S&P Global
Market Intelligence

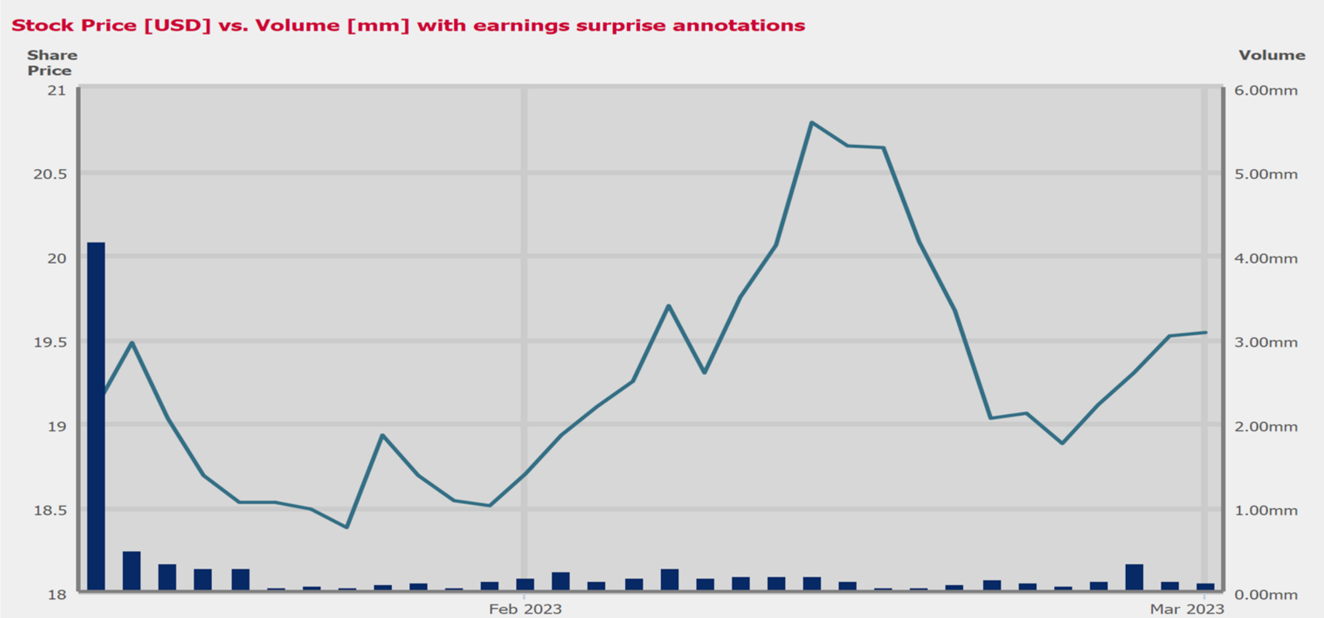
Skyward Specialty Insurance Group, Inc.
NasdaqGS:SKWD
FQ4 2022 Earnings Call Transcripts

Wednesday, March 1, 2023 4:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2022-			-FQ1 2023-	-FY 2022-			-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.26	0.36	▲38.46	0.40	1.31	1.79	▲36.64	1.79
Revenue (mm)	180.91	187.37	▲3.57	177.89	635.96	642.42	▲1.02	776.91

Currency: USD
Consensus as of Mar-02-2023 10:26 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2022	0.26	0.36	▲38.46 %

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Andrew Scott Robinson
CEO & Director

Mark William Haushill
Executive VP & CFO

Natalie Schoolcraft
Head of Investor Relations

ANALYSTS

Charles Gregory Peters
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Jon Paul Newsome
Piper Sandler & Co., Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Meyer Shields
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Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to the Skyward Specialty Insurance Fourth Quarter 2022 Earnings Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Natalie Schoolcraft, Head of Investor Relations. Please go ahead.

Natalie Schoolcraft
Head of Investor Relations

Thank you, Shannon. Good morning, everyone, and welcome to our fourth quarter 2022 earnings conference call. Today, I am joined by our Chief Executive Officer, Andrew Robinson; and Chief Financial Officer, Mark Haushill. We will begin the call today with our prepared remarks, and then we will open the lines for questions.

Our comments today may include forward-looking statements, which by their nature, involve a number of risk factors and uncertainties which may affect future financial performance. Such risk factors may cause actual results to differ materially from those contained in our projections or forward-looking statements.

These types of factors are discussed in our press release as well as in our S-1 that was previously filed with the Securities and Exchange Commission. Financial schedules containing reconciliations of certain non-GAAP measures, along with other supplemental financial information, are included as part of our press release and available on our website, skywardinsurance.com, under the Investors section.

Now I will turn the call over to Skyward's CEO, Andrew Robinson. Andrew?

Andrew Scott Robinson
CEO & Director

Thank you, Natalie. Good morning, everyone, and thank you for joining us. It has been a long road, but we are extremely happy to be speaking with you today on our first earnings conference call as a public company. The Skyward team's dedication, agility and innovation brought us to this point, and we believe the results we have achieved so far are compelling.

We are proud that we were able to successfully execute our IPO in January, the first in the U.S. market in 2023, and we remain thankful for the support of our investors who share our vision and our excitement about the direction we are heading.

Our strong fourth quarter results reflect the continued momentum, hitting on all levers that drive our business, including underwriting performance, written premium growth and increased investment income. Specifically, gross written premiums for our continuing business grew over 21% in the quarter, surpassing $1.1 billion for the year.

Mark will talk more about premiums in a minute, but at a high level, we continue to benefit from broadly favorable market conditions and strong execution across our 8 underwriting divisions. Our adjusted combined ratio was 92.8% inclusive of cats, and adjusted operating income of $11.6 million or $0.36 per diluted share is up 54% from the fourth quarter of 2021.

We were minimally impacted by Winter Storm Elliott, with cat losses of only 1.2 points on the combined ratio and well within our retention. We continue to realize pure rate in the high single digits, and it is meaningfully above our loss cost inflation estimates. We also continue to benefit from the cash position we had entering the year and a strong cash flow from our operations.

In this last quarter, we invested our new money in over 5%, all to our core fixed income portfolio. We achieved an adjusted return on equity of 13.8% for 2022. We believe that this result, together with our strong growth, further reinforces the financial momentum we expect will continue in 2023.

With that, I'll turn the call over to Mark to discuss our financial results in greater detail. Mark?

Mark William Haushill
Executive VP & CFO

Thank you, Andrew. For the quarter, we reported net income of $20.4 million compared to $1.3 million for the fourth quarter of '21. As Andrew noted, on an adjusted operating basis, we reported income of $11.6 million or $0.36 per diluted share compared to $7.6 million or $0.23 per diluted share for the same period a year ago.

For the year, we reported net income of $39.4 million compared to $38.3 million for 2021. On an adjusted operating basis, we reported income of $58.6 million or $1.79 per diluted share compared to $36.1 million or $1.11 per diluted share for the same period a year ago.

In the quarter, gross written premiums grew by approximately 18%, while gross written premiums for our continuing business increased approximately 21%. Exited business amounted to less than $1 million in the quarter and related only to audit premiums. Every underwriting division continued to deliver strong growth in Q4, with notable performance in our Transactional E&S, Professional Lines, Captives and Surety divisions, each up over 35%.

Net written premium grew 27.6% to $180 million in the quarter compared to $141 million in the fourth quarter of '21, and net premium retention increased to 68% from 62.9% in the fourth quarter of '21, primarily driven by Professional Lines, Surety and Transactional E&S for which we have little or no quota share reinsurance.

As a reminder, we expect our net premium retention to be lower in the first 2 quarters and higher in the last 2 quarters of each year due to the accounting for our excess of loss reinsurance treatments. We record the full amount of the expected ceded written premium in the quarter in which the excess of loss treaty incepts.

Moving on. The adjusted combined ratio of 92.8% includes lower levels of catastrophe losses and an improved overall accident year non-cat loss ratio compared to the fourth quarter of '21. We had 1.2 points of catastrophe losses from Winter Storm Elliott in the quarter and a 0.7 point improvement from the fourth quarter of '21, which was impacted by the tornadoes in the Midwest.

The 1.1 point improvement in the current accident year non-cat loss ratio to 63.2% was primarily driven by changing of mix of business. We had no prior accident year development in the quarter, while in the fourth quarter of '21, we had a 12-point increase in our loss ratio, resulting from strengthening of reserves for business subject to the LPT.

The expense ratio was flat compared to the fourth quarter of '21. Year-to-date, the expense ratio was up 1.8 points compared to '21, driven by the addition of underwriting talent and the higher acquisition costs driven by changes in our mix of business. While certain of our businesses come with higher acquisition costs, the incremental loss ratio improvement is a greater benefit to our overall combined ratio.

Now turning to our investment results. Net investment income increased 31% to $5.3 million in the quarter compared to the same period of '21. For the year, net investment income increased 50% to $36.9 million compared to '21. Our investment portfolio had a net investment yield of 3.4% for the year compared to 2.7% a year ago.

The increased income in the quarter was principally generated from our core fixed income portfolio. And for both the year, both core fixed income and our opportunistic fixed income contributed materially to the growth in net investment income. The net investment income from our core fixed income portfolio benefited from the rising interest rates and a significant increase in the invested asset base.

As Andrew mentioned, we continue to deploy cash flow to this portfolio as the risk-adjusted returns continue to be attractive. During the quarter, we invested approximately $40 million in the portfolio at 5.3%. At 12/31/22, the book yield on the core fixed income portfolio was 3.7% compared to 2.5% at year-end '21. Given the current interest rate environment, all new money is currently being invested in the core fixed income.

The opportunistic fixed income portfolio was impacted by mark-to-market adjustments in the fourth quarter of '22, but year-to-date, the opportunistic fixed income portfolio yielded 9.2%. Our net unrealized investment losses included in comprehensive income in '22 totaled $48.1 million net of taxes due to the increase in interest rates.

We hold our fixed maturities until maturity, and we generally expect unrealized losses or gains to reverse in future periods as the bonds mature. Our portfolio has an average rating of AA, and there are no current impairments in the portfolio.

With that, I'll turn it over to Andrew for concluding remarks.

Andrew Scott Robinson
CEO & Director

Thank you, Mark. Before I summarize and reflect on our performance for Q4 and the full year and our outlook for 2023, let me give you a brief update on 2 first quarter items.

First, regarding a material 1/1 reinsurance renewals, specifically our global property quota share, our excess casualty quota share in our professional lines program. The renewals are orderly and consistent with our plans for 2023. We're pleased with the terms and the quality and consistency of our reinsurance partners.

We also entered into a new whole account quota share for auto liability excluding captives. The new treaty incepted 1/1/23 and provides us optionality with respect to portfolio-specific reinsurance we currently have in place for auto liability.

As context, we've been evaluating this for some time, and the attractive terms we achieved is a testament to the quality, performance, outlook and interest by reinsurers to participate directly in our unique approach to underwriting and claims for commercial auto liability.

Our 1/1 renewals do not change our pre-IPO model inputs we gave for combined ratio and net income, although we expect lower net retained premium for Q1 and Q2. Secondly, as part of our successful IPO, we received net proceeds of $62.3 million. As outlined during our roadshow, these proceeds will be used to support the continued growth of our business.

Turning back to our performance in 2022 and our outlook for 2023. As I noted at the outset of the call, market conditions remain favorable, with pricing still strong across the parts of the E&S and specialty admitted markets where we compete.

Skyward Specialty's position is strong, and we continue to invest in our business to further improve our trajectory towards top quartile performance. Operationally, I'm pleased with our progress. We achieved a total average rate increase in the high single digits, higher than our estimated loss cost inflation in each division. Submission flow remains robust, growing mid-teens over the prior year.

Our orderly 1/1 reinsurance renewals in the context of an increasingly challenging environment for cedents validates the quality of our book. We continued in the fourth quarter to attract A+ underwriting talent and to expand in segments of the market that are strategically important to our growth, such as our recent announcements in inland marine and occupational accident.

More broadly, we continue to build strong defensible positions with a competitive moat in a well-diversified book of E&S and specialty admitted business that span numerous product lines and distribution channels. This will serve us well as market conditions change in the quarters and years ahead.

We also remain steadfast in our focus on underserved niche markets where we have a clear line of sight to top quartile underwriting performance driven by top-tier underwriting and claims talent and utilizing advanced technology and data analytics to amplify the capabilities of our team. Our engaged workforce and unique culture enables us to move fast and take advantage as market dislocation and disruption presents new opportunities.

In summary, we had another strong quarter and finished the year with real momentum. We're proud of what we accomplished and importantly, we achieved what we set out to do, delivering double-digit premium growth, a low 90s combined ratio and mid-teens ROE. We certainly view our fourth quarter and year-end results as a strong demonstration of our strategy in action and that we are well positioned for continued success in 2023.
I'd like to now turn the call back over to the operator to open it up for Q&A. Operator?

Question and Answer

Operator

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

Matthew John Carletti
JMP Securities LLC, Research Division

Andrew, I was hoping to -- actually perfect segue kind of -- you talked a bit there about the strong pricing you're getting in excess of loss cost trend. And I'd say, at least certainly this quarter and recently, I think fewer and fewer of your peers have kind of been able to talk about that has been kind of a narrowing of the gap, not a sustaining of the gap.

Can you just peel back the onion a little bit on why you think it is that you guys have had such success there? And two, if there's been any nuances to that as you've gone through the quarter in terms of your pricing reaccelerating in certain areas or if it's been more just kind of steady across the months?

Andrew Scott Robinson
CEO & Director

Yes. So great question, Matt. What I commented on in the prepared remarks was that we're still at high single digits. And as I mentioned in the note above our loss cost inflation, we actually have seen our pricing come off a couple of ticks from the prior quarter.

So it's not as if we're not seeing a bit of change, but we're still in a position where, if our assumptions on loss cost inflation against pure rate, we should still be adding underwriting margin, right? It's still a nice delta. But it has come off a bit from where we were in the quarter before and the quarter before that, where those 2 quarters were actually high watermarks for us.

So I'm not sure that we're seeing something that's entirely different, but it's just a relativity. We feel really good about just sort of the fact that our rate is in a position where hopefully, as our loss cost inflation assumptions crystallize, we'll see that underwriting margin gain.

Matthew John Carletti
JMP Securities LLC, Research Division

Great. That's really helpful color. And then one other question, if I could. Mark, you mentioned no development on the reserves during the quarter, but I was hoping you might be able to give a little bit more color just on some of the underlying trends you saw as you went through that year-end reserve process. That would be great.

Mark William Haushill
Executive VP & CFO

Matt, at a high level, the trending in loss cost is in line with where we had thought it would be. And as I mentioned, we didn't have any development in the year or in the quarter ex of the LPT. So I would just say the -- our loss costs and our development is in line with what we thought it would be.

Matthew John Carletti
JMP Securities LLC, Research Division

Great. Congrats on a nice first quarter out of the box.

Andrew Scott Robinson
CEO & Director

Thanks, Matt.

Mark William Haushill
Executive VP & CFO

Thanks, Matt.

Operator

Our next question comes from the line of Meyer Shields with KBW.

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

If I can follow up on Matt's first question, I guess. I know there's a lot of speculation broadly, or more than speculation, optimism about near-term property pricing. And clearly, your property book isn't overly cat exposed. I was wondering whether year-to-date, Andrew, are you seeing any inflection in property pricing for your particular book?

Andrew Scott Robinson
CEO & Director

Yes. Meyer, thanks for the question. So our 2 biggest concentrations for property are global property and within our Transactional E&S. And within our global property, we're certainly seeing it, but we're also -- since we principally write a primary layer, and we've been sort of at the -- probably I would describe it as the top of the pricing on property where some buyers are making decisions to keep the risk, right, self-insure more, et cetera, there's really almost only so much can go on price and it becomes terms and conditions, but we're certainly seeing that for sure.

And then on the Transactional E&S side, there's no question about it. Even though fire is our principal payroll for that book of business, I think it's manifesting itself for us in different ways. Certainly our distribution partners, the brokers, are under a lot of stress to place cat-exposed, which for us on more technical risk, inures to our benefit. Because they turn to us knowing that we'll give them a thoughtful quote, and it gives us a little bit of pricing power. So we're seeing it on both sides, and I feel very confident that, that's going to run here for a bit for us.

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

Okay. Fantastic. And then following up on the, I guess, reinsurance discussion, particularly the whole account quota share. In the aggregate, should we expect meaningful change to the acquisition expense ratio in 2023 from the various reinsurance movements?

Andrew Scott Robinson
CEO & Director

No. And as I mentioned in my note, there -- the portfolio-specific auto liability coverages that we have principally incepted 7/1. And as I mentioned, we've been evaluating this for some time. We acted on it in 1/1. So we're in sort of a 6-month period where we have lower net retentions. We're going to evaluate those portfolio-specific items when we get to 7/1. But no, we received excellent terms.

And I think, quite honestly, it reinforces much of what we shared with you and the investors during the IPO process around our unique approach to underwriting commercial auto liability, our unique approach on claims, that's visible in our results, and it's visible in the interest and reinsurers to support us on that line of business.

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

Okay. Fantastic. That's very helpful. And one last question, if I can, I guess, for Mark. I was getting -- hoping for an update on the core fixed income portfolio duration.

Mark William Haushill
Executive VP & CFO

Right at 4.

Andrew Scott Robinson
CEO & Director

And it's unchanged as well, Meyer. We have been able to invest well above 5 in this past quarter without stretching our duration on that -- on the core fixed income portfolio.

Operator

Our next question comes from the line of Mark Hughes with Truist.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Any specific guidance you can give us on the magnitude of the lower retained premium in the first half? You -- I think there's some seasonality to it, and then you described some adjustment related to the new agreement broader liability not going to impact the bottom line. But what does it do in terms of the retention ratio over the next couple of quarters, those 2 factors?

Andrew Scott Robinson
CEO & Director

Yes. Great question, and thought it might be coming. So first, I think just in terms of the first 2 quarters, Mark talked to this. We have our large XL treaties that incept during the first 2 quarters. And as Mark noted, from an accounting perspective, the deposit premium is fully recognized in those quarters. And that's really the principal driver.

On the items that I mentioned regarding the whole account quota share, again, this was something that we -- because we are in the process of evaluating and negotiating this really over the last 2 quarters and even during the process, I think, which we last spoke to you, leading up to the IPO, we had not yet concluded. It wasn't in our assumptions.

The nice thing about it is that the terms that we received on that whole account quota share are attractive enough that effectively, it's a net wash for us on the model inputs that we provided you for combined ratio. And so you should assume for all intents and purposes that the things that you assumed during that period are still valid.

And then as we get to the second half of the year and we have some optionality on the portfolio, specific auto liability reinsurance covers, we're going to be evaluating that in the context of we've already got this whole account quota share in place. And I'm not going to say much more on that, but that's the context in which we'll make an evaluation. And certainly, we'll update you as we get closer to that time.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then you mentioned you're continuing to hire at a pretty good pace. Can you give us a sense of what that looks like or has looked like over the last 3 months? What do you anticipate in terms of hiring when we think about 2023?

Andrew Scott Robinson
CEO & Director

So I have the data. You'll hear a bunch of page flipping if I try to get to that. I would say that 2022 was unquestionably a high watermark. 2021 was an important time. We certainly did a lot around aligning our talent around our strategy. But 2022 was a high watermark for us in terms of adding underwriters.

As we look forward to this year, we have a plan which is to grow our headcount and underwriting by a couple of handfuls of sort of key people in key areas, which would be a slowdown for us. But at the same time, I also will tell you, Mark, we're very opportunistic, right?

We -- there's a lot of high-quality people that we have been talking to for the 2.5 years that I've been in this seat, and if a person or team that we view as being the kind of top-tier underwriting talent that we've been targeting, that we have relationships with, are ready to come across, we'll adjust our plans.

I feel like we have -- we've built sort of into our assumptions the -- sort of the underlying we're going to continue to invest in underwriters as part of how we think about sort of the run rate performance of our company. And so I think even if those opportunities emerge beyond our expectations, we'll still probably manage it within the kind of inputs that we talked to you about leading up to the IPO.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And any way to characterize the folks you hired in 2022? Presumably they're still ramping up. Any way to say how meaningful that is expected to be?

Andrew Scott Robinson
CEO & Director

Yes. Well, Mark mentioned in his remarks 4 areas where we saw over 35% growth in the first quarter. And 2 of those areas, Surety and Professional Liability, have been a particularly important focal point for us. And those are experienced underwriter-driven divisions for us. Captives is much more kind of an opportunity by opportunity thing.

And the other segment or the other underwriting division is our A&H division, and we've been ramping up underwriting there. But also, that's a big part of just our strategy. We've kind of been really turning the crank in our strategy, and I think the teeth of that are really starting to grab, and that's what you're seeing in the first quarter. So the principal places are they earn through on Professional and Surety. I think we'll have a lot more to come there on that.

Operator

Our next question comes from the line of Tracy Benguigui with Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Can you touch on what's driving double-digit premium growth within Professional Lines in the fourth quarter? I know you guys are not in public D&O space. So which classes do you view as attractive on a risk-adjusted basis?

Andrew Scott Robinson
CEO & Director

Yes. Thanks, Tracy. Great question. We are principally focused on what is broadly falls into miscellaneous. It's probably worthwhile saying what isn't in there, and then I can talk about some of the other pieces that are in there. What we're not writing is we're not writing law firms as an example.

We do have a small public D&O excess book. We basically drew a line in the sand coming into 2022 that we were not going to chase rates down. We've been very technical in our underwriting, and we basically believe that the rates that were achieved leading up to the end of 2021 were necessary and weren't going to back off.

That book wasn't huge, but we've let half of it go because we couldn't renew at expiring rates plus. So it's a pretty small part. And our principal domain within Professional is miscellaneous, which is kind of like a catch-all of everything.

Other areas that are key points of focus for us that roll into that is what we do on executive lines that's not public. So obviously, a private company. We've mentioned to you in the past a few of the classes. We focus on cannabis as a great example. We really do look for very kind of niche areas, some distressed classes where we believe that we can drive the kind of rate that's required.

And other areas are health care professional, which has been a sort of a key point. I'll remind you that we announced, I believe it was either the end of the second quarter or in the third quarter, that we hired Sarah Logue to lead that unit, and we had a team that followed her. And so obviously, that's coming through as well in some of the growth that you're seeing.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Got it. I also realized that you entered into a new whole account quota share for commercial auto. So on the flip side, are there any lines of business where we can anticipate less reinsurance utilization for the balance of the year?

Andrew Scott Robinson
CEO & Director

Yes. Well, it might not be visible on the results. Since you asked the question, I'll -- I'm going to the 1/1 renewals. And within Professional, look, we had what I view as a very positive renewal for us at 1/1 in Professional. But part of that was we elected to keep more of -- we buy in excess of loss cover, and we kept a little bit more of that. That was just a straight up risk/return trade-off where we are getting attractive terms across the board, but we felt like that additional retention was something that was better for us.

And so we improved our terms on the part that we ceded, but we also kept more. And so there's an area. And I would expect, as we go through the remainder of the year, much of what we have running through the year other than our cat renewal, is quite portfolio-specific covers. And as we come to those, I'm sure you'll -- if you ask a similar question in future calls, we'll give you an update. We'll seek those same kinds of opportunities as we did here with Professional at 1/1.

Operator

Our next question comes from the line of Gregory Peters with Raymond James.

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

So I guess the first question, you talked about the reinsurance program. One of the things that's happened, as you know, is there's been pressure on ceding commissions. So if I look at your expense ratio for the full year '22, it's up from where it was in '21. And obviously, things like Surety have an influence there. As you look forward, how do we think about pressure on ceding commissions at the industry level? And how do we think about your expense ratio for '23 versus '22?

Andrew Scott Robinson
CEO & Director

So great question, Greg, and thanks for that. So I'm going to go back to something we had an opportunity to speak with you and others about leading up to the IPO, which is we have 2 parts of our business that are very reinsurance-intensive. Captives, which is part of the structure, and our global property underwriting division, which is structurally the way that we've built that.

And we just came through the global property quota share, and I can just say to you expressly that the ceding commissions that we received were entirely consistent with our plan and the inputs that we gave you. So we feel very good about that. The Captives piece, we don't have the same kind of marketplace exposure there that you would see in sort of the guaranteed cost market.

And once you sort of whip away those 2 large sort of parts of our portfolio that are big quota share components, I think for the remaining parts, we feel really good about our structures and where we have a cede on a quota share basis, the cedes that we're receiving. And I do not expect as we look forward for 2023 to see pressure run through our acquisition cost and our combined ratios in anything outside of the inputs that we gave you as part of the process leading up to the IPO.

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

Okay. That's good color. The other area that probably is worth just revisiting, as we look at the components of net investment income for the fourth quarter and for the year, you spoke positively about the core fixed income and allocating all the funds into that.

How do you -- how are you thinking about the cadence of the opportunistic fixed income for '23? It feels like it may start off a little bit lower before there's some more normalization levels. Any guidance you can help us with on that would be helpful.

Andrew Scott Robinson
CEO & Director

Yes. For sure. Great question, Greg. The -- by the way, we do feel great about the core fixed income environment. I mean, when we're investing in new money, 5%, pushing 5.5%, that feels pretty good. Our -- certainly our belief and hope is that also the loss cost inflation environment moderate a little bit so that when you kind of lock in on that, that should be a net positive for us.

On the opportunistic fixed income, as we provided sort of to you and others leading up to IPO, we're not deploying capital into the opportunistic [thinking]. In fact, actually, it will be a source in which invested capital comes out and we'll likely reinvest elsewhere over time. Look, we feel great about it. I think Mark gave you the stats on what the yields for that portfolio were in this past year, which is very attractive.

The volatility is something we have to always talk about, but it really comes down to, in the end, we hold in there 2 equities, 1 public, 1 private. We're well into the money on those. Unfortunately, you do it, you sort of go public and you're picking up the volatility without the history that we're well into the money. And we feel like those are 2 really good positions that over time, the value is going to be crystallized.

Look, we saw a little bit of pressure on our marks in this past quarter. As we provided to you his input leading up to the IPO, we expect that to continue into the first quarter. And then our expectations are that we'll see a more normalized run rate and the kind of positive returns that you'll experience over the long term coming from that portion of our investment portfolio. We feel really good about it. It's been a great performer for us, and setting aside some of the volatility, we're really pleased with it.

Operator

Our next question comes from the line of Paul Newsome with Piper Sandler.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Maybe a little bit of a different question. We talked a lot about pricing, but what about terms and conditions? Have we seen any change that's material in the terms and conditions in the various businesses? I'm particularly interested in property.

And then the flip side, I guess, serves as a follow-up question on the reinsurance side as well. Because I've heard rumblings, and we certainly -- I've certainly seen this in the past where you see changes in terms and conditions as the cycle moves along.

Andrew Scott Robinson
CEO & Director

Well, Paul, thanks for the question, by the way. There's a lot there. So I'm going to focus in on property, right? I would say to you that away from property, for our business, things are very stable. On the property side, I'll go back to we have 2 different sort of points of focus.

And within the property for our Transactional E&S, I mean, our underwriters, they're just incredibly skilled, experienced folks whose fundamental philosophy is to understand the underlying exposure and when coverage grants are given, we charge for those coverage grants, right?

I mean like it's a very direct process. Will I say to you that the ability for us to have greater -- we can charge more for those coverage grants? Absolutely. There's no question about it. It's a more favorable environment, but it's also principally a fire-exposed payroll.

On the global property side, there's no question about it that terms and conditions are tightening. We're certainly leading the charge on that. We see that amongst some of our competitors to our insureds to the extent that a particular cover is really important. Obviously, there's just a much greater ability to charge to provide that cover. But there's no question that there's a tightening.

On the reinsurance side, I'll remind you that 5/1 is our cat renewal, which is probably the place where you will most see the changes in terms and conditions. And I'm sure I'll be able to report out closer to the time what that tells us. But we're very conscious of that as we are writing business now, the things as well that we are hearing in the market.

But I can't give you any direct experience because we haven't been through that. And in all of our other treaties such as the gold property quota share, there wasn't anything that, for us, was material in terms of the terms and conditions that would change how it is that we're approaching that business.

Operator

Thank you. I would now like to turn the conference back over to Natalie Schoolcraft for closing remarks.

Natalie Schoolcraft
Head of Investor Relations

Thanks, everyone, for your questions, for participating in our conference call and for your continued interest in and support of Skyward Specialty. I'm available after the call to answer any additional questions you may have. We look forward to speaking with you again on our first quarter earnings call. Thank you, and have a wonderful day.

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