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Skyward Specialty Insurance Group, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

Andrew Scott Robinson
CEO & Chairperson of the Board

Mark William Haushill
Executive VP & CFO

Natalie Schoolcraft
Head of Investor Relations

ANALYSTS

Bill Carcache
Wolfe Research, LLC

Charles Gregory Peters
CGS International

Jon Paul Newsome
Piper Sandler & Co., Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to the First Quarter 2024 Skyward Specialty Earnings Conference Call on mode. [Operator Instructions] I would now like to hand the conference over to Natalie Schoolcraft, Head of Investor Relations. Please go ahead.

Natalie Schoolcraft
Head of Investor Relations

Thank you, Liz. Good morning, everyone, and welcome to our first quarter 2024 earnings conference call. Today, I'm joined by our Chairman and Chief Executive Officer, Andrew Robinson and Chief Financial Officer, Mark Haushill. We'll begin the call today with our prepared remarks and then we will open the line for questions.

Our comments today may include forward-looking statements, which by their nature involve a number of risk factors and uncertainties, which may affect future financial performance. Such risk factors may cause actual results to differ materially from those contained in our projections or forward-looking statements. These types of factors are discussed in our press release as well as in our 10-K that was previously filed with the Securities and Exchange Commission.

Financial schedules containing reconciliations of certain non-GAAP measures, along with other supplemental financial information are included as part of our press release and available on our website, skywardinsurance.com under the Investors section. With that, I will turn the call over to Andrew. Andrew?

Andrew Scott Robinson
CEO & Chairperson of the Board

Thank you, Natalie. Good morning, everyone, and thank you for joining us. We started 2024 strong, reporting Q1 adjusted operating income of $0.75 per diluted share. Gross written premiums grew 27%. Our continued strong growth is a direct reflection of our strategy to have a low diversified portfolio of underwriting divisions that allow us to allocate capital to those areas we believe offer the best opportunity for profitable growth and shareholder returns.

I'll remind our analysts and investors that growth during 2023 was not the byproduct of already new property cat. We see limited property cat opportunities that fit with our Rule of Niche strategy in which we aim to build defensible positions that allow us to deliver top quartile underwriting profitability across all market cycles.

Our combined ratio was 89.6%, and our annualized adjusted return on equity and tangible equity or 18.3% and 21.1%, respectively. Altogether, these metrics reflect the power of our Rule our Niche strategy and our outstanding execution across all in the underwriting divisions and the functions that support our underwriters.

Operationally, rate retention and submission flow in the quarter continued to be strong, and we continue to find opportunities to profitably grow our business. I'll talk more about these later in the call. With that, I'll turn the call over to Mark to discuss our financial results in greater detail. Mark?

Mark William Haushill
Executive VP & CFO

Thank you, Andrew. For the quarter, we reported net income of $36.8 million or $0.90 per diluted share compared to $15.6 million or $0.42 per diluted share for the same period a year ago. On an adjusted operating basis, we reported income [indiscernible] or $0.75 per diluted share compared to $15.5 million or $0.42 per diluted share for the same period a year ago.

In the quarter, gross written premiums grew by approximately 27%. All of our underwriting divisions contributed to the growth in our captives, transactional E&S, surety, professional lines, global property and agriculture divisions were each up over 20%.

Turning to our underwriting results. The first quarter combined ratio of 89.6% improved 0.6 points compared to the first quarter of 2023. The 0.5 point improvement in the current accident year non-cat loss ratio to 60.6% was principally driven by a changing mix of business. During the quarter, catastrophe losses were minimal and accounted for less than 0.5 point on the combined ratio compared to the first quarter of 2023, which was impacted by 1.8 points of cat losses.

Excluding the deferred benefit of the LPT, there was no net impact from prior year development. In Q1, as has been the case in the quarters leading up to being a public company and since going public, we increased our conservatism to an already strong loss reserve position. The expense ratio increased 1.3 points compared to the first quarter of 2023 and was in line with the full year 2023. We've talked in prior quarters regarding our business mix shift and investing in the business. So this is in line with our expectations and target of a sub-30 expense ratio.

Turning to our investment results. Net investment income was $18.3 million in the quarter, an increase of $13.7 million compared to the same period of 2023. During the quarter, you will note we changed how we disclose our investment portfolio and the net investment income results. We will speak to the portfolio in 4 categories: short-term investments in cash and cash equivalents, fixed income, equities and alternative and strategic investments.

This change was driven by a couple of factors. Our desire to simplify how we talk about the portfolio more traditional presentation and in line with the industry and more reflective of our strategy and the underlying risk characteristics of the portfolio. Consistent with our investment strategy to deploy all free cash flow to fixed income in the first quarter, we put $98 million to work at 5.4%. The net investment income from our fixed income portfolio increased $5 million from $7.4 million in the prior quarter, driven by improving portfolio yield and the significant increase in the invested asset base.

Our embedded yield was 4.7% at March 31 versus 4.0% a year ago and 4.6% at December 31. At March 31, we had approximately $298 million in short-term investments and our yield on short-term investments continue to be north of 5%. Lastly, April 1 is when we renew our property reinsurance programs. All these renewals were orderly, and we are satisfied with the terms and structure of these programs. We increased our property cat treaty net retention from $12 million to $15 million and the cover increased from $28 million to $36 million. We were able to improve the terms of the treaty while retaining the same model return period as the expiring treaty. With that, I will turn the call back over to Andrew for concluding remarks.

Andrew Scott Robinson
CEO & Chairperson of the Board

Thank you, Mark. Operationally, we had another strong quarter. We continue to realize pure pricing increases in the high mid-single digits, which is above our estimated loss cost trends. Our new business pricing was up again over our in-force book, an indicator that new business profitability is attractive and should contribute to margin expansion.

We also continue to see strong submission activity, which was up over 30% from the prior year quarter. Retention dipped into the 70s driven by business mix shift towards lower retention divisions such as transactional E&S as well as some continued trending of our commercial auto portfolio, which in Q1 was 14.7% of our writings compared to 18.3% in the prior year quarter.

Let me turn to the competitive marketplace for a moment. From our vantage point, it is most certainly an increasingly nuanced market for capturing profitable growth. But we continue to identify and invest in market segments that are attractive and where execution of our strategy allows us to profitably grow and deliver attractive returns for our shareholders.

In Q1, we launched a new media liability unit within special lines with a team of expert underwriting and claims professionals, each of whom has a distinctive standing and broker following in the marketplace. We remain confident in our ability to continue to attract the very best talent and arm those professionals with advanced technology and data analytics that has proven to be the winning formula for our success as our results in Q1 further reinforced.

And it's visible in our results, whether it be the talent add this past year in surety or transactional AMS, with the launch of global agriculture, or Inland Marine, our investments are clearly paying off for our shareholders.
Finally, we recently published our first ever annual people report. Our people are the lifeblood of our success, and it is what makes Skyward truly unique. The report provides a wonderful view into our company, and we encourage our investors to visit our website to access this report or contact Natalie if you'd like to have a printed copy. I'd like to now turn the call back over to the operator to open it up for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] our first question will come from the line of Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Andrew, you mentioned 30% commission growth is very strong.

Andrew Scott Robinson
CEO & Chairperson of the Board

Over 30%.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Over 30%. Even stronger. Maybe we could break that out and kind of -- I assume there's underlying submission growth, your expanded underwriting capacity presumably is contributing to that. Any way to kind of break that out maybe compare it to what you have been seeing in the earlier quarters?

Andrew Scott Robinson
CEO & Chairperson of the Board

Yes. If you're asking for sort of a same-store sales versus kind of like new capacity, we don't share that. But let me just say this. There's no question that, obviously, us bringing on talent that has the marketplace following inevitably leads to business following those. In some cases, the in-force books that those underwriters had in their prior roles.

What I can tell you is that if you look across our businesses, by and large, same-store sales are up pretty materially. If you think about same-store sales, meaning our same underwriters, and then growth is also a contribution of the underwriters we've had. And I think they're an appropriate sort of balance.

But we're not going to go further than disclosing just -- because what's important here is, are we investing in a way that's sensible for our business that's driving profitable growth, and we're seeing that data correspond.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. To expand, when you say nuanced, I think you've touched on a lot of interesting points. What do you mean when you say nuanced though, if you could expand on that, that would be great.

Andrew Scott Robinson
CEO & Chairperson of the Board

Well, all of us obviously take in the sort of various things that are being discussed around the marketplace just particularly at this time of year, right, during earnings reviews and so forth. And I think there's -- it's almost like sort of very general views put out there about what's happening in different parts of the market, what's happening in casualty versus what's happening in property. And I have to tell you that it is just very specific to a circumstance, right?

So we have -- I would describe it at least 3, if not 4, quite discrete points of focus in property, right? We have global property, inland marine, and then our transactional E&S, I would describe a portion of our book as sort of highly technical and a portion that's closer to sort of general property. And I can tell you that each of those 4 areas are behaving very differently.

And so that's what we mean by nuanced. At the same time, on the liability side, everybody is talking about like, well, casualty, could it be an attractive market because prices are moving and the price are moving because people are recognizing that loss cost inflation and maybe the starting point on the loss cost relative to price may not be as favorable as people think.

Meanwhile, like when we think about our business, I'll pick transactional E&S as an example, okay, in the last month, a carrier that was in LifeGuard services pulled out of the market, right? Well, of course, we write like ours in our E&S business. Well, suddenly, we're seeing this like dramatic flow of Lifeguard services. And instead of the market that pulled out that is a $7,500 minimum premium, we have a $30,000 minimum premium. Instead of the possibility of providing abuse emulsification and assault and battery, we have absolute exclusions on those things.

And so their pull out allows us to then go pick the business the way that we want. And we see those opportunities happening all the time. But it's not like that is an indicative sort of window into everything. It's a very specific underwriting category by category, and it's the kind of market that plays to great underwriters, which I believe we have.

And so when I talk about nuanced, that's what I mean. And I think it's a market that the hell at more favorable to a company like us than many of the other guys that are out there.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

I'll ask the blunt simple question. They're talking about casualty accelerating as a general matter? Do you see that in 2024?

Andrew Scott Robinson
CEO & Chairperson of the Board

Yes. So what I'd say is when we look across our casualty occurrence, ex-workers' comp, sort of all the various touch points, again, I don't think there's one overriding theme. But what I can tell you is that we definitely see prices moving. In our case, we took some actions here over the last couple of quarters to start to tighten terms in very specific areas and also to pull back limits, and we've been able to do that.

We're making sure that the retention is holding, but we think that we found the balance. So that feels like at least amongst the competitors that we see and the competitors in a lot of those cases, I consider to be very, very good competitors that they're amongst the better, the best seem to be operating in a similar way. So I think that's promising. That said, look, I think hard marking casualty is all relative, right? I mean you have to believe that you're in a technically strong starting point and then your price is in excess of loss cost trends.

And I don't think that's uniform, right? I think there are places and there's certainly plenty of opportunities that we see. I just -- I gave you one earlier, but I don't believe it's a uniform market. And that is very much what I mean by nuanced. And I think, again, I think it's a great market for the best underwriters.

Operator

Our next question comes from the line of Paul Newsome with Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Good morning. I was hoping to get a little bit more detail about investment income and just trying to get to some sort of run rate thought. There's a lot of changes happening, obviously, with the new money moving around and moving a little bit of options in fixed income portfolio. So could you give some thoughts that kind of help us get a sense of where that maybe long-term trend will be -- run rate will be once everything is done.

Andrew Scott Robinson
CEO & Chairperson of the Board

Mark, let me see if I can translate that. You're looking for a run rate of investment income in the future, assuming that we've received the flows from opportunistic. I just want to make sure I understand what you're asking.

Yes, that's right. I mean assuming that you've got the flows out of the opportunistic plus kind of where is it -- what's going on, you may wait and what you're putting into the traditional fund, it's always been a challenge to kind of figure out where exactly the right midpoint/run rate is for investment income.

Mark William Haushill
Executive VP & CFO

Well, I mean, it's -- the way I think about it is pretty simple. If you look at the invested asset base for core fixed income, you know what our embedded yield is. I think the yield -- I don't know what interest rates are going to do. We've been investing at over 5% for the better part of the year. And all of our cash flow will continue to go to fixed income. That's where it's going. Does that answer your question?

Jon Paul Newsome
Piper Sandler & Co., Research Division

A little bit, I can take it offline, too, as well. Maybe back to the sort of competitive environment question. I think the concerns have been primarily the E&S is where the softening is but specialty is not necessarily yes. Maybe you could talk a little bit further about sort of what is really kind of true E&S that might be of a concern if at all? Or what could be is really not even in that box at all?

Andrew Scott Robinson
CEO & Chairperson of the Board

I don't know if I want to prop around the entire industry. We've said it before. I'll say it again. What we write in the surplus lines market, I would consider to be true surplus lines. So I've heard some of the questions about what's happening with the [admitted care] as a business team. we don't write the stuff that's E&S light. That just isn't us. We're writing stuff that's in the E&S market for a reason.

Now certainly, if there's less flow coming into the E&S market, then our part of the market becomes more competitive, right, because that's where the surplus lines writers would look. And I also get all the same data that you guys get about the early views on the major states and so forth.

But here are the facts, Paul. We grew 43% in transactional in this quarter, and we grew 27% in professional lines. Those 2 areas are pure surplus lines areas. And so I would say that that's a pretty good indicator that regardless of what's happening in the market, I'll just reinforce it. Our strategy is a very specific strategy, and we seem to be executing well and it seems to be paying off.

Do I believe that 27% growth is just like last year's 28% growth, is that a number you can sort of take to the bank? No, absolutely not. I mean let's just -- it just speaks to the excellent execution of our organization and our ability to sort of pick off opportunities like the example I gave earlier. But I would just tell you, I feel like we're in a market where we can continue to win. We can continue to grow the profitability and the shareholder returns, and we can continue to grow at a level that is meaningfully enough different than sort of the cross-section of the competitors that we're competing with in the market.

And I've highlighted for you in the past who those are, some of the pure-play specialty carriers plus the primary insurance or specialty arms of the larger sort of multiline Bermudans. And so I feel good about where we're at, and I think the market is still conducive for us.

Operator

Our next question comes from the line of Greg Peters with Raymond James.

Charles Gregory Peters
CGS International

So a lot of comments from you on market conditions. Your gross written premium is quite strong in the quarter. I want to go back to your comments about property and sort of integrate that with your discussion on reinsurance, the renewal and the increased retention. As we go through '24, should we -- how should we think about your growth in your property book as it relates to frequency and severity of cat losses? It seems like you haven't had a lot of exposure to date. So I'm just curious if the profile is changing now.

Andrew Scott Robinson
CEO & Chairperson of the Board

It's a great question. Thanks, Greg. Let me just start and say something about the tree because I think it's important. So last year, we had an attachment point of 12 when we moved that to $15 million. On a modeled basis, that's a 1- and 10-year attachment point. So we effectively kept our same attachment point.

Our exhaustion point, while we added $8 million of cover is in excess of the same sort of point, it's in excess of a 1 in 250 event. And so well, that tells you that we've added some exposure from last year, which is no surprise because we grew property, right? Property has been 25-plus percent of our book pretty consistently. And so as our book grows, property is growing.

And so unsurprisingly, we're adding exposure. And we're -- all we're doing is we're keeping our cat cover roughly in line on a return period basis. And of course, that [tower] that we buy is relatively small to the size of our property portfolio. To your point, we write a well-diversified book of properties. So look, I don't think anything is going to change in terms of frequency or severity of exposure to storms. I think you already saw that in the first quarter was there was a lot of convective activity again, a relatively light quarter for us. There's still a lot of conductive activity going on. We'll see how Q2 turns out.

And then I think as we get into the hurricane season, look, a lot of that is just what paths things take and so forth. But I can say pretty confidently right now in Q1, that if we were to have a material event or a set of material events to the industry, I think that what we see in terms of our results would be very favorable on a relative basis in general. And then, of course, since we buy an attachment point that's a relatively conservative attachment point, I think our net results would be very good as well.

So I feel good about all that. You had asked some questions about market. So let me before I say anything more, did that address your question on frequency and severity and growth and exposure.

Charles Gregory Peters
CGS International

Yes, you did.

Andrew Scott Robinson
CEO & Chairperson of the Board

Do you want me to just comment on the property market?

Charles Gregory Peters
CGS International

Please do.

Andrew Scott Robinson
CEO & Chairperson of the Board

Okay. So it's an interesting market, right? I don't think everything falls into the line of this narrative, well, property pricing is attractive across the board and casualty may be the new opportunity. Again, I think it's much more nuanced.

I'll take our global property as an example. We lost a very large account in Q1. Actually, we chose not to write it. This is a large global company, and we had the largest line on the primary insurance above their retention. So think about the primary $100 million that sits above a retention that is measured in tens of millions of dollars.

Great example, the broker did a great job, which is split out the international exposure from the U.S. exposure. International exposure made up about 40% of the insured values. Yet that international exposure was primarily inside of their retentions. Well, a bunch of competitors came in and provided pricing at a 40% lower rate because theoretically, exposure went down. Well, that was just silly. That's just like a ridiculous approach.

And so there's an example of hungry, hungry companies out there writing things in ways that I just don't think are sensible and we just let that account go. And by the way, we had to account for a very long time. And that's an example where you're like, okay, people are basically putting out lines on big accounts to try to basically grow quickly. And that's okay. That's fine. And we expect a little bit of that. We've won a few in global property over the quarter as well to offset that for sure. And then I look at places like marine.

We steer clear of things like the stock throughput stuff because it's just -- it's a commodity area and there's way too many MGAs in there. And so what we found in Marine is that we're competing with the same competitors who seem to be very sensible. Maybe a little bit of change in terms and conditions, which we're incredibly tight on. But by and large, the market feels pretty darn good.

When I look at our property E&S transactional E&S property, submissions were just absolutely booming still. And so we're still seeing plenty of opportunity. For us, on the hard technical stuff, if you're, let's say, writing a risk related to something in the wood sector, which is a very low frequency but very high severity, like we're not backing up a bit.

And so we have our line. We haven't really seen a lot of companies who are sort of pushing into that line. So a lot of the stuff is sticking. And then in the general property part of our book, I'd say pricing is pretty darn rich. And so if you get a little bit of competition there, to be able to give up some price, you can do that and still feel great that you're able to drive a very attractive return from that portfolio.

And so those 4 examples are things that should give you a sense that not everything is behaving in kind of one uniform way. And again, we set up our business, Greg, as you know, to have an incredibly well-diversified portfolio so that we're not stuck in single market cycles and that we can push down where we see the opportunities. And I think that their results talk to sort of the benefit of that strategy.

Charles Gregory Peters
CGS International

That's great color. Just to clean up my follow-up question on your answers there. You mentioned limits, what your company is writing out in the marketplace. Maybe you could just close the loop for us on limits and just sort of remind us what your net limits are, broadly speaking, and then maybe by a couple of more important segments.

Andrew Scott Robinson
CEO & Chairperson of the Board

Yes. So in property, generally speaking, our max net limit is about $3.5 million. So yes, so that applies across the entire piece.

Charles Gregory Peters
CGS International

And the other segments too?

Andrew Scott Robinson
CEO & Chairperson of the Board

Yes, that would apply everywhere. So that would apply when we write property in Industry Solutions, in inland marine, certainly in E&S. And then we're in Global Property. I think I've explained in the past that what we've had is long-term quota share support that allows us to be one of the largest lines in the marketplace in writing the primary of those programs. And those -- the long-term support is obviously where we're keeping a very considerable portion of that aligns to sort of the $3.5 million net.

Operator

Our next question comes from the line of Matt Carletti with Citizens JMP.

Matthew John Carletti
JMP Securities LLC, Research Division

There's been a lot of focus, I'd say, industry-wide right on reserves in the past several quarters. You guys are in kind of a shrinking group of companies, a rare company that's showing a lot of stability there. And I think in your opening comments, I picked up a comment about even kind of increasing the conservatism. Could you just kind of go behind the scenes a little bit and update us on what you're seeing there, kind of what some of the indications are and how you might be reacting to those?

Andrew Scott Robinson
CEO & Chairperson of the Board

Well, I'll start and Mark can jump in. But look, just to be very specific in this quarter, to Mark's commented in the prepared remarks, our emergence in the quarter was favorable, yet we didn't recognize any of that. And I think probably the simplest way to describe how we think about things is, of course, we are looking at the level of reserve redundancy in our book.

And we're also looking at the maturity of that redundancy, right? So you can have redundancy, but the question is, is that redundancy showing up in greener years or more mature years. And so we're constantly watching those 2 things. And we've been asked probably since we started engaging with you and the other analysts and our investors, from pre-IPO to today, when will you release reserves and our answers are the same, which is we're not going to tell you.

And quite honestly, we don't know, right, because we are -- we have a bias, as we have said all along to build a conservative position and then to demonstrate to ourselves that conservative position is consistent and predictable along the lines of what we're expecting. And I think we've done a really good job. But we also think that we're able to deliver attractive results for our shareholders while not sort of stretching ourselves on the liability side of the balance sheet in any way.

And so I would just say to you, I feel like it's a good news story in that our hope, as I've always said and our belief based on everything that we're seeing is that our actual results are better than our reported results and at some point, that should inert to the benefit of our investors.

Matthew John Carletti
JMP Securities LLC, Research Division

That makes a lot of sense. Maybe a follow-up just a few years. I want to go back to the net investment income discussion of Paul's question. Maybe if I just take a different look at it. I mean, I look at this quarter kind of the new disclosures, right, and the alternatives didn't really have an impact. I think it was 100,000.

So I look at that $18 million you reported, it looks pretty clear to me. And I'm also thinking about like that's a very sustainable number going forward and that, obviously, the changes from there would be more cash flow coming in at higher yields and that works over time. But at least as a leaping off point, there's no reason to think that that's not a good leaping off point.

Mark William Haushill
Executive VP & CFO

Matt, thank you. I agree. I think that's a good way to look at it. I would highlight the fact that short-term rates could change quickly, right, over a short term. So yes, I look at that $17 million in the quarter as pretty consistent. But again, it depends on what happens with short-term rates.

And look, we've been focused on deploying the cash in short term. We've got a pretty good situation where we're generating more cash that we're putting to work. Our plan is to be fully deployed by the end of '24.

Andrew Scott Robinson
CEO & Chairperson of the Board

Matt, I would just add one thing. You know that our invested assets grew by $400 million year-over-year. So this point last year, $400 million. To Mark's point, like I don't know how many times you said our plan is to fully deploy our cash, and we generate so much cash we've not been able to put it to work. And in this case, Mark made the point, which is we've been blessed with short-term rates that are really great. If that changes, that's one variable here that's uncertain.

But the fact is, is that the invested assets are growing at a pretty attractive clip. And that, of course, is something that we're trying to respond to, but it's -- you can only deploy so quickly within sort of the bounds of how it is that we set our near-term investment strategy.

Operator

Our next question comes from the line of Meyer Shields with KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Are you seeing any change in the inflation rate for claims on short tail lines like property or inland marine?

Andrew Scott Robinson
CEO & Chairperson of the Board

No.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. The second question, just on comments you made earlier, Andrew, with regard to non-res and commercial auto. So we're definitely hearing a lot of talk of sustained or accelerating commercial auto rate increases. And I was hoping you could talk to at least conceptually why nonrenewal made more sense than just backing up rate?

Andrew Scott Robinson
CEO & Chairperson of the Board

Okay. So I know that certainly, at this exact same call last year and maybe even the call before that, I kept making the point that as it relates to commercial auto, if we are seeing high single digits, 10-ish loss cost inflation. And now we kind of see that unabating I can give you a granular kind of view as well in a moment there. But like that feels unsustainable when you keep saying that over and over and over, right? So okay, so what are you going to get 11% or 12% rate, but you're in a 10% loss cost inflation environment.

That is not the kind of marketplace that we want to grow into. And I think that what has happened here with elements of the [indiscernible] social inflation, finding its way into different things. I'll give you a simple example. Sorry, this week, we received a first ever first notice of loss with a styles demand, a high moment demand attached to the first notice of loss, right? And by the way, it was a pretty heavily prepared document from a [indiscernible].

Like that just feels like a different day. Now whether there's validity to it or not, just the efforts to move on to a first notice of loss like that is in itself a heavy work. But it is an indication as to what's happening in this marketplace. And we just, on the personal injury part of the market, if we can lean up on the accelerator and tap on the break, we're going to do so. And then ultimately, it's up to the states as to whether they can reform the legal environment, the torte environment to make it more reasonable.

Because it is just -- it's out of control. And everybody who's close to it understands it viscerally. And so we've been studying it and studying and studying it. And I think I indicated that we were going to ease up on exposure, and we have been easing up on exposure. And that premium doesn't even fully reflect the lower exposure because the rate that we've been getting for each unit that we write is higher than the average rate for the rest of our business. So that's the thinking behind it.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

And one last quick one if I can. Updated expectations maybe for the net to gross written premium ratio for 2024. First quarter came in a little higher than I expected.

Mark William Haushill
Executive VP & CFO

Meyer, it's Mark. It's in line with where we were in the first quarter, low 60s is what we're looking for. So I think it's where we thought it would be.

Andrew Scott Robinson
CEO & Chairperson of the Board

I'd remind you that there is a little bit of noise for you and others as well. There was a little bit of noise last year. We had a quota-share contract that ran through first and second quarter that we unwound in the third quarter. And so there's some geography issues that play through. But I also do think that when we set guidance for the full year, we were quite explicit saying that our full year '23 gross to net is a reasonable planning assumption for your models.

Operator

Our next question comes from the line of Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I just want to start with maybe a quick one. The Baltimore bridge collapse, do you have any closer to that?

Andrew Scott Robinson
CEO & Chairperson of the Board

No.

Yaron Joseph Kinar
Jefferies LLC, Research Division

None. Okay. Then maybe a broader conceptual question with regard to the mix shift. Obviously, benefited the underlying loss ratio to an extent but we also see that coming back a little bit through a higher expense ratio. So can you maybe talk through in a more holistic sense what the benefit of the mix shift is maybe beyond the underlying combined ratio? Is it a better capital efficiency? Is it a better long-term risk profile? What do you see about the debt mix that, that is attractive to you?

Andrew Scott Robinson
CEO & Chairperson of the Board

Well, look, great question, by the way. And the answer is it's part of all the things that you talked about. So if you really look at a lot of where the growth has been coming from, we've driven a lot of growth from Surety. We've driven certainly a lot of growth from our transactional E&S. You are correct, our higher expense ratio business part of that is the -- in the case of E&S, it's wholesale, so your commissions are high. Air surety is obviously the highest commissions.

And yes, we're comfortable with that trade-off. We think that both our sort of belief that sort of profile of risk exposure and then ultimately loss has less of some of the things that, for example, we were just talking about, which is kind of uncertainty around loss inflation on personal injury. And that's included, by the way, in our -- from what we write in our general liability within transactional E&S. I would characterize that same way. And then, by the way, in the case of Surety and others, they're incredibly good applications of our capital, very diversifying.

And quite honestly, one of the reasons that I believe that we're able to sort of achieve the kind of capital leverage that we've been able to achieve. So it is all those things. I think the other part of it is we keep just coming back to it. We want to have a well-diversified portfolio, right? So for example, if we could press down faster and harder in A&H because for us, it's great diversification, we would. There's boundaries to our ability to grow profitably there at maybe the same speed we can in certain areas. That may change a year from now, but that's what we're seeing right now.

Yaron Joseph Kinar
Jefferies LLC, Research Division

If I could also squeeze in one comment/question. And forget if I missed that, I did not see disclosures of premiums by division in the press release last night. And if you chose to remove those, I'm just curious as to why just considering that so much of the story I think is about sort of exceptional premium growth. And understanding the drivers for that growth has been helpful for us in the investment.

Mark William Haushill
Executive VP & CFO

It's Mark. Good question. We will be including in the press release going forward. The Q will be out tomorrow. So it's there. It was just a matter of -- it will be in the Q. We'll have it in the press releases going forward, but you'll see in the Q tomorrow.

Andrew Scott Robinson
CEO & Chairperson of the Board

And just for your benefit, not to sort of throw a bunch of numbers at you, but industry solutions grew 16%;global property and ag, 35%; programs, 7%; A&H, 14%; captives, 49%; professional lines, 27%, surety, 37% and transactional E&S, 43%. And apologies for the oversight. We will correct that. Thank you for that. You're right in that observation.

Operator

Our next question comes from the line of Bill Carcache with Wolfe Research.

Bill Carcache
Wolfe Research, LLC

As investors analyze the interplay between your growth and returns, how much of that is an outcome versus something that you're actively managing to? I appreciate your comments around the nuanced market with attractive opportunities for the best underwriters. And it seems like you're focused on identifying those areas where you're competing beyond just price. But it would be helpful if you could sort of address how important of a lever pricing as you manage your targets?

Andrew Scott Robinson
CEO & Chairperson of the Board

Thank you, by the way. It's a great question. I think implicit in your question, if I'm correct, is just the, hey, what happens if you got double the price, but you got less growth, how does that look? And I think our general philosophy is as follows, which is that we've stated in unambiguous terms that we're targeting a 15-plus percent return on equity. And I think that -- and by the way, we've been consistently kind of showing up at or above that number.

And our sense here is as long as we can add units and we believe the units kind of fit with our strategy, that our ability to sort of capture value in some of our businesses keep that value for a long time, right? Surety would be a great example of that. That's a good proposition for our shareholders, right? Areas like transactional E&S are more transactional. That's sort of a lower retention business. We might write an account for a couple of years and then you might not write it again.

But I just will tell you that the watermark for us is trying to make sure that we're writing above a 15% return. And if we can add more units there, we generally will do so. And then the good news is if we do that well, we might get some expense leverage, you might get some capital leverage that ends up giving you a bit more juice in terms of your ROEs that kind of aren't formulaic.

Bill Carcache
Wolfe Research, LLC

And then following up on your success on boarding underwriting talent and enjoying incremental business that's come with that. How concerned are you about competitors potentially poaching some of that talent in the future? Have you seen evidence of that? Maybe speak to your success rate in retaining the talent that you have out boarding.

Andrew Scott Robinson
CEO & Chairperson of the Board

It's a really excellent question. What I can tell you is that our voluntary attrition last year was 7%. And we share data with a consortium of other insurers, not just on retention, but on a range of people HR matters. And by our measure, that's kind of close to the best, if not the best out there.

And I think as you get into the specialty space, I think the war for talent is much greater than, for example, if you're in personal lines or small commercial. So there's a dearth of talent and it is specialty, right, which means that generally speaking, people are good in their technical focus areas and so forth, they're harder to come by. And so I feel very good about our specials. Yes, I think the war for talent continues. And yes, we are concerned.

It is one of the reasons -- and look, we beat the drum on this all the time. It's one of the reasons that we are so, so focused on the people dimensions of our business. It is born from like a genuine interest, starting with me and the other members of our ELT that this is the kind of company that we want to have, a company that is very people-centric.

But I also think there's just like a practical competitive consideration, which is if we create a culture that people feel genuinely part of and connected to and personal owners in, that is probably the best defense that we possibly can have. And I will say there is always -- I mean, the MGAs are just -- it's crazy, right? There's just spot market sort of pricing for talent that's not rational when you look at the economics of our industry. But that's just the nature of the beast. If there's a dearth of talent that's going to happen. And then ultimately, we rely on the ecosystem that we've built.

And I will tell you, and I really do encourage this, go look at our annual people report, it is -- if you're not part of our organization, it's the best way to have a window into our organization. And I think that from that, you will understand why we're certainly not -- it's not a topic that we're ignorant of, but we've done the things that we should be doing to put ourselves in a great position as it relates to that.

Bill Carcache
Wolfe Research, LLC

And then if I could squeeze in one last one. How focused are you on downside risk estimates from a lower rate environment? Is there a point, maybe if you could share any thoughts with us where you look to protect yourself from lower rates and the actions that you take to potentially lock in relatively more attractive higher rates?

Mark William Haushill
Executive VP & CFO

So Bill, just for our clarification, you're talking about on the asset side, investments correct?

Bill Carcache
Wolfe Research, LLC

Yes. That's correct.

Mark William Haushill
Executive VP & CFO

Bill, look, we kept our duration right at about 4, no real interest in extending it. We'll see how rates move during the year. But I think where we are in our duration, I like it, and I think the returns are fine. We're not going to react immediately. We will just see how the interest rates play out.

Andrew Scott Robinson
CEO & Chairperson of the Board

Bill, I'll add one thing. We've had -- we've been blessed with the interest rate environment that we're in. And so as Mark has commented, every time we put our free cash flow to work in our core fixed income, it's going to very, very, very high-quality, very high-quality assets. And so like if the rates start to back up, the first place that we would look is can we start to blend in slightly lower credit. And we're not talking about jumping the jump, just like moving down the investment-grade credit and having a bit more of the lower end of that.

And then if we ever, god forbid, find ourselves in that like 0% interest rate environment where new money yields were 2%, I think at that point, you both have to reconsider how you think about the way that you talk about your returns on capital because obviously, it's a different cost of capital environment, but also you kind of reevaluate investment strategy in a different context.

But I feel like we have a long way to go before that and we keep growing our embedded yield. And even if interest rates were 4% in the medium term, that's still an attractive place for us to continue to have an allocation to the high-quality core fixed income.

Operator

Our next question comes from the line of Michael Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

I think I can ask one more, a lot of good questions. So given the majority of our questions are on casualty inflation, you've given us some good color. Andrew, you talked about kind of -- I think in your prepared remarks about pulling back some limits and tightening some terms, I believe that I'm assuming you guys have had excellent margin experience and reserve experience that's more on the commercial auto side. But maybe you could clarify that or maybe it is just all casualty. And just also maybe more broadly from a macro standpoint, are there may be certain states that you guys feel are more social inflationary, if that's the word, and you've looked to kind of pull back on or maybe any other gauges you guys kind of look at to try to keep social inflation in check?

Andrew Scott Robinson
CEO & Chairperson of the Board

Great question. I think for us, my comments on the terms and limits actually were principally around the general liability and excess and, of course, excess, you'll pick up both auto exposure as well as general liability and commercial liability as well exposure.

And so a lot of this is around things like additional insureds and where that comes into play. And so we've taken -- obviously, like every good underwriter, right, you watch, you see, you look for early indicators, you try to turn the crank. If you see something that's popping that you're like, well, I want to make sure that we're moving on that before everything is fully baked. And so that was really more of a reference to that.

I think relative to auto, we've gone pretty far down the path of even on the things like in one part of our business, if you're not using telematics has not turned on and an accident occurs that you get knocked back to the statutory minimum limit available. We had things around reporting times and the deductible to the insured. Because we write that on an E&S basis.

So I think we've done pretty much what we can do on auto outside of risk selection and price. As it relates to venue, look, I think that in theory, every venue could be a political -- or could be a judicial hellhole right, as opposed to the ones that are always publicized as judicial hellholes. Look, very few of our claims end up in front of a jury. But I think the truth is that there's certainly great exposure to juries not being representative of how a particular jurisdiction is viewed on its level of conservatism.

That said, I mean I saw a case yesterday where -- and I say it was this week, I can't remember the specifics, but I'll pull it out for you where jury did like a crazy award, like a $30 million award. And the judge basically pulled it back to a $1 million, to the coverage level of $1 million, right? So the kind of jury went wild and the judge kind of stepped in. That was in Pennsylvania.

And so there's certainly reasons to say that kind of the conservatism of the jurisdiction can really make a difference. And that's an example. What I will say to you is that it's not a state by state, it's a county-by-county kind of thing at this point. And so it would be hard to enumerate it, but this is something that we absolutely watch and we're trying to address in terms of where it is that we're taking on exposure.

Operator

Thank you. That concludes today's question-and-answer session. I'd like to turn the call back to Natalie Schoolcraft for closing remarks.

Natalie Schoolcraft
Head of Investor Relations

Thanks, everyone, for your questions, for participating in our conference call and for your continued interest in and support of Skyward Specialty. I am available after the call to answer any additional questions that you may have. We look forward to speaking with you again on our second quarter earnings call. Thanks and have a wonderful day.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.