Q1 2018 Earnings Call

Company Participants

- Anne G. Waleski, Chief Financial Officer & Executive Vice President
- Richard R. Whitt, III, Co-Chief Executive Officer & Director
- Thomas S. Gayner, Co-Chief Executive Officer & Director

Other Participants

- Jeff Schmitt, Analyst
- Mark Douglas Hughes, Analyst
- Mark Dwelle, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to the Markel Corporation First Quarter 2018 Conference Call. All participants will be in listen-only mode.

During the call today, we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are based on current assumptions and opinions concerning a variety of known and unknown risks. Actual results may differ materially from those contained in, or suggested by, such forward-looking statements. Additional information about factors that could cause actual results to differ materially from those projected in the forward-looking statements is included under the captions Risk Factors and Safe Harbor and Cautionary Statement in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

We may also discuss certain non-GAAP financial measures in the call today. You may find a reconciliation to GAAP of these measures in the Form 10-Q which can be found on our website at www.markelcorp.com in the Investor Information section. Please note this event is being recorded.

I would now like to turn the conference over to Tom Gayner, Co-Chief Executive Officer. Please go ahead, sir.

Thomas S. Gayner {BIO 1896932 <GO>}

Thank you, Denise. Good morning. My name is Tom Gayner and it is my pleasure to welcome you to the Markel first quarter conference call. I'm joined this morning by my colleagues Anne Waleski, our CFO; and Richie Whitt, our Co-CEO, and we're all glad that you've joined us today.

To jump right in, Joseph had a coat of many colors. At Markel, I would say, this is our quarter of many numbers and we'll spend a lot of time this morning talking about many numbers. In the midst of this constellation of digits that we discussed today, I'd like to highlight and emphasize three main categories that correspond to our three engines of Insurance, investments and Markel Ventures. We had excellent results in two out of these three engines and the short-term investment results reflect normal short-term volatility. As Scotty might report to the bridge, engine number one, Insurance, systems go, captain; in the first quarter, we reported a 90% combined ratio and premium growth. These are excellent results and Richie will expand on our Insurance operations in his comments.

Engine number two, investments, don't worry, captain, systems go. In the first quarter, we reported a decline in the market value of our publicly traded equity and fixed income securities totaling 0.6%. This amount corresponds with the overall market volatility and increasing interest rates. I'll expand on our results in a few moments. Engine number three, Markel Ventures, systems go, captain. During the first quarter, Markel Ventures revenues increased from $286 million to $392 million, an increase of 37%. EBITDA increased from $45 million to $46 million, an increase of 2%, both of those numbers are heavily affected by both the acquisition of Costa Farms during 2017, as well as seasonality and the lingering effects of the aftermath of Hurricane Irma such as insurance recoveries, growing times for plants and reconstruction efforts. All of those factors should diminish as 2018 progresses.

With that, as a prelude, I'll turn it over to Anne to begin to walk you through our financials and some of the accounting changes and tax laws changes, effects and implications, while all of these accounting changes in tax circumstances and other items alter a good deal of the formatting and how our financial statements look, rest assured, none of these presentation changes affect how we run the business. We continue to maintain a singular focus on building the long term economic value of Markel.

With that, Anne?

Anne G. Waleski {BIO 16735457 <GO>}

Thank you, Tom and good morning everyone. 2018 is off to a solid start. As Tom said, our Insurance operations produced strong underwriting profits and delivered top line growth driven in part by recent acquisitions. Contributions from our Markel Ventures operations reflected both organic growth and the recent acquisition of Costa Farms. Within the investment portfolio, our returns were impacted by unfavorable market movements during the period.

These results may be a bit harder to decipher than in prior periods, as a result of four accounting changes impacting our reporting for the quarter. Before I delve into the results, I want to provide a little bit of background on those changes. I'll start with the changes in our reportable segments. As a result of continued growth and acquisitions within both our Insurance and Markel Ventures operations, management changed the way it reviews and reports our operating results. Effective for the first quarter of 2018, we are reporting our ongoing underwriting results on a global basis in two segments, Insurance and Reinsurance rather than the three underwriting segments we've been reporting since the Alterra acquisition. This was a relatively straightforward change with the Insurance segment simply being the combination of the results previously reported in our U.S. and International Insurance segments. Additionally, our Markel Ventures operations are now considered a segment.

The second change relates to reporting the results for our investment portfolio. We've discussed previously the change that was coming in the accounting for equity securities. Effective January 1, 2018, all changes in fair value of equity securities are reflected in net income rather than other comprehensive income.

For the quarter ended March 31, 2018, we recognized a pre-tax loss on the change in the value of equity securities of $122 million within net income. As a result of this new accounting standard, we can expect more volatility in net income in the future. However, both total comprehensive income and book value remain unchanged.

The third new item relates to changes in our accounting for foreign currency transactions. Historically, our foreign underwriting operations were deemed to have multiple functional currencies. As the company has evolved to a more global centralized operating structure in recent years, management reassessed its functional currency determination and concluded that the U.S. dollar is the only functional currency for most of our foreign underwriting operations.

Consequently, more foreign currency transactions are designated as nonfunctional with the related foreign currency movements included in net income, rather than other comprehensive income. For the quarter ended March 31, 2018, we recognized pre-tax net foreign exchange losses of $22.1 million within net income. With this change, we can expect more volatility in net income in the future. As with the change in accounting for equity securities, this accounting change does not impact total comprehensive income or book value.

And finally, we made a decision this quarter regarding the tax status of two of our UK insurance subsidiaries. After further evaluating opportunities provided by the enactment of the Tax Cuts and Jobs Act in December 2017, we decided to treat our two most significant UK subsidiaries as domestic corporations for U.S. tax purposes. This election will enable us to manage our global capital in a more tax efficient manner. As a result of this decision, we recorded a $99.5 million non-cash tax expense on the book and tax basis differences attributable to those subsidiaries. This tax expense represents 232% of the effective tax rate which as a result was 253% for the three months ended March 31, 2018. Further details regarding these four accounting changes are included in our first quarter 10-Q.

Now let's talk about our results for the first quarter of 2018. Total operating revenues grew 12% to approximately $1.6 billion in 2018. The increase was primarily attributable to a 17% increase in earned premiums and a 37% increase in revenues from our Markel Ventures segment. The increase in earned premiums and other revenues was partially offset by net investment losses for the first quarter of 2018 compared to net investment gains last year.

Starting with our underwriting results, gross written premiums were $1.6 billion for the first three months of 2018, compared to $1.5 billion in 2017, an increase of 9%. The increase in gross premium volume was attributable to the contribution of premium from our new surety and collateral protection businesses, which we acquired later in 2017. We also saw organic growth across most lines within our Insurance segment.

Retention of gross written premiums decreased from 86% in 2017 to 84% in 2018. This decrease was driven by lower retention on our classic car business within the Insurance segment and on our property product lines within the Reinsurance segment. Earned premiums increased 17% to $1.2 billion for the first three months of 2018 due to higher written premiums in our Insurance segment and higher earnings in our Reinsurance segment from multi-year deals.

Our consolidated combined ratio for the first quarter of 2018 was 90% compared to 100% for the first quarter last year. As we discussed last year, the 2017 combined ratio included $85 million or 9 points of adverse development on prior year loss reserves in our Reinsurance segment resulting from the decrease in the Ogden Rate, which is used to calculate lump sum awards on UK bodily injury cases.

Now, let's move into the results of the Markel Ventures segment. Revenues from Markel Ventures increased to $392 million, compared to $287 million a year ago. The increased revenues are primarily attributable to the third quarter 2017 acquisition of Costa Farms as well as higher revenues across most of our other Markel Ventures businesses.

Operating income from Markel Ventures for the year was $24 million for the first quarter of 2018 compared to $29 million last year. The decrease was primarily due to lower revenues and higher costs in one of our industrial products businesses and an operating loss attributable to Costa Farms resulting from the seasonal nature of its business and the impact of depreciation and amortization expenses. These decreases in operating income were partially offset by higher operating income from one of our consumer product business. EBITDA for the quarter was $44 million, compared to $42 million last year.

Next, turning to our investment results. Investment income increased from $100 million for the first quarter of 2017 to $108 million this year. The increase was driven by short-term investment income primarily due to higher short-term interest rates and higher dividend income due to increased equity holding compared to the same period of 2017. Net investment losses included in net income were $123 million for the first quarter of 2018 compared to net investment gains of $21 million in 2017. As I mentioned previously net investment losses for 2018 include $122 million of pre-tax losses attributable to the decline in the fair value of our equity portfolio.

Net unrealized investment gains decreased $115 million during the first quarter of 2018, reflecting a decrease in the fair value of our fixed maturity portfolio. Given our long-term focus, variability in the timing of investment gains and losses is to be expected.

Looking at our total results for the year, our effective tax rate was 253% in 2018 compared to 24% a year ago. As I mentioned previously, the impact of management's decision to elect to treat two of our UK subsidiaries as U.S. taxpayers beginning in 2018 added $99 million or 232% to the effective tax rate.

Our estimated annual effective tax rate, which excludes this impact as well as certain other items that are infrequent or unusual in nature, was 19% in 2018 compared to 25% in 2017. The decrease in the estimated annual effective tax rate was primarily attributable to the decrease in the U.S. corporate tax rate from 35% to 21% as a result of the tax reform legislation enacted in the fourth quarter of 2017.

We have reported a net loss to shareholders of $64 million for the first quarter of 2018, compared to net income to shareholders of $70 million a year ago. The net loss for the period was driven by the decline in the fair value of our equity portfolio and the additional income tax expense that I just mentioned.

Comprehensive loss to shareholders for the period was $175 million compared to comprehensive income to shareholders of $223 million a year ago. Comprehensive loss for the period was driven by our net loss as well as the decline in the fair value of fixed maturities since the end of 2017. Book per share was $671 at the end of March 2018, a decrease of 2% since the end of 2017.

To wrap up I'll make a few comments on cash flows in the balance sheet. Net cash provided by operating activities was just under $58 million for the first three months of 2018, compared to $12 million for the same period of 2017. Operating cash flows for 2018 reflected higher premium collections, higher cash flows from our Markel Ventures operations and lower payments for employee profit sharing compared to the same period of 2017.

2018 also included higher claims payments largely driven by the 2017 catastrophe losses. As of March 31, 2018, we've paid 51% of our total estimated losses on the 2017 catastrophes. Historically, first quarter is our lowest tax generating quarter based on the timing associated with incentive compensation payments for our associates and to our brokers. Invested assets at the holding company were $2.6 billion at March 31, 2018 and $2.7 billion at the end of the year.

With that, I will turn it over to Richie to talk more about our underwriting results.

Richard R. Whitt, III {BIO 7084125 <GO>}

Thanks, Anne, and good morning, everyone. Compared to slugging through all the accounting changes that Anne had to do, the underwriting results this quarter are pretty darn straightforward and very solid. I'm going to focus my comments on our underwriting operations and I'll also provide a brief update on State National operations, as well as our Markel CATCo operations.

Starting with the Insurance segment, as Anne said and as a reminder starting in the first quarter of this year, we have consolidated the operating results of our previously reported U.S. Insurance and International Insurance segments into a new single Insurance segment. All results from prior periods from the two separate segments have been combined for comparative purposes.

Gross written premiums for the quarter are up $180 million or 20% compared to the first quarter of 2017. Our 2017 acquisitions of Markel surety and the State National collateral protection line, added $21 million and $54 million of premium in the quarter respectively.

Premium growth excluding these newly acquired product lines was driven by growth in our general liability, professional liability, and marine and energy product lines. Earned premiums for the segment are up 19% for the quarter due to similar reasons as gross written premium increase. The combined ratio for the Insurance segment was 89% for the first quarter of 2018, compared to 92% for the same period a year ago. The 3-point decrease in the combined ratio was due to a lower current accident year loss ratio and an increase in favorable development on prior year loss reserves. The lower current accident year loss ratio was primarily due to the favorable impact of the newly acquired surety and lender services businesses, which carry a lower attritional loss ratio than our other insurance products.

The increase in favorable development on prior year's loss reserves was driven by more favorable development in our professional liability, marine and energy, and property product lines compared to 2017, including $12 million of prior year loss takedowns in the current year from the 2017 cat events. The expense ratio for the segment was flat to the prior year with an increase in G&A expenses from our newly acquired surety and lender services businesses, offset by favorable impact of higher earned premiums on the current year expense ratio.

Now I'll discuss the Reinsurance segment. Gross written premiums for the quarter are down $56 million or 10% compared to the first quarter of 2017. This decrease in gross written premium volume was due to a large specialty quota share treaty written in the first quarter of 2017 that did not renew in 2018, along with a decrease in our property line due to primarily the two large contracts that were not renewed.

These decreases were partially offset by higher premiums in our general liability, professional liability and worker's compensation lines due to timing of deal renewals and net favorable premium adjustments in the current year. As noted in prior quarters and as evident by the current quarter results, significant variability in the gross written premiums can be expected in our Reinsurance segment due to individually significant deals, as well as multi-year contracts.

Earned premiums for the segment are up 10% for the quarter due to gross written premium growth from the past few quarters earning in the current quarter. The combined ratio for the Reinsurance segment was 97% for the first quarter of 2018, compared to 131% for the same period a year ago. The 34 points decrease in the combined ratio was due primarily to less adverse development on prior year's loss reserves along with smaller decreases in the current accident year loss ratio and expense ratio. As Anne said, in the first quarter of 2017, results for the Reinsurance segment included $85 million or 38 points of adverse development on prior accident year's loss reserves due to the decrease in the Ogden Rate impacting UK casualty reinsurance.

Excluding the 2017 adverse development due to the Ogden Rate change, the segment had an increase in adverse development on prior year's loss reserves in 2018 due to $12 million of prior year's loss development from the 2017 cat events and adverse development on a large property aggregate deal. The decrease in the current accident year loss ratio was due to the net favorable premium true-ups mentioned as part of the premium growth comments and the impact of those earnings on the current accident year loss ratio. The decrease in the expense ratio was due to lower profit sharing expense in the current year and the impact on the current year expense ratio of higher earned premiums.

Next, we'll talk a little bit about State National. Just as a reminder the State National business is comprised of two products, primary products, a collateral protection insurance coverage, results for which are included in our Insurance segment, and a fronting platform which provides insurance licenses, rated paper and services for a fee. We refer to this business as our program services business. This business is non-risk-bearing to Markel and is reported separately from our underwriting operations.

As I mentioned in the Insurance segment discussion, the collateral protection insurance line acquired as part of State National transaction contributed $54 million in gross written premium to the Insurance segment operating results. The program services business contributed $461 million of gross written premiums in the period with a negligible amount of that premium being retained by Markel.

The business contributed $22 million in ceding fee commission income related to the gross written premium funded during the period, which was reported in other revenues within our operating – within our underwriting – excuse me, operating results.

Moving to Markel CATCo operations, assets under management including funds held that will be used to settle claims from the 2017 cats increased to $6.2 billion at March 31, 2018, up from $6.1 billion at the end of 2017. As of March 31, 2018, Markel's investment in the Markel CATCo funds was approximately $167 million. During the quarter, we recognized an additional loss of $19 million due to changes in the net asset values of the funds, given the change in estimated losses from the 2017 cat events.

Going through a little bit of market commentary and also obviously happy to talk more about this in terms of the Q&A, you're going to recall that during our year-end results call I said that the property market was clearly in transition and there was momentum building for rate increases. We saw rate increases at the January 1 renewals, and we continue to see rate increases as we move through the year. The market is clearly differentiating between accounts with loss impacted accounts receiving the largest increases and loss free or lower exposure accounts receiving smaller increases.

At Markel, we're seeking rate increases on all property business. Like the market, we're not taking the one-size-fits-all approach. On loss-free or better rated accounts the necessary increase is less. On loss impacted or relatively more aggressively rated accounts, we're going to need larger increases. We also believe the rate increases are needed more broadly than just property business. And we're actively seeking appropriate rate increases across all of our casualty and professional lines. The market remains competitive. And as a result, while we've made some progress on casualty and professional rates, there's still a lot of work to do. The reality is that rates have been softening for many years at this point. It was probably unreasonable to believe that the 2017 catastrophe losses would have an overnight impact to turn the rating environment. We will continue to push for adequate rates on all of our business and are prepared to write less if the price is not right.

Thank you. And at this point, I'd like to turn it over to Tom.

Thomas S. Gayner {BIO 1896932 <GO>}

Thank you, Richie. Investment results during the first quarter reflected a normal pattern of short-term volatility. In our equity portfolio, we were down 1.3% during the quarter. Over the last five and a quarter years, we're up 216% cumulatively. Over that timeframe, we've been up as much as 33% in a single year and down as much as 2.5% in a year. I would happily sign-up for those results for the next five years. And we continue to invest each day with the same discipline that has produced such outstanding long-term results.

Publicly traded equities stood at 63% of shareholders' equity at March 31, compared to 62% at year end. We continue to modestly and steadily add to our equity portfolio and we think the recent volatility allows us the chance to purchase wonderful long-term businesses at attractive prices. That is exactly what we are doing. In our fixed income operation, we were down 0.8% during the quarter. In the last five and a quarter years, we're up 13.7% cumulatively. The best year in those five was up 6.5%. And the worst was 0.0%.

I think this longer-term comparison highlights why we allocate so much of our investment portfolio to equities. I would also sign up right now for these types of fixed income results over the next five and a quarter years since they reflect the underlying actions of buying the highest credit quality securities that we can find roughly matching the duration of our bonds to that of our insurance liabilities and minimizing frictional costs along the way.

I'll also point out that the net investment income from interest income and dividends totaled $108 million during the quarter, compared to a $100 million a year ago, an increase of 8%. This higher recurring portion of our total return stems from rising interest rates and increasing dividends from our high quality equity securities. This line is much less volatile than the unrealized gains and losses, and I'm pleased with this progress and expect more to come.

In Markel Ventures, we reported revenues $392 million versus $286 million, an increase of 37% while EBITDA grew 2% to $46 million versus $45 million. As I said at the beginning, both of these numbers are heavily influenced by the fact that we owned Costa Farms during the first quarter of 2018 and that we didn't in 2017. Along with the normal seasonality factors we would expect of Costa, the ongoing after effects of hurricane Irma as well as normal volatility in the results from the collection of Markel Ventures companies.

I would suggest that seasonality will diminish during the course of the year and that also EBITDA should highly correlate to total revenues when measured over the long-term. One of our unique competitive advantages of Markel is our focus on long-term results and long-term commonsense behavior in all aspects. If you're trying to figure out a normalized earnings power sort of number from Markel Ventures, I would take a normalized revenue number times a normalized EBITDA percentage number to get to normalized economic earnings.

Each and every quarter that goes by, gives you more data by which to calculate that sort of number with increasing confidence. I'm pleased with the overall economic performance from Markel Ventures, and we continue to look for opportunities to grow our business. As has been the case for the last several years, transaction prices in this part of the world seem to be a bit high and we've only added companies where we have the highest regard for the people and the businesses that are joining Markel. We continue to regularly engage in conversations and we'll keep you posted on the development of future opportunities.

With that Denise, I'd like to open the floor for questions.

Q&A

Operator

Thank you, Mr. Gayner. We will now begin the question-and-answer session. And your first question this morning will come from Mark Hughes of SunTrust. Please go ahead.

Q - Mark Douglas Hughes {BIO 1506147 <GO>}

Thank you. Good morning.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Good morning.

A - Anne G. Waleski {BIO 16735457 <GO>}

Good morning.

Q - Mark Douglas Hughes {BIO 1506147 <GO>}

The current accident year, loss pick in the Insurance business looked like it was helped by some mix shift in the M&A. Is this a good number? You think we ought to think about for subsequent quarters or is this particularly good or perhaps it could be better?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

That's a little hard to say, Mark. You're absolutely right. There's a bit of a mix shift. Both Markel surety, as well as the collateral protection business tend to be low loss ratio, high expense ratio businesses, both with combined ratios below a 100, which is what we're looking for, but they do tend to have that mix effect on reducing loss ratio, increasing actually the expense ratio. We had a pretty good quarter in terms of caps. It was pretty much within our attritional expectations. So it's going to take a little bit to know when, how the current accident year settles out in terms of the mix issues, but I would say it was a fairly normal kind of quarter for us.

Q - Mark Douglas Hughes {BIO 1506147 <GO>}

And then any comment on inflation, either frequency or severity in any of the businesses? Interest rates are obviously picking up here. Is that impacting your loss profile at all?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

I think we've said in the past, at least for past few quarters, there appears to be more claims cost inflation out there, just like there appears to be a bit more general inflation in the economy. The two go together. So yes, I mean clearly we're seeing a little bit of tick-up in in the claims trend and that's why we believe it's appropriate to seek rate.

Q - Mark Douglas Hughes {BIO 1506147 <GO>}

Then I think professional liability was a growth area for you. Any comment on any kind of loss dynamic or pricing dynamic in that line?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

It's tough. But the place where people are able to get the most price obviously is property, U.S. property primarily. I think a lot of people would tell you they've been disappointed with the amount of rate increase. I don't know if I'm disappointed. I expected some rate increase. I didn't think it would be astronomical and so we're getting some rate increase and we're going to continue to push for rate increase on property. We hoped that that would have some spillover into casualty and professional, and I think it has had some. I think it's still early as well and we'll see what kind of results people put up as we move through 2018. I think that could also put more pressure on rates and lead to hopefully people pushing for a bit more rate in the casualty and professional lines.

Q - Mark Douglas Hughes {BIO 1506147 <GO>}

Thank you.

Operator

The next question will come from Jeff Schmitt of William Blair. Please go ahead.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Hi. Good morning, everyone. Were there any cats in the Insurance segment in the quarter?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Yeah, we certainly, well, we mentioned there was some prior year favorable development in the Insurance segment as a result of the 2017 cats, mostly the hurricanes and the fires. In the first quarter, so for current accident year, we would call it pretty much an attritional quarter. We don't need to – we don't call out cat losses if they're kind of of the attritional nature, so we certainly had losses from the countless winter storms and things of that sort. But they fell within what we would consider sort of the attritional bucket.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay. And then touching on that underlying loss ratio then, it looks like it was down about 200 basis points, a lot driven by that shift in business mix. But could you quantify that more? I mean is half of that driven by the surety lender businesses or 100% or more than 100%?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Boy, I wouldn't have the numbers available for that right now. It's certainly a portion of it. Like I said, I think we had a pretty normal first quarter. So, I would say our accident year combined on the other lines were sort – we have over 100 lines of business and they're moving one direction or the other each quarter. But it felt like a fairly normal quarter. So, I think most of that change is going to be mix.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay. And then could you speak, I know you can't talk about deals specifically, but could you talk about the pipeline maybe? Are you seeing more deals? And did you mention valuations, are they going up or?

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Tom I think touched on this from the Markel Ventures side. I think it's the same in no matter what, where the property is for sale, things are pretty expensive. And there's plenty of deals out there and I think a lot of it is just people seeing the recent prices that have been paid and said, hey, let's see what the interest might be. So, plenty of deals floating around. I think the two issues from my standpoint are pretty high price expectations and in some cases relatively low quality. So, it's going to take the right one for us to see something we want to do.

Q - Jeff Schmitt {BIO 19747235 <GO>}

Okay. Thank you.

Operator

The next question will be from Mark Dwelle of RBC Capital Markets. Please go ahead.

Q - Mark Dwelle {BIO 4211726 <GO>}

Yeah. Good morning. Most of my questions are really just clarifications. Did I hear right that within Insurance, you had favorable 2017 cat development of $17 million and then in Reinsurance, it was unfavorable cat development of $12 million?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Yes.

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Yes. That is right.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. So on balance, it was really generally right, just not necessarily (35:13)

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Yeah, on balance, it was pretty much flat. And you know what, that's not a particularly surprising development, you would expect you'd be more precise on your Insurance risk and often you have to wait a while to get the reports in on the Reinsurance side. So in total, we were about flat in terms of the cat losses in 2017 and we were down on Insurance, up a little bit on Reinsurance.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. The second question I have relates to some of the segment and particularly the Other segment, the much unloved Other segment. I guess the two things that are the main two things that are in that segment then are going to be the program services business recently acquired and then the CATCo business. Is there anything else that's within what you define, I guess, as the products and services or the services and investment management revenues?

A - Anne G. Waleski {BIO 16735457 <GO>}

We have a couple small things, a couple small MGA operations...

Q - Mark Dwelle {BIO 4211726 <GO>}

Right.

A - Anne G. Waleski {BIO 16735457 <GO>}

And then we had the runoff of the old Alterra life and annuity business.

Q - Mark Dwelle {BIO 4211726 <GO>}

Got it. Okay. All right, then on – okay, those are my questions there. Then on Markel Ventures, Tom, I think you partly answered my question in your opening remarks with respect to the Costa Farms seasonality or how that interacts with the revenue and earnings expectations? So I just want to make sure I've gathered what you said, which is I guess what I'm hearing is is that first quarter is a seasonally low revenue quarter for Costa Farms, but the other quarters are of relatively similar run rate such that the balance of 2018 you know should not have an adverse seasonality?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Right. And to provide some clarity on that as best I can. Well, yes, the first quarter is typically the lowest seasonal quarter for Costa. That would be accentuated this particular quarter because you had the hurricane during 2017, and with the time it takes to buy plants. I mean, A, not as many plants are sold during the first quarter. And B, it takes a while to grow a crop that's available for sale. So it'll be a catch up effect, some plants grow quickly, some take three months, six months, nine months so on and so forth. So that's why I think during the course of the year, you'll see that diminish. And then by the time we get into 2019, you're looking at quarter-over-quarter, apples-to-apples, that would not have any distortions to it.

Q - Mark Dwelle {BIO 4211726 <GO>}

I see, so the natural seasonality was a little bit accentuated just by let's call it the lack of inventory available for sale because of - because of loss.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Exactly.

Q - Mark Dwelle {BIO 4211726 <GO>}

Okay. And then in your remarks, you commented on kind of normalized EBITDA margin. When I go to do that math, I usually get a range somewhere between 12% and 15%. Is that the right ballpark?

A - Thomas S. Gayner {BIO 1896932 <GO>}

Yeah, I think so. I think it's in Pittsburgh somewhere.

Q - Mark Dwelle {BIO 4211726 <GO>}

Obviously, I'm just making sure. I don't have any other questions. I think that's all I had. Thank you.

A - Richard R. Whitt, III {BIO 7084125 <GO>}

Thanks, Mark.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Thank you.

Operator

And ladies and gentlemen, that will conclude our question-and-answer session. I would like to hand the conference back over to Tom Gayner for his closing remarks.

A - Thomas S. Gayner {BIO 1896932 <GO>}

Thank you very much. We look forward to seeing you soon. Thank you. Bye-bye.

Operator

And ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. You may now disconnect your lines.