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Earnings Call

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Presentation

Operator

Good morning. My name is Audra, and I will be your conference operator today. At this time, I would like to welcome everyone to The Hartford Financial First Quarter 2024 Results Webcast. Today's conference is being recorded.

[Operator Instructions]

At this time, I would like to turn the conference over to Susan Spivak, Senior Vice President, Investor Relations. Please go ahead.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

Good morning, and thank you for joining us today for our call and webcast on first quarter 2024 earnings. Yesterday, we reported results and posted all the earnings-related materials on our website.

Now I'd like to introduce our speakers. To start, we have Chris Swift, Chairman and Chief Executive Officer; followed by Beth Costello, our Chief Financial Officer. After their prepared remarks, we will begin taking your questions. Also with us to assist with your questions are several members of our management team.

Just a few comments before Chris begins. Today's call includes forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance, and actual results could be materially different. We do not assume any obligation to update information or forward-looking statements provided on this call. Investors should also consider the risks and uncertainties that could cause actual results to differ from these statements. A detailed description of those risks and uncertainties can be found in our SEC filings.

Our commentary today includes non-GAAP financial measures. Explanations and reconciliations of these measures to the comparable GAAP measures are included in our SEC filings as well as in the news release and financial supplement.

Finally, please note that no portion of this conference call may be reproduced or rebroadcast in any form without The Hartford's prior written consent. Replays of this webcast, and an official transcript, will be available on The Hartford's website for 1 year.

I'll now turn the call over to Chris.

Christopher Jerome Swift
Chairman & CEO

Good morning, and thank you for joining us today. The Hartford had a strong start to the year, sustaining outstanding financial results through the first quarter. Our strategy and ongoing investments, combined with disciplined underwriting and pricing execution, exceptional talent, and innovative customer-centric technology, continued to drive outperformance.

Let me call your attention to some highlights we achieved in the quarter. Top line growth in Commercial Lines of 8% with an underlying combined ratio of 88.4%, strong renewal written pricing increases in Commercial and Personal Lines, Group Benefits core earnings margin of 6.1% and solid performance in our investment portfolio, all these contributed to an outstanding and industry-leading trailing 12-month core earnings ROE of 16.6%, reflecting consistency of our margins and continued growth generated by our businesses.

Now let me share a few details from the quarter. Commercial Lines performance reflects strong top line growth at highly profitable margins. In the marketplace, we are prudently taking advantage of elevated submission flow, in part driven by the investments we have made to expand our product capabilities and the efficiency of the broker and agent experience.

From that flow, we are using our data science advancements, pricing expertise in industry-leading underwriting tools to drive profitable double-digit new business growth in each of our three businesses. In addition, retention is steady and exposure growth remains solid although moderating from the elevated levels seen in the past couple of years.

In Small Commercial, we are shattering previous quarterly written premium records while sustaining underlying margins. New business growth was 11% in the quarter, driven by strong submission flow and growth in E&S binding. We are particularly pleased with E&S binding, a key area of focus, which is on track to grow annual written premiums by approximately 50% in 2024 to nearly $300 million.

I remain incredibly pleased with the overall performance in Small Commercial and bullish on its outlook. We expect to sustain outstanding financial results by reliably serving agents and customers with industry-leading products and unmatched ease of conducting business and unrivaled pricing accuracy.

Moving to Middle & Large Commercial. The financial performance continues to be exceptional. Written premium growth reflects strong renewal rate execution and new business growth of 18% with an especially good quarter in guaranteed cost construction and general industries. We are building a track record of delivering meaningful growth while consistently maintaining underlying margins.

The stellar performance in this business is a direct result of our underwriting discipline, enabled by the investments we have made to enhance our capabilities. Combining these advantages with our best-in-class talent and the strength of our distribution relationships, we remain well positioned to profitably grow this business.

In Global Specialty, results were excellent with underlying margins consistent with last year and solid top line growth reflecting our competitive position, breadth of products and strong renewal written pricing. Written premium growth was propelled by a 20% increase in our wholesale business with significant contributions from primary and excess casualty lines.

We are particularly pleased with wholesale construction activity found in the quarter as well as overall increased submission flow, both meaningful drivers of new business growth. We remain excited about the Global Specialty business, including our position in wholesale and reinsurance market and from a broadened product portfolio.

Looking across Commercial Lines, we continue to grow our property book, another key area of focus. We are capitalizing on favorable market conditions with a disciplined approach, including no change in our catastrophe risk appetite.

Property written premium for the quarter was approximately 17% higher than in 2023.

Turning to pricing. Excluding workers' compensation, Commercial Lines renewal written pricing rose 0.7% from the fourth quarter to 9% with strong low double-digit pricing in property and auto and high single digit in general liability.

Public D&O pricing is still pressured, though relatively stable with the fourth quarter. All in, ex comp renewal written pricing in Commercial Lines remained comfortably above loss cost trends.

In workers' compensation, renewal written pricing remained slightly positive in the quarter. In summary, Commercial Lines delivered an outstanding first quarter result with ongoing momentum in the market.

Moving to Personal Lines. Our first quarter financial performance demonstrates progress towards restoring targeted profitability in auto, as we continue to address current loss trends. Auto renewal written price increases of nearly 26% have likely peaked given our view of moderating loss trends for the remainder of the year.

In addition, we have achieved new business rate adequacy in the vast majority of states and as a result have resumed national advertising this month. In homeowners, renewal written pricing of 15% during the quarter comprised of net rate and insured value increases outpaced underlying loss cost trends.

This year, we are celebrating our 40th anniversary with AARP. In 1984, we embarked on this journey with a shared vision and commitment to serve mature market customers. Our focus on this preferred segment, coupled with our modern innovative and digitally enhanced product and platform, Prevail, is a competitive advantage.

Our updated offering is currently available in 42 states and represents approximately 60% of our new business premium this quarter. With pricing gains, enhanced risk segmentation and moderating loss trends, I expect Personal Lines to meaningfully contribute to core earnings as it returns to profitability in 2024 and reaches target margins in 2025.

Turning to Group Benefits. Our core earnings margin of 6.1% for the quarter included improved mortality trends from the prior year and continued strong long-term disability claim recoveries. Fully insured ongoing premium growth of 2% reflects strong but slightly lower persistency and a 6% decline in sales primarily driven by group life, where we are being disciplined with pricing and underwriting in this competitive marketplace.

We continue to strengthen our capabilities for customer service, with an extensive suite of tools for HR platform integration, member enrollment, process simplification and analytics. As part of our strategy to grow amongst small and midsized businesses, we are investing in our platform. This includes strengthening distribution relationships and actively seeking out new partnerships. Employers are more focused than ever on the needs of their employees and our products and services are a key part of that value proposition.

Moving to investments. The portfolio continues to support The Hartford's financial and strategic goals performing well across a range of asset classes and market conditions, and Beth will provide more details. In summary, The Hartford delivered another strong quarter with sustained momentum heading into the remainder of the year.

Let me reiterate why I am so bullish about the future. First, our financial results continue to prove the effectiveness of our strategy and the impact of ongoing investments in our business. Second, Personal Lines results are showing improvement. We are achieving necessary rate increases, and expect 2024 margins to progress towards targeted profitability. Third, with our disciplined underwriting and pricing execution, exceptional talent, an innovative customer-centric technology, we will continue to sustain superior results. Fourth, investment income remained solid, supported by elevated yields and a diversified and durable portfolio of assets.

And finally, we remain dedicated to enhancing shareholder value through supporting organic growth, continued investment in our business and proactively managing our excess capital. All these factors contribute to my excitement and confidence about the future of The Hartford, and our ability to extend our track record of delivering industry-leading financial performance.

Now I'll turn the call over to Beth to provide more detailed commentary on the quarter.

Beth A. Costello
Executive VP & CFO

Thank you, Chris. Core earnings for the quarter were $709 million or $2.34 per diluted share with a trailing 12-month core earnings ROE of 16.6%. Commercial Lines had an outstanding quarter with core earnings of $546 million and an underlying combined ratio of 88.4%, in line with our expectations and slightly better than the prior year first quarter.

Small Commercial continued to deliver excellent results with written premium growth of 8% and an underlying combined ratio of 89.6, further building on its impressive track record of delivering an underlying combined ratio below 90.

Middle & Large Commercial also delivered outstanding results with 9% growth over the prior year and this marks the fourth consecutive quarter of written premium exceeding $1 billion. The underlying combined ratio was excellent at 89.2, a 0.7 point improvement over first quarter 2023, primarily due to a lower expense ratio driven by the impact of strong earned premium growth.

Global Specialty's underlying combined ratio was an exceptional 85.3, relatively flat to the prior year. Written premium growth of 8% was driven by accelerating renewal written price increases and new business growth of 17%, excluding Global Re.

In Personal Lines, core earnings for the quarter were $33 million with an underlying combined ratio of 96.1, including a strong homeowners underlying combined ratio of 77. The auto underlying combined ratio of 104.4 was in line with our expectations and is a year-over-year improvement of 3.7 points, once the reported ratio for the first quarter of 2023 is increased for the 3 points of development that occurred in the second quarter of 2023.

This result is consistent with achieving the 5- to 6-point full year improvement we previously discussed. Written premium in Personal Lines increased 13% over the prior year, driven by steady and successful rate actions. In auto, we achieved written pricing increases of 25.7% and earned pricing increases of 19.1%.

In homeowners, written pricing increases were 15.2% for the quarter and 14.4% on an earned basis. The total Personal Lines expense ratio improved by 1.2 points, primarily driven by the impact of higher earned premium, partially offset by higher direct marketing costs as we increase our marketing spend to drive new business growth in those states where rates are adequate.

With respect to catastrophes, P&C current accident year CATs were $161 million before tax or 4.2 combined ratio points, which compares to $185 million in 2023 or 5.3 points on the combined ratio. Total net favorable prior accident year development within core earnings was $32 million, primarily due to reserve reductions in workers' compensation, which were partially offset by reserve increases in general liability, assumed reinsurance and ocean marine.

In addition, we had $7 million of favorable development in personal auto physical damage. We also recorded $24 million before tax in deferred gain amortization related to the Navigators ADC. This positively impacted net income with no impact on core earnings. Based on our estimate of payment patterns, we expect total amortization of the deferred gain in 2024 will be approximately $125 million before tax with the remaining balance amortized in 2025.

We have provided additional information in the appendix of our earnings slide deck on both this ADC and the A&E ADC for your reference.

Turning to Group Benefits. Core earnings in the first quarter of $107 million and a 6.1% core earnings margin reflect improved life results, continued strong disability performance and fully insured premium growth. As a reminder, from a seasonality perspective, we tend to experience higher underlying loss costs in the first quarter.

The group disability loss ratio of 70.1 improved 0.3 points from 2023, driven by continued strong claim recoveries, partially offset by higher incidents in paid family leave and short-term disability products. The group life loss ratio of 82.6 improved 4.1 points versus prior year, reflecting improved mortality.

Fully insured ongoing premium growth of 2% was driven by exposure growth, which remained positive, albeit at a lower rate than in the prior year. Book persistency in the first quarter of 2024 was strong at over 90%, but approximately 1.5 points below record high levels in 2023.

Turning to investments. Our diversified investment portfolio continues to produce solid results. For the quarter, net investment income was $593 million. The total annualized portfolio yield, excluding limited partnerships, was 4.3% before tax, consistent with the fourth quarter of 2023.

Our annualized LP returns were 1.3% and included positive returns from our private equity portfolio. Our real estate equity portfolio returns were impacted by lower valuations and the absence of real estate JV equity sales.

Given the current macroeconomic backdrop, limited partnership returns in the second quarter are likely to be similar to first quarter results, with private equity returns being offset by declines in real estate valuations and property depreciation with no sales activity.

We continue to believe our real estate holdings are durable, and we will be patient as it relates to any sales in order to maximize value. Although we anticipate LP returns for the full year could be below 2023 results, we continue to believe that over the long term, results will continue to add value and be consistent with historical returns.

The overall credit quality of the portfolio remains high with an average credit rating of A+. Net credit losses remain insignificant.

Turning to capital. During the quarter, we repurchased 3.8 million shares under our share repurchase program for $350 million, and we expect to remain at that level of repurchases in the second quarter. At the end of the quarter, we had approximately $1 billion remaining on our share repurchase authorization through December 31, 2024.

To wrap up, our first quarter results reflect another quarter of delivering on our targeted returns to enhance value for all of our stakeholders.

I will now turn the call back to Susan.

Susan Spivak Bernstein
Senior Vice President of Investor Relations
Thank you. We will now take your questions. Operator, could you please repeat the instructions for asking a question?

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Andrew Kligerman at TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

Chris, I noticed in your opening remarks, you talked about some pressure on group life sales. Is that something that you foresee going forward? I mean overall sales were -- I think revenues were up about 2% in the quarter. So do you see that line being a bit pressured and maybe you could give us a little color on what's happening in the group life area?

Christopher Jerome Swift
Chairman & CEO

Happy to, Andrew. Yes, we did call out a little lighter sales volume during the quarter. I'm looking at Jonathan Bennett, he could give you additional color also.

But I think, Andrew, you might recall, we've talked about being fairly disciplined in our thinking about where mortality is trending, particularly coming out after the pandemic. And the trends are downward, but we probably -- we believe we're still operating in an endemic state of mortality, which means it's going to be higher than normal, which we think will continue for at least the next couple of years. And we've been pricing our product with that view, which obviously has an impact then on sales if market participants don't have a similar view.

So I think it's all good, it's all healthy. For us, again, key message I want you to know we're being disciplined, but it might come at a cost of slightly lower group life sales than we maybe have enjoyed in the past.

But Jonathan, what would you add?

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Yes, Chris, I agree with everything you've said. And I think, Andrew, just reinforce the importance of us having our point of view and executing on that in the marketplace. If you think about where we are in the group life cycle, we're looking to the future, we're seeing improvements. When you look back at your trends, which is where you start in thinking about your pricing philosophy, a lot of that data is loaded with excess mortality and COVID losses.

So the first step you have to do is figure out what to extract, how to normalize, if you will, for that data. And it might sound obvious to say, well, just take all the COVID claims out, but that's not how they always get reported. And so as a result, there is a fair amount of variation in judgment applied as you do that.

And then looking forward, you need to make a call on where you feel like mortality will be in the next 3 to 5 years. And as we sit here today, if you were to pull some CDC data, I think you would see that the reported deaths are still trending -- are still a bit higher than they were prior to the pandemic.

So when we weave all that in, we have our conviction about where we think things are going. But I would say the range right now in the marketplace in pricing is about as wide as it's been ever, based on all of those ambiguities and how pricing can be developed.

And that really is, I think, what's the cause for some uncertainty in the marketplace is. But as Chris said, we have a strong point of view on where we are. We're confident and comfortable with that and we'll continue to compete. Our capabilities are actually as strong as ever in that marketplace, and we feel quite good about our positioning.

Andrew Scott Kligerman
TD Cowen, Research Division

That's very helpful. And then my follow-up is, there's been a ton of talk now about long-tail reserving. I mean, for a while, it's been 16 to 19 underwriting years. Now people are talking about 20 to 22 or 23. And when we looked at your reserves this quarter, I mean, it looked pretty modest in general liability and assumed re and marine, and those were 16 to 19 years per your releases.

Any concerns? I mean, you looked great, but some of your competitors didn't. And so anything to read into going forward? Any concerns on your part?

Christopher Jerome Swift
Chairman & CEO

Yes, Andrew, I'll start and I'll let Mo and Beth add their commentary. But yes, I'm not going to speak to competitors because everyone is just slightly different, but the confidence that we have particularly in our current loss picks are very, very high. And I think the context that I think Mo and Beth will explain to you is that we've been hard at work in sort of improving our -- underwriting our book, reunderwriting it, looking at different classes of business, changing terms and conditions, and Mo will give you more color. Beth can talk about the actuarial analysis that we do on a quarterly basis, which is very robust and gives us a high degree of confidence in our picks, particularly for the most recent years.

But we're also humble enough to admit we didn't get everything right over the last 5 years. And when we feel that adjustments are made, we're pretty clear and transparent about why we're making those adjustments, and that will continue going forward. But Andrew, as we sit here today, I think you got it right, we feel good. We're not immune, but on a relative basis, I think we'll be better than most.

But Mo, Beth, what would you add?

Beth A. Costello
Executive VP & CFO

So I'll start, and then I'll let Mo provide some color and just add on to what Chris indicated. But as you noted, Andrew, in the general liability reserves, the prior year development that we recorded this quarter was related to the 2016 to 2019 years, some large loss activity. And as Chris said, we do evaluate these reserves quarter-to-quarter and when we see activity, we do react to it.

As it relates to the more current years, those tend to trend very well. As you know, these are long-tail liabilities. So even if in the short term, they're looking strong. We don't react to that because, as I said, these are long tailed in nature. But overall, we've not seen things in the more recent years that would cause us to change our picks at this point.

And when I look at a variety of measures, and I know you do as well, IBNR levels, paid activity, I think our more recent accident years stand out as being strong. But it's also really important to understand, as Chris was indicating, actions that we've taken over this period to improve the overall book, which even adds to how we feel about our overall reserves in the more current years.

But maybe, Mo, I'll turn it to you to talk about some of the things that you and your team have been doing over the last several years in this area.

Adin Morris Tooker
Head of Commercial Lines

Yes, Andrew, maybe three themes just to build on Beth's point about actions we've taken over that time period. So first is, obviously, we've put significant rate in each of those years since 2019 in each of the three books, and that is well in excess of some healthy trend.

Second theme I would put out there is just remember the SME nature of our book, I mean, we just have a lower underlying, for example, auto exposure. Just to give you 1 stat, 79% of our middle-market umbrella book attaches for clients with less than 10 vehicles. So it gives you a sense of the size of fleets, which is where a lot of the pressure is coming from is just auto. We don't have a transportation book of any real note. We don't really -- we've never deployed limits of greater than $25 million gross, and we have important reinsurance involved there.

And then the third, Andrew, I just -- I think we've taken significant underwriting actions as both Chris and Beth referred to, since 2019, and that's industry related, it's related to litigation hotspots. We've managed limits. Just as one example in our Global Specialty book, we got out of all primary GL high-hazard in 2017. We just didn't think we could make money. And we haven't gone back in just because we still don't think that marketplace is there.

And so I just -- Andrew, I hope that gives you a sense of the book, and we continue to invest in tools that are allowing our underwriters to make choices based on litigation hotspots, based on industry, based on underlying auto. So we just -- we've worked really hard at this, and I think that contributes to some of the lack of news that you're seeing here.

Operator

We'll move to our next question from Elyse Greenspan at Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question was on the Personal Lines side. Just kind of following up, I think, Chris, you said that you guys are kind of turning on new business growth or did turn on this quarter, that you're at rate adequacy in the vast majority of states.

Can you just give us a sense, I guess, what are you seeing from a frequency and severity perspective right now? And what do you expect, I guess, looking out over the next 12 months? You said when you put the expectation out that you expect to get to profitability this year and then reach the target in 2025.

Christopher Jerome Swift
Chairman & CEO

Elyse, thank you for the question and joining us. We're pretty pleased with the start on Personal Lines in totality. You saw the metrics that we've talked about, 25.7% written rate increase for auto, 15-ish in home, and I think the team is executing very, very well.

I would give you a couple of data points to have you consider. As we think about the full year in '24, we still see auto getting about 20 points of rate, plus or minus. So we still have that conviction, which then lays the foundation for the targeted profitability in 2025 that we've been talking about. I would say we're beginning to see moderation both in our auto loss cost trends on a BI and a PD basis, not going to give you precise numbers just because it could be bouncy any 1 quarter to 1 quarter.

But overall trends for '23, let's say, we're in the mid-single digits. And I expect -- excuse me, mid-double digits. And I expect that to come down into the low double-digit range here in '24. Maybe there could be more improvement from there, but that's our best call at this point in time.

And I think Beth importantly reiterated our point of view that we do see 5 to 6 points of underlying auto loss ratio improvement in 2024. And I think that, again, will put us on the right track to hitting targeted profitability in '25. So yes, we are rate adequate in 80% of our states. There's a couple of states that are going to be laggards for a while. They'll go nameless. But we feel good about what we're doing with auto.

And then likewise, with home, you saw the underlying combined ratios improved over years. I thought our CAT performance in total for the quarter, although slightly elevated to expectations, was still in line or within a range of long-term trends. So pleased with the team and what they're doing both in auto and home in Personal Lines.

Beth, would you add anything?

Beth A. Costello
Executive VP & CFO

Yes. Just a couple of things. Also, I'd point out that we did see some favorable development on the '23 accident year primarily coming out of the fourth quarter for auto physical damage. So we see that as an important proof point, too. I just want to clarify on Chris' comment on the book loss trend, mid-teens.

So that is mid-double digits, but just to be clear, mid-teens, and we do expect that to decline over the period. But as Chris said, we're being cautious and looking at it very carefully and feel very good to be on track to get to the improvement that we laid out at the beginning of the year.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up is on Commercial Lines. Looking at the price disclosure, stable on a reported basis, right? But that obviously reflects the comp concentration. How do you guys see just pricing across Commercial Lines playing out as we move through this year?

Christopher Jerome Swift
Chairman & CEO

Yes. I'll add my color, and then Mo will add his. But I hope you felt it in our tone, Elyse, we're really pleased. The team is working hard from an execution side, to have ex-comp. Our written renewal rate increase, increased 70 basis points, I thought it was healthy. That does include an element of exposure to that excess rate, which we call out in the general 2.3 points range or 25% exposure [of] 75% rate base.

So I think we see a lot of stability in the marketplace and still very optimistic as we play out 2024 here. So I think that, again, why we talked about early on of the year of the stability of our margins and generally having a consistent outcome compared to 2023, I think it's still alive and well in our thesis as we execute here through midyear.

But Mo, what would you add?

Adin Morris Tooker
Head of Commercial Lines

Yes, Elyse, I would say it's competitive but generally supportive as -- because we've talked about properties moderating a little bit outside of our BOP, and the BOP is still accelerating just in terms of what we're able to get there in terms of rate. The excess in umbrella is accelerating again, and auto is accelerating again. So broadly, I just -- I think we feel like the market is being fairly disciplined, fairly disciplined, and supportive of what we're trying to get done for the year.

Operator

We'll take our next question from Gregory Peters at Raymond James.

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

Great. So Chris, in your prepared comments, you talked about the no change in sort of the catastrophe profile of your property business. And yet you said that you're growing your property business, I think you -- the number you cited was 17% higher in the quarter. Maybe you can help reconcile how you grow your property business and not change your CAT profile?

Christopher Jerome Swift
Chairman & CEO

Well, CAT profile versus risk appetite, I'd see a little difference. I mean, we're not increasing our property CAT appetite per se. We've always said that we're willing to write property if it comes with some incremental small elements of CAT, in which I think we've been managing perfectly and Mo could give you more colors.

But I would say -- and let me just give you a couple of stats, is that pricing in our property book ex our Global Re business is about 14% up compared to 14.4% in the fourth quarter. As I said, we're growing at 17% and we're growing it in important lines: Spectrum, E&S binding, our general industries properties.

Our large property capabilities are up almost 35%. And again, the pricing, I think, is still firm and holding up pretty well.

But Mo, what would you add?

Adin Morris Tooker
Head of Commercial Lines

Yes, Greg, I would just say that there are a couple of CAT metrics that the team were really focused on. And for example, a, also annual aggregate loss to premium ratios trying to keep those flat. So as premium goes up, obviously, we would like the AAL to stay relatively flat.

And the same thing as we think about tail, we don't want to put on the risk without thinking about the tail risk. So we are closely looking at tail multiples like, for example, 100-year PMLs over premium. So those are the types of ratios that we're watching. So yes, the exposure itself is growing certainly from a CAT perspective, but we're trying to keep it in balance as to the same rate as premium growth.

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

Okay. That makes sense. So then building on some of your previous answers, I'm looking at the stats on new business production policy counts inside your Commercial business and things look like they're going really well.

I do remember a couple of quarters ago, you calling out some price competition in the middle market area. Just trying to get an update on, it seems pretty stable and the outlook seems pretty bullish.
But when you look forward, what are the areas that you're concerned about for potential competitive challenges?

Christopher Jerome Swift
Chairman & CEO

Yes. It's a competitive market. And I would say, especially in the larger end of each of our segments, so the larger end of small, we are finding more competitive, the larger end of middle is more competitive, and the larger end of the specialty business. So anything with a lot of premium on the slip typically has a little more competition to it.

But the only area that we're dramatically pulling back on is, as we've talked about many times, is public D&O. We just haven't seen that market stabilize the way we would like to. So you will see that book continue to shrink. Outside of that, Greg, I think we feel pretty good about the rest of the portfolio.

Operator

We'll go next to Josh Shanker at Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Looking at the rate that you're pushing through on auto, in particular, obviously, it's sizable. Year-over-year, the policy count is down around about 5%, which -- that might be a good outcome given how much rate you're pushing through. One of your -- probably the largest direct competitor in the market, they raised prices not as much as you over the last couple of years have lost 20% of their business.

What is the experience of retaining clients given that you are a direct carrier and you only can present them with Hartford product? Are they wanting to change and you're convincing them to stay? Are they doing buy-downs? How is that experience coming with the retention?

Christopher Jerome Swift
Chairman & CEO

Josh, thank you for joining us. Yes, that's the trade-off we're making right now, lower retention for a more profitable cohort to get us back to that targeted profitability. So I don't think it's outside of the range of expectations that we've had as far as that trade-off.

I think we've talked about sort of the PIF count decline compared to 2023 before. We still see that in that 4% range. So again, that speaks to our conviction to get the necessary rate in the book. And you're right, I mean it's a direct response business. I mean, it's Middle America from a customer side. So there's not a lot of, I'll call it, financial engineering we're doing vis-a-vis rate buydowns on auto or home, deductibles, things like that. It's pretty straightforward. We're sort of -- again, strictly in the admitted business.

But I think generally, people understand the need to keep up with trend, the inflationary pressures, the weather patterns are changing, all the social litigation and legal abuse systems that we've talked about is keeping pressure on our loss cost. And again, we've been able to work with our regulators to get rates approved either on a pre-approved basis or file and use. So I think we're executing well, and it's still a very dynamic and challenged environment.

Joshua David Shanker
BofA Securities, Research Division

I don't mean to belabor the point, but I'm just curious if the customers are giving you a chance to retain them, are they calling up and asking what can we do to help me? Or are you just getting a notification that they've left to a competitor?

Christopher Jerome Swift
Chairman & CEO

I think it's more of the latter. I don't think we're having very many negotiations over the phone as far as our product and our offer. And we're being empathetic when we talk to our customers, particularly the mature customers, but there's not a negotiation.

Operator

We'll take our next question from Mike Ward at Citi.

Michael Augustus Ward
Citigroup Inc., Research Division

I was wondering if you could maybe help us with some of the puts and takes driving the underlying loss ratio in Commercial and I guess, across the Commercial subsegments?

Christopher Jerome Swift
Chairman & CEO

Mike, when you say puts and takes, compared to prior year, what do you have in mind? What are you trying to get at?

Michael Augustus Ward
Citigroup Inc., Research Division

Yes. Well, I think last year, you had mentioned, I think, Commercial -- Small Commercial was hotter. Just trying to see how the underlying is doing year-over-year.

Christopher Jerome Swift
Chairman & CEO

Yes. I would just share with you. From an expectation side, everything is pretty much right on line. I mean if you -- obviously, you could see we improved slightly on a loss ratio basis. From prior year our non-CAT property is pretty consistent with prior year and maybe even slightly ahead of our expectations. So I don't want to avoid -- I don't want you to feel like we're avoiding the question, but there's nothing to call out.

Michael Augustus Ward
Citigroup Inc., Research Division

Okay. And then maybe just on the loss trend. I know you said pricing was still ahead of loss trend. Just curious how loss trend assumptions, if they're steady in the first quarter relative to, I guess, '23?

Christopher Jerome Swift
Chairman & CEO

Yes, I would say generally, our views on loss trends from '23 have increased modestly and that's obviously reflected in what we're trying to execute from a written rate side and the discipline we have there. And again, the guidance that we try to give our underwriters with appropriate discretion, but yes, I would say loss trend is up modestly in '24 compared to '23.

Operator

We'll move next to Brian Meredith at UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. Chris, I was hoping, could you give us what your kind of E&S growth was in the quarter in your Commercial Lines space? And just maybe your thoughts, is that a market that you continue to expect to grow at a pretty healthy rate here going forward?

Christopher Jerome Swift
Chairman & CEO

Yes, Brian, I'll look to Mo to add any of his color. But I would -- there's two E&S components I'd have you think about. One is in Small, right? Our E&S binding business, which we've called out and we'd like to try to get it to that $300 million level. And then, obviously, all our E&S capabilities within Global Specialty, whether it be property or casualty, that is an important component of what we're trying to do in the marketplace.

But Mo, what would you add from an overall growth rate perspective?

Adin Morris Tooker
Head of Commercial Lines

Brian, I would say we're excited about the flow in both of the channels that Chris talked about, both in that binding, which is the Small Commercial and the flow into our brokerage that continues to grow nicely. We saw -- we continue to see the growth, as Chris called out in his prepared remarks on the binding side. And we're seeing really good growth in the brokerage side, which sits in our Global Specialty business in both primary casualty, excess casualty, that rate environment continues to accelerate, as I talked about earlier.

We're undersized in property brokerage and in Global Specialty, we're undersized in inland marine, we're undersized in auto. So we just see that, especially on the Global Specialty side, there's plenty of opportunity and the flow is there to support it.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. That's helpful. And then second question, Chris, bigger picture question here. Looking at your Personal Lines business and understanding that the last couple of years have been challenging from inflation stuff. But if I look at your homeowners business, it's been close to a decade since you've grown unit volume there. In auto it's probably 6, 7 years, maybe a blip here and there. I'm just curious, maybe what kind of was going on during that period? And is the Prevail product kind of the answer to that now, where maybe at some point here, we'll see [The Hartford] start to grow unit in the Personal Lines space?

Christopher Jerome Swift

Chairman & CEO

Brian, I appreciate the question. I'm going to spare the torture going back 7, 8 years for everyone on what didn't go right. But I think more importantly, and we've talked about it in the various settings that, the Prevail product and platform does give us a step-change in our abilities to effectively compete in our core market, which is a mature preferred segment through an AARP endorsement that will allow us to be more competitive in auto, in home, and as much as I said, we do continue to expect PIF count, particularly in auto to decline this year by 4%.

We've also talked about that we feel like we can start to grow PIF count modestly in '25, and then maybe more meaningfully in '26. So I think that's where we're at. We've made the investment. We're in 42 states. We should be in 46 by the end of the year and couple of other states will lag a little bit.

But I think it gives us every opportunity to be growth-orientated. And then we'll see where we could take the Prevail platform. Right now, it's obviously geared towards a direct response platform and channel, but maybe there's others that we would explore getting into at the right time.

Once we finish off the implementation of Prevail in the vast -- or all the states feasible, we'll start to think about the future a little bit differently. But we want to take care of the core right now. We want to get it back to overall profitability, particularly in auto, and then we'll build from there, Brian.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And on the homeowners, are there geographic constraints, just given where a lot of your customers maybe as far as growth?

Christopher Jerome Swift
Chairman & CEO

No. I mean, we're obviously in all 50 states on admitted basis. You know we paused our new homeowners in California, which is a writing new homeowners business until the regulatory reforms get enacted to allow us to match price and risk appropriately. So that's the only self-imposed constraint we had. There's no other constraint besides our long-standing -- not writing any new homeowners business in Florida since 15, 16 years -- almost 20 years ago, I bet.

Operator

We'll go next to Mike Zaremski at BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Did you comment on what drove the pricing increases in Commercial? I think it came from Global Specialty. Any color there, if that's a trend or just maybe something -- this mix one-off?

Christopher Jerome Swift
Chairman & CEO

Ask the question again, Michael, I don't think I understood you.

Michael David Zaremski
BMO Capital Markets Equity Research

Sorry, the Commercial pricing, renewal written pricing increased ex comp from 8.3 to 9, I think that was driven by the Global Specialty segment. Could you comment kind of if there's a trend there that's causing pricing to move north?

Christopher Jerome Swift
Chairman & CEO

Yes, I would say that the components that are driving that is primarily Global. Global had a good quarter. I'm looking at through my sheets and all the casualty lines, property lines, international rebounded in a good way. So that's what I would call out.

But Mo, what would you add?

Adin Morris Tooker
Head of Commercial Lines

No. I think we are continuing to see moderation in the negative rates on public D&O. We're certainly seeing a shift in our portfolio towards more of the management and professional liability. So there's a mix coming through there, that's a part of it. I don't want to get too nuanced on you, but just that's the only additional detail I would give to Chris' comments.

Beth A. Costello
Executive VP & CFO

The only other thing I would add to that is when you look at the Small Commercial side, ex comp, definitely saw rate increase there coming from the Spectrum product. So again, obviously, workers' comp is a large portion of Small Commercial. But if you ex that out, that contributed to the ex comp growth as well.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful color. And I guess lastly, just -- not trying to nitpick, but the -- you mentioned in the prepared -- or in your comments, Chris, that a larger end of, I think, Small, more competitive, yet you're successfully accelerating growth on the business in Small Commercial. So just any kind of color you'd want to offer there on those dynamics?

Christopher Jerome Swift
Chairman & CEO

Well, the only thing I'll say before Mo jumps in is, our Small Commercial franchise is world-class.

Adin Morris Tooker
Head of Commercial Lines

Hard to build on that, but I will try. I think the nuance we're trying to strike for you is that there are competitive spots in the marketplace, and we're just really proud of how well our underwriters are navigating what is increased flow, and that increased flow doesn't come as all business that we want to write, and that's the same in Small, Middle and Global. The flow is up significantly in all three businesses, and we're just trying to get underwriters to really pick our spots, and that's what we're trying to call out, Mike. Thanks.

Michael David Zaremski
BMO Capital Markets Equity Research

And I guess just is the Small -- you brought up E&S many times and there's different levels or different types of E&S, but it's been in your prepared remarks for a number of quarters. Is part of the E&S growth off of your Small Commercial chassis, which is kind of the world-class product? Or is it just -- is it totally separate type of underwrite platform?

Adin Morris Tooker
Head of Commercial Lines

No, that's the beauty of the model, Mike. We're taking all of the strengths that we've had in the retail channel and applying the same business model to the wholesale channel, and that's why we're so excited.

Operator

Next, we'll move to Yaron Kinar at Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I think in your prepared comments and also in response to an earlier question, you talked about some of the pressure that you're seeing in the group life sales, just given your mortality expectations. That said, I think we're also seeing some slowdown in disability and voluntary. Can you maybe talk about the drivers for that slowdown?

Christopher Jerome Swift
Chairman & CEO

Yes. I'll just give you my point of view, and then I'll ask Jonathan to add. I don't think -- I think disability is performing exceptionally well, whether it be claim recoveries and terminations and getting people back to work. I think growth has been solid. I'd say, I'm just wondering levels are behaving...

Yaron Joseph Kinar
Jefferies LLC, Research Division

I was referring specifically to the top line, to the NPE.

Christopher Jerome Swift
Chairman & CEO

Yes. I'm giving you all the good stuff, and then we'll get to that. So again, I want you to feel like the book is healthy. And the top line, as I tried to address in my commentary, is a little challenged. Some of that is the exceptional 2023 we had, but some of it is challenged, as we mentioned, due to our views on life insurance and how we're going to be disciplined there.

Jonathan can give you additional color. So JB, what would you say?

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

So Yaron, just a couple of things on there. In terms of the top line, '23, of course, was pretty exceptional on all the key metrics, the drive result. But I think we are seeing really strong results here even in the first quarter of 2024, comparatively speaking.

But from a persistency standpoint, we still have book persistency in the low 90s, which is historically quite good. We're very excited about that. It was even higher a year ago. And I think that does reflect a little bit the competitive nature of the market and the more likelihood that a customer may, in fact, take a case or take their business out to market. So we're addressing all of that. I think we're working through those renewal challenges and being quite successful with it and very much picking our spots.

On the new sales, also a bit more competitive in that market. We're excited adding new lines of coverage to existing cases. That's always important. And I think one of the best opportunities we have to continued sales growth is rounding that out. There can be a little bit of a downside with that, of course, in some cases, around voluntary as an example. It's a smaller set of lines if the bigger lines like disability move, perhaps voluntary goes with it.

So those kinds of effects in the marketplace as we're working through and addressing them, but we continue to have really strong results on supplemental health. And we've had some very exciting growth. It's a little bit more tapered right now, but an area that we continue to expand in and see a lot of big opportunities that trend into the future in 2024 and beyond, I can already see, continues to accelerate. So a place that we will stay focused and continue to deliver results.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And my second question, I want to make sure I heard, Chris, your comment correctly with regards to loss trends in personal auto. Did you say that they're currently in the low-teens or you expect them to be in the low-teens for '24?

Christopher Jerome Swift
Chairman & CEO

I was trying to do a compare to '23 to '24. Mid-teens in '23, low double digits in '24, or for the full year what I was just trying to say is that it bounces around from quarter-to-quarter. So I'd rather have you see the bigger picture trend that going from mid-teens down to even high double-digits is a pretty meaningful move.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And I guess the reason I'm asking this is it does seem to be a little bit higher than what we're seeing industry-wide right now? Is there something unique to the AARP book or to the policies that you're writing that, that would keep the loss trend a bit above maybe mid- to high single digits?

Christopher Jerome Swift
Chairman & CEO

I would just say our judgment and prudence is leading us to call that number where we sit today. And if it changes during the year, we'll let you know.

Operator

Moving next, we'll go to Meyer Shields at KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I just had one question. I was hoping you could give us some guidance on how to think about how much lower the current Personal Lines expense ratio is compared to when you're in normal growth mode?

Christopher Jerome Swift
Chairman & CEO

So I would say on the expense ratio, I would have you think of the full year '23 compared to the full year '24 about being the same.

Beth, I don't know if you would add any?

Beth A. Costello
Executive VP & CFO

Yes, I would agree with that. As we go through '24, you might see a slight uptick in Q2 because as we said, we are turning on marketing. And again, as the rate continues to earn into the book, that will start to level off. But our overall expectation right now for Personal Lines expense ratio, as Chris said, full year this year to full year last year will be relatively flat.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Is it fair to think of it as being a little bit depressed just because of, I guess, the states where growth is, it doesn't make sense at?

Christopher Jerome Swift
Chairman & CEO

I don't think I understood the question. It was just hard to hear you.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I'm sorry. No, I was trying to get a sense as to whether we should expect -- we look out to whenever personal auto is normalized, that the expense ratio should be a little bit higher than where it's been running for the past couple of years.

Christopher Jerome Swift
Chairman & CEO

Not necessarily, right? I mean there's a volume issue, dollars and then a rate. So again, with the amount of rate we're getting the book, I think it's helping keep the ratio the same. We might actually be increasing dollars, which we are sort of in a J-curve model this year. But from a ratio side, that's why I tried to give you that full year number to sort of manage your expectation.

Operator

And we'll move next to David Motemaden at Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just a question on the expense ratio in Commercial Lines. 20 basis points year-over-year improvement, obviously, following a strong year last year. I was wondering, is there anything one-off or anything that prevented us from seeing more expense ratio improvement year-over-year?

Beth A. Costello
Executive VP & CFO

So if you're looking at just quarter 1 to where we ended last year, I'll just remind you that in first quarter, we tend to see a higher expense ratio just because of some expense items that hit more heavily in Q1.

When I think about Commercial Lines sort of full year this year for '24 compared to '23, expecting it to be relatively flat as we go through the year. Again, any one quarter, you can have some movements relative to bad debt reserve adjustments and things like that. But overall, we see it relatively consistent.

Operator

And we'll go next to Bob Huang at Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

Just maybe a follow-up on reserving. I think this is for either Beth or Mo. When we think about the favorable reserving in workers' comp, just curious if there's a dollar amount that you can give us in terms of how favorable it was and how adverse general liability was?

Beth A. Costello
Executive VP & CFO

Sure. I'll take that. We actually have very detailed disclosures in our 10-Q and our IFS on that. So for workers' compensation, releases were about $67 million, and then we always have the workers discount accretion that comes in for 12 that goes offset against that.

And then general liability was 17 and marine was 7, and assumed reinsurance was 9. But you could go to Page 38 in our 10-Q, and it lays it all out for you.

Jian Huang
Morgan Stanley, Research Division

Yes, sorry for that. I must [have missed that] so that's totally my fault. So maybe just a follow-up on that. Can you maybe talk about the current reserving environment for workers' comp in terms of as we now 3 years out from COVID, are there's still quite a bit of favorable uplift, so to speak, post-COVID? Or do you think the workers' comp book from a reserving perspective is likely to kind of normalize back down to more of a pre-2019 environment?

Christopher Jerome Swift
Chairman & CEO

Yes. It's a complicated question, but I would say I think it's normalized. Obviously, during COVID, there were a lot of assumptions made as far as where trends were that obviously turned out to be prudent, but sort of 2 years out from sort of the official end of workers' comp, I think trends are behaving as we would expect.

Frequency continues to be positive. Severity is still within our expectations, which we always talked about, Bob, of being a 5% trend, which, again, severity is behaving within that expectation. So yes, as I think about '23 and '24, with a lot of continuity and consistency in workers' comp trends.

Operator

And that concludes our Q&A session. I will now turn the conference back over to Susan Spivak for closing remarks.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

Thank you all for joining us today. And as always, please reach out with any additional questions. Have a great day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.