S&P Global
Market Intelligence

Markel Group Inc. NYSE:MKL

Earnings Call

Thursday, October 31, 2024 1:30 PM GMT

Call Participants

EXECUTIVES

Brian Jeffrey Costanzo
CFO & Chief Financial Officer of Markel Insurance Operations

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

ANALYSTS

Andrew E. Andersen
Jefferies LLC, Research Division

Andrew Scott Kligerman
TD Cowen, Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Unknown Analyst

Presentation

Operator

Good morning, and welcome to the Markel Group Third Quarter 2024 Conference Call. [Operator Instructions]

During the call today, we may make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They are based on current assumptions and opinions concerning a variety of known and unknown risks. Actual results may differ materially from those contained in or suggested by such forward-looking statements. Additional information about factors that could cause actual results to differ materially from those projected in the forward-looking statements is included in the press release for our third quarter 2024 results as well as our most recent annual report on Form 10-K and quarterly report on Form 10-Q, including under the captions Safe Harbor and Cautionary Statements and Risk Factors.

We may also discuss certain non-GAAP financial measures during the call today. You may find the most directly comparable GAAP measures and a reconciliation to GAAP for these measures and the press release for our third quarter 2024 results or our most recent Form 10-Q.

The press release for our third quarter 2021 results as well as our Form 10-K and Form 10-Q can be found on our website at www.mklgroup.com in the Investor Relations section. Please note this event is being recorded.

I would now like to turn the conference over to Tom Gayner, Chief Executive Officer. Please go ahead.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Thank you, Prila, and good morning. Thank you all for joining us. This is Tom Gayner, CEO. I'm joined today by Jeremy Noble, the President of our Insurance operations; and Brian Costanzo, our CFO. As always, we welcome the chance to share our latest financial updates, and we look forward to your questions. I'll jump right in with the headlines.

The Markel Group continues to move forward at a good clip. For the purposes of a thought exercise, I'd invite you to think of us as an aircraft. In any plane, there are several gauges and monitors to measure the conditions of the plane. The same is true for the Markel Group. I'd like to share with you some of the key gauge readings I monitor and why I contend that this plane is moving forward at a pretty good clip. I can't imagine a plane without at least absolutely mission-critical gauges.

On a complex plane like Markel Group, there are more, but these 4 cannot be replaced. In my layman's mind, and I don't know the first thing about being a pilot, the mission-critical gauges measure speed, fuel, altitude and direction. Without speed, no aircraft can fly. Airplanes need to travel at a certain rate of speed to achieve a lift and remain airborne. Without fuel, the energy needed to power the engines to achieve speed won't work. As a pilot, I'm pretty sure you need to know how much fuel you have and whether it is enough to get you to your destination. Without altitude and awareness of the terrain, the plane might bump into something and that will not end well.

Without knowing direction, everything might be working, but you may be headed to the wrong place. I'll offer the following analogy for those 4 gauges and measurements from Markel Group. I'll also speak to them in the 5-year measurement terms that we monitor to see whether our craft is functioning as it should.

First, as of September 30, 2024, total net investments, that is our entire publicly traded investment portfolio plus cash minus debt, summed up to $30.3 billion. Five years ago, on September 30, 2019, that number stood at $18 billion. That's an increase of 68%.

Second, through the first 9 months of 2024, we earned underwriting and insurance operating income of $458 million compared to $249 million in the first 9 months of 2019. That's an increase of 84%.

Third, through the first 9 months of 2024, we earned $388 million of operating income in our Markel Ventures operations compared to $179 million in the first 9 months of 2019. That to an increase of 117%.

Fourth, through the first 9 months of 2024, we earned recurring dividend and interest income of $677 million compared to $339 million in the first 9 months of 2019. That's an increase of 99%.

At September 30, 2024, each share of Markel Group sold for about $1,570. At September 30, 2019, each share of Markel Group sold for $1,180. That's an increase of 33%. That is the smallest percentage increase of any of those numbers.

I would suggest that the gauges measuring our total net investments, our underwriting and insurance earnings, our Markel Ventures earnings and our recurring investment earnings would be the measurements that I as your pilot and you as fellow shareholders should be monitoring.

Those gauge readings are not perfect. And in some cases, they showed that we fell short of what we strive for and what we expect going forward. Nonetheless, I think it's fair to assert that they describe an airworthy craft. In response to those measurements, which I believe describe genuine progress and our sense of intrinsic value, we've responded by repurchasing Markel Group shares.

Five years ago, our share count stood at 13.815 million shares. At September 30, 2024, it stood at 12.87 million. Most of the repurchase activity took place starting in 2022, and it continues through this day. So far, that's a decrease of about 6.7% in outstanding shares. We think, given our valuation, capital position and capital allocation alternatives, that repurchasing shares makes sense and, as such, we are doing so.

In just a minute, Brian and Jeremy will descend from the 5-year measurement time frame to the first 9 months of 2024 and provide some relevant details and comments on our overall financial position and our insurance business. I will add, in the spirit of shifting to annual comparisons, that in our Markel Ventures operations, we faced a tough comparison against the same period a year ago.

Last year, I spoke about conditions in some of our more cyclical businesses as white hot. At this point, I would describe conditions as beige hot. That makes for tough year-over-year comparisons. But I remain very happy with the ongoing performance of the Markel Ventures collection of businesses.

In our investment operations, we continue to benefit from persistent production of cash from our insurance and ventures operations as well as increased dividend and interest income and capital appreciation. In our insurance operations, we work to respond to the catastrophes and events to help clients in their times of need. We also work to continue to improve our financial performance while building the capital it takes to help our customers when they need it most.

The sum of these positive flows combined gives us the fuel to keep investing in publicly traded securities, fund acquisitions, fund growth opportunities and repurchase stock, and we keep saving to have more money in the kit. To me, that seems like a healthy set of gauge readings.

With that, I'll turn it over to Brian to lower the plane from the discussion about the cruising altitude of 39,000 feet towards ground level as we approach the runway of current year-to-date financial results. Following Brian, Jeremy will pick up some comments about our insurance operations, and then we will open the floor for questions. Brian?

Brian Jeffrey Costanzo
CFO & Chief Financial Officer of Markel Insurance Operations

Thank you, Tom, and good morning, everyone. Through the first 9 months of this year, we saw terrific returns on our equity portfolio, adding $1.7 billion to operating income, which is the headline change in almost any consolidated metric. However, it's also important to note the aggregate growth in operating income from our underlying businesses, insurance and ventures, along with our recurring interest and dividends, which grew by double digits in both the quarter-to-date and year-to-date periods. With that, let's go through the results.

Starting off with our consolidated results. Total revenues increased 15% to $12.8 billion for the first 9 months of 2024 and total operating income increased significantly year-over-year to $3.1 billion, with the largest driver being the market value movements on our equity portfolio.

Net income to common shareholders was $2.2 billion in the first 9 months of 2024, compared to $1.2 billion in the same period of 2023. Comprehensive income to shareholders in the first 9 months of 2024 was $2.5 billion, compared to $1.1 billion in the same period of 2023.

Net cash from operating activities was $2.1 billion in the first 9 months of 2024 compared to $2 billion in the same period last year. Operating cash flows in 2024 reflected strong cash flows from each of our operating engines, with the most significant contribution coming from insurance.

In the first 9 months of 2024, we repurchased $389 million of Markel Group common stock under our outstanding share repurchase program compared to $270 million in the same period last year.

Now I'll move to the performance of each of our 3 operating engines, starting off with our insurance engine. Gross written premiums within our underwriting operations grew by 4% to $8.2 billion for the first 9 months of 2024 compared to $7.9 billion in the same period last year.

Our premium growth was driven by select U.S. lines of business, most notably our personal lines and our international marine and energy insurance and reinsurance products. This was partially offset by targeted premium contraction in select classes within our U.S. professional liability and general liability portfolios where we took underwriting actions to improve profitability.

Our consolidated combined ratio for the first 9 months of both 2024 and 2023 was 95%. Both periods included 1 point of catastrophe losses. Our 2024 combined ratio included $62 million of net losses attributed to Hurricane Helene, while our 2023 combined ratio included $46 million of net losses attributed to the Hawaiian wildfires and Hurricane Idalia.

In addition, we disclosed in our third quarter 10-Q as a subsequent event our preliminary estimated range for Hurricane Milton of between $40 million and $80 million in losses that will be recorded in the fourth quarter. These losses from catastrophe events are within our expectations for events of this size.

In 2024, the combined ratio benefited from more favorable development on prior accident year loss reserves compared to 2023. The impact of which was mostly offset by higher attritional losses, including those on our intellectual property collateral protection insurance, or CPI, product line.

Our year-to-date 2024 consolidated combined ratio included $139 million or 2 points of losses from CPI, while our year-to-date 2023 consolidated combined ratio included $68 million or 1 point of losses from CPI.

Prior year loss reserve development improved over the first 9 months of 2024 to $344 million in loss takedowns versus $170 million in 2023. Favorable development in the first 9 months of 2024 was most notable within our international professional liability product lines.

We remain cautious in our approach to both reducing prior year loss reserves and in our current accident year attritional loss ratio on our longer-tail U.S. professional liability and general liability product lines given recent claims trends.

Within our program services and ILS operations, operating income totaled $101 million, primarily driven by strong growth and performance from our fronting operations, both at State National and in support of Nephila.

Turning next to our investment results. Net investment income for the first 9 months of 2024 was $677 million compared to $520 million in the same period last year. We continue to benefit from higher interest rates compared to the first 9 months of 2023.

We expect, based on the current interest rate environment, that the yield on fixed maturity securities will continue to increase slightly throughout 2024 as lower-yielding securities mature and are replaced by higher-yielding securities.

Net investment gains of $1.7 billion in 2024 reflect favorable market value movements, resulting in an 18.5% return on our public equity portfolio in the first 9 months of 2024. This compares to net investment gains of $591 million in the first 9 months of 2023.

As you've heard us say many times before, we focus on long-term investment performance, expecting variability in the equity markets from period to period.

At the end of September, the fair value of our equity portfolio included cumulative pretax unrealized gains of $7.8 billion.

Net unrealized investment gains included in other comprehensive income in the first 9 months of 2024 were $283 million net of taxes compared to net unrealized investment losses of $135 million net of taxes last year. At the end of September, the cumulative pretax unrealized loss on our fixed maturity portfolio was $198 million.

We typically hold our fixed maturity investments until they mature and would generally expect unrealized holding gains and losses attributed to changes in interest rates to reverse in future periods as bonds mature. We continue our long-standing precedent of investing in the highest quality of fixed income securities.

As of September 30, 2024, 98% of our fixed maturity portfolio was rated AA or better and there are no current or expected credit losses within the portfolio.

Finally, I'll cover the results from our Markel Ventures engine. Revenues from Markel Ventures increased 3% in the first 9 months of 2024 versus the same period of 2023, driven by our consumer and building products businesses as well as the contribution from our June 2024 acquisition of Valor. Markel Ventures operating income decreased 1% due to the impact of lower revenues and operating margins at our construction services and transportation-related businesses. This was largely offset by the impact of higher revenues and margins at our consumer and building products businesses.

While our growth metrics are down slightly, many of our Markel Ventures companies are performing very well. But as Tom mentioned earlier, certain of our businesses, in particular, our transportation businesses, are benchmarked against peak performance metrics from a year ago.

With that, I'll turn it over to Jeremy to talk more about our insurance engine.

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Thanks, Brian, and good morning, everyone. Our work to build a more consistent top financial performer within our insurance operations continues to progress. Our underlying results within our U.S. insurance operations are steadily improving, while our international operations continue to perform exceptionally well.

While our third quarter combined ratio of 96 is not what we aspire to, this quarter's results were impacted by 3 points of losses related to Hurricane Helene and 2 points of losses on our intellectual property collateral protection portfolio, which is in runoff.

For the year, our combined ratio sits at a 95 and includes 1 point of cat losses and 2 points of losses related to our CPI product. Regarding the ongoing effects of winding down our in-force CPI portfolio, nothing has meaningfully changed from my comments a quarter ago. We continue to expect the majority of the loss activity to be resolved by the end of 2025.

Throughout 2024, the insurance industry has seen elevated losses arising from natural catastrophe events, beyond Hurricane Helene. While we are exposed to losses on these types of events, our incurred losses have been attritional in nature given the portfolio management actions we've made in recent years and our catastrophe exposed products remain profitable and contribute positively to our overall results. Our estimated hurricane Milton losses, which will be recognized in the fourth quarter, do not change that position.

Our overall risk-bearing premium production continues to be affected by the underwriting actions we have been taking since late 2023.

Within our insurance segment, on select U.S. casualty and risk-managed professional liability lines, where the corrective underwriting actions have been most focused, premiums are down by over 20%. The remainder of our products, where we are generally achieving our profitability targets, are up 8%.

We continue to see growth in many of our international lines, including within our marine and energy and trade credit products and across our international casualty, Europe and Asia portfolios, where we have made investments in talent and expanded our product capabilities into additional markets. Within our domestic portfolio, our personal lines, inland marine, managed reliability and programs offerings, among others, continue to produce strong profitable growth.

As we prepare to move into 2025, we plan to further grow in areas where we see opportunities for our specialist solutions.

As Brian mentioned, our combined ratio for the year has benefited from a higher level of prior year reserve releases than a year ago. It's worth taking a moment to speak to this.

First, our prior year loss reserves have benefited from higher reserve releases within our international portfolio. In aggregate, our international lines have behaved quite well, with actual versus expected claim experience coming in favorably over the course of several quarters. These favorable trends have resulted in a reduction to reserves and lower ultimate loss ratios in line with claims experience, while we continue to maintain a margin of safety in our reserves.

Second, in the U.S., while we have some products where actual versus expected loss trends are behaving quite well, such as workers' compensation, a significant portion of our reserve releases are a function of the overall reserving philosophy. As we have said before, we consistently reserve at a level to be more likely redundant than deficient. Each year, we prudently layer on a margin of safety above our best estimate loss ratios within each product to acknowledge that uncertainty exists for loss development trends.

Over time, if losses behave as expected, we will experience reserve releases, which has historically been the case. Given the elevated levels of adverse loss experience in our U.S. general liability and professional liability product lines during 2022 and 2023, we took action including both adding reserves on older accident years given experience and increasing the margin of safety applied on more recent accident years.

Overall, prior year development on our total reserves for U.S. casualty and professional product lines have been close to flat this year while the rest of our insurance portfolio has performed well, which allows us to experience higher levels of reserve releases.

In general, absent unexpected adverse trends in our claims development, we would expect to have meaningful reserve releases, best demonstrated by our long-term track record of net reserve releases.

Turning to our expense ratio. A few comments on recent trends. Our direct and controllable expense ratio in the insurance segment is elevated from prior years. We see this impact in the third quarter where the overall expense ratio eclipsed 35%, in conjunction with our net earned premiums turning slightly negative.

The vast majority of expenses arise from our insurance operations, and there are different drivers contributing to this outcome.

Within our international division, we continue to see excellent performance. And we have been investing in underwriting talent and systems to support further growth and expansion into new products and geographies. These investments are putting short-term pressure on our direct and controllable expense ratio.

The strong results this year have also yielded higher profit sharing expense commensurate with performance. So while the expense ratio is ticking up, so is overall profitability and the opportunities for future profitable growth. We feel good about our longer-term prospects here.

Within our specialty operations, we have seen compression in the earned premiums driven by our corrective underwriting actions and changes in our professional liability outwards reinsurance structure. These top line impacts have put pressure on our expense base that remains subject to inflationary trends from higher salaries and professional fees that is impacted by targeted investments in technology that we are making.

Our earned premium growth had continued similar to previous years. We will be producing a more consistent expense ratio.

Our elevated expense ratio was anticipated, but also remains an area of focus for improvement in the future. We have a high degree of confidence in our ability to successfully re-underwrite our portfolio and return to more historical levels of growth, which will alleviate pressure on the expense ratio and yield even stronger results over the long term.

At this point, I've largely covered off our insurance segment results, so let me take a minute to discuss our other divisions.

Starting with our global reinsurance division. We remain singularly focused on writing profitable business deal by deal, only deploying capital in deals that meet our underwriting criteria and profitability targets.

We recently announced the exit of our public entity product line, which has been a significant drag on results in the past few years due to ongoing legal system abuse trends prevalent within the casualty market. If you exclude the impact from our public entity line, our reinsurance segment result for the year -- our overall results for the segment would be modestly profitable.

Our State National program services operations achieved significant growth of 22% through 9 months while maintaining consistent levels of high profitability. We also continue to differentiate ourselves within the funding market with our ability to facilitate and place complex and unique transactions. Our team has demonstrated its ability to innovate, find new ways to create value around our core competencies.

Within our Nephila operations, our portfolio has performed well despite elevated levels of natural catastrophe activity. As I mentioned earlier this year, given the elevated climate signal, we deployed less capacity, partially hedged our portfolios and wrote less premium volume than we otherwise would have.

These actions lowered revenues and therefore, earnings this year, but we're in the best long-term interest of our investors. Given current views of investment returns and the increased likelihood of an attractive pricing environment again for 2025, we feel we are well positioned heading into the new year.

With that, I will turn it back over to Tom.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director
Thank you, Jeremy. And with that, Prila, we'd love to open the floor for your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Andrew Andersen with Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

With the corrective underwriting actions on U.S. general liability and professional liability that I believe began in the fourth quarter of last year, how many quarters of a drag do you think there is left on growth here?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, Andrew, it's Jeremy. I'm not going to give too much guidance on that, but I will say you're exactly correct. We started, obviously, recognizing a loss reserve development in '22 and '23. And we began taking really more impactful corrective underwriting actions as we entered the first quarter this year. So I believe that's going to be more normalized as we get into 2025. I would say there's a slight difference, however, between casualty and professional liability as well.

You can just observe that in the pricing environment. So overall, casualty is a much larger sector. There's a lot of different risks. It's hard to just put a singular label on casualty in those classes, but it's a constructive rating environment and pricing environment right now.

Professional liability, if you take something -- it's a smaller sort of segment overall. If you take something like public D&O, it's pretty well reported, some of the concerns about the pricing environment there. So I think we can continue to see some pressure in that space depending on market conditions.

Andrew E. Andersen
Jefferies LLC, Research Division

And maybe switching gears here a little bit. I think Nephila is reported on a year lag, but presumably, you're getting kind of real-time indications as to how the current year is shaping up, just given that there's been some noise and some losses within iOS over the last few years, could you kind of frame the upside potential for segment income for Nephila in '25? I think it was about $20 million-ish of income in '23. So could that double in a clean year for '25 income?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, a couple of things. So we do not report Nephila on a year lag, let alone any lag at all. So we -- just to sort of clarify that. So what we're experiencing right now is their sort of current earnings.

Now you may be thinking about how, depending on in the portfolios where they may earn performance or management fees, there could be adjustments at the end of the year into the new year, if that happens. But that's a small part of the overall earnings profile for Nephila.

What I would say is, I think we see increased earnings coming through the platform this year compared to a year ago and were it not for kind of the elevated climate signal and some of the hedging strategy, deploying less capital, writing less premium, we would have seen higher levels of revenue and higher levels of earnings. So we'll kind of see what '25 brings as far as our indication of the climate and with regards to what the pricing environment is. But all size would point to, it should be a pretty constructive environment for us relative to Nephila in '25.

Andrew E. Andersen
Jefferies LLC, Research Division

And maybe if I just try to clarify that a little bit. So the management fee portion would be real time, but the performance fee would be on a lag. Is that a good way to think about it?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes. Not so much that it's on a lag. It's generally speaking, the performance fee would be earned at the stroke of midnight. So it would typically be something that would be a binary outcome recognized in the fourth quarter results based on the full year's performance. But again, that's a small component of the overall earnings potential between what we would earn on management fees and where we have products that are actually feed more based on gross written premium. And that's part of the talk about in the other fronting space.

Operator

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

Andrew Scott Kligerman
TD Cowen, Research Division

I just want to follow up on the Nephila question. I thought the performance fees could actually be quite significant under favorable catastrophe conditions. And if I'm right, or maybe you could just give a little color in general on how Nephila's performance was in the third quarter, just given all the activity with Helene and as you look into the early part of the fourth quarter with Milton. How has Nephila's performance been? And is there a potential for material upside in performance fees?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, sure, Andrew. It's Jeremy. I'll give you a couple of thoughts. I'm not going to give you kind of complete guidance there. So with regards to the potential around earning performance fees, it really depends on the investor and their selection and the structure. So it's not like every fund and every offering and every structure has that potential. And in fact, what we've seen is that much of the new products that we're deploying are feed based on gross written premium, and that's part of where we see the results coming through in the other fronting space.

And those may have -- be more driven off the actual fee income recognized -- and profits and earnings recognized in the year versus performance fees. As far as how are the fund's performance this year holding up, it's doing actually quite well despite the elevated level of activity. And that really, I think, highlights, one, the quality of the portfolio construction that the Nephila team took and how we manage sort of those portfolios for those returns and, obviously, the constructiveness of the pricing environment relative to the deals that we wrote and supported. So I'm not going to give any specifics on the fund performance, but the funds are performing well.

There will be the possibility, absent any further events, of recognizing a modest amount of performance fees. That will be less because it was not a clean year than it would have been had it been a clean year and also, obviously, because of some of the hedging strategies we deployed given the elevated climate signal.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. Very helpful. And then with regard to reinsurance. So that was kind of a tricky loss ratio at close to 79%. You had a real drop off of 3% adverse impact on the premium adjustments, losses on credit and surety, higher picks on professional and GL. So I guess as I think about reinsurance, does it feel like you have kind of righted the ship, and next year, you could kind of get back to more normalized levels, maybe in the mid-60s on the loss ratio?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, good question. You're exactly right. There's a lot of noise within the reinsurance segment, particularly in the quarter. And I would, first, just acknowledge that our reinsurance results are falling well short of our goals.

One thing I would highlight, which I kind of mentioned, is we did take additional action around our public entity book. That is true in the quarter, therefore, for the year this year. It was also true in last year in the year-to-date results.

And that book of business continued to be adversely impacted by legal system abuse, more so than what we see across our wider casualty offerings.

Public entity was a modest portfolio. It wasn't poor, and we exited that in the period. That's created a lot of drag. That alone would bring our results into profitability for the year, and I think probably almost for the quarter as well.

Additionally, to your point, we've seen a little bit of pockets of specific loss activity around select deals, some of that in our credit and surety, some of that within transactional liability part of professional liability, and we remain really cautious around our general liability portfolio.

Those sort of -- that loss activity has led to us increasing our loss picks on the current year, really out of prudence and an abundance of caution, to ensure we're trying to stay ahead of these loss trends that may exist or be seen within our cedent's portfolio.

So we're taking, obviously, the benefit of insights that we have in our own primary book. We're reflecting some of that caution. We're increasing our initial reserving selections. We're trying to be prudent with those best estimates, and we're also reacting immediately when we see some loss activity versus letting IBNR absorb that on the prior year. So there's a lot of caution in the reinsurance platform.

I would like to think that -- and our expectation is there's more embedded profitability in the most recent underwriting years, and those will perform better than the more seasoned years that presented the drag on results. So that should moderate in time. I can't speak to specificity as far as when we will see that.

Andrew Scott Kligerman
TD Cowen, Research Division

Very helpful. Maybe I could just sneak one more in on the ventures engine. Revenue up about 1%, EBITDA down about 13%. I think you noted the pressures coming from construction and one of the transportation-related businesses. Do you think this is a new baseline for kind of EBITDA on the business? Do you think kind of the $107 million is more of a baseline? How should we think about that going forward?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes, this is Tom. I'm going to pause for just a second here because maybe some of you on this conference call know this and know my friend [Chad Rowe] died last week after fighting a long battle with Parkinson's disease. Chad was a great friend. He was a great mentor. He was a great teacher to me. And any of you that knew him know that I'm telling the truth about that. And Chad dispensed this advice and his counsel in a wry and humorous way and always had a smile on his face, and you ended up with a smile on your face, too, after you talked to him.

And one of the things Chad said on a regular basis within the investment business, and I'll extend that to ventures and operating businesses, "You look either smarter or dumber than you really are at any given point in time." So to look at any one quarter of Markel Ventures and think you're looking at a normal EBITDA margin and profitability base, given the cyclicality of these businesses and the array of these businesses, it's just silly. And it serves no purpose whatsoever. Now what does serve a purpose, and that's where I tried to go at the beginning of the comments, is look over the 5-year averages. Those are real. Those are durable. They're dependable. They're a long enough time frame to get some sense of what you're really looking at.

So I would encourage you to heed the advice of my dear friend Chad and try to find out how smart or stupid we really are and look at those 5-year averages -- and look at 5-year averages, over 5-year averages and trend there. That's where I think you give a good picture. I know that's not helpful with your quarterly models, but that's really how we run the business.

Andrew Scott Kligerman
TD Cowen, Research Division

No, and I'm really sorry to hear that he passed. But maybe just more -- or how confident, Tom, are you the construction business seeing improvement in that one transportation-related business? I mean, is this sort of a one -- kind of a trough-y feel that you have about those businesses? Or do you think maybe there could be some pick up moving forward that this is just kind of a point in time that's kind of a trough-y point.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes. I really just don't think of it in those terms. And I look at these businesses and I look at their long-term financial performance, I look at the capital that we have in them, I look at the returns on capital they've produced over time, and they're great. And if you ask me, if I could do them again, if I could buy another set of businesses like that at the kind of prices we paid, I would do that in a New York minute. So they're good businesses and with normal volatility that goes along with cyclicality, especially when you're comparing it to a white hot period a year ago. It just doesn't even register with me.

Operator

Your next question comes from the line of Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

One thing that caught my eye in the MD&A was that the current year loss ratio benefited from higher ceded loss recovery assumptions on GL. I'm just sort of curious, could you go into that a little bit, if possible? And is that something that would persist for multiple quarters? And then I'll throw on also, does that imply anything in terms of your casualty reinsurance program or pricing on that program? Just a little bit there would be helpful.

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, Mark, it's Jeremy. So we've talked about for several quarters in a row on our most recent accident years, and we've been increasing our attritional loss ratios. That's true for the current year as well. And we've been recognizing or embedding a larger margin of safety because of some of that uncertainty. Part of what we did in the quarter was actually to refine some of our estimates around the reinsurance recoverable to kind of calibrate, if you will, to what we were doing on the gross reserving side.

So that had the effect of reflecting in a world in which our recorded reserves are showing that additional margin of safety that may imply a bit more recovery, and we wanted to refine that estimate to sort of bring some of those selections in line. So a little bit more of an impact, if you will, on the quarterly results. That's a little bit more smooth on the year-to-date. And again, that's very different than what would be implied at a best estimate level.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Okay. So maybe not something that reoccurs in the fourth quarter or at a more reduced level. Is that fair?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

What I would really say as far as fourth quarter or beyond is what you've been hearing us speak to is reshaping the portfolio, taking correcting actions, working on the underwriting, taking advantage of maybe a more favorable environment, all the good old fashion underwriting. Those are the sorts of things that hopefully will inure to our benefit and earn through those casualty results over time.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. And then as you see at the casualty reinsurance market, your use of that reinsurance, any comments on pricing or -- yes, maybe just pricing or you're maybe being more active on reinsurance or buying more reinsurance?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes. I won't be -- we're in the middle of sort of the reinsurance purchasing window and they'll probably be more than I would say in a quarter's time. As far as generally speaking, pricing from a casualty reinsurance standpoint, we're obviously -- we have a large insurance operation. We see and understand and appreciate some of the rates coming through there. And we have -- we're both a buyer and a seller of reinsurance. So pricing, I think, is going up in the casualty space. So I imagine that may be reflected.

That being said, I think we have longstanding relationships. We're a high-quality underwriting shop. I think we've taken a very intellectually honest and data-driven approach to managing our portfolios. And I think when we spend time with our reinsurers, they recognize and acknowledge the work and the actions we're taking.

Operator

Your next question comes from the line of Scott Heleniak with RBC.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Just first question was just on reserves. So you had over $100 million in reserve releases in the quarter, and it sounds like you're feeling kind of pretty good about where they are right now. But I wonder if you can comment just any more on the accident years. Is there any accident years, in particular, we saw most of that benefit? And is that mostly just severity-driven versus your expectations, the benefits there?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes, Scott, I made some of these comments in my prepared remarks. There's a handful of different things that are happening there. We're seeing -- we continue to see pretty good loss experience within our international portfolios. And whether or not it's good things getting better or bad things getting worse, right, there's a trend over time. So what we've observed in the international books, and I'll take our international professional lines as a good example, is we've had a very constructive environment in recent years.

Loss activity has been fairly modest. We've been improving some of the selections on older years. And as that holds up over longer periods of time, that gives us more confidence with regards to how the more recent years will perform. So that would be an example where we've seen decent prior year favorable takedowns on more recent accident years, but it results from looking at things over a long period of time and seeing how that performance has played out.

We have other examples, which I mentioned, really where we see in the U.S. book modest amounts of favorable improvement relative to experience across a wide range of products and programs. Some of that is also on more recent years. Because as we mentioned, building in a margin of safety, things sort of perform and behave well over time. We'll sort of reattribute some of that margin of safety in the more recent years, and we might take some of that benefit in somewhat recent accident years. So a handful of things that are happening within the prior year development space.

I think we're getting to a more normalized level, right? As I sort of made in my comments, and you could observe if you looked at Markel's performance over the last 20 years, you should have a reasonable expectation that if absent adverse claims trends that are unexpected, we should see reasonable levels of prior year redundancies.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Appreciate the detail. And then just I wanted to ask too, I mean, we've been seeing and hearing about the increased competition in property and decelerating pricing in the last couple of months and quarters. Just wondering where Markel is in property right now. Are you seeing growth in that? And just what's the overall view and the trends and how you're looking at that given what's happening now and what you think might happen in 2025 there in property?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes. Well, we're kind of live into it, Scott, as far as sort of seeing maybe how the property pricing environment will evolve. It's probably a little bit early to say how that will play out. I'll note a lot more by the time we're back together in a quarter's time based on some of the recent event activity and performance overall.

As far as kind of growth in that product line, I would say we're kind of close to flat this year with -- and what we would have spoken to is in the early part of the year, we were seeing still rate increases. And then as we approach the middle part of the year and through sort of this quarter, that begin to moderate and there's been modest price declines. So for the most part, our premiums -- our exposure is kind of largely staying the same, and the premiums are kind of reflecting what's happening on the rate side. So there's not a lot in the property story.

If you look quarter-over-quarter for the year, we're kind of close to flat. We'll wait and see. I mean, we still -- our property portfolios are performing well. I think I mentioned earlier, they're accretive to our overall profitability. We would view the property in the portfolios that we're writing certainly to be attractive and rate adequate, and we'll see and observe market trends to determine whether or not we see the opportunity to hold the line or grow or reshape.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. That's helpful. And just the last one, just a numbers question. The noncontrolling interest impact was up about $20 million or so versus the past few quarters. Was there anything that drove that? Was there anything kind of onetime or any adjustment on that that's worth calling out?

Brian Jeffrey Costanzo
CFO & Chief Financial Officer of Markel Insurance Operations

Yes, Scott, this is Brian. So the piece that goes through there that we've had a couple of times, it was a little more pronounced this quarter, as you noted, is there are loss takedowns relative to our consolidation of Markel CATCo. So that runs through the operating income side and then it goes back out through noncontrolling interest because really all those loss takedowns belong to those investors. There are some other small things that happen in there, relative to kind of the noncontrolling interest that we own in the ventures companies, but that's the biggest kind of single delta period-over-period.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. So that's just a volatile thing that happens from time to time. I guess you can't predict it.

Brian Jeffrey Costanzo
CFO & Chief Financial Officer of Markel Insurance Operations

Correct. I mean -- and we're in the process of winding down that CATCo side. So I think you will start seeing that diminish over time and, eventually, that will not be in the financials once the entire platform is wound down.

Operator

Your next question comes from the line of [Tom Litke] with Citadel.

Unknown Analyst

This question is for Tom. Under some adverse conditions, let's say, our underwriting is not profitable and equity markets are way down. You guys have done a lot to improve the conservative nature of our balance sheet over the last 5 years. And I applaud all that and enjoy the share repurchase absent a better opportunity. But given a really dark scenario, is there any way that the share repurchase program would be stopped if the conditions were pretty bleak? Or do you foresee that the current what I would consider modest repurchase would be able to be continued through even the worst of conditions?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes, Tom, thanks to hear from you. The thought and the design is to be able to steady, steady, steady, steady, steady, continue to do repurchasing under almost any scenario that we can kind of imagine. So it's always a balancing act. You're choosing between different alternatives, how much dry powder you want to keep, what the prices of potential deals are, what the price of Markel shares are. But you and I have talked over the years and have had many examples of where you've seen companies buying stock, buying stock, buying stock and make a big hoo-ha about it. And then when times get tough, they stopped.

Our actions are designed to not have that happen to the best of our ability. And you see that we've been kind of increasing the pace of share repurchases recently. So I hear what you're saying, and I would take comfort in that dig.

Operator

Your next question comes from the line of Andrew Andersen with Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

Just 30 days into the last quarter of the year, are there any additional reserve studies that you plan to conduct in 4Q outside of the normal quarterly studies that you've been doing through 9 months?

Jeremy Andrew Noble
President of Markel Insurance Operations & President of Global Insurance Engine

Yes. This is Jeremy. We look at really all of our reserves each and every quarter. There are always times where we're doing some review of subclasses or lines that there's nothing that I would call out specifically.

Operator

[Operator Instructions] And this concludes our Q&A session. I would like to turn the call back to Tom Gayner for any closing remarks.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Well, thank you all for joining us. I hope you will update your models for the 5-year forecast rather than perhaps the next quarter. And with that, that about wraps it up. We'll see you next quarter. Have a great one, everybody.

Operator
Thank you, presenters. And this concludes today's conference call. Thank you all for attending. You may now disconnect.