W. R. Berkley Corporation

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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and welcome to W. R. Berkley Corporation's First Quarter 2023 Earnings Conference Call. Today's conference call is being recorded. The speakers' remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words, including, without limitation, believes, expects or estimates. We caution you that for such forward-looking statements -- such forward-looking statements should not be regarded as a representation by us, that the future plans, estimates or expectations contemplated by us will, in fact, be achieved.

Please refer to our annual report on Form 10-K for the year ended December 31, 2022, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results. W. R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

I would now like to turn the call over to Mr. Rob Berkley. Please go ahead, sir.

William Robert Berkley
President, CEO & Director

Emma, thank you very much, and good afternoon to all participants. Thank you for finding time to join us this afternoon. Cohosting with me today is Bill Berkley, Executive Chairman; as well as Rich Baio, Executive Vice President and Chief Financial Officer. We are going to follow our typical agenda where momentarily, I'll be handing it over to Rich. He's going to run through some of the financial highlights from the quarter. Once he gets through his comments, he'll be handling -- handing it back to me. I will follow up with a few of my own observations, and then the 3 of us will be available for Q&A to answer any questions people may have.

So with that, Rich, if you would, please.

Richard Mark Baio
Executive VP & CFO

Thanks, Rob. Appreciate it. The company is off to a strong start with the first quarter of 2023 despite the significant catastrophe losses facing the industry. Our scale, specialization and disciplined management approach positioned us well to report an annualized return on equity of 17.4%. Contributions to this performance was reflected in both underwriting and investment income. The current accident year combined ratio, excluding catastrophes, was a strong 87.7%. And investment income approached the record level achieved in the fourth quarter of 2022, driven by significant growth in our core portfolio investment income of more than 80%.

The balance sheet also strengthened with stockholders' equity growing to a record level of more than $6.9 billion and book value per share increasing 3.7% in the quarter. The company returned almost $300 million of capital to shareholders through regular and special dividends as well as share repurchases, resulting in growth in book value per share before dividends and repurchases of 7.2%. The short duration in the fixed maturity investment portfolio of 2.4 years and high credit quality of AA- benefited unrealized investment losses by approximately $181 million.

Continuing on investment performance. Net investment income increased almost 29% to $223 million. The income attributable to the core portfolio substantially increased due to a higher new money rate on fixed maturity securities compared to the roll-off of existing investments. In addition, strong operating cash flow of approximately $445 million in the quarter increased our investable assets and will further contribute to growth in net investment income. The book yield has increased from 3.6% in the fourth quarter of 2022 to 3.8% in the current quarter on fixed maturity securities.

The investment funds reflected income of $2 million for the quarter, primarily arising from declines in market value in the financial services and consumer goods sectors, partially offset by income from transportation and energy funds. Pretax net investment gains reflected an increase of $43 million in unrealized gains on equity securities, bringing our total unrealized gains to approximately $114 million on the balance sheet. Equity investments in the technology sector drove the quarterly improvement. Partially offsetting these unrealized equity gains were losses recognized of approximately $21 million.

Turning to underwriting results. Underwriting income was $234 million, which included current accident year catastrophe losses of $48 million or 1.9 loss ratio points and prior accident year unfavorable development of $24 million or 1 loss ratio point principally from property catastrophe losses. Winter storms impacted both the current quarter and carried over from late loss activity in the fourth quarter of last year. This compares with catastrophe losses in the first quarter of 2022 in the amount of $29 million or 1.3 loss ratio points. The calendar year loss ratio for first quarter of 2023 was 61.8%, and the current accident year loss ratio, excluding catastrophe losses, was 58.9%.

The growth in net premiums earned of almost 11% continues to benefit the expense ratio. However, a number of factors are causing the expense ratio to increase 0.5 point to 28.8%. First, the change in our reinsurance over the last year has lowered our ceding commissions on certain treaties where we've moved from proportional covers to excess of loss and/or reduced our quota share percent ceded to reinsurance partners. In addition, increased compensation costs and new start-up operating unit expenses are contributing to the higher expense ratio. We still expect our expense ratio to be comfortably below 30% as communicated on our fourth quarter call.

Wrapping up with premium production, net premiums written grew by almost 7% to approximately $2.6 billion. The Insurance segment grew 6.6% to $2.2 billion. And as you saw in the supplemental information on Page 7 of the earnings release, all lines of business improved with the exception of professional liability. The Reinsurance & Monoline Excess segment increased 7.1% to $363 million, a record level for the segment with growth in all lines of business.

And with that, I'll turn it back to you, Rob.

William Robert Berkley
President, CEO & Director

Rich, thanks very much. That was great. So let me provide a couple of observations through my lens, and then, again, as promised, we'll open it up for Q&A.

So upon reflection, certainly, one of the things that we chat quite a bit about on our end of the phone is just taking note of how clearly the cycle remains alive and well, and the emotions that drive the behaviors remain very much intact. But we continue to take note of the fact how major product lines, while they are still subject to the cyclical behavior, the fact of the matter is, they are clearly not in lockstep at all. And we've talked about this in the past, but it seems to be coming more and more pronounced. So to that end, just a snapshot on how we're thinking about property clearly in what I would suggest is early stages of meaningful firming.

From our perspective, it is a little bit disappointing as to the momentum that we saw on the Insurance side when it comes to property in January. We saw a little bit more momentum in February. And quite frankly, March, we started to see real progress. And April, I think there was meaningful traction as far as rate goes. While it perhaps is a little bit more announced or extreme on the cat side, I would tell you these comments apply to non-cat or risk exposure as well.

Professional liability, on the other hand, clearly, it's a very broad category, and it is a mixed bag. I think on the miscellaneous E&O front, particularly written on an E&S basis, there is still great opportunity, and we are making meaningful hay there. On the other hand, the D&O marketplace, particularly large account D&O, I would tell you for some number of quarters, and it continues to be in a state of free fall as far as rate adequacy or pricing, if you will, and it is concerning to us. In addition to that, though a smaller line than D&O, I would tell you hospital professional liability is another product line where it's in desperate need of some discipline returning to the marketplace.

Moving away from professional onto the topic of casualty. I would tell you that it seems, from our perspective, there is also a meaningful opportunity there, particularly in the E&S lines on the primary front. On the excess front, particularly large accounts becoming more challenging. Clearly, a similar situation on the auto classes as well, where excess is becoming a bit more competitive, and the primary there is competition but not as bad.

I think the industry needs to be very careful with the professional casualty and auto, in particular, because they are notably susceptible to social inflation. And from our perspective, while there are signs that economic inflation is cooling a little bit from the heights that it reached social inflation, there's really no sign or indication that we see that calming at all.

Moving on to comp. Clearly, it continues to bounce along the bottom. One observation there historically or at least often times, California has lagged the rest of the market as far as where it stood in the cycle. There is some evidence that California is actually ahead of the rest of the market, is showing potential signs of firming.

Finally, reinsurance. I think there was a lot of excitement and discussion around affirming reinsurance market. Certainly, from our perspective, the reinsurance market, particularly around property and property cat, has gained a meaningful level of additional discipline relative to where it's been in past years. That having been said, the casualty, somewhat disciplined, and there are certain parts of the professional marketplace that have given us reason to pause as we were just not seeing the ceding commissions coming down even though we are seeing the pricing of the underlying erode.

Pivoting over to us. A couple of sound bites. I think as Rich suggested, 17.4% return, a great way to start the year. In our opinion, the top line was impacted by what I would refer to as strong or excellent cycle management by our colleagues, as we are deemphasizing certain product lines and leaning into other product lines. Just as a reminder, our priority is the bottom line. We are focused on building book value through a lens that we refer to as risk-adjusted return, and we applaud the discipline and opportunistic approach that our colleagues operate with.

On the topic of rate, as we were touching earlier, clearly, the rate was quite strong in the quarter, which we were pleased to see. The 8.3x comp is the strongest that we've seen on the rate front since this time last year or the same time last year. Additionally, I would mention that the renewal retention ratio still is hanging in there around 80%, which as we've mentioned in the past, we think it's an important data point because it reminds us that we are not churning the book, but it actually -- the rate we are getting is sticking. We are not changing the quality or integrity of the book. Important thing again. I guess finally, just on the 8.3, I think by any measure, we are comfortably outpacing trend. And I think it is likely that you will see that coming through in our loss ratios over time.

Even with the cat activity, the 90.6% combined, I think, is quite attractive. If you're a but-for, which I am not, it would have been an 87.7%. Obviously, the difference, as Rich alluded to, and you would have picked up in the release, was 2 things: one, obviously, the cats that we had during the period, which equated to approximately 1.9 points; and then we had 1 point of negative development. Now before anyone gets too carried away with the negative development, it was essentially driven by property and property cat losses that happened during the fourth quarter. And as people will recall, some of that cat activity happened late in the fourth quarter, and we just didn't have our arms fully around it. So please don't misconstrue the development for being something different than it really is.

Paid loss ratio, 48 and change. I think people will presumably continue to take note of the delta between the paid versus what we are booking the loss ratio to. We get questions from time to time given how well the paid loss ratio has been running relative to what we -- the loss ratio picks that we are carrying, when are those going to converge? And I would tell you that it's coming.

In my opinion, I think there's a reality for the industry, and we are not completely insulated from it. '16 through '19 was a challenging period of time. I think that we have been cautious and measured as to how quickly we want to recognize the progress that was made '20 and more recent than that. But I think that's coming. I think it's going to come more into focus as we make our way through this year into next year.

And likely, we'll have implications for the loss picks that we are carrying in the more recent years and also how we think about current year loss picks.

Rich touched on the expense ratio, the 28.8%. As he suggested, partly driven by new business initiatives, partly driven by some investments that we are making, particularly on the technology front. And finally, some shifts that we are making on the reinsurance, as he alluded to, the cede on something proportional or a quota share, obviously, is very different than an XOL. And while we are very keen for our reinsurance partners to make a reasonable return, we are unaccepting of being inappropriately gouged, and we will use our flexibility as appropriate.

Pivoting over to the investment portfolio. Without a doubt, a lot of momentum there. I think we've discussed it in some detail in the past. You can kind of see it coming our way. I think there is more opportunity from here, the duration at the 2.4 years. I think we are looking opportunistically to nudge that out. I don't think we're going to move the needle dramatically overnight, but certainly, our hope is that there will be windows of opportunity to nudge that out a little bit. The book yield at the 3.8% is notably below where the new money rate is. So our best guesstimate that a new money rate today is sort of between 4.25%, 4.5%, so you can do the math as to the upside there.

Rich touched on the funds. We had a little bit of noise in the quarter, not a complete surprise. By and large, it was stemming from some private equity funds that we participate in. We feel like we have clarity around it. And it is our expectation that going forward, funds performance, more likely than not, will return to sort of that range of between $20 million and $50 million a quarter.

So long story short, 17.4% return, combined ratio of a 90.6%, with some cat activity both in the quarter and a bit spilling over from Q4 '22. Rate increases robust [is] effort. And of course, the new money rate, 50 basis points plus upside relative to the book yield, I think all those things put together are very encouraging. To the extent you're a but-for person, which I am not, again, 87.7% would deliver you a 20-plus percent return.
So I think that was more than enough for me. Why don't we, Emma, go ahead and open it up for Q&A, please?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

I guess first question on some of the premium growth changes. It looks like some of the growth rates were somewhat notable in the Insurance segment, especially with workers' comp growing a lot and some other lines as well. And then -- you know the numbers better than me. Anything you want to call out on why workers' comp is growing so fast? Is that the California comment or some of the lines that were shrinking a bit?

William Robert Berkley
President, CEO & Director

Well, as far as comp goes, Rich, you'll correct me if I'm wrong, I think we were kind of flattish. I think we went from $303 million in the quarter to $310 million, which isn't a large uptick. That having been said, I would tell you, it's mainly payrolls. Certainly, we're getting a little bit of traction from our new initiative in California, but what would be driving it more than anything else would be I think we all have an appreciation for where wage inflation has been going as of late, and we're picking that up, whether it be initially or coming through on the audits afterwards. Rich, am I correct on that?

Richard Mark Baio
Executive VP & CFO

Yes. On the primary side, that's right, Rob.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. My bad. I think I looked at a stale number, so I'll do my best to ask a better follow-up question. So on the investment portfolio, we've gotten a lot of questions about commercial real estate. Clearly, W. R. Berkley has an excellent track record. But any stats you want to offer or additional color on Berkley's commercial real estate portfolio such as maybe LTVs or anything you think we should be thinking about that could be helpful?

William Robert Berkley
President, CEO & Director

Well, a couple of things there, Mike. First of all, these buildings, much of it is unleveraged, so as far as the whole loan-to-value thing. I think the other piece is that we are very comfortable with the occupancy rate. And we're also comfortable with the credit of the tenants. And as you'd expect, it's something that we pay attention to. So the occupancy rate, the credit of the tenants and the duration of the leases, we think we're in a fine spot.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. And lastly, I guess looking at -- thinking about your prepared remarks, when looking at the growth rate trend, it feels like there's a number of puts and takes. I mean it sounds like guarded optimism. Any help in kind of thinking about the top line?

William Robert Berkley
President, CEO & Director

Yes. Let me try and give you a little bit more color from my perspective without boring you or anyone else too much. The fact is that from an underwriting perspective, we're focused on the margin. And it's -- when we see what's going on, for example, in the D&O market, we are not going to follow that down the drain. My expectation, which I think will prove to be right, it's just taking longer than anticipated, you are going to see us on the property side be able to flex up a bit.

January, as I mentioned, was disappointing. February, maybe you saw a couple of green shoots. March was encouraging. And April, so far, there's visible traction. So we have a diverse book of what I would define as specialty insurance. As I tried to allude to earlier, various products, they don't march in lockstep. If we were a Monoline player, the peaks would be high and the valleys would be lower.

But because of the diversity and how the cycle has decoupled by product, it's a more stable ship. My best guess is that you're likely going to see our growth rate pick up as we make our way into -- it could be in the second quarter, but certainly as we make our way into the second half of the year. I think you're going to see us writing some more property.

I think you're going to see our momentum continue to build with some of our E&S casualty. I think you're going to start to see some of the comp lines bottoming out. I think you're going to see the D&O market. At some point, it's going to -- at least the erosion will slow. So my best estimate is that you're going to see the growth rate pick up certainly in the second half of the year based on what I can ascertain, and it could tick up a bit in Q2.

Operator

Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, can you just provide a little bit more color on what drove the accident year ex cat loss ratio deterioration in insurance? And how should we think about the balance of the year given your design ratio concept?

William Robert Berkley
President, CEO & Director

So I think probably the biggest driver there would be noncat property-related losses, Elyse. And I think we had alluded to in prior calls that we have been looking at this. I think there are a couple of things that needed to be tightened up. They are being tightened up. And I think that [indiscernible] is making its way through the python at this stage. But I think that would be the bigger driver -- the biggest driver of noncat property.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And how large were the noncat property losses? Or is that the sole driver of the year-over-year deterioration in the underlying loss ratio in insurance?

William Robert Berkley
President, CEO & Director

I don't have the exact number in front of me, but that was a big contributor.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then following up, I guess, on the growth question, it sounds like you expect growth to pick up in the second half of the year. You guys used to talk about double-digit growth, and I recognize there's a lot of moving pieces. If everything plays out the way that you expect, Rob, I mean do you think we'll be back to seeing double-digit growth in the back half of the year?

William Robert Berkley
President, CEO & Director

That's what we would like to see. The -- obviously, we're going to -- we'll see if the D&O market continues to erode. Akin to the D&O market is transactional liability, which just kind of hit a wall, which has had an impact as well. In addition to that, just getting a little deeper into it, Elyse, there are a couple of relationships that we had, specifically in the commercial auto space, where we had a different view than our partners do around rate adequacy. And as a result of that, we've gone our separate ways.

And then other areas within professional liability, as I alluded to earlier, we just have a view as to inflation and social inflation. And the cost or the price that you pay for trying to be on top of it is sometimes you're early or ahead of the market. And eventually, more often than not, they will catch up. But the benefit of that is you don't have the same level of pain that you have to deal with in the future.

So long story short, I think we have many, many parts of our business growing at a very high growth rate, certainly well north of the 10% that you've talked about. There are some parts of the business where, to my colleagues' credit, they are operating with the appropriate level of discipline. They recognize they can't control the marketplace. They can control their own actions. And we appreciate and applaud what they're doing. But when you put it all together, what comes out in the wash is, I think more likely than not, you're going to see our growth rate tick up from here in the second half of the year.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And one last quick one. Am I right in assuming that the adverse development, the property cat, that, that all was in your Insurance segment in the quarter?

William Robert Berkley
President, CEO & Director

Rich, I believe so, yes?

Richard Mark Baio
Executive VP & CFO

Yes, for the most part.

William Robert Berkley
President, CEO & Director

The vast majority was.

Richard Mark Baio
Executive VP & CFO

Right.

Operator

Your next question comes from the line of Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

At the risk of speaking on behalf of the but-for people, I was wondering -- look, if we go to the last cycle, obviously, things are never the same. But at the end of '04, '05, '06, I don't know when you want to put the end of the last cycle, it turned out that pricing was so adequate that although some people pulled back, you really had another healthy 5, maybe longer, years to write stuff that was very attractive.

And maybe the lesson learned was that we should have been more aggressive. I don't know, maybe it wasn't the lesson learned, and there was a lot of opportunity even as pricing cooled off. We have from, I guess, the '19 through '21, '22 cycle, pricing has cooled off. And it looks like maybe there will be some property [indiscernible], but things have changed really, really quickly.

Where I'm going with this is, has the industry changed that you're always going to be following the loss costs, that everything has gotten more technical and more advanced in a way that there's not a extended period of excess pricing where the insurance companies are allowed to flex their muscles a little bit and gain mixes earnings? Or are you as a company and the industry always going to be tied to the pricing and the loss trend such that it's going to be tight going into the years to come, if that makes any sense?

William Robert Berkley
President, CEO & Director

I think I follow, Josh. And if I'm not answering the question, then please stop me in my tracks, and we'll have another crack at it. But I think the answer is that there's more data, there's more analysis, the more technical, so on and so forth, in the industry today than there was yesterday. That having been said, in spite of all of that, I think there continues to be examples that would suggest the industry continues to struggle with getting its arms around its loss costs in a timely manner.

We can look at what has happened to the reinsurance marketplace over the relatively past -- recent past years. We can look at workers' compensation, where clearly, it proved even more recently to be much more profitable than people had anticipated. So is there more data analytics and so on involved? Yes, sir, I believe there is. Is it proving to be the silver bullet or the Holy Grail? I think there's a lot of data as of late that would suggest it's not, and it remains a struggle.

So that would be my perspective. Not to beat the topic up too much, I think one of the big differences these days is, again, how separate and distinct major product lines are from one another where they are in the cycle. And the implications for that, what that means to organization's overall profitability and how that may impact their behavior, we'll have to see with time. So I don't know if I answered your question.

Joshua David Shanker
BofA Securities, Research Division

yes. I mean here's where I'm going. The growth wasn't, with obviously single digits, [driving it] back to double digits. You have the best pricing ex workers' comp that you've had in a number of cores at 8.3. It doesn't feel like with 8.3, that you're so excited to lean into it just yet. Even though you're saying, look, you're going to see that margin come through in the next few quarters, if it were at 8.3, I would think that you feel pretty good about things, and we'd already be at the double digit. I'm not telling you how to run your business, but it just seems like you're already cautious about that.

William Robert Berkley
President, CEO & Director

No, I appreciate the observation. And when you first started to ask your question, I was wondering whether you've been sitting in on some of our staff meetings. Because the point that you're raising is one of the important points that we grapple with, and that is, how do we make sure that we're appropriately forward-looking and that we don't tap the brake prematurely? At the same time, how do we make sure in an effort to not tap it prematurely, we don't wait too long to address changes in the market?

And I agree with your point about the 8.3 is very healthy, and we are very much encouraged by that. That having been said, one, as I think you have an appreciation for, we are focused on underwriting margin. We are sensitive to social inflation. We see the claims that the industry is facing every day. Many people read about them in the paper, and the trajectory is quite steep. And we don't want to get caught flat-footed.

I think our growth rate was adversely impacted by a handful, if you will, or so of operating units -- handful and a half of operating companies that are in the group, where market conditions became so challenging. And so less attractive than they were that they drew a line in the sand and that had an impact. In addition to that, sometimes we have a different view than distribution does, as I was suggesting earlier, around rate adequacy.

Our obligation is to many stakeholders, including our shareholders, and we are not going to consciously expose the capital unless we believe the rate is appropriate. I think much of what I'm referring to as far as the headwinds we faced, I don't think that they are necessarily going to continue to blow and certainly will not blow as hard in the second half of the year as they did in the first quarter. And as a result of that, I think the other product lines, you're going to see them continue to lift stuff, and the drag will be reduced.

Operator

Your next question comes from the line of Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research US LP

So yes, the first question, I guess, you mentioned that the property losses, again, hit you this quarter, and you seem to have your hands around that issue. But are you expecting potentially losses to stay elevated there for the time being, like as you're fixing that book? Or...

William Robert Berkley
President, CEO & Director

Look, I can't say with any conviction or certainty, Ryan, how quickly that's going to get back to where we would like it to. What I can tell you is I think we're getting our arms around it. It takes a little bit of time for that to earn through. The other point as it relates to the accident year loss ratio, which I know is a topic that I've had the opportunity to visit with you about, is how we think about the current year in light of the rate increases that we have gotten.

And I would tell you that I think the challenges that the industry and, again, we, to a certain extent, faced '16 through '19, are shrinking in the rearview mirror. And I think the more recent years every quarter, every day, season a little bit more, and that could have implications to how we think about loss picks for the second half of the year.

Ryan James Tunis
Autonomous Research US LP

Got it. And then on the expense ratio, it was sub-29%. I heard Rich say you expect it to be sub-30% for the rest of the year. Is that just sort of a generic comment? Or can you try to say the expense ratio tick up from here?

William Robert Berkley
President, CEO & Director

I think what we're trying to say is that the expense ratio is going to float sort of between 28% and 30%. We don't have it down to the basis point, if you will. The tick-up that you've seen in part, as Rich mentioned earlier, some of it actually has to do with sort of people traveling and engaging a bit more. There's some of that. The other part, as he indirectly referenced, is we're making some investments in technology as well.

And of course, the ceding commissions, which sometimes the cedes are going down with existing structures, but also as Rich suggested, which is often the case, we're pivoting from a quota share to an XOL, which carries a different ceding commission, but we like the trade.

Ryan James Tunis
Autonomous Research US LP

Got it. And then just lastly, Rob, on the buyback, can you give us some color on the timing of when you execute those repurchases? And have you guys been in the market at all during April?

William Robert Berkley
President, CEO & Director

So as far as the repurchase goes, to be perfectly frank, I don't have the data in front of me, but we'd be happy to try and give you some more color if it wouldn't be too much trouble to circle back with Rich or Karen. Or if you can't find them, grab me off-line, and we'll do the best we can to give you some color on that, but I don't have it in front of me.

Operator

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

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Just a little more detail on the other liability line. I think you've said the casualty, E&S primary you think is attractive here. The other liability premium growth did slow in the quarter. I'm just -- I'm curious whether that's something you think is going to reaccelerate as the year progresses? And if I might ask kind of what were you seeing in pricing trends in that liability line in Q1 versus Q4.

William Robert Berkley
President, CEO & Director

Yes. I think the -- generally speaking, the most attractive areas that we're seeing is particularly in the E&S. And I should have mentioned this earlier, Mark, I appreciate you raising it. The flow of business that we talk about from time to time coming out of the standard market into the E&S market remains quite robust to say the least. And we're feeling very good about that.

The one outlier would be product liability, where it would seem the standard market, particularly national carriers, regained a bit of an appetite. But beyond that, we're feeling really good. I think you should see some growth or accelerating growth potentially later in the year on the other liability front as far as we go.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then the noninsurance businesses, the revenue was up pretty meaningfully this quarter. Was that just a timing issue or some other driver?

William Robert Berkley
President, CEO & Director

Rich, was that Greenwich Aero or...

Richard Mark Baio
Executive VP & CFO

No, that was -- we had acquired a business last year. And so in the first quarter of 2022, it was not in the numbers because we didn't acquire it at that point.

William Robert Berkley
President, CEO & Director

That was a business that's part of our in-house private equity, Rich, correct?

Richard Mark Baio
Executive VP & CFO

That is part of our private equity operations, yes.

William Robert Berkley
President, CEO & Director

Yes, our in-house operation. So it's a wholly owned sub.

Operator

Your next question comes from the line of Alex Scott with Goldman Sachs.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

First one I had to you guys was just going back to commercial real estate, less about your portfolio currently, but more about -- could that be an existing opportunity, particularly since you're a little short on duration right now, to go a bit bigger in a more distressed market?

William Robert Berkley
President, CEO & Director

Alex, from our perspective, as I hope you're aware, we're an opportunistic participant. We're certainly conscious of the challenges that the real estate asset class faces today. And we are, again, not going to do anything that one would view as naive. At the same time, if we found attractive opportunities that we thought made sense for our shareholders, then I can sure you that we will be pursuing. So real estate has its challenges, but we're not in a rush to become overweighted. At the same time, if we see opportunities, that's fine.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Got it. And then just on professional lines and the potential headwinds -- or I guess ongoing headwinds to be faced there, how would you quantify that in terms of how much is sort of taken away from some of the other things that are contributing to margin improvement right now?

William Robert Berkley
President, CEO & Director

Our margin improvement or top line growth? Or what are we talking about?

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Margin improvement. Sorry. I'm just interested particularly in -- is that a drag on margins? Can you help us think about how much [indiscernible]?

William Robert Berkley
President, CEO & Director

I don't think that it's having a meaningful impact on our margins because of our colleagues' underwriting discipline. It certainly is having an impact on our top line also because of their underwriting discipline. And it would be measured in percentage points on the group overall.

Operator

Your next question comes from the line of Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

It's Yaron. I'm just curious with the comments on the shift from quota share to excess of loss in -- specifically in insurance. Why is it that we wouldn't see the ceding ratio go down a bit as a result of that? I think it was pretty stable year-over-year.

William Robert Berkley
President, CEO & Director

Rich, do you want to speak to that? We were just talking about it earlier.

Richard Mark Baio
Executive VP & CFO

Sure. So when we move to the excess of loss, we don't technically receive ceding commissions, right? On a quota share basis, you're going to receive ceding commissions. On an excess of loss basis, we're going to have minimums in deposits and cost based on subject premium. Those numbers are going to be more, I'll say, fixed in nature as opposed to quota shares, which are proportional.

And so those are going to move in parity, if you will, as gross premiums written move up or down. And so for that reason, the ceded premium would not be moving up and down by being in a position where we have the excess of loss arrangements. So that's causing that change. And I think you could see that when you look at the change from a dollars perspective. Gross premiums written grew at 6.6% for the group overall.

The net premiums written grew at 6.7%, and the ceded written premium changed by about 6.2%. So it kind of moved in parity, if you will. But that's -- once again, we have over 125 reinsurance arrangements that we purchased across the group overall, and there's a lot of moving pieces between them.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. I may follow up off-line because I'm still a little confused here. And then my second question, Rob, I think you may have alluded to some seasoning of the 2020 and 2021 accident years and just the very strong environment that you faced in those years. Is that why we're starting to see maybe an acceleration of releases in some of the longer-tail lines, such as other liability from 2020 and '21?

William Robert Berkley
President, CEO & Director

Quite frankly, as things, to your point, season out, we developed, through the passage of time, greater comfort, greater clarity around where things are going to settle. And we deliberately did not want to declare victory prematurely. And I think, again, as time continues to pass, you're going to see us develop a greater degree of confidence as to what the outcomes are going to be in some of these more recent years.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Right. I'm just -- I guess I'm coming out from a slightly different perspective. It seems to me like we're seeing some acceleration of that favorable development from those years, relatively early, considering that we're a year or 2 out for these longer tail lines. So is that just because the number -- the years were so incredibly good that you are gaining that comfort level sooner?

William Robert Berkley
President, CEO & Director

I think the answer is that we have -- we've gone through a pretty extensive analysis that we'd be happy to talk with you about off-line, but it probably would take up quite a bit of time. But if you're interested, we'd be happy to walk you through what we've done.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Rob, a couple of quick ones here for you. The first one, was there any impact in the quarter from your FI book from some of the banking kind of losses and maybe that had a little impact on some of your loss ratios or not?

William Robert Berkley
President, CEO & Director

No, nothing that would be outside of the loss ratio picks that we're carrying for the product lines. We've -- will we have some exposure? Yes, but relative to the group overall, it just kind of flows through.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And I guess my second question is, as we look at -- you're looking into 2023 here. Did you change your view at all on loss trend as you look into 2023, particularly given your comments maybe in commercial and auto? And then also, if I look at your 1Q '23, you talked about the noncat weather issues. Did you change your casualty loss picks year-over-year? Did they go up, down, stay the same from a casualty perspective kind of overall?

William Robert Berkley
President, CEO & Director

So we, with some regularity, are looking at our picks and trying to make sure that they're where they should be. The answer is, Brian, that some move up and some move down depending on the data. We look at the business at a pretty granular level by operating company, by product line. So I don't have off the top of my head exactly what the net impact was, but there are certainly some things that we've picked up and maybe a couple of things that we've dropped.

Brian Robert Meredith
UBS Investment Bank, Research Division

And loss trends, any thoughts?

William Robert Berkley
President, CEO & Director

As far as loss trend goes, if our -- the view that we had, generally speaking, around loss trend that we entered the year with remains intact. It certainly -- we appreciate that maybe economic inflation has cooled a little bit, but we remain very concerned about social inflation. And we think we're in a good place relative to that. But we don't think that this is the moment in time to reduce the focus, the intensity and making sure that we're getting -- collecting enough premium to keep up with that trend.

Operator

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

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

Great. Rob, I was hoping we could follow up on some earlier questions by line of business. You talked about workers' compensation largely growing through, I guess, higher payrolls. Can you talk about what's driving the commercial auto growth? I'm asking because the sense we're getting is that there's still an awful lot of either social inflation or driver shortages that would pressure the line. I hope you could talk through what you're seeing.

William Robert Berkley
President, CEO & Director

The commercial auto line and the growth that we are seeing is really a combination -- it's primarily -- a lot of it's rate, for starters. I don't recall exactly how much rate we got in that product line, but it was meaningful, particularly on the auto liability front, but across the board. So I think that is really the bigger driver. When you look at the growth, in addition to that, we do have a new operation in the space, and they're getting some momentum as well. But for the most part, I think what you're seeing as far as the commercial auto growth, a lot of that is really just driven by rate increases.

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

Okay. That's good to hear. And then second question, I don't know if this is better for Rich, but you talked about the impact of changing reinsurance on the expense ratio. Should we see some sort of benefit in the loss ratio to the extent that you're moving reinsurance to XOL from quota share?

William Robert Berkley
President, CEO & Director

The answer is that we think that it's going to -- what you're going to see is we're going to hold on to more premium. And we think that the loss ratio is healthy. But I don't think you're going to see that benefit immediately because of how we assume a recovery or not. Rich, did you have anything you wanted to add to that?

Richard Mark Baio
Executive VP & CFO

No. I think that was exactly spot on, Rob. I would agree with your comment.

Operator

Your next question comes from the line of David Motemaden with Evercore.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

So just -- I had -- just a question just on the non-cap property losses this quarter. I think there were fire losses last quarter when you had it. Wondering if you could elaborate or was it fire again? And then maybe talk about what changes outside of just seeking additional rate you're making to address these? And if this impacted your approach at all to growing property?

William Robert Berkley
President, CEO & Director

So the answer is that certainly fire and other non-cat-related losses were a meaningful piece of the puzzle. While rate helps solve the puzzle, the -- I think part of the solution is also coming from selection. The work that I referred to that colleagues have done on this front. Certainly, again, rate is a piece of it, but I think it's even more so about selection. Was there another piece that I missed? Sorry.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes. And then I guess just there is -- we've seen it in the past few quarters in the underlying or in the accident year loss ratio ex cat as well as in the cat line, I guess, well, it was adverse PYD this quarter. But is this volatility? I guess how are you viewing this? Has this impacted your approach to growing property at all?

William Robert Berkley
President, CEO & Director

I think it hasn't necessarily had a blanket impact on us as to how we think about growing property, but it certainly has been instructive as we've done some work as to how we think about rate and selection.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Okay. That's helpful. And then you mentioned a few times throughout the call, Rob, just there are certain product lines that you're deemphasizing, a few operating units where you had to draw a line in the sand. Outside of [public], could you just touch on what lines those are?

William Robert Berkley
President, CEO & Director

Sure. There was -- some of -- it's a little bit anecdotal, so I would encourage you not to read too deeply into it. But certainly, there was some other professional liability that we took a firm -- or we have taken a firm position on, again, to my colleague's credit. Some of that is written out of the U.S. Some of it is written out of our Lloyd's operation.

In addition to that, we've taken a bit of a firm position on certain aspects of our participation in the commercial transportation space, where, again, as I suggested earlier, we just have a different view than our distribution partners did around rate adequacy amongst other things. And that's life, and we wish them well. But professional and commercial auto would be the 2 big areas that come to mind.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And then maybe just a higher-level question just on social inflation. You've mentioned it a number of times and potential problems looming for the industry on '19 and prior years. I guess just by your estimation, how far along are we in terms of seeing some of the courts reopen and maybe some of those claims actually come through and actually see that starting to hit some of the carriers and just the industry overall?

William Robert Berkley
President, CEO & Director

Yes. So certainly, from our perspective, by and large, the legal system is up. And I almost said functioning, I really should say running because I'm not sure if it's always functioning. But the short answer is, I think the general consensus on -- in our shop, and again, it varies by jurisdiction, but there's probably still, call it, give or take, an 18-month delay relative to where things were pre-COVID.

And I think people are trying to catch up. But I think beyond the delay, I think it would be a mistake for anyone to underestimate how aggressive the plaintiff bar is these days. And oftentimes, people read about some monster headline and they think of it -- some monster award in a headline, I should say. And they think about it in a one-off manner. And I would suggest that oftentimes, that's just the tip of the spear.

So it's a very challenging moment. We feel very good about how we have approached making sure that we have set enough aside for what claims cost will be both today and tomorrow. And we think our colleagues that are handling these claims are very well skilled to ensure the appropriate outcome for all stakeholders, including our insureds.

Operator

Your next question comes from the line of Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Just a quick follow-up on just the overall marketplace competitiveness and dynamics. I -- just curious, if anything other than increased data analytics has caused the pricing environment to, maybe [indiscernible] is not the right word, but to change pretty fast in a number of lines of business. You've said a number of times how the market is not moving in lockstep.

Is anything like a structural change with broker consolidation or just maybe barriers to entry are lower on the -- I'll be quiet, but the -- on the March call today, for example, they talked about 20 new carriers entering the professional liability space, which has caused the soft market there. So just curious if anything has changed or this is just how it always used to be.

William Robert Berkley
President, CEO & Director

Okay. I think just picking up on that point, if I may, if we use public D&O, particularly large account public D&O, which is certainly a product line that is of great interest to an organization like [Marsh], I think there are a couple of realities in that -- and what I mean by that is both the supply and the demand side are struggling. So I don't know if the number is 20, but clearly, there have been a lot of new entrants.

I think some of the reality is there's not a lot of barriers to entry to getting into that space. So clearly, there's more supply. I think the bigger issue relative to where we were not that long ago is the reduced demand. Given what's been going on in the capital markets, we have seen a dramatic reduction in IPOs. We've just seen a dramatic reduction in a lot of the activity that would drive D&O purchasing.

In addition to that transactional liability is something that tends to go hand-in-hand with those that are offering D&O. So M&A activity has reduced dramatically. IPOs, SPAC activity, et cetera, et cetera, has fallen off a cliff. So you have a little bit of a perfect storm. And not to create too much of a negative connotation, but the reality is that the demand has been reduced, and the supply has increased, and that has led to an unattractive competitive environment from our perspective.

Our colleagues, I think, as I suggested earlier, very knowledgeable, very skilled. They understand that their job is not to issue insurance policies. They are capital managers, and they are going to expose the capital in ways that they think is sensible.

Operator

This concludes our Q&A for today. I turn the call back over to Rob Berkley for closing remarks.

William Robert Berkley
President, CEO & Director

Okay. Emma, thank you very much. We appreciate everyone's participation. We look forward to speaking with you again in 90 days. Before we sign off, I'm going to hand it over to my boss, who is here, who has a couple of final comments.

William R. Berkley
Executive Chairman of the Board

I think that it is a business that's easy to get into. And everyone needs to remember that it's not so easy to get out. You sign on the very long-term commitments. And the brokers who have their customers really need to be sure they get paid. So very quickly, if you don't meet your commitments, use your place in the market. We've been here now for more than 55 years, and we've always operated with a long run view, always understanding what risk means and always understanding that our commitment to our customer, our ultimate customer, the ensured, is paramount.

Sometimes, that means we don't go along with what everyone else does. But we have a good, sensible approach. And for us, the better the data you have, the better you can respond, the better job you can do. We continue to be optimistic that we're in touch with the marketplace, in touch with our customers and our distribution. And while we may miss a beat here and there, we're pretty optimistic that we're going along right where we ought to be. And we do see that we'll grow a lot when the opportunity to maximize our returns is there, and we'll husband our capital when it's going to be marginal return.

So I thank all of you. I thank all of you for supporting us all these years. And I look forward to demonstrating our commitment and our success. Thank you very much.

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