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The Travelers Companies, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Gabby Nawi

Right. Just so you all now, there are no conflicting calls today so we're prepared to stay on and answer whatever questions you have. And with, Lisa, you can open up the questions, although I ask that you limit it to two, if possible. Thank you.

Operator

(Operator instructions) And our first question will come from the line of Matthew Heimermann with J.P. Morgan. Please proceed.

Matthew Heimermann – J.P. Morgan

Hi. Good morning, everybody. First, I'll try to make it good. With the direct strategy, can you talk a little bit about – and I think you've mentioned this in your comments. But how much of the direct market you feel like your product will address on day one? And also whether or not, I know you talked about platform in Quantum and all these other – in claims that play a role and you being ready to roll out. But is there also now a significant shift in preferred customer shopping directly as well?

Joe Lacher

Two good questions, Matt. I'll try to hit them separately. Our quantum product has the capacity to address a very broad cross-section of the marketplace. We don't target the real need of the standard marketplace. But it does have the ability to hit the broad cross-section. What you'll see more early though is more a function of brand as we use the Travelers brand and we think about its positioning, we will send our targeting market there. So there's a need of that brand's appeal, which will be a little bit more towards a preferred end. And it will have a little bit of a recognition of folks who are buying the value proposition that is isn't cheap. It's buying quality.

So that target will not hit the full range of what folks think about in the direct marketplace and will expand from there. It's a plausible way to enter the marketplace, expand our capabilities, build out our experience, and do a leveraging of our position of strength. It will also leverage our homeowners' capacity, which we really do believe is a unique competitive advantage that we have. And we'll recognize consumers who are trying to think about the full breadth of their risk. (inaudible) I'm sorry.

Matthew Heimermann – J.P. Morgan

I'm sorry, go ahead.

Joe Lacher

Regarding your second question on shopping behavior, we're seeing increases in shopping behavior. I wouldn't describe the preferred or highly preferred market moving to level that we typically see in our standard market. I do think you're seeing increases, albeit from – in those actually are from a lower starting point. But there is a general economic environment for people who are a little more sensitive to their expenditures and they're probing and asking questions. They're thinking about exposures. They're thinking about how to impact net premium and they're more sensitive to rate increases. We haven't seen – it's not like we've see in a huge percentage of our book calling and checking things, but we have seen increases in call activities and inquiries.

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