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Everest Group Ltd. (EG)

Q2 2024 Earnings Call

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President, Chief Executive Officer & Director, Everest Group Ltd.

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Everest Group Limited Second Quarter 2024 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I'd now to like to turn the conference over to Matthew Rohrmann, Senior Vice President and Head of Investor Relations. Please go ahead, sir.

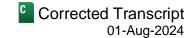
Matt Rohrmann

Senior Vice President, Finance/Investor Relations, Everest Group Ltd.

Good morning, everyone, and welcome to Everest Group Limited Second Quarter of 2024 Earnings Conference Call. The Everest executives leading today's call are Juan Andrade, President and CEO; and Mark Kociancic, Executive Vice President and CFO. We are also joined by other members of the Everest management team.

Before we begin, I'll preface the comments by noting that today's call will include forward-looking statements. Actual results may differ materially. Management comments regarding estimates, projections and similar are subject to the risks, uncertainties and assumptions as noted in Everest's SEC filings. Management may also refer to certain non-GAAP financial measures. These items are reconciled in the earnings release and financial supplement available on our website.

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With that, I'll turn the call over to Juan.

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Thank you, Matt. Good morning, everyone. Thank you for joining us. Everest had another strong quarter and an excellent first half of the year. We delivered solid second quarter underwriting and net investment income, resulting in both an annualized total shareholder return and operating return on equity of 20%. We grew in lines of business and geographies with superior profit trajectories, while remaining focused on disciplined risk selection. We continue to build a well-diversified portfolio designed to produce leading financial returns.

Our Reinsurance business continued to generate strong results and expected risk-adjusted returns remain very attractive. Our preferred lead market position continues to be a differentiator for Everest. This was once again evident through the midyear renewals as there was strong demand for our participation on treaties from a broad array of top-tier customers.

We also made progress expanding our primary insurance franchise with investments in talent and capabilities to scale the platform globally. We opened new operations in Mexico, Colombia, and Australia. Both of our underwriting businesses are capitalizing on opportunities where market conditions are most attractive and where we can achieve sustained profitable growth.

At the same time, our investment portfolio is delivering strong and consistent earnings. We are executing on our strategy with significant momentum heading into the second half of the year. Most importantly, we are delivering on our primary objective of generating industry-leading financial returns as measured by total shareholder return. Our strategy provides significant operating flexibility with multiple paths to achieving our primary objective in 2024, 2025, and 2026 as outlined at our last Investor Day.

With that backdrop, I will now turn to our second quarter financial highlights, beginning at the group level. Everest's second quarter performance resulted in an annualized total shareholder return of 20% and net operating income of \$730 million, an increase of more than \$100 million year-over-year.

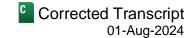
We grew gross written premiums by 13% in constant dollars and excluding reinstatement premiums, while remaining disciplined in casualty lines, particularly in North America. We generated \$358 million in underwriting profit in the quarter and \$767 million year-to-date, an increase of \$94 million as compared to the first half of 2023.

The group combined ratio of 90.3% included \$135 million of pre-tax catastrophe losses, net of recoveries and reinstatement premiums from several midsized international and US events. This is a good result particularly given that the elevated level of global industry catastrophe losses is now estimated at approximately \$60 billion year-to-date.

In the quarter, we improved our attritional loss ratio by 70 basis points year-over-year, driven primarily by mix contributions from both segments, sustained pricing momentum and disciplined underwriting. Terms and conditions also remain favorable.

As I mentioned earlier, our investment portfolio continued to perform well, producing over \$0.5 billion of net investment income in the quarter and nearly \$1 billion year-to-date.

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Turning now to our Reinsurance business. Second quarter reinsurance results were excellent. The business delivered underwriting profits of more than \$300 million. The attritional loss ratio and attritional combined ratio improved to 57% and 84.4%, respectively, as we continue to proactively shape the portfolio.

Consistent with our execution at the January and April renewals, Everest had excellent midyear renewals. We expanded our portfolio with top-tier cedents, growing across property and specialty lines, including marine, aviation, and engineering at excellent expected margins.

As the June 1 renewal progressed and overall reinsurance capacity became scarce in the final days Everest secured a number of shortfall covers at superior terms. On many Florida deals, we successfully negotiated non-concurrent terms, including higher minimum premiums and lower ceding commissions.

Our property book grew more than 25% at the June 1 renewal. In addition, cat exposed premium continued with a double-digit growth trajectory at the July renewal with higher expected margins compared to last year. Importantly, across the mid-year renewals, we achieved preferential signings, drove differentiated terms and conditions on a number of property catastrophe deals and we were signed in full on virtually every transaction we chose to participate on. Overall, we grew the business by 17% on a constant dollar basis, excluding reinstatement premiums in the second quarter.

Growth in our Property Pro Rata book increased significantly, up 31% from last year as we took advantage of the strong underlying property market, particularly in commercial E&S. Property market conditions continue to be favorable. Rates have persisted at attractive levels and terms and conditions and attachment points have not wavered from the significant improvement made over the past two years.

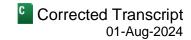
In Casualty, we remain disciplined in lines that did not meet our underwriting criteria. While Casualty Pro Rata premiums grew in the second quarter, this was primarily driven by strong rate increases as opposed to exposure growth. We have shed over \$300 million in casualty renewal premiums so far this year, as the number of programs did not meet our underwriting standards. The quality of our book is excellent, and the strength of our franchise continues to set the business apart. We expect risk-adjusted returns to remain very attractive. Our outlook for 2025 remains bullish.

Now turning to Insurance. We grew the insurance business by 6% in constant dollars, generating \$1.5 billion in premiums in the second quarter. As we continue to optimize our mix of business, overall growth was driven by a 31% increase in property short tail and 26% in specialty lines. Our international business continued to gain traction, as we're rapidly becoming a go-to market for our distribution partners.

The overall growth in the quarter was partially offset by the continued caution around casualty as well as the previously announced Medical Stop Loss business exit, which started in 2023 and will be completed by the end of this year. Consistent with prior quarters, we were prudent in less attractive lines, such as directors' and officers' liability, workers' compensation and other casualty lines exposed to social inflation. We gained additional momentum and achieved rate acceleration in excess of loss trend across a wide array of casualty lines in the quarter, as increases in commercial auto liability, general liability and excess casualty lines averaged the mid- to high-teens.

Looking across the portfolio, we achieved an average rate increase of over 10%, excluding workers' compensation and financial lines. The combined ratio benefited from a 70-basis-point improvement in the attritional loss ratio. This was offset by higher CAT losses as last year's quarter was benign and lower-than-expected earned premium, resulting from the underwriting actions I have already described.

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At our Investor Day last November, we set a goal of hitting a 90% to 92% combined ratio for insurance. We are confident in achieving our objective, but the timing for getting to our target combined ratio run rate is now 2025, and we will not be satisfied until we achieve this goal. In order to achieve our target, we must, one, create a more balanced mix of business including more short-tail premium; two, continue to increase scale, particularly in our international businesses; and three, continue to prudently navigate the underwriting environment. We're making good progress on all of these.

First, on mix. As I said, we grew short tail lines in the quarter by over 30% and our specialty business by 26%. These are good results, but there's more work to be done, particularly in North America. There were also some jurisdiction specific regulatory approval delays in new international markets that have now been granted. Those operations are ramping up in the second half of the year.

Second, scale improved in the quarter as we did achieve strong growth with very attractive loss ratios in our international businesses, where we have continued to invest in people, products, technology and infrastructure. Earned premium will start to catch up. Some of this progress was offset by our underwriting discipline actions such as the ongoing runoff of our North America Medical Stop Loss business, which I mentioned earlier. This reduced earned premium in the quarter by approximately \$70 million.

Finally, regarding our work to navigate the complex risk environment, we are keenly focused on the effect of social inflation on casualty loss costs. We are booking our casualty business at prudent loss mix. And while we're achieving increased rate in excess of observed loss trend, we are reducing writings in certain lines, classes and jurisdictions. As a result, casualty premiums were slightly down in the quarter. We are focused on underwriting margin, and we walk away from business that does not meet our standards. We are pulling all of these levers and making progress to reach our target combined ratio for insurance. This is our immediate focus for this segment.

And in conclusion, I am proud of what we have accomplished thus far. We have a clear strategy. We are focused on executing our plan, and we are delivering above our target total shareholder return. We are focused on making Everest even stronger.

Our Reinsurance segment continued to exceed expectations. We are strengthening our insurance platform, as we position ourselves as a go-to global market and continue to solidify our value proposition. With a market environment setting the stage for continued opportunity, Everest is well positioned to continue building momentum.

With that, I'll turn it over to Mark to review the financials in more detail.

Mark Kociancic

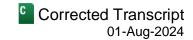
Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

Thank you, Juan, and good morning, everyone.

Everest had another strong quarter, rounding out an excellent first half of 2024. We delivered significant growth in operating income, net income and net investment income for the second quarter. This drove operating earnings per share of \$16.85 and both an operating ROE and annualized total shareholder return of approximately 20%.

Our Reinsurance division delivered another strong quarter with successful execution at recent renewals with strong top and bottom line results. The Insurance division continued to gain traction in key markets internationally. We have strong momentum across our business heading into the second half of the year.

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Looking at the group results, Everest reported gross written premiums of \$4.7 billion, representing 12.8% growth in constant dollars and excluding reinstatement premiums. The combined ratio was 90.3% for the quarter driven by an improvement in the attritional loss ratio, offset by higher cat losses when compared to the prior year's relatively benign second quarter.

The cat losses in the quarter were primarily driven by midsized international events, including several global flooding events and the Taiwan earthquake as well as the US convective storms. The group attritional loss ratio was 58.8%, a 70-basis-point improvement over the prior year's quarter with both segments contributing to the improvement, which I'll discuss in more detail in just a moment.

The group's commission ratio modestly increased to 21.4%. Group expense ratio was in line with the prior year at 6.3%, while at the same time, we continue to invest in talent and systems within both franchises.

Moving to the segment results and starting with Reinsurance. Gross written premiums grew 16.5% in constant dollars when adjusting for reinstatement premiums during the quarter. Growth in the quarter was consistent with the trends seen throughout the prior year with strong and broad-based growth in property and specialty lines, while we continue to remain disciplined in casualty lines. Property lines grew approximately 30% in the quarter, with Property Pro Rata and Property CAT XOL, both contributing to the strong growth.

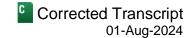
We continue to see the written premium mix shift towards property and short-tail lines, which now stands at 56% property and 44% casualty, a 4-point shift from the prior year. The net earned premium mix stands at approximately 51% property and 49% casualty. Consistent with prior quarters, growth will continue to favor short-tail business as we trend throughout the year, which will become more pronounced on an earned basis.

The attritional combined ratio improved 30 basis points to 84.4% during the quarter. The attritional loss ratio improved 60 basis points to 57% as we continue to achieve more favorable rate and terms while building higher expected margins, particularly in property and specialty lines. In addition to the business mix I mentioned earlier, the combined ratio was 88.9% as the prior year benefited from a relatively benign level of cat losses. Both the commission ratio and underwriting expense ratio relatively in line with the prior year at 24.6% and 2.6%, respectively.

Moving to Insurance. Gross written premiums grew approximately 6% in constant dollars to \$1.5 billion. We continue to methodically scale our primary franchise globally while proactively focusing our North American portfolio towards the most accretive lines of business, led by retail property and short-tail specialty lines. We're maintaining a conservative underwriting approach in casualty lines, model line workers' comp, Medical Stop Loss, and public company D&O. Our North American casualty growth is being driven predominantly by meaningful rate increases, and we began reducing certain lines such as Medical Stop Loss starting in 2023, and we expect the drag to be completed by year-end.

While a number of casualty lines saw continued price acceleration in the mid- to high-teens, gross written premiums were down slightly as we are focused upon risk selection, which meet our underwriting standards. Casualty rate increases remain above loss trend. We will continue to practice prudent cycle and portfolio management, drive rate and hold the line on terms and conditions. We are starting to see the benefits of these actions and the results as the mix shift contributed to a 70-basis-point improvement year-over-year in the attritional loss ratio to 63.7%. At the same time, we remain prudent with our loss picks to reflect the elevated risk environment.

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The commission ratio was relatively consistent with the prior year, while the underwriting-related expense ratio increased to 16.9%. The increase was a function of higher expenses due to accelerated investments in our global platform and the lag in earned premium from both underwriting disciplined actions in North America and some temporary regulatory delays in new geographies that Juan mentioned earlier. We expect the expense ratio will start trending downward in 2025 and approach a more normalized level of 15% over time as our international footprint scales.

Aside from cats, the lag in expected earned premium was the primary driver of the year-over-year increase in the segment combined ratio at 94.4% in the quarter. As Juan mentioned, while it will take us a little more time to get within the target insurance combined ratio range introduced at our Investor Day, we have a clear and well-defined path to achieve our insurance combined ratio objective during 2025. We do expect to have a 93% to 94% insurance combined ratio quarterly run rate for the rest of 2024.

Given the overall strength of our franchise, we have significant momentum heading into the back half of the year. We are well positioned with multiple paths to achieving our TSR objective. Our Reinsurance segment continues to perform strongly and market conditions remain attractive. And as I just stated, we're on our way to improving our insurance combined ratio.

Moving on to investments. Net investment income increased over \$170 million year-over-year to \$528 million for the quarter, driven primarily by higher assets under management, higher new money yields versus maturing assets and strong performance from alternative assets. Alternative assets generated \$124 million of net investment income, an improvement from the prior year as equity markets have continued to accelerate. Overall, our book yield improved from 3.9% to 4.8% year-over-year and our reinvestment rate remains well north of 5%, which is in excess of maturing security yields.

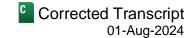
We continue to have a short asset duration of approximately 3.4 years given the attractive level of short rates. The investment portfolio remains well positioned for the current environment and is built to generate strong returns on a consistent basis.

For the second quarter of 2024, our operating income tax rate was 13%, modestly higher driven by the mix of jurisdictional profits in the quarter. Our capital strength gives us ample capacity for 2024 and positions us well for profitable organic growth and to opportunistically repurchase shares. We repurchased 174,000 shares in the quarter, amounting to \$65 million or an average of \$374.7 per share. Year-to-date, we've repurchased 264,000 shares amounting to \$100 million, and we will continue to look opportunistically to repurchase shares in the back half of the year.

Shareholders' equity ended the quarter at \$14.2 billion or \$15.1 billion, excluding net unrealized depreciation on available-for-sale fixed income securities. At the end of the quarter, net after-tax unrealized losses on available-for-sale fixed income portfolio equates to approximately \$936 million, an increase of \$60 million as compared to the end of the first quarter, resulting from interest rate increases.

Cash flow from operations was \$1.3 billion during the quarter. Book value per share ended the quarter at \$327.68, an improvement of 8.9% from year-end 2023 when adjusted for dividends of \$3.75 per share year-to-date. Book value per share, excluding net unrealized depreciation on available-for-sale fixed income securities, stood at \$349.30 versus \$320.95 per share at year-end 2023, representing an increase of almost 8.8%. Net debt leverage at quarter end stood at 15.3%, modestly lower on a sequential and year-over-year basis.

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In conclusion, Everest had an excellent first half of the year. We have substantial flexibility and the fundamentals of our globally diversified businesses remain strong. Our investment strategy is well positioned, and our capital structure is very efficient, providing ample capacity to execute our strategic plan. All of this positions us well to achieve our primary objective of consistently generating industry-leading financial returns.

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

Matt Rohrmann

Senior Vice President, Finance/Investor Relations, Everest Group Ltd.

Thanks, Mark. Operator, we're now ready to open the line for questions. We ask you please to limit your questions plus one follow-up and re-join the queue if you have additional questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question today comes from Yaron Kinar with Jefferies.

Yaron Kinar

Analyst, Jefferies LLC

Thank you. Good morning. My first question goes to the pushback of the reported combined ratio of target in insurance to 2025. Is that mostly driven by the expense ratio? Or is the loss ratio also a bit more elevated than you expected it to be for the year?

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Yeah. Yaron, this is Jim Williamson, thanks for the question. There are really two factors that we are focused on driving to get ourselves to the 90 to 92 performance level. The first is related to mix, and you heard Juan address that in his prepared remarks. We are focused and need to continue to focus on balancing our portfolio and writing more short-tail lines. We are making excellent progress. We grew our first-party business in Insurance in the quarter by over 30%. We grew our specialty business by over 25%, and third party, which is mostly liability was essentially flat. So, we are moving the mix in the right direction. We need to continue to do that. I would also add that our international business, which is growing very strongly, contributes mightily to that portfolio shift.

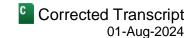
And then the second factor is related to scale. So, it's growth in all the areas I just described and continuing to drive that as we go forward, and we do see excellent opportunities to do that and then allowing our international business to fully mature. I mean we've opened a number of international offices. In most cases, you need to front load investments in people and technology and process in each of those offices. They're now online. They're producing premium. And as the earned premium catches up, you'll see more scale relative to our expense base. So, I don't really think it's an issue of the expense base being too high, we just needed to plant some seeds that we are now going to be reaping the fruit from. So, those are the factors that get us there.

Yaron Kinar

Analyst, Jefferies LLC



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Okay. So, maybe if I try to translate that into expense ratio and loss ratio, it sounds like the mix issue would also drive the loss ratio down over time. But at the same time also maybe lower the expense ratio and then the – obviously, the platform investments with slow revenues ramping up would be an expense ratio impact, right?

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Yeah. Yaron, you're exactly right in that. The actions we're taking, they affect both of those dimensions simultaneously. So, as you're growing into short tail, you get a mix benefit on your loss ratio even while we're holding prudent and continue to hold prudent loss picks in all our lines, but especially in casualty. And then as the earned premium catches up, particularly in international, that scale benefit will drive down our expense ratio. So, it's really – you get the benefit in both directions.

Yaron Kinar

Analyst, Jefferies LLC

Got it. And then my second question, obviously, there's been a lot of focus this last quarter on liability reserves for 2020 through 2023, accident years as well. And just given the reserve actions that you took at the end of last year, could you maybe give us an update on how you're looking at those reserves today, specifically liability reserves for 2020 through 2023?

Mark Kociancic

Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

Yeah. Good morning, Yaron. It's Mark. Sure. So, let me start with – look, we review our reserves quarterly, and we do it on a comprehensive basis and that process hasn't changed. It's what we've done for numerous quarters in a row. We've set prudent loss picks. And particularly for casualty, we plan to hold those loss picks. We've mentioned in previous quarters, and we'll state it again today that we've got broadly stable and elevated loss trend in US casualty. And that's what we expect in this kind of heightened risk environment that we've seen for quite a few quarters, led by social inflation. We feel good about the loss trend that we're posting in our assumptions. It's a high single digit for US casualty.

But the real key is what we've emphasized previously, which is we've been able to build significant rate, limit reductions, underwriting actions, we've been able to diversify the book significantly since 2020 and it's matured into something that's much larger and diversified than pre-2020. And we're also benefiting from the international expansion we're having on the primary side as it further diversifies long tail, short tail lines and the long tail international lines come with a different type of risk profile, which is, I would argue, more favorable.

So, in terms of where we are today, our picks are holding. We have various puts and takes for the first half of the year, but nothing material overall. So, we're standing [ph] tight (00:30:12).

Yaron Kinar

Analyst, Jefferies LLC

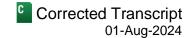
Thank you.

Operator: Thank you. And the next question comes from Gregory Peters with Raymond James.

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

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Good morning, everyone. So for my first question, you mentioned in the call in your prepared remarks about shaping the portfolio and skewing it more towards shorter term or short-tailed businesses, including more cat property exposures. And so, I guess I'm curious is how does that change the cat assumptions that you guys are thinking about as it relates both to the Reinsurance and Insurance segments?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

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Yeah. Thanks, Greg. This is Juan. Good to hear from you. Look, I think there's a couple of things here that are important to keep in mind. One is how nimble and opportunistic we can be as a culture and as a company, which we're very focused and always trying to identify the highest economic return opportunities. And that's what you see us doing in both segments, both in Reinsurance as well as primary Insurance at this point in time.

While there has been a moderation in pricing in property, property is still very adequate. And we continue to be very much attracted to those lines of business and the expected returns in those lines of business continue to be quite strong for us.

From a cat appetite standpoint, that really is not having an impact as far as how we view our underwriting cat appetite and we continue to be in the box that we've put out for you in our investor presentation really now going on for about three or four years. So, we feel quite good about where we are. But the bigger picture in all of this is really skewing the portfolio to where we see the biggest margin opportunities around the world. But I'll ask Jim to maybe add a little bit of context as well.

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

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Yeah. Sure, Greg, it's Jim Williamson. So the one thing I would emphasize that Juan has already said, because I do think it's very important is, if you look at our risk metrics, we've talked about earnings and capital at risk, we are well within the stated group appetite. And so, that gives us the flexibility where we see great opportunities to deploy some more capacity and you certainly saw us do that in the second quarter, driven mostly by Reinsurance but also by Insurance.

The other thing that I think is a really telling item is the fact that our Insurance division, while we have had such strong growth in first-party lines, we haven't really had outsized cat losses, even though there's been a lot of activity certainly in the US and around the world. And that's because we've been careful to grow our business, particularly in non-peak zones. And we've also been very thoughtful about where we're participating in large program, shared and layered programs about selecting our attachment points thoughtfully to get the best economics and it also keeps us away from a lot of the attritional cat activity we've seen So, nothing in our growth trajectory that we see right now would change our assumptions around the cat load, for example. We're feeling very good about things.

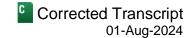
C. Gregory Peters

Analyst, Raymond James & Associates, Inc.



Fair enough. I'm going to pivot to the top line results in the Insurance segment for my second question. If I look at the year-over-year comparison on a net written basis, not a lot of growth as you continue to adjust the portfolio, you mentioned the Medical Stop Loss is one point.

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When you think about how – and you talked about the target combined ratio moving it to 2025. How should we think about consolidated top line growth inside the Insurance segment as you continue to reshape the portfolio, trying to get your target combined ratio?

Jim Williamson

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Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Yeah, Greg, it's Jim again. Good question. So, a couple of points. One, where you started on net written premium, you'll see, obviously, that's a different number than the growth rate you're seeing on gross written. Really two factors there. First is the geography of our gross written premium growth has changed as we've focused on reshaping the portfolio. And so, we've been growing more top line in lines of business with a lower net to gross retention. So, you will see for the next couple of quarters, just a slight drag on net written premium as a result of that.

And then lastly, there was just a change related to our hedging strategy in some of our short tail lines in North America that creates a little bit of a drag on net written premium as well. So, we'll work through that on a year-over-year basis over the next couple of quarters and then it won't be a factor as we go forward.

In terms of growing from there and driving the scale that we'll need to get to the 90% to 92% combined ratio and all the other things we talked about, it's really continuing the things that we said. So, in this quarter, again, first party up over 30%, specialty over 25%. Now that's offset by the fact that third-party lines, despite all the rate we're taking, we're essentially flat, but the growth in those shorter tail lines, the expansion of our international business is really picking up speed. It's becoming a larger part of our overall business across all those dimensions. And so, I think it will overcome this cautious approach we have on casualty as we move forward, which is why, although we were not at the level of performance that we want to see yet, we remain very confident that we'll get there, because all of the levers that we need to pull are right in front of us.

C. Gregory Peters

Analyst, Raymond James & Associates, Inc.

Got it. Thanks for the detail.

Operator: Thank you. The next question comes from Elyse Greenspan with Wells Fargo.

Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Hi. Thanks. Good morning. My first question is on the Insurance, the 90% to 92% target. So, you guys said 93% to 94% this year and then going within that range next year. Is that something that we should think about you'll be within the 90% to 92% in the first quarter of 2025? Or is it something that you'll build to throughout the year?

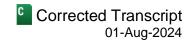
Mark Kociancic

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Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

Elyse Good morning, Elyse. It's Mark. So, yeah, I expect this to be 93% to 94% for the remainder of the next two quarters, largely driven by the two features that we've discussed. So one, you've got an elevated expense ratio as we're ramping up. And then this mix of business earned premium dynamic will likely persist for a few more quarters. I do see us getting into that 90% to 92% range in the back half of 2025. So, it will be a gradual transition over the coming quarters.

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Elyse Greenspan

Analyst, Wells Fargo Securities LLC

Thanks. And then my second question is also keeping on the Insurance business. You guys said that rate was 10% ex-worker's comp and financial lines. So, what loss cost would compare to that 10%? And then can you also provide the all-in rate that you're seeing across the insurance book, including workers' comp and financial lines?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah. Elyse, this is Juan. So, the loss trend that we're seeing is roughly high single digits. So, the 10% obviously compares well to that. And remember what we said about the long tail lines about commercial auto liability, general liability and excess that are running into the mid- to high-teens, and that's been accelerating. So, we feel pretty good about where we are as far as being rate ahead of loss trend in all of that.

If you include sort of where we are, including workers' compensation, it's roughly pretty stable to what we've seen over the last three or four quarters, which is right around 6% or 7%, including workers' compensation.

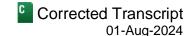
Elyse Greenspan Analyst, Wells Fargo Securities LLC	Q
And then what about if you also include financial lines?	
Juan C. Andrade President, Chief Executive Officer & Director, Everest Group Ltd.	A
That's all included. So, if we include everything together, it's about 6% to 7%.	
Elyse Greenspan Analyst, Wells Fargo Securities LLC	Q
Thank you.	
Mark Kociancic Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.	Α
Sure.	
Operator: Thank you. The next question comes from Michael Zaremski with B	MO.

Hi. It's actually [ph] Dan (00:38:37) on for Mike. Thanks. Good morning. First one, just a follow-up on the Insurance combined ratio target. Your answer on the mix of business being one of the reasons. Does that imply your views on the loss ratios worsened versus last quarter since the business mix has been changing? Or is it a more prudent view on the casualty loss ratio, which would make sense given casualty inflation levels? Or is it that the mix maybe hasn't shifted as much as you expected? Thanks.

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

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Yeah. [ph] Dan (00:39:05), it's Jim Williamson. So, it really comes down to the speed at which that mix is adjusting because we have sustained very prudent loss picks on the casualty lines. Our view on that hasn't changed. And we really haven't had anything that's affected the short-tail loss pick either. So, it's all about mix.

While we have had terrific results in the mix shift and the growth in the short tail and specialty lines that I described, we had hoped to be a little further along. A couple of things are going on under the covers, mainly took us a little longer than expected to get some of our international offices approved for operation. Those are now all up and running, and we'll see the benefits of that over the back half.

And I would just say generally, as we started this mix shift, you see it in the written premium first, and we're — when I'm citing like a 30-plus percent first-party growth rate, that's on a gross written premium basis. Now that the net written premium is catching up, that will begin to have that gearing effect on our ratios as we move forward, both — and that's again, both loss ratio and then with the scale comes a better expense ratio.

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

And the other thing I would add, and this is Juan, it's really going back to Yaron's question and what I said in my prepared remarks that the international business is growing quite well and it's grown with very attractive loss ratios, right? This is something that we've talked about in prior calls. Those loss ratios are well in the 50s. And so, as that business continues to be a bigger portion of the overall insurance business, you should get a positive mix benefit happening there.

Great. Thanks. And then maybe just following up on the international growth and Everest's strategy growing internationally. Just wondering about what kind of the social inflation level you're seeing internationally and how that's impacting your loss assumptions and growth appetite maybe in certain geographies?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah, it's a great question. Frankly, it's one of the reasons why we strategically decided to do this now a few years ago. Look, social inflation is largely a US phenomena because of the tort system and the way our legal system works in the United States. Outside of the US, there's very few jurisdictions that have anywhere near the same level of inflation, legal system and abuse that you have in the United States of America. So, from that perspective, growing overseas is one of the reasons why it produces a lower loss ratio overall.

In addition to that, as most of these markets tend to be more first-party oriented towards property, marine, those kinds of lines, which carry better loss ratios to begin with. So, I would highlight that, listen, outside of the US, there's very few jurisdictions that have similar issues, and frankly, nowhere even close to what you see in the United States from a legal system abuse perspective.

Awesome. Thank you.

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Corrected Transcript 01-Aug-2024

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Thank you.

Operator: Thank you. And the next question comes from Brian Meredith of UBS.

Brian Meredith

Analyst, UBS Securities LLC

Yeah. Thanks. Two of them here for you. First one, more of a numbers question on the 93% to 94% in Insurance for the remainder of the year. I'm assuming and maybe I'm wrong here that you would have a higher cat load in the third quarter than the fourth quarter. So, is that kind of an average of thinking over the remainder of the year? Or am I wrong there?

Mark Kociancic

Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

Brian, it's Mark. You'd be right, but cat is a much smaller proportion of the primary segment than of the Reinsurance segment. And we've done a pretty nice job, I think, of managing cat risk in general. So, that's – that is included in our run rate 93% to 94% figure.

Brian Meredith

Analyst, UBS Securities LLC

Got you. That makes sense. Thank you. And then second question, Juan, I'm just curious, Jim, the expansion internationally, obviously, a lot of – you've got a little bit of expense coming through. But I guess, is there any contemplation of adverse selection as you kind of move into these newer markets that a lot of them are kind of entrenched with legacy carriers have been there for a long, long, long time. Maybe tell me about how you're going to kind of approaching this and kind of getting into these new markets?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Yeah. No, that's – it's a great question, Brian. Look, really what we're after is upper middle market and large account business, where there's significant competitive gaps among the other players in that space. So, remember, we're not playing in small commercial or consumer lines in any of these markets, where you would have the more local or regional companies that are entrenched in this. We are dealing with risks that have sophisticated risk managers, sophisticated risk needs, et cetera. And frankly, where a lot of the competition is not focused on the space right now.

So, for us, it's really about a competitive advantage that is based on service, it's based on risk expertise things like loss control, loss engineering, claims, et cetera, et cetera. So, it's a very different risk mindset than you would run into in a sort of a typical small commercial, middle market type environment. It's really a segment where the risk manager really values the underwriting acumen and the expertise of our team essentially.

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Yeah. Brian...

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Brian Meredith

Analyst, UBS Securities LLC

Thank you. Yeah.

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Sorry, I just wanted to add just two quick things, it's Jim Williamson, two quick things that I think are also very important there. The first is we have been able to attract really the best people in each of the markets that we've chosen to launch our operations in, which I think gives us a line of sight into risk quality locally that you can't get if you try to run these businesses with expats. And then I would also say that we monitor the results of that business very closely. And as we said, it skews much shorter tail. So, we're getting a quick read, an early read on performance of that business, and all results so far indicate that we have excellent performance in our risk selection.

Brian Meredith

Analyst, UBS Securities LLC

Great. Thank you.

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

[ph] Thanks, Brian. (00:45:05)

Operator: Thank you. And our next question comes from Dean Criscitiello with KBW.

Dean Criscitiello

Analyst, Keefe, Bruyette & Woods, Inc.

Hi. I wanted to dig a bit into the attritional loss ratio within Insurance. Of that 70 basis points of year-over-year improvement, is there any way to sort of quantify like the positive mix shift benefits there? And also I was wondering if that loss pick assumes higher casualty loss trends?

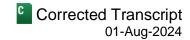
Mark Kociancic

Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

So, good morning, Dean. It's Mark. So, we've had a couple of things. First of all, we set prudent loss picks across the board. So, whether it's property or casualty taking into account market conditions at the beginning of — beginning of the year for last year's planning cycle and then thoroughly reviewed every quarter.

There is a shift in mix generally. So, broadly speaking, you heard us talk about significant growth in property. I think the figures were roughly 31%. Specialty line growth north of 20% and then more modest movement on the US casualty side, in particular. So, what you're seeing in general is I think the figures are roughly 62% long-tail line composition of our premium mix in Q4 of last year diminishing to something closer to 55%, 56% at this point. So, you've got a swing in the mix from longer tail to shorter tail, and in conjunction with that, you've got an increase in premium composition coming from the international markets relative to what we're doing in North America. So, that's going to swing some of those – that's going to swing the overall attritional loss ratio mechanically. I think most of the swing year-over-year will be a function of mix and a lesser function of the loss pick selection.

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Dean Criscitiello

Analyst, Keefe, Bruyette & Woods, Inc.

Well, thank you. With that, I wanted to next shift to the casualty reinsurance. I was just curious about how the market conditions, competition rate dynamics are different between the pro rata book and the excess of loss book.

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Yeah, sure. Dean, it's Jim Williamson. I mean those are, in many ways, very, very different businesses, even though they're both casualty. What we've seen in Casualty Pro Rata is just an abundance of capacity in the market. It's been more competitive than we think, frankly, in that sense. And one of the key dynamics that we think needs to play out is a reduction in ceding commissions on that line. There has been some progress, but it's been in the neighborhood of about 1 point on average as we've moved through our renewals. We think more is needed, and that's one of the reasons. In addition, just to some caution around the heightened risk environment that we shed over \$300 million in Casualty Pro Rata renewals this year. And so, that – it's a pretty competitive market, and we pick our spots carefully. We think the book performs well, but we are cautious.

Casualty XOL is a very different market. It's quite a small portion of our portfolio, while we did see a lot of – we've seen growth at times in the quarter. We were actually down slightly. The issue that we have there is not so much related to commission levels. It's really just making sure that our cedings are carefully managing social inflation, that is a line where we've seen some of that activity, and that's why we keep it as a relatively small share of our business.

Dean Criscitiello

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you.

Operator: Thank you. And the next question comes from Peter Knudsen with Evercore ISI.

Peter B. Knudsen

Analyst, Evercore Group LLC

Hi. Good morning. So, I'm curious on the Prop Cat Re growth number. I know last quarter, that 4% growth had some impact by the recognition timing of Florida from 2Q 2023. And I think ex that, it was really up 24% on a clean basis. I'm wondering, is that 25% reported number a clean number? Or is there any sort of timing impact in this quarter as well that you could help me remove if possible?

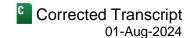
Mark Kociancic

Executive Vice President & Group Chief Financial Officer, Everest Group Ltd.

So, Peter, it's Mark here. So, in terms of the Reinsurance Property Cat XOL growth, we've got 30% growth year-over-year on a quarterly basis, so Q2 this year versus Q2 last year. We talked about the dynamics last quarter about the methodology of booking it on a quarterly basis versus the almost what I would call a cash basis, which was really the deposit premiums on Q1 and Q3. And so, that's been working its way through the system. The way I would look at it is if you take a look at the four quarters trailing, you're right in the 20% range or slightly above. So, this will normalize out by the end of the year, this accounting phenomenon. So, it's really 30% year-over-year on the quarter and a 20% – north of 20% run rate on a rolling 12-month basis.



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Peter B. Knudsen

Analyst, Evercore Group LLC

Yeah. Okay. Great. Thank you. And just following up on that growth, pretty solid result amidst the time where we've maybe seen some others pull back a little bit. And so, I guess I'm just wondering if you could maybe talk more about what Everest is seeing there that might be different or what Everest is doing differently that's allowing you guys to really lean in right now?

Jim Williamson

Executive Vice President, Group Chief Operating Officer & Head-Reinsurance, Everest Group Ltd.

Sure. Peter, this is Jim Williamson. We have enjoyed a really terrific set of circumstances and opportunities in property cat. And I would really point to a couple of things. First, we've really achieved a lead market position in this generational hard market, and it began really at the end of 2022, where you had a dislocated property cat market post Hurricane Ian. There was a lot of uncertainty in the market and frankly, a lot of bad behavior on the part of a number of reinsurers in terms of how they were treating their customers. I think Everest got high marks for being constructive, for being willing to create price discovery and for putting capacity to work.

And the benefit of that and the reputational impact of that, I think, will be very long lived. And because we've been so consistent since that point in terms of how we manage our customers, getting out early ahead of renewals, feeding capacity where it makes sense into their programs, taking up shortfalls, et cetera, we now are really in that lead market position. And what that brings to us is the opportunity to be the first carrier they call when they're looking to fill out new capacity, and there's been a lot of new capacity buying. So, that's been a boon to us.

In many instances, we're able to achieve non-concurrent terms because our customers want us on their programs, and that can benefit us in terms of pricing, in terms of terms and conditions, in – on the Pro Rata side, it can benefit us in ceding commissions. So, you reap all kinds of benefits. And that's been a very attractive part of this.

And then I would just say it's also yielded benefits outside of property cat. So, we get a first look at new programs or attractive non-cat lines of business that we want to write.

So, those are the things that I think are driving differentiated results for us. Now what we see in the market, whether it was the 6/1 renewals, 7/1 or frankly, our expectations for January 1, 2025, is that the expected economics of these deals remain excellent. So, as we model these transactions, expected return on our capital is just exceptional, and we're continuing to lean into that.

Terms and conditions, which improved strongly at January 1, 2023, have stayed strong. There's been no giveback that we've seen no material giveback in terms and conditions, which is significant. And then lastly, attachment points are not moving. And we like that because it takes us out of these attritional cat losses, if you will. So, really, it's our execution plus the market opportunity that remains excellent that allows us to drive the results you're seeing.

Peter B. Knudser	Peter	B. I	Knu	idser
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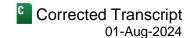
Analyst, Evercore Group LLC

Thank you.

Operator: Thank you. And the next question comes from Charlie Lederer with Citigroup.

FACTSET: callstreet
1-877-FACTSET www.callstreet.com

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Charlie Lederer

Analyst, Citigroup Global Markets, Inc.

Hi. Thank you. I think you mentioned shedding some casualty programs business in your remarks, Juan, I guess. Was that a new termination? Or was it related to some of the issues from last year? And can you help us better understand what you're shedding?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Yes, sure thing. So, I mentioned two things. So, I mentioned that in the Reinsurance segment, we have shed about \$300 million of Casualty Pro Rata renewal so far in the first six months of the year. And I think Jim did a nice job expanding on that a few minutes ago. Those were basically pro rata deals that we didn't like the economics. We're being cautious in casualty, as I stated. And so, we moved on, but you still saw the growth of the book in general. And even in the casualty line, you saw growth. But as I said in my remarks, it was all rate driven, as opposed to exposure prevent. So, I think that's the first part of that.

And then on the Insurance side of things, it's a similar story, right, where we are being cautious. And I said that we had a rate in excess of loss trend for the long tail lines in excess of mid- to high-teens, which is excellent. But you also saw the top line for the casualty lines to be slightly down. And so, that gives you a little bit of a sense of the discipline where we're looking at certain classes, jurisdictions, lines of business very carefully. And frankly, we're choosing to grow in areas where there's better margins, more certain margins, which are certainly the specialty lines and the short-tail property lines right now.

Charlie Lederer

Analyst, Citigroup Global Markets, Inc.

Got it. Thanks. And I don't think you touched on this, but sorry, if you did. So, beyond the three geographies you detailed for new entrants or new entries internationally, are there other major markets that you're looking to enter and scale near term in Insurance?

Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

We have one more that we have untapped before the end of the year, and that's basically Italy in Europe. And I think at that point, we're on pause for a period of time and really starting to dig deeper into each of the geographies that we've already opened.

Charlie Lederer

Analyst, Citigroup Global Markets, Inc.

Thank you.

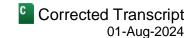
Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Sure.

Operator: Thank you. And this concludes our question-and-answer session. I would like to turn the conference over to Juan Andrade for any closing comments.

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Juan C. Andrade

President, Chief Executive Officer & Director, Everest Group Ltd.

Great. Thank you. Thank you all for the questions and the excellent discussion today. I look forward to meeting again and discussing our third quarter results. Thank you for your support of Everest.

Operator: Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.

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