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Earnings Call

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Call Participants

EXECUTIVES

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Executive VP & CFO

Joseph Patrick Lacher
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Karen Guerra
Vice President of Investor Relations

Matthew Andrew Hunton
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ANALYSTS

Andrew Scott Kligerman
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Brian Robert Meredith
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Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to Kemper's Fourth Quarter 2023 Earnings Conference Call. My name is Ludi, and I will be your coordinator today. [Operator Instructions] As a reminder, this conference call is being recorded for replay purposes.

I would now like to introduce your host for today's conference call, Karen Guerra, Kemper's Vice President of Investor Relations. Ms. Guerra, you may begin.

Karen Guerra
Vice President of Investor Relations

Thank you, operator. Good afternoon, everyone, and welcome to Kemper's discussion of our fourth quarter 2023 results. This afternoon, you'll hear from Joe Lacher, Kemper's President, Chief Executive Officer and Chairman; Brad Camden, Kemper's Senior Vice President and Interim Chief Financial Officer; and Matt Hunton, Kemper's Executive Vice President and President of Kemper Auto.

We'll make a few opening remarks to provide context around our fourth quarter results, followed by a Q&A session. During the interactive portion of our call, our presenters will be joined by Duane Sanders, Kemper's Executive Vice President and President of the P&C division; John Boschelli, Kemper's Executive Vice President and Chief Investment Officer; and Chris Flint, Kemper's Executive Vice President and President of Kemper Life.

After the markets closed today, we issued our earnings release and published our earnings presentation and financial supplement. We expect to file our Form 10-K with the SEC within the next week. You can find these documents in the Investors section of our website, kemper.com.

Our discussion today may contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include but are not limited to the company's outlook and its future results of operations and financial condition. Our actual results and financial condition may differ materially from these statements. For information on additional risks that may impact these forward-looking statements, please refer to our 2020 (sic) [2023] Form 10-K and our fourth quarter earnings release.

This afternoon's discussion also includes non-GAAP financial measures we believe are meaningful to investors. In our financial supplement, earnings presentation and earnings release, we've defined and reconciled all non-GAAP financial measures to GAAP where required in accordance with the SEC rules. You can find each of these documents in the Investors section of our website, kemper.com. All comparative references will be to the corresponding '22 (sic) ['23] period, unless otherwise stated.

I will now turn the call over to Joe.

Joseph Patrick Lacher
Chairman, CEO & President

Thank you, Karen. Good afternoon, and thank you for joining us today. We're obviously going to spend time on our quarterly results on the call, but before we jump in, I want to make some comments about the overall environment.

A number of quarters ago, we referenced a slide that looked at rate and loss trend over time. It showed a pre-pandemic period where rate and loss inflation were in balance; and early pandemic period where rate increases dropped to zero, with loss inflation negative, driven by lower frequency from less driving; and a recovery period where earned rate lagged inflation, profitability was pressured, and significant underwriting and non-rate actions were needed to combat the lag in earned rate impact.

We're exiting this recovery phase now. Cumulative earned rate increases have exceeded cumulative loss inflation, and underwriting profitability has been reliably restored. We're now moving into the next phase in this journey, from recovery to a rebalancing phase. This period will be characterized by 3 key items: one, rate increases will continue but will largely match to inflation, back to maintenance rate changes, if you will.

Two, the significant underwriting and non-rate actions implemented during the recovery phase will thoughtfully be removed. Recall that these actions were taken to improve profitability when rate changes were lagging. As residual rate increases earn in, non-rate actions will be reversed, effectively trading their impacts.

And three, the components of PIF growth, new business and retention will be rebalanced to more traditional levels. We're excited to be shifting to this next phase. We expect this rebalancing period will run several quarters. I'm sure we'll talk more about it today and in the future.

Our Life business has already moved through both the recovery and rebalancing phases. We continue to expect consistent earnings and distributable cash flow from this business.

Now let's shift to our quarterly performance. We're going to communicate a few key points that I'll group into 3 topics. First, as previously communicated, our priority has been to restore profitability, and we've done that. This quarter, it's clear that our cumulative actions have been effective in offsetting the elevated severity we've experienced in the last several years.

The benefits from the actions taken have generated improvements in our Specialty P&C underlying combined ratio for 3 consecutive quarters, and we reached the important milestone of returning our Specialty P&C business to an underwriting profit. Results to date, in combination with significant approved but unearned rate, make us highly confident in achieving target margins in 2024.

Second, we continue to advance our differentiated capabilities through a number of strategic initiatives. During the pandemic recovery phase, I mentioned that we'd focus on home improvement projects, initiatives that would both enable us to navigate that challenging time and strengthen our competitive advantages going forward. These operating model enhancements have been successful and position the company for long-term profitable growth.

We completed 2 major initiatives this quarter: our Bermuda optimization and our cost reduction program. Both exceeded projected benefits. We remain focused on further strengthening our systematic, sustainable competitive advantages by reducing our long-term risk, improving our capital and liquidity and enhancing our ability to generate stable, long-term distributable cash flow and earnings.

And third, we're laser focused on success in this rebalancing period and beyond. Here, success will be defined by achieving and maintaining long-term profit margins and returning our business to healthy growth. We anticipate further progress on all aspects of this rebalancing over the coming year.

Let's move to Page 4 with details of the results. Specialty P&C generated a 98% underlying combined ratio, a material 10-point improvement over the last 3 quarters. We've been making consistent progress and are pleased with the incremental 2.3 point benefit in the fourth quarter. As rate actions surpassed loss trend, we plan to ease underwriting restrictions, including new business restrictions, so we can pivot to restoring policy and premium growth.

Expectations here should be consistent with what I described for this rebalancing phase: maintenance rate increases to balance loss trend; earned rate impacts to continue progress to restore long-term margins and to permit reversal of non-rate actions; and lastly, an increase in new business to restore more normal long-term growth.

Our priority going forward will be to briskly restore this balance of long-term profitable growth while positioning the company toward an enhanced valuation through the various strategic initiatives we introduced in November of 2022.

Reflecting on those initiatives, this quarter, we successfully completed and exceeded the goals related to the Bermuda optimization and the multiyear cost structure initiative. We remain on track with the execution of the Reciprocal Exchange project and the Preferred P&C exit. Each of these home improvement projects increases our long-term competitive advantages and strengthens our financial position.

And now I'll turn the call over to Brad to provide you with additional color.

Bradley Thomas Camden
Executive VP & CFO

Thank you, Joe. I'll begin on Page 5 with our consolidated financial results. As Joe highlighted, we had another sequential quarter of underlying improvement and generated both an operating and underwriting profit. Our rate and non-rate actions taken, combined with the completion of several strategic initiatives, led to this positive outcome. We're excited to enter 2024 after achieving solid results and are intently focused on keeping the momentum and returning the Specialty Auto business to target margins.

For the quarter, we had net income of $51 million or $0.80 per diluted share, and adjusted consolidated net operating income of $51 million or $0.78 per diluted share. Additionally, I'd like to highlight that we had no prior-year reserve development. Net income included $15 million in realized investment gains, partially offset by $14 million in restructuring and integration costs. The Preferred P&C business, reported below the line as non-core operations, generated net income of $3 million, including approximately $6 million in catastrophe losses.

Turning to Pages 6 and 7, we provide an update on our strategic initiatives, which we've grouped into 2 categories: completed and ongoing. Let's start with the projects completed during the quarter. First, the Bermuda project we launched in 2022 enabled approximately $330 million in dividends to the parent in the quarter, exceeding our prior estimate of $250 million. This bolstered parent liquidity and strengthened our ecosystem.

Next, related to our expense reduction efforts, we exceeded our dollar target and the pace in which we accomplished them. We achieved a multiyear target of $150 million expense savings in the program's first year. After this quarter, we'll no longer report on this initiative but will continue to further optimize our cost structure. This will allow us to preserve our low-cost competitive advantages and set ourselves up for future growth and profit margin improvements.

Moving to ongoing projects. The exit of the Preferred P&C business is on track. During the second half of 2023, we freed up approximately $45 million of capital and anticipate freeing up an additional $130 million by the end of 2024 and another $100 million by the end of 2025. This capital will be redeployed in our core businesses and initiatives that meet or exceed our return targets.

And finally, as Joe mentioned, the Reciprocal premium population is on track. Growth will initially be slow, but is expected to ramp up as we receive approval to expand into new states. We will provide details as we hit key milestones for this initiative.

Turning to Page 8. Our insurance companies are well capitalized and have significant sources of liquidity. At the end of the quarter, liquidity increased by approximately $325 million to $1.1 billion, consisting of revolver capacity, intercompany lending capacity and holding company cash and investments. Our healthy liquidity balance allows us to pay holding company dividends and interest payments and to support our operating subsidiaries as needed.

Moving to Page 9. Net investment income for the quarter was $105 million, and our pretax equivalent annualized book yield was 4.5%. We continue to maintain a high-quality investment portfolio that generates stable income to support our operating businesses and is aligned with our liabilities.

I'll now turn the call over to Matt to discuss the Specialty P&C business.

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Thank you, Brad, and good afternoon, everyone. Moving to Page 10 in our Specialty P&C business. Let me start with some comments on the quarter for both PPA and CV, and then I'll shift to overall comments going forward. For the segment, we closed the fourth quarter with an underlying combined ratio improvement of 2.3 points sequentially and 9.8 points year-over-year as the cumulative benefit of our profit actions exceeded incremental loss trend.

In the quarter, incremental earned rate continued to improve and severity trends remained stable but elevated. The majority of the improvement, as expected, was driven by private passenger auto, as this line was the most challenged. I'm pleased that we generated an underwriting profit in the quarter. Our commercial vehicle business remains a source of strength, producing an underlying combined ratio of 93.2%. We remain confident in our ability to generate long-term value in this area.

Turning to production. Consistent with last quarter, we continued to observe hard market conditions, especially in California. As we renewed policies at higher rates, persistency remained in line with prior periods, creating favorable premium retention. As Joe mentioned, a return to underwriting profitability is allowing us to shift our 2024 focus to what he described as the rebalancing phase.

In anticipation of this shift, we selectively wrote a modest amount of incremental new business to test new customer cohort buying and claim behavior. It wasn't a material amount for the quarter, but a good start towards re-expanding new business, heading into 2024.

We have strong and differentiated tools and capabilities to compete in our market segment. Over the last few years, we've enhanced and continue to enhance these capabilities. Given this, we're confident in our ability to understand the performance of business subsegments. This includes the impact of the easing of the underwriting restrictions put in place to improve profitability following the pandemic.

As we look forward, our priorities will remain on, first, achieving target margins; and second, restoring growth, in that order. We'll execute with a thoughtful balance between underwriting profitability and new business writings as we look to optimize long-term profitable growth.

I'll now turn the call over to Joe to cover the Life business and closing comments.

Joseph Patrick Lacher
Chairman, CEO & President

Thanks, Matt. Turning to our Life business on Page 11. Net operating income was $15 million for the fourth quarter. Despite the impact of persistent inflation on our target customers' disposable income, consumer demand for our products remain consistent as Life issued policies were up slightly and persistency was stable.

You should note this quarter's results include the annual actuarial assumption and reserve calculation updates required under the new accounting standard known as LDTI. As expected, these updates appear in multiple lines in the financial statements. In aggregate, they favorably impacted our operating earnings for the quarter. Overall, the underlying Life business continues to generate consistent returns on capital and distributable cash flow.

Turning to Page 12. As we wrap up, let me reiterate our highlights for the quarter. We achieved both an operating and underwriting profit and generated sequential underlying results improvement for the third consecutive quarter. We expect to reach Specialty P&C target margins in 2024 and are shifting our focus to rebalancing long-term profitability and growth.

Our strategic initiatives are working well and outperforming expectations. Together, they are enhancing our financial profile, increasing our focus and strengthening our organization. We ended the year with a robust financial foundation and a clear road map to restore a return on equity of 10% or higher. We have a strong company with a team dedicated to delivering on our promises, which include providing attractive long-term intrinsic growth to our shareholders and value to all stakeholders.

In closing, we're pleased with the results for the quarter and our ability to achieve profitability. We remain optimistic as we look to 2024 and beyond. I'd like to thank our entire Kemper team for their ongoing dedication to executing on our priorities in 2023 and as we move into 2024.
Operator, I'll now turn it back to you so we can take questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Gregory Peters from Raymond James.

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

I'm going to go back to the comments about rebalancing between restoring profitability and getting to your target margins and then rebalancing on getting back to traditional growth metrics.

And I'm just curious how rebalancing, getting back to traditional growth, is going to look when you also have the rollout of the Reciprocal ongoing. And does this mean that you're only going to be growing in the Reciprocal piece and not growing in the other piece? Or maybe you can provide clarity around how these pieces are going to be moving around over the course of the year.

Joseph Patrick Lacher
Chairman, CEO & President

Sure. Happy to, Greg. This is Joe, and I'll take a shot at it, and then Brad and Matt may add some pieces. The first thing I'd suggest to you is almost ignore the Reciprocal in the thought process.

There's a couple of big things moving. We made an underwriting profit in the quarter. We've got significant unearned rate coming in, which has us highly confident we'll hit our target margins, and we will begin reversing some of the non-rate actions we took to improve profitability that will consume some of that unearned rate.

Some of those rates -- those non-rate actions included tightening new business underwriting restrictions. So we will re-expand those to where they were, and that will allow us to put new business on, move back towards the process of regrowing. And that rebalancing, if you will, is really the reversal of those items and going back to that more normal maintenance rate.

We're going to start doing that across all geographies, all distribution lines, the entire ecosystem, as briskly as reasonably possible. It won't occur on a day, it won't occur in a minute, but it will take a little bit of time and it will work its way through. Regardless of whether we're dealing with it on Kemper paper or on the exchange or anything else, we're going to do that.

As a separate and distinct item, we are working on rolling out the Reciprocal. That process will in and of itself go a little bit slower. What we have to do in those cases is get products filed and approved in individual states, in the exchange entities or in its subsidiaries in order to move that new business in.

We might, in some cases, use some reinsurance from where Kemper fronts had moved in, but really, that will be a pace that's more measured by the approvals on those individual states for that activity to occur and less a function of us restoring and rebalancing our underwriting criteria.

So I think mentally, you should think about them differently, that, that rebalancing can occur more briskly. You'll see it occur over -- significantly -- a bit over the first quarter and more significantly over the second quarter. The Reciprocal population pace will be necessarily slower because of the regulatory nature of those approvals. Does that help?

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

Yes, that does. I guess correlated, there is investor focus around where your policy count numbers settle out and start growing to and what the right base is. When you talk about the cost-saving program, I assume that those are back office. Those are not forward-facing cost saves that you've deployed. In other words, what I'm getting at is you haven't cut -- you haven't limited your opportunity to grow, going forward, by these cost savings.

Joseph Patrick Lacher
Chairman, CEO & President

Correct. The cost savings, none of them were related to business acquisition, forward items and the like. All of them were more back office or infrastructure related. They do not, in any way, shape or form, impair our ability to write new business or to grow.

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

And then -- and the final question on just the policy count, how do you view -- California is your largest state and -- where you've got the substantial rate increase that was approved last year. How do you view your rate adequacy across the markets at this point in time? Because you did highlight there was some rate that you filed or additional rate that's been filed. So just curious where you see your position relative to the market.

Joseph Patrick Lacher
Chairman, CEO & President

So I'm going to make a broad comment that's not precise. Broadly, we view our rates as adequate as we move to hit these margins. And that is a bit of a forward-looking view, recognizing the rate that is to be earned in.

By nature, as you look at forward inflation, we're going to go back to where we have maintenance rates. So if we file rate for that maintenance perspective, that means we think there's an additional rate need. We need to take it. That's sort of an ordinary course.

So there's a perpetual, if you will, modest maintenance rate need that works its way through.

When you go into individual cells and individual geographies, there's always a combination of the rating factors, the local geography, the line mix, the underwriting mix, where some things are more or less adequate. And so there's always some part of the rating cells that we're not satisfied with or some that we think we're more than satisfied with. So we've got a mix of those.

I think there's ample opportunity -- as we've restored our underwriting profitability and get that confidence of hitting target margins, there's ample opportunity for us to re-expand our new business to get back to more traditional new business levels and more traditional growth levels over several quarters.

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

Okay. I appreciate the detail to help me frame PIF, going forward. The last question relates just, you said Specialty P&C target margins in '24, is that for the full year? Or is that by the end of the year? Do you have any sort of timing on that? That's my last question.

Joseph Patrick Lacher
Chairman, CEO & President

You could think of it as both, Greg. We'll hit it for the full year.

Operator

Thank you. And your next question comes from the line of Andrew Kligerman from TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

Congrats on the really solid results. My first question is around the -- maybe you could go to Slide 10, actually. My first question is around the rate change. And I think prior discussions were around 27% of rate, earned rate, coming into 2024. And if I look at that gap in the upper right corner of the slide, there's about 19 points. So should I think about that rate increase as about 7-ish points a quarter, give or take, earning in?

Bradley Thomas Camden
Executive VP & CFO

That's correct. When you look at -- I think you're looking back at Q3's slide deck. Transitioning from Q3 to Q4, about 7 points. It will accelerate a little bit as we enter 2024, then it will level off. So you expect a steeper curve here in the first half of the year and kind of leveling off in the back half of the year. And does that help with what you're thinking, how you're modeling?

Andrew Scott Kligerman
TD Cowen, Research Division

Absolutely. And yes, maybe I'm a little lower than that, which is good to hear. But it sounds like all in, you're kind of coming out at that 27-ish number that's been talked about. So that's great. And then I just want to...

Bradley Thomas Camden
Executive VP & CFO

Andrew, remember to think about that from the fourth quarter through '24. And so we've already earned some of that, now you have what's remaining in '24.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. And then if you look at the loss cost on Slides 15 and 16, I just want to make sure if I'm clear on those. I'll just kind of go to those slides. And maybe you could just kind of talk about what you're seeing. You said it remains elevated inflation. What is elevated? But you said it's also stable.

So as I kind of look at these slides, how should I think about what you're seeing in terms of loss cost inflation early into 2024? What have you seen in the first month? And what are you expecting, if it stays elevated?

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

This is Matt. I guess I would break apart loss cost into the two subcomponents: frequency and severity. When we say inflation remains elevated, we're really talking about that on the severity side. And the range is sort of mid-single digits, right, on the higher end, 5 to 7 points, somewhere in that range.

And obviously, the texture varies a bit by your medical coverages, which have flattened out a bit as we've seen some of the inflationary pressures run off. And bodily injury, by geography, it varies, but generally on the lower side of the single-digit view.

And on the frequency front, right, that's really influenced by the underwriting actions that we put in place. And as we start to re-expand some of the new business and remove some of those underwriting restrictions, on a period-over-period basis, we'll see some of that mix start to drive the frequency number a bit. But frequency is heavily influenced favorably by the underwriting actions that are earning into the book.

Joseph Patrick Lacher
Chairman, CEO & President

I think the way to think about it, if I can add to that, Matt, the underlying frequency we're seeing that's environmental was on the low side of what we would think of from a seasonal perspective. And I completely agree with Matt. We're going to see some things in our actuals that are a function of our mix that will move up and down.

I think the most -- that's normal, and it's expected, and it's in our pricing. I think what you're really looking for is the underlying question. And we saw the fourth quarter within at least our version of seasonal, but it was at the low end of the seasonal expectation.

Bradley Thomas Camden
Executive VP & CFO

And then maybe to wrap up on this, Andrew, just one last comment for you. Elevated, as Matt alluded to, mid- to high single digits or 5% to 7%, elevated means where it was historically from 3% to 5%. Now remember, elevated and stable is fine for us. We can price to that, and we have done so. So that shouldn't be a worry to you from a modeling standpoint. I just want to highlight that for you.

Andrew Scott Kligerman
TD Cowen, Research Division

Yes. No, that sounds very manageable in the context of the rate that you're getting, I guess, just on the frequency, because it sounds like there are some offsetting factors going on. I mean, would I be safe to be modeling for kind of the very low single digits for frequency into 2024?

Joseph Patrick Lacher
Chairman, CEO & President

We're looking at each other, Andrew. I'm going to answer your question in two ways. I think that would be a reasonable way to think about it. I think if I were doing the modeling, in my head, I'd stop and I go, "Okay, there is frequency and severity that generate loss inflation. There's earned rate that's coming in that will more than offset it. If I only looked at those two items, I would then be projecting a very, very significant profit margin increase."

And if you only looked at those items, you would miss the fact that we've said we're taking off some of the non-rate actions that we put on during the pandemic, or at the early phase of the recovery, that restricted new business. They tightened underwriting. They were there to improve profitability, but they also restrict growth. As we take those off, there isn't -- there is an earned rate cost to them. That's why we put them on is because they had the effect of a positive earned rate earlier. As we take them off, you will not see the full impact of the earned rate running through the P&L.

So we're trying to give you a little more guidance towards target margins, and you're going to have to put some model in of what that non-rate is. To get the PIF growing again, we have to take those off and let the PIF move in. So some of that earned rate will go there. You will get -- if you're worried about 1 or 2 or 3 points of frequency and that's your primary focus, you will miss the forest through the trees because of the non-rate actions that are reversing.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. That makes a lot of sense. And then maybe lastly, as I looked at Slide 7 with the LAE, it looked like, per your program, you've got another $20 million to $40 million of savings there.

Is that something that we should think about going forward? I mean, you've achieved your $150 million plus, but it looks like there might be another $20 million to $40 million versus budget. So I'm kind of wondering how to look at that going forward.

Bradley Thomas Camden
Executive VP & CFO

We gave you a range, right, $150 million plus. What I would tell you is we're always going to be looking to optimize our cost structure. We want to be a low-cost provider in the industry in the nonstandard space and sell life insurance at an affordable cost. So we're always looking to optimize it.

I would expect us to take out some additional costs as we move forward, but we're not going to -- as I mentioned in my comments, we're not going to continue to update on it because we believe we've achieved our objective, and what you're going to see from here is incremental.

Operator

And your next question comes from the line of Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I want to dive a little back into the policies in force situation and kind of what's going on here. Maybe you can kind of highlight or kind of talk about the competitive landscape and how difficult or easy it will be to kind of ramp back that PIF up when you get to kind of rate adequacy. I mean I was just looking at your PIF count, and it looks like you've lost probably 5 years worth of PIF growth in these underwriting actions, if not more.

What is the competitive dynamics right now? And how challenging do you think will it be to kind of recover some of that? And then maybe on that, talk a little bit about the distribution and just distribution relationships through this whole thing.

Joseph Patrick Lacher
Chairman, CEO & President

Sure. And I'll provide some, and then Matt, I'm sure, will have some adds to it. I'll make it maybe an overall comment in two spots. We clearly had profitability issues, and ours might have been more exacerbated than some because of our -- the high volume of business we had in California and the delay that California had in coming in rate. So what we did is we had to push harder on some of those non-rate actions.

What that effectively is, is it means that it's restricting underwriting, in some cases. It might be lowering commissions, it might be tightening up pay plans, any number of things. Where we are right now is a pretty hard market. What a hard market, characteristic-wise, typically means is there is less availability. Most competitors have tightened their underwriting. Most are doing something similar, trying to enhance profitability. And as a result, your typical agent has fewer product offerings and fewer choices and less availability than they've historically had.

As we come back in, and we have the ability to do it fairly briskly, those distributors don't think that we did something idiosyncratic. They don't think that we were the only one who had a problem. We haven't damaged a relationship. We haven't broken something. We can come back into that environment, and they're happy to have the capacity returning because they're looking for capacity.

So we have a high degree of confidence in the relationships. We have a higher confidence that there's market demand. Our relative price competitiveness was strong before we went into this disrupted environment. We dealt with the same inflationary environment everybody else did, so we think we applied comparable competitive responses to the inflation. So we think we'll be competitive on the back side. And that's what we're expecting to see as we open the market.

Matthew Andrew Hunton
Executive VP & President of Kemper Auto

Yes. The only thing I would add on that is in the fourth quarter through the test and learns, we learned a bit about customer buying patterns, we learned a bit about loss trend and sort of what's happening there. But overall, we've built a nice baseline to continue to enhance our capabilities and accelerate this in Q1 and 2.

And so just as Joe mentioned earlier, I think the ability for us in the first half of 2024 to accelerate production in a thoughtful way is there, and distribution's ready for it. I think credibility has been enhanced over the last couple of years in terms of those relationships, and the hard market continues to present an opportunity for the time being. So we'll look to take advantage of that in a thoughtful way.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. That's helpful. And then just another one just quickly here. Joe, are we seeing any benefits yet from the legislative actions that happened in Florida beginning of last year?

Joseph Patrick Lacher
Chairman, CEO & President

I would tell you -- and I'm going to answer it in two ways. We're starting to see some modest impacts in what I'd say are some of the pieces of the loss cost. As we've said before, we're not reflecting those in our loss picks yet because we want to let them fully age, fully bake, see if things reopen, and we will continue to adopt that posture to have a higher degree of certainty that it's actually materializing before we reflect it.

I tend to then be generally cautiously optimistic about what we're seeing in the environment and a little more prove it to me in terms of how we book it, if that helps.

Operator

Thank you. And ladies and gentlemen, our Q&A session has now ended. I would like to turn it back to Joe Lacher, Kemper's President and CEO, for closing remarks.

Joseph Patrick Lacher
Chairman, CEO & President

Again, thank you, everybody, for your time and your attention today, your thoughtful questions. We're excited, candidly, about moving back more towards a rebalancing phase, where we're spending more time talking about growing PIFs and leveraging a competitive advantage in the marketplace, and we look forward to future discussions in the next couple of quarters. Thanks again.

Operator
Thank you, and thank you, presenters. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.