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American Financial Group, Inc. NYSE:AFG

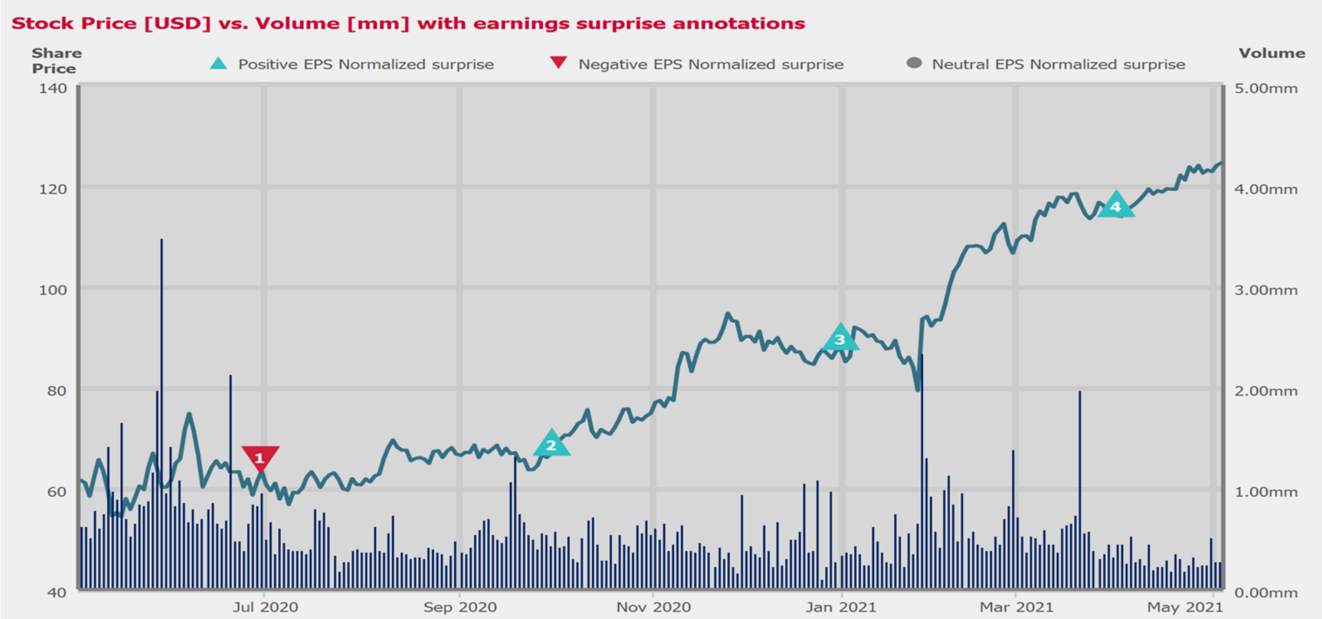
FQ1 2021 Earnings Call Transcripts

Wednesday, May 05, 2021 3:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.67	2.38	42.52	1.58	6.82	NA
Revenue (mm)	1252.00	1173.00	(6.31 %)	1276.00	5183.00	NA

Currency: USD
Consensus as of May-05-2021 12:16 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	1.34	1.05	1 (21.64 %)
FQ3 2020	1.70	2.45	2 43.27 %
FQ4 2020	2.08	3.09	3 48.56 %
FQ1 2021	1.67	2.38	4 42.52 %

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Call Participants

EXECUTIVES

Brian S. Hertzman
Senior VP & CFO

Carl Henry Lindner
Co-President, Co-CEO & Director

Diane P. Weidner
Vice President of Investor & Media Relations

Stephen Craig Lindner
Co-President, Co-CEO & Director

ANALYSTS

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

Paul Newsome
Piper Sandler & Co., Research Division

Unknown Analyst

Presentation

Operator

Good day, and thank you for standing by. Welcome to the American Financial Group 2021 First Quarter Results Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions] I would now like to turn the conference over to your speaker today, Vice President, Investor Relations, Ms. Diane Weidner. Please go ahead.

Diane P. Weidner
Vice President of Investor & Media Relations

Thank you, Chino. Good morning, and welcome to American Financial Group's First Quarter 2021 Earnings Results Conference Call. We released our 2021 first quarter 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 actual results and/or financial condition to differ materially from these statements. A detailed description of those 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 attributable to shareholders 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 statement.

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

Carl Henry Lindner
Co-President, Co-CEO & Director

Good morning. We released our 2021 first quarter results yesterday afternoon. Please turn to Slide 3 of the webcast slides for an overview. As previously announced, the results of our annuity operations were reported as discontinued operations beginning in the first quarter of 2021 and prior periods have been adjusted accordingly to present results on a comparable basis. AFG reported core net operating earnings of $2.38 per share, an impressive 75% increase year-over-year. The increase was due to substantially higher underwriting profit in our Specialty Property and Casualty insurance operations and higher Property and Casualty net investment income. Significantly improved results from the company's $1.5 billion of alternative investments that are mark-to-market through core operating earnings were partially offset by lower other Property and Casualty net investment income, primarily due to lower short-term interest rates. Annualized core operating return on equity in the first quarter was a strong 14.7%.

Turning to Slide 4, you'll see that the first quarter 2021 net earnings per share of $4.84, included $0.70 per share in after-tax noncore net realized gains on securities and $1.76 per share in earnings from our discontinued annuity operations. Craig and I thank God, our talented management team and our employees for helping us to achieve these results and position our business for continued success.

Based on the strong results reported through the first quarter, we now expect AFG's core net operating earnings in 2021 to be in the range of $7 to $8 per share, an increase from our previous guidance of $6.25 to $7.25 per share. As you'll see on Slide 5, this guidance range excludes earnings from our discontinued Annuity operations that will be sold to MassMutual and continues to assume 0 earnings on parent company cash, including the expected net cash proceeds from the sale of the Annuity operations as we continue to consider alternatives for deployment of the sales proceeds.

The year is off to a great start, and we're pleased to increase our 2021 core earnings per share guidance in a meaningful way. This guidance excludes noncore items such as results of discontinued operations, realized gains and losses and other significant items that are not able to be estimated with reasonable precision or that may not be indicative of ongoing operations. Furthermore, the above guidance reflects a normal crop year and an annualized return of approximately 8% on alternative investments over the remaining 3 quarters of 2021. Craig and I will discuss our guidance for each segment of our business in more detail later in the call.

Now I'd like to turn our focus to our Property and Casualty operations. Please turn to Slide 6 and 7 of the webcast, which includes an overview of the first quarter results. As you'll see on Slide 6, the Specialty Property and Casualty insurance operations generated an underwriting profit of $134 million in the 2021 first quarter, compared to $89 million in the first quarter of 2020, an increase of 51%. While each of our Specialty Property and Casualty groups produced higher year-over-year underwriting profit, the increase was primarily due to higher underwriting profitability in our Property and Transportation Group.

The first quarter 2021 combined ratio was a very strong 88.5%, improving 3.7 points from the 92.2% reported in the comparable prior year period. Results for the 2021 first quarter include 1.7 points in catastrophe losses and 5.2 points of favorable prior year reserve development. Catastrophe losses net of reinsurance and including reinstatement premiums were $31 million in the first quarter of 2021, primarily the result of winter storms in Texas.

By comparison, catastrophe losses were $9 million in the prior year period. We continue to carefully monitor claims and loss trends related to the COVID-19 pandemic, numerous legislative and regulatory actions as well as the specifics of each claim contribute to a highly fluid, evolving situation. AFG recorded an additional $9 million in reserve charges related to COVID-19 in the first quarter of 2021, primarily related to our workers' compensation businesses. And we released approximately $6 million of accident year 2020 COVID-19 reserves based on loss experience.

Given the uncertainty surrounding the ultimate number and scope of claims relating to the pandemic, approximately 69% of the $98 million in AFG's COVID-19-related reserves are held as incurred but not reported at March 31, 2021. Our claims professionals and those who support them are working tirelessly to review claims with the care and attention each deserves.

Now turning to pricing. We continue to see strong renewal rate momentum and achieved broad-based pricing increases in the quarter, with exceptionally strong renewal pricing in our longer tail liability businesses outside of workers' comp. Average renewal pricing across our entire P&C group, including workers' comp, was up approximately 12% for the quarter. Excluding our workers comp business, renewal pricing was up approximately 16% in the first quarter. We're pleased to see this continued strong renewal rate momentum, which is enabling us to achieve rate in excess of loss costs in nearly every one of our Specialty Property and Casualty businesses, with the exception of workers' compensation. And our overall increase is -- it's relatively unchanged from the rate increases achieved in the fourth quarter of 2020.

Gross and net written premiums for the first quarter of 2021 were up at 6% and 3% net written premiums, respectively, when compared to the first quarter of 2020, with healthy year-over-year growth reported within each of the Specialty Property and Casualty Groups. Excluding workers' comp, gross and net written premiums grew by 9% and 7%, respectively, year-over-year.

Now I'd like to turn to Slide 7 to review a few highlights from each of our Specialty Property and Casualty business groups. Property and Transportation Group reported an underwriting profit of $56 million in the first quarter of 2021 compared to $27 million in the first quarter of 2020. Higher underwriting profits in our Transportation, Property & Inland Marine and crop businesses were the drivers of the year-over-year increase. Catastrophe losses in this group, net of reinsurance and including reinstatement premiums were $22 million in the first quarter of 2021, primarily the result of the winter storms in Texas.

First quarter 2021 gross and net written premiums in this group were 5%, 4% higher, respectively, than the comparable prior year period, with growth reported in nearly all the businesses in this group. Growth came primarily from our Agricultural, Property, Inland & Marine and Aviation businesses, primarily as a result of higher renewal rates. Overall renewal rates in this group increased 7% on average for the first quarter of 2021 with continued strong renewal rate momentum.

As for crop insurance, planning is underway with industry estimates for 2021 planted acreage, unchanged, up slightly from last year's levels. Current commodity futures prices for corn and soybeans are trading approximately 27% and 15%

higher, respectively, than the 2021 spring discovery prices. Specialty Casualty Group reported an underwriting profit of $56 million in the 2021 first quarter compared to $52 million in the comparable 2020 period.

Higher profitability in our excess and surplus lines and excess liability businesses was partially offset by a lower year-over-year prior period favorable reserve development in our workers' compensation businesses. Underwriting profit, profitability in our workers' compensation businesses overall continues to be excellent. Property, the Specialty Casualty Group reported a very strong 90.2% combined ratio for the first quarter. Gross written premiums increased 6% and net written premiums were flat when compared to the same prior year period. Excluding workers' compensation, gross and net written premiums grew by 13% and 8%, respectively, year-over-year.

With the exception of workers' compensation, nearly all the businesses in this group achieved strong renewal pricing and reported premium growth during the first quarter. Significant renewal rate increases and strong renewal retention contributed to higher premiums in our excess liability businesses, which have higher sessions than other businesses in this group. Executive liability and mergers and acquisitions liability businesses also contributed meaningfully to the year-over-year growth. These increases were partially offset by lower year-over-year premiums in our workers' compensation businesses, which were primarily the result of lower renewal rates.

Catastrophe losses for this group were about $2 million in the first quarter of '21 and less than $1 million in last year's prior year period. Renewal pricing for this group was up 15% in the first quarter. And excluding our workers' compensation businesses, renewal rates in this group were up a very strong 25%.

Specialty Financial Group reported an underwriting profit of $25 million in the first quarter of 2021 compared to $17 million in the first quarter of 2020. Higher year-over-year underwriting profit in our financial institutions business was the primary driver of the increase. This group continued to achieve excellent underwriting margins and reported an 84.1% combined ratio for the first quarter of 2021. Catastrophe losses for this group, net of reinsurance and inclusive of reinstatement premiums, were $6 million in the first quarter of 2021, compared to $1 million in the prior year quarter. Gross and net written premiums increased by 5% and 8%, respectively, in the 2021 first quarter when compared to the prior year period. Business opportunities, coupled with growth in accounts with higher retentions within our lender services businesses contributed to the increase in the quarter. Renewal pricing in this group was up approximately 8% for the quarter.

Now please turn to Slide 8 for a summary view of our 2021 outlook for the Specialty Property and Casualty operations. This year is off to a very strong start with the first quarter Specialty Property and Casualty combined ratio under 89% and we continue to expect a 2021 combined ratio for the Specialty Property and Casualty Group overall between 89% and 91% for the full year. Net written premiums are now expected to be 7% to 10% higher than the $5 billion reported in 2020, an improvement from the range of 5% to 9% estimated previously.

Now growth in net written premiums, excluding workers' comp, is now expected to be in the range of 9% to 12%, an increase from the range of 6% to 10% estimated previously. Looking at each segment, we continue to estimate a combined ratio in the range of 88% to 92% in our Property and Transportation Group. Our guidance assumes a normal level of crop earnings for the year. We now expect growth in net written premiums for this group in the range of 13% to 17%. Our net written premium guidance is based on projected strong growth in our crop operations as a result of higher spring commodity futures pricing and assumes double-digit growth in our commercial auto businesses during the year.

We continue to expect our Specialty Casualty Group to produce a combined ratio in the range of 87% to 91% in 2021. Our guidance assumes continued strong renewal pricing in our E&S, excess liability and several of our other longer tail liability businesses. We expect net written premiums to be 2% to 5% higher than the 2020 results. Premium growth will be tempered by rate decreases in our workers' compensation book, which are the result of favorable loss experience in this line of business. Though excluding workers' compensation, we expect 2021 premiums in this group to grow in the range of 5% to 9%.

Now the Specialty Financial Group combined ratio is now expected to be in the range of 86% to 90%. We expect net written premiums in 2021 to be 7% to 11% higher than 2020 results. The improved outlook is primarily the result of stronger underwriting results and stronger projected premium growth in our financial institutions business. With regard to pricing, we expect overall Property and Casualty renewal rates to be up 8% to 10%, and excluding comp, that would be in the range of 10% to 12%, as indicated by the continuing pricing momentum that we saw through the first quarter of 2021.

I'll now turn the discussion over to Craig to review AFG's investment performance and the impending sale of the Annuity business.

Stephen Craig Lindner
Co-President, Co-CEO & Director

Thank you, Carl. The details surrounding our $13.9 billion investment portfolio for continuing operations are presented on Slides 9 and 10. AFG recorded first quarter 2021 net realized gains on securities of $61 million after tax. Approximately $53 million of the after-tax realized gains pertained to equity securities that AFG continued to own at March 31, 2021. Pretax unrealized gains on AFG's fixed maturity portfolio were $240 million at the end of the first quarter.

We're especially pleased with the performance of our alternative investments during the quarter. Earnings from alternative investments may vary from quarter-to-quarter based upon the reported results of the underlying investments and generally are reported on a quarter lag. The annualized yield on alternative investments reported in core operating earnings in the first quarter of 2021 was 28.6%. The average annual return on these investments over the past 5 calendar years was approximately 10%.

We view our investments in real estate and real estate-related entities as a core competency. In addition to our portfolio of directly owned properties and mortgage loans, our real estate-related investments include real estate funds and real estate partnerships accounted for by the equity method. We've found great success in investing in multifamily properties in desirable communities, where we continue to achieve very strong occupancy and collection rates. As you can see on Slide 10, our investment portfolio continues to be high-quality with 87% of our fixed maturity portfolio rated investment grade. In addition, the percentage of fixed maturity investments rated non-investment grade by the NAIC remains at less than 3% of total fixed maturity investments at March 31, 2021.

We continue to make great progress toward the closing of the sale of our Annuity businesses to MassMutual, the highlights of which are included on Slide 11. Under the terms of the agreement, the purchase price of $3.5 billion is subject to final closing adjustments to the extent that GAAP shareholders' equity, excluding AOCI of the entities sold varies from $2.8 billion. GAAP shareholders' equity, excluding AOCI of the entities to be sold, was $3 billion at March 31, 2021. We now expect to recognize an after-tax gain on the sale of $680 million to $700 million or $7.85 to $8.10 per AFG share when the sale closes, which is expected to occur in the second quarter of 2021. In addition, prior to completion of the transaction, AFG's P&C Group will acquire approximately $460 million in real estate-related partnerships, and AFG parent will acquire approximately $100 million in directly owned real estate from Great American Life Insurance Company.

Updated pro forma financial information is provided on Slide 12 and illustrates how the transaction will significantly enhance AFG's excess capital and liquidity. On a pro forma basis, AFG's parent cash as of March 31, 2021, was $3.8 billion and excess capital increased from the $1.2 billion reported at March 31, 2021, to an estimated $4.5 billion. Approximately $2 billion of the estimated $4.5 billion of pro forma excess capital will be available for return to shareholders in the form of special dividends and/or share repurchases without violating our commitments to rating agencies or exceeding our debt-to-capital targets.

AFG parent is expected to have approximately $45 per share in cash immediately following the closing of the sale of the annuity business. As for use of proceeds, we continue to evaluate opportunities for deploying AFG's excess capital and review options that provide the best opportunity to create long-term value for our shareholders. Alternatives include the potential for share repurchases and special dividends and opportunities to grow our business through healthy, profitable organic growth and expansion of our Specialty, Property and Casualty niche businesses through acquisitions and start-ups that meet our targeted return thresholds.

I would like to personally thank all of our talented and dedicated Annuity associates and the Annuity and AFG leadership teams who have worked tirelessly to ensure a successful transaction and an orderly transition of the Annuity business.

I will now turn the discussion over to Brian, who will discuss AFG's financial position and share a few comments about AFG's capital and liquidity.

Brian S. Hertzman
Senior VP & CFO

Thank you, Craig. Please turn to Slide 13, where you will find a summary of AFG's financial position at March 31, 2021. We repurchased $192 million of AFG common stock during the quarter at an average price per share of $108.98. Share repurchases, especially when executed at attractive valuations, are an important and effective component of our capital management strategy.

During the quarter, in addition to the share repurchases, we returned $43 million to our shareholders through the payment of our regular $0.50 per share quarterly dividend. Annualized growth in adjusted book value per share plus dividends was a strong 23.8% during the first quarter. Our excess capital was approximately $1.2 billion at March 31. This number included parent company cash of approximately $200 million. As a reminder, we define excess capital as a sum of holding company cash, excess capital within our insurance subsidiaries and borrowing capacity up to a debt-to-total adjusted capital ratio that ensures we maintain our commitments to rating agencies. We expect to continue to have significant excess capital and liquidity throughout 2021 and beyond. Specifically, our Property and Casualty insurance companies are projected to have capital in excess of the levels expected by rating agencies in order to maintain their high current ratings, and we have no debt maturities before 2026.

I would also like to take a minute to talk about holding company expenses which are impacted by changes in the liability for employee benefit plans that are tied to the stock market in both the first quarter of 2021 and 2020. The significant decline in the stock market, including AFG common stock in the first quarter of 2020, reduced our liabilities under these plans and favorably impacted holding company expenses by about $8.5 million. Conversely, very strong performance by our stock in the overall stock market in the first quarter of 2021 increased our liabilities under these plans and adversely impacted holding company expenses by about $9 million. In a more normalized stock market environment, these expenses are less volatile with an estimated run rate that is $5 million or so better than the current quarter.
We will now open the line for questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from the line of Paul Newsome from Piper Sandler.

Paul Newsome
Piper Sandler & Co., Research Division

Congratulations on the quarter. I was hoping to maybe just to have you give us a little color on what's going on from a -- benefits of rate on the top line in the property casualty business versus some sort of sense of policy in force? Obviously, you have a lot of different products with a lot of different structures, but it's tough to tell if what's happening here is almost entirely rate? Or if there's some market share gains coming through as well? And maybe just kind of talk about sort of the pieces thereof as we look forward.

Carl Henry Lindner
Co-President, Co-CEO & Director

Yes. This is Carl. I think primarily in the first quarter, it's being driven by rate and renewal attention -- overall renewal retention on that. But we have 34 different businesses. So we do have businesses where we are picking up policy count or accounts in that. So we're very...

Paul Newsome
Piper Sandler & Co., Research Division

Just curious to see if we're going to -- there's a lot of activity in E&S and some of the lines that you're in, in terms of new folks trying to come in and others leaving, but it doesn't look like you sort of much of a net shift in the industry with respect to actual participation, is that fair? Or is it somehow different?

Carl Henry Lindner
Co-President, Co-CEO & Director

I don't really see -- I don't think the competitive environment today, with regards to new entrants is any different than any other year. I mean the markets, when you're operating in 34 different markets, the markets are fairly fluid. There is some consolidation within the industry. And when that happens, there's always some shakeout of accounts and agents and with agents and brokers and that type of thing. And you always have markets pulling back or moving out of some of those 34 markets. So I think I see it really kind of being neutral or really no change from the normal environment that we've operated in.

Operator

So for the next question, we do have Greg Peters from Raymond James.

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

So if I look at the specialty Property and Casualty business, the expense ratio for the group improved pretty nicely last year. I think it was 30.4% versus 32.2% for the full year. And then if I look at the first quarter results, the expense ratio for the group improved again, $31.7 million versus 33.7% a year ago. So it's a 200 basis point improvement and on top of almost a 200 basis point improvement that you generated last year. So Carl, I was wondering if you could give us some ideas of what's going on the expense side? Are you -- what initiatives do you have in place to drive this type of improvement? Is this sustainable? And should we be thinking about these types of improvements going forward?

Brian S. Hertzman
Senior VP & CFO

Hi Greg, this is Brian Hertzman. Thank you for the question. Looking at the first quarter of 2021 versus the first quarter of 2020, I'll kind of go through it by subsegment. In the Property and Transportation subsegment, we had higher profitability-based seating commissions from our reinsurers in the crop business. So that was a positive impact on the ratio. We also had some growth, higher premiums in the aviation business. So that was helpful as well. And especially Casualty subsegment, we had growth in our excess liability in mergers and acquisitions businesses. Those businesses also have a profitability-based ceding commissions.

So we had higher ceding commissions in those businesses. And in Specialty Financial, we had higher premiums, particularly in our innovative markets business. And then -- so overall, we're just seeing impacts of growth and improved profitability. As far as going forward goes, we're always a prudent manager of our expenses and keep an eye on things. We know we're still getting some benefit of lower travel and entertainment, and we'll look to ways to keep that moving forward. And obviously, with the rate increases that we're getting and the growth in the businesses, the fixed portion of our expenses, we'll continue to benefit from that as long as we have that continued growth that we're expecting and the nice rate increases.

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

That's great color. And a follow-up to another, on one of the prepared comments. I think you said -- and I'm mistaken, if I got this wrong, you'll correct me, I'm sure. But I think you said, excluding workers' comp, pricing was up 10% to 12% across the book of business. And then I think you guided to ex-workers' comp for Specialty Property Casualty premium to be up 9% to 12%. So if I got those numbers wrong, I'm sorry. But what I'm driving at here is, I'm just curious about the balance between rates that you're getting and actually new business units or new policies. So I was just wondering for some perspective on that.

Carl Henry Lindner
Co-President, Co-CEO & Director

Well, first of all, in the first quarter, overall, excluding workers' comp, our prices were up 16%. And that's pretty much -- the fourth quarter was about 17%. So really, we're pleased really, wasn't much difference in that. In our guidance, we're guiding to 10% to 12% excluding comp, that moved up from our previous guidance. But the reason for the difference, we think, as I mentioned in our -- in the last earnings call, that I believe that when we get to second or third renewals on some of the business that's been achieving 20% to 50% rate increases, I don't think we're going to get the same 20% to 50% type of rate increase on top of what we've already gotten.

So when that, and it's just -- I think the reality, or -- in our case, our overall rates are very adequate per our underwriting profitability. And I just don't think, once maybe the second half of the year hits, that we're going to get some of the same size of price increase that we've been getting before. So that's the difference. I think I already commented on where our growth is coming from as it relates to renewal pricing, strong retentions. And in some of our 34 businesses, we are growing policy count. But I almost have to go through business-by-business, and we don't really disclose that data.

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

Fair enough. I guess the last question I have would be from Slide 11, on the sale of the Annuity business. And I know I asked this last quarter, and so I just -- pardon me, I'm just trying to work through the mechanics of the accounting. But what's the -- on the business that's being sold, what's the GAAP shareholders' equity, including AOCI? And when I look about that estimated after tax gain, is that ex-AOCI or including AOCI? I'm just trying to understand mechanics there.

Brian S. Hertzman
Senior VP & CFO

So on the AOCI, the AOCI will go away as part of the transaction. So it's kind of -- it's more or less embedded in the gain. And so the gain is pretty much as straightforward as they're paying us $3.5 billion for shareholders' equity of $2.8 billion. The expenses and tax consequences related to the transaction are relatively small. If you -- if looking at the equity in the business, ex-AOCI is $3 billion, the AOCI in that business is mostly related to unrealized gains on fixed maturity securities that go away as part of the transaction, and that number is about $800 million. So it's declined -- the unrealized has declined -- the AOCI has declined because we unrealized by about $270 million since year-end, but that doesn't have any effect on the gain or on the proceeds or anything else. So from a total shareholders' equity perspective, it's pretty much more of a wash.

But as we said last time we talked about this, yes, the I part really isn't affecting that, isn't really affecting the economics of the transaction for us from an income statement perspective or from a -- what we would consider our more real capital, especially with the leverage in the Annuity portfolio, that those unrealized numbers can move all over the place. And unless you're selling the securities outright, they don't necessarily matter that much and as you can see, a $270 million change in the AOCI balance didn't affect anything to do with the transaction or how we look at the business. So hopefully, that's helpful.

Operator

[Operator Instructions] Next question comes from the line of [Kim Speck] from KBW.

Unknown Analyst

I had a quick question on the pace of recovery for the transportation business, particularly speaking to the reduced exposures last year.

Carl Henry Lindner
Co-President, Co-CEO & Director

I think when you look at our premium guidance for the Property and Transportation group, increasing 13% to 17%. And my comment about our commercial auto business growing double digit. I think it's -- kind of tracks with what we feel the economic recovery is going to be, as more vaccines, 60%, 70% of the country gets vaccinated by July, and things get back more to normal. We had a very strong premium month in March in our commercial auto business. And that caused us, along with the improving economy, to be very optimistic about our growth in our commercial auto business. So we've had excellent profitability for the last couple of years in the first quarter, in our commercial auto business and still getting a pretty significant rate as the loss cost, loss ratio trends in that part of our business continue to be higher than our average in that. But yes, very -- I'm very pleased with the prospects for both profit and growth.

Unknown Analyst

And can you speak to the broader loss trend? And what changes you may be seeing going forward for the full -- the whole insurance business?

Carl Henry Lindner
Co-President, Co-CEO & Director

Sure. Our overall -- AFG's overall loss ratio trend is about 1.9%. Excluding workers' comp, that's 3.4% in that. And loss ratio trend is loss cost trend, plus any positive offsets for the growth in exposure units and that type of thing. The 1.9%, I would point you to the 12% in price increase that we got in the first quarter of 2021. So obviously, we're achieving above -- rate above our loss ratio trend. And I might point you to the 16% excluding workers' comp and price that we got in the first quarter as compared to the 3.4% loss ratio trend. Clearly, some of the social inflation impacted businesses like excess liability and exec in our D&O business and commercial auto liability, those would be the businesses where loss ratio, cost and loss ratio trends are higher within our book of business.

Unknown Analyst

And just a final question. For workers' comps, you have -- just wanted to get a sense of the frequency expectations as the economy recovers.

Carl Henry Lindner
Co-President, Co-CEO & Director

On workers' comp, our current loss ratio trend is overall down, is overall down about 1%. Our frequency continues to be down roughly 1% or so. So our overall loss cost trend is kind of flat to 1%. So -- and so we continue to see pretty stable loss cost trends and loss ratio trends in that business.

Operator

And there are no further questions at this time. I will now turn the call over back to Ms. Diane Weidner for closing remarks.

Diane P. Weidner
Vice President of Investor & Media Relations

Thank you all for joining us this morning to review our first quarter 2021 results. We look forward to talking with you again as we share highlights from our second quarter. Hope you all have a great day.

Operator

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