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Markel Group Inc. NYSE:MKL

Earnings Call

Thursday, February 1, 2024 2:30 PM GMT

Call Participants

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Presentation

Operator

Good morning, and welcome to the Markel Group Fourth 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 the press release for our 2023 results as well as 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 the press release for our 2023 results. The press release for our 2023 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, sir.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Good morning, and welcome to the Markel Group 2023 year-end conference call. This is indeed Tom Gayner and I serve as your CEO. I'm joined today by Jeremy Noble, the President of our Insurance Operations; and Brian Costanzo, our Chief Financial Officer.

Our plan this morning is to make just a few comments and then open the floor for your questions. Many years ago, I remember the great football coach, John McKay, saying the most exciting place you can be is in the locker room at halftime when you're down 10 points. I'll make no mistake about it. We're down 10 points, almost literally and figuratively from where we'd like to be in our insurance operations. Just like a good football team, though, winning remains the goal, but we need to do better. We share your disappointment in those results.

We're also committed to taking the necessary actions to make them better. We're in the locker room right now. We're adjusting our game plans. We're clear-eyed about where we stand on the scoreboard and where we fell short. We're taking active steps to improve our position. Jeremy will speak to our insurance engine in just a moment, and his team continue to be hard at the task of understanding and quantifying areas of weakness as well as strengths and taking the necessary steps to improve results.

We've made several significant management changes in the past year and taking actions such as withdrawing or reducing certain lines of business, reducing line sizes, increasing accountability, modifying incentive compensation arrangements, increasing the scope and scale for some of the proven winners in our insurance operations and decreasing or eliminating pockets with disappointing performance.

The transition year of 2023 produced results well below our expectations, but I am confident that we've recognized the pieces of our insurance engine where we needed to make changes and that we're taking appropriate steps to make things better.

Many areas in insurance produced wonderful results of which we should all be proud. Those results were offset and obscured by certain limited but meaningful pockets of underperformance. As such, the aggregate combined ratio came in higher than our original plans.

Fortunately, while we did experience adverse development in the fourth quarter, we did indeed have positive development -- redundant development for the full year. We always operate with the core belief

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that we will always set our reserves at levels that we believe will prove to be more likely redundant than deficient.

I'm proud of our insurance team and that despite the difficult year, we continue to live up to the standard of integrity and discipline in setting loss reserves. We've done so for years. We will continue to hold to that standard going forward.

Jeremy will provide more details on the insurance results of 2023 in his comments. I also want to reinforce that the changes we made in 2023 and those that we continue to refine in 2024 and beyond, will take time to show up in the financial statements.

Every decision or action that we take in insurance takes at least a year to fully flow through our financial statements. We look forward to reporting better results in future periods. As the actions we have taken take hold.

Turning to some more positive and fun things to talk about. In 2023, we earned excellent results in our ventures and investment operations. Recurring investment income from dividends and interest rose 64% from $447 million to $735 million in 2023.

Every engine at the Markel Group continued to produce cash and that cash, along with maturities from our bond portfolio was invested in higher-yielding fixed income instruments. Dividend income also rose due to net purchases in the equity portfolio and dividend increases. I think you can expect this positive trend to continue in 2024 with interest rates at current levels.

We also repurchased 322,000 Markel Group shares in 2023 for $445 million compared to 233,000 shares for $291 million in 2022. Share repurchases continue to be a high priority use of capital for us at current prices.

In our Markel Ventures operations, top line revenues grew 5% from $4.8 billion to just a smidge under $5 billion. More importantly, operating income rose 35% and from $325 million to $438 million and EBITDA rose 24% from $506 million to $628 million.

We did not make any new platform acquisitions in 2023. We were able to add to our VSC operations and increase our ownership stake in certain situations. We also completed an acquisition at Costa just after January 1, that will add to our 2024 results.

We remain disciplined and thoughtful in our capital allocation decisions, and it is exciting to see our existing businesses find ways to grow. This is simply a phenomenal performance by the Ventures team. It reflects the ongoing maturity and development of the Markel Ventures businesses. I could not be more proud of the team from top to bottom as they continue to produce excellent results and do so in the context of the values of the Markel style.

In our investment operations, we purchased over $300 million net of publicly traded equities, which met our long-standing 4-part investment tests. We earned a total equity return of 21.6% during the year, and I'm happy with those results. They were produced with our discipline fully intact.

Among other things, the unrealized gain on our equity portfolio now stands at over $6 billion pre-tax. I'm not aware of many companies that enjoy a position such as that.

Thank you all for your long-standing support of the Markel Group. I share your disappointment in some of the results within our insurance engine, and I'm confident that we are taking appropriate and necessary steps to improve those results.

Meanwhile, given our diversification of the 3 engine system and our excellent results, adventures and positive investment results, we are making good economic progress at the Markel growth. While we continue to deemphasize book value per share as the sole describer of economic progress around here, it's probably worth noting that book value per share went up over 17% in 2023.

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In the last 5 years that it has increased to the compound annual growth rate of 11% despite what we described as some of the most challenging circumstances we've ever experienced. I am deeply optimistic that we are on track and make progress in 2024 and beyond.

With that, I'll turn it over to Brian to update you on the 2023 numbers and then to Jeremy for his review of our insurance operations. Following Jeremy's comments, we'll open the floor for questions. Brian?

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

Thank you, Tom, and good morning, everyone. I'm happy to be with you all this morning to discuss our 2023 results. As Tom mentioned, 2023 illustrated the diversity of our 3 engine system. While our combined ratio result for the year is disappointing, our ventures and investment engines had terrific years with EBITDA from Markel Ventures, the value of our investments and our net investment income hitting record highs. With that, let's jump into the results.

Starting out with our consolidated results. We reported net income to common shareholders of $2 billion in 2023 versus the net loss to common shareholders of $253 million in 2022, with the change largely attributed to the year-over-year swing in our public equity portfolio valuation.

Comprehensive income to shareholders in 2023 was $2.3 billion versus a comprehensive loss to shareholders of $1.2 billion in 2022, driven most notably by the favorable swings in our fixed maturity and public equity portfolios.

Net cash provided by operating activities was $2.8 billion in 2023 versus $2.7 billion in 2022, reflecting strong cash flows from each of our 3 operating engines.

Total shareholders' equity stood at $15 billion at the end of 2023. As Tom mentioned earlier, we repurchased $445 million of Markel Group common stock this year under our outstanding share repurchase program compared to $291 million last year.

Turning over to our underwriting operations. Gross written premiums within our underwriting operations grew 4% to $10.3 billion in 2023 compared to $9.8 billion in 2022, reflecting new business and more favorable rates across many product lines within our insurance segment, most notably our personal and property product lines.

We saw lower premium volume within select domestic professional liability and general liability product lines where we adjusted writings in reaction to changes in market conditions and downward pressure on rates within certain classes in particular within public D&O.

Our consolidated combined ratio was 98% in 2023 versus 92% in 2022. The increase in the combined ratio was primarily driven by higher attritional loss ratios in 2023 on our general liability and professional liability product line within our insurance segment in reaction to increasing estimates of future loss cost trends.

Prior year losses developed favorably by $39 million in 2023 versus $167 million in 2022. We experienced meaningful favorable loss reserve development across multiple product lines in 2023, most notably within our international professional liability products and our global property and marine and energy product lines within the insurance segment. This favorable development was largely offset by adverse development on our general liability product lines across both underwriting segments an adverse development on a discontinued portion of our public entity product line within our Reinsurance segment. Jeremy will provide more insight on our loss development experience during his comments.

Moving to our investment results. We reported net investment income of $735 million in 2023 versus $447 million last year, a 64% increase. As we reinvested maturing securities in our fixed income portfolio at higher interest rates.

The total size of our fixed income portfolio also grew in alignment with our growth in reserves given we generally match our insurance liabilities with highly rated fixed income securities of similar duration and currency. The largest contributor to our increase in net investment income is related to our cash and cash

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equivalents where we have increased our allocation to money market funds to take advantage of the current interest rate environment.

Net investment gains of $1.5 billion in 2023 reflect favorable market value movements driving a return of 21.6% on our public equity portfolio during the year. This compares to net investment losses of $1.6 billion in 2022. 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. At the end of 2023, the fair value of our equity portfolio included pretax cumulative unrealized holding gains of $6.1 billion.

Net unrealized investment gains included in other comprehensive income in 2023 or $307 million net of taxes compared to net unrealized investment losses of $1.2 billion net of taxes in 2022. These movements correspond to changes in the fair value of our fixed maturity portfolio, resulting from changes in interest rates. Recall that we typically hold our bond investments until maturity and we generally expect unrealized holding gains and losses attributed to changes in interest rates to reverse in future periods as bonds mature.

The cumulative amount of pre-tax unrealized losses on our bond portfolio was $560 million as of the end of 2023. We continue our long-standing practice of investing in the highest quality fixed income securities. As of December 31, 97% of our fixed maturity portfolio was rated AA or better, and there are no current or expected credit losses within the portfolio.

Finally, moving over to our Markel Ventures segment. Revenues from Markel Ventures increased 5% to just under $5 billion for 2023, up from $4.8 billion last year, reflecting higher prices and increased demand across several businesses. Most notably within our construction services and equipment manufacturing businesses.

EBITDA from Markel Ventures increased 24% to a record high of $628 million in 2023, up from $506 million in 2022. The increase was driven by increases in most all of our products businesses within the consumer and building products, equipment manufacturing and transportation areas driven by increased revenues and higher margins in 2023 versus 2022 as material and freight costs stabilized this year.

With that, I'll turn it over to Jeremy to further discuss our insurance engine.

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

Thanks, Brian, and good morning, everyone. As Tom and Brian alluded to, we experienced mixed results within our insurance operations in 2023. An overall 98% combined ratio for the year is disappointing and below our long-term goals.

I assume the reins of our insurance platform last year, and the reality is that 2023 was not the year I anticipated. I think it's important for me to take a few minutes and explain what's happened, what we are doing about it as well as to highlight what is going well.

Our result for the year was heavily influenced by the recent loss trends within select product lines within our North American casualty and professional liability books. And to a lesser extent, some tough lessons within our intellectual property CPI product line. Before I touch upon the adverse development this quarter, let me first highlight some of the best performing parts of our business.

Our International division had an outstanding year in 2023, achieving both double-digit top line growth and a combined ratio below 90. Our international teams portfolio management over the last few years is starting to show in the results.

In 2023, we expanded our international operations into Australia and within Europe. We added to our product capabilities, further diversifying and growing our platform. We see more opportunities to grow internationally in the years ahead.

Both of our non-underwriting businesses, State National and Nephila had fantastic years. State National continues to grow, maintain exemplary discipline around reinsurer credit management and produce

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exceptional operating margins. Nephila demonstrated itself as a market leader. Delivering high-quality data and insight-driven portfolio construction, while deploying innovative strategies to maximize returns for investors through meaningful improvements in pricing adequacy in the property cat market. Nephila is well positioned going into 2024 and beyond. Note some of how Markel participates in the recent property market improvements occur outside of our reported combined ratio and are reflected in our results at Nephila.

Together, our ongoing fronting and ILS operations, excluding the impact of gains on the disposition of subsidiaries in both years, contributed operating income before amortization of $146 million in 2023, up almost 40% from a year ago. We were excited to announce the formation of State National global platform during the quarter. We look forward to continued growth and profitability in these business units. Further, we will continue to deploy our world-class insurance platforms across underwriting, fronting and ILS to maximize returns for Markel Group.

Our global reinsurance operations reported a disappointing combined ratio for the year, much of that related to adverse development within our reinsurance casualty lines in the years before 2020. As discussed in recent quarters, we undertook meaningful changes regarding our appetite and approach to portfolio management. We are focused on improved long-term profitability.

We have a refreshed reinsurance leadership team and portfolio and we feel very good about where we stand today in that business.

Finally, our Specialty division has faced challenges within portions of our casualty and professional liability lines, meaningful segments of our specialty portfolio are performing well. For example, our property in marine, small commercial, personal lines and surety product lines, all had outstanding years, achieving double-digit growth and combined ratios at or well below our 2023 targets. Together, these product lines alone represent about $3 billion in annual gross written premium volume.

The growth in these classes and several other segments of our business demonstrates our strong core. These business units are well established and poised to produce solid underwriting results in the future.

Turning back to our domestic casualty and professional liability insurance portfolios. We have been challenged by the market dynamics within the Contractor segment of our brokerage excess umbrella and primary general liability lines in casualties and our risk-managed E&O and D&O lines and professional liability. This includes all of the factors driving a loss cost trends we have discussed in previous quarters and are widely reported across the industry, including social and economic inflation and litigation financing trends.

We have meaningfully increased our prior accident year loss reserves in these specific lines throughout the latter half of 2022 and during 2023 to respond to these emerging loss trends. However, as the year progressed and the loss trends continue to deteriorate, it became clear that we needed to take a more focused review of our portfolios to better understand the underlying dynamics and causes of the adverse loss development trends. In doing so, we would ensure we are maintaining healthy portfolios with sufficient rate adequacy as we move forward.

Therefore, in the fourth quarter, we conducted an extensive loss review of these lines and took meaningful action to put these prior year development trends behind us. While we can never have absolute certainty that there will be no further development within these portfolios, we are confident that with the additional actions we took in the quarter, we have created an even greater level of resiliency in our balance sheet, consistent with our long-held conservative reserving philosophy.

Our overall casualty book is concentrated in construction business. Through our review, we determined the construction defect claims within our casualty construction portfolio and the longer reporting tail than originally anticipated. Average claim severity also continues to increase in this line due to the various forms of inflation we mentioned.

Consequently, the business is not as profitable as we thought when we originally wrote it. We also determined that there was a greater propensity within our access and umbrella general liability and risk-

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managed E&O professional books of limits below our attachment point being eroded, pushing more claims into our layers.

Further, reporting of these claims has lagged historical development patterns due to the effects of court closures and claim backlogs, stemming from the COVID pandemic, aggressive tactics by the plaintiffs' bar and slow claim reporting trends. Considering these factors, we also added significant reserves to our casualty lines within our Reinsurance segment in accident years 2019 and prior.

These trends have been observable within our incurred loss development in accident years prior to 2020. Since that time, we have achieved significant rate increases across many of these classes and have taken a variety of underwriting actions. While these actions have significantly improved the profitability of these lines, we also added to reserves to our 2021 and 2022 accident years in the fourth quarter. We did this recognizing that the difference between loss ratios prior to the pandemic and post pandemic had reached a differential that did not feel consistent with our conservative approach to reserving and the ultimate cost to settle the claims on more recent years may prove to be higher than we initially anticipated.

We had already adjusted our 2023 accident year attritional loss ratios at the beginning of the year in reaction to concerns around increasing loss trends. Given the most recent accident years are green, we feel it best to ensure we are maintaining an appropriate margin of safety to reduce the likelihood of future adverse development.

That being said, there's a lot of uncertainty associated with reserving long-tailed lines of business that won't be settled for many years to come. Most of our reserves in these product lines are held in IBNR, particularly in the more recent years. In fact, as of year-end 2023, 70% of our total reserves are in IBNR, up from 67% at the end of 2022 and 63% 5 years ago.

Despite these challenges, it's important to note we did have favorable development for the full year 2023. We continue to operate with a core belief that we should set reserves at a level that will prove more likely redundant than deficient. We remain committed to the principle and hope you take some comfort in the fact that it remains true for the full year 2023 despite the challenges we faced.

Now let me touch on what we're doing going into 2024. We will carry our positive momentum into the year from our International, State National and Nephila businesses and our specialty product lines. We are looking to use our power of the platform to create opportunities for growth.

Regarding our casualty construction and risk managed professional liability lines, we are actively managing these portfolios. We've made changes to personnel. We will be exiting unprofitable classes in subsegments. We will reduce excessive concentrations in order to ensure our optimal portfolio balance, and we'll be appropriately adjusting rates, terms and conditions, limits, attachment points and other factors.

We are confident in our ability to re-underwrite these products back to levels of profitability we aspire to. We've done it before. We are determined to do it again. But these actions will take some time to earn their way through the results.

Just a couple of comments on the pricing environment. It continues to be the case that each product area and region of the world has its own story. But broadly speaking, rates are continuing to hold up fairly well. By and large, are keeping up with and in some cases, are slightly ahead of our view of trend. We had many products where rates are up 5% to 10% and for most casualty product lines, and particularly of rate adequacy is in question, we are seeing success pushing for rate. Within our property offering, the pricing environment remains attractive. And while we expect increases to moderate in '24, the environment is constructive with healthy margins and anticipated returns on capital.

Professional liability remains challenging from a pricing standpoint. While the rate of pricing declines on public D&O business have moderated, we remain very cautious with regards to current levels of rate adequacy and are managing our portfolio and exposures accordingly. Thank you. And with that, I will turn things back over to Tom.

Thomas Sinnickson Gayner

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Chief Investment Officer, CEO & Director
Thank you, Jeremy. And [indiscernible], we will open the floor for questions, if you'd be so kind.

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Question and Answer

Operator

[Operator Instructions] And we'll take our first question from Charlie Lederer at Citi.

Charles William Lederer
Citigroup Inc., Research Division

Can you expand on some of the underwriting and incentive compensation changes you mentioned you're making and how long of a process do you anticipate that being -- is this something we should think about impacting your appetite or growth just given GL and professional liability are your largest products.

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

Yes. Thanks for the question. So a couple of things. First off, with regards to both our general liability and professional liability portfolios, there's a lot of business within those portfolios. And actually, some of the segments within them, if we look at casualty and we think about environmental, if we think about health care, we think about our binding operations, they're performing very well.

In professional, if we think about commercial D&O and E&O is performing very well, financial advisers. So we have segments within those portfolios that we can continue to grow internationally as well on both the casualty and professional side. So pockets of the portfolio, we are growing. We can continue to grow. They're meeting our profitability targets in the classes that are more challenged in that space, even in the fourth quarter alone, we shed over $100 million of premium in those classes and still sort of grew our top line. within the insurance results.

So we are remixing the portfolio. We've seen and reported over the last -- over the course of 2023, a more moderated pace of top line growth. And we're focused on bottom line profitability so that may continue to be the case, and we'll continue to remix the portfolio. But we've been doing some of that already.

As far as changes in underwriting, practices, if you will, we really are taking a very targeted view within each of our product areas and it's a tailored approach with regards to what we're doing. So we have some classes. That are all in segments within our portfolios that we're going to exit or we have exited altogether. We've got areas where we'll take subclasses or subsegments and reduce our writings. Clearly, we'll push rate. Clearly, we'll address wordings in terms and conditions. We're looking at attachment points. We're looking at limits profiles. We're looking at geography mix. A lot of what we're doing is going to be about portfolio balance and overall portfolio management. So a lot that's happening across the insurance operation right now.

Charles William Lederer
Citigroup Inc., Research Division

Got it. That's helpful. I guess just given those mix changes, should we expect the current accident year margins, I guess, to kind of look very different next year? Or I guess they've moved around each quarter? Should the remixing be a help or kind of more flattish or like we've seen looking at [indiscernible] ?

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

Yes, more difficult to talk about a trend. As Tom mentioned, it takes a while for things to earn through in insurance, right? So heading into a year, the portfolio an earned premium basis is already sort of on risk and working its way through. So any actions that we have taken recently or we take here shortly, it will take a little while to earn through.

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That being said, everything that we are doing right now is focused on being accretive to earnings as we move forward. So I expect that over time, what we'll see is an improved profitability and improved margins on the current portfolio.

Charles William Lederer
Citigroup Inc., Research Division

Got it. Just one quick one. On the credit losses from the intellectual property exposure. Is that in the loss ratio or the expense ratio in insurance?

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

That's in the loss ratio. Currently in the loss ratio.

Operator

We'll move next to Mark Hughes at Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. Is there a, say, an interim combined ratio target for 2024 that you might be willing to share, understanding that it takes a while to fully implement these steps and make progress. But is there an interim target?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Yes, Mark, it's Tom. Better.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Can you quantify better?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

No.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

I like better. But any numbers? Yes?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Let's get better and then we'll talk about it.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. Understood. And then you talked about the GL and you focus on the construction issue. Are you seeing some inflation or lengthening of tail outside of construction? Is it a broader issue in GL?

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

Well, I think that the part associated with the lengthening of the tail is a bit specific to the construction defect portion within our contractors on both the primary and excess basis. So that's a pretty specific point there.

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With regards to the effects more widely around inflation, be it economic inflation or social inflation, that happens across, particularly in U.S. logs. That happens in a number of areas as we've been talking about. But again, more pronounced in the general liability and professional liability lines that we've been speaking to over the course of the year.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

You mentioned that you're having success in pushing for rate where you need it. Is that to say pricing in those lines is accelerating? Do you see that across the board? Or maybe just within your own book.

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

We'll see sort of obviously have the year trends in development, and we very much have the intention in those pockets, particularly in the casualty that I'm mentioning the rate is needed, and we've had success in pushing rate. I don't think we get all the way there overnight. And I think it has to be something that is sustained. I also don't think that, that is unique to sort of Markel circumstances. I think casualty is getting a lot of coverage around the sort of trends and the pervasive nature of social inflation and some of what we've experienced ourselves, I think, is being shared within the industry.

So I would expect that it will continue to be -- will continue to be the opportunity to push on rate within casualty lines in '24.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. And then when you think about some of these inflation factors, could you maybe assume that they would get better? And since they didn't, you had some adverse -- or did they actually deteriorate just thinking about the kind of broader reported inflation. Supposedly, that's key. But does that -- is that having a delayed impact on your own loss trends as you're seeing them?

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

Yes. I mean, look, inflation is a component as a broad statement, Mark. But what I would suggest is that in the fourth quarter, we really took a far more extensive review, right? And we got our leaders across underwriting and claims and actuarial. We aided ourselves with third-party experts gaining insights and broader industry data for purposes of comparability, and we did a much more data-intensive exercise. So we are doing a deeper review into our underlying books and trends to get better insights around the causes of the adverse development.

So as a kind of an example, Ron mentioned, we start segmenting out our contractors portions of our books. We then further segment construction defect claims trends and data from nonconstruction defect. We looked at practice exposures versus project exposures. We looked at wording, claims handling practices, various assumptions we're making. So all that to give you a sense of the depth and the robustness of the review that we had. Undoubtedly, the rising level of cost to settle and adjust claims is linked to inflation in all exports. So we're seeing that.

But there are other aspects that give us -- that led to some of the reserve adjustments we made in the fourth quarter, but also, I think, importantly, lead us to have a lot more confidence that we understand the recent experience and that we're in a position now to put that adverse loss experience and trend behind us as we move forward.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

And let me jump in. This is Tom. And Mark, and this is really for everybody. I want to make sure we're not driving by looking at the hood ornament. And we keep our eyes on the horizon a bit here. So obviously, we're talking a lot about the insurance results. This is a Markel Group conference call. It's Markel Group

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that is -- what you own shares in the book value per share, which, again, is dinged by amortization, and it's dinged by the unrealized losses in the bond portfolio, both of which I would argue were not real. It was up 17%, last year. It's up 11% over the last 5 years and the actions that I think if our roles were reversed and you were managing this business, where you would be directing capital when we've directed capital towards investments that show the fruits of that.

We've directed capital towards ventures, which show the fruits of that. We've paired and pruned inside the insurance engine. And I think you'll see the fruits of that in the fullness of time. And we're dividing that pie by fewer shares. So that's -- remain somewhat aware of the horizon as well as the hood ornament.

Operator

We'll take our next question from Andrew Andersen at Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

Could you provide a bit more color on to what loss trend you're looking to in some of these casualty lines? And if that's going to be higher in 2024 versus how 2023 shaked out? I'm just trying to think about the confidence in the more recent accident years, which also faced some pressure in the opportunity for growth here.

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

Sure. So I mean as far as sort of trend assumptions heading into I think if anything, trend either holds up or moderate slightly, relative to '23 assumptions. We have a very broad portfolio. We're 100 major product lines. We write lots of different segments and classes all across the globe. So there's no sort of simple way to break through the trend assumptions down. But in -- as you'd expect in longer-tail cash-driven oriented lines, 5%, 6% to 8% is not an uncommon trend assumption. And in each of the cases, we look at our portfolios with regards to rate adequacy. We look at the pricing that we're obtaining relative to that trend. And we all level that into our loss selections.

Andrew E. Andersen
Jefferies LLC, Research Division

And just backing up on the reserves, you had a charge fourth quarter of last year, movement on 9 months '23, another charge fourth quarter of this year. Has the team evaluated doing an LPT in the past to create some finality to this?

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

We have not done anything with regards to LPT or adverse development covers, and I won't sort of comment more broadly than that.

Andrew E. Andersen
Jefferies LLC, Research Division

And maybe a few more questions here. Can you mentioned litigation finance and casualty lines and how it's affected the loss trends where you raised your reserves. You did kind of just mention perhaps trend moderates slightly in '24, but are you kind of thinking of the litigation finance environment slows down in the coming years? Or do you see that accelerating?

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

Yes. Generally speaking, I think a lot of what we've been talking about in our challenge with regards to recent social inflation trends. So the cost to adjust and settle claims, prevalence of litigation funding, the aggressiveness of the plaintiffs for the sentiment of juries, all those sort of things, I don't necessarily have a reason to believe that, that abates anytime in the near term. So what we have to do is appropriately

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price our portfolio and ensure that we've got enough diversification and resiliency in the portfolios to stay a step ahead.

And that's part of what mentioning the fact that we've taken a more cautious view on the more recent years to build in to attempt, to build in a greater margin of safety around those concerns. In line with our core philosophy of being more likely redundant than deficient. So we'll see how that plays out. But we have to be cautious in the sort of claims and litigation environment.

Andrew E. Andersen
Jefferies LLC, Research Division

And maybe what's a good way to think about the reserves and the charges over the last couple of years. Has this -- the bulk of this been on discontinued business for the insurance segment? Or is it kind of a mix of continuing, but we're making changes to attachments, pricing, et cetera?

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

It's a mix. So we had an example within reinsurance that Brian alluded to, it's associated with public entity business that we wrote in 2019 and prior that we discontinued at that time. We have aspects of our portfolio that are ongoing that we're trimming and rehabbing and trying to get right. We've got aspects within the portfolio that we're exiting either classes or subsegments. So I mean it's a bit of everything across the portfolio.

Operator

We'll move next to Scott Heleniak at RBC.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Just to follow up a little bit on that on some of the classes you've exited so far. I'm just curious how much of that you think you'll be able to fix with rate -- with higher rates and improving terms and conditions versus actually exiting or reducing exposure a lot. I don't know if you can get any color or any sense on that, just charging higher rates and changing terms and conditions versus having to exit or [indiscernible] Significantly?

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

Yes. I mean I can't put any specifics or quantification around that. I gave you an example earlier to say, suggest in the fourth quarter and some of the lines at a larger sort of product line level that we shed over $100 million of premium in those lines that were more challenged. Where we were concerned about rate adequacy. And obviously, we grew more than that across everything else in the portfolio. We will continue to do that.

So we are focused within every facet of our insurance operations of ensuring that we are -- have a healthy portfolio. That it's rate adequate and that we're earning appropriate returns on capital. And I will report to you each and every 90 days how we're making progress in that space. But I can't sort of simplistically say, this is how it will break down. We're working hard.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. That's fair. And then on the insurance side, you called out personal lines and property being a growth area. Can you talk about the kind of what the growth rates there were last couple of quarters and particularly Q4. And whether -- is that -- are you running that business mostly E&S admitted where you're seeing the opportunity? Or is it a mix?

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

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It is a mix across the various segments of our portfolio where we're growing. So I'd mentioned personal lines. I mentioned property, inland marine programs business, our binding operations, workers' comp, surety, a number of lines in our professional space. So you've got U.S., you've got international, you've got alternative retail and wholesale or admitted and nonadmitted business, it's a mix. But in the spaces like, for example, property, marine, personal lines, those will be more weighted towards E&S binding. More weighted towards E&S.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. Okay. And then just one for Tom here. On Markel Ventures, you mentioned acquisition, Costa made one in January. So that's definitely nice to see. Can you talk about the pipeline there for Markel Ventures and whether you expect to see more deal activity this year?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

I would guess, since the deal activity last year was 0, the odds have been more than that are pretty good. Our phone is starting to ring. I mean there have been some disruptions in financial markets from time to time. The fact that interest rates exist, changes the financing market for other folks out there. So we're getting more inbound phone calls than we did any time in the last 12 or 18 months.

Operator

[Operator Instructions] We'll move next to Josh Hill at CapTrust Financial Advisors.

Joshua T. Hill

First off, great job with ventures and investments. Just a quick question on insurance. curious to get your opinion on whether or not the target laid out in the 2020 shareholder letter of "10-5-1". So that $10 billion target for premiums, if any of that target is kind of what's coming back to causing some of these issues.

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

Yes. Thanks for the question. I don't believe that that's the case. The -- when we talked about "10-5-1" is an idea within our global insurance operations. Its roughly to suggest what would need to be true if we were to aspire to double the size of our insurance platform at that time across all facets and do so at a level that was contributing meaningfully to the bottom line profits. The suggested growth rate there really isn't different than the growth rate that we had experienced over the past several decades as an organization.

So I don't think that, that put an unhealthy expectation around growth. I do think linked to that, we said what would need to be true with regards to product, talent, technology, to data, to geography, to various offerings, our trading relationships. So there are a lot of aspects of what would need to be true to be that sort of insurance organization. And we continue to work very hard at building out the breadth of specialization and diversification across the platform. I think you will have gotten a sense from the call today. There's a lot of things that we've done, and we've done very well.

Fortunately, there are some things that have come back over the course of 10 years. I mean a lot of the '19 and prior, that portfolio already existed prior to us making reference to 1051 objective. We could not have contemplated at that time a pandemic and how sort of inflation what would occur on the inflation side, both social and economic.

So the world moved out a little bit since we had that target. But our idea is around what we aspire to be and being ambitious as an organization to be better for our customers. To be better for our employees to create winning outcomes for our shareholders, those ideas remain.

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

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And let me jump in here. This is Tom. I want to make one factual statement about that. Nobody's incentive compensation was tied to the tenth. Nobody, not mine, not Jeremy, it's not anybody in the organization. Every bit of incentive compensation is tied to profitability over time. rather than growth without profitability.

So I know there's been some heartburn in the investment community about that. We hear you, but I do want to -- at least state the fact that no incentive compensation was designed to do the tenth.

Operator

We'll go next to Drew Estes at Banyan Capital.

Drew Douglas Estes
Banyan Capital Management, Inc.

This one is for Tom. A great attribute of Markel is its optionality and capital allocation. So given the performance in insurance, but the strength in ventures, how are you thinking about investing the incremental dollar? Do you prefer an investment in ventures right now until you can get insurance performing better?

Thomas Sinnickson Gayner
Chief Investment Officer, CEO & Director

Drew, I appreciate the question, and I do think that speaks to one of the underlying strengths of Markel. And again, everybody is here working hard and gnashing of teeth going on about some stuff, economically, it was a pretty good year for Markel for exactly the reasons you speak of.

Every incremental dollar is invested with the thought of, where will it best be treated, where will we get the highest return. So we look at insurance, we look at investments. We look at Markel Ventures, and we start with a blank sheet of paper that would -- and we also look at our own shares and said we will that capital be treated best. And that's consistently been the case, and we'll continue to be that way.

Operator

We'll take a follow-up from Charlie Lederer at Citi.

Charles William Lederer
Citigroup Inc., Research Division

Just one follow-up. Since you took the charges on the reinsurance side to reflect your insurance experience, could you talk about your conversations with your CMs? Have they reflected some of these changes? Or do you anticipate that being a story for them or maybe the industry near term?

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

Yes, that's a good point, Charlie. So in the fourth quarter, the increase in reserves that we took, particularly in the general liability space within our Reinsurance segment was not driven by underlying cedent reporting and incurred activity, but more so in part because of the findings and observations that we had within our insurance book and in contemplation of the risk that some of those things could exist within the underlying cedents reporting and incurred loss activity in time.

So again, I would say that was kind of a cautious approach to ensure that we're building an appropriate margin of safety be more likely redundant than deficient within the reinsurance book versus specific claims reporting activity in the period.

Operator

And we'll move next to Andrew Anderson at Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

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On the insurance underlying loss ratio a little bit of noise this year between the best 2, some of the collateral protection. I think in the first quarter, you had moved some picks related to bank activity. So if I put it all together, relative to the reported underlying of $64 million, perhaps 2 points of onetime noise. Is that a fair way to think about it?

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

Yes, I think you're thinking about it right. There was -- there's definitely some noise like you said, the intellectual property CPI and the credit losses we experienced there, specific banking losses we recognized in the first quarter, those sort of one-offs did contribute between 1 or 2 points to that trend. And then clearly the -- which we talked about throughout the year, higher attritional loss ratios across the cash, the general liability and professional liability lines being another driver.

Andrew E. Andersen
Jefferies LLC, Research Division

And I suppose, business being written for the longer tail lines right now is already reflecting your increased view of loss trend for 2024?

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

That's right.

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. We appreciate your support. We look forward to checking in with you in 90 days. Be well.

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

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