuarial review, industry benchmarking and internal experience. Based on our review, our current morbidity improvement assumption of 1.25% falls within the range used by peer companies. We will continue to monitor this assumption as data emerges over time, and we'll adjust if required, as our understanding develops.

Number two refers to the LTC higher projected utilization. It's critical to understand that the $300 million is mostly driven by an increased inflation assumption, which is directly related to an increased interest rate assumption. In other words, the underlying claims cost curves reconstructed in 2017 remained appropriate in 2018, which helps validate our prior work. For the GAAP discount rate, the change in our assumed portfolio rates is associated largely with new cash flows and a portion of reinvestments expected to go into higher yielding asset classes. This change created a $1.9 billion [decrease] (corrected by company after the call) to reserves. We know that this drove a large impact, and Anthony will provide more detail here as well.

On the right-hand side, we detail out the CFT results. Our recently completed cash flow testing process resulted in a required funding amount from our parent, GE Capital, of $1.9 billion, which again is in line with previous guidance. The drivers for combined changes and additional actuarial reserves were immaterial, with favorable yield curve movement to offset primarily by updates to life mortality assumptions in ERAC and a very small change in LTC assumptions in UFLIC. For morbidity improvement under statutory testing, there was limited change due to PADs. We decreased our UFLIC assumption from 0.55% a year to 0.45% for 10 years, and there was no



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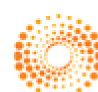

change to our ERAC assumption of 0.75% for 12 to 15 years. As a result, this was a much smaller increase to our CFT reserves than our GAAP results. As for life mortality in both GAAP and statutory testing, we updated our mortality table based on industry and company experience.

Finally, similar to the GAAP results, the statutory testing has a solid tailwind from the discount rate due to the yield curve movements. The approximate average discount rate increased to 4.4% in ERAC and 4.9% in UFLIC for 2018. Note, the statutory discount rate change does not reflect any impact resulting from the updated investment realignment initiative. Having followed disciplined processes with broad internal and external review, we believe that our reserves appropriately reflect the risk in our portfolio today and our expectations for future experience.

On Slide 10. We provide key sensitivities to certain assumptions we review in evaluating our blocks of business. We are providing them here to show you the potential impact of actual experience in the -- if it varies from our current expectations. While we have only included downside sensitivities, it's also important to recognize that these assumptions could move in the other direction, which would improve our margin. As you can see, there are many assumptions that can move the performance of our blocks, and this is particularly evident in our long-term care policies. While this list isn't meant to be exhaustive, we want to give you an idea for the potential changes that we evaluate. If these hypothetical changes were to occur, we believe they would take place over time, allowing us to more effectively mitigate their impacts.

We would like to spend a little more time with you on 3 of the more significant and widely discussed sensitivities: morbidity improvement, future premium rate increases and discount rate.

Starting with morbidity and morbidity improvement on Slide 11. As mentioned, we set our GAAP expectation for morbidity improvement this year to 1.25% for 12 to 20 years, and we have observed incidents, experience for our younger ERAC block that supports the existence of morbidity improvement. We have provided a graphical representation of our actual versus expected incidents experience, and you can clearly see the downward trend towards lower incidents versus expected. In addition to this, there are studies of the general population and experience data provided by the Society of Actuaries that support the existence of morbidity improvement.

While we understand that there is an industry debate regarding whether it is appropriate for morbidity improvement to be considered, it's important to note that morbidity improvement must be looked at on an individual company basis, in conjunction with their underlying claims cost curves. As discussed earlier, our assessment of the appropriate morbidity improvement assumption is informed by 3 sources: independent actuarial review, industry benchmarking and internal experience. Given our evaluation of information available and our recently reshaped underlying claims cost curves, we believe that our assumptions are appropriate in the aggregate. We also show the GAAP and statutory sensitivities that indicate the estimated impact if there was no morbidity improvement. Under GAAP, there would be a negative impact of $3.7 billion; while under statutory, there would be a need for additional reserves of $1.8 billion.

The final topic I will cover is our historical and future rate increase practices on Slide 12. As a reinsurer, we like to point out that we must work through our ceding companies for any rate increase filings, and we have been successful in pursuing those across numerous companies and states since 2004. Historically across our block, we've had cumulative premium rate increases of roughly 50% associated with the proved and implemented rate filings. In our current LRT, we estimate over $500 million of impact from increases, which have already been approved but not yet implemented; and at this time, an additional $1.2 billion of impact from increases that are being filed or expected to be filed. All these numbers are on a present value basis. In our current CFT, we estimate $1 billion of impact associated with future assumed nonapproved rate increases.

I personally have worked for the last 8 years with the American Council of Life Insurers and teams from other impacted companies towards developing a better relationship for our industry as a whole, and now GE, with the National Association of Insurance Commissioners leadership and staff in each of the impacted individual states. While this is a very difficult topic for all of us, most of all policyholders, it is critical that we find the right mix of sharing in the challenges of these guaranteed renewable policies between our shareholders, our ceding companies, their policyholders and the state regulators constituents.

Now I will hand it over to Anthony to cover our investment strategies.



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**Anthony Grandolfo**

Thank you, Tim. Investments are a key component of the overall results of our business. As you saw in the 2018 reserve adequacy results and the sensitivities pages, the discount rate is also a major driver in the LRT. For both these reasons, I'd like to give you all more insight into our portfolio and our go-forward investment strategy.

In early 2018, NALH launched a deep dive review of investment management with Bob's arrival, and along with outside experts, examined all aspects of how we approach and executed our investment strategy. The company concluded we needed a dedicated internal CIO to design, implement and oversee a best practices investment program. This led to my joining NALH in October. It was clear to me that bringing a new focus to investment management could add significant value and reduce risk to the business over time, and I will take you through the investment realignment initiative shortly.

Among the key findings from this year-long review was that our portfolio was quite conservative relative to our peers, and we had additional room to invest in higher-yielding opportunities. The culture of our investment management process was also largely driven by minimizing volatility instead of optimizing yield, even though with very long-term sticky liabilities, volatility is something we can withstand and even benefit from. In fact, our liability profile allows us to be a patient investor, and we think this approach can add a lot of value over time if executed correctly.

As you can see on Slide 13, we maintained a liquid, highly rated fixed income portfolio, consisting mostly of investment-grade corporate bonds. Approximately 2/3 of the portfolio is A-rated or better, and only 1.7% of the portfolio is below investment grade. We regularly maintain and monitor a watchlist of troubled credits and have very little in the portfolio that concerns us.

Asset liability management is an important consideration for us. Our asset portfolio duration is shorter than our liability duration, which averages about 14 years. But in today's low-yield, flat-curve environment, we do not expect this to be an issue. We will continue to watch this closely and act opportunistically, rather than feel forced to lock in market forward rates that seem unsustainably low to us. Our liabilities will naturally shorten over time.

We examined several peer studies and can see that many of our peers have a broader mix of asset classes, including those that might be considered higher-yielding risk assets. One study showed our peers having about 12% of their assets in what could be considered as such, compared to less than 2% for the NALH portfolios. Another study measured investment value at risk on a statutory basis across the industry and showed our VAR at 20% of our peers. These stats in isolation only tell us so much, given that all companies are unique, but they were helpful guideposts as we looked at areas that might help us achieve a more efficient portfolio mix.

Through a rigorous process, we analyzed more optimal portfolio allocations considering our liability profile and concluded that more could be done to increase expected long-term investment returns while maintaining appropriate risk parameters within regulatory requirements. We are in a unique position of having a predictable, steady flow of new investment dollars over the course of the next 5 years, including the new capital contributions already discussed. This will allow us to broaden our scope and invest in new asset classes gradually over time. It will also allow us to partner with a wider variety of core and specialty investment managers that we think are the best in their fields. We are large enough, with good visibility into future deployment needs, to benefit from access to customized portfolio solutions in partnership with some of the most successful asset managers in the world. We are developing some bespoke strategies that fit us very well from a yield and capital efficiency perspective, and we think will also make us somewhat less dependent on what treasury yields do over the next few years.

So let me take you through our plan. Portfolio changes are largely funded by new capital coming in, but we may do some early portfolio rebalancing transactions in 2019 as well, where we believe there are opportunities to add value within existing asset classes. What you'll hopefully see is that we're not looking to break new ground here. We expect that our resulting portfolio by 2024 will look pretty standard for an insurance company and remain quite conservative. It will be more balanced than it is today. We grouped several new asset classes together, which, as you can see on the upper right-hand chart, represent about a 13% change in portfolio contribution over the next 6 years. Most of these are private assets. But as you can see from the 2024 portfolio pie chart, they are really spread across a number of strategies, from private equity to infrastructure debt to senior secured bank loans. Often, we can maintain quality but improve yield



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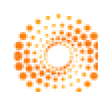

through capturing an illiquidity premium in the private relative to the public markets, given our liability structure and positive net cash flows. Nearly half of these will continue to be investment-grade exposures. We'll inevitably experience ups and downs in valuations over this 6-year time frame, but we think we will average into some pretty good yields. This mix is not set in stone and we will adjust our asset-allocating plans as market conditions change.

We also have some flexibility to push on the accelerator at times when markets give us attractive short-term opportunities. We like adding some private equity exposure to the portfolio because it tends to be not highly correlated to fixed income returns, can provide some inflation protection and should outperform over time. And of course, by necessity, we are long-term, patient investors. Overall, we have an internal 12.5% limit on risk assets and expect to maintain this exposure below 10%.

As you know, we are regulated by the Kansas Insurance Department, which maintains strict guidelines around investments, and all of our actions fall within their statutes and have been previewed with them. By 2024, we think we will be earning nearly $1 billion more in annual investment earnings than today. Of course, much of this is simply the higher AUM base from the additional capital coming in, but we believe about $200 million to $300 million of incremental earnings per year will specifically come from our portfolio realignment plan. In light of this strategic shift, we increased our discount rates from 5.67% to 6.04% based on the modeled results.

You may wonder why this rate is different from the 5.71% book yield we show for the 2024 portfolio on this slide, so I'd like to provide a bit more detail about the difference between our portfolio book yield and the LRT discount rate. First, the book yields we show on Slide 14 are point-in-time estimates, whereas the LRT rate is a single-discount rate based on a series of individual vectors over a more than 30-year projection period. Secondly, the portfolio book yield includes all assets, whereas the LRT rate is derived from an asset segmentation process based on the type of liability supported, and not all assets are included in the calculation. For example, assets backing claim reserves and nonlife contingent contracts are excluded from the LRT calculation, and those assets have meaningfully lower yields than our average yields. Lastly, given the long duration covered in the LRT projected period, we use average long-term rates of return for certain of our alternative asset classes. In practice, those strategies ramp up and down; and yields, in any given point in time, will differ from their long-term averages.

I should note that the discount rate used for CFT is materially different than our LRT rate. First, rather than on an aggregated basis, we need to consider discount rates by legal entity for CFT, and our statutory methodology assume a level interest rate scenario for projecting reinvestment rates rather than our own estimate of projected market yields. As a result, the approximate average discount rate used was 4.4% for ERAC and 4.9% for UFLIC. These rates are based on expected 2019 earned yields, net of expected defaults and expenses, with reinvestments of maturities and other cash flows at the fixed level scenario net rate. Once again, it is worth repeating that these lower rates drive statutory reserve valuation, and hence, capital requirements.

There has been a rigorous review of these assumptions, which is subject to external and internal audit. The potential always exists for markets to change, and our investment strategy will evolve over time as we adapt to changes in markets as well as changes in regulatory standards. Our updated sensitivity is that a 25-basis point reduction in our LRT rate would impact our reserves by approximately $1 billion; and a 25-basis point reduction in our CFT reinvestment rate would impact reserves by $300 million. We have run extensive analytics on what these changes mean from a risk perspective and believe that we are not taking outsized risks. Our key priorities listed on the slide are largely consistent with what they have always been.

I'll now hand it off to Bob for some closing remarks.

**Bob Deutsch**

Before opening it up for Q&A, I'd like to spend just a minute discussing our progress to date and our ongoing efforts. We have added to our own management team, including a new CEO, Chief Investment Officer and Controller. We are working hard to monitor the business, drive process discipline, improve results, and over time, reduce risk. Following our rigorous reserve adequacy testing, we have determined that the rebuilt 2017 claim cost curves are supported by our 2018 experience studies. In addition, the recent statutory funding was in line with previous guidance. We have enhanced our disclosure, and hopefully, today's presentation provided additional context and transparency into our business.



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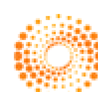

Our reserve funding is on track with the permitted practice approval from Kansas, and we believe that our current reserves are well supported for our portfolio characteristics. Going forward, we are continuing to pursue premium rate increases and implementing our asset realignment strategy to optimize our investment returns.

As Tim said, we are anticipating the implementation of the GAAP insurance accounting standard, which will be highly dependent on interest rates and adoption. It's important to remember, however, that it doesn't affect statutory accounting, which drives the funding requirements in the insurance company; nor will it affect our investment strategy, which Anthony described.

Finally, we will continue to explore options to reduce insurance risk where economically justified.

We appreciate your participation today and now we'll take your questions.

**Steven Eric Winoker** ***General Electric Company - VP of IR***

Thanks, Bob. But before we start, remember, everybody, this is an insurance-focused call. I know I said it before. I just want to remind you, and so we ask you to limit your questions to the insurance portfolio. Again, we'll be hosting the GE Outlook next week. We'll be more happy to address broader GE and GE Capital-related questions at that time. Here, we're lucky to have the insurance management team. That's the focus. Also we have quite a number of people on the Q&A line (Operator Instructions).

With that, Brandon, can you open it up?

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And from Goldman Sachs, we have Alex Scott.

**Alex Scott**

First one I had was just on the risk appetite in the reinsurance market. Could you comment on are there counterparties that would do something as big as your block? And what are some of the factors that we should consider whether it's the characteristics or the age of your block that may make it more or less expensive than some of the peer transactions that have occurred and if the capital maintenance agreements would affect it at all.

**Bob Deutsch**

Thanks for the question. We don't speculate on transactions. We continue to be open-minded about them. We look at everything and if there's a transaction that makes sense, we'll certainly pursue it. As to the specifics that you commented on, it would be speculative at this point.

**Tim Kneeland**

Let me just jump in here a little bit and emphasize that the question's completely valid. I get it all the time, but I think it's important to recognize as we've done with biopharma, we -- while it's a completely valid question, we're just very careful to also not negotiate in public. That's sort of the hallmark that we'd like to think about going forward. So that's part of our answering why it is that way.

**Alex Scott**

Okay. Follow-up. I think there's a reinsurance contract with a life care insurance company. They have a limited amount of surplus. I think there's been some concern around just like the counterparty credit exposure there. Could you talk about -- I think it's about $2.4 billion of exposure. Can you talk about the structure? Is there any risk to getting your assets back if you had to pursue a recapture and any potential impact to reinsurance recoverables?



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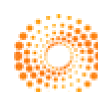

**Bob Deutsch**

Sure. If you look at our 10-K, you'll see that we are booking a receivable from retrocessionaires of $2.3 billion. We set up an allowance for doubtful accounts of $1.1 billion, so the gross number is $3.4 billion. The $2.3 billion represents money that is held in trust for GE as the beneficiary of those trusts and that's the amount of valid receivable that we've booked in our reserves.

**Operator**

And from Barclays, we have Julian Mitchell.

**Julian C.H. Mitchell** ***Barclays Bank PLC, Research Division - Research Analyst***

Maybe just my first question on Slide 12, the premium rate increases on the top left, maybe just give a little bit more color about the implementation part of that $1.2 billion that's filed or to be filed, what kind of time frame we have over the next decade, sort of window you lay out in terms of those coming in place. And also, does that $1.7 billion total number reflect the real total or could you see that number swell in the years ahead?

**Tim Kneeland**

Thank you for the question, Julian. Let's speak to the $1.2 billion first. We've got a lot of track record with rate increases. Historically, we started back in 2004 and have been successful with rate increases and the environment that currently -- or previously existed to the extent about 50% of our premium has been increased. So about 1/3 of our current premium today comes from rate increase actions. As I mentioned, I personally, and a lot of the industry have worked with regulators to try to really change the relationship on a very complex rate trying topic and I'm confident that the environment that exists today, combined with a very granular state-by-state approach that our team has taken in setting up this $1.2 billion number really drives us to a number that we're confident in. To your second question, could it swell. While we really can't commit today, what we're always going to continue to consider is the appropriate level of rate increases that share the risk between our shareholders and our cedant's policyholders, so there's a possibility that number could change on the upside going forward, but that's an analysis that we're completing at this time.

**Julian C.H. Mitchell** ***Barclays Bank PLC, Research Division - Research Analyst***

And then my second question just relates to Slide 6. You laid out that data again from the 10-K on a number of policies in force, covered lives in-force and policies on claim as of the end of December. Just wondered if you could give any detail around how those 3 numbers have trended in recent years. It doesn't have to be split ERAC and UFLIC. You can just give the total as that's probably easier.

**Bob Deutsch**

Which numbers? Looking on Slide 6, where did you want to know the trends on?

**Julian C.H. Mitchell** ***Barclays Bank PLC, Research Division - Research Analyst***

For number of policies in force, number of covered lives in force, number of policies on claim. So you've got the ending 2018 numbers, 274,000, 342,000, 19,000, just how those 3 numbers moved in recent years?

**Bob Deutsch**

Note, we haven't accepted any new business since -- after 2008. So the policies in force and the lives in force have largely remained the same. About 6% of our policies are in claim. We get some more claims each year as the population ages. I don't have the numbers in front of me for what the claim numbers were in previous years, but we can get that for you offline.

**Operator**

And from UBS, we have John Nadel.

**John Matthew Nadel** ***UBS Investment Bank, Research Division - Analyst***

I know this is little backward-looking and none of you hosting this call were actually resident at GE until recently, but your slide deck does a nice job laying out the changes and assumptions from 2017 to '18. But to my knowledge, nobody has ever really disclosed just how



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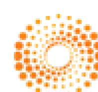

much the existing assumptions changed with the year-end 2017 review that resulted in the large charge. And the companies I covered said there's no way a charge of that kind of relative magnitude could occur in a single year. So I was just wondering if you could help us understand just how material some of the assumption changes were a year ago.

**Bob Deutsch**

John, you're right, none of the 3 of us were here a year ago and so we're really focusing on the go-forward. I would tell you that with respect to the work we did for 2018, we started with the 2017 rebuilt claim cost curves and the 2018 experience supported the continued use of those 2017 claim cost curves. As to what happened before that, we're really not here to talk about that and again, we're really looking forward with the intention of driving economic value and managing down the insurance risk over time and being frankly candid and transparent with you on the progress and results of that.

**John Matthew Nadel** ***UBS Investment Bank, Research Division - Analyst***

I appreciate that. And my follow-up is just relative to other long-term care players, your block at ERAC has a very high percentage of policies with lifetime benefit. I'm just curious whether you can provide some statistics on how claims activity on that particular block behaved over the last several years. I know you only have 10,000 policies on claim, but I'm assuming that number is much larger over a multiyear period. Maybe you could just help us with it. What average age are people going on claim, what's been the average duration of claims, particularly on that block since it's got lifetime benefit?

**Tim Kneeland**

Well, we have to get back to you with the specifics on those numbers for those questions. However, generally speaking, you're asking about ERAC and the thing about ERAC that we try to point out is it's a much younger block. And so the average customer or policyholder of our cedant in that ERAC block is not to the point of claiming yet, so we would expect that over time that data for ERAC would become more and more meaningful as far as claims. Having said that, we're benefited from the fact that we do have an older block in UFLIC and so we do have a pretty good look into just exactly what those people look like over time. As an industry, you would probably see that on average, a claimant is going to come in somewhere between 82 and 84 and the average claim is somewhere around a couple of years, but we don't have that specifically for ERAC and it likely won't evolve until a little bit further down the road.

**Operator**

And from RBC Capital Markets, we have Deane Dray.

**Deane Michael Dray** ***RBC Capital Markets, LLC, Research Division - Analyst***

We appreciate your hosting this teach-in today. It's a big help.

**Bob Deutsch**

Thanks, Deane, and always good to hear from you.

**Deane Michael Dray** ***RBC Capital Markets, LLC, Research Division - Analyst***

So first question is, I was hoping to get some additional color on raising the discount rate, the 6.04% and it looks like a bunch of your peers are either holding the discount rate steady or even reducing them slightly. And if I compare that to your book yield assumption of 5.71%, you're not going to hit that until 2024. So are you really making an outsized bet on prevailing market rates if they don't back down here?

**Anthony Grandolfo**

Thank you, Deane. I know many of you probably had similar questions on the discount rate, so let me explain our process. So the increase to the LRT discount rate was primarily related to the investment realignment initiative. And I just want to reiterate once again that we evaluate all assumptions independently. So the change in the discount rate was really independent of any of the other assumptions that went into our LRT process such as morbidity or mortality. So the reason why we've embarked on this investment realignment initiative really goes back to wanting to drive real economic value and we think that we have an ability to increase expected long-term investment returns while maintaining appropriate risk parameters and, of course, the regulatory requirements we're beholden to. So let me kind of talk about how this works. So really the LRT rate is a function of 2 key variables. The one is the current book yield of the investment portfolio, which you mentioned and the second is the reinvestment rate assumption for new cash flows. So we updated the discount rate



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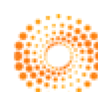

for 2018 LRT based on reinvestment rates with the existing portfolio in largely the same process as we did last year. The difference was that for a portion of the permitted practice capital contributions that we've talked about, we're applying some of the new asset classes that we talked about earlier in my slide. That's what really drove the increase in the book yield. So the 6% is a weighted average over a mix of products and durations and keep in mind, over a very long period of time, right. We don't have a crystal ball in terms of what rates are going to do in the next couple of years. We think the prudent approach is given how long our liabilities are and how long our investment horizon is, that we use long-term averages. I also want to reiterate though just to make sure it's clear to everybody that it's the lower CFT rates that we talked about that drive statutory capital and therefore, the capital infusion needs into the insurance business from our parent. So as a reminder, those discount rates were 4.4% for ERAC and 4.9% for UFLIC.

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**Deane Michael Dray** ***RBC Capital Markets, LLC, Research Division - Analyst***

And just as a follow-up for Bob, a bit more of a qualitative question and in the outset of your remarks today, you talked about taking a more active management with this new team. And we heard from Anthony, clearly, these are more active on the investment side. We get that. But where else and how are you being more active in this process? Maybe you can share with us that here.

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**Bob Deutsch**

Certainly, and I'd like to turn it over to Tim. Tim's the CEO and has a 35-year insurance track record and he's on the ground in Kansas running operations day-to-day, having run Transamerica's long-term care operation for 8 years. So Tim, if you could talk about some of the changes you're implementing out there, that'd be great.

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**Tim Kneeland**

Certainly. Let's start with just the key issues. I think the most important things that we want to focus on are process discipline and transparency. So I'm going to really focus on those 2 areas. The first area is our LRT and our CFT processes. I think we walked through, so I won't repeat myself on there, but the LRT and CFT processes are really meant to follow a very robust disciplined approach and it takes into consideration a lot of work from a lot of internal -- diverse internal resources as well as external resources for us to be able to do our work to come up with appropriate assumptions that we rely upon to set our reserves that we are confident going out into the future. The second area is also the process that we have a strong team in, in working with cedants. So as I mentioned earlier, it's a very complex business when you bring in 200 cedants on 1,000 treaties that you have to observe and you have to work with. And so it's important that we have a strong working relationship with the teams at those companies to be able to make sure that we've got timely and valid data. And then the third part is around the -- which was discussed a little bit earlier, which is around the rate increase process. We are today working on our strategy. Given some of the changes in some of the states, especially some of the more complex states and some of the states where a bigger chunk of people's business exists, to be able to refine our strategies, to be able to make sure that we are working, to be able to get the appropriate rate increases that work for both us, our cedants, our -- their policyholders and the states as well.

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**Bob Deutsch**

And of course, the fourth one is the investment realignment plan.

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**Operator**

And from Vertical Research, we have Jeffrey Sprague.

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**Jeffrey Todd Sprague** ***Vertical Research Partners, LLC - Founder and Managing Partner***

Just looking for a little bit more understanding of how the interest rate calculation works on the statutory reserve calculation. So yield curve versus spread, as you noted, just wondering, is that spread relative to the credit mix in your particular portfolio? Or is that based on some kind of standard benchmark procedure and is there really a relevant difference in outcomes that would result from that?

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**Anthony Grandolfo**

Thanks, Jeffrey. Yes, the methodology for determining the CFT discount rate is certainly different from the GAAP methodology. So in statutory -- in the statutory approach, essentially, you start with your net earned portfolio yield, so adjusted for expected defaults and expenses. And then the reinvestment assumptions, projected out over a very long period of time, are based on a level interest rate and that level interest rate is a function of the broad characteristics of your existing portfolio. So treasury yield consistent with your asset duration and credit spreads associated with your mix of business. So the reason why those are so much lower, of course, is because



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current market yields are lower than book yield and when you project out over a very long horizon and constantly reinvest the portfolio into that flat rate that never goes up, you get a rate that just drifts down over time.

**Jeffrey Todd Sprague** ***Vertical Research Partners, LLC - Founder and Managing Partner***

And then secondly, on the accounting changes coming on a GAAP basis. I understand that won't affect your statutory reserves, but just analysis looking at kind of the grouping features that have been done historically, is there some insight to the health of your portfolio that will happen as a result of the change in the GAAP standard? Or is that already fully captured in, in all your other analysis?

**Bob Deutsch**

No, it's certainly not fully captured. We are -- in fact, it's a very complex accounting standard, made more complex for a reinsurer. It depends on interest rates at the time of adoption. We are, in fact, studying it as we speak and really beyond commenting that it offers -- it materially will affect our financial statements, we really haven't said more. We have given you a sensitivity analysis to allow you to do the math, if you wish, in terms of what a change in interest rates might mean in the calculation.

**Anthony Grandolfo**

If I could just add to that because clearly this accounting change has gotten some attention out there that we don't know where market rates are going to be in 2021 when this goes into effect. And keep in mind that market rates are also simply a point-in-time estimate based on a variety of assumptions by market participants about what the world's going to look like in the future. And that point-in-time estimate has limited impact on what the long-term economic value of the enterprise is going to be. That will ultimately be a function of what realized rates are over a very long period of time. So the fact that these assumptions and valuations are so sensitive to small changes in rates and as you know, market rates move around all the time should reinforce that point.

**Operator**

And from KBW, we have Ryan Krueger.

**Ryan Joel Krueger** ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

My first question is just there's about a $10 billion difference between your statutory and GAAP reserves. You show -- we can derive some of the differences looking at some of the sensitivities you've provided. Looks like maybe there's a couple of billion difference from morbidity improvement assumptions and several billion probably from the discount rate. But I was hoping you can maybe go through a little bit more of what is making up that $10 billion difference because that's quite a bit of a larger difference than it seems to exist within the rest of the industry.

**Bob Deutsch**

You're right. That is a meaningfully large difference. The GAAP assumptions start with certain set of baseline assumptions. The statutory assumptions are more conservative. In most cases, it's that present value that ends up being that level of difference. Bear in mind the statutory numbers that we show include an adjustment for the $9 billion of additional actuarial reserves that we anticipate funding over the next 5 years. To try to do a detailed calculation to reconcile those by sensitivity, by assumption is beyond this call. We can try to do that offline with you.

**Ryan Joel Krueger** ***Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research***

Okay. And then on the actual to expected incidence that you show on Slide 11 for ERAC, I guess I assume that that's based on what it looks like after reconstructing the claim cost curves and it would've looked quite a bit different prior to doing so.

**Tim Kneeland**

That would be correct.

**Operator**

From Wolfe Research, we have Nigel Coe.



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**Nigel Edward Coe** ***Wolfe Research, LLC - MD & Senior Research Analyst***

Obviously, you've gone through the differences between statutory and GAAP reserve calculations. If the GAAP assumptions are closer to reality and imply that your statutory capital ratios will continue to improve, can we start thinking, at some point, about that $9 billion coming down, if that is the case? Or should we consider $9 billion locked and loaded and that's going to happen? Or could that come down if your assumptions are too conservative on statutory basis?

**Bob Deutsch**

Well, if it turns out, I remember the tail here, it's incredibly long. If it turns out that the GAAP assumptions are right, then that excess statutory reserve will move into policyholder surplus at some point down the future and available for an upstream dividend, but that's a long way away. We're certainly anticipating the continued funding of that $9 billion -- of the remaining $9 billion over the next 5 years.

**Nigel Edward Coe** ***Wolfe Research, LLC - MD & Senior Research Analyst***

Then on the life insurance book, obviously some very big numbers there. Once the 20- and 30-year policies get to the end of their term, from a statutory perspective, legal perspective, do you have to offer continuation coverage or automated lapse, how does that work?

**Tim Kneeland**

We do have to offer the options or at least those contractual obligations that we have do mean that we have to give them the offer. The premiums are a little different there's some in Canada, so the premium pattern is a little bit different there, but in the end, these policies are really built or bought by people at a much younger age generally for a finite period of time and a finite set of risks. And so the predictability around the lapses are pretty strong, both from our internal data on our 10- and 15-year policies that have already gone through this as well as industry data. And so while we do provide that the experience does support the estimates that we have and we're confident in about the lapses, the premium amount is going to be substantially higher than what you're going to see during the level premium period and it generally predictably does drive that higher level of lapses for both us and other carriers.

**Operator**

And from Gordon Haskett, we have John Inch.

**John George Inch** ***Gordon Haskett Research Advisors - MD & Senior Analyst of Multi-Industrials***

So I would like to -- there is a perception that the economy is potentially very late in the cycle. I certainly think it's late in the cycle. I just want to understand a little bit more the shift in the portfolio of risk assets from 1.7% to 8% and if you actually stress test this in terms of what would happen in a recession, it seems like some of the mix or a lot of the mix is going into a liquid asset. I just don't really understand, other than maybe benchmarking and it's like, everybody looking at each other, why is this a prudent course?

**Anthony Grandolfo**

Thanks, John. It's a fair question. First of all, let me remind you, I mean we're starting from a point where we think it's quite conservative and we expect to continue to maintain a portfolio that is quite conservative. There are a lot of constraints around the things we can do on the investment side, not just from our regulator, of course, but we have assets in various trusts as part of our reinsurance arrangements that have their own guidelines, some of which are stricter than other regulatory environment. So we do have constraints there as well. I think the key point I would make as it relates to your assertion about the economy is that we are very gradually investing into these asset classes over the span of the next 6 years and the fact that we have this gradual contribution coming in from our parent as part of the permitted practice allows us to kind of average in over the course of the cycle. And frankly, we would be -- I think we'd be happy to see some economic volatility because that would allow us to invest in potentially higher spread assets. A lot of the new assets that we're going into are less kind of U.S. Treasury dependent. We think that some of the private assets have a ramp-up period where it would be quite beneficial if during that ramp-up period, there was some economic volatility and spreads were to widen. The other thing I would just remind you is that thinking about it in an enterprise context, if we get a recession and certainly, if you look at the U.S., there's no signs of that. Obviously, we had some interesting data out of Europe this morning, but there would be some offsets on the other side of our balance sheet. So for instance, you would typically see inflation drop in an economic downturn and that could have very favorable impacts on our reserves. So when we think about trying to optimize this portfolio, we really think about the kind of correlations that exist among these variables and try to move the needle on an enterprise-like basis not looking at one side of the balance sheet in isolation.



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**John George Inch** ***Gordon Haskett Research Advisors - MD & Senior Analyst of Multi-Industrials***

That's fine, although your discount rate actually moved up to 4.4%, at times 0, but my second question is around morbidity. I mean we've been actually talking to actuaries who seem to think that possibly even 0 isn't conservative enough. And I guess my question is, based on the trend line of experience, isn't that sort of a foregone conclusion that 0 or even negative is eventually going to be invoked and if so, like why wouldn't you just kind of make more conservative assumptions today?

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**Bob Deutsch**

John, I don't think at all it is a foregone conclusion. Our morbidity improvement information is informed from 3 sources: first, the independent actuarial perspective; second, the benchmarking of what the peers are doing; and third, our own experience. We did reduce the morbidity improvement from 1.6% to 1.25% and we also shortened the duration against which we apply that. You can't consider morbidity improvement in isolation. It has to be tied in with the claim cost curves and we rebuilt those in 2017 and the 2018 experience supported that. It's important to note that it is the statutory CFT that's driving the funding into the insurance companies and those assumptions are even more conservative than that used in GAAP LRT. There is outside evidence of morbidity improvement. As we mentioned, we see evidence of it in our own book, but there have certainly been studies cited by some of our peer companies, including one that mentioned the Society of Actuaries report that, in fact, there is morbidity improvement going on and so that's our perspective on it.

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**Anthony Grandolfo**

And sorry, John, I just wanted to follow up as I realized I didn't answer your second part of that question. Yes, of course, we do model stress scenarios in the asset portfolio, that's very important part of when we do our portfolio analysis and of course, we're very comfortable with the way those numbers look.

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**Operator**

And from JPMorgan, we have Steve Tusa.

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**Charles Stephen Tusa** ***JP Morgan Chase & Co, Research Division - MD***

So first of all, I don't quite understand how the claim curves -- you said the claim curves were kind of unchanged versus what you had built in 2017. Why then was morbidity changed and why was it a negative impact from a GAAP perspective this time around? Or are you talking about the difference between statutory and GAAP?

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**Bob Deutsch**

No, what we're saying is the claim cost curves that we rebuilt in 2017 continue to be valid in 2018. At the same time, we're observant of what's going on around us. And so we start with the outside actuarial perspective and we compare that also to the benchmarking of peers. So we have seen some companies lower their morbidity improvement assumption and we thought that in light of that informed opinion from outside actuaries and the benchmarking, that the prudent course of action for us was to also lower our morbidity improvement assumption for GAAP and we did that from 1.6% down to 1.25% and for a shorter period of time, we applied it to the claim cost curves from a year ago that this year's experience studies further validated.

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**Charles Stephen Tusa** ***JP Morgan Chase & Co, Research Division - MD***

Got it.

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**Tim Kneeland**

And I might just point out, Steve, this is Tim. So just specifically to your question on why was there some GAAP movement this year. We tried to point out earlier and maybe I didn't stress enough, I apologize, but the vast majority of that movement in morbidity for this year was driven by -- was directly driven and correlated to the inflation increase that we put in expected future claims. That is related directly to our increase in interest. In other words, if we assume a little bit higher rate of return on our portfolio, it's also going to result in our expectation that claims could perhaps inflate by a larger rate than they have historically. And so that is the vast majority of the adjustments you've seen.

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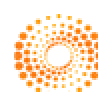

**Charles Stephen Tusa** ***JP Morgan Chase & Co, Research Division - MD***

And you're saying that basically, all these things moving around were exactly almost 0 like-for-like with regards to the GAAP impact on your charge? Everything moving around was exactly 0, almost exactly 0.

**Bob Deutsch**

The math is the math, but I can't stress enough the independence of the rigorous process we went through. Anthony's work was completed in November -- towards late November, well before we even started the actuarial component of the calculations. And so Anthony's movement was the 1.9% that you saw the morbidity improvement was the 1.2%. The fact that it all came out to $82 million pretax is just the way the math fell out.

**Tim Kneeland**

And I think to process, the key we talked about earlier, disciplined process really put us in a position where a very thorough review, step-by-step in every single assumption that we took, whether it was Anthony and the investment team in their discount rate, whether it was morbidity, morbidity improvement, mortality, all of the individual pieces went through a very strict process of challenges. As a matter of fact, 2 levels of challenges internally as well as external challenges in order to make sure that the assumptions that we relied upon were well vetted and that we are confident in them when we book those results.

**Operator**

And we have one final question from G. Research, we have Justin Bergner.

**Justin Laurence Bergner** ***G. Research, LLC - VP***

Just wanted to clarify 2 things. First off, it didn't seem like there was much of an increase to your LRT or CFT results associated with the premium rate increases. So I'm inferring from that, that most of that was expected during the 2017 update and maybe there was a slight tweak in the 2018 update. Is that accurate?

**Tim Kneeland**

It is accurate. It was relatively consistent with just an update on specific states and specific ceding companies that led us to a small change in assumptions.

**Justin Laurence Bergner** ***G. Research, LLC - VP***

Okay, great. And then the other question relates to mortality. Obviously, mortality was a $300 million headwind for the life insurance book, both on LRT and CFT basis, but there was no change to the mortality assumptions for long-term care. And I was just wondering, if mortality tables are changing for life insurance policies, what gives you confidence to not make any mortality changes for long-term care at this juncture?

**Tim Kneeland**

Thank you for the questions. So the life -- the expectancy for morbidity -- excuse me, for mortality under a life portfolio is just different than it has been for long-term care and it's been kind of an anomaly that I witnessed at other companies as well. But when we see the negative movement in the mortality curves and the way that we adjusted for it in GAAP under our life insurance, the earlier depth actually provide a negative impact for us in the life insurance whereas if those were carried over to the long-term care, you would actually see the opposite. And that's not exactly what we see in the mortality for long-term care. So we're careful to make sure that our actuaries and the work that they're doing, while they don't discount the movement from the life insurance portfolio, it is a separate set of numbers that we're looking at and that specifically does relate to industry and individual company mortality data on those long-term care blocks.

**Steven Eric Winoker** ***General Electric Company - VP of IR***

So we're now 15 minutes past the hour, so past where we said. We've given everybody a chance to ask a question who was in the queue. With that, Bob, any final words you'd like to leave folks with?



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**Bob Deutsch**

Certainly, Steve. Thanks. I talked about Tim earlier and his background. Anthony's had 24 years as a consummate insurance professional joining GE with accolades from 2 CEOs I've known for a long time and greatly admire and respect. For me personally, since graduating college in 1981, the only thing I've done professionally is insurance. I've had the privilege of working with some great leaders, learning from and working with some great leaders in our time, men and women of vision and an ability to execute. Turnarounds aren't easy. They take long-term perspective and they take on emotional analysis. You heard that a couple of days ago when Larry said this was a game of inches. Also recently, he hosted a video broadcast for the entire -- nearly 300,000 employees and inspired us with 4 simple words, ''What GE does matters'' and that means what North American Life & Health does matters. It matters to our shareholders, it matters to our talented group of hardworking employees and it matters to our ceding companies and the hundreds of thousands of policyholders. The NALH team is committed to driving earnings, managing down the insurance risk and communicating to you our progress and results in a clear and candid fashion. And with that, Steve, I'll turn it back to you.

**Steven Eric Winoker** ***General Electric Company - VP of IR***

Great. Thanks everybody. Thanks for calling in. Appreciate it. I know it's complex and let us know if you have follow-ups.

**Operator**

Ladies and gentlemen, this concludes today's conference. Thank you for joining. You may now disconnect.

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