S&P Global
Market Intelligence

Everest Re Group, Ltd. NYSE:RE

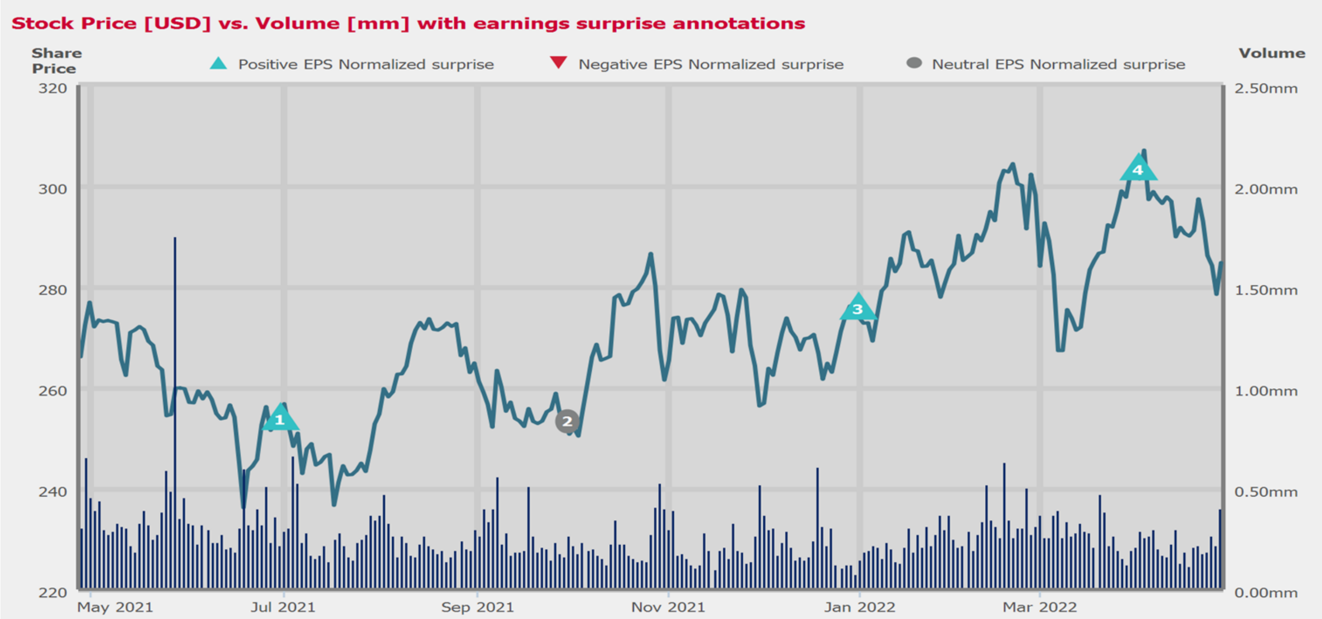
FQ1 2022 Earnings Call Transcripts

Thursday, April 28, 2022 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	9.32	10.31	▲10.62	8.86	32.98	NA
Revenue (mm)	2923.73	2812.00	▼(3.82 %)	3219.35	13043.65	NA

Currency: USD
Consensus as of Apr-28-2022 3:17 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	8.64	14.63	▲1 69.33 %
FQ3 2021	(1.54)	(1.34)	NM
FQ4 2021	8.98	9.12	▲2 1.56 %
FQ1 2022	9.32	10.31	▲3 10.62 %

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Call Participants

EXECUTIVES

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Jon Levenson
Head of Investor Relations

Juan Carlos Andrade
President, CEO & Director

Mark Kociancic
Executive VP & Group CFO

Michael Karmilowicz
Executive VP and President & CEO of the Insurance Division

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UBS Investment Bank, Research Division

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Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

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

Michael Wayne Phillips
Morgan Stanley, Research Division

Ryan James Tunis
Autonomous Research LLP

Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Good morning, and welcome to the Everest Earnings Conference Call. I would now like to turn the call over to Jon Levenson. Please go ahead.

Jon Levenson
Head of Investor Relations

Good morning, and welcome to the Everest Re Group Limited 2022 First Quarter Earnings Conference Call. The Everest executives leading today's call are Juan Andrade, President and Chief Executive Officer; Mark Kociancic, Executive Vice President and Chief Financial Officer. We are also joined by other members of the Everest management team.

Before we begin, I will preface the comments on today's call by noting that Everest's SEC filings include extensive disclosures with respect to forward-looking statements. Management comments regarding estimates, projections and similar are subject to the risks, uncertainties and assumptions as noted in these filings. Management may also refer to certain non-GAAP financial measures. These items are reconciled in our earnings release and financial supplement.

With that, I turn the call over to Juan Andrade.

Juan Carlos Andrade
President, CEO & Director

Good morning, everyone. Thank you for joining us today. Everest is off to a strong start in 2022 with first quarter results to reflect our relentless focus on profitability and margin expansion. Excellent performance across our underwriting businesses and investments contributed to a $406 million in net operating income and a 16.2% annualized operating ROE. Our discipline and resilience stand out in a challenging and complex environment. We are a source of strength and stability in unprecedented times. The world is facing historic volatility with the effects of the pandemic, compounded by a web of macroeconomic, geopolitical and societal issues. Adding to this, our climate-driven industry catastrophe losses. The first 3 months of 2022 were active with estimated economic losses over $30 billion and insured losses over $14 billion.

Significant events occurred in the quarter in Western and Central Europe, Australia, Japan and the United States. The historically quiet first quarter has not been quiet for the past 6 years. According to the National Oceanic and Atmospheric Administration, January, February and March of 2022 were each in the top 10 warmest months in the official observed record dating back to 1880. Amplifying these challenges is the brutal Russian innovation of the Ukraine and the upheaval, death and destruction facing the Ukrainian people. It is heartbreaking to witness the inhumanity and the cruelty that is unfolding in Europe. This more destabilizes global economic systems in financial markets and threatens democracy, peace and decades-long efforts towards shared prosperity. Everest stands in solidarity with the Ukrainian people.

As underwriters, the protection and stability we provide has never been more important. This turbulent time is when our unwavering focus on consistent, disciplined execution is most important. Our focus was evident across our underwriting businesses in the first quarter. Both performed well and continue to lead with expanding margins and highly relevant diverse risk solutions across lines and geographies.

In the Insurance business, our focus on delivering profitable growth, expanding margins and best-in-class products and services advanced our mission to be the market's global diversified insurer of choice. In Reinsurance, we strengthened our global leadership position and maintain a laser focus on diversification, reducing volatility and maximizing profit. This deliberate honing of our portfolio is an ongoing strategy we successfully applied to the April 1 renewal. We brought the same discipline to our investments, which continued to perform well in the quarter.

Our portfolio is diversified and well positioned for the current rising interest rate environment. During the quarter, we continue to embed technology in our underwriting processes and to increase our capabilities, productivity and efficiency. Our momentum is powered by the extraordinary efforts of our people. They are the bedrock of our inclusive culture, and they drive our success.

As we announced last week, we lost a very special colleague with the passing of Don Mango, our Chief Risk Officer and Chief Actuary. Don was a legend in our industry and at Everest. I had the privilege of working with him to evolve our enterprise risk management framework to what it is today. He's going to be greatly missed by all of us. To carry Don's vision forward, we have appointed Ari Moskowitz as Everest Group Chief Risk Officer. Ari is an accomplished leader with deep actuarial expertise. In his former role as our Reinsurance Chief Operations Officer and Chief Pricing Actuary, Ari played a key role in integrating risk discipline across the business and embedding it into everything we do. He has also helped to advance our culture of diversity, equity and inclusion as a founding member of our DEI Council. I look forward to working with Ari to continue advancing our risk management agenda.

Let's turn to our financial results for the first quarter of 2022, beginning with our group results. In the first quarter, we delivered $406 million in operating income with a 16.2% annualized operating ROE. This includes over $235 million in underwriting income, a significant improvement over prior year and $243 million in net investment income. Our combined ratio of 91.6% is a 6.5-point improvement over last year. The attritional combined ratio was 87.4% and our attritional loss ratio was 60%, a 70 basis point improvement over prior year. We also posted a competitive operating expense ratio of 5.8%.

Rate continued to outpace expected loss trend in the first quarter, and our margins continued to expand. In addition to rate, we are also benefiting from additional premium on lines of business with inflation-sensitive exposure basis, such as general liability, property and workers' compensation. And we also continued to benefit from intentional underwriting actions to manage limits and granular segmentation of our portfolio to ensure we are writing the most profitable business.

Our focus on profitability and expanding margins is clear. We grew gross written premiums by 9%, 15% in our Insurance division and 6% in Reinsurance. This growth was solid and broadly diversified in both of our underwriting divisions. Diversification allows us to target higher-margin opportunities in each geography and line of business. We are not reliant on one geography or aligned to drive our growth and profitability.

With regard to the Russian invasion of the Ukraine, the war is an ongoing and evolving event. There are significant uncertainties regarding actual and potential losses and on whether how coverage would apply. We have completed a detailed coverage review of our businesses, and we have limited exposure to this war. To date, we have received only 1 loss notice for a de minimis amount. Based on what we know at this point in time, we expect that any potential financial loss to Everest as a result of these events, would be a manageable earnings item. But due to the high degree of uncertainty around both exposure and coverage, a reasonable estimation of potential loss is not credible at this time. We are continuing to work with our brokers and seasoned partners to assess any potential exposure.

In sum, our group results in the first quarter were strong and created meaningful momentum for the year ahead. The combination of our financial strength, capital position, outstanding market reputation, global offering and deep relationships uniquely positions Everest to capitalize on market opportunities.

Let's turn now to our Reinsurance results. In the first quarter, we grew gross written premiums by 6%. Growth was strong in Casualty and financial lines globally, particularly Casualty pro rata, which continues to be supported by strong underlying rate in underwriting and increased Everest participation on tradings. This is offset by deliberate and targeted reductions in our Property catastrophe exposed business as we further reduce the volatility in our portfolio. These actions resulted in significantly improved economics. The combined ratio was 91.4%, a 6.1-point improvement from last year and includes $110 million of pretax catastrophe losses net of Reinsurance and reinstatement premiums from the Australia floods, European storms and tornadoes in the U.S. Our attritional combined ratio was 86.2%, including an attritional loss ratio of 58.9%, which is a 60 basis point improvement over last year's first quarter.

Additionally, our expense ratio was 2.4% during the quarter. This continues to be a strategic advantage for Everest. We achieved excellent underwriting profit of $177 million. Driving this result is our priority of maximizing profit while managing volatility. We successfully executed on the strategy during the January 1 renewal season and continued to make meaningful progress throughout the first quarter. Specifically, we continued to grow our targeted classes of business and geographies. Our international treaty business grew by over 22% in the quarter. We expect this to become a bigger share of our business over time. Global facultative grew by 10%. We are making targeted investments to expand our facultative capabilities around the world, including industry-leading talent to our team. Those investments are already paying off. Casualty grew globally with our pro rata book up 48% year-over-year, and our Casualty extra load book was up 8%.

We continue to be measured and selective in our Property lines, and specifically in cat exposed profit. In the quarter, those lines decreased year-over-year, and we further honed our portfolio to maximize expected profit while reducing volatility. We continued the strategy during the 4/1 renewal. In Property, total written premium limits, exposed AAL and our PMLs were all reduced and expected profit in dollars increased. This resulted in more profit for less exposure. By any account, that's an outstanding trade.

We also achieved growth in our Casualty book with higher participation alongside some of the industry's best primary underwriters. We expect conditions for upcoming Reinsurance renewals to offer targeted opportunities for Everest to deploy capacity at superior margins. We move forward with the underwriting discipline and expertise to write in profitable markets and we have the tools, talent and capital solutions to fuel continued profitability.

Now let's turn to our Insurance division. We continued our thoughtful, intentional long-term build of the Insurance franchise with an absolute focus on underwriting profitability. Our combined ratio of 91.9% was excellent, representing an 8-point improvement from last year. The attritional combined ratio of 90.9% improved 130 basis points from a year ago and includes an attritional loss ratio of 63.1%, a 120 basis point improvement from prior year. These improvements resulted in strong underwriting profitability of $59 million in the first quarter, a new record for the quarter. Our focus on profitability and margin expansion is clear. We have improved the attritional combined ratio by over 5 points since the end of 2019. We also delivered robust and diversified growth in the quarter, up 15%, with gross written premiums once again over $1 billion. It's important to note that excluding strategic and intentional underwriting actions taken this quarter to reduce volatility and optimize the portfolio, our growth rate is higher at 25%.

As we have said, Everest Insurance remains a long-term growth mode, but we will reduce exposures where it makes sense as we continually reshape the portfolio to maximize profitability. Growth in the first quarter reflects our relevance in the commercial insurance market and was driven by exposure increases, rate, strong renewal retention and new business across our core segments, lines and geographies, most notably across our long-tail lines. In the quarter, we achieved a rate increase of 9%, excluding workers' compensation and a total increase of 6% in our core P&C portfolio. Notably, financial lines were up 15%, umbrella excess was up 10% and commercial auto was up 9%. Rate continues to exceed expected loss trend across all lines with the exception of monoline guaranteed cost workers' compensation, which now represents only 7% of our portfolio in the quarter.

We made excellent progress against our objectives for the Insurance business, and we remain vigilant in driving and improving margins as we scale this business. There's a significant runway ahead of us to grow profitably in the global P&C market, and we're capitalizing on it. As we strategically expand our offering, we continue to build out our global platform from underwriting to claims. This includes leveraging key technology and analytics to improve productivity, speed and accuracy and enhance the customer experience. We are finding new ways to innovate with improved structures and new offerings directly addressing gaps in the market. We continue to diversify and deepen our relationships with distribution partners globally. We are infusing analytics to take a more quantitative and metrics-based approach to sales that brings the entirety of Everest to customers where, how and when they need us.

As our first quarter performance shows, we've built the runway to advance our objectives, supported by our profitable underwriting operations, investments, market relevance, strong balance sheet and our values-based culture, all powered by a world-class global team. I am fully confident in Everest's ability to create exceptional value and deliver returns for our shareholders. As I said at the top of the call, more than ever, the world needs a partner it can depend on with the breadth of experience, capabilities and dedication Everest brings to the market. In times of uncertainty, we are a source of strength and stability for our customers, shareholders, colleagues and the global community.

Now I will turn the call over to Mark Kociancic to take us through the financials in more detail. Mark?

Mark Kociancic
Executive VP & Group CFO

Thank you, Juan, and good morning, everyone. Everest had an excellent start to 2022 as we continue to make progress towards the objectives in our 3-year strategic plan. We had strong underwriting income and another good quarter of good investment returns, leading to a 16% annualized operating return on equity. Both of our underwriting businesses and our investment portfolio contributed to the strong result this quarter.

Now for a review of the first quarter results. For the first quarter of 2022, Everest reported gross written premium of $3.2 billion, representing 9% growth over the same quarter a year ago. By segment, Reinsurance grew 6% to $2.2 billion, reflecting a 32% year-over-year growth in Casualty and an 11% reduction in Property. Insurance grew 15% to an even $1 billion with notable growth in Specialty-Casualty, offsetting intentional underwriting actions to reduce exposure in Property and optimize the profitability of our portfolio.

Everest reported net income of $298 million equal to $7.56 per diluted share and a total shareholder return of 8.6%. On an operating income basis, the numbers are $406 million for the quarter, and $10.31 per diluted share with an annualized operating return on equity of 16% included in net income and consistent with a 5% reduction in the S&P 500 during the first quarter. Everest experienced $109 million after-tax unrealized loss on our common equity portfolio.

Note that these are not realized losses, rather fair value declines, which flow through net income, thus lowering our total shareholder return during the first quarter. We incurred $115 million of pretax cat losses net of reinsurance and reinstatement premiums in the quarter. The Australian floods in the first quarter represent the largest flood loss on record for the Australian insurance industry at just over USD 3 billion. Our cat provision includes $75 million for this event. The other cat events in the quarter were the European storms at $30 million and late March U.S. winter storms in the amount of $10 million. Of the total, $115 million of cat losses incurred in the quarter, $110 million are in the Reinsurance segment with $5 million from the late March U.S. winter storms within Insurance.

We also note that there is no net prior year development in cat losses this quarter. We continue to see improvement in the attritional loss ratio across the group, along with the lower expected cat load, given our emphasis on volatility reduction. We reconfirm our assumptions for the group combined ratio in the range of 91% to 93% for the full year 2022 as well as for 2023, as noted in our strategic plan.

Our first quarter 2022 GAAP combined ratio was 91.6%, which includes 4.1 points of cat losses and no net prior year development. Our attritional loss ratio of 60% was a 70 basis point improvement over the first quarter of 2021, with improvements in both the Reinsurance and Insurance segments. The Reinsurance attritional loss ratio decreased by 60 basis points. And in Insurance, it was a 120 basis point improvement. In both segments, we continue to see rate outpace loss trend.

Turning to commissions. The overall group commission ratio was 1.2 percentage points higher year-over-year, largely driven by the 1.9 point increase in Reinsurance commissions. The 24.9% acquisition ratio in Reinsurance for the quarter is broadly in line with our expectations for 2022 and reflects the underwriting actions we've taken over the past few quarters, notably the increased writings of Casualty pro rata business. The first quarter 2021 Reinsurance commission ratio of 23% benefited from approximately 120 basis points of nonrecurring commission adjustments. The balance of the year-over-year variance is primarily due to changes in business mix. For the Insurance division, the acquisition cost ratio of 12.5% improved from the year ago figure of 13.2%, largely driven by increased ceding commissions.

Everest continues to have a very competitive operating expense ratio of 5.8% for the quarter versus our target of approximately 6% for the group. Year-over-year, the Reinsurance expense ratio is lower, 2.4% versus 2.9% driven by favorable operating leverage as we continue to scale the business. The Insurance expense ratio is marginally higher, 15.3% versus 14.8% and within our expectations as we continue to expand our global footprint.

Regarding the impact from Russia's war on the Ukraine and in terms of Reinsurance and Insurance losses, as Juan described, Everest has gone through an extensive analysis of our exposures and coverages. And at the present time, we simply do not have enough information to make a credible estimate of losses. Our investment portfolio is the one area where we have enough information for an initial assessment of losses. Given the repricing of Russian corporate securities, Everest's total direct exposure to these instruments is $15 million on a book value basis. And as of March 31, we booked a $9.5 million impairment with $5.5 million remaining in fair market value.

During the first quarter of 2022, Everest continued to generate strong operating cash flow in the amount of $846 million. Our strong cash flow also has the benefit of allowing us to invest into the rising rate environment, increasing overall portfolio economics.

Investment income for the quarter was $243 million, a strong start to the year with good balance between fixed income of $148 million and $100 million from alternative investments. Overall, our expected fixed income reinvestment rates are close to the 3% level. Everest's investment portfolio is well positioned for the rising interest rate environment. In addition to a high level of operating cash flow within the existing core portfolio, we have a short asset duration of 3.1 years, and also nearly 20% of our fixed income investments are in floating rate securities. For the first quarter of 2022, our net income tax rate was 8.3%, benefiting from the geographic distribution of our income streams and thus outperforming our working assumption of 11% to 12% for the year.

Shareholders' equity ended the quarter at $9.5 billion, driven primarily by the first quarter rise in interest rates and negative impact on the value of fixed income securities, particularly those towards the short end of the yield curve. 2-year treasuries rose 160 basis points and 10-year treasuries rose 83 basis points during the quarter, resulting in an $811 million after-tax fair market value reduction. Our relatively low asset duration of 3.1 years means that this change should amortize towards a more neutral balance over the next few years, and we hold our available-for-sale securities to maturity for the most part and we benefit from strong profitability, underlying operating cash flow and balance sheet liquidity. Therefore, I don't view this transitory decrease in book value as a constraint on our ability to grow or upon our financial strength.

The resulting book value per share ended the quarter down at $241.52, a decrease of 5.9% adjusted for dividends of $1.55 per share. The book value per share, excluding unrealized appreciation and depreciation of securities, stood at $256.1 per share versus $252.12 at year-end, representing an annualized increase of 6.2%. Net leverage at quarter end stood at 21.2%, an increase in the leverage ratio, driven by the unrealized fixed income market value declines noted previously.

In conclusion, Everest ended the first quarter of 2022 in an excellent financial and strategic position. We have ample capital to operate in the current environment and we continue to see good opportunities to invest in the platform and scalability of our company.

And with that, I'll now turn it back to Jon.

Jon Levenson
Head of Investor Relations
Thanks, Mark. Operator, we are now ready to open the line for questions. [Operator Instructions]

Question and Answer

Operator

[Operator Instructions] Your first question comes from Yaron Kinar from Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Mark, maybe going back to your comments on the investment portfolio. So you gave us the new money rate. Where do you see the current fixed maturity yield? And what -- how much of the portfolio turns over given here?

Mark Kociancic
Executive VP & Group CFO

So I see -- thanks, Yaron. Going back to the reinvestment rate, we're roughly at 3%. I see that increasing over time. Certainly with pressure upwards on interest rates, I see that only going up for us. The -- on a current basis, the market value or the market yield is greater than the book, and so there's upward momentum on that side.

In terms of the portfolio itself, I'd say, roughly 1/9 to 1/8 converts to cash for 2022. And then when you combine, approximately, we would expect something around the $3 billion operating cash flow level for the year. That's a significant amount of investable funds. And I'd also make -- reiterate the point that I made in my opening remarks that we've got roughly 20% of the fixed income portfolio and floating rate securities, which will help that reinvestment yield.

Yaron Joseph Kinar
Jefferies LLC, Research Division

That's very helpful. And then my second question, maybe for Juan. In your prepared remarks, you talked a little bit about the cat load this quarter. Can you maybe help us think about where -- how you see catastrophes in this particular first quarter relative to expectations for a first quarter? Is that -- were they above normal, in line?

Juan Carlos Andrade
President, CEO & Director

Yes, Yaron, thanks for the question. As I said in my prepared remarks, it was an active quarter, right? I mean we did end up as an industry having over $14 billion in cat loss that translates to about $30 billion in economic loss. So I would say this is elevated for first quarter. And as I said, look, I've looked at the data going back a number of years on all of this. And as I said, that first quarter that typically is quiet hasn't been quiet, right? So I would expect that, that $14 billion is definitely more active than what you normally would have seen.

Operator

Your next question comes from Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Looking at pro rata Casualty business, prices are up for the underlying business from where they were a year ago, but ceding commissions are also up. Is the profitability between those 2 time frames basically neutralized by the ceding commission? And has the ROI on capital being put into that part of the Reinsurance business going up the same? Or is it lower than it was a year ago?

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Yes, Josh, this is Jim Williamson. Thanks for the question. And it's a good one. Look, what we've seen and what we've been reporting is 2 factors that you described. There's a tremendous amount of margin creation happening in the Primary Casualty market driven by rates, but also by changes to limit reunderwriting, et cetera. And that's definitely playing through, and we're seeing that in our data. At the same time, cedings are looking to recapture some of that margin creation via increased ceding commissions, and we've seen that dynamic play out.

And what I would tell you broadly speaking, really only to Everest's portfolio, our view is that trade is resulting in improving economics for us, meaning the improvement in the underlying market is exceeding growth rate in ceding commissions. Now that's not true on every deal across the market, which is why the thoughtfulness and the selectivity of our underwriting is so important. And we measure each and every deal and what we're looking for in this environment is margin expansion. And in those situations where we see ceding commissions running ahead and deteriorating margins, we're choosing not to participate. I would say, broadly at this point, overall, it's still a pretty rational market out there that way. And so we see some real good growth opportunities continuing.

Joshua David Shanker
BofA Securities, Research Division

And then on the Property and Property cat side, if you lower your volatility to cat exposures, but the capital that you are -- isn't really being freed up because that capital ops you're using for other items. Isn't there a possibility that the capital charges are low for the additional business that you might be leaving money on the table as you trade volatility? I mean, I guess maybe I'm unable to explain, but it seems like you said that you could use a dollar of capital that's associated with Casualty business also to underwrite Property and that, yes, you've lowered your volatility, but you've also lowered your long-term earnings power.

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Yes, Josh, it's Jim again. Look, we have a very robust capital modeling and risk management process that we operate at the group level, where we are really evaluating capital deployment across all of our lines at a very granular level between both Reinsurance, Insurance and our investment portfolio. And we certainly take into account total capital usage and optimization when we're making those decisions. So when we talk about deploying relatively more capital to Casualty versus Property, we're accounting for the fact that you do get diversification benefits and you do get opportunities to deploy capital in some cases in multiple areas. And so we're not seeing any area in the portfolio where we're failing to deploy capital at the most efficient level when you look at the group.

Mark Kociancic
Executive VP & Group CFO

Josh, it's Mark. I would just add one remark to that. I think in addition to what Jim said, it's really more of a marginal movement. What we're seeing here with slightly reduced Property cat and expansion on the Casualty side. So as Jim pointed out, portfolio is still very well diversified, and we're very focused on accretive return expectations for everything we write in excess of our TSR. And so for us, it's still highly efficient to proceed in this way.

Operator

Your next question comes from Ryan Tunis from Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

I was hoping on the Insurance side, you could talk a little bit more about some of the reunderwriting actions you're taking and whether or not we should expect that to potentially impact the growth rate in that segment over the remainder of the year.

Juan Carlos Andrade
President, CEO & Director

Yes. Ryan, it's Juan Andrade. Let me start, and then I'll ask Mike Karmilowicz to join. Look, I think the first point is we still feel very bullish about the growth opportunities in Insurance. As I said in my opening remarks, I think in some ways, we're only scratching the surface of the potential that's out there, and it's one of the reasons why we now have international expansion underway. And frankly, while we continue to gain traction in the U.S. market.

We're good underwriters. And what you saw us do this quarter is what any good underwriter does. You look at your portfolio, you analyze it. In some cases, there's going to be things that you like and then have a good economic return, and there's things that we don't like. And so therefore, you exit them because we see better opportunities to deploy capital and move in that direction. So if you think back at that 15% growth rate for the quarter, some of that was impacted by the fact that we did reduce volatility as well in the Insurance side, similar to our strategy in Reinsurance. And the other part of it was driven by one specific account that we decided to not renew and move away from it. But that's the general theory. But we do feel very bullish about the growth rates in Insurance. And I would ask Mike to maybe jump in and add some additional color.

Michael Karmilowicz
Executive VP and President & CEO of the Insurance Division

Sure. Thanks, Juan. Thanks for the question. A few things I would say. First off, as you know, our focus always has been is focused on underwriting. We're an underwriting company, as Juan's pointed out. And I would reiterate to you guys, we've had 29 straight consecutive quarters of growth. Most of those, I'd say, all have been double digit. We are very focused on cycle management. You see us talk about it with workers' comp. We've taken actions to Juan's point on Property and other areas. But I don't see this anticipating slowing us down. We see ample opportunity in the marketplace. We are well positioned with a lot of capital and a lot of thrust. And so we will continue to execute that. Where we see opportunity, we'll take advantage of it. But we don't foresee any of that changing anything we do every day.

Ryan James Tunis
Autonomous Research LLP

Got it. Then on the Reinsurance side, obviously, a good margin quarter there. Just maybe a little more insight into what specifically drove that? Was it a lower loss pick as you're recognizing the portfolio is less volatile and better underwritten? Or was there anything onetime in nature that helped?

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Sure, Ryan. This is Jim Williamson. I'll give you some of that detail. Look, I think a lot of this is the result of some of the conversations we've been having with you over the last few quarters, which is we've seen very consistently strong margin improvement in the underlying Primary Casualty market. That's rate, that's limits, that's terms, conditions, et cetera. And we've been very prudent in how we've revealed that improvement in our loss picks. And we've said we've waited and we've been waiting for that data to prove itself to start to see it in our numbers, et cetera. And so I think what you're seeing this quarter is the results of that prudence and it's the result of that underlying improvement.

And so on a year-over-year basis, we have seen an improvement in Casualty, pro rata in particular, and other lines as well that have allowed us to basically settle on lower loss picks for those lines. We're still being prudent. We're still being disciplined and we're still not taking full credit for the trends we see, but we are starting to flow through some of that margin.

To give you a sense of quantum, on a year-over-year basis, we saw about 140 basis points of margin improvement due to lower expected loss picks. And that was then partially offset by the change in mix because if you look at Q1 2021 versus 2022, there is a dramatic change in our mix. We were about 60-40 Property-Casualty this time last year. It's closer to 50-50 now. And that's certainly an offsetting factor as Casualty carries a higher loss pick. But I think all of this is a result of the market trends we've been discussing, and we see those trends continuing as we head into the year and we continue to see pricing in excess of even elevated loss trends.

Operator

Your next question comes from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, if I look on a group consolidated basis, right, your -- the underlying combined ratio actually did deteriorate a little bit year-over-year. So I was hoping you could just give us a sense of just kind of an outlook for the accident year ex cat combined ratio? And then it seems like a big chunk of that deterioration, right, was because the acquisition ratio ticked up around 120 basis points. Can you just give us a sense of the outlook for that acquisition ratio over the balance of this year?

Mark Kociancic
Executive VP & Group CFO

So Elyse, it's Mark. A few points that you asked there. So first of all, let me just start with the cat and then I'll get into the acquisition ratios. On the cat, I made this point last quarter that our expectations for 2022 would be a cat ratio for the group of less than 6%. And so that's, I think, a meaningful reduced expectation versus last year and definitely on a historical basis. So there is some reduction that's expected there.

On the acquisition ratio, I would say, a couple of points we have. If I start with Reinsurance, I would say it's broadly in line with last year, probably a little bit higher. You're seeing us trend at 24.9% here. Last year, I think we were in the low 24s. That's principally because of mix of business. I did mention some of the one-offs we had in Q1 last year that would drive it.

On the Insurance side, we still see a declining net acquisition ratio and that's a combination of things. You've got both ceding commissions coming in on certain lines of business depending on the mix and then just lower broker commissions versus our expectations on some other lines as well. But I'd say there's probably downward pressure in general on the primary side for acquisition ratio.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. Great. And then my second question on the Reinsurance side. A little bit of a follow-up to Ryan's question. You talked about, right, reflecting just more of the improvement on the Casualty side. And as we think about the mix shift to Casualty and we also think about, right, the impact that, that could have on your margins as we're thinking about going forward, I'm assuming that you guys still see, right, a line of sight into kind of hitting -- getting that segment to that 91% to 93% combined ratio target.

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Yes, Elyse, this is Jim Williamson. We would definitely reiterate our commitment to that target, and we're very confident in it. And it's a combination of factors. One, while Casualty does carry a higher attritional loss ratio and a slightly higher attritional combined ratio, those numbers are coming down year-over-year. As you see, the improvements that we were talking about earlier flow through the book and we've begun to reflect that in our loss picks. And while I cited a 140 basis point improvement year-over-year to our pick based on improved loss picks, it's higher than that for Casualty. And so we're seeing that happen. And so that's critical.

And then the other part, when you think about the total combined ratio, what Mark just said, which is for the group, our targeted cat loss ratio is down, and that's also true of Reinsurance. And so when you ladder all that up, our expectation is certainly that those won't be headwinds to achieving our goals. We're very confident in that.

The other thing I would just say, and this is particularly important, I think, as we roll through the summer, we're still very much a leader in the Property cat market, and we take meaningful lines. We've been doing that in improved economics at 4/1 as Juan had indicated in his opening remarks. We were able to take less risk by any measure, whether it's PML, AAL, et cetera. But we are getting paid more profit dollars, more expected profit dollars will flow to the bottom line. And that will certainly have an impact on our attritional and ultimate combined ratio. And we see good opportunities through the rest of the year to continue to execute that strategy. So I think all of that comes together to give us a lot of confidence in the targets we've set out.

Operator

Your next question comes from Mike Phillips from Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Juan, given the pretty positive comments and kind of trajectory of Insurance segment, margins expanding and rates still ahead of loss growth trends. What's your appetite for kind of keeping more of the growth business over the next couple of years in the Insurance segment? It's been pretty consistent for quite a while. Any thoughts on kind of moving that up over the next couple of years?

Juan Carlos Andrade
President, CEO & Director

Yes, Mike, thanks for the question. And it's obviously something that we look at on a pretty regular basis, particularly as we go through all of our ceded Reinsurance renewals on all of this. And we have made changes in our different treaty protections, et cetera, et cetera. The way we tend to look at this from a philosophical standpoint is as we get additional rate, additional terms, as we continue to feel very good about our own underwriting, then by definition, we would want to keep more of that net with the company, and you see us doing that in certain lines of business. But we balance that against the volatility and the appetite that we want to have on any particular line of business at the same time. So the short answer is we are constantly making tweaks to that depending on the line of business, depending on the geography, et cetera. But we feel pretty good about where we are right now. And I would invite maybe Mike Karmilowicz to add a little bit of color as well.

Michael Karmilowicz
Executive VP and President & CEO of the Insurance Division

Sure. Thanks, Juan. Yes. I would only add to that, that we continue -- as we continue to scale up a lot of our existing businesses and get more critical mass, and to Juan's point, you'll see us take more NAV. We've done that already in a few different pockets. And I see that continuing as we continue to grow and gain scale.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. And then sticking with the Insurance, Juan, you talked about, again, rate over loss trend. I think you said 9% rate ex comp ahead of kind of the long-term loss trends. Can you share with us how you're viewing that long-term loss trend? What number you're looking at there? And how has that changed given the recent times in the world and increased risk? What are you using for your long-term loss trend right now as compared to that 9% rate?

Juan Carlos Andrade
President, CEO & Director

Yes. Thanks, Mike. Good question. Look, we feel pretty good about where we are, as I said that. I would actually say that rate is outpacing expected loss strength comfortably for us across the board, right? So you're right, excluding comp, it's a 9% increase in rate that we saw in the quarter. And it's hundreds of basis points lower on that where the trend would be basically. I would tell you that we have consistently updated our loss trend assumptions really since 2019, 2020, '21 upward, reflecting higher loss trends in our pricing models and accident year loss trends. So we monitor that pretty closely. But I can tell you, we're comfortably above loss trend right now, really across all lines of business with the exception of workers' comp would be the only one that I flagged earlier.

Michael Wayne Phillips
Morgan Stanley, Research Division

And, Juan, sorry, just to jump in, make sure I understood you. You said something about hundreds of basis points. Can you say that again, what you meant there?

Juan Carlos Andrade
President, CEO & Director

Yes. So look, if you're running at a 9% increase in rate, our loss trend is lower than that by several hundred basis points, basically.

Operator

Your next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Juan, I was just curious. I appreciate the color you gave on Russia-Ukraine exposure and there's a lot of uncertainty I know right now and your exposure gets diminished. But I'm just wondering, as you think about your portfolio of business, where are you kind of looking at? Where you focused at? Where could there potentially be some exposure?

Juan Carlos Andrade
President, CEO & Director

Yes. No, absolutely, Brian. Happy to give you a little bit more color and context on all of that. Let me reiterate, though, something that I said in the earlier comments. We don't see this event as changing our profit objectives for the year. And I think that's probably the most important thing to take away.

The other part of that is any loss estimate that we can give you, or frankly, any of our competitors give you at this time, it's really purely speculative, right? And the reason for that is the worst ongoing physical damage and economic disruption are uncertain. It's changing, and the investigation application of key coverage is still in [attendance], right? So that's essentially kind of where we are with all of this.

As we have done that very detailed assessment of coverage that I talked about earlier in my remarks, I can tell you that, for instance, on the primary side on Insurance, we would have close to 0 exposure in any of that very, very little.

On the Investment portfolio, Mike -- I'm sorry, Mark certainly talked about that and you saw the impairment that we did in the quarter as well. And on the Reinsurance side, we would have limited exposure. And the way I referred to that is we have very few, like 1 or 2 former Russian cedings that are no longer clients of ours. So that's a very little exposure from that perspective.

And then when we look at sort of lines, that could be exposed to all of this, you certainly look at some of the aviation lines that could be exposed, although that's a relatively small business for us in the quantum of overall Reinsurance. You could also look at potentially some marine lines that could be exposed. You could look at some trade credit political risk type stuff, but we're much less concerned about that. And then you will look at some of the political violence covers as well. But we're also relatively small on that. But let me ask Jim Williamson to actually even go deeper into that and just give you a little bit more granularity.

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Yes. Sure, Brian. This is Jim. And I'll repeat a little bit of what Juan said and give you a little bit more detail because, obviously, these topics have been heavily covered. There's a lot of speculation happening in the media around potential losses. On an aviation basis, as Juan mentioned, a relatively small part of our book. There is significant uncertainty around the extent of potential loss in terms of actual units of aircraft exposed and that number has been changing. The application of coverage, notwithstanding some of the posturing that you've seen, I think there are real questions related to which coverage will apply into what amount. We've also taken very significant actions in our own aviation book over the last 2 years to position it to withstand shock losses in a much better way. And so that gives us a lot of confidence.

On a marine basis, particularly given when you look at halt, we do have -- and we know that there are trapped vessels in the Black Sea, for example. There's a lot of uncertainty around the size of those vessels, whether they'll ultimately be losses on those vessels, more on land cover, all war, et cetera, can also be in the marine area. There are properties in the Ukraine, obviously, that could potentially be exposed. As we've evaluated our book though, we don't really have concentrations of property in the area where the conflict is ongoing. And so it's both uncertain, but also at this point, appears very manageable.

On a trade credit and political risk basis, I think our teams have done an outstanding job of managing that exposure. The terms of those contracts, as you likely know, give primary insurers a lot of options. When there's dislocation in the market, there's been a lot of cancellation activity. And so that exposure -- that potential exposure has been shrinking by the day. We've also seen a lot of payment activity continuing in those contracts that haven't been canceled, so that's a good sign.

And then lastly, on political violence, again, that will apply primarily to property exposures. In the Ukraine, there is a time limit on those covers. And again, as we've evaluated potential exposures, we don't have heavy concentrations in the major cities that have been subject to the conflict in a meaningful way. We haven't had any reported losses other than one, which was less than $300,000 of potential loss from a political violence perspective. So looking very, very manageable at this point and tremendously uncertain. And so we're just continuing to have dialogue with our teams. We're assessing it, and we'll keep a very close eye on it.

Brian Robert Meredith
UBS Investment Bank, Research Division

That was really thorough. And then my second question, I'm just curious, Juan, your stock actually had a point this quarter where it dropped pretty significantly, and I was a little surprised that we didn't see more share buyback in the quarter.

Maybe just remind us kind of your thoughts on kind of capital here and, Mark, and kind of managing it. And do you have like ability to kind of really go in the market and buy back some stock when we get this market volatility?

Juan Carlos Andrade
President, CEO & Director

Yes, Brian. So let me start, and then I'll ask Mark to add. So the short answer to your question is yes, we absolutely have the capability to go in and buybacks, as you saw us do last year as well. Frankly, our stock was trading at a pretty good level during the first quarter. That certainly had a bit of a dip as the war started, et cetera. And you saw us come in, and we did have some buying activity even though it was relatively small.

But when you think about how we think about capital management, that philosophy hasn't changed from what we have been articulating, frankly, since I've been the CEO of this company and that we reiterated at our Investor Day last year, which is our #1 priority really is to privilege our underwriting businesses as we see accretive growth opportunities. And everything that we have been sharing with you this quarter and in past quarters is that journey that we have to continue to expand margins, improve the underlying profitability of this company and you've seen us do that. So from our perspective, that really is sort of priority #1. Beyond that, absolutely, we will consider share buybacks. We will consider the other things at the same time. But let me ask Mark here to jump in.

Mark Kociancic
Executive VP & Group CFO

Yes. Brian, not too much more to add to that. Although I will say that we see excellent opportunities on organic expansion right now within both Insurance and Reinsurance. It doesn't mean we can't do both, but there's a really nice marketplace for us in our view. And so I'd say capital is really being privileged for that right now.

Operator

And your last question comes from Meyer Shields from KBW.

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

So I want to start with one question on reserving. I'm not quite sure how to phrase this. But if we break down reserving in sort of like the mathematical analysis and then the judgment associated with that, can you break down, I guess, the absence of enormous or significant reserve development into those categories? Another way of asking it is, are there indications of redundancies that you're just hesitant because of elevated risk? Or are the indications out there?

James Allan Williamson
Executive VP, Group COO & Head of Everest Reinsurance Division

Sure, Meyer. It's Jim Williamson. One, to step back just to reiterate our reserving process, which is very robust and has been strengthened meaningfully over the last 2 years, we're taking a very disciplined approach to reviewing all of our carried reserve positions every quarter. We've implemented a number of automated tools to allow us to do that. We are closely monitoring IBNR consumption at a very granular level across both Reinsurance and Insurance, by line, by accident year, et cetera. And then, of course, we have our ground-up reserve studies that were conducted. None were actually completed in the first quarter, but we will start getting completed reserve studies in Q2 and that's on an accelerated schedule, accelerated over last year which was also accelerated from the prior year.

So a lot of eyes on our carried position. Now when you look at -- you start slicing our IBNR and our carried reserve position in all those pieces I described, you're clearly going to see movement, with redundancies in some areas, deficiencies and some others, et cetera. But overall, I would reiterate what we've said in prior calls, which is we're very confident in the strength of our carried reserve position. We have seen no information really since the end of 2020 that would cause us to take any action -- any meaning material action one way or the other from a reserve change perspective. And so -- and that's certainly true this quarter. And so again, we'll continue to monitor it. And if that changes, we'll certainly -- you'll be the first to know.

Juan Carlos Andrade
President, CEO & Director

Meyer, the other thing -- this is Juan Andrade. The other thing that I would add to what Jim has just said, is keep in mind the discussion that we've been having about rate being in excess of loss trend. And we have been saying that very consistently really for the past 3 years essentially. And so by definition, you are building margin, you are expanding margin there. As we have also said before, we haven't taken that to the bottom line, mainly because of all the issues that we're talking about with regards to inflation and severity and all these other things at the same time. But from our perspective, and as Jim alluded to in his answer to Ryan with regard to the Casualty loss pick, we do look at this and we do change it. We do tweak it, right? So it's only a matter of time as we get the data, as we examine things, as things season that you're going to start to see that coming into the bottom line. So I think that probably gives you also a more forward perspective, and again, bring it back to the rate versus trend discussion.

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

Okay. That's very helpful. The second unrelated question. When we're in an environment of at least, I think, broadly expected continued interest rate increases and your liability duration as you shift the mix towards Casualty and also extending, when is the right time to really significantly increase your Investment portfolio duration? Do you do it now? Do you wait for further interest rate increases?

Mark Kociancic
Executive VP & Group CFO

So it's Mark, Meyer. I think as long as we're broadly within alignment of the asset and liability durations, we're in a good spot. I don't think there's a lot of benefit when you look at where the yield curve is right now in terms of the short end and the flatness of really going long. So for us, it's really looking for kind of a mix of things. So you're obviously looking, one, to match generally the duration between -- or the ALM matching in essence; two, yield credit quality, liquidity of the securities and the actual alpha you think you can capture in the securities that you're looking at, specifically any specific asset classes. So we look at it probably more granularly. I wouldn't get hung up on -- for example, we got an asset duration of 3.1 years this quarter and a liability of 4 years. That yield curve is really not appealing to stretch it out for the extra basis points that we see.

Operator

And there are no further questions at this time. I will turn the call back over to management for any closing comments.

Juan Carlos Andrade
President, CEO & Director

Great. Thank you for all your questions and the excellent discussion. I think as you can tell from our tone, we are optimistic about the opportunities before us. We definitely see a trajectory for continued growth and expanded profitability. We are continuing to build this company, accelerate the progress and create greater value for our investors, our clients and all of the markets that we serve. So thank you for your time with us today, and we look forward to seeing you at the next earnings call.

Operator
This concludes today's conference call. You may now disconnect.