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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and thank you for standing by. Welcome to the American Financial Group Fourth Quarter and Full Year 2023 Results 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, Diane Weidner, Vice President, Investor Relations. Please go ahead.

Diane P. Weidner
Vice President of Investor & Media Relations

Thank you. Good morning, and welcome to American Financial Group's Fourth Quarter 2023 Earnings Results Conference Call. We released our 2023 fourth quarter and full year results yesterday afternoon. Our press release, investor supplement and webcast presentation are posted on AFG's website under the Investor Relations section. These materials will be referenced during portions of today's call.

I'm joined this morning by Carl Lindner III and Craig Lindner, Co-CEOs of American Financial Group; and Brian Hertzman, AFG's CFO.

Before I turn the discussion over to Carl, I would like to draw your attention to the notes on Slide 2 of our webcast. Some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties that could cause our actual results and/or financial condition to differ materially from these statements. A detailed description of these risks and uncertainties can be found in AFG's filings with the Securities and Exchange Commission, which are also available on our website. We may include references to core net operating earnings, a non-GAAP financial measure, in our remarks or in responses to questions. A reconciliation of net earnings to core net operating earnings is included in our earnings release.

And finally, if you are reading a transcript of this call, please note that it may not be authorized or reviewed for accuracy. And as a result, it may contain factual or transcription errors that could materially alter the intent or meaning of our statements.

Now I'm pleased to turn the call over to Carl Lindner III to discuss our results.

Carl Henry Lindner
Co-CEO & Director

Good morning. I'll begin my remarks by sharing a few highlights from AFG's fourth quarter and full year results, after which Craig and I will walk through more details. We'll then open it up for Q&A, where Craig, Brian and I will respond to any questions.

Fourth quarter was a strong ending to a great year for AFG. In addition to producing a core operating return on equity of nearly 20% in 2023, net written premiums grew by 8% during the year. And we continue to create value for our shareholders through effective capital management. Our compelling mix of Specialty Insurance businesses and entrepreneurial culture, disciplined operating philosophy and an astute team of in-house investment professionals, collectively have enabled us to outperform many of our peers over time.

Craig and I thank God, our talented management team and our great employees for helping us to achieve these results. I'll now turn the discussion over to Craig to walk us through some of these details.

Stephen Craig Lindner
Co-CEO & Director

Thanks, Carl. As you'll see on Slide 3, AFG's core net operating earnings were $10.56 per share for the full year 2023, generating a core operating return on equity of 19.8%. This ROE is calculated using an average of the 5 most recent quarter end balances of shareholders' equity, excluding AOCI. As Carl noted, capital management is one of our highest priorities. Returning capital to our shareholders is an important component of our capital management strategy and reflects our strong financial position and our confidence in AFG's financial future.

We've returned $900 million to shareholders during 2023, including $466 million or $5.50 per share in special dividends, $221 million in regular common stock dividends and $213 million in share repurchases.

Dividend payments and share repurchases totaled $5.92 billion over the past 5 years, and our quarterly dividend was increased by 12.7% to an annual rate of $2.84 per share beginning in October of 2023. Growth in adjusted book value per share plus dividends was an impressive 16.6% in 2023. We're proud of the value we've created for shareholders over time.

Turning to Slides 4 and 5. You'll see that fourth quarter 2023 core net operating earnings per share of $2.84 produced an annualized fourth quarter core return on equity of 20.9%. Net earnings per share of $3.13 included an after-tax non-core realized gain on securities of $0.29 per share which include fair value changes on securities that we continue to hold at the end of the quarter.

Now I'd like to turn to an overview of AFG's investment performance, financial position, and share a few comments about AFG's capital and liquidity. The details surrounding our $15.3 billion investment portfolio are presented on Slides 6 and 7.

Looking at results for the fourth quarter. Property & Casualty net investment income was approximately 1% higher than the comparable 2022 period. Excluding the impact of alternative investments, net investment income at our P&C insurance operations for the 3 months ended December 31, 2023, increased by 19% year-over-year as a result of the impact of rising interest rates and higher balances of invested assets.

For the 12 months ended December 31, 2023, P&C net investment income was $729 million, approximately 7% higher than 2022 and a new record for AFG. Excluding alternative investments, net investment income at our P&C insurance operations for 2023 increased 35% year-over-year.

As you'll see on Slide 7, approximately 68% of our portfolio is invested in fixed maturities. In the current interest rate environment, we're able to invest in fixed maturity securities at yields of approximately 5.5%. Current reinvestment rates compare favorably to the approximately 5% yield earned on fixed maturities in our P&C portfolio during the fourth quarter of 2023. The duration of our P&C fixed maturity portfolio, including cash and cash equivalents, was 2.9 years at December 31, 2023. We've strategically managed duration to take advantage of market opportunities as interest rates have increased from recent historic lows. The annualized return on alternative investments was approximately 0.8% in the 2023 fourth quarter compared to 5.3% for the prior year quarter.

Following several years of exceptionally strong returns on investments tied to multifamily housing, which averaged 15% over the past 5 years, we're seeing the impact of increased supply and the leveling out of rental rates on these investments, which represent about half of our alternative investment portfolio. We expect these headwinds to continue into 2024.

Longer term, we remain very optimistic regarding the prospects of our investments in Multifamily Housing as these properties continue to generate strong net operating income and have desirable geographic positioning and high occupancy rates. The return on P&C alternative investments was 7% for 2023 compared to 13.2% in 2022. The average annual return on alternative investments over the past 5 calendar years ended December 31, 2023, was approximately 13%.

Please turn to Slide 8, where you'll find a summary of AFG's financial position at December 31, 2023.

AFG had approximately $800 million of excess capital at the end of 2023. In reviewing our disclosures compared to peer companies and considering the diversity of practice and how companies calculate excess capital, we're likely to move away from providing a specific excess capital number in the future. Yesterday, we announced a special dividend of $2.50 per share payable on February 28, 2024. This special dividend is in addition to the company's regular quarterly cash dividend of $0.71 per share most recently paid on January 25, 2024. We expect our operations to continue to generate significant excess capital throughout the remainder of 2024, which provides ample opportunity for additional share repurchases or special dividends over the next year.

We continue to view total value creation, as measured by growth in book value per share plus dividends, as an important measure of performance over the long term. For the 12 months ended December 31, 2023, AFG's book value per share plus dividends increased by 24.1%. AFG's adjusted book value per share plus dividends, which excludes unrealized losses related to fixed maturities, increased by 16.6% during 2023.

I'll now turn the call back over to Carl to discuss the results of our P&C operations.

Carl Henry Lindner
Co-CEO & Director

Thank you, Craig. Now if you please turn to Slides 9 and 10 of the webcast. I'm pleased to report very strong underwriting profitability for the full year with an overall Specialty Property and Casualty combined ratio of 90.3%. We're proud of our consistent record of profitable underwriting results over many years. We're seeing opportunities to grow our Specialty Property and Casualty businesses through increasing exposures, new opportunities and a continued favorable pricing environment. We set new records for premium production in 2023, and we're meeting or exceeding targeted returns in nearly all of our businesses.

As you'll see on Slide 9, our Specialty Property and Casualty businesses reported a strong fourth quarter, a nice finish to a successful year. The Specialty Property and Casualty insurance operations generated an outstanding 87.7% combined ratio in the fourth quarter of 2023, about 1 point higher than the exceptional 86.6% reported in the prior year fourth quarter.

Results for the 2023 fourth quarter include 1.4 points of catastrophe losses, about 0.5 point higher than last year's fourth quarter and 3.3 points of favorable prior year reserve development compared to 3.6 points in the fourth quarter of 2022. Fourth quarter 2023 gross and net written premiums were both up 8% when compared to the same period in 2022. And gross and net written premiums increased 7% and 8%, respectively, for the full year in 2023. Average renewal pricing across our Property & Casualty Group, excluding our workers' comp business, was up approximately 7% for the quarter, in line with renewal rates in the previous quarter, including workers' compensation, renewal rates were up approximately 6%, 1 point higher than the renewal increases reported in the prior quarter.

This is our 30th consecutive quarter to report overall renewal rate increases, and we believe we are achieving overall rate -- renewal rate increases in excess of prospective loss ratio trends to meet or exceed targeted returns. In addition to renewal pricing, we are focusing on insured values in our property-related businesses to ensure that our premiums reflect inflationary considerations.

Now I'd like to turn to Slide 10 to review a few highlights from each of our Specialty Property and Casualty business groups. Details are included in our earnings release, so I'll focus on summary results here.

The businesses in the Property and Transportation Group achieved a 90.3% calendar year combined ratio overall in the fourth quarter, in line with the 90% achieved in the comparable period last year. Excluding crop, the fourth quarter calendar year combined ratio in this group improved 3 points year-over-year. Fourth quarter 2023 gross and net written premiums in this group were up 4% and 1%, respectively, when compared to the 2022 fourth quarter, due primarily to slightly higher crop premium related to the CRS acquisition, which was partially offset by the timing of renewals in several of our Transportation businesses.

Overall renewal rates in this group increased 7% on average in the fourth quarter of 2023, 1 point higher than the previous quarter. Pricing for the full year for this group was up 6% overall. We continue to remain focused on rate adequacy, particularly in our Commercial Auto Liability business. This is our 11th year of rate increases in this line of business, dating back to when we first identified an uptick in commercial auto loss severity in 2012. So we've been at it for a long time, and we're pleased that our starting point for rate increases is different than some of our peers.

Businesses in our Specialty Casualty Group achieved an exceptionally strong 84.6% calendar year combined ratio overall in the fourth quarter, 3.3 points higher than the 81.3% reported in the comparable prior year period. With combined ratios at these levels, the underwriting margins in these businesses are generating returns in the mid-20s. Fourth quarter 2023 gross and net written premiums increased 6% and 7%, respectively, when compared to the same prior year period.

Renewal pricing for this group, excluding our workers' comp business was up 7% in the fourth quarter and was up 4% overall, with both measures down about 1 point from the renewal pricing in the previous quarter. Pricing for this group for the full year, excluding workers' comp, was up 6% and up 4% overall.

Specialty Financial Group continued to achieve excellent underwriting margins and reported an outstanding 81.3% combined ratio for the fourth quarter of 2023, an improvement of 1.8 points over the prior year period. Fourth quarter 2023 gross and net written premiums were up 27% and 26%, respectively, when compared to the same 2022 period and 32% for the full year. Renewal pricing in this group was up 9% in the fourth quarter, accelerating 4 points from the previous quarter. Renewal pricing in this group was up 5% for the full year of 2023.

As noted in yesterday's earnings release, for many years, AFG established a range of core net operating earnings per share guidance for the new year and provided various other guidance measures as a part of its fourth quarter earnings release.

After reviewing industry and peer practices and following a number of discussion with analysts and shareholders, we have decided we'll no longer provide a range of core earnings per share guidance or other guidance measures beginning in 2024. As noted throughout this call, it's clear that our focus has always been on long-term shareholder value creation by generating strong returns on equity that grow book value per share. We believe that historically providing a greater level of guidance metrics as compared to peer companies has created a distraction from our strong ROEs and a record of long-term value creation. As a result, we believe that this change aligns with that focus.

In lieu of guidance, though we have provided several key assumptions underlying our 2024 business plan, which you'll see summarized on Slide 11, these assumptions for 2024 include: growth in net written premiums of 8% compared to last year, a combined ratio similar to 90.3% achieved in 2023, a reinvestment rate of approximately 5.5% and a return of approximately 6% on our $2.4 billion portfolio of alternative investments.

We expect that performance in line with the assumptions included in our business plan would result in core operating earnings per share of approximately $11 in 2024 and generate a core operating return on equity, excluding AOCI, of approximately 20%. We believe that our disclosures are sufficiently detailed and clear and over the course of 2024, our discussions with investors will focus on the considerations that drive long-term shareholder value.

Our IR team and our management team remain available to answer questions and look forward to continuing to educate investors about our business. Craig and I are pleased to report these exceptionally strong results for the fourth quarter and full year and we're proud of our proven track record of long-term value creation. Our insurance professionals have exercised their Specialty Property and Casualty knowledge and experience to skillfully navigate the marketplace. And our in-house investment team has been both strategic and opportunistic in the management of our $15 billion investment portfolio. We're well positioned to continue to build long-term value for our shareholders in 2024 and beyond.
Now we'll open the line for the Q&A portion of today's call. And Craig and Brian and I would be happy to respond to your questions.

Question and Answer

Operator

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

Charles William Lederer
Citigroup Inc., Research Division

Wondering, can you just please break out the reserve development, I guess, for nonworkers' comp casualty reserve development across accident years 2020 to '22 versus the softer market years prior to that in the quarter?

Brian Scott Hertzman
Senior VP & CFO

This is Brian Hertzman. On that question, if you look at where we've seen development by year in Casualty, most of -- we've seen some adverse development coming out of calendar years 2018 and 2019, so that's consistent with prior periods. If you look at development overall in Casualty, we think it's best to look at it for the full year to understand trends. So looking at the full year, I think the first thing to do is to keep in perspective that we're talking about businesses with the calendar year combined ratio for the full year of 87% with ROEs in the mid-20s, so very strong performing businesses.

As we discussed in some of the previous quarters. For the full year 2024, we did have lower levels of favorable development in workers' comp as our initial loss picks have come down in recent years, reflecting our experience and considering some of the price decreases in that business, as well as being mindful about the potential for medical cost inflation going forward.

We talked in previous quarters about some adverse development from social inflation in areas like public sector. As with any company that has an E&S business, there can be -- over time, there can be occasional large loss activity, which we had in various lines of business in different quarters across the year.

Charles William Lederer
Citigroup Inc., Research Division

Got it. That's helpful. I guess, sorry if I missed it. Did you say that the adverse on '18 and '19 that you said at the beginning, was that, did you say what lines those were in the quarter?

Brian Scott Hertzman
Senior VP & CFO

So most of that in the -- for the year, most of that's coming on the social and inflation-exposed businesses. In the quarter, it wasn't necessarily all social, inflation. Some of that was the, just the occasional large losses that could happen in something like E&S.

Charles William Lederer
Citigroup Inc., Research Division

Got it. Okay. And then maybe just on the premium growth embedded in your business plan, would you be able to kind of parse out, I guess, like how much of that, what you're expecting for crop, I guess, from a non-CRS and then including CRS perspective and kind of versus the rest of the business?

Carl Henry Lindner
Co-CEO & Director

We're kind of, we've moved away from talking segment by segment. I'm happy to give you some color on the crop. The crop business is part of the premium determination for this year is a volatility factor which is determined in the next month-or-so and also kind of the average of February futures prices for the December contract in corn and the November contract, I believe, in soybeans.

When you look at the current pricing -- the current pricing, it's the average of the whole month of February. So we don't know until we get down to the end of February exactly what the impact on the premiums are. I think our 8% reflects our current view that crop premiums aren't going to be as large as what we would previously projected in that because of the commodity prices. I can't tell you that. With the CRS business that we added, that business will be up about 50% on a gross written premium basis for this year. I hope that's helpful.

Charles William Lederer
Citigroup Inc., Research Division

Yes. I guess just one follow-up. Would you expect any changes in your crop retention plans if pricing is materially lower?

Carl Henry Lindner
Co-CEO & Director

No. I think probably one of the positive things if you're starting off if the pricing for corn and soybeans ends up being lower, if from a price exposure, since this is revenue protection or revenue coverage, you could argue that it may be tougher to see prices come off by significant amounts from lower spring discovery prices, if that's, in fact, what happens at the end of February. So that can kind of cut both ways. We'll have lower premium, but maybe you'll have lower exposure from a price decline standpoint from those base levels, if that makes sense.

Operator

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

Jon Paul Newsome
Piper Sandler & Co., Research Division

Wanted to touch maybe back on your comments about pricing being above where you think you could, inflation is to achieve target. At the moment, the ROE is very high. Is that really a comment that you continue to expect to achieve sort of the targeted returns? Or are you thinking that the price increases are sufficiently to maintain the current sort of margins that you have today?

Carl Henry Lindner
Co-CEO & Director

Yes. Paul, I think overall, we're achieving price -- overall price increase levels that are in excess overall of the prospective loss ratio trends in our business. In some businesses, those increases might lead to returns that exceed our targets. In other businesses, they would lead towards meeting our targets. I think we're blessed today except for a few businesses, almost all of our businesses are meeting the targeted returns.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Great. Maybe we could turn to capital management a little bit. I think in the past, you've talked about the stock being attractive in your view and you've got sort of 10x, 11x EPS, which is kind of where it's been. But you haven't seen a huge aggressive stock repurchase, focused more on special dividend. Is that still kind of your view or is there a different view on allocation of capital because of the M&A environment or just your general thoughts on how those pieces all get together?

Carl Henry Lindner
Co-CEO & Director

Yes, I think every year is a different mix based on -- we take an opportunistic approach. We think our stock is especially attractively valued. We've shown over this in the past year that we've been in the market repurchasing shares and value that. Where we're generating large amounts of excess capital at these kinds of returns, special dividends can also be important. But obviously, priority here is organic growth, building -- or building the business itself. We are tough buyers on the M&A side, but we look at lots of things and we're always starting businesses, building businesses and acquiring things that make sense and can earn double-digit returns for us over time. You've seen our annual increase in our annual dividend has been substantial over time. So we also think our shareholders value a consistent increase in our annual dividend also. That's still the way we think about things. Each year is going to be a different mix.

Operator

Our next question comes from the line of Michael Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

Just kind of wanted to make sure as we think through the combined ratio guidance for next year and what ultimately equates to a very strong ROE, of course. If we reflect on 2023 a bit, in investors' minds, there was a bit of a pothole from kind of social inflationary adverse development. I believe crop was a little below normal. There was an A&E kind of ding, maybe 1% to 2% in earnings. So I guess -- just want to make sure like that, I'm thinking about those correctly. So on a go-forward basis, you don't expect the combined ratio to improve just because, I guess, maybe pricing is not just a trend, but just the trend is still -- I guess I'm just trying to think through like am I missing something? I guess the trend is maybe moving a little higher, pricing is moving higher, but just returns might not be as excellent if I -- even if I ex out those items I just started kind of calling out?

Carl Henry Lindner
Co-CEO & Director

I think the return is very similar, and we're projecting our business plans for a combined ratio that's at the same level. We have a really great year. Certainly in comparison to our peers, that's one of the stronger performances on underwriting and on return on equity.

And that -- so we're proud of those results, and there's -- there will be businesses that as in workers' comp in this year that had less favorable development, that have outstanding results when you look back on this year, but the underwriting profit wasn't as large. There's businesses, as you said, like crop hail that had a below average year and in our business plan, the way it is together as we -- in the past, when we were giving guidance, so we were planning for an average crop year. So that's, the way we build our plan is really consistent with the way that we used to give guidance as far as how we would get there. Our guidance generally is based off of our business plan in the past.

Stephen Craig Lindner
Co-CEO & Director

Mike, this is Craig. One thing that I think you need to recognize in this year's plan is an assumption on return on alternatives that is somewhat below the historical level and certainly below what we expect to see on a go-forward basis. We have $2.4 billion invested in alternatives, about half of that is invested in multifamily and the balance in more traditional private equity investments.

And our plan for 2024, we're assuming a low single-digit return on our multifamily properties and a high single-digit return on the balance of our alternative investments. To give a little color on our view of multifamily, we still like the asset class longer term. We've generated fantastic returns in the past.

As I said in the conference call script, we've averaged a 15% return -- annual return over the last 5 years. We are in very attractive markets. Florida and Colorado represent 53% of our multifamily investments; Dallas, Phoenix and North Carolina another 27%. They're markets with very strong population growth. So the new builds in the recent past, the bulk of the new builds have been at attractive markets with population growth, that is impacting our ability to push rates the way we have in the recent past. So we think it's going to take 12 to 18 months to work through this new inventory, the new supply of multifamily properties.

And then we do expect that the -- we will have the ability to push rental rates more in line with what we've done in the recent past and generate strong returns. But if you -- our long-term expectations on alternative investments would be for a return of 10%-plus. Historically, we've done better than that. If you normalize this year's return and use 10% as kind of a normalized number, it would add $0.90 per share to the EPS, which is about 1.5 of ROE.

So I think that is something that investors need to recognize. Because of our significant multifamily exposure, which near term is going to hurt these returns, that is an unusually low return expectation for this calendar year. And I think that needs to be normalized when you take a look at this year's earnings expectations.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Okay. That helps. I think investors will understand that. Okay. Lastly, and this one might be for Brian. Just on triangulating the excess capital and the parent company cash and all those moving parts, I believe the debt to capital, if I'm thinking about the right way, is below the company's kind of, maybe it's a max threshold of 30% or I don't know if it's a target of 30%, you can clarify that? But if, is there -- would there be an option to issue some debt in the future potentially to release excess capital to the extent there weren't M&A opportunities? Or is that not something we should be thinking about as a lever?

Brian Scott Hertzman
Senior VP & CFO

So yes. So the 30% is sort of a guideline for us. So we would look at as our maximum, not that we couldn't go over that if the opportunity presented itself. But that does leave open the possibility for borrowing money at the right rate and the right environment to move towards that ratio if it makes sense from a long-term value creation from a shareholders' perspective. So it would be on the table, but not in our immediate plan.

Operator

[Operator Instructions] Our next question comes from the line of Andrew Andersen with Jefferies.

Andrew E. Andersen
Jefferies LLC, Research Division

In the press release, you mentioned lower underwriting profit in E&S. Could you expand a bit on that? Was that just large losses on Property or Casualty? And does it reflect a change in underlying loss trend assumption?

Carl Henry Lindner
Co-CEO & Director

Yes. I think the quarter was in the 80s. The combined ratio for this overall -- you got to put that in perspective. So, the quarter had an outstanding combined ratio to start with. And as Brian said, when you put it in the perspective of the whole year, there was, the difference in the reserve development was less favorable workers' comp for the whole year, some impact from social inflation. And in some quarters, some large loss on the Casualty side activity. I think that's the right way to look back and if you're trying to look at trends for us.

Andrew E. Andersen
Jefferies LLC, Research Division

And are you seeing any change in the competitive environment within E&S?

Carl Henry Lindner
Co-CEO & Director

I think maybe a bit more competition on -- we're not on the E&S property side. We've been expanding our property business on the E&S side. It seems like some more interest in that sector and some more competition there. I think on the positive side, other interesting things I think we're seeing on the D&O side where the pricing has been down double digit. In the fourth quarter, we saw it being down single digit, which I saw as a positive trend, and we've thought that there have been too many competitors, too much capital and pricing levels that don't make sense in public D&O. So that was positive. I think another positive thing that we saw in the fourth quarter on the pricing front was our Commercial Auto pricing. They're in National Interstate and Vanliner moved to 10 -- moved to double digit to 10%-plus, which I see as a positive competitive sign.

Andrew E. Andersen
Jefferies LLC, Research Division

And maybe just a quick numbers question. $34 million of other expense in the quarter, I suspect that's a higher amortization from CRS, but is that kind of a good run rate for this line time in '24?

Brian Scott Hertzman
Senior VP & CFO

So it looks like you're looking at our line item for sort of other corporate expenses. So what falls into that line is really everything that's not part of our Property and Casualty operations and then we show the interest expense separately. So that's mostly holding company expenses in that line. But it's also net of any investment income earned by the parent company. So there's a couple of things going on there in the quarter when you compare it to previous quarters, particularly in the fourth quarter of 2022. One of the bigger things in there is that during the fourth quarter of 2023, we had lower levels of cash and investment balances at the parent company as we tend to keep most of our cash and investments down in the P&C operations.

So the investment income that sort of netted into that number is about $4 million lower in 2023 compared to 2022 in the same quarter. And then also in the fourth quarter of 2023, we just happened to have a couple of sort of one-off elevated expenses, and that was magnified by a benefit in the fourth quarter of 2022.

In the fourth quarter of 2022, we had a benefit related to some employee benefit plans that are tied to the stock market that didn't recur this year. So when you look at the things in the fourth quarter of 2023 versus the 2022 quarter that are different, I would say the lower parent company investment income, which is about $4 million that's probably something that would go forward, and I would consider if you're looking at a run rate, the other items are really sort of one-off things that could happen in any quarter, but I wouldn't consider them something that I put in the run rate.

Carl Henry Lindner
Co-CEO & Director

Yes, I want to go back on the E&S umbrella and excess liability business, just to be clear. When you look at -- if you would just look at that part of our business in the fourth quarter, it would be in line with what the combined ratio was for the whole year in that. And we had ended up with excellent underwriting results in E&S umbrella and excess liability overall.

Operator

Our next question comes from the line of Meyer Shields with Keefe, Bruyette, & Woods.

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

Great. In terms of understanding, I don't want to call it guidance anymore, but the expectations, there are a few companies out there who provide some sort of outlook for combined ratio and explicitly say that, that does not include reserve development. I just want to understand whether we should look at your expectations the same way or whether maybe there's some measure of reserve release anticipated?

Brian Scott Hertzman
Senior VP & CFO

This is Brian. So when we look at our combined ratio overall, we feel like we set our reserves optimistically and conservatively and we're optimistic about the potential for future -- prior development -- for future favorable prior development that we wouldn't explicitly disclose any kind of components of our combined ratio. I think it's important to know that we think our reserve position is very strong. And if you look at our plan for 2024, we did react to the higher frequency of catastrophe losses that occurred in 2023, along with cat experiences in other recent years.

When you look at things like social inflation, we've been really focused on price increases, terms and conditions like a customer points and retention. And so we're sort of good about the actions in that area. So if you look overall, I think while we wouldn't explicitly put anything in there to say anything about prior year development, we're optimistic that we could have some and feel good about where our reserves are.

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

Okay. Perfect. I just wanted to understand what the expectation entails. Carl, you mentioned some timing issues with regard to transportation, I was hoping you could flesh that out?

Carl Henry Lindner
Co-CEO & Director

I'm not -- could you repeat that? I couldn't -- I'm unsure what the question was?

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

I'm sorry. So when you're talking about the Property and Transportation segment, you mentioned some timing, I think, with regard to fourth quarter premium growth. And just looking to understand whether some of that was deferred to the first quarter of '24? Or how we should think about that?

Brian Scott Hertzman
Senior VP & CFO

It's really just timing between quarters. Some stuff moved to other quarters, sometimes things renew in a different month or have a different policy term with things like that.

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

Okay. And then one final question. Outside of crop, can you talk about your expectations for reinsurance purchasing in 2024 versus 2023?

Brian Scott Hertzman
Senior VP & CFO

So you're talking about reinsurance in general across all of our lines?

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

Yes.

Brian Scott Hertzman
Senior VP & CFO

So separating out the cat program from our just traditional other non-cat reinsurance or are you focusing on the cat?

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

Both.

Brian Scott Hertzman
Senior VP & CFO

On the catastrophe reinsurance side, so we did renew our property cat treaty here for 2024. The attachment point for that cat treaty moved up some from 2023, mostly due to our increased exposure as we have increased property exposures in both our E&S business and in our financial institutions business. So we'll be attaching at a $70 million level instead of a $50 million level. So if you think about our property cat reinsurance tower, so the retention is $70 million. We then have traditional reinsurance for $55 million in excess of the $70 million.

And then our cat bond comes in on top of that providing a coverage for the vast majority of any single event up to $450 million, and that cat bond is in place through the end of 2024. So on the -- and the cost of the reinsurance, so we're buying less coverage.

The risk-adjusted return is actually slightly lower for that cost in 2024 than it was in 2023. As far as reinsurance outside of the property cat cover, our business units look at that year-by-year and business unit by business unit to purchase reinsurance where they think that it provides an attractive balance of risk and return for the company, so there's no real overall trend there. I wouldn't expect our reinsurance retentions will be super different when you look across the company as a whole in 2024 versus 2023, but we are careful at each business unit determining the right coverage each year.

Operator

And I'm currently showing no further questions at this time. I'd like to hand the call back over to Diane Weidner for closing remarks.

Diane P. Weidner
Vice President of Investor & Media Relations

Thank you, Shannon, and thank you all for joining us this morning as we reviewed our fourth quarter and full year results for 2023. We look forward to talking with you all again next quarter. Hope you all have a great day.

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