Cincinnati Financial Corporation NasdaqGS:CINF

Earnings Call

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Call Participants

EXECUTIVES

Dennis E. McDaniel
VP & Investor Relations Officer

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Stephen Michael Spray
President & Director

Steven Justus Johnston
Chairman & CEO

ANALYSTS

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Raymond James & Associates, Inc., Research Division

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BofA Securities, Research Division

Jon Paul Newsome
Piper Sandler & Co., Research Division

Mark Alan Dwelle
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Keefe, Bruyette, & Woods, Inc., Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

Presentation

Operator

Good day, and welcome to the Cincinnati Financial First Quarter 2023 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to Dennis McDaniel, Investor Relations Officer. Please go ahead.

Dennis E. McDaniel
VP & Investor Relations Officer

Hello. This is Dennis McDaniel at Cincinnati Financial. Thank you for joining us for our First Quarter 2023 Earnings Conference Call. Late yesterday, we issued a news release on our results, along with our supplemental financial package, including our quarter end investment portfolio. To find copies of any of these documents, please visit our investor website, cinfin.com/investors. The shortest route to the information is the Quarterly Results link in the navigation menu on the far left.

On this call, you will first hear from Chairman and Chief Executive Officer, Steve Johnston; and then from Executive Vice President and Chief Financial Officer, Mike Sewell. After their prepared remarks, investors participating on the call may ask questions. At that time, some responses may be made by others in the room with us, including President, Steve Spray; and Cincinnati Insurance's Chief Investment Officer, Steve Soloria; Chief Claims Officer, Marc Schambow; and Senior Vice President of Corporate Finance, Theresa Hoffer.

First, please note that some of the matters we discuss today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC.

Also, a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and, therefore, is not reconciled to GAAP.

Now I'll turn over the call to Steve.

Steven Justus Johnston
Chairman & CEO

Thank you, Dennis, and good morning. Thank you for joining us today to hear more about our results. Net income of $225 million for the first quarter of 2023, rebounded from a net loss position for the same quarter a year ago. As gains and losses from securities still held in our equity portfolio run through net income, we'll continue to experience these swings. Last year, we saw a reduction in portfolio fair value, and this year, we recognize a significant investment gain. We aren't concerned with these quarterly fluctuations in our equity portfolio. We believe the value will continue to grow over the long term. Currently, our equity portfolio holds $5.7 billion in appreciated value.

Non-GAAP operating income of $141 million for the quarter was down $119 million from a year ago, including catastrophe losses that were $163 million higher on an after-tax basis. Our 100.7% first quarter 2023 property casualty combined ratio was 10.8 percentage points higher than last year's first quarter driven by an increase of 11.0 points for catastrophe losses.

Our first quarter 90.1% ex-cat accident year combined ratio was 0.8 percentage points worse than the same period a year ago but 0.1 points better than the full 2022 ex-cat accident year combined ratio of 90.2% that we reported at our last conference call.

Despite the increase in catastrophe losses and the persistency of elevated inflation effects, we see several reasons to be confident about performance for the remainder of the year. Pricing during the first quarter of this year was higher than the fourth quarter of last year for each major line of business. To help address inflation, we also make changes to factors that adjust premiums to account for rising property costs.

On a current accident year basis, measured at March 31 before catastrophe losses, our 2023 consolidated property casualty loss and loss expense ratio improved from 2022 by 6.7 percentage points on a case-incurred basis, which includes a 1.6 point improvement on a paid basis. However, we increased the incurred but not reported, or IBNR component of the ratio by 9.2 points as we continue to recognize uncertainty regarding ultimate losses remaining prudent in our reserve estimates until longer-term loss cost trends become more clear.

We also earned a small underwriting profit on our commercial umbrella line for the quarter, another positive given recent quarter challenges we and the industry have experienced in various casualty lines of business. We're proud of our underwriters who are working with Cincinnati's appointed insurance agencies to overcome various challenges facing our industry. They continue to emphasize retention of profitable accounts, addressing the ones that we determine have inadequate pricing while also seeking profitable new business.

While the first quarter of last year was a record high for new business at that time and created a difficult comparison for growth this year, we believe our associates' pricing and underwriting discipline was also a factor in our 14% reduction in commercial line's new business written premiums in the first quarter of this year.

Turning to net written premiums. The consolidated property casualty result rose 6% for the first quarter. That included a 10% increase in the first quarter renewal written premiums with a significant portion from higher levels of insured exposures as we factor in elevated inflation. Our commercial lines insurance segment had estimated average renewal price increases near the high end of the mid-single-digit range. Our excess and surplus lines insurance segment moved higher in the high single-digit range. And personal lines average renewal price increases were in the mid-single-digit range, including both auto and homeowner. As we previously disclosed, we expect premium rates will continue to rise for our personal auto line of business, reaching a full year 2023 premium rate increase of approximately 10%.

I'll briefly highlight premium growth and profitability by insurance segment. Commercial lines grew first quarter 2023 net written premiums 4%. Its combined ratio was 8.1 percentage points higher than a year ago, including 9.0 points from catastrophe losses. Personal lines grew net written premiums 20%, largely from planned expansion of Cincinnati Private Client business for high net worth clients of our agencies. Its combined ratio was 28.6 percentage points higher than a year ago, including 23.0 points from catastrophe losses.

Excess and surplus lines had a combined ratio of 89.9% with net written premiums growing 10%. Its combined ratio was 4.0 percentage points higher than a year ago, including a 16.0 point increase in the IBNR component. Both Cincinnati Re and Cincinnati Global had an impressive level of profitability for the first quarter of 2023. Cincinnati Re had a 79.6% combined ratio while net written premiums decreased by 9%. We benefited from the firm reinsurance market. Our pricing is stronger relative to the risk we assumed, and we tightened terms and conditions, while also exercising underwriting discipline. We reallocated capacity to participations where seeding companies selected higher loss retention levels and non-renewed certain quota share reinsurance treaties, where we had previously assumed risk on a retrocessional basis.

Cincinnati Global's combined ratio was 87.5% with net written premium growing 25%. Our life insurance subsidiary had another good quarter with net income up 12% from last year's first quarter in term life insurance earned premium growth of 4%.

I'll conclude, as usual, with the value creation ratio, our primary measure of long-term financial performance. Our first quarter 2023 VCR was 3.1%. Net income before investment gains or losses contributed 1.3%, while favorable valuation of our investment portfolio added another 1.9%.

Now our Chief Financial Officer, Mike Sewell, will comment on other key factors of our financial performance.

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Thank you, Steve, and thanks to all of you for joining us today. Investment income continued to grow, up 14% for the first quarter 2023 versus last year and outpacing the 12% we reported for the fourth quarter. Dividend income increased by 2% for the quarter as dividend rates are increasing more slowly. Looking ahead to next quarter's dividend growth, you may remember, we received a $5 million special dividend from one of our stockholdings in last year's second quarter that will make for a tough comparison in the second quarter of 2023.

Net equity security purchases for the first quarter totaled $18 million. Bond interest income was up 14% in the first quarter compared with the first quarter of 2022. We added more fixed maturity securities to our investment portfolio with net purchases totaling $303 million for the first 3 months of the year. The pretax average yield of 4.25% for the fixed maturity portfolio was 24 basis points higher than a year ago. The average pretax yield for the total purchased taxable and tax-exempt bonds during the first quarter of 2023 was 6.18%.

Valuation changes for our investment portfolio during the first quarter of 2023 were favorable in aggregate for both our stock and bond holdings. The overall net gain for the quarter was $269 million before tax effects. At the end of the quarter, total investment portfolio net appreciated value was approximately $5 billion. The equity portfolio was in a net gain position of $5.7 billion, while the fixed maturity portfolio was in a net loss position of $684 million.

Cash flow continued to augment rising bond yields, helping to grow interest income. Cash flow from operating activities for the first 3 months of 2023 was $250 million, up 26% from a year ago.

Regarding expense management, we intend to appropriately balance controlling expenses with making strategic investments in our business. The first quarter 2023 property casualty underwriting expense ratio was 1.7 percentage points lower than last year. Most of the decrease was from a small ratio for accrued profit-sharing commissions for agencies and related expenses.

Moving on to loss reserves. We maintain a consistent approach that targets net amounts in the upper half of the actuarially estimated range of net loss and loss expense reserves. As we do each quarter, we consider new information such as paid losses and case reserves and then updated estimated ultimate losses and loss expenses by accident year and line of business.

During the first quarter of 2023, our net increase in property casualty loss, loss expense reserves was $271 million, including $266 million for the IBNR portion. We experienced $59 million of property casualty net favorable reserve development on prior accident years that benefited the combined ratio by 3.2 percentage points.

On an all-lines basis by accident year, net reserve development for the first 3 months of 2023, included favorable $44 million for 2022, unfavorable $2 million for 2021, favorable $34 million for 2020 and unfavorable $17 million in aggregate for accident years prior to 2020.

We remain steadfast in how we approach capital management, and we repurchased shares that include maintenance intended to offset shares issued through equity compensation plans. We believe our financial flexibility is quite good and that we have excellent financial strength.

During the first quarter of 2023, we repurchased nearly 202,000 shares at an average price per share of $123.84. As in the past, I'll conclude with a summary of the first quarter contributions to book value per share. They represent the main drivers of our value creation ratio. Property casualty underwriting decreased book value by $0.05. Life insurance operations increased book value $0.12. Investment income other than life insurance and net of noninsurance items headed $0.46. Net investment gains and losses for the fixed income portfolio increased book value by $0.81. Net investment gains and losses for the equity portfolio increased book value by $0.53, and we declared $0.75 per share in dividends to shareholders. The net effect was a book value increase of $1.12 per share during the first quarter to $68.33 per share.

And now I'll turn the call back over to Steve.

Steven Justus Johnston
Chairman & CEO

Thanks, Mike. Before we open the call for questions, I'd like to comment on some transitions within our Cincinnati Re team. Later in the first quarter, Managing Director and Head of Cincinnati Re, Jamie Hole, resigned to pursue other interests. We thank Jamie for his significant contributions to our reinsurance business and for his work in assembling a strong team of seasoned reinsurance professionals. We wish him well with his motor sports ambitions and with any other future endeavors.

Phil Sandercox, who has led our Casualty Reinsurance division since 2016, is now leading Cincinnati Re. Phil has more than 35 years of reinsurance experience, including leadership roles with Aspen Re America and Gen Re. We are all confident in the future of Cincinnati Re under Phil's leadership and look forward to continuing to grow this aspect of our business over time.
As a reminder, with Mike and me today, are Steve Spray, Steve Soloria, Mark Schambow and Theresa Hoffer. [indiscernible], please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Greg Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

I'd like to begin -- I was going through your press release on Page 4, you talk about how the commercial lines average renewal pricing was near the high end of the mid-single-digit percent range. And then in the next sentence -- and you commented this in the prepared remarks, you talked about the 14% decrease in new business written by agencies. So it seems to be moving in 2 different directions, strong pricing or increasing pricing. And is it increased competition? Maybe you could give us a sense of why pricing is holding up, yet there's more competition for new business at least?

Stephen Michael Spray
President & Director

Yes, Greg, thanks, Steve Spray here. First of all, on that higher end of the mid-single-digit range, on average, I think the key to that for us as well, and I'd like to talk about it, is just the segmentation that we have in the book. So the average certainly doesn't tell the entire story. We're segmenting the book. We're getting more rate on those risks that we feel like we need more and then really focused on retaining those accounts that we feel we've got an adequate price on.

Rates are still strong on the renewal book. And then to your question on new business, the field reps across the country, whose primary responsibility is to underwrite and price new commercial lines business, they have just executed precisely the way we have wanted them to. And it is around underwriting and pricing discipline. We've got the tools for them to use per risk to know how their pricing is on each one of those risks. And they've just been showing just great discipline on the pricing. So it's -- it is really around, I would say, price adequacy is where we're feeling the pressure and competition, I think, [indiscernible].

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Just as a follow-up to that answer. Is there any geographic areas that are -- seem to be running a little hotter from a competition standpoint? Or is it just fairly broad-based?

Stephen Michael Spray
President & Director

I would say there are areas that get hotter than others from time to time, Greg. And the way we look at the business is we still think insurance and commercial insurance is a local business. So we'll have local competitors or regional competitors in probably almost every state where we do business. Obviously, we compete with the nationals as well. But yes, there are different jurisdictions that will run hotter or colder than others or you'll see increased competition more so in a specific state than you will another. But it bounces around quite a bit, quite frankly.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Yes. I guess the second and other question I have is just like on the underlying margin in commercial. It seems like [indiscernible] inflation running there. Just going over your statistics in the commercial casualty, property and auto. Can you talk about how you're feeling about your reserve position and the inflation trends? Have you altered your inflation assumption rates for '23 versus '22, et cetera?

Steven Justus Johnston
Chairman & CEO

Greg, this is Steve Johnston. And I think for your question, we still see inflation. We feel that we're in a good position in terms of, as Steve described, the -- and I described in the set presentation, the increases that we are getting in terms of keeping pace and exceeding our loss cost inflation. Keep in mind for us, it's always prospective. We're basically always trying to look at data that we have, forecast out what we think will be the loss costs in prospective policy periods and then do our best to charge premiums that cover those loss costs and provide our target profit returns. And we feel we're in a good position to do that.

And also our underwriting, everybody on the team is chipping in on this in terms of underwriting. Steve mentioned the segmentation. Our book continues to shift to a mix that we feel is a mix that contains more of the policies with the high profit potential than the low profit potential. That's an ongoing effort that we have, and we feel very optimistic about our future prospects.

Operator

Our next question comes from Mike Zaremski from BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

I guess first question on -- stick with commercial lines and kind of talk about pricing versus exposure. So I feel like you and others have talked about updating replacement costs, which I believe is more on the property side to reflect the inflationary levels of inflation to per square foot to replace things. And am I correct that runs through exposure and not through pricing? And if so, kind of is there any numbers you can put around where you are in terms of getting your exposure levels to kind of be in line with the updated replacement costs? And is that also -- is this phenomenon also driving up pure pricing exposure too?

Stephen Michael Spray
President & Director

Mike, again, Steve Spray. Great point. And yes, for quite a few quarters now, we have continued to -- quite frankly, we're always taking increases in the exposure on the property side and on the casualty side for that matter, you have wage inflation, you have increased sales on casualty. But on the property, we always are taking inflationary increases on property values. And as those have obviously increased or been persistent, we've increased those percentages.

As far as a breakdown between net rate and exposure change on commercial property, I would say it's about 50-50 for the first quarter -- I'll just speak to the first quarter of '23. But it's about half and half rate and exposure. And I know you're not asking this right on that specific question, but you have the same phenomenon in homeowner as you do commercial property.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. And so then back to the previous question, Greg, then the -- if we think about your pricing and premium growth, it would -- is it -- the premium growth decelerated a lot. Is -- was there -- is it just there were some tough comps? Or are you kind of -- are there like some types of maybe corrective actions being taken to get the combined ratio down to lower levels? And then I know my next question is on the catastrophe load. So I don't know if that delves into that, too.

Stephen Michael Spray
President & Director

Yes. I think -- this is Steve Spray again. Steve Johnston may want to weigh in here as well. I do think, yes, it is -- it's pricing and underwriting discipline that is showing up. Our retentions remain strong. The mix of business can change a bit that can affect that. Obviously, the new business being under a bit of pressure from our underwriting action and our pricing.

If you would note in the last several quarters, we've had some increased loss experience in umbrella. We're taking corrective action as an example, on our umbrella line of book, reducing capacity, increasing pricing, that's putting pressure on the umbrella policy retention. So it's a multitude of things. It's a great question, but there's a lot of moving parts there, as you pointed out.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Great. And my final question was just, is it fair for us -- and I appreciate, right, one of the reasons [indiscernible] protect against catastrophe losses, and so it's just inherently going to be volatile. But the catastrophe levels, it feels like it's been a bit of a trend higher than expected, if I think over the last decade-plus. So is it fair for us in our models to just look at an average of -- catastrophe losses by segment over -- we can do -- we can go back 15 years or so? Is that the way you guys think about it? I know there's just -- there's changing dynamics, too, with higher reinsurance costs, too, which some companies have kind of told us -- I know there's still ongoing negotiations, but they've kind of hinted at we might be retaining more, which you guys gave some disclosure to, which could also increase the catastrophe load level. So any thoughts on whether -- also kind of thinking that maybe catastrophe levels are expected to be a bit higher on a forward basis?

Steven Justus Johnston
Chairman & CEO

This is Steve Johnston. And Mike, the way we go about it, and we don't give guidance on the cats as we do a combination of looking at our past experience, the way you described it, but also using our models, the catastrophe models in terms of building the loads that we have in. And there is just volatility across time.

I think one of the make-ups of our business that might be different is that we have more exposure to severe convective storm, which has a higher frequency but lower severity distribution. And we have just seen more of that type of loss, particularly here in the first quarter but over a period of time.

So we focus on the overall and realizing we're going to have losses, whether they be cats or they're in the ex-cat bucket and focus on making sure that we can keep that combined ratio to our target level. And I think we've been successful with it now with 11 years in a row with a combined ratio under 100. And so we'll continue to take action to help mitigate the catastrophe losses in our underwriting and selection and so forth.

I would say since we did increase the retention on our cat program and talked about that in the last call, that would not have an impact on the cats that occurred in the first quarter of this year. They were all under $100 million, which was our retention prior to our change.

Operator

Our next question comes from Paul Newsome from Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

I was hoping, first, you could maybe dumb down for me the IBNR increase in the quarter and where are the pieces of that added conservativeness is coming from and just how we should -- maybe just a little bit more of how you think we should interpret that piece in particular?

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Paul, this is Mike Sewell. Let me -- I'll make a brief comment and then whether or not anyone else wants to add on to that. But for the IBNR for the quarter, we do lay that out really nicely, I think on Page 10 in the supplement. And so you obviously know that you can see from there that, through March, we added $209 million of net loss IBNR, and that compared to an increase of $52 million through the same quarter of last year. The largest increase of that IBNR in the first quarter was related to the commercial casualty, which was about $101 million. We did add $50 million of IBNR between CGU and Cinci Re. We added some on the E&S, $26 million there; and then also commercial auto, $24 million; and homeowner, $21 million.

Part of the $209 million in total that was added, there was a $19 million decrease in IBNR related to catastrophes. So we had some favorable development in there. But of course, IBNR is only one ingredient to the entire loss combined ratio, et cetera. So -- but that's kind of a summary. And maybe, Steve, if you got anything else.

Steven Justus Johnston
Chairman & CEO

Yes, excellent coverage by Mike there. And I thought I would also maybe talk a little bit about more -- maybe a little more detail on the comment I made in my fixed talk about the current accident year quarter having an improvement on a case-incurred basis. And when we speak case incurred, and I think it's pretty common for the industry, it would be the paid losses plus the case reserve. And that's where we saw -- when we look at those 2 elements, a 6.7 percentage point improvement over the first quarter a year ago.

However, we did add IBNR of 9.2% loss ratio points. So we think it's a good point to make and that we see the improvement in the underlying case incurred ratio. But prudent as we always are with reserves as the -- we recognize that the first accident quarter is very green. We did add a pretty substantial amount of IBNR. And so I think it gives us a good position and that we're seeing improvement in the paid -- in the case, yet we're still being true to our prudent reserving and the strong balance sheet that we always advocate.

And actually, while it wasn't in the script, the same would hold for our first quarter calendar year loss ratio improvement in the paid, improvement in the changing case. And we added about 10.5 points of IBNR. And so in total, it was up 1.7%. But just kind of decomposing that total loss ratio into paid case IBNR and comparing it to the quarter prior. Just to give a little more color on that.

Jon Paul Newsome
Piper Sandler & Co., Research Division

That's great. And I apologize if I was just a little slow. Separate question. I think on the last earnings conference call, you folks mentioned that you thought that the company was capable this year of getting sort of mid- to low 90s combined ratio. Maybe you could square those comments with what happened in the actual results in the first quarter. And should we think about the remainder of the year differently, given what happened in the fourth quarter? Just to kind of maybe square those comments with what happened and how we should think about it prospectively?

Steven Justus Johnston
Chairman & CEO

Sure, Paul. And you're never slow on anything. You always are on top of things. We still feel confident in the same guidance that we gave. The last time, I think catastrophe losses are a little higher than we would have probably anticipated for our first quarter, but we still have 3 quarters to go. And with all the positives we see happening in terms of pricing, segmentation, underwriting, loss control, the whole team effort that we're putting forth, we still stand by the same guidance.

Operator

We now have a question from Meyer Shields from KBW.

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

First question, I guess, it seems like at 1/1, there was no shortage of well-priced property premium reinsurance premium available for anyone that wanted it. And we didn't see or we saw the decline in reinsurance premiums, I don't know breakdown between property and other lines. So I was hoping you could sort of describe your current appetite for -- specifically for cat reinsurance business.

Steven Justus Johnston
Chairman & CEO

Yes. Excellent question. The net written premium for Cinci Re was down. I think it was due to intentional action that we took in a couple of areas. One, we were assuming business retrocessional business. And as part of a re-underwriting effort or looking at the Cincinnati Re book, we didn't feel that we wanted to do that anymore. And so we exited doing property retrocession assuming. And that premium decrease really represented all of the decrease in the Cincinnati Re premium for the quarter as a result of no longer doing property retrocession reinsurance.

We also -- as we look at each contract quantitatively, qualitatively and look at the risk reward, felt that we were best served to go higher as other companies increase their retention the way we did, those that we were reinsuring that we're doing the same. We stayed with those at better rates, better terms and conditions, I'd say, on that property part, strong double-digit increases.

And so with the reinsurance business, it's profit first, and we are looking at every avenue of growing and growing profitably. This quarter, we thought we needed to take some action there with the retrocessions. But we are very confident on a go-forward basis of continued growth as you kind of suggest in your question, it's out there. We have a talented, very talented team that is well positioned to take advantage of the opportunities.

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

Okay. That's helpful. I really appreciate the clarification. Second question, this is more of a process question. We're hearing a lot of discussion of [indiscernible] E&S market. And I was wondering, within Cincinnati, is there like an official capability to transfer that program from your admitted segments to E&S?

Stephen Michael Spray
President & Director

Steve Spray. With E&S business, the -- I guess the official process is, every state is a little different. When you have an account that's admitted, you need to typically get a certain number of admitted market declinations before you can export that to the non-admitted market. And so I think to answer your question, if I don't hit it, follow up on that with me, but to just move something from our admitted market into non-admitted, you cannot do that. You need to get the -- you need to follow the -- what they call a diligent search to do that.

That being said, -- we are -- our E&S business CSU is about 90% casualty. We are writing an increased amount of homeowner business on an excess of surplus basis. And I think we're doing an excellent job providing our agents and the policyholders in their communities with alternatives and with capacity in areas that are maybe a little more just -- they're prone to E&S solution. And I think we've been able to be very nimble, very flexible and really step-up for our agents and on E&S on all fronts. So hopefully, that answers your question.

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

It does, very thoroughly. And then one final question. And -- it's going to sound like nitpicking, so I apologize in advance. But Steve, in your introductory comments, you talked about uncertainty over loss trends. And I guess I was wondering whether it's actual uncertainty or whether we're seeing practically speaking, in casualty lines like real signs of loss trends, just maybe the word uncertainty surprised me.

Steven Justus Johnston
Chairman & CEO

Yes. I think uncertainty had to do with when you're making trends coming out of pandemic and the time period that you look at, when you look at increasing inflation in different areas and how it's evolving, social inflation, I think economic conditions in terms of what one might expect in terms of a possible recession, just all the various different things of uncertainty that go into it. It was more of a, I think, a general statement, Meyer.

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

Okay. Thank you for your patience and clarifications.

Steven Justus Johnston
Chairman & CEO

No, that's -- it's a good question. Thank you.

Operator

Our next question comes from Mark Dwelle from RBC.

Mark Alan Dwelle
RBC Capital Markets, Research Division

I think what I want to try to do is just knit together some of the things that we've been talking about already this morning. In the 10-K -- hello?

Steven Justus Johnston
Chairman & CEO

We're here. We're here. Can you hear us?

Mark Alan Dwelle
RBC Capital Markets, Research Division

Yes, I was getting some echo. In the 10-Q, there's a comment with respect to the commercial umbrella that kind of add -- it suggested that it added about 1 point to the Commercial Lines combined ratio in the quarter. It also suggested in the same subsequent paragraph that there was a substantial IBNR add. And then I think you said in your opening remarks that you're kind of pleased with the fact that, that line had become profitable this quarter after -- that was a line that had been difficult over the last several quarters and certainly gave rise to some reserve adds earlier last year.

So I guess what I wanted to try to ask is maybe using that particular line as a lens, what are you trying to communicate there? Is this a line that you like or a line that is rehabilitating? I guess I feel like there's a lot of different noise going on and the different things that you're trying to communicate there.

Steven Justus Johnston
Chairman & CEO

Yes. I guess cutting right to the chase, it is a line that we like. It is a line that we saw a challenge last year. It is a line where we've taken corrective action on multiple fronts, and we see it in an improving fashion now, and it did produce a small underwriting profit for the first quarter that we were happy to see. And so I think the most important point is it's been a line of business that has been good to us for decades in terms of growth and profitability, and we think it will in the future and that it has needed a little bit more attention here of late and that we've given it that attention.

Mark Alan Dwelle
RBC Capital Markets, Research Division

And then -- and so the drag that it's producing on the overall combined ratio, is that exclusively the result of the IBNR add? Or is that just reflective of the fact of where it is in its, I'll call it, rehabilitation cycle that it had been a bigger drag, and now it is a smaller drag even with an IBNR add?

Steven Justus Johnston
Chairman & CEO

That's right. And it is, I think, comparing to our ex cat combined ratio when we talk about the deterioration.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Right. Of course. Okay. Yes. And I think you had commented earlier about some of the pricing action. Can you give a general idea of where -- I know the overall growth in the line was about 10% on the premium but what -- where the range of pricing improvement on that is?

Stephen Michael Spray
President & Director

Yes. Yes. Mark, I would say that the -- that's almost exclusively price in that 10%.

Mark Alan Dwelle
RBC Capital Markets, Research Division

So really not. So the exposure is probably flat to even maybe declining a little bit, and the rate is really everything that's happening there?

Stephen Michael Spray
President & Director

That's correct.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Got it. Okay. The second thing, again, this is building on a question you just answered for Meyer. I just wanted to make sure I kind of got that right. As far as the decline in premium in the reinsurance unit, it sounds like it's ultimately sort of 2 things: one being that you've exited some portion of the retro, the property retro market. And the second is that you're higher in the tower. So accordingly, you're getting less premium. And accordingly, in theory, should be taking more distant exposure, all else equal. So if I reach the right conclusion on that, you have net reduced your overall cat and property exposure as a result of the underwriting actions you're taking there?

Steven Justus Johnston
Chairman & CEO

That's exactly right. And Mark, probably well -- better stated than I did.

Mark Alan Dwelle
RBC Capital Markets, Research Division

I had the advantage of being able to listen to the answer first. All right. And then one more question that I wanted to talk about, and this is on the personal lines side. And it's also going to be a catastrophe-related kind of question. So you had 30 points of current period cat exposure. In my recollection, that's among the highest ever for that segment of the business. As you think about the 30 points that you had, and we know that there is a certain number of events in the quarter, when I think about that number, should -- is that a product of the particular geographies that were impacted? Was it a product of the changes that you've made and where your reinsurance attaches and how that coverage operates? Or is it a change in the fact that you're writing a lot more high net worth homeowners and accordingly, pound for pound, if the tornado hits a $1 million house, that's a bigger impact than if it hits a $500,000 house. Which of those pieces, I guess, dominate as far as why that number was quite as large as it was?

Steven Justus Johnston
Chairman & CEO

Yes. I would say, first off, I wanted to clarify that it didn't have to do with us buying less reinsurance, and that -- for those that occurred in the first quarter, each of them were under $100 million, which was our retention in 2022. So our raising our retention did not impact that any. I think that it was just widespread. I think that for the third quarter in a row, we had one that happened on virtually the last day of the quarter, which makes it a little bit tougher to estimate in the time frames we have to estimate them, which leads to a little bit of uncertainty, still saying we made our best estimate, and our claims people do a great job of being out there and on the spot and making estimates, but it was just a widespread quarter where there were a lot of catastrophes that affected us.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Okay. So if I'm hearing you right on that, it's sort of a frequency plus maybe a little extra scoop of conservatism just because it was right at the end of the quarter?

Steven Justus Johnston
Chairman & CEO

Certainly on the frequency, I'm hoping that way on the extra scoop, but we do get with our best estimate, and we'll have to wait and see how that 1 plays out. I might have tipped my hand a little bit to my personal thoughts on that.

Operator

Thank you. And our next question comes from Grace Carter from Bank of America.

Grace Helen Carter
BofA Securities, Research Division

So new business written has been pretty strong in personal lines for the past several quarters. I was just wondering how that's trended relative to expectations as you've ramped up rate increases and how you see that progressing over the course of the year as you continue to do so? And if there's just any differences you're expecting this pricing cycle versus previous periods where you've needed higher rate just given the increased tilt towards high net worth business?

Stephen Michael Spray
President & Director

Grace, Steve Spray. Great question. I think a lot of the growth that you're seeing in personal lines is our continued growth in the high net worth area. I would also add that we're now about -- as a company, we're about 50% high net worth or private client and 50% middle market. And we think that gives us an advantage in the marketplace for our agents. And over the last several years, personal lines was taking necessary corrective action, primarily in the middle market space, pretty tough action in some specific states. And that put a lot of pressure on growth over time.

And we think we've got that turned. And so that now bottoming out and coming back up has helped us with growth in personal lines. I would also add that we have continued to improve in pricing sophistication in personal lines. That's contributing there as well.

I might add that -- and Steve mentioned it in his script, of what we're doing with rate increases. And as those continue to come in to the written premium, and then also as over a longer period of time as they continue to earn, I would expect that it's going to put some pressure on our new business growth.

Grace Helen Carter
BofA Securities, Research Division

And just one more quick question. Is there anything worth calling out from the recent reforms in Florida in the results this quarter?

Stephen Michael Spray
President & Director

Again, Grace, this is Steve Spray. I would say that -- we look at the changes in Florida, just on the surface, it's very positive. We think it's a move in the right direction. But I think it is far too early to tell how that's going to play out. But we think it's promising, something we're going to watch very closely, but probably too early to draw any conclusions.

Operator

[Operator Instructions] Our next question is coming from Mike Zaremski with a follow-up at BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

[indiscernible] I guess you gave us some good color on the paid loss ratios improving a bit, which we can also do the math ourselves. I guess [indiscernible] commercial umbrella which popped up last year, which you guys haven't specifically mentioned it. Is -- do you feel that the trends you're seeing are normalizing commercial auto for the industry too and for everyone seems to be kind of getting worse again with social inflation potentially? Or maybe it's just [indiscernible] severity side? So just kind of curious as pricing is moving in the right direction. It seems like the paid loss ratio moving in the right direction. But do you -- maybe you could touch on commercial auto and umbrella. And do you feel like industry-wide pricing is moving in the right direction because loss costs are also kind of moving a bit higher?

Steven Justus Johnston
Chairman & CEO

Yes. It's Steve Johnston. Good question, Mike. I do think that we're taking the appropriate action. I do think that we're seeing a little bit more of a normalization of the trends in umbrella. However, I want to be cautionary in that it's still, for us, volume-wise, it's a low frequency, high severity line for us. So it is going to have noise from time to time. And that makes the trends a little bit harder. But I do think that we're seeing the action that we're taking, both on the pricing and underwriting side, having a positive effect.

And I would say, basically, the same thing for commercial auto. It's an area where we've paid good attention to over a long period of time, and I think we're on the right track and feel optimistic about it.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful. And maybe the last follow-up, just because Cinci has best-in-class disclosure on the property side, both on commercial and personal lines. Is it fair to look at a ratio excluding large losses and then looking at the accident year that way? Because if you do that, the accident loss ratio is up on the property lines. Any thoughts there?

Steven Justus Johnston
Chairman & CEO

Yes. I think -- and thank you for the compliment on the transparency and the disclosure. I think what we like to do is lay it out there with as much detail for you so that different people, different analysts have different ways that they go about making their forecast. And so if you want to do something ex cat, ex large loss and then build in kind of a long-term provision for both or you want to do it just ex cat and building a long-term provision for ex cat, you can do it that way.

So we just basically try to lay out as much detail as we can for you, be as transparent as possible and give you as much information as we can so that you can do your jobs well.

Michael David Zaremski
BMO Capital Markets Equity Research

And so if we do that, the underlying ratios in property have been getting [indiscernible]. Is that why there's corrective actions being taken and pricing is moving higher? And is that a fair way of looking at things and why you're getting more exposure to reprice on the replacement costs? So just trying to see if that's -- that ratio is okay for us to look at as a -- the trend still looks like it's not improving at this point.

Steven Justus Johnston
Chairman & CEO

Yes. No. We have been taking the rate in property and corrective action in property for some time. We do our rate indications. In terms of where we're getting the rate, we feel comfortable as we do our forecast on the property line. We're getting solid rate increases, a solid increase in terms of the exposures, as Steve mentioned earlier, really looking at our underwriting as well, improving on our technology and just really addressing it on all fronts. And we feel pretty good about the way we're going.

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to Mr. Johnston, for any closing remarks.

Steven Justus Johnston
Chairman & CEO

Thank you, [indiscernible], and thanks to all of you for joining us today. We hope to see some of you at our Annual Meeting of Shareholders on Saturday, May 6, at the Cincinnati Art Museum. You're also welcome to listen to our webcast of the meeting available at cinfin.com/investors. And we look forward to speaking with you again on our second quarter call. Have a great day.

Operator
The conference has now concluded. Thank you for attending Cincinnati Financial's presentation. You may now disconnect.