S&P Global
Market Intelligence

RLI Corp. NYSE:RLI

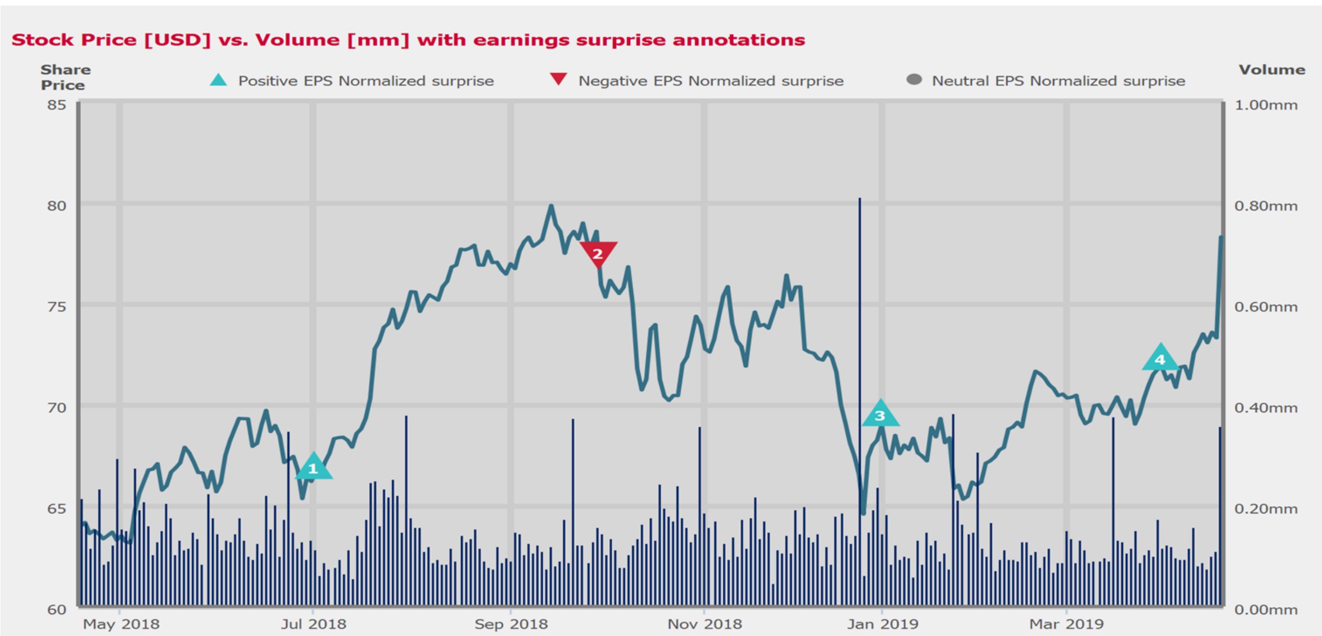
FQ1 2019 Earnings Call Transcripts

Thursday, April 18, 2019 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2019-			-FQ2 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.60	0.71	18.33	0.60	2.31	2.36
Revenue (mm)	226.06	263.82	16.70	228.52	921.66	964.01

Currency: USD
Consensus as of Apr-18-2019 12:55 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2018	0.56	0.60	1 7.14 %
FQ3 2018	0.51	0.46	2 (9.80 %)
FQ4 2018	0.28	0.40	3 37.93 %
FQ1 2019	0.60	0.71	4 18.33 %

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EXECUTIVES

Aaron Howard Jacoby
VP of Corporate Development

Craig William Kliethermes
President & COO

Jonathan Edward Michael
Chairman & CEO

Thomas Lynn Brown
Senior VP & CFO

ANALYSTS

Bijan Moazami
Compass Point Research & Trading, LLC, Research Division

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Ryan William Aceto
B. Riley FBR, Inc., Research Division

Presentation

Operator

Good morning, and welcome, ladies and gentlemen, to the RLI Corp. First Quarter Earnings Teleconference. [Operator Instructions]

Before we get started, let me remind everyone that through the course of the teleconference, RLI management may make comments that reflect their intentions, beliefs and expectations for the future. As always, these forward-looking statements are subject to certain risk factors, which could cause actual results to differ materially. These risk factors are listed in the company's various SEC filings, including in the Annual Report on Form 10-K, which should be reviewed carefully. The company has filed a Form 8-K with the Securities and Exchange Commission that contains the press release announcing first quarter results. RLI management may make reference during the call to operating earnings and earnings per share from operations, which are non-GAAP measures of financial results. RLI's operating earnings and earnings per share from operations consist of net earnings after the elimination of after-tax realized gains or losses and after-tax unrealized gains or losses on equity securities. RLI's management believes these measures are useful in gauging core operating performance across reporting periods, but may not be comparable to other companies' definitions of operating earnings.

The Form 8-K contains a reconciliation between operating earnings and net earnings. The Form 8-K and press release are available at the company's website at www.rlicorp.com.

I will now turn the conference over to RLI's Vice President, Corporate Development, Mr. Aaron Jacoby. Please go ahead, sir.

Aaron Howard Jacoby
VP of Corporate Development

Thank you. Good morning to everyone. Welcome to the RLI Earnings Call for the First Quarter of 2019. A special thanks to everyone for tuning out the Mueller report coverage for a few minutes to join us on the call.

With me today are Jon Michael, Chairman and CEO; Craig Kliethermes, President and Chief Operating Officer; and Tom Brown, Senior Vice President and Chief Financial Officer. I'm going to turn the call over to Tom first to give some brief opening comments on the quarter's financial results. Then Craig will talk about operations and market conditions. Next, we'll open the call to questions, and Jon will finish up with some closing comments.

Tom?

Thomas Lynn Brown
Senior VP & CFO

Thanks, Aaron. Good morning, everyone. As reported last evening, first quarter 2019 operating earnings were $0.71 per share. We continue to experience top line growth while recording a combined ratio of below 90 and generating nearly $2 of growth in book value per share as solid operating earnings were bolstered by a very favorable investment market.

From an underwriting perspective, we posted a combined ratio of 89. This result improved nearly 2 points from first quarter prior year as our loss ratio benefited from increased favorable reserve development. For the first quarter of 2019, we reported net favorable prior year's reserve development of $17 million compared to $13 million last year. Also from a storm perspective, there was a minimal amount of loss in the quarter, about $1 million, and loss estimates for both 2017 and 2018 hurricanes remained unchanged.

We were pleased with each of our segments combined ratios: 96 in casualty, 79 in property and a 70 in surety. Our casualty segment was favorably impacted by $11 million of net positive reserve development.

Most casualty lines developed favorably, including transportation, which posted a modest amount of favorable development for a second consecutive quarter.

Our property segment posted favorable development of $2 million, exclusively from our Marine line.

Finally, our surety segment had favorable development of $4 million. From a high level, it is worth pointing out that our expense ratio is up about a point in the quarter as our bonus and profit-sharing accruals correlate with the strong growth in earnings and book value. Overall, very solid underwriting results across our diverse product portfolio.

Turning to our top line. Gross written premiums advanced 6% in the quarter. Craig will provide more detailed discussion shortly, but growth was fairly broad-based and was achieved despite reductions from product exits and the prime quota share reduction that were announced during our fourth quarter call.

From a segment perspective, casualty grew top line 8%. Growth was achieved in a number of established products as well as newer initiatives, including energy casualty and general binding authority. We are pleased with this growth, but the segment is also the one most impacted by the recent product exits and the comparison to prior year may get more challenging as the year progresses.

Moving on to property. Top line grew by 7%. This growth was driven largely by Marine, but also included growth in our Hawaii Homeowners group. Finally, surety posted a 2% decline in top line as we remain disciplined in a very competitive environment.

Complementing this underwriting performance, investment income continued to advance, up 16% compared to the first quarter of 2018. We have grown our invested asset base over the past year and continue to benefit from rotation to the portfolio and higher average yields. On a total return basis, our investment portfolio generated 4.5% return in the quarter. This return, coupled with solid operating performance, resulted in $95 million in comprehensive earnings for the quarter, driving book value up $1.95 per share after paying a $0.22 per share in ordinary dividend during the first quarter.

Our overall business fundamentals, underwriting and investments results were very strong for the quarter. In conclusion, a very good start to the year.

And with that, I'll turn the call over to Craig.

Craig William Kliethermes
President & COO

Thanks, Tom. Good morning, everyone. A very good start to the year with 6% top line growth and an 89 combined ratio. Premium growth was a bit slower than previous quarters, but still a good result given the previously-announced product exits.

We have had some recent success focusing on growing our more established and most profitable products. We have nicknamed this initiative Grow What We Know, and it has helped us create more balance between newer products that take time to season, and those that deliver results today.

Overall, rates moderately improved from prior quarters. Larger increases are still confined to spots where the pain is being felt most. Our discipline allows us to wait patiently for more widespread market opportunity. We are keeping an ear to the ground, alert for signs of disruption. It feels like the opportunity is not as distant as news of distress becomes more frequent. Let me provide a little more detail by segment.

In casualty, we grew 8% while reporting a 96 combined ratio. Profitability was widespread, with 6 of our 7 largest product lines reporting an underwriting profit for the quarter. Overall, we achieved a 3% rate increase across casualty. We continue to get a good blend of growth from newer and more established products. Recall, casualty is the segment most affected by some product exits and pruning announced last quarter. Underlying casualty growth, excluding this repositioning, was 14%.

A couple of individual products in this segment are worth mentioning. The transportation business unit continues to focus on profitability improvement and opportunistic growth. Top line was off 4% for the quarter, while achieving an overall 7% rate increase. We were able to recognize some favorable loss development and report an underwriting profit so far this year.

Our professional services group that focuses on architects, engineers and miscellaneous professionals, also recorded a nice underwriting profit based on positive claim trends. A large portion of the growth in casualty was realized in our commercial and personal umbrella products, which grew over 15%. These are well-established and historically profitable products for us. We also continue to see growth opportunities in our professional liability and commercial package businesses, as well as in our energy casualty and general binding authority businesses that were both started in 2016.

Our property segment grew 7% and delivered a 79 combined ratio. All 3 major product groups achieved underwriting profitability. Rate in our property segment increased 6% for the quarter, largely driven by wind-exposed accounts and Marine.

Marine continues to grow at a double-digit rate, benefiting from the disruption in the market. This is creating an opportunity to build needed scale, while maintaining underwriting discipline and a good loss ratio.

Our catastrophe business was down 5% on the top line for the quarter, while rates were up about 5% for wind and nearly flat for quake. As you are aware, there were several significant catastrophe events that occurred over the last 2 years, including hurricanes, earthquakes, floods, wildfires and even volcanic eruptions. Consistent with our track record, our original loss estimates continue to prove sufficient for these events.

Our Hawaii Homeowners group grew 16% for the quarter. As we continue to invest in relationships and distribution, we have capitalized on very positive feedback from customers and producers on our timely claim handling of last year's lava-related fire losses on the Big Island.

Surety's top line was down 2%, but achieved an outstanding 70 combined ratio for the quarter. All 4 major product groups reported an underwriting profit. Competition is quite challenging, particularly in the commercial and energy businesses, where underwriting appears to be undervalued by our competitors. Premiums are larger here, and a few bonds or accounts can swing the top line. We continue to focus on widening our moat, investing in technology and the customer experience, supporting our contractors as they build their business and better serving our producers by leveraging a broad set of surety offerings.

Overall, the RLI team delivered again this quarter, with solid top line growth and a sub-90 combined ratio. At RLI, we understand our recipe for success and how to tip the playing field to our advantage. We get great talent, immerse them in our disciplined ownership culture and align them with compensation based on profitability over the long term. We know what fits, what differentiates us, and understand the risk-reward trade-offs. Our feedback loops are strong, and results are very visible. The team learns and adjusts quickly, always keeping both oars in the water.

We know how to preserve and grow capital and focus resources on products where we can deliver differentiating service and exceptional financial results. At RLI, we will continue to be different, because being different has proven to work.

I want to thank all of our owner associates for the great start to 2019, and I'll turn it back to Aaron to take questions.

Aaron Howard Jacoby
VP of Corporate Development
Great. Thanks, Craig. Operator, we can now open the call up for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Matthew Carletti with JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

Just, Craig, maybe if I can go back to your casualty comments and just have you dig in a little bit deeper. I'm curious what you're seeing in the E&S environment for those lines, or your E&S business, in particular, pricing, submission flows, standard line markets behavior. Are things starting to perk up there? Or is it largely unchanged?

Craig William Kliethermes
President & COO

Well, I think that if I go beyond just this quarter, I think if you look over last year, I think certainly, submissions were up a little more. This quarter, I think they were a little flatter, which is a little counter to probably what I've been reading. But for us, at least, submissions were relatively flat for the quarter.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay, great. And then just a casualty, kind of just broader, observing the accident year loss ratio, it was -- it improved a little bit in Q1 versus, say, full year last year. It was at the lower end of, if I look back, kind of couple of years, kind of the lower end of the quarterly run rate. Is there anything particular going on there? Is it just varying mix by quarter? Or is it a view that you're getting pricing that's meeting or exceeding loss trend? Is there anything to read into that? Or is it just more kind of how the cards fell?

Craig William Kliethermes
President & COO

Matt, this is Craig again. I would say it's pretty much mix-related. As you know, we've done a lot of repositioning, in particular on the casualty portfolio. So I probably couldn't isolate on one single thing.

Operator

We'll now take a question from Bijan Moazami from Compass Point Research.

Bijan Moazami
Compass Point Research & Trading, LLC, Research Division

From your commentary, it's very clear you're getting rate increases across the board everywhere. What's driving that rate increase across the industry? I guess, with the exception of commercial auto, it seems that a lot of the product lines doesn't appear to be showing adverse loss reserves in the industry. So just want to get a feeling of how sustainable those rate increases are? And then I have a follow-up question.

Craig William Kliethermes
President & COO

Bijan, this is Craig again. I don't think I said it was across the portfolio, so just to clarify. But I mean, we have seen some selected spots, continued in transportation. Certainly, in the umbrella space in certain geographies. In Marine, we've seen more price than we've seen in the past. And the other places kind of have remained pretty stable as far as the increases, but those are relatively low single-digit rate increases that we're seeing, not -- nothing really out of the ordinary or anything out of what we've seen in the past.

Bijan Moazami
Compass Point Research & Trading, LLC, Research Division

And umbrella 15%, is it rate you mentioned, or is it premium volume growth? And if it's growing that fast, what's happening there?

Craig William Kliethermes
President & COO

Well, on the -- we write both personal and commercial umbrella, so they're probably 2 different stories. Personal umbrella is more of an investment in technology, distribution, finding new partners. Commercial is, I'll say, more geographic-focused. Certainly, there's some pain in certain areas that we are seeing increased submissions and increased opportunity, and some price, but it...

Bijan Moazami
Compass Point Research & Trading, LLC, Research Division

And then finally, just you mentioned binding authority business is growing for you guys. Just want to see what kind of business you're driving through MGAs.

Craig William Kliethermes
President & COO

So the binding authority business, I mean, that would be some contractor, some rental dwelling exposure, some like plaza shopping centers, things like that, that would be the predominant classes of business that we have there right now. These are smaller risks. These would not be -- obviously, that are not individually risk underwritten, so they're more in a box.

Operator

We'll now take a question from Christopher Campbell with KBW.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

I guess just following up on Matt's question on like the casualty core loss ratio. I guess if you're growing umbrella as much as you are, should we expect to see that core loss ratio kind of decline over time?

Craig William Kliethermes
President & COO

Well, we have different loss ratios for different commercial umbrella products, so I wouldn't say that's necessarily true. Our casualty portfolio is made up of, well, I said 7 major products, but within that, there's probably another dozen or so other smaller products, so it really depends on where we're seeing the growth and where we're shriking, obviously. And we exited some of those that had higher loss ratios anyway, so it's very difficult for me, at least on this call, to pinpoint exactly what you're looking at and...

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. Yes, because I'm just thinking, if you're writing a lot more umbrella, that's probably a very low loss ratio business. And if that becomes a bigger mix at 15% growth over time, and if you're seeing that -- if you're seeing like technological opportunities in the personal side and then geographical on the commercial side, I would just expect that if I back out the reserve development from your stated loss ratio on casualty, that, that number would go down over time, just as you grow umbrella. Is that a fair way to look at it? Is there [indiscernible]?

Craig William Kliethermes
President & COO

Well, the one thing, Chris, I do want to clarify for you is we certainly would not be categorized as booking our commercial umbrella business to a low loss ratio, necessarily. I mean, that's not -- would not be standard practice for us. We would look at longer-term loss ratios and the pricing we're getting. And understand that's a little bit more volatile business, so there's probably larger risk factors that are being considered when we decide what we're going to book that loss ratio to.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. So you have more like volatility built into that loss pick, is that like a fair way to think of it?

Jonathan Edward Michael
Chairman & CEO

Yes, at least we don't see umbrella as a low loss ratio business at all. I think the [indiscernible] with that.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. And then you had mentioned -- I think Craig mentioned in his speech, 6 out of the 7 lines in casualty made an underwriting profit. So I'm just going to nitpick. Like, which was the one that didn't?

Craig William Kliethermes
President & COO

So that will be management, our management liability group, which sells directors and officers coverages. It's a very volatile line of business, with a little bit bigger limits. We do utilize reinsurance a little bit more there. So from quarter-to-quarter, you can have some volatile results, but it is one where we continue to watch closely.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. And there's nothing...

Craig William Kliethermes
President & COO

And we are getting...

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Like really concerning that you saw this quarter that was -- that would give you concern going forward?

Craig William Kliethermes
President & COO

It's not a line that you're going to see a lot of, necessarily trends, because it's not a frequency-driven line, it's a severity-driven line. So -- and it is one of those lines we are getting a substantial amount of rate this quarter as well, so we're watching it closely.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then you had mentioned a 3% rate increase in casualty. I guess overall, what's like the all-in loss cost inflation? Like, how do you view that? What's like a longer-term average, given like all the mix that you have in there? To get an idea just of...

Craig William Kliethermes
President & COO

Well, I mean -- sure. This is -- again, this is Craig. I mean, at least for our actuarial analysis, I believe we're using somewhere between 4% and 5% across our casualty portfolio, would be the average. I mean, there's going to be some that might be a little lower, some a little higher. So that's very much part of the explanation of why maybe our current accident year might be up a little bit in casualty as well, because it's a math problem, right? If you're getting 3% rate and 4% trend, 4% or 5% trend, that tells you your loss ratio should probably go up, absent better underwriting. But that's something that...

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then just one last one, if I may. There was a new company that started trading recently that does California earthquake. I know that's your largest PML exposure. So I guess, just what are your thoughts on the growth potential of that market? And then just in terms of reinsurance, I know like there's been some talk about the Florida mid-year renewals increasing, and then your issues with California wildfire. Could any of those higher reinsurance costs, are you guys expecting any of that to spill over into potentially into quake as well?

Craig William Kliethermes
President & COO

Chris, I'll answer part of it. I think Tom wants to answer part of it, too. Look, I guess I'm hoping it spills over into the primary pricing so that we -- it creates an opportunity for us. But our renewal is relatively flat at 1, 1. But obviously, if the cost of capital is higher for those guys to buy reinsurance, then hopefully, that will put some pressure on them to raise rates.

Thomas Lynn Brown
Senior VP & CFO

This is Tom. Chris, I would just say, too, I think we're speaking to the same company. It's a little heavier skewed to personal lines, which we are not in, in the California quake area. And I think as you probably all know, the takeup rate on quake is relatively low, so maybe there's a plan there to see if perhaps a better uptake in that. I don't know.

Craig William Kliethermes
President & COO

And I would just add that I can tell you, our underwriters would report every quarter if there's a new market that's opened for quake in California. I don't know this particular one you're talking about here, but they would either tell you another MGA or another company has opened their doors in California quake market.

Operator

Our next question will come from Jeff Schmitt with William Blair.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

Another question on the umbrella business. Just here in the market that large losses there are ticking up, particularly on the commercial side, just due to the tough legal environment, higher jury awards, higher settlement amounts. Is that what's causing sort of the dislocation there? I mean, it seems like you may have avoided that, but could be benefiting from a growth perspective?

Craig William Kliethermes
President & COO

Jeff, this is Craig. I mean, I think there obviously must be some pain in the marketplace from some of the other carriers. We obviously wouldn't be growing if we didn't think that we had the confidence that our results were good. It's the same team we've had in place for, I don't know, over 20 years, writing in the same locations with the same policy forms, just higher rates than they have in the past. So I think they have continued to see opportunity as people retrench.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

Okay. And then the transportation book, what did you say top line growth was there? I think you had said there was 7% rate. I'm just curious where you're at in terms of the repair process or profitability? I mean, you've obviously been taking rate for some time now.

Craig William Kliethermes
President & COO

Right. So I mean, obviously, we're going to continue to take rate if the opportunity permits, because we want to get a fair rate and fair return. The top line was down actually 4% for the quarter, and we had a 7% rate increase. So we're just a little more selective this quarter in certain spots and -- but we do think there's -- that is still a market in turmoil, transportation auto-related exposures in general. So we would expect that there's going to be -- the opportunity's going to persist for a while. And as far as, I guess, you asked about -- you didn't say rehabilitating, but the relooking, reunderwriting. I mean, we've been through our reunderwriting process for, I don't know, we're like going on year 3. So I mean we've looked at all the accounts we have. We like the book of business that we currently have. Obviously, we'd like it better if we can get more rate even. But we're seeing a lot of new opportunities in that space from a lot of carriers that retrenched. And that is an area that I know a lot of people would like to see us right on -- through wholesale or E&S, which is a hotspot on E&S, and that's where a lot of those submissions are going and I think people are seeing as more flow in the E&S market for auto. That is not a market for us, necessarily. So we deal in specialty retailers for the most part in that business.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

Okay. And just on the E&S business, I guess surprised to see submissions were I think you said flat. And just given some of the pullback by AIG, by Lloyd's, are they just different parts of the market? I mean, or how is that impacting your E&S business?

Craig William Kliethermes
President & COO

Again, this is Craig. I mean, our E&S business is we're fairly narrow and deep in most of the places we play. So AIG was not a market that we necessarily went head-to-head with in very many places. And London wasn't necessarily a place there that we would go head-to-head. But we do -- we ran into them occasionally. So certainly, it creates some opportunity, but I can't really tell you why necessarily our submission count was relatively flat for the quarter, but this quarter it was flat. We had seen an increase in submissions last year, and I don't have any reason to believe that this might not be an aberration.

Operator

We'll now take a question from Mark Dwelle with RBC.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

I guess my first question is probably for Aaron. What do think the Mueller report is going to say about commercial auto pricing? And do you think the President will survive it?

Aaron Howard Jacoby
VP of Corporate Development

A good question. Stay tuned for more.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Anyway, more specifically on commercial auto. You've obviously been getting rate there, but yet, I mean, you do -- the premium growth is still negative. So I guess that tells me that there's still -- that there's probably more business that you're net exiting than net winning in terms of the overall premium trend. We've been looking for rate in that sector for quite a while now. I mean, how much more rate do -- does --

would you say that the line generally needs before it would become what you'd call stable or maybe more attractive from a growth standpoint?

Craig William Kliethermes
President & COO

Well, Mark, I mean, obviously, we'd like to grow it if we find the accounts that meet our pricing criteria. So giving you an answer for the rate for the industry is kind of difficult. I mean, I also want to clarify, I believe we grew last year in transportation. So even though we might be off a little bit this quarter, it's not like we've been retrenching all last year. We actually saw a lot of opportunities last year to grow. And I don't -- I do anticipate we'll probably see more opportunities in the upcoming quarters. But we wouldn't be writing it if we didn't think that the current business on our books is priced to underwriting profit. There's 0 incentive to do otherwise here.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. Then I guess maybe to clarify better then, why -- what -- I mean, what were the drivers that resulted in the overall premium being lower despite a pretty hefty rate increase?

Thomas Lynn Brown
Senior VP & CFO

Mark, it's Tom Brown. To give you a little bit of context, we wrote just a little short of $18 million transportation in the quarter. So we're really speaking to, in terms of 4%, is about $700,000. That could be influenced -- these -- some of these accounts are fairly significant in terms of their own premium, so it could be influenced by 1 or 2 accounts.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Got it. That makes sense. More broadly, in terms of the overall casualty business, the growth in the quarter was pretty good. The average rate increases were a piece of that, but there was, I guess on balance, a lot of net new business allowing for both the ins and the outs. And I guess, again, kind of -- I'm sure it's different by line, but broadly, what do you see is creating the opportunity? Is this just the economy's stronger? The pricing is better? Competitors are shying away? I guess where you guys have always been good at kind of filling in the gaps in the market, where -- are there -- is there any theme related to some of the gaps that you're finding opportunity in?

Craig William Kliethermes
President & COO

Mark, this is Craig again. So I mean, the answer is different by different products. So obviously, we're seeing more shots on goal. In some places, submission increases in select spots. We are getting more rate in certain spots. The economy is growing exposures in certain areas in the casualty side. So it really depends, product-by-product, what's creating the opportunity. The good thing is we have a diversified enough portfolio that we're getting to see a lot of different things in a lot of different spaces. So we have our ear to the ground in a lot of different places, which helps us take advantage in the spots that -- where they avail themselves.

Jonathan Edward Michael
Chairman & CEO

Also better marketing. Better marketing. We're doing a better job marketing some of our products. The customer experience is better, and I think that has led to some of the growth that we're seeing in products like personal umbrella.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Okay. That makes sense. Yes, it's consistent with the technology rollout that you mentioned there. I guess just to finish on that, that exact point of personal umbrella, I know that was an area where a couple of years ago, you had seen some adverse loss trend. I guess I take it from your prior remarks that, that's not only died away, it's remaining at benign levels, that you find it attractive to get growth there?

Craig William Kliethermes
President & COO

So Mark, it happened to be the same quarter that we had some challenges in our transportation space. We had a hypothesis that, that might -- since they're both auto, personal umbrella is 80% auto-driven claims. We had a hypothesis that there might be an upcoming trend. It looks like that was an aberration, based on that, because we haven't seen that kind of activity since. So never want to say never, but we haven't seen it other than that one quarter. But you have a good memory.

Mark Alan Dwelle
RBC Capital Markets, LLC, Research Division

Somebody has to. You guys do, too, really, because you guys know where to go and where to leave, so that's good. I think those are all my questions.

Operator

[Operator Instructions] We'll go next to Randy Binner with B. Riley FBR.

Ryan William Aceto
B. Riley FBR, Inc., Research Division

This is actually Ryan Aceto on for Randy this morning. I was hoping we could turn to the reserve development. I know it's a little lumpy quarter-to-quarter but could you give a little color on what accident years, or any line of business you're seeing that's coming through particularly favorable?

Thomas Lynn Brown
Senior VP & CFO

Sure, Ryan. It's Tom Brown. So pretty much across the board in terms of the lines, geo. We mentioned transportation, [my accounts] was modestly favorable; umbrella in our professional services group. And it's principally the more recent accident years, 2016 through '18, but the bulk, I would say, is in -- I'm talking casualty now, is between 2016 and '17 accident years. Property is primarily Marine, and it's mostly in the more recent accident year 2018.

Ryan William Aceto
B. Riley FBR, Inc., Research Division

Perfect. And I guess turning to some of the newer lines you guys are getting into, more so energy and cyber. Could you just give a little color on what you're seeing in the marketplace there? It seems like a lot more people are coming into the cyber space specifically.

Craig William Kliethermes
President & COO

This is Craig, Ryan. I mean, we are continuing to see opportunities in cyber. I mean, people are building out their towers, so there's actually a need for capacity, even though -- more people are buying, so it's creating more demand. But there are also -- obviously, there's a greater supply as well, but we're still seeing some opportunities. We write predominantly excess, fairly high excess cyber. It's one we're growing very slowly and cautiously. But we do think it's actually diverse -- a good diversifying play for our management liability group, which has about 7 or 8 products. And I think it's another product in their quiver for them to compete with. So I think it's about -- last year, I think we finished about $8 million worth of premium, so it's not huge for us.

Operator

If there are no further question, I will now turn the conference back to Mr. Jonathan Michael.

Jonathan Edward Michael
Chairman & CEO

Well, thank you all. Nice quarter. A great start to the year. Volume was up 6%, even with the product exits that we announced last quarter, the products that we're exiting, so we had a little bit of headwind there. Combined ratio of 89, great book value growth. We want to thank everyone for attending, now you may return to the Mueller report coverage.

Operator
Ladies and gentlemen, if you wish to access the replay for this call, you may do so by dialing 1 (888) 203-1112, with an ID number of 1822179. This concludes our conference for today. Thank you all for participating and have a nice day. All parties may now disconnect.