Old Republic International Corporation NYSE:ORI

Earnings Call

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Call Participants

EXECUTIVES

Carolyn Jean Monroe
Senior Vice President of Title Insurance

Craig Richard Smiddy
President, CEO & Director

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

ANALYSTS

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

Jon Paul Newsome
Piper Sandler & Co., Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

ATTENDEES

Joe Calabrese

Presentation

Operator

Thank you for standing by. At this time, I would like to welcome everyone to today's Old Republic International Second Quarter 2024 Earnings Conference Call. [Operator Instructions] I would now like to turn the call over to Joe Calabrese with MWW. Joe, please go ahead.

Joe Calabrese

Thank you. Good afternoon, everyone, and thank you for joining us for the Old Republic conference call, second quarter 2024 results. This morning, we distributed a copy of the press release and posted a separate financial supplement. Both of the documents are available on Old Republic's website at www.oldrepublic.com.

Please be advised that this call may involve forward-looking statements as discussed in the press release and financial supplement dated July 25, 2024. Risks associated with these statements can be found in the company's latest SEC filings.

This afternoon's conference call will be led by Craig Smiddy, President and CEO of Old Republic International Corporation; and several other senior executive members as planned for this meeting.

At this time, I'd like to turn the call over to Craig Smiddy. Please go ahead, sir.

Craig Richard Smiddy
President, CEO & Director

Okay, Joe, thank you. Well, good afternoon, everyone. We hope you're enjoying your summers and welcome again to Old Republic's Second Quarter 2024 Earnings Call. With me today are Frank Sodaro, our -- CFO of ORI; and Carolyn Monroe, our President and CEO of Title Insurance.

So during the second quarter, we produced $254 million of consolidated pretax operating income. That was up from $227 million in 2023. Our consolidated combined ratio was 93.5%, which was little changed from the 92.6% we saw last year.

General Insurance's strong underwriting results continued through the first half of 2024, producing $202.5 million of pretax operating income in the quarter, an increase of 10%. The General Insurance combined ratio was 92.4% in the quarter.

In Title Insurance, they continued to face headwinds from mortgage interest rates in the real estate market, but we were still able to produce $46 million of pretax operating income in the quarter, an increase of 32%. The Title Insurance combined ratio was 95.4% in the quarter.

Our conservative underwriting and reserving practices continue to produce favorable prior year loss reserve development in both General Insurance and Title Insurance. Though as expected, not to the same outsized degree that we saw in General Insurance the last couple of years. It's worth noting that in 2024, we're on track to produce our 10th consecutive year with favorable loss reserve development.

Our balance sheet, it remains strong, while we continue to return capital to shareholders through both dividends and share repurchases. And focused on the long term, we will continue to invest in our new General Insurance underwriting subsidiaries as well as in technology in both General Insurance and Title Insurance.

So with those as opening remarks, I will now turn the discussion over to Frank. He'll then turn things back to me to cover General Insurance, followed by Carolyn, who will discuss Title Insurance, and then we'll open it up to the usual Q&A. So with that, Frank, I hand it to you.

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

Thank you, Craig, and good afternoon, everyone. This morning, we reported net operating income of $202 million for the second quarter compared to $180 million last year. On a per share basis, net operating income was $0.76 in the quarter, up over 20% from last year. Net investment income increased 20% in the quarter, driven by the impact of higher yields as we continue to turn over the bond portfolio.

The average reinvestment rate on corporate bonds was just under 5%, while the comparable book yield on corporate bonds disposed of was 3.6%. Total bond portfolio book yield now stands at 4.2% compared to 3.5% at the end of the second quarter last year.

Our investment portfolio mix remained largely unchanged from last quarter. The stock portfolio is comprised of blue-chip dividend-paying companies, and the bond portfolio is comprised of 99% investment-grade securities with an average maturity of 4.3 years.

Turning now to loss reserves. Both General and Title Insurance groups recognized favorable development in the quarter, leading to a benefit of 2.2 percentage points to the consolidated loss ratio. This is representative of a more normalized level of favorable reserve development when compared to 4.6 points last year.

I will now give you some line of business color about the reserve development coming from the General Insurance Group in the quarter. Commercial auto continued to have some favorable development but at a lower level than last year. Workers' comp had significant favorable development, but it too was at a lower level than last year. General liability had some unfavorable development, the majority of which came from accident years prior to 2014. More recent development was spread throughout several of our subsidiaries with no one entity having a significant amount. Now as a reminder, with $85 million of earned premium in the quarter, this is a relatively small line for us compared to commercial auto and workers' comp.

We ended the quarter with book value per share of $23.59, which, inclusive of dividends, equates to an increase of 3.5% since year-end, resulting primarily from our strong operating earnings.

In the quarter, we paid about $70 million in dividends and repurchased $410 million worth of our shares for a total of just under $480 million returned to shareholders. Now since the end of the quarter, we repurchased another $94 million worth of our shares, leaving us with about $480 million remaining in our current repurchase program.

I'll now turn the call back over to Craig for a discussion of General Insurance.

Craig Richard Smiddy
President, CEO & Director

Okay. Thanks for that, Frank. So in general insurance, net written premiums were up 15% in the quarter because of strong renewal retention ratios, rate increases on most lines of coverage, new business growth and premium production in our new underwriting subsidiaries. It's worth noting that most of our growth in these new underwriting subsidiaries is E&S premium, with the last 12 months of direct written premium in Old Republic Union, which is our non-admitted policy issuing company running at $553 million.

As mentioned in my opening remarks, General Insurance pretax operating income was $202.5 million, and the combined ratio was 92.4%. So we're growing at a profitable level. The loss ratio for the quarter was 64.3%, including 2.5 points of favorable reserve development which compares to 60.9% loss ratio that included 6 points of favorable reserve development in the same quarter of '23. The expense ratio was lower at 28.1%.

Now to provide you with some more color on our 2 largest lines of coverage. Commercial auto net premiums written grew 14% in the quarter, while the loss ratio came in at 72.3% compared 67.5% last year due to the lower levels of favorable prior year loss development. Rate increases were up approximately 10%, which is commensurate with the loss trends that we're observing. So we're holding steady there.

Workers' compensation net premiums written increased by 8% in the quarter, while the loss ratio came in at 50.7%, which compares to 37.9% last year, again due to lower levels of favorable prior year loss development. The loss frequency trend that we're seeing for work comp continues to decline, while the loss severity trend remains relatively stable. So given the higher wage trend within payroll, which is our rating base, the declining loss trend in frequency, the stable loss trend in severity, we think our rate levels remain adequate, even though we gave rate decreases of approximately 7% in the quarter.

We expect solid growth and profitability in General Insurance to continue in the second half of 2024, reflecting our specialty strategy, our operational excellence initiatives and our new underwriting subsidiaries that are still in their early stages of scaling up.

So with that summary for General Insurance, I will now hand it over to Carolyn so she can report on Title Insurance. Carolyn?

Carolyn Jean Monroe
Senior Vice President of Title Insurance

Thank you, Craig. The Title group reported premium and fee revenue for the quarter of $663 million. This represents an increase of 2% from second quarter of 2023. Directly produced premium and fees represented 24% of revenue versus 23% in the second quarter of last year. These premium and fees were up 7% from second quarter of last year, while agency-produced premiums were up 1%.

Direct open order counts increased by 11% this quarter when compared to second quarter of 2023. These metrics are also found in our recently enhanced financial supplement.

Commercial premiums were 21% of our earned premiums this quarter, consistent with the second quarter of 2023. Although mortgage rates remain high and the overall real estate market is slow, we're pleased to see revenue growth in the quarter in both the direct and agency channels. We're cautiously optimistic that the market has found some footing, although the timing and the pace of the recovery really remain difficult to forecast.

Our pretax operating income of $46 million was an increase of 33% over the second quarter of 2023. Our combined ratio of 95.4% compared to 96.9% in the second quarter of last year. Our expense ratio improved to 93.1% from 94.4% in the second quarter of 2023. This was primarily driven by recent expense and efficiency gains as well as the modest growth in our revenue.

We continue to emphasize that investing in technology is a critical priority. Our investments include internally developed solutions and the deployment of technology through strategic partnerships and alliances. One such recent partnership allows us to provide our offices and agents a technology tool and verification service to help mitigate wire fraud and diversions. Utilizing this strategic alliance, we can quickly respond to the industry-wide high-cost issue of real estate fraud and security.

Housing affordability also remains a significant issue in our industry. A byproduct of this issue has been policymaker challenges to the benefits and cost of Title Insurance, resulting in unregulated title insurance alternative title waiver programs being brought into play. We continue to work through our industry association on ways to address housing affordability, challenges and educating policymakers about the benefits of title insurance in protecting homeowners and the biggest financial decisions many of them will ever make.

While we are pleased with our second quarter results and activities, we remain mindful that the market is still recovering, and we will remain focused on managing expenses while executing on our strategic plan built around our agents and our people. Thank you, and I'll now turn it back to Craig.

Craig Richard Smiddy
President, CEO & Director

Thank you, Carolyn. So profitable growth continues in General Insurance, and we've been able to remain profitable in Title Insurance. And for the remainder of 2024, we remain optimistic for General Insurance and the same goes for Title Insurance as we await a transition in the real estate market.
So that concludes our prepared remarks, and we'll now open up the discussion to Q&A, where I'll answer your questions, or I'll ask Frank or Carolyn to help out and respond.

Question and Answer

Operator

[Operator Instructions] And it looks like our first question today comes from the line of Greg Peters with Raymond James.

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

Let's go to the General Insurance segment first. And I appreciate the color on the line of business reserve development, Frank. Maybe you could spend a minute and sort of revisit your methodology and approach to loss picks for the most recent accident years. It's come up under intense review for other companies because of concerns about loss cost inflation not being adequately compensated for in the loss picks and so you've seen some other companies raise their loss picks in some of the longer-tail liability lines. And so having some perspective on how Old Republic is thinking about that would be helpful.

Craig Richard Smiddy
President, CEO & Director

Greg, I'll respond initially and then hand it to Frank for a little more color. I think the first thing is the proof is in the pudding. And as we've talked about the last several quarters, we've had very large amounts of favorable development in historic years, and we've even hit up against the top end of the range in a favorable way on the more recent years. We feel like we're very good at measuring frequency, and severity and very good at selling our value proposition so that we can get the necessary rate changes commensurate with those trends in frequency and severity that we're seeing. And again, it has proven itself out on commercial auto. Going 5 years back, it was a very difficult time for the industry and a few challenging years for us, where there was a considerable spike in severity that was unforeseen.

However, over the last 4 or 5 years, we've been very diligent measuring, monitoring frequency, severity and responding in real time to what we're seeing. So we remain conservative when we set those loss picks. We assume that things might not go as planned, and we set them in a conservative fashion. And then, Frank, maybe you can comment about our hold periods and how we approach those recent years. We'll be very quick to increase the recent year pick if we see something coming in higher than what we expected, but on the other hand, we're very conservative about reducing those, if you could comment on those lines, Frank?

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

Sure. Just to give you some color here, generally speaking, for workers' comp, we set a pick and then we hold it for 4 years plus the current year. For commercial auto, we hold 3 years plus the current year. And for GL, generally speaking, it's 4 years plus the current year.

Now, Craig mentioned we're up against the top end of the range at Great West, and we have dipped into some of those hold periods, but that's actually been reduced recently. And outside of Great West, we're back at a point we're really not lowering our picks in those hold periods below the original pick. So it's just Great West is the one spot where, as we've talked about in the past, we have the good problem of running up against the top end of the actuarial range.

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

Okay. I appreciate that. Craig, in your comments, you also spoke about the new ventures. And you talked about how much premium has been written over the last, I think it was the last trailing 12 months. And I'm looking at your operating statistics in -- on Slide 2 of your financial supplement, I'm not quite sure where that is picked up in these numbers. So maybe you can sort of piece it together for us.

Craig Richard Smiddy

President, CEO & Director

Sure. I'd be happy to, Greg. So just to reiterate, the number that I gave you for Old Republic Union, our non-admitted insurance policy issuance company, is a number that several lines of business are written in. It's a company that several of our new subsidiaries utilize to write that business. And I gave that number just to give you a little more color about the fact that we are an E&S player and that we're writing a decent amount of E&S business.

And where you see that come through on the line of business page in that financial supplement is property. You can see there, $165 million, for instance, compared to $124 million last quarter, and you can see where we're at 6 months and where that compares. General liability, again, that's a line where we're focused on very specialized small account types of general liability, different from the kinds of general liability exposures that perhaps others in the industry write with larger limits and higher hazard levels of exposure. And here, too, you can see the increase from, what, $103 million compared to $67 million in the same quarter last year.

So those are the lines that we're primarily writing. Again, we're not focused in our new E&S company, a subsidiary, on property cat. We're not focused on large limit or umbrella kind of business. It's small commercial E&S business, and it's also -- Inland Marine is the other new underwriting subsidiary that's contributing here, and they are very focused on the bread and butter inland marine type of exposures. So hopefully, that gives you a little more color, Greg.

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

It does. I recognize there's others that are going to ask questions, so I'll just focus on the amount of capital return. And more importantly, because it's been a phenomenal quarter and year-to-date result with returning capital to shareholders, what -- as we think forward, what kind of ordinary capital return math should we be thinking about because it seems like, at least recently, it's been elevated.

Craig Richard Smiddy
President, CEO & Director

Yes. Well, here, too, we have had a very good problem. And that is, even though we've returned significant levels of capital over the last few years because we're producing so much favorable income, net income to the balance sheet, we really haven't been able to bring the balance sheet down to a more appropriate level. So again, a nice problem to have, but we do see it that we have, as a result, carried more capital than we needed to in the last few recent years, even though we increased the pace.

And Frank mentioned in his comments about the remaining capital that's available to return to shareholders through the share repurchase program of about $480 million. We would hope to complete that by the end of the year. But again, with strong earnings this year, we keep refilling the coffers, if you will, and anticipate that we'll have more capital to return to shareholders as we go forward. So hopefully, that helps. Anything that you would add, Frank?

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

No, I think that covers it.

Craig Richard Smiddy
President, CEO & Director

Yes.

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

Just a minor follow-up on that point. Is the capital from the sale of the mortgage insurance business, has that been fully accounted for and returned to shareholders? Or is there still some remaining on the balance sheet...

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

Yes, I would say for the most part, that's been returned. The sale has been closed. We've contemplated that in this buyback program that we put in place so...

Operator

And our next question comes from the line of Matt Carletti with JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

I just want to go back to the reserve stuff, a couple of questions there just given what focus it's in at the industry level. Maybe start with just a numbers question, and that is, are you able to give us the dollar amount of development in those 3 main buckets of business for you, commercial auto, workers' comp and GL in the quarter?

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

We can -- yes, we could give you those numbers. So I'll just give you dollar amounts in the quarter. Workers' comp was about $39 million of favorable. Commercial auto was a little over $3 million of favorable and GL was about $9.5 million of unfavorable. That's the lion's share of the development we had. The rest of it, there's nothing else there of significance.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. Perfect. And I heard -- I caught it in your comments, GL was older years, I think you said 14 and prior, broad strokes, was there a concentration where -- I guess, workers' comp, commercial auto is very small. Was workers' comp a particular set of years or pretty broad-based?

Francis Joseph Sodaro
Senior VP, CFO & Chief Accounting Officer

Well, workers' comp was pretty broad-based. It's just about every year on the analysis we look at. So it was across all of our subsidiaries and across most of the years that we look at.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. And then maybe just a higher-level question. Obviously, we've all listened, I think, probably the same earnings calls this quarter, and there's really been a point to kind of put on particularly more recent accident years, but particularly a couple of your big lines, GL and commercial auto. And you guys seem to be performing better than a lot of your peers. And so my question is, why is that? Is it -- come out of the reserving process that you guys just started a much more conservative spot and kind of that's what's bleeding it out? Or do you think it's more kind of the underlying business, and whether it be how you write the business or what you write within that line of business because they are large catch-alls that is a different subject matter maybe that you're writing versus those peers?

Craig Richard Smiddy
President, CEO & Director

Yes, Matt. So I think the answer is probably slightly different depending on the lines of business. But it's really a combination of all of the things that you mentioned. In my response to Greg earlier, I talked about how diligent we are in analyzing frequency and severity trends on a very frequent basis, a real-time basis, and certainly, at least a quarterly basis, and adjusting our rates as necessary. I think we were -- on commercial auto, we were more quick in responding 4, 5 years ago, and we've been staying on top of it and even ahead of loss cost trend.

And that has proven out in our -- as I said in my earlier remarks to Greg, the proof was in the pudding. Our reserves for commercial auto have been favorable for the last few years, even though the industry has continued to put up unfavorable development. And in addition to our diligence in how we underwrite the business, price the business, set our initial loss picks, how we set our reserves -- our case reserves is very conservative. We set case reserves to ultimate as soon as possible so that our underwriters and actuaries have as clear line of sight as possible into what those case reserves ultimately are going to play out to be.

And then Frank mentioned Great West, where a large amount of our commercial auto is coming from. And here too, it's about the value proposition, the distribution model. We -- our clients understand when they write their first policy with Great West that they're going to have rate increases every year commensurate with loss trend, but they're going to receive superior claims service, underwriting service, risk control service, that will ultimately bring their losses down, and they buy into that value proposition. And not only they, but we only deal with a very select set of distribution partners on that business, distribution partners that buy into that value strategy I just outlined, and that bring us clients that also buy into that value strategy.

We don't work with brokers that want to spreadsheet us for clients that want to buy the lowest ultimate possible price out there in the marketplace. That's not how we sell that business. So that was a mouthful, but as I said, it's really a lot of different variables that I think help us deliver the results that you've seen the last few years and that you will continue to see.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. That's very helpful. And then one quick numbers question, if I could squeeze it in, not reserves. Fee income this quarter took a nice step up from kind of $40 million, $41 million, $42 million for several quarters and stepped up to more like $47 million. Is there anything one-time-ish in there? Or is that more of a sustainable number? Maybe just a quick comment on what's going on there.

Craig Richard Smiddy
President, CEO & Director

Sure, Matt. It is not one-time. It is a deliberate strategic effort to grow our fee business. And a good amount of that fee business is coming from our TPA operation within PMA, again, where we have had a path of strategic growth, expanding into new states, offering our TPA product and services with a unique value proposition around claims management and risk management. And we're starting to see the fruits of that labor and that strategy. So it's not onetime, and we're very focused on growing fee business going forward. So that is a growth area for us.

Operator

[Operator Instructions] And our next question comes from the line of Paul Newsome with Piper Sandler & Co.

Jon Paul Newsome
Piper Sandler & Co., Research Division

One more question on reserves because the horse is not dead enough. I wanted to ask about the commercial -- a little bit more on the commercial auto business in particular.

It looks like accident year picks relative to peers over time have actually improved a lot, and a lot more than your peers. Is there something about the book of business that you write or that something you're doing from a rate perspective or fill in the blanks that would have allowed you to sort of pick accident year loss ratio -- loss picks that are a little bit better than -- a little bit more improved, I should say, than what the industry is overall.

Obviously, the caveat is there's a lot going on within this segment, but any thoughts you had that could address that would be great.

Craig Richard Smiddy
President, CEO & Director

Sure. Sure, Paul. I'd be happy to comment there, and if Frank wants to add anything, he can. We've been, first, very conservative in our loss picking methodology. So as I think I commented on prior earnings calls, even though all indications from trends, severity, rate increases might suggest you could lower your loss pick by 5 points. We would only, for example, lower it by maybe 1 point. We would never make a move -- a big move from 1 year to the next. We would want to see those things prove out.

On auto, we started with a high pick 5 years ago. It comes back to the point we were talking about earlier. We had those, as the industry did 5, 6, 7 years ago, those surprise severity shocks, and we responded back then by raising our picks to a pretty high level. And we've been very conservative in bringing those down. And we've made no major reduction in our current accident year loss picks for commercial auto this year relative to last year.

Again, look maybe 1 point, but that's coming off those years, 5, 6 years ago where it was very high, where we were very conservative in bringing those down and that's our philosophy, that's our thinking. And then I won't repeat it all, but if you just go back to the earlier question from Matt about why have we been able to perform so much better than the industry on commercial auto, again, it's coming from our Great West business.

And that conservative pricing approach, that robust pricing approach, monitoring frequency, severity, a robust conservative approach to case reserves, to IBNR reserves, to loss pick, it all -- and then down to distribution and insured value proposition buy-in, it all goes to all of that, and that's why we're confident, and that's why we've had the track record we've had in commercial auto.

Jon Paul Newsome
Piper Sandler & Co., Research Division

I feel obligated to ask a question on Title. The -- we've talked quite some time about ongoing technology spending. Maybe just sort of your updated thoughts as to how that should play out over time. Are we still talking about -- have you been talking about something that is essentially ongoing from now until the end of time? Or is there some point where there's some ability to pull back on that technology spend in the future, assuming that the market doesn't change?

Craig Richard Smiddy
President, CEO & Director

Yes, I'll be happy to comment, and then Carolyn, you can kick in your thoughts. But we -- our investments in technology have really been about efficiencies and efficiency gains. And so investments in technology are able to more than offset expenses in other categories. So from that standpoint, it's a good investment.

The other thing is, as Carolyn has talked about on several earnings calls, we are trying to make it as streamlined and friendly as possible for our Title agents that we focus 85% of our business on. And we will continue to do that and continue to be the premier provider for independent agents so that we're easy to work with, and our technology is cutting edge.

So I would say we're going to continue to make investments in both of those areas in Title. And then just one other area, where we are actually -- for both General Insurance and for Title Insurance, we are looking at various AI technologies that we think will improve productivity, efficiencies, decision-making in the future. And we're going through a rigorous process to analyze all that's available in those industries, all that might come, and where we should be in making those investments.

So at this point, I would say because of our modernization efforts within IT, our exploration of AI, our desire to want to be premier provider for independent agents and our desire to create as many expense efficiencies as we can in Title Insurance especially given some of the focus by regulators and lawmakers on that, we will continue to invest in technology across the board, General Insurance and Title Insurance as we go forward. So I would not assume any kind of reductions.

Carolyn, anything to add specific to Title?

Carolyn Jean Monroe
Senior Vice President of Title Insurance

No, I think you covered it. Nice recap. Thank you.

Operator

And it looks like we've got another question from Greg Peters with Raymond James.

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

Okay. Probably a relevant follow-up to your comments you were just making, Craig, about expenses...

Craig Richard Smiddy
President, CEO & Director

I think you're coming back, Greg, just because you haven't heard a siren yet and you want to give us more time, so you can hear that in Chicago Fire Department siren.

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

No, it usually comes at around 2:20 your time. So I don't know what happened to the fire department. They're not running like clockwork today. Can you spend a minute and talk to us about the improvement. And let's -- I don't want to look at the quarter, let's looks like at the 6-month results and the expense ratio in General Insurance. And is there something structural that's happened to lead that improvement? Should we expect that to continue?

Craig Richard Smiddy
President, CEO & Director

Sure, Greg. I'd be happy to comment on that. So if we look at the 6 months in General Insurance, 27.9% as opposed to 28.6% last year. Last year, we ended at 28.2%. And I know we spoke in several of the earnings calls about why the trend from about 26% up to 28% was happening, a good portion of that because of line of business mix changes where we might be having to pay higher commissions, but we're writing business at a lower loss ratio.

In the -- specifically about where we sit today, I think that the current expense ratio is of, call it, 28%, consistent with where we ended last year, call that 28%, is probably a pretty good run rate. As you just heard in the response that I gave to Matt or Paul, I can't recall which, we are continuing to make investments in technology. And as I said in my opening remarks, we're scaling up these new underwriting subsidiaries. We've had 4 new underwriting subsidiaries in General Insurance that we've added. And those are still expense drivers, and 3 of the 4 have not yet become profitable. They're carrying a very heavy expense load relative to what they're able to produce in premium.

So as they scale up, if we're talking a few years out, and we don't make further investments in yet additional new underwriting subsidiaries, that could come down. However, we do plan on continuing to add new underwriting subsidiaries and keep it at a similar run rate. But to the extent that scale catches up quicker than expected, that could come down. But I think a good assumption is that we hold around the 28%.

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

Okay. And pivot to the Title business and the expense ratio there because I know there's some moving parts inside that. Again, just looking at the 6-month result versus last year, given what's going on with Title revenues. Carolyn, do you have an expectation the expense ratio could come down later this year or next year? Or what's your view there?

Craig Richard Smiddy
President, CEO & Director

Carolyn?

Carolyn Jean Monroe
Senior Vice President of Title Insurance

I would say that our expectations for the full year will be pretty close to what we saw in 2023. We're really looking at a combined ratio to stay similar to 2023. Our expense ratio is always going to be commensurate with the revenue. There's a lot of expenses that get tied to revenue. So I would hope that we would be right around what 2023 was.

Craig Richard Smiddy
President, CEO & Director

And Greg, here too, if there's a surprise upside and there's a rebound in the real estate market sooner rather than later, that scale is really the big driver there in Title Insurance. As you know, those expense ratios came down into the 80s during the good years, and we feel like we're -- we've hit the bottom. And as I said in my opening comments, we await to see what happens, but with respect to top line, it feels like we've -- we're bouncing along the bottom and ready for a turn. And to the extent that, that term -- turn comes at a steeper slope or to the extent that it comes earlier, you could see improvement in that expense ratio more rapidly.

And going back to what we say, we're targeting -- we're not satisfied with 95% combined ratios in Title. We want to see just as we do in General Insurance, those combined ratios average between 90% and 92.5% over time, right now with the lower level of revenues, it's elevated. But we expect with a reasonable amount of top line coming through Title that we would be able to get those combined ratios back down into the 90% through 92% range.

Operator

And that looks like all the questions we have today. So I will now turn the call back over to management for closing remarks. Management, you have the floor.

Craig Richard Smiddy
President, CEO & Director

Okay. Well, I think we've pretty much drained the discussion from our standpoint and covered everything that we had hoped to touch on, either in our opening remarks or through the Q&A. And with that, we would just say that we continue to focus on delivering results to shareholders that are superior and exceed expectations. And we wish everyone a good rest of the summer and look forward to seeing you for our third quarter conference call. Thank you very much.

Operator
And ladies and gentlemen, that concludes today's call. Thank you all for joining, and you may now disconnect.