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Earnings Call

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Call Participants

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Presentation

Operator

Good morning, and welcome to the Markel Group Second Quarter 2023 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 our most recent annual report on Form 10-K and quarterly report on Form 10-Q, including under the caption 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 in our most recent Form 10-Q. 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

Good morning. Thank you. From Richmond, Virginia. I'd like to welcome you to the Markel Group's second quarter conference call. This is indeed Tom Gayner, has served as your CEO, and it is my pleasure to welcome you to the call this morning. I'm joined by our Chief Financial Officer, Teri Gendron; and our President of Insurance, Jeremy Noble, to share our results with you and to answer your questions. We are very pleased with the results we're reporting to you today. Each of our 3 engines: Insurance, Markel Ventures and Investments produced positive thrust during the first half of 2023.

In our insurance operations, we enjoyed double-digit growth in earned premiums and solid underwriting profitability with a combined ratio of 93% for the first half of 2023. Importantly, we report those results with an ongoing commitment to putting up insurance reserves in a way, which we believe will be more likely to prove redundant than deficient. You can see that commitment through our years of reporting favorable loss development in the vast majority of the times when we report to you each quarter's results. This quarter continues to show that same pattern of favorable development. There's unrelenting commitment at the Markel Group to our culture based on our values. The conservatism we embrace in setting reserves demonstrates our words and action. Both Teri and Jeremy will provide more details on our insurance results and their comments.

Markel Ventures produced excellent results during the first half of 2023. Revenues rose to $2.5 billion compared to $2.3 billion a year ago, and EBITDA reached $317 million versus $250 million in the first half of 2022. It's worth pointing out that this growth in revenues and profitability was largely organic. These are the results of the existing businesses as there were no major acquisitions at Markel Ventures. We did get to apply some capital at a couple of our existing businesses. They added to their businesses with acquisitions of companies in their respective industries, and we love it when that happens. We also continued the ongoing process of purchasing certain noncontrolling interests as originally planned in the original acquisitions.

Investments also provided excellent returns. Recurring investment income rose 74% to $329 million versus $189 million in the first half of 2022. Our publicly traded equity portfolio produced 6-month returns of 11.9%, while this trails the white hot return of 17% posted by the S&P 500. We remain 100 basis points ahead of that index for over 30 years. We don't usually move ahead during sprints, but we do tend to outlast the competition when it comes to marathons.

During the first half of 2023, we repurchased $187 million of Markel Group shares. Last year, we repurchased $126 million in the same time period. We also made net purchases of publicly traded equity securities of $155 million compared to $63 million a year ago. The tax-efficient net unrealized gain on our equity portfolio now stands at $5.4 billion compared to $4.2 billion a year ago. While we, as a public company, always provide you with the split times quarterly results, we are running a marathon, not a series of sprints. The split times that we are reporting to you today look good to me as the head coach, but I think these results demonstrate that we remain on track to produce excellent marathon results as we have over long periods before.

To put some actual numbers on that and quantify that, I remind you that we consistently use rolling 5-year measurement intervals to gauge longer-term progress at the Markel Group. The last 5 years included some of the most difficult insurance and investment markets we've ever faced. The last 5 years also included the effects of some acquisitions and expansions into new businesses, which did not go as well as we would have hoped it first. Despite that, we've made meaningful progress. Please consider the following: Revenues in the first 6 months of 2018 were $3.6 billion. Revenues in the first 6 months of 2023, 5 years later, came in at $7.8 billion, an increase of 119%. Underwriting profits in the first 6 months of 2018 were $209 million. Underwriting profits in the first 6 months of 2023 were $264 million, an increase of 27%.

Recurring investment income for the first 6 months of 2018 was $213 million. Recurring investment income in the first 6 months of 2023 was $329 million, an increase of 54%. The EBITDA of Markel Ventures in the first 6 months of 2018 was $82 million. The EBITDA of Markel Ventures in the first 6 months of 2023 was $317 million, an increase of 284%. The total number of shares of Markel outstanding 5 years ago was 13.9 million. The total number of shares of Markel today is 13.3 million, a decrease of 4.3%.

The price per share 5 years ago on June 30, 2018, was $1,084. Five years later, the share price stood at $1,385, an increase of 28%. This combination of facts, along with many other factors, seems to have created a situation for many of the indicators of the economic value of Markel Group seem to have appreciated at a faster rate than that of the share price. In response to those circumstances, we've repurchased shares in recent years.

Additionally, our rate of repurchases was higher in the first half of 2023 than any other period. It's also a matter of public record that in 5 of the last 6 quarters I personally taken money out of my pocket to purchase some Markel Group shares.

Now I'll turn things over to our CFO, Teri Gendron, to provide you with some details from the quarter and then to Jeremy Noble to discuss our insurance operations. I'll then return with just a few brief comments about our ventures and investment results, and then we'll open the floor for your thoughtful questions. Teri?

Teresa S. Gendron
Chief Financial Officer

Thank you, Tom, and good morning, everyone. As Tom mentioned, each of our 3 engines produced a solid quarter, strong revenue growth within our insurance operations, higher profitability within Markel Ventures and excellent returns from our investment engine showed the benefits of our diversified 3-engine architecture. Starting off with our underwriting operations. Gross written premiums grew 7% to $5.4 billion for the first half of 2023, compared to $5 billion in 2022. Our increased premium volume reflects new business and more favorable rates across many of the product lines within our insurance segment.

The most notable growth came from our personal lines, marine and energy, property and general liability product lines while we saw lower premium volume within our professional liability product lines. Our consolidated combined ratio for the first half of 2023 was 93% compared to 90% for the first half of last year. The increase was driven by a higher attritional loss ratio and expense ratio in 2023 within our insurance segment.

Prior year loss reserves developed favorably by $139 million in the first half of 2023 compared to $123 million in the first half of 2022. We experienced favorable loss reserve development across multiple product lines in 2023, most notably across our international professional liability product lines. The favorable development in 2023 was partially offset by adverse development on our general liability product lines due to an increased frequency of large claims over the past several quarters under excess and umbrella product.

Turning to our investment results. Net investment gains of -- I'm sorry, of $857 million in the first half of 2023 were driven by favorable market value movements. This compares to net investment losses of $1.9 billion for the first half of 2022, driven by unfavorable market value movements. As you've heard us say many times before, we focus on long-term investment performance, expecting variability in the equity markets and the timing of investment gains and losses from period to period.

As Tom noted, we'll continue to measure investment returns over longer periods of time. With regard to net investment income, we reported $329 million in the first half of 2023 compared to $189 million in the same period last year. The increase is largely attributable to higher interest income from our money market and short-term investments due to higher short-term interest rates in 2023. Additionally, interest income on our fixed maturity securities increased, reflecting a higher yield and higher average holdings compared to last year.

During the first half of 2023, we recognized net unrealized gains on our available-for-sale investments of $30 million within other comprehensive income, primarily related to the positive impact of net foreign exchange movements on our fixed maturity portfolio. This compares to net unrealized losses of $882 million for the same period last year, corresponding to the impact of increases in interest rates on our fixed maturity portfolio. Recall that we typically hold our fixed maturities until they mature and would generally expect unrealized holding gains and losses attributable to changes in interest rates to reverse in future periods as bonds mature. Our fixed maturity portfolio had an average rating of AAA as of June 30 and there are no current or expected credit losses within the portfolio.

Now I'll cover the results of our Markel Ventures segment. Revenues from Markel Ventures increased 8% to $2.5 billion in the first half of 2023, up from $2.3 billion for the first half of last year. The increase reflects organic growth and improved pricing across several of our businesses. EBITDA from Markel Ventures increased 27% to $317 million for the first half of 2023 from $250 million during the same period last year. The increase was driven by our products businesses, which had higher margins in 2023 compared to 2022 as we saw material and freight costs stabilize.

Looking at our consolidated results. Our effective tax rate for the first half of 2023 was 21% compared to 22% in the same period last year. We reported net income to common shareholders of $1.2 billion for the first half of 2023 compared to a net loss to common shareholders of $986 million in the same period a year ago, with the change largely attributed to the year-over-year swing in our public equity portfolio valuation. Comprehensive income to shareholders for the first half of 2023 was $1.2 billion compared to comprehensive loss to shareholders of $1.7 billion in the first half of 2022, with swings in both fixed maturity and public equity valuations of the largest drivers.

Turning to cash flows. Net cash provided by operating activities was $1 billion for the first half of 2023 compared to $921 million for the same period last year. Operating cash flows in the first half of 2023 reflected strong cash flows from each of our operating engines with the most notable year-over-year increase coming from our Markel Ventures operations. Within our underwriting operations, operating cash flows in 2023 were net of a $125 million payment made in the first quarter to complete a retroactive reinsurance transaction to seed our runoff book of U.K. motor casualty business. Total shareholders' equity stood at $14.2 billion at the end of June compared to $13.2 billion at the end of the year.

Overall, we're very pleased with our performance during the first 2 quarters of 2023 and remain confident in our ability to continue building long-term shareholder value.

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

Jeremy Andrew Noble

President of Global Insurance Engine

Thanks, Teri, and good morning, everyone. It's great to be with you this morning to recap our insurance engine results for the first half of 2023. The midpoint of the year, we continue to remain focused on achieving profitable growth across all of our insurance businesses. I'm pleased to report that we are well on our way to achieving that goal with revenues across our insurance operations totaling $4.1 billion for the year, up 7% from last year, while generating pretax operating income, $325 million. Additionally, we continue to invest the float created by our underwriting operations at attractive yields. Let me now share a few thoughts on our first half results from across our collection of insurance businesses, which include our insurance and reinsurance underwriting operations, State National Program Services and Nephila insurance-linked securities.

Looking first at our Insurance segment. For the first 6 months of the year, we continued to grow premiums in lines where we see opportunities and feel good about the levels of rate adequacy. Overall, gross written premiums in the insurance segment grew by 9% from a year ago. We are taking advantage of the improved pricing environment in property. We are also growing in many of our other product offerings including inland marine, binding, personal lines, programs and select marine and energy classes within the London market. As we have discussed in recent quarters, the current market cycle is nuanced with each product line having a bit of its own story.

Fortunately, our breadth of product offering, when combined with our exceptional underwriting talent, allows us to develop robust go-to-market strategies by product. We have continued to decrease our writings in certain of our professional liability lines, most notably in the large account public D&O space, as we continue to remain uncomfortable with the rate decreases and loss cost trends in these products. Professional line space has also been impacted by changes in the broader economy including a slowdown in M&A and public listings. We remain resolute in our disciplined approach to underwriting and are walking away from business that we believe is not adequately priced does not meet our profitability targets.

We also continue to see benefits from our actions taken over the past few years to reduce our exposure to outsized losses in our underwriting results through actively managing our net exposure to natural catastrophe property losses. As a result, we have experienced only modest losses this year for secondary par events, such as winter and convective storm events, while the industry grapples with this more broadly.

Within our Insurance segment, we produced a combined ratio of 93% for the first half of the year, up 5 points from a year ago. This is primarily due to higher attritional loss ratios in our professional liability and general liability product lines. We recognize that the economic and claims environment that will exist in the future when we ultimately settle claims on these long-tail lines is uncertain. Given recent trends, our view is that it's best to err on the side of caution and building more of a margin of safety to address the inevitably unpredictable nature of estimating future loss costs.

We also continue to maintain a cautious approach relative to recognizing prior accident year loss takedowns. However, across all of our insurance product lines, we realized $124 million of favorable development on prior year's loss reserves for the first 6 months of the year, contributing a 4-point benefit to the combined ratio. Prior accident year loss takedowns decreased slightly from a year ago representing a 1 point increase in the year-to-date combined ratio. This was driven largely by 2 offsetting factors.

First, we realized a more meaningful amount of favorable loss development on our professional liability book within our international operations compared to a year ago due to benign experience across several product classes. It is worth noting, we continue to remain cautious on prior year loss reserve development trends on our professional liability lines within our U.S. and Bermuda risk managed portfolio.

Second, offsetting the increased takedowns within our international professional liability lines was adverse development within our U.S. casualty book, most notably our excess and umbrella product line. This is primarily on the pre-COVID 2017 to 2019 accident years, where the loss experience continues to outpace expectations. Our loss reserving philosophy remains unchanged. We continue to hold loss reserves at levels more likely to prove redundant and deficient and react quickly when loss trends outpace expectations by strengthening loss reserve levels.

Further, we are generally not taking credit for favorable trends observed from the 2020 and later accident years, where we expect the benefits of improved underwriting conditions could lead to greater long-term profitability.

Turning next to the Reinsurance segment. Our re-underwriting actions within the portfolio over the past few years continued to deliver profitable improvement. We produced a combined ratio of 93% for the first half of the year, an improvement in the combined ratio of 4 points, while premium volumes decreased by 4% from a year ago. The decrease in gross written premiums within the Reinsurance segment was due to lower premiums in our professional liability lines, partially offset by higher premiums in our marine and energy lines. Premium volume trends are impacted by both premium adjustment activity and timing differences related to renewals. This continues to be most notable in our transactional liability book within our professional liability product line, where deal flow continues to remain slow, resulting in ultimate -- lower ultimate premium volumes year-over-year.

Lower premium adjustment activity has the effect of increasing our current year attritional loss ratio, which is offset by a decrease in our prior accident year's loss ratio. Overall, the combined ratio within our reinsurance operations improved year-to-date in 2023, given the losses incurred last year on the Russia-Ukraine war as well as experiencing greater favorable prior year loss reserve development in the current year.

Next, I'll touch on our program services and other fronting operations and ILS operations, both of which are reported as part of our other operations. Total premium production within our program services and other fronting operations totaled $1.5 billion this year versus $1.4 billion a year ago. This 5% increase in operating revenues for the first 6 months of the year was due to an expansion of existing programs and addition of new programs. Our State National team continues to perform extremely well, and we are pleased with the business development pipeline we see.

Further, any dislocation in the fronting space should see State National benefit given its strong and reputable history and a leading market position. Within our Nephila ILS operations, revenues and expenses for the first 6 months of the year were down due to the impact of the sale of our Velocity MGA operations in the first quarter of 2022 and the sale of our Volante MGA operations in the fourth quarter of 2022.

In addition, revenues within our fund management operations are down from last year due to lower assets under management, which stand at $7.2 billion at the end of the period. As a reminder, we realized a gain of $107 million in the first quarter last year related to the sale of our majority stake in Velocity. While our current results in Nephila reflect the lower levels of AUM being experienced results for the second quarter generated a pretax operating profit. The current pricing environment for catastrophe-exposed property risk has created an attractive return proposition for investors. Our team is working very hard to capitalize on these market opportunities, focusing on price transparency, portfolio construction.

Turning to current market commentary and outlook. Submission activity and new business opportunities generally remains strong outside of professional lives, particularly for our excess and circle fund operations. Clients are still turning to specialty market solutions given current levels of uncertainty and ongoing economic activity and see the attractiveness of our breadth of product offering. Just a couple of comments on rate across our portfolio. As I mentioned before, each product area and region of the world has its own story. But broadly speaking, rates are holding up fairly well. And by and large, in our estimation are keeping uplift and, in some cases, are slightly ahead of our view of trend. We have many products where rates are up 5% to 10%.

For most product lines, rate adequacies in question, we are seeing success pushing for rate. Equally, we can see evidence of reducing new business, policy retention and quote and bind rates when we aren't getting the traction we need. We're also able to push on terms and conditions as well as structure or shape the portfolio if it helps towards desired retention. This is what I'd expect to see under the circumstances and is a demonstration of our commitment to underwriting discipline.

Big exceptions or property lines where rates are accelerating more meaningfully from the start of the year and risk-managed large account D&O, where prices continue to decrease somewhat inexplicably. I'm at a loss for why public D&O pricing continues to deteriorate as well as professional liability pricing trends generally. We remain cautious in these areas, which is contributing to our shrinking exposure. Generally speaking, we're focused on maintaining rate adequacy across the entirety of our portfolio, where we are unable to attain sufficient rate increases or effectively adjust terms and conditions or limits, we are walking away from accounts that do not meet our profitability targets. These actions may have the effect of slowing the top line growth trend from what we've seen in the past couple of years.

Given the breadth of product offering we have, we are confident we will find pockets that are attractive to grow, and we remain very optimistic around longer-term profitable growth objectives. I think we are very well positioned as we approach the latter half of '23 and look ahead to 24.

Thank you. And with that, I'll turn things back over to Tom.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Thank you, Jeremy. As Teri reported, we enjoyed an excellent first half in our Markel Ventures operations. The CEOs and the people of those organizations continue to do a great job of serving their customers and their associates. Total revenues at Ventures rose 8% in the first half from $2.3 billion to $2.5 billion. EBITDA rose 27% from $230 million to $317 million. One of the very encouraging points about this comparison is that it's largely organic. It's largely apples-to-apples and not due to additional acquisitions. I hope you take some comfort in seeing these results. I know that I do.

I'm delighted that we were able to apply some capital to purchases of noncontrolling interest in our array of ventures companies as fully planned for at the time of the original acquisitions and that a couple of our companies were able to add some additional companies to our family. The acquisition of additional businesses within our platforms of existing businesses is one of our favorite ways to deploy capital, and I'm encouraged to see the maturation and ongoing development of this aspect of Markel Ventures.

We remain interested in additional platform acquisitions at Markel Ventures, remain disciplined in our approach. We remain involved in a few conversations, but I have nothing to report to you on that front. And all I can say is that we continue to work at the task and we will be both opportunistic and disciplined in considering opportunities.

In the investment engine, you can see the effect of higher interest rates and solid equity performance shine through. Recurring investment income grew 74% from $189 million to $329 million in the first half and new money investment rates continue to be higher than the fixed income maturities rolling off as they mature. We continue to purchase only the highest credit quality securities that we can find and remain roughly matched in duration and currency to our insurance liabilities.

In our equity portfolio, we earned 11.9% returns in the first half, and we purchased $155 million net of new holdings compared to $63 million a year ago. We continue to find securities which meet our hurdle rates for new investments. We also have cash flowing in to fund the growth of our insurance and ventures operations and repurchase Markel Group shares all at the same time.

All right. As is always the case, there are challenges at your company. There always will be, that will always be the case, and there never is a time when we're not worried about something, we're working on some problem. That's reality. The good news is that you've got decades to judge us by to ascertain whether we're up to those challenges or not. I think the preponderance of evidence would suggest that we are. The additional good news is that the values and the culture we've developed over decades to guide our actions and decisions remains unchanged.
We're committed to continuing on that path to building one of the world's great companies with our win-win-win architecture, and I look forward to answering your thoughtful questions and working on the future, as Buzz Lightyear would say to Infinity and beyond. With that, we welcome your questions.

Question and Answer

Operator

[Operator Instructions]

Our first question will come from the line of Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Thank you. Good morning. Wonder if there's any more detail you could provide on the reserve development that you're seeing you described in the 2017 to 2019 accident years? Is that social inflation, medical inflation? Just a little more on that would be interesting.

Jeremy Andrew Noble
President of Global Insurance Engine

Yes. Sure. Mark, it's Jeremy. It's very similar to what we've talked about in recent quarters. And I think what's being reported broadly across the industry. The reality is that the business that we put on the books in years like 2015 to 2019, our view now is it's not going to be as ultimately profitable as we believe at that time. And that's because the time that has passed since then, so you get into that confluence of events, rising economic inflation, compounding aspects of that, the impacts of COVID, the court closures, the lag in sort of reporting and then certainly to the point that you raised, and social inflation is a very real thing. So the cost of handling and adjusting and settling claims has gone up and the role and the prominence of litigation financing has been rising.

And so ultimately, we're witnessing pockets in those longer tail lines, particularly casualty like we reported this quarter, where actual loss frequency and severity are in excess of our expectations. And the reality is when we see a little bit of that activity, we allow a bit of time to make sure that we think that there is a trend there. And as we see that trend, and we're reacting very quickly, and we're acting to try to push hard to get ahead of that and put that behind us.

Equally, I would say it's really important to point out that a lot of time has passed, obviously, between the sort of this quarter, 17 to 19 years for that block of business from '15 to '19 in those years more recently, right, a lot of changes that have taken place. So pushing rate, improving terms and conditions, addressing limits attachment points, segmentation strategies. We've seen deductibles rise. So lots of things that have improved the overall health of the portfolios. But we are left to address those older years.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

I appreciate that detail. How about the workers' comp line, how are you approaching that at this point? And then are you seeing any medical inflation pick up there?

Jeremy Andrew Noble
President of Global Insurance Engine

Yes. Great question. So within workers' comp, it continues to be a great and you have to recall, our workers' comp book is pretty sort of niche within the broader segment. So it's a lot of very sort of micro workers' comp. And some of the trends that we would see would be a little bit different than maybe broader workers' comp more broadly. That line of business has been very profitable for us. We've consistently seen reductions and prior year loss reserves over time. We still see some of that at the levels aren't as significant. We don't yet see the impact and prices have been coming off consistently in recent years because of the very positive performance in the product line, we continue to monitor it very closely.

We have not seen an impact of rising medical inflation impacting that book for us as of yet, but we're very focused on reviewing that trend. And the book -- it's not been growing at the rate of the broader portfolio as well, but we'll see. We're paying very, very close attention to that.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Then one other question. The program services fronting a big increase this quarter. I think for the 6 months, it's been not quite as big. Was that just a timing issue on renewals? Or is there some new business this quarter?

Jeremy Andrew Noble
President of Global Insurance Engine

Yes, it's a handful of things. So within our State National business, really pleased with where we stand there. We are expanding a few very strategic relationships. We've actually probably done a little bit better in retention of some of the programs than we would have anticipated. We've onboarded a number of new programs.

And equally, I think the pipeline at State National looks very good. So some of that played out in the second quarter and were up modestly year-to-date. Also within that total fronting space in some of the fronting we do associated with our Nephila operations when we offer a rated balance sheet. So we've seen some opportunistic growth in that space because of the attractiveness of the property to test the environment more broadly. So less sort of timing, you never know with our State National platform, we had some very large deals, and there's always an ebb and flow of what's kind of coming in, what's leaving the platform, but we feel really, really good about where we're positioned right now.

Operator

Your next question comes from the line of John Fox with Fenimore Asset Management.

John Derwin Fox
Fenimore Asset Management, Inc.

Thank you. Well, Mark asked 2 of my questions, so I'll go with the third. Well, first of all, great results. I just wanted to ask if I'm looking at this the right way. Tom, I heard you talk about the investment income potential to continue to grow. And I'm wondering if you're underselling it. When I look at the queue, it's about $13.7 billion in bonds at fair value, which assuming you get without any credit hits, and it's yielding less than 3% at this point. So it seems to me there's a couple of hundred million of investment income, latent earnings power that's going to earn in over the next few years as those bonds mature. Am I looking at that the right way?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes. [indiscernible] wordy of my answers like yes.

John Derwin Fox
Fenimore Asset Management, Inc.

And that magnitude seems reasonable?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes.

John Derwin Fox
Fenimore Asset Management, Inc.

Okay. Great.

Operator

[Operator Instructions]

Our next question will come from the line of Scott Heleniak with RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

The first question I have was on the insurance unit. The premium growth there. It ticked up a little bit versus Q1. And just curious how you're feeling about just overall pricing new business environment. Are you constructive in terms of growth for the rest of '23 and '24. It sounded like you were kind of based on the commentary about most pricing. I mean there's a few areas. But just anything you can talk about that? And is the growth just being impacted mostly by professional liability and D&O, but the rest of the portfolio you're feeling pretty good about in terms of the rest '23 and '24.

Jeremy Andrew Noble
President of Global Insurance Engine

I think that's pretty well said, Scott. I don't have a lot to add to that. There's a number of product classes and I mentioned some of this earlier, where we feel it's very attractive. We're seeing great opportunities to grow. I mentioned property and inland marine and personal lines and binding, surety programs, marine and energy [in London]. So that's one of the benefits we have of having a very broad and diversified product portfolio, we can really sort of choose our points that are most attractive in the insurance market cycle. And we've talked about the fact that it's pretty nuanced right now, so you have to have a strategy around each major product line.

You're exactly right. We are a large professional liability lines rider. And so because of one part, a lack of activity in the space that reduces exposure being brought to the market overall and also how the pricing environment is looking not just in public D&O. I mean that's the best example. But we're being cautious and thoughtful around E&O, EPLI, other lines as well. And because we had a large book that weighs some of the growth opportunity. Casualty is an area where the growth is more tempered compared to last couple of years, but it's a good example of where we are able to push rate and we're certainly able to sort of -- have sort of segmentation strategies about how and where we choose to play in the casualty line. So overall, if you okay in that space as well. So I think the growth opportunities remain out there, and we're pretty confident about our platform given the breadth of product offering.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. Great. That's helpful detail. I just wanted to follow up one quick question, too, on the reserve add and general liability, the umbrella excess casualty for '17 and '19. Is this -- it's based on some of the -- an uptick in cases and claims. Obviously, you're seeing something, but -- is it just kind of early signs and you're putting up IBNR just to be conservative on that? Or just anything you can touch on the actual activity that you're seeing there, either frequency or severity in those lines? Is there anything more you can comment on that?

Jeremy Andrew Noble
President of Global Insurance Engine

Yes. I mean there's something to completely pinpoint, Scott. Beyond just suggesting within our actuarial models, especially when you're starting to talk about those older years. So these are on sort of really the '17 and '19 years at -- so several years these would be maturing well under their cycles. We have had a lot of history with these programs. And we would be seeing this point more reported loss activity than we would have been anticipating.

I don't -- I'm not drawn to a specific element with regards to frequency versus severity. It's just in total, the claims reporting pattern, the volume of activity is more significant than what we would expect. And then you extrapolate that. So a little bit of out -- a little bit more reported activity than we would have expected in our underlying models, if we concerned that, that could become a trend, we extrapolate that, and we take a more significant movement, right? So the total dollars in the period of actual versus expected on that loss activity, it pales in comparison to the total amount of loss development we recognized in the period. So now we'll wait and see how that sort of trends and develops over time. But a lot of that is now sitting in IBNR, we continue to be very, very cautious to respond quickly on that back year development.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. Got it. And just a last question just on Markel Ventures, Tom, could you comment on just -- you mentioned some conversations and discussions you're having and how those have kind of trended just the number of them this year versus last year and anything you can add there? And is deal pricing still -- I know I was kind of holding you back a little bit, is that still case now? Or just any update on kind of what you're seeing in terms of potential M&A for ventures.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Sure. Well, let me give you some precise answers on that. So the conversations we're having now, reported some; the conversations a year ago, almost none. So just a few more people to talk to. And the gap would be in pricing and remaining disciplined and being a different kind of buyer than the other buyers that are out there. That's something obviously sellers are aware of. We can bridge those gaps and get close in some markets. Other markets, we just have to wait and let the tide roll out a little bit, and we've been doing that for a while. And that's not unprecedented. The first Markel Ventures deal we did was in 2005. We didn't do the second one until I think, 3 years later in 2008. So we're used to periods where we just talk to people and wait for the stars to align.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. Well, some of it is better than none, right? So...

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

That's correct.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Tom Gayner for any closing remarks.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Thank you very much for your ongoing support and interest. We look forward to catching up with you in another 90 days. We will.

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