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Earnings Call

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Call Participants

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BMO Capital Markets Equity Research

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Presentation

Operator

Good day, and welcome to the Cincinnati Financial First Quarter 2024 Earnings Conference Call. [Operator Instructions] Please note, today's event is being recorded.

I would now like to turn the conference over to Dennis McDaniel, Investor Relations Officer. Please go ahead.

Dennis E. McDaniel
VP & Investor Relations Officer

Hello. This is Dennis McDaniel at Cincinnati Financial. Thank you for joining us for our First Quarter 2024 Earnings Conference Call.

Late yesterday, we issued a news release on our results, along with our supplemental financial package, including our quarter-end investment portfolio. To find copies of any of these documents, please visit our investor website, cinfin.com/investors. The shortest route to the information is the Quarterly Results link in the navigation menu on the far left.

On this call, you'll first hear from Chairman and Chief Executive Officer, Steven Johnston; and then from Executive Vice President and Chief Financial Officer, Mike Sewell. After their prepared remarks, investors participating on the call may ask questions.

At that time, some responses may be made by others in the room with us, including President, Steve Spray; Chief Investment Officer, Steven Soloria; and Cincinnati Insurance's Chief Claims Officer, Marc Schambow; and Senior Vice President of Corporate Finance, Theresa Hoffer.

First, please note that some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC.

Also, a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and therefore, is not reconciled to GAAP.

Now I'll turn over the call to Steve.

Steven Johnston

Good morning, and thank you for joining us today to hear more about our results. In short, we are off to a great start. Our first quarter results reflect the success of our initiatives to continue balancing the profit and growth of our insurance operations, coupled with strong investment income.

Net income of $755 million for the first quarter of 2024 included recognition of $484 million on an after-tax basis for the increase in fair value of equity securities still held, representing about 3/4 of the increase in net income. Strong operating results generated the rest of the increase.

Non-GAAP operating income of $272 million for the first quarter nearly doubled last year's $141 million, including a decrease in catastrophe losses of $93 million on an after-tax basis. The 93.6% first quarter 2024 property casualty combined ratio was 7.1 points better than the first quarter of last year, including a decrease of 6.9 points for catastrophe losses.

While our combined ratio for accident year 2024 before catastrophe losses was a percentage point higher than accident year 2023 at 3 months, if we exclude Cincinnati Re and Cincinnati Global, the ratio improved by 1 point.

Accident year 2024 also improved on a case-incurred basis. However, we increased incurred but not reported, or IBNR, reserves as we continue to recognize uncertainty regarding ultimate losses and remain prudent in our reserve estimates until longer-term loss cost trends become more clear.

We are also pleased with other measures indicating good momentum in our operating performance. Another quarter of pricing segmentation by risk plus average price increases helped to improve our underwriting profitability, combining with careful risk selection and other efforts to address elevated inflation effects on incurred losses.

Agencies representing Cincinnati Insurance supported by our experienced and professional associates produced another quarter of profitable business for us. Our underwriters continue to emphasize retaining profitable accounts and managing ones that we determine have inadequate pricing based on our risk selection and pricing expertise.

Estimated average renewal price increases for the first quarter continued at a healthy pace, with commercial lines near the low end of the high single-digit percentage range; excess and surplus lines in the high single-digit range; personal auto in the low double-digit range; and homeowner in the high single-digit range. Our consolidated property casualty net written premiums grew 11% for the quarter with what we believe was a nice mix of new business and renewals.

I'll briefly review operating performance by Insurance segment, highlighting premium growth and improved profitability compared to a year ago. Commercial lines grew net written premiums 7% in the first quarter with a 96.5% combined ratio that improved by 3.9 percentage points, including 4.2 points from lower catastrophe losses.

Personal lines grew net written premiums 33%, including growth in middle-market accounts in addition to private client business for our agencies' high net worth clients. Its combined ratio was a very profitable 93.9%, 18.6 percentage points better than last year, including 15.9 points from lower catastrophe losses.

Excess and surplus lines also produced a profitable combined ratio of 91.9%, rising 2 percentage points from the first quarter a year ago, along with net written premium growth of 7%.

Both Cincinnati Re and Cincinnati Global continue to produce significant underwriting profit, reflecting our efforts to diversify risk and further improve income stability. Cincinnati Re's combined ratio for the first quarter of 2024 was an excellent 78.6%. That includes IBNR that we routinely carry for expected losses from reinsurance treaties. We believe our potential exposure for losses from the Baltimore bridge collapse is immaterial. Cincinnati Re's net written premiums decreased by 12% overall driven by a shifting casualty portfolio mix in response to changing market conditions. Property and specialty premiums increased due to attractive opportunities and pricing.

Cincinnati Global's combined ratio was also excellent at 69.8%. They again reported strong growth with net written premiums up 28%. Our life insurance subsidiary continued its strong performance, including first quarter 2024 net income of $19 million and operating income growth of 17%. Term life insurance earned premiums grew 2%.

I'll conclude with our primary measure of long-term financial performance, the value creation ratio. Our first quarter 2024 VCR was a strong 5.9%. Net income before investment gains or losses for the quarter contributed 2.3%. Higher overall valuation of our investment portfolio and other items contributed 3.6%.

Next, Chief Financial Officer, Mike Sewell, will add comments to highlight other parts of our financial performance.

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Thank you, Steve, and thanks for all of you for joining us today.

Investment income growth continued at a strong pace, up 17% for the first quarter of 2024 compared with the first quarter of 2023.

Dividend income was up 9% for the quarter, despite net equity security sales for the first 3 months of 2024 that totaled $40 million. Bond interest income grew 21% for the first quarter this year. We continue to add more fixed maturity securities to our investment portfolio, with net purchases totaling $374 million for the first 3 months of the year.

The first quarter pretax average yield of 4.65% for the fixed maturity portfolio was up 40 basis points compared with last year. The average pretax yield for the total of purchased taxable and tax-exempt bonds during the first quarter of 2024 was 5.79%.

Valuation changes in aggregate for the first quarter of 2024 were favorable for our equity portfolio and unfavorable for our bond portfolio. Before tax effects, the net gain was $602 million for the equity portfolio, partially offset by a net loss of $65 million for the bond portfolio. At the end of the quarter, total investment portfolio net appreciated value was approximately $6.6 billion.

The equity portfolio was in a net gain position of $7.2 billion, while the fixed maturity portfolio was in a net loss position of $625 million.

Cash flow continued to benefit investment income in addition to higher bond yields. Cash flow from operating activities for the first 3 months of 2024 was $353 million, up 41% from a year ago.

Our expense management objectives include an appropriate balance between controlling expenses and making strategic investments in our business. The first quarter 2024 property casualty underwriting expense ratio was 0.7 percentage points higher than last year, primarily related to higher levels of profit-sharing commissions for agencies.

Regarding loss reserves, our approach remains consistent and aims for net amounts in the upper half of the actuarially estimated range of net loss and loss expense reserves. As we do each quarter, we consider new information such as paid losses and case reserves. Then we updated estimated ultimate losses and loss expenses by accident year and line of business. For the first 3 months of 2024, our net addition to property casualty loss, loss expense reserves was $233 million, including $272 million for the IBNR portion.

During the first quarter, we experienced $100 million of property casualty net favorable reserve development on prior accident years that benefited the combined ratio by 5.0 percentage points. Almost every line of business had favorable development, except for commercial casualty, which was unfavorable by just $254,000. We added reserves to several older prior accident years and reduced reserves for the 3 most recent accident years.

On an all-lines basis by accident year, net reserve development for the first 3 months of 2024 included favorable $184 million for 2023; favorable $24 million for 2022; and an unfavorable $108 million in aggregate for accident years prior to 2022. The unfavorable amount reflects our slowing the release of IBNR reserves for those older accident years.

I'll conclude my comments with capital management highlights, another area where we have a consistent long-term approach. We paid $116 million in dividends to shareholders during the first quarter of 2024. We also repurchased 680,000 shares at an average price per share of $109.89.

We think our financial flexibility and our financial strength are both in excellent shape. Parent company cash and marketable securities at quarter end was nearly $5 billion. Debt to total capital continued to be under 10%. And our quarter end book value was a record high $80.83 per share with $12.7 billion of GAAP consolidated shareholders' equity providing plenty of capacity for profitable growth of our insurance operations.

Now I'll turn the call back over to Steve.

Steven Johnston

Thank you, Mike. As we've previously announced, this is my last conference call as CEO. Effective at our Annual Meeting of Shareholders, next Saturday, President Steve Spray, will add the role of Chief Executive Officer.

As I've mentioned before, Steve is the right person to build on our decade of profitable growth. He understands the importance of our agency-centered strategy and the unique advantages it brings.

I'm confident in his abilities to bring innovative ideas together with the hallmarks of Cincinnati Insurance to create opportunities for shareholders, agents and associates. I look forward to continuing to work with him as Chairman of the Board.

As a reminder, with Mike and me today are Steve Spray; Steve Soloria; Marc Schambow; and Theresa Hoffer. Raghav, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Charlie Lederer with Citi.

Charles Lederer

You gave some helpful color on your loss picks, but curious, how should we think about your loss picks in commercial casualty? Have you made any changes to your view of loss trend just given the trajectory of the current accident year loss ratio? I think you're baking in additional caution. Should we expect you to hold a bit more of a buffer near-term given uncertainty?

Steven Johnston

Yes, we feel confident, Charlie, with the loss pick that we had. We are reflecting uncertainty. There's a lot of good going on in the commercial casualty with the rates we feel exceeding our loss cost trends. However, for first quarter, where there's additional uncertainty, we are recognizing that in our loss pick.

Charles Lederer

Got it. Maybe in workers' comp, it looks like pricing took an incremental step down in your initial loss pick in there, too. Is there anything in that pick, I guess, beyond pricing being down more? Or I guess, are you seeing anything there?

Steven Johnston

No. We're just continuing to see the same trends that we have been seeing with rates under pressure there, but also strong performance historically from the line. We are, though, recognizing the uncertainty that comes with the rate decreases, with a little bit higher loss pick for the current year.

Operator

And our next question comes from Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

In the earnings release, you talked about the underlying loss ratio for commercial improving a point, but you said excluding Cinci Re and Global. Was there a reason you pointed that out? Is -- I'm not sure I may have missed it, why did the Cinci Re and Global underlying loss ratio increase so much?

Steven Johnston

Yes. I think the point of pointing this out is we have the 3 segments: commercial lines, personal lines and excess and surplus lines. To get to the consolidated, you also have to add the other portion, which includes Cincinnati Re and Cincinnati Global. So since the first 3 segments I mentioned had improvements, we pointed out those in the other segment.

I will emphasize that things are going great for both Cincinnati Re and Cincinnati Global. I think one of the things that -- as we mentioned, we don't think we have material exposure to the bridge collapse in Baltimore. We have been shaping the Cincinnati Re's book in a very positive manner in terms of derisking. And so I think one of the things that caused the attritional to go up, if we compare it to the same quarter a year ago, is that the mix has shifted to a little bit more of a pro rata or proportional reinsurance, which would have less risk margin in it. It would have a higher attritional pick, but there would be less volatility there.

And so I think that would be driving what we're seeing there in Cincinnati Re, very strong, though, 0 cats for the quarter, 10.4 points of favorable development versus 7.7 of adverse a year ago. I think the $14 million of favorable development that we show, about $13 million of it came from 2023. With the full year combined ratio of 2023 at 77.7, in this first quarter at a strong 78.6, this hard work in reshaping the book has really paid off. The inception to date combined ratio at the end of the year 2022 was 101.2. So with those 2 strong marks in the full year of 2023, and the first quarter here now in just over a year, our inception to date is at 94.5.

So I think the action is paying off, and it does show a higher pick in the current accident year, but I think it's a less risky portfolio at this point.

I think the same thing for Cincinnati...

Unknown Executive

I don't know if you want to talk a little bit more about Cincinnati Re?

Steven Johnston

For Cincinnati Global, same thing, strong 69.8. They have had 3 consecutive years now as a top quartile Lloyd's underwriter. And while they've done that, they've been diversifying in terms of their footprint by product line, by geography, and they're also providing an additional avenue for access to Lloyd's for the agents that are appointed by CIC. So a lot of positives at CGU reflected with strong results.

And again, it's pretty tough at Lloyd's to be top quartile 3 years in a row, the way they've done. Also this quarter, 0 cats versus 11.1 a year ago. And then the reserve development is favorable by 25.6 points this year versus adverse by 3.2 a year ago.

So I think in both of those businesses, there's a ton of positive going on. And we've only pointed it out so that the math would be easier as you saw, the consolidated CLD, the commercial lines department, the personal lines and the excess and surplus, and then to add the other portion to get to the consolidated.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful color. And, I guess, would you said say then because of some of the business mix shifts in Cincinnati Re, then we should be thinking about the underlying loss ratio structurally being maybe a little bit higher, but then the less potential volatility around the overall combined ratio?

Steven Johnston

That's correct.

Michael David Zaremski
BMO Capital Markets Equity Research

Did I interject? Do you guys want to say something else, or I'll move on to my follow-up?

Steven Johnston

No. Please move on to the follow-up.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. So just thinking about the commercial lines ex Reinsurance and Global, you've been along this path of taking action to add, I guess, reserves or just conservatism into your picks given the inflationary environment, which you're -- clearly is persisting a bit.

If I look at like overall top line growth and maybe you can talk about the whole segment, but I'll just focus on commercial casualty because that's been one of the areas where inflation has been higher than expected, if I look at just overall top line growth, net premium written growth, it's still not at, I think, your historical levels relative to the industry, but it has been ticking up a bit.

So given you're still in an environment where you seem to be kind of adding more IBNR, are you getting to a point? Is pricing at a level or the environment there where you want to start playing more offense? Or are we still kind of in the -- it's best to be cautious in terms of the top line growth?

Steven Johnston

So yes, I think that we can balance the 2. I think we feel good about our growth, double-digit overall at 11%, really strong growth in personal lines. And with each of our lines, we write it on a package basis for commercial lines. And so there's going to be a little bit of variance between the different lines, but we think we are in a good place with our pricing.

But we realize that you need to stick to adequate pricing, then you can't fall into a trap where if others are underpricing business, that you follow that pack. So we're going to maintain the discipline, charge the adequate rate on a risk-by-risk basis, and we think that offers us plenty of opportunity to grow the company.

Michael David Zaremski
BMO Capital Markets Equity Research

And one quick follow-up, and I might have asked this in the past, but within your commercial casualty, the U.S. non-global and reinsurance portfolio, I believe you might think about things between small, very small commercial versus mid versus large or maybe I'm incorrect. But just curious if you're -- now that you've had more time to reflect on results, it is -- doesn't the inflationary issues you have brought up, have they been emanating from any certain parts of the business mix other than just at a high level?

Steven Johnston

Yes. I think we're doing a good job of pricing adequately in all those areas. I do think, and I've pointed out on the calls before, you really do have to pay close attention to the higher levels because there's a leveraged effect of inflation. With every layer that you go up, for a constant ground-up inflation rate, there'll be more or higher inflation with each layer as you go up because of the layer below inflating into the higher layer.

But we've been on this for some time. We've got some really talented actuaries that are working with our larger risks, and we feel we were addressing it early on from the beginning and that we're in a good position across the board.

Operator

And our next question comes from Michael Phillips with Oppenheimer.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Turning to personal auto. Your comments, Steve, at the beginning were pretty similar in terms of pricing from last quarter. You got us bit of an uptick back in the loss ratio there. I guess can you remind us where you expect this year to kind of pan out in terms of just the profitability of personal auto and when you think your pricing will maybe peak and start to come back down? It looks like -- you don't give it, but you're probably still above 100% combined ratio there. So when do you expect kind of profitability in personal auto?

Steven Johnston

I think we're in a good position. Personal lines across the board, it is sold a lot on a package -- in a packaged position. The first quarter was -- for current accident year was actually down a little bit from first quarter a year ago and pretty flat with the full year. So we feel good about the pricing that we've been able to get in auto, home and in the other lines. And we think we've hit -- we'll reap benefits. And I think Steve's got a little to add on.

Stephen Spray

Yes. Thanks for the question, Mike. I think one of the strengths that we have going, and it's been the plan we've been executing on, continue to work on for the last several years, so it's nothing new, but I think it's adding value to the company and to our agents is that we've become a premium or a premier writer for our agents, both in the middle-market space and in the high net worth.

And that gives us both product diversification as well as geographic diversification. Our high net worth, while we write it everywhere, tends to be maybe a little more focused in certain geographies. High net worth or private client is heavier on the property side.

And then on the middle market, we give geographic diversification as that book is primarily, I'll call it, the midwestern, southeastern part of the U.S. book of business, and it's heavier in auto. So we're getting one, being that much more important to each of our agents, being able to attract more of their business, but at the same time, keep the diversification both geographically and by line of business.

Steven Johnston

I think, too, just the history of personal lines in general, with the [7 -- 95] combined this year, last year, we were just a touch over 100 and then it was what, 4 -- the 4 prior years to 2023, we were under 100. So we've really -- I think we've demonstrated a history of being able to price personal lines pretty darn well across the spectrum, as Steve mentioned.

Stephen Spray

And then now I might add, we've got our -- we've got the E&S capability that we can provide solutions for our agents and their clients. And that's now active in 9 states. So we just feel really good about all personal lines, the growth there, the momentum that we have. So we feel very bullish on personal lines.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Okay. Next one is just back on the commercial lines. And this is kind of a number-specific question, so if requires a follow-up on that, I'm happy to do so. But if I look at your reported claim counts that you give in your statutory data for other liability, it's down significantly for 2023 accident year. I mean, more so than the 2020 accident year COVID-related. So I don't know if there's a data thing there or not, but the reported claim counts at 12 months are 15% down in other liability. I don't know if that's something that you've seen or expect, or can you comment on that? Again, paid losses aren't, but the reported claim counts for GL, i.e., other liability, are down significantly at age 12.

Steven Johnston

Yes, they are. And I think that's very helpful in terms of the way we're underwriting the book. It is a severity issue that we're seeing there.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

So you recognize the frequency is down significantly then for other liabilities, Steve?

Steven Johnston

Yes, we do.

Operator

And our next question today comes from Gregory Peters of Raymond James.

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

So the first question I'll focus on is just growth in the commercial lines business because it seems like you're -- when you look at the stats from a new business production, you're having a lot of success there.

And I was wondering if you could give us some sense on how your quote-to-buying ratio is working or give us some parameters to think about it. Because I guess, given the results, we'd expect some increased competition at some point. It doesn't seem to necessarily be reflecting in your numbers, though.

Stephen Spray

Yes. Thanks for the question, Greg. Steve Spray. If you recall last year, throughout 2023, especially starting the year, our new commercial lines business was under pressure really for that first 6 months, and we were down quite a bit on the same -- over 2022. We were really executing on underwriting terms and conditions, pricing discipline through that first 6 months. We stuck to our guns. I think some others maybe just had a little different view of the risk and our new business was under pressure.

On the back half of 2023, we continued to see our new business improve. And we stuck to our guns as well. We stayed disciplined in the pricing, the underwriting terms and conditions. Back half of 2023, new business really picked up. That is obviously -- that trend has obviously continued into 2024.

The beauty of it is, is that, like Steve said, we're a package underwriter. We look at every single risk on its own merits, and we have the tools to price the business with predictive analytics for each major line of business, look at it by line of business, and then for the total account.

So I see runway still for new business in commercial lines in 2024. But like Steve said, the key is, is that we stay disciplined with our underwriting and our pricing and earn the business, not buy it.

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

Yes, that makes sense. So another topic that's come up that you guys have talked about is the concept of a multiyear policy that I know you guys use in certain lines of business. Can you give us an update on where you are with the 3-year policies, where -- which lines of business? And has it increased as a percentage of your total book, et cetera?

Stephen Spray

I mean, you may have to follow up on that, which percentage is increased, Greg. But yes, there's the 3-year policy in general. It's a differentiator for us. It's something that we have been very committed to for many years and remain committed today. I think it's even better than we write 3-year policies today because we have the sophisticated segment and pricing that we do.

So our underwriters, when they quote a 3 year, whether it be new or renewal -- just as a reminder, even though we have a 3-year package policy, about 75% of the premium that we have in commercial lines is adjusted on an annual basis. So it would be those accounts that are coming off of the 3 years that are actually renewing, our commercial auto, our commercial umbrella and then workers' compensation are all adjusted annually. It's really just the property, the general liability, crime and the marine where that rate is guaranteed.

And I will tell you this, too. Our 3-year policy on a loss ratio standpoint -- from a loss ratio standpoint, outperforms our 1-year policy. So our underwriters are executing with our agents on the -- not only the science of underwriting, but the art and intuitively, they are picking our best business, our best price business to put on a 3-year package and the results show that.

So we're committed to it. Our retentions are much better on a 3-year policy, in the middle of that 3-year policy. So I think that helps agents' retention. It helps ours. It's an expense. It certainly helps on the expense side.

And then I think most importantly, it shows our agents, and it shows our policyholders that we're a company that is looking for long-term relationships. And we're committed to the 3-year, and we think it gives us an advantage in the marketplace.

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

Yes. The percentage question, just I feel like this would be the time to be using more of that in this market, with considering the market conditions. And so I was just curious if it's from a commercial standpoint. We can take it offline, but that's what I was thinking about when I was asking for percentages.

Stephen Spray

Yes. Okay. No, I got it. That makes total sense, Greg. Yes. Wherever we feel like we can get the adequate price on account, we are wanting to use our 3-year package policy.

Operator

And our next question from Grace Carter at Bank of America.

Grace Helen Carter
BofA Securities, Research Division

Looking at the commercial casualty core loss ratio, just given that it's a bit higher than it ran in the latter part of last year as well as the commentary on increased IBNR, I was just curious if that's primarily driven by GL or excess casualty or if it's a mix of both this quarter. And I was just curious, if there is -- if you all could comment on how you're thinking about rate adequacy across both of those pieces of the book.

Steven Johnston

I think it's kind of across the board, Grace. I do think that, that higher pick is something that we would do in the first quarter. Typically, we have run the first quarter a little bit higher than the full year prior just due to the newness of the accident year, but we feel very good. We feel very good about the way that we are pricing the GL and really across the spectrum there, including umbrella.

Grace Helen Carter
BofA Securities, Research Division

And I guess on the commercial auto side, it looks like growth picked up a little bit this quarter. I was just wondering if that indicates that maybe you all are starting to add some additional units rather than just top line growth being primarily driven by rate. And just kind of curious on how you all are thinking about potential growth in that environment just given that it has been such a challenging line for the industry for so long.

Stephen Spray

Yes. Thanks for the question, Grace. Again, Steve Spray. It's a little bit of both. Candidly, it's -- we're still getting rate through that commercial book, and we are growing the new business. Again, we're a package writer. So we don't write monoline auto, that auto would come along with the rest of the package.

And again, feel really good about the pricing that we have in commercial auto and our direction there. If you recall back, I think it was back to 2016, 2017, when we really undertook some real tough action on our commercial auto book, both in risk selection and then primarily in pricing and really had commercial auto in a good place, inflation came along, and we had to -- we obviously had to work with that. But feel really good about where that commercial auto book is, both from a pricing, risk selection and are looking to grow that book as well along with our package business, again, risk-by-risk and adequate pricing.

Operator

[Operator Instructions] Our next question comes from Meyer Shields with KBW.

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

To go back to the Cincinnati Global and Reinsurance side of things. Just I'm not sure I understand. When you talk about lower volatility, is that a function of less seasonality or less catastrophic exposure?

Steven Johnston

It would be less catastrophic exposure.

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

Okay. Perfect. Second question, sort of related. Can you talk about what you're seeing in terms of the year-over-year, I guess, trend or the observed claim inflation rate for commercial property? Is that decelerating at all compared to last year?

Steven Johnston

I think we still see inflation. We look at so much on a risk-by-risk basis that I don't know that I have a good number for you across the board on what we're seeing with inflation. And it's been a sticky thing and the inflation rates on insurance-related items, building materials and wages and so forth, have been higher than the general CPI. So we take a cautious view. But certainly, the rate of the increase in the second derivatives has been slowing down.

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

Okay. Perfect. That's very helpful. And, Steve, congratulations.

Steven Johnston

Well, thank you, Meyer. It's been great.

Operator

Thank you. This concludes our question-and-answer session. I'd like to turn the conference back over to management for any closing remarks.

Steven Johnston

Okay. Thank you to everyone for their excellent questions. And thank you for joining us today. We hope to see some of you at our shareholder meeting next Saturday, May 4, at the Cincinnati Financial Headquarters Office here. You're welcome to listen to our webcast of the meeting also, available at cinfin.com/investors.

Steve and Mike look forward to speaking with you again on our second quarter call.

Operator
Thank you. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.