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Earnings Call

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Call Participants

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CEO, President & Director

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Joshua David Shanker
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Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Q3 2024 Arch Capital Earnings Conference Call. [Operator Instructions] As a reminder, this conference call is being recorded.

Before the company gets started with its update, management wants to first remind everyone that certain statements in today's press release and discussed on this call may constitute forward-looking statements under the federal securities laws. These statements are based upon management's current assessments and assumptions and are subject to a number of risks and uncertainties.

Consequently, actual results may differ materially from those expressed or implied. For more information on the risks and other factors that may affect future performance, investors should review the periodic reports that are filed by the company with the SEC from time to time, including our annual report on Form 10-K for the 2023 fiscal year. Additionally, certain statements contained in the call that are not based on historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company intends the forward-looking statements in the call to be subject to the safe harbor created thereby.

Management will also make references to certain non-GAAP measures of financial performance. The reconciliations to GAAP for each non-GAAP financial measure can be found in the company's current reports on Form 8-K furnished to the SEC yesterday, which contains the company's earnings press release and is available on the company's website at www.archgroup.com and on the SEC's website at www.sec.gov. I would now like to introduce your host for today's conference, Mr. Nicolas Papadopoulo and Mr. Francois Morin. Sir, you may begin.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Good morning, and welcome to our third quarter earnings call. I'd like to begin by wishing the best to my friend and my business partners of 23 years, Marc Grandisson, who retired earlier this month. Arch had a fantastic run under Marc's leadership. While we will miss him, I'm very excited about the opportunities before us.

My message to our shareholders, employees, brokers, clients and business partners is that it is business as usual at Arch. Our core objective remains unchanged, to be the best-in-class specialty lines insurer in the market. We will continue to execute on the key pillars of our strategy, which are: build a diversified mix of businesses, actively manage the underwriting cycle, remain prudent stewards of capital, be dynamic managers of a data-driven enterprise and foster a culture that attracts best-in-class talent. Back to the quarter, where Arch generated strong top and bottom line results with an annualized operating return on equity of 14.8% and an 8.1% increase in book value per share. Our third quarter results included $450 million of cat losses across multiple events, including Hurricane Helene.

It's worth noting that this cat loss is within our third quarter seasonally adjusted cat load. Overall, the P&C environment remains very favorable despite increasing competition in many lines of business, making underwriting and risk mitigation increasingly important. Our underwriting strategies empower our businesses to respond quickly to their trading environment. This has been and remains a competitive advantage as we pursue those opportunities with the best risk-adjusted return. Industry cat losses have once again exceeded $100 billion through the third quarter. We should continue to support increasing demand for property insurance and reinsurance. Even with this increased cat activity, we believe the property market remains attractive and one in which disciplined underwriters can produce attractive return on capital.

Casualty rates continue to outpace trend, which is consistent with our hypothesis of a hardening casualty market. We have selectively increased our casualty writing in both insurance and reinsurance as the market responds to claims inflation and uncertainty around loss trend with higher prices. Turning now to our underwriting segments. Our Insurance segment wrote $1.8 billion of net premium and delivered $120 million of underwriting income in the third quarter.

Our acquisition of the mid-corp and Entertainment business from Allianz in August helped drive a 20% growth over the same quarter a year ago. We are confident that the mid-corp team will be an important part of our growth story as we further enhance our capabilities in the middle market. Excluding Mid-Corp, insurance growth was mid-single digits as we continue to find attractive growth opportunity in casualty programs and our London market specialty business. Premium rates remain competitive in E&S property and professional lines. Reinsurance had another excellent growth quarter with net premium written up more than 24% to over $1.9 billion, along with underwriting income of $149 million as our team continued to benefit from more robust relationship with our brokers and cedents.

Growth was driven by property ex cat, including facultative business, casualty and other specialty. Our industry-leading mortgage segment again contributed significantly to our earnings with $269 million of underwriting income for the quarter. Underlying fundamentals remain excellent for the mortgage insurance industry, including strong credit conditions and continued favorable house price appreciation.

Mortgage origination activities remained light, but new insurance return of $13.5 billion was in line with our expectation as relatively high mortgage rates and continued house price appreciation have kept most buyers on the sidelines. Finally, the contribution from our investment portfolio were substantial. In the quarter, Arch Investment Management generated $399 million of net investment income. Significant operating cash flows from our underwriting units should support continued growth of our assets under management, setting us up for strong investment contribution in the years to come. Looking ahead, -- we like our position in the market opportunities. This is true as we enter a responsible growth part of the P&C cycle where disciplined underwriting and thoughtful risk selection are essential to success.

A few final comments in closing. Arch has proven to be an exceptional company defined by a culture of underwriting excellence, underpinned by our core strategies of cycle management and thoughtful capital allocation. That was true yesterday. It is true today and it will be true tomorrow. I'm very excited and proud to lead this company and work with our leadership team as we continue to strive to deliver the greatest value to our clients and shareholders over the long term.

I'll now turn it over to Francois to provide some more color on our financial results in the quarter, and then we will return to take your questions. Francois?

Francois Morin
Executive VP, CFO & Treasurer

Thank you, Nicolas, and good morning to all. As you know by now, we reported third quarter after-tax operating income of $1.99 per share for annualized operating return on average common equity of 14.8%. Book value per share was $57 as of September 30, up 8.1% for the quarter and 21.4% on a year-to-date basis.

Once again, our 3 business segments delivered excellent underlying results, highlighted by $538 million in underwriting income and an 86.6% combined ratio, which was slightly elevated from an active catastrophe quarter. Our combined ratio was 78.3% on an underlying ex-cat accident year basis. Overall, current accident year catastrophe losses were $450 million for the group in the quarter, split roughly 80%, 20% between the reinsurance and insurance segments.

Approximately 45% of our catastrophe losses this quarter are due to Hurricane Helene with the rest coming from a series of events, including Canadian events, smaller named hurricanes, U.S. severe convective storms, flooding in Europe and other events across the globe. As of October 1, our peak zone natural cap probable maximum loss for a single event 1 in 200-year return level on a net basis increased slightly and now stands at 8.1% of tangible shareholders' equity as we incorporated exposures from the MidCorp acquisition on August 1. Our PML remains well below our internal limits. Our underwriting income included $119 million of favorable prior year development on a pretax basis in the quarter or 3 points on the combined ratio across our 3 segments. We recognize favorable development across many lines of business, but primarily in short tail lines in our Property and Casualty segments and in mortgage due to strong cure activity.

As you know, we closed on our purchase of the U.S. MidCorp and entertainment insurance businesses from Allianz on August 1, and I would like to expand on a few items that impacted our financials this quarter. First, the net written premium coming from the acquired businesses was $209 million for the 2-month period, contributing to the reported year-over-year premium growth for our Insurance segment. Second, in accordance with U.S. GAAP, the fair value of the acquired balance sheet does not include an asset for deferred acquisition costs.

Therefore, since there is no amortization of deferred acquisition costs associated with the in-force business at the time of the acquisition, the current quarter's acquisition expense ratio is lower than in the third quarter of 2023. This item resulted in a benefit this quarter of approximately 1.9 point in the Insurance segment's acquisition expense ratio. Although we would expect this benefit to become less significant over the next 3 to 4 quarters as a larger proportion of our earned premium relates to premium written after the closing date. Operating expenses in the new business were also somewhat lower than ultimately expected as we ramp up operations contributing to a 60 basis point benefit in the quarter.

Third, as is required with business combinations, we recorded goodwill and intangibles in connection with the transaction, primarily from the value of the business acquired, distribution relationships and the present value adjustment related to the reserves for losses and loss adjustment expenses.

This quarter, we incurred an expense for the amortization of intangibles of $88 million, $63 million of which was for the Midcorp and Entertainment acquisition. We expect our overall amortization expense across the group to be approximately $100 million in the fourth quarter of this year and $195 million in 2025, spread evenly throughout the 4 quarters. While still early, the Midcorp business is performing as expected or even maybe slightly better, and we are satisfied with the progress we are making in our integration activities. Turning to our reinsurance group. The team delivered a very solid 92.3% combined ratio in an active catastrophe quarter. Of note, the reported net written premium growth of 24.5% in the quarter was augmented by reinstatement premiums. Adjusting for this item, the growth rate would have been approximately 22.4%.

The mortgage segment reported an excellent 14.8% combined ratio as cure activity on delinquent mortgages is strong and the underlying credit quality of the book remains very high. The reported delinquency rate at USMI inched up slightly this quarter and was impacted primarily by seasonal factors. On the investment front, we earned a combined $570 million pretax from net investment income and income from funds accounted using the equity method or $1.49 per share.

Our investment income reflects approximately $20 million earned during the 2-month period from the assets we received in connection with the Midcorp acquisition. Total return for the portfolio came in at 3.97% for the quarter as there was significant price appreciation on our fixed income portfolio due to lower interest rates. The appreciation of our available-for-sale investment portfolio resulted in a book value increase of $1.56 per share net of tax. Cash flow from operations remained strong and exceeds $5 billion on a year-to-date basis. Our effective tax rate on a pretax operating income was an expense of 8% for the third quarter, and our annualized effective tax rate remains in the 9% to 11% range for the full year 2024. In closing, our balance sheet is strong with common shareholders' equity of $21.4 billion and a debt plus preferred to capital ratio of 14.2%.
This level of financial resources gives us flexibility to deploy capital as needed and continue delivering outstanding results for the benefit of our shareholders. With these introductory comments, we are now prepared to take your questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

I guess my first question is on the Allianz deal. You gave us some good color on the expenses. But anyway, could you give us a sense of just the impact on the underlying loss ratio within the insurance segment in the quarter?

Francois Morin
Executive VP, CFO & Treasurer

Yes, sure. I mean just to give you a bit more details on that. Yes, the -- call it, the normalized meaning ex cat accident year loss ratio for the segment was 57.6%, right? And the stand-alone for the mid-core business was 62% in the quarter. So that's how it came up. So effectively kind of increased, call it, by 70 basis points, and increased the reported loss ratio or the ex cat loss ratio.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then in reinsurance, the margin sometimes does fluctuate quarter-to-quarter but the underlying loss ratio did trend up in the Q3. Was there anything business mix in there that might have impacted that in the quarter?

Francois Morin
Executive VP, CFO & Treasurer

Nothing specific. Again, we'll go back to our trailing 12 months way of looking at things. I mean I took another look this morning and there's nothing unusual in the quarter. I mean the trends are very consistent. Trailing 12 months are doing very well. So the answer is nothing to report. I mean there's just kind of some claims happen, some don't. And over the last 12 months, we're very comfortable with the loss picks and how things are behaving.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my last question is on capital, right? You guys have left the door open just given your excess capital position to doing something to return to shareholders, be that right a quarterly dividend, a special or even a return to repurchase. So what's the timing there? I thought maybe it was post the end of wind season. Does that still apply? And how are you thinking about how you might look to return capital to shareholders?

Francois Morin
Executive VP, CFO & Treasurer

I mean you hit all the good points. I think it's very much a conversation and it's not a new conversation. It's a conversation we have all the time. And yes, we had certainly mentioned that we wanted to wait till the end of the wind season, which is coming close to an end. And as we get ready for 2025, certainly part of the outlook for 2025 growth opportunities, how -- where we may be able to deploy the capital is something we'll consider as well. But Yes, no question that this is an area that we're focused on. And I'll say you should -- we're not sleeping on it, and we'll report back when there's more to say on that.

Operator

Our next question comes from the line of Andrew Kligerman with TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

Maybe following up on the insurance division and MidCorp. And I think, Francois, if I heard correctly, the MidCorp impact on the underlying loss ratio was about 60 to 70 basis points. And if that's the case, it kind of moved up a fair amount, like 250 bps year-over-year. So I'm trying to get a sense of should we be thinking that this is kind of a good run rate underlying number for the loss ratio? How should we think about it going forward?

Francois Morin
Executive VP, CFO & Treasurer

Well, I mean, we indicated that we thought initially, I mean, we have to get, call it, under the hood, we have to understand the business. But we certainly have said that in the first year, we thought this business was going to be breakeven for us. So yes, we should expect a little increase in the loss ratio and the combined ratio for the segment. No question. In terms of run rate, I'd be a little bit hesitant to commit to anything beyond, call it, the first year. I think we're already making adjustments, taking underwriting actions in terms of we like, what we don't like as much.

I think there is good traction, good opportunities in terms of the casualty business that they write. The rate right environment is very strong. So that will help, we think. So that's -- again, the short-term answer is yes. I think the combined ratio will probably inch up a little bit, but we have very definitive ideas and plans on how to bring that down as we move forward.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. And I think -- and maybe it's dynamic. I mean, again, we -- I mean if you look at the insurance group overall, it's heavy non-property lines. So the property line attract lower loss ratio. So we were growing in the property line in the last couple of years, and the market now makes it more difficult. And we have a large component of professional lines where rates have been challenging. So that probably [indiscernible] ratio. And then we have casualty where I think we think there is opportunities potentially to grow more with higher margin, but it may come also with a higher loss ratio than property. So that's what -- that's the playbook that we are facing.

Andrew Scott Kligerman
TD Cowen, Research Division

Interesting. And maybe breaking down some of the lines of business in insurance what kind of rate are you seeing? And is this rate exceeding loss costs? I suspect it's not in property, but maybe you could talk a little bit about some of the key lines in insurance.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

So I mean let's talk about casualty, which is talk of the time. I think in casualty, we're definitely seeing rates on the trend, but there are really good reasons for that. I think the market is going through some pain. And so I think we -- we are underweight in casualty. We historically underwrite casualty. So now I think based on our own analysis of the pocket of casualty business that we like. We are selectively growing both from the insurance and the reinsurance side. So there, I expect margin to expand. I think if you mention property, if you talk about reinsurance versus insurance, we're mostly focusing on insurance. On E&S property, we think the profitability is actually very attractive. I think over the last few years and post the Hurricane Helene, I think the business has reacted with a lot of rate increase and a lot of change in terms and conditions, which make the business really attractive.

So there, I think after year without losses, people have really short. We see a lot more competition coming from Lloyd's, coming from NGS, coming from new insurances that want to have a piece of that business. So I think we -- our rates are pretty flat, but I think we'd expect that margin on the business will be -- will depend on the reaction to the catastrophes that just happened. So I think with Milton and Helene, my expectation is things would stabilize. But ultimately, it's the supply and the demand. There's more supply. We think there's more demand. I think the demand has been constrained by the high price and the high deductibles and the high retention on the reinsurance side. So I think we're close to an equilibrium. So I think the business will remain attractive for a while.

Operator

Our next question comes from the line of Mike Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

First question is on catastrophes. So I don't know if you disclosed what you're assuming for Hurricane Helene. I know you're I think the cats were a bit higher than the consensus, but you guys have done a good job of giving us disclosure that you've been taking more risk in Florida specifically and just overall. And then also, should we be thinking about Milton as well. I think there's some conflicting numbers out there on open sure PCS is only a $5 billion so far, but there's some much bigger numbers out there.

Francois Morin
Executive VP, CFO & Treasurer

Yes, sure. On Helene, our view is that it's going to be the type of event that probably will have a bit more leakage than you would otherwise expect. I mean it's just multiple states and it's a lot of flooding. So we are currently assuming, call it, a $12 billion to $14 billion industry loss, which is maybe higher than others. And -- but that's how we see it today. I mean things could change, but that hopefully informs how we thought about the event initially and is reflected in our third quarter numbers.

As it relates to Milton, we need to do a bit more work, but we will certainly give you our initial thoughts on that, I think, in the coming weeks in terms of what our loss -- what our range of estimates could be for us. But no question that what we thought -- what people thought might have been a really scary and large event doesn't seem to have materialized. I think industry estimates are coming down as we speak. So call it, the $30 billion plus or minus market loss seems to be about right, given what we know today. And in terms of our own loss related to that, I mean, again, more to come, but you shouldn't expect anything unusual from us. I think from what we can tell at this point, it should be in a relatively consistent kind of market share for us for an event of that size.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful. And my last question for Nicolas. Is there any context or color you can add to the -- what -- why the CEO change took place at the #1 question I'm sure you all have received, and we have 2 people wondering if it's performance related versus just some other events or anything else? Any color you'd be able to add?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

I didn't understand the deal.

Francois Morin
Executive VP, CFO & Treasurer

No, the CEO, Mark's departure.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Should know that. No. I mean, again, this was a personal decision of his. I think as I said, Mark and I were a good trend. It's a bit beer sweet for me, but based on this decision, I'm actually very excited about the opportunity in front of us. I think Marc is -- I think Arch is bigger than any one of us. And I think we have a lot to do, and we have a lot of exciting things to continue to do in the coming years. And I think we have a really good management team. We have 7,000 employees that are really engaged. And as I said, I think Arch is an exceptional company, and I'm really looking forward to continue this journey. And certainly, I think Marc's departure is not performance related. That the guy under his leadership, as I said, the company has performed amazingly well.

Michael David Zaremski
BMO Capital Markets Equity Research

And I guess, Nicolas, that's helpful. Obviously, you'll put your own stamp on the company over time, and you're a different type of leader, and we're all excited about your position. But just curious, is there -- now that you are the boss, are there certain things we should kind of stay tuned for that have kind of been on your wish list that you'll be able to kind of push through? Or do you kind of expect just more of the same directionally?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

My message to -- it's really business as usual. I think I've been with the company for 23 years. I've worked very closely with Marc in the last 5 or 6 years in setting up strategies, looking at operation changes, looking at culture. So I think we -- him and I are extremely aligned. So I think I would not expect any changes in the way we operate.

Operator

Our next question comes from the line of Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

So first, I just had a question on your views on 1/1 renewal and what do you think about the sort of supply-demand imbalance? And has that sort of shifted given losses from Milton? Or is it -- is your view consistent with how you would have thought before?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

So is the question on property cat, I assume?

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Yes, yes.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. So I think on property cat, I think, as you've seen, we've grown the book quite a bit in the last 2 or 3 years. So we think the returns are really attractive. The -- Yes. I think the event of milton and Helene in my view, what we hear is that you stabilize the market. And I think there was a lot some supply, as I said earlier, is there from nodes or from MGAs or from our competitors. After 1 year without losses really wanting to get back in the business and realizing that they may have missed out on a profitable line of business. So what I would expect, and we see it on the insurance side that things have stabilized. And I think my guess is at this stage is that we will do the same on the cat reinsurance side.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And more specifically, are you expecting pricing to be down, flat or -- and to whatever extent you're able to qualify quantify would be helpful?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. I don't have a crystal ball. But I would say -- again, it's always the same with programs that have been impacted by losses, I would expect prices to go up. In regions that have had no losses, you could see in the bottom of the programs, I think people are still really scared about frequency. So I would expect the bottom to middle side of the program to perform well. The upper layers where people seem to be more comfortable to play, where competition is coming because you are away from the midsized losses, there could be a little bit of weakness, but not really have a strong conviction either way. But I think mostly stable, I would say.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

And then on casualty reserves, a lot of companies have had adverse development, some on recent years, some money even -- some pre-COVID years as well. Can you talk about your own comfort with your casualty reserves on your legacy book as well as the Watford business?

Francois Morin
Executive VP, CFO & Treasurer

Sure. I mean reserves is something we look at. We look at regularly, quarterly, right? So it's nothing new here. I think we're -- to answer your question, we're very comfortable with our reserve levels. I think for a couple of reasons. One is we were -- as Nicolas said, we have been underweight in casualty for a number of years. So as much as, yes, we do feel and see some of the impacts of social inflation and pressures on loss trends on casualty business in general, I mean, the fact that we're underweight in those lines has been very helpful.

So yes, we are monitoring casualty reserves. We have experienced some adverse development, but it's been overall very manageable. And that explains, in our mind, is a big reason as to why rates are moving up because the industry is seeing the pressure and a way to correct for those results is really by getting more rate.

Operator

Our next question comes from the line of Cave Montazeri with Deutsche Bank.

Cave Mohaghegh Montazeri
Deutsche Bank AG, Research Division

First question is on growth. I guess, Francois, you've already explained the growth in primary insurance. I guess, underlying once you exclude MidCorp, is about 5%. In reinsurance, you also mentioned the impact of reinstatement premium. I think you said it was still 22% growth even adjusting for that, still a big number. Could you give us a bit more color on like what drove that in terms of how much of that was pricing? How much of those like unit growth? How much of that was maybe writing more casualty business? Any type of color on that would be quite helpful, please.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. I think for the quarter, I think the driver of the growth was a bit of casualty return mostly our U.S. company where I think we selectively are trying to -- are getting on programs that we haven't been. As rates get better, we think there's opportunities for us to write attractive casualty business. And on the other side of the business that grew is the specialty business, the return. And that's more of a business that we wrote 1/1 that is coming in on quota shares, and some of it is -- we have a decent size book of business that support Lloyd's, Lloyd's syndicates where it's called [indiscernible] where we get quota share of what they write net of their protection.

So that business is growing. Lloyd's is growing, and we think it's a profitable business. So we benefit from that. And the second aspect is we have a decent sized book of motor United Kingdom Motor. And that business is really dislocated, has been dislocated, and we've been playing in that field for a while. And as rates are continuing to go up, and I think they added at 1/1 an additional relationship, we're benefiting of this in the quarter, but it's not any action that we actually took during this specific quarter. So I think the last piece is our facultative operation that has had an amazing track record and is one of the leading facultative operation, property operation in North America, and they also have shown some excellent growth.

Cave Mohaghegh Montazeri
Deutsche Bank AG, Research Division

Perfect. My follow-up is on the mortgage insurance business. I guess 2 parts to that question. The first 1 is the growth in the quarter, was that primarily driven by the Fed cuts that just boosted demand. And I guess linked to that is the pickup in delinquency in mortgage insurance, is that also just linked to more activity? I know you mentioned some seasonal factors. I don't know what those were. If there's any details we can have on that, please?

Francois Morin
Executive VP, CFO & Treasurer

Yes. I'll start with that. I think the delinquency, again, yes, itself, but it's absolutely very much within our expectations. The one thing maybe for people to remember or appreciate is given we've refinanced a significant part of the book in 2020 and 2021. We're now entering call it, the prime years of when delinquencies get recorded. So that's very much part of the -- again, within our expectations, right? So as new loans get on the books. Usually, it takes 3, 4 years for them to show a bit of, just call it, really predictable and normal delinquencies.

So that explains why in aggregate or delinquency rate is trending up a little bit. And more specifically on the seasonal aspect, I mean, every year, there's fairly predictable behaviors that we see from the borrowers, whether they get their tax refunds and in the first quarter and then they catch up on their mortgages and whether they borrow more to buy holiday presence. So that happens. And then the third quarter is typically expected and seen as we -- I mean, we've seen that in the recent history that the delinquency rate just goes up in the third quarter without any more just seasonal.

So again, we're very comfortable with the overall rate. And again, there's a little bit -- the same differential that I mentioned last quarter related to the RMIC acquisition is still there. So it's a pre-financial crisis book that is -- has its own set of characteristics. So we're, again, overall, very happy, very comfortable with the delinquency rate. And in terms of the premium, your first part of the question, there's a couple of accounting differences or nuances this quarter. So I wouldn't read too much, I think, in the growth that we saw this quarter, there's a little bit of a catch-up on premium that was related to old -- or related to Bellemeade transactions on the ceded side. So generally speaking, I'd say the mortgage segment is relatively flat in terms of growth opportunities.

Operator

Our next question comes from the line of David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Thanks Francois, thanks. So much for all the detail you gave on the insurance underlying loss ratio, both including and excluding the MidCorp acquisition. So I guess just sort of running through those numbers there, it looks like if I take out MidCorp, it was about a 57% underlying loss ratio for the sort of core Arch insurance business. And so that picked up a little over 100 basis points versus last quarter and also on a year-over-year basis. So I'm just wondering if you could help me think through some of the drivers of that increase?

Francois Morin
Executive VP, CFO & Treasurer

Yes. I'd say, again, it's -- Nicolas touched on it, it's growth related in mix, right, in the sense that where you saw us grow this quarter. And I don't think if you have the time to look at in the supplement, how we report the lines of business, which is we have changed this quarter relative to the past, more growth in casualty and other liability lines of business, both -- I mean, primarily on an occurrence basis, claims made, which is more professional lines book and cyber or that has come down. But that business typically carries a higher accident year loss ratio than property business once we remove the cat load.

So that is really the big driver of the pickup is really mix as we have grown in the last little while more in casualty and remain relatively flat on property.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Okay. That's helpful. I appreciate that. And then maybe a follow-up on the reserves just within insurance and reinsurance. I was wondering if there's any way you could size those moving pieces for us between the short tail and the long tail development?

Francois Morin
Executive VP, CFO & Treasurer

Well, I mean, we -- in total, I mean -- and that will be in the Q, but yes, we definitely very favorable on short-tail lines of business, a little bit of adverse on long-tail lines. So that's consistent with recent trends. I mean, as I mentioned earlier, we're seeing a little bit of pressure on casualty, longer-tail lines of business. There's been some favorable on workers' comp, as you've seen, I'm sure, with many of our competitors. I think that's been a consistent story for quite some time. But again, the bottom line in aggregate is we're able to -- we're observing kind of favorable development, lower actual than expected, and that is coming through in our numbers.

Operator

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

Francois Morin
Executive VP, CFO & Treasurer

I think he might have dropped. We're not hearing anything.

Operator

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

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

Great. I think we've talked about this in the past, but I wanted to get Nicolas' thoughts on cycle management. Specifically, I guess, with retail distribution and in particular, the mid-core business, is that less amenable to cycle management?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

So I mean my view is it's a different type of cycle management. I mean the -- what's attractive with the mid-core business is it's more stable. So which means that the cycle are more muted. You don't see the same price going up and down like excess D&O, public excess D&O, you go 40 and you make up 20 or 10. So I think in the middle market business, I think you have more -- it's going up slower and it's going down much slower. So I think that provides -- the thing we like is that provides a much balance to our insurance book that has a large component of larger corporate risk that are more subject to large fluctuations in rates.

So -- and yes, the thing that's attractive to us is the value proposition of a carrier in the MidCorp segment is better because usually the distribution partner, the broker rely on the carrier to provide more than one line of business. So you're more important to him. The interaction with the carrier is more valued. So you create the stickiness that really help -- you're not competing solely on price, where when you deal with a large account and a risk manager, price is an important component of the value proposition.

But here, I think so it's less subject to, in my view, price competition, which make it more stable and more attractive. And I think the thing that's interesting to us with the Midcorp acquisition is that the timing is pretty good because we've seen price increases on the property side because this book is more exposed to secondary payers and the liability component of the book is subject to the discussion that we talked about before. So I think we -- our timing is really good. I think the book looks to be performing well enough. And so we're pretty excited to be able to finally get like a decent chunk of that business and to be at scale and being able to expand our footprint in what we think is a very attractive part of the market.

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

Okay. That's very helpful. And then if I can switch gears a little bit. I know it's early on the January 1 discussions for property cat. Is there anything you can share with regard to expectations for ceding commission trends in casualty reinsurance?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

So I'm going to be the wise person here. I think as reinsurer and including ourselves, see more bad news coming from the past. I mean there will be pressure on ceding commission. You would expect that. The question is the supply. I mean the pressure on the ceding commission will be muted by the supply because if there's more people wanting the business and there's a limited amount of business being placed, I think the brokers is going to play a big role in minimizing, I mean, the directions of where the ceding commissions are going to be. So it's going to be some sort of a conflict between what the reinsurance wants and what the ceding companies are willing to do. And -- but the driver would be the supply versus the demand. And I think -- and what I'm hearing is that there is ample supply in the marketplace.

Operator

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

Yaron Joseph Kinar
Jefferies LLC, Research Division

I apologize for dropping earlier. I wanted to dive a little bit deeper into the other liability occurrence growth in insurance. How much of that came from MC versus just organic or legacy growth?

Francois Morin
Executive VP, CFO & Treasurer

It's a good question. There was a fair amount of E&S casualty business on our kind of like is just organic, right? So that is an area of maybe the most exciting area for us. I mean, where rates are well into the double digits in terms of rate increases. So that is a very, very attractive area the MC book is split. There's some commercial multi-peril, there's some occurrence of the liability occurrence, so it's a mixed bag. But I'd say I don't have the exact numbers in front of me, but I think you should -- the takeaway is that the rate environment in that particular line of business is very, very good right now.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. And what is it about the third quarter where the environment it seems to have accelerated significantly or at least the opportunity set in other liability occurrence accelerated significantly?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

I think it's just a function of people realizing that the way they were looking at the reserves in the last few years is not exactly playing out. I think COVID for a while muted the claims. So people kind of in my view, sitting out there to make sure they were not making the wrong reason. And since COVID, I think we've seen some severity, large jury award, [indiscernible] jury award, and we've seen more places where those jury awards are taking place, large jury awards. So I think you have like social inflation that's driving much more severity and you have also frequency of places used to be Cook County, South Texas, Mexican border, but now you have Georgia, you have some places in Nevada where certain juries are actually, if you get cut in one of those jury, you're going to have a significantly larger world.

So I think it's a combination of frequency and severity and people realizing that they have to stay ahead of those. And the normal reaction, which I think is the right reaction for the market has been to cut limits because if you're caught up in one of those difficult juries, you want to have small limits. And typically, when you had, I don't know, $12 million placement with 10 players and you suddenly have 40 players to complete the placement, some of those layers going to the E&S market, you're starting to see some drastic rate increases. And that's what we're witnessing right now.

Yaron Joseph Kinar
Jefferies LLC, Research Division

But if I could maybe flesh this out a little more. What you're describing is not new. I mean, if we go back to previous management meetings, conferences, calls. We have been hearing management talk about this for several quarters, if not years, even in some cases. So what's happened in this third quarter that seems to have triggered some significant change?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

I think it's just the accumulation that people took actions, but when actuaries or management look at the chance for the business they're writing today to be profitable, they ask themselves, they need more safety margin. I think it's -- I think there was some rate increase, double-digit rate increases 2 or 3 years ago. Then we -- for a little while, we went to single digit and suddenly, we are back in double digits.

It tells you that there is pain in the back years of people that have returned that business in the early years and in the last few years. So -- and usually, the reaction -- it's not unusual that the reactions are more abrupt because at some point, management lose faith in the story they've been told. So they require more drastic actions. That's a usual playbook of how market happens.

Operator

Our next question comes from the line of Brian Meredith with UBS Financial.

Brian Robert Meredith
UBS Investment Bank, Research Division

Nicolas, I want to follow up on that just a little bit. So I understand what you're saying about your opportunities for growth here in some of the casualty lines. But maybe I can get your perspective a little bit more on what do you think CAS trend is and where is it going just because you must be pretty confident in kind of having a good grasp on where CASA trend is given that you're growing and some other are shrinking.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. So I think -- I mean, yes, it's a tale of several stories. I think at the bottom of the program, I think people can have a pretty good idea what your casualty trend is, whether it's mid-single digit. The issue is when you go excess. If you go in excess of $50 million, if you got excess of $100 million, that's where the trend gets a multiplier effect. So -- and you are softening double digits. So I think ourselves, in a way, we were lucky. We didn't have a huge footprint on the casualty business, but we have enough of a footprint to be able to do our own analysis. And again, it's selective.

The thing you have to treat different class of business, different geographies, you have to be able to do really selective price increases analysis to get comfortable that in certain jurisdictions with certain class of business, you think the business -- based on your own actual experience, the business makes sense to be written. So it's not -- I would not say it's a sea change that suddenly any pieces of business that come across your desk is going to be profitable. You have to be selective and have a thoughtful approach to what you want to underwrite. That's the market we are in.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. Got you. And the same question, I guess, for reinsurance, right? Reinsurance you're kind of relying on the seeds?

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. So again, I mean, the job of the reinsurer is still back the right companies. So I think we are -- for a while, I think we've been really underweight on the casualty U.S. quota shares and excess of loss. And I think this dislocation in the marketplace has allowed us to get on program that we wanted to get on 2 or 3 years ago because we like the underwriting. We like the limit discipline. We like the class of business they're right, but we couldn't get on because nobody was exceeding. So I think we -- and I think there is some sort of a flight into quality of who is here for the long term and who is not. And I think we're benefiting from that.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then, Francois, one quick one here for you on the investment portfolio. I guess, one, where are we looking at new money yields versus current book yields? And where are you deploying the assets you got out of MidCorp. Is there some more potential book yield to come out going forward?

Francois Morin
Executive VP, CFO & Treasurer

Yes. I mean part of the transaction was certainly some of the -- a good chunk of the assets came in cash. So our investment team has been very disciplined and thoughtful on kind of where to put that money to work. And -- but the good thing is just -- I mean, on money market or cash, we're still getting decent yields.

But yes, I'd say it's call it 4.5% on new money yield. I mean, as you see, the book yield and the new money yields are kind of pretty close to each other right now. We're still very short duration, very high-quality fixed income book. So that's not changing. But yes, there's certainly been, call it, the $2 billion in assets that we got, we are putting that to work and trying to that into the portfolio as best we can.

Operator

Our next question comes from the line of Joshua Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

I get it, there's less meaty sports talk than ever. But I was wondering, in the past, we've talked about the ROIC on the different legs of the Arch stool reinsurance, insurance mortgage. Could you review right now sort of state of the union on what the return on new capital is for the various businesses?

Francois Morin
Executive VP, CFO & Treasurer

We like all our businesses. That has not changed. The one thing that I'd say right now is, I mean, fourth quarter, we're a little bit kind of dependent on where the market goes at 1/1. So that is -- certainly, reinsurance has been just a really, really good environment for 2024. How does it play out in '25? It's still a little bit early to know for sure.

We think it's going to be still a very good market. Is it going to get better to the point where we have the ability to deploy that much more capital in reinsurance? We don't know quite yet. So that's kind of the answer. I mean, we're a little bit wait-and-see approach in terms of how the market plays out. But again, what we talked about this morning, the growth opportunities in casualty, in particular, I think, are exciting to us. So both insurance and reinsurance, I think we we're ready to play. And mortgage is -- I don't want to forget about mortgage. I mean this has been a terrific engine for us. Yes, no question that the origination market is not as large as we'd like it to be, but that's okay. I mean we've got terrific earnings coming from the in-force book. And we're finding other opportunities outside of primary MI in the U.S. and we're deploying the capital in the right way. So we're very comfortable with the mix right now.

Joshua David Shanker
BofA Securities, Research Division

Would it be wrong to paraphrase that reinsurance is better than insurance and mortgage, but that's pending what happens on 1/1?

Francois Morin
Executive VP, CFO & Treasurer

It's not wrong. I think it's a fair statement. It's better right now. We like to think it's going to stay better, but just don't know quite yet.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

It's a higher component -- reinsurance has a higher component of property business. So you have to think on the half of the business is property. So you -- it's high risk, high reward. So I think we have -- we get better high the high return, but it's also high risk as we saw this quarter. I think the insurance work is much more heavily geared towards casualty and professional lines. So I think it's an environment that has it's own challange. But it's a different set of return. I think you have to balance those 2. So -- and sometimes, the E in the ROE doesn't do enough of that.

Joshua David Shanker
BofA Securities, Research Division

And Francois, you made the comment of the origination market in mortgage isn't quite as strong as you'd like it to be. but also Arch has lowered its market share of new business compared to where it was 3 years ago or so. If Arch wanted to ramp it up, is there a possibility of growing that business without improvements in the origination market? Or would that cause pricing and margins to weaken in that business?

Francois Morin
Executive VP, CFO & Treasurer

Yes. It's becoming a more kind of homogeneous market, right? So I think the risk of trying to grow market share is just as you said, I think you have to cut prices I think we've built a very resilient, very high-quality book through picking different types of loans to ensure different geographies. I think we -- I mean, we are very comfortable with what we've done. But for us to move from the, call it, 16%, 17% market share and say we want to be at 18%, 19%, 20%. Right now, we just don't see that happening because the market, I think, will just react with us, and it will just push prices down.

So I think right now, I mean, I just be surprising for us to grow our market share that significantly in the near term.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes, we've asked this question all the time. And the answer is that we ended up in the worst place. I think status quo, the current status quo based on the Remember, we're dealing with monoline business. That's all what they have. So I think, ultimately, they're going to defend their book and we'll end up in a worse place. That has been the analysis that we carried.

Joshua David Shanker
BofA Securities, Research Division

Well, thank you very much for all the answers, and I'll let you go to lunch.

Operator

Our next question comes from Elyse Greenspan with Wells Fargo?

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

I'll just shove a few more in before lunch. But my first question is on Hurricane Helene right? I think you guys said it was 45% of cats. So I calculate that at just over $200 million, so that's like 1.5% to 1.7% market share, given your 12% to 14%. Is that about what you would expect, I guess, for these large type events? And does that share a good frame of reference when thinking about Milton?

Francois Morin
Executive VP, CFO & Treasurer

I mean, your math is about right, but the Helene is a bit unusual for us. I mean it's a little bit on the elevated side in terms of market share based on some of the accounts we wrote Again, Milton is different because it's Florida only. So it's -- we have a different mix of business there, a different type of accounts we write. So I would not draw a correlation or an analogy from the lean, call it, implied market share to what Milton could look like.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. That's helpful. And then my second one, I guess, is a follow-up on reserves, right? We had a another company this morning that kind of flagged they're kind of going to take an in-depth review and there might be some movement with their fourth quarter review. It sounds like from earlier questions that you guys really haven't seen like a change in loss trends or actual versus expected in the third quarter versus earlier in the year. But is there anything, I guess, that you're concerned about or anything that's come up with the quarterly reviews that you guys are paying particular attention to when we go into the end of year review?

Francois Morin
Executive VP, CFO & Treasurer

There's nothing unusual. I mean it's something we look at all the time. The trends are relatively stable. I mean we have views going way back that the loss trends that we were seeing in the market were a bit optimistic. So we've always taken a longer-term view of trends and we review those annually at a minimum, sometimes some twice a year. But yes, really nothing that stands out, that's, I'd say, unusual or that we're overly concerned with. I mean that's the standard kind of themes that we've been talking about for quite some time.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then I might just shove one last one in there. You guys have an upcoming Investor Day in a couple of weeks. Is this -- are you going to expecting to use this to lay out bigger strategy, financial targets something on capital, I guess. Can you just give us a little bit of a preview of what you expect to talk to us about in a few weeks?

Francois Morin
Executive VP, CFO & Treasurer

We're just missing you guys in person. So that's why we schedule this. But no, I wouldn't expect anything really unusual from the upcoming Investor Day. We you've known this for a while, the strategy remains the same. Nicolas will obviously be focal point. So we'll make sure everybody gets to hear a bit more from how we want to shape the company going forward, but I would not message or think that there's anything unusual or kind of a new regulation that you should expect to hear from us in a couple of weeks.

Operator

I would now like to turn the conference over to Mr. Nicolas Papadopoulo, for closing remarks.

Nicolas Alain Emmanuel Papadopoulo
CEO, President & Director

Yes. So there's not any more questions. So this will conclude our presentation today. And thank you for your questions, and we see you next quarter.

Operator
Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect.