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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and welcome to the Everest Group Fourth Quarter 2023 Earnings Conference Call. [Operator Instructions] Please note today's event is being recorded. I would now like to turn the conference over to Matt Rohrmann, Senior Vice President and Head of Investor Relations. Please go ahead, sir.

Matthew Jay Rohrmann
Senior VP & Head of Investor Relations

Good morning, everyone, and welcome to the Everest Group, Ltd. Fourth Quarter of 2023 Earnings Conference Call. The Everest's executives leading today's call are Juan Andrade, President and CEO; and Mark Kociancic, Executive Vice President and CFO. We're also joined by members of the Everest management team.

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

With that, I'll turn the call over to Juan.

Juan Carlos Andrade
President, CEO & Director

Thank you, Matt. Good morning, everyone. Thank you for joining us. 2023 was the most profitable year in our history. We delivered exceptional full year results. We achieved record underwriting income, record net investment income, record operating income, record net income and record operating cash flow. We executed on our objectives and delivered a 2023 operating ROE of over 23% and a total shareholder return of over 26%.

The strength and quality of our franchise was evident as we achieved these results in another elevated catastrophe year, while also taking prudent actions to further strengthen our balance sheet. Everest capitalized on the hard market to grow in attractive lines across our businesses. Our precise execution at the 2024 January Reinsurance renewal created excellent outcomes.

We completed the deployment of our $1.5 billion equity capital raise on schedule and at superb risk-adjusted returns. We expanded key client relationships while improving the scale, quality and profit potential of our portfolio, giving us a strong start to the year. Market conditions remain strong. We are not seeing any meaningful new capacity enter the market, and we expect conditions for upcoming renewals to remain excellent.

Our capital strength positions us to profitably grow both underwriting businesses. At Everest Investor Day last November, we outlined our progress, strategy and financial objectives for the next 3 years. As you have seen from our 2023 results, we are on track to achieve these goals. Our primary objective is to generate industry-leading financial returns consistently and across market cycles, and we have delivered.

We are building on momentum created by our actions to transform Everest over the past 4 years. Operating as one Everest, we elevated all aspects of our business. Everest is a more diversified and higher margin business with a strong underwriting culture of execution and accountability. This guides our underwriting decisions and our drive to outperform and allows us to deliver on our long-term objectives.

Turning to the full year financial highlights, beginning with the group. The group delivered outstanding results in 2023. As I said, we achieved new company profitability records, including annual operating income and net income, which both exceeded $2.5 billion for the year. We grew by 21% in constant dollars, ending the year at nearly $17 billion in gross written premium. Our performance was supported by the execution of our strategies and our ability to take advantage of strong market conditions in Reinsurance and Insurance. We generated $1.2 billion in underwriting profit, also a company record. And we improved the combined ratio of more than 5 points to 90.9% despite industry catastrophe losses exceeding $120 billion.

We achieved a 6-point year-over-year improvement in the group loss ratio, contributing to our excellent underwriting results. Building the strength and flexibility of Everest balance sheet has been a priority for this management team since we took over this company. This was reflected in the quarter through our modest favorable development as we build additional strength into our already strong reserve position. Mark will provide more detail on these actions.

Turning to investments. We achieved another record with annual net investment income of $1.4 billion, driven by our actions to capitalize on the rising interest rate environment. Now for the underwriting segments, beginning with Reinsurance. The Reinsurance division had an exceptional year. Our disciplined planning and execution in 2023 allowed us to capitalize on the generational hard property market, delivering outstanding top line growth and bottom line results.

For the full year 2023, growth was 26% in constant dollars and excluding reinstatement premiums with $11.5 billion in total gross written premiums. Growth was broad-based as we expanded with core cedents, grew in targeted markets and allocated capital to higher return opportunities.

We grew our core North America property catastrophe portfolio by over 30% at exceptional risk-adjusted returns. Internationally, we grew our total property portfolio by over 40% with strong and targeted growth in Europe and Asia. We also leaned into growth opportunities outside of property catastrophe, including in targeted proportional property deals, aviation, marine and in faculty with strong expected returns in these lines.

The division delivered $1.3 billion in underwriting profit for the year. The attritional loss ratio improved by a full point to 57.7%, and the attritional combined ratio was down 110 basis points from 2022 when adjusted for prior year commissions related to the reserve releases. We leverage deep client and broker relationships and our strong balance sheet to build a more profitable and higher margin book, which culminated in outstanding results at the January 2024 renewal.

At 1/1/24, we grew our total property catastrophe portfolio by over 25% compared to expiring premium. Following the significant increases in 2023, we saw further property catastrophe rate increases at 1/1, broadly across geographies. In North America, the property cat XOL risk-adjusted rate change was approximately 7%. Internationally, rates on our portfolio were up 14%. This trend also continued in specialty lines, particularly marine and aviation. The flight to quality in the Reinsurance market continued. Our leading market position allowed Everest to grow market share on oversubscribed deals, with leading clients on the best quality property cat, cyber and specialty lines treaties and in geographies around the world.

Our clients signed down other carriers to make more room for Everest. We also played a leading role in several of the increased cat limit purchases being made by some of the best primary insurance underwriters in the business. This reflects the strength of our franchise and reputation in the market. To illustrate the point, we generated close to $300 million in additional premium growth through increased shares on existing property treaties.

The favorable terms and conditions that we achieved during the 2023 renewals held, while attachment points, which increased significantly last year, were maintained. We were also surgical in our approach toward certain casualty lines at 1/1. We non-renewed 16% of our casualty and professional liability pro rata business, particularly when ceding commissions did not meet our thresholds.

These targeted actions, however, were partially offset by expanding shares on attractive casualty programs with select top clients. We achieved our objectives at 1/1, executing with the same discipline and focus, Everest has consistently applied to shaping and diversifying the portfolio. We do not write the market. We selectively underwrite risks that meet our requirements. Our priority is growing the bottom line to deliver leading financial returns. Coming out of the 1/1 renewal, the quality of our book is excellent.

We are positioned to drive sustainable margin expansion, while continuing to distinguish ourselves as the preferred lead market platform.

Now turning to our primary insurance division. 2023 was a pivotal year for Everest Insurance. We advanced our key objectives while establishing strong foundations. We solidified and enhanced the division's global leadership team with top talent in the right places, operating through a regionalized structure aligned to customer needs. In 2023, we grew the Insurance business by 10% in constant dollars, achieving record annual premium of over $5 billion.

Growth was balanced and diversified by product, business line and geography. We saw excellent opportunities in property and specialty lines, including marine, aviation, trade credit and political risk. We are disciplined. The modest growth in certain casualty lines was primarily driven by robust rate increases as we remain prudent in our writings and focus on lines of business meeting our return thresholds.

We continue to shift to shorter-tail lines with favorable pricing and a strong profit trajectory. For both the year and the fourth quarter, we achieved a broad-based 12% rate increase in our core portfolio excluding workers' compensation and financial lines. Beyond property, pricing accelerated and was particularly strong in marine and other specialty lines, commercial auto, general liability and excess liability.

Overall, rate remains ahead of loss trend. We will only grow where we can do it profitably. We will remain disciplined in less attractive lines, including D&O, workers' compensation and commercial auto. The combined ratio increase was driven by our reserve strengthening to address the impacts of social inflation or long-tail lines into 2016 to 2019 period.

The core underlying performance of the book is strong. We advanced our disciplined international strategy, led by a proven entrepreneurial team of industry leaders and local underwriting talent. They accomplished a great deal in 2023, scaling our insurance platform across Latin America, the U.K. and Ireland, Continental Europe and Asia Pacific, where our value proposition is differentiated and eagerly welcome.

We made strides implementing systems and capabilities, enabling us to operate from common platforms and drive efficiencies. We are on track for new openings this year in Colombia, in Mexico and Australia. While we have tremendous headroom in lucrative markets, we are focused only on the most accretive opportunities. Since this management team took over in 2020, we have significantly increased prudence around risk selection and deployed a disciplined underwriting strategy. We rebuilt the underwriting engine from top to bottom, investing in top-tier underwriting tools and experienced talent.

We significantly strengthened our underwriting guidelines and risk selection parameters. Additionally, we push rate in excess of trend, broadly raised our inflation assumptions and initial loss picks. We added more loss-sensitive features, raised deductibles and lower limits. We exited certain social inflation prone industry classes and invested in additional claims technology. As I said, if business doesn't meet our underwriting criteria, we just won't write it.

As we head into 2024, the Insurance division is executing from a strong foundation and is well positioned to deliver on the targets we set out for the business at Investor Day. Our financial results led to the most profitable year in Everest history. We are building on this momentum with an outstanding start to 2024. As favorable market conditions persist, we are leaning into robust tailwinds across our Reinsurance and Insurance businesses with the full power of Everest behind us. And we will make the most of the opportunities in front of us. We have the right team driving a clear strategy with multiple avenues to deliver on our primary goal of generating constant leading financial returns. We are confident about delivering on our objectives.

With that, I'll turn it over to Mark to review the financials in more detail.

Mark Kociancic
Group Chief Financial Officer

Thank you, Juan, and good morning, everyone. Everest had a strong finish to 2023. For the full year, Everest delivered record annual results and underwriting income, net investment income, operating income and net income. This drove annual operating earnings per share of $66.39 and an operating return on equity of 23.1%. The annualized TSR, or total shareholder return was excellent at 26.5%.

2024 is off to a great start as we successfully executed on our 1/1 renewals, where we enjoyed strong growth and deployed the remaining capital from our $1.5 billion equity raise last spring. We capitalized on our market position and prevailing conditions, growing in attractive lines of business with expected returns in excess of our financial targets. This was evidenced in particular by strong growth in our property cat book globally. Market fundamentals remain strong, and we expect the upcoming renewals throughout 2024 to continue to be excellent. Our underwriting franchises are fully mobilized and our capital strength gives us lots of capacity for 2024. This positions us well for profitable organic growth.

Turning to the fourth quarter results. Operating income was $1.1 billion or $25.18 per diluted share, equating to an operating ROE of 32.4%. Looking at the group results. Everest reported gross written premiums of $4.3 billion, representing 18.3% growth in constant dollars and excluding reinstatement premiums. The combined ratio was 93.2% for the quarter, driven by improving underlying loss ratios, offset by the results of an active cat quarter, and the cat losses in the quarter were largely driven by Hurricane Otis, which made landfall in Acapulco Mexico as a Category 5 hurricane. I would note that the prior year quarter had much lower than average cat activity.

Everest also recorded modest net favorable reserve development of $5 million in the quarter, which we'll discuss in more detail in just a few minutes. The group attritional loss ratio was 59%, a 60 basis point improvement over the prior year's quarter, with both segments contributing to the improvement. The group's commission ratio was 21.3% when excluding the impact of 2.5 points from the profit commissions associated with favorable reserve development in the Reinsurance segment related to the mortgage business, an improvement year-over-year. The group expense ratio was 6.3% in the quarter, an excellent result, as we continue to invest in talent and systems within both franchises.

Moving to the segment results and starting with Reinsurance. Reinsurance gross written premiums grew 21.9% in constant dollars when adjusting for reinstatement premiums during the quarter. The strong growth was primarily driven by double-digit increases in property pro rata, property non-cat XOL and property cat XOL and was broad-based globally. The combined ratio was 78.8%, an improvement of 8 points from the prior year. The attritional loss ratio improved 40 basis points to 57.8% as we continue to achieve more favorable rate in terms, particularly in property.

The attritional combined ratio improved 90 basis points to 85.1%. When excluding the impact of $94 million in profit commissions associated with favorable mortgage reserve development this quarter. The normalized commission ratio was 24.8% when you exclude the 3.6% attributed to those profit commissions. The underwriting related expense ratio was 2.5%, an improvement of 30 basis points from the prior year.

Moving to Insurance. Gross premiums written grew 11.6% in constant dollars to $1.4 billion. We continue to methodically scale our primary franchise globally, while proactively focusing our North American portfolio towards the most accretive lines of business, led by retail property and short-tail specialty lines. The growth in casualty and professional lines was largely driven by rate increases. A number of casualty lines saw pricing accelerate in the fourth quarter.

We remain disciplined in our approach as some lines are less attractive than others, including D&O, workers' comp and commercial auto as we've discussed on prior calls. The attritional loss ratio improved this quarter to 62.6%, driven primarily by business mix given the higher proportion of short-tail lines within the portfolio. The commission ratio improved 110 basis points, also largely driven by business mix as increased property writings earned through as well as increased volume of ceding commissions. The underwriting-related expense ratio was 16.6%, with the increase largely driven by the continued investment in our global platform.

Now let me touch on the reserve moves in the quarter. As we stated at our Investor Day, our objective is to book the company's overall reserve position at management's best estimate plus a margin. And as of year-end, we've accomplished that as our reserve position remains strong. This quarter, we recognized $5 million of net favorable reserve development following the completion of our detailed ground-up review of all of our reserve portfolios for 2023.

We released $397 million net of our embedded reserve margins from the Reinsurance division, primarily from well-seasoned short-tail lines, like property, and also our mortgage lines. The releases were split roughly evenly between the 2 lines. And this was partially offset by $392 million of strengthening in the Insurance segment, driven by a few specific casualty lines of business.

The entire industry faces the real impact of social inflation focused on the 2016 to 2019 accident years, and Everest is seeing some of these same trends, and we've prudently acted on them given the now well-developed loss patterns for those years, and this is driven primarily by higher severity and general liability and, to a lesser extent, commercial auto liability. And this is contrasted with accident years 2015 and prior, which continue to show strength and stability and more recent accident years, namely 2020 and onward, where we see the benefit of significant rate increases, limit reductions and targeted portfolio management actions, as Juan highlighted.

We will be prudent and let long-tail reserves from those more recent accident years from 2020 onwards continue to season more fully. As a result of these comprehensive actions, the portfolio today is a higher quality, more diversified book of business, well positioned to provide strong risk-adjusted returns.

In terms of the Reinsurance division, we made marginal adjustments to long-tail lines that were impacted by social inflation from 2016 to 2019 accident years, and these adjustments were easily offset by favorable developments in other lines. Since this management team took over in 2020, we have made significant improvements to our reserving underwriting and claims functions, and this allows us to improve the efficiency and effectiveness of our feedback loop between underwriting, management, claims, pricing and reserving.

This allows us to manage information faster, improving overall portfolio performance. We have been embedding conservatism into social inflation prone lines in both divisions to make sure we can manage these types of industry hurdles. In conjunction, the actions taken to build the company's balance sheet strength, Everest has significant financial flexibility, underwriting diversification and the ability to better manage volatility.

We were able to generate an operating ROE of over 23%, while taking actions to fortify the reserves on our balance sheet. As you can see from our full year 2023 results, we can manage issues as they arise and still produce excellent returns overall. Given our disciplined approach to acting on bad news early and good news late, we feel our reserve position is prudent, and there is meaningful embedded margin that we will let season. We believe the balance sheet moves we made this quarter have closed the book on the 2016 to 2019 reserves and put us in very good shape to generate leading returns in the years ahead.

Moving on, net investment income increased over $200 million year-over-year to $411 million for the quarter, driven primarily by higher assets under management, higher new money yields and our investment in floating rate securities as they benefit from higher reset rates. Alternative assets generated $41 million of net investment income, an improvement from the prior year as equity markets have continued to rebound.

Overall, our book yield improved from 3.5% to 4.7% year-over-year, and our reinvestment rate remains at approximately 5%. We continue to take deliberate actions to best position our investment portfolio and capitalize on market conditions. We made a number of portfolio moves over the past quarter to take advantage of the evolving interest rate environment. We successfully executed our strategy to sell lower-yielding bonds totaling $3.3 billion of market value in Q4, which resulted in after-tax realized fixed income losses of approximately $210 million in the quarter, while reinvesting the proceeds into higher coupon bonds with higher credit quality, and this contributed approximately 30 basis points to the book yield increased in the quarter and is expected to add significant additional interest income in 2024 and beyond.

We generally purchase 10-year maturities, thereby extending our duration modestly to 3.3 years, which is broadly consistent with our liability duration of 3.9 years. For the fourth quarter of 2023, our operating income tax rate before the Bermuda taxing impact was 14.5%, which was higher than our working assumption of 11% to 12% for the year, given the geographic distribution of income. However, the full year operating effective tax rate, excluding the Bermuda tax impact, was 10.5%, well within our expected range.

Everest also booked a $578 million net deferred tax benefit in the quarter as a result of Bermuda's income tax guidelines. And this will begin to be utilized in 2025 when the Bermuda income tax is in effect. Shareholders' equity ended the quarter at $13.2 billion or $13.9 billion when excluding net unrealized depreciation on available-for-sale fixed income securities.

At the end of the quarter, net after-tax unrealized losses on the available-for-sale fixed income portfolio equates to approximately $723 million, a decrease of $1.1 billion as compared to the end of the third quarter, resulting from interest rate decreases. Cash flow from operations was $1 billion during the quarter and $4.6 billion for the full year. Book value per share ended the quarter at $304.29, an improvement of 44.3% from year-end 2022 when adjusted for dividends of $6.80 per share year-to-date.

Book value per share, excluding net unrealized depreciation on available-for-sale fixed income securities stood at $320.95 versus $259.18 per share at year-end 2022, representing an increase of approximately 23.8%. This is an outstanding result and shows the value creation from 2023. Net debt leverage at the quarter end stood at 16.3%, modestly lower on a sequential and year-over-year basis.

As mentioned earlier, our capital raise back in May, coupled with the organic capital generation of our portfolio throughout the year put us in a position of strength to be able to capitalize on a number of market opportunities. Another tangible example of this was our ability to reduce our cap bond reliance at year-end 2023 as we seek to retain more of the gross and net economics in lines of business with exceptional risk-adjusted return potential.

So while our PMLs have gone up in the tail with the cap bonds rolling off, we remain well within the risk tolerances of our predefined risk appetite as well as having ample room for additional organic growth. In addition, Everest had an excellent fourth quarter and year in 2023. We began 2024 with a strong set of renewals, plenty of dry powder for future renewals and attractive organic growth opportunities in both of our underwriting franchises.

Our teams are fully mobilized to serve their markets. We have substantial flexibility and strong momentum across both businesses, leaving us very confident in our ability to deliver on the total shareholder return and combined ratio targets we introduced at our most recent Investor Day.

And with that, I'll turn the call back over to Matt.

Matthew Jay Rohrmann
Senior VP & Head of Investor Relations
Thanks, Mark. Operator, we are now ready to open the line for questions. [Operator Instructions]

Question and Answer

Operator

[Operator Instructions] Today's first question comes from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I guess I wanted to start with the reserve strengthening in Insurance, and I appreciate the color that you offered in the prepared comments. But that said, it seems like there may be a little bit of a break with the messaging we heard in prior quarters, namely that the company was already -- had already strengthened reserves considerably back in 2021, has cut loss picks conservatively high since then. So what's changed from that perspective now? And how can investors gain comfort or confidence that we're not going to see some similar pattern emerge in the Reinsurance reserves?

Mark Kociancic
Group Chief Financial Officer

Yaron, it's Mark here. So let me address that. I think, look, 2016 and '19 clearly is impacted by social inflation, and there was a very marked rise in actual losses during the 2023 calendar year. And those years are exposed to social inflation and casualty, in particular, really showed signs of development for 2016 to '19. So we're seeing reported loss patterns that are very seasoned, very mature and the trends are undeniable.

So for us, the issue really lies primarily in general liability. And from that standpoint, we believe we've captured it simply because these reporting patterns are fairly well developed, but the losses are on an actual basis now to a larger degree. And so there's less estimate involved, more precision in how we're able to size that class or period of business. And so we feel pretty good about the fact that we're able to put this to bed.

Juan Carlos Andrade
President, CEO & Director

Yaron, in addition to that -- this is the Juan Andrade. Look, I would say there is no change in the messaging from our perspective. We have been very consistent in the fact that we have a strong overall reserve position. We are confident in the most current years. You're right. We have raised inflation assumptions. We've raised our initial loss picks. We have pushed rate in excess of trend as well as a number of other things that I talked about in my remarks this morning. So we feel very confident about that. And I think as Mark said in his prepared remarks, we believe this closes the book on the 2016 to 2019 years.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. And then maybe pivoting a bit to the current accident year in your current calendar year. In Reinsurance, the underlying loss ratio, it did improve year-over-year, but the improvement actually subsided relative to what we saw earlier in the year, the first 9 months. And intuitively, I would have thought that we'd see that improvement accelerate just as the changing terms and conditions and better rates that you implemented starting on 1/1/23 would be earning in. So can you maybe address, were there any offsets there? Anything I'm not thinking about correctly?

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

Sure. Yaron, it's Jim Williamson. Thanks for the -- thanks for the question. So just to step back a little bit, our approach to establishing our quarterly loss ratios has been very consistent over the last few years. We set conservative loss picks as we enter the year. And then we don't tend to change them unless we see some bad news emerge. And so we do that at a very granular level. And so quarter-to-quarter, the only real effect you're going to see are mix related. And so what we have seen is, particularly on an earned premium basis, casualty is still greater than 50%. [Technical Difficulty].

Operator

Pardon me. It appears we have lost the connection with our speakers. Please standby.

Pardon me, everyone. We do have our speakers back, and we will move on to our next question, which comes from Josh Shanker with Bank of America.

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

Hold on, Steve. I'm sorry. Just one moment, let me -- this is Jim Williamson. Let me finish answering Yaron's question. Sorry for the interruption their folks. So as I was saying, we did not take credit for the 1/1/23 property rate increases in our 2023 property attritional loss ratio. And we do that out of prudence. We keep that pretty consistent year-to-year. And then the last factor, the only thing that affected our fourth quarter reinsurance attritional loss ratio was we did recognize the effect of 2 large property risk losses in the fourth quarter. And again, out of prudence, we bumped up our loss pick for those losses. That's about -- that's worth about 60 basis points on the total reinsurance loss ratio. So that also masks some of the underlying improvement that you'd be seeing from us, Yaron.

Operator

And our next question comes from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

More questions about the insurance reserve charge, of course. $392 million of net adverse development principally related to '16 to '19 in general liability. But of course, those are inflationary CAGRs that are being set correctly, which span into 2020 to 2023. What was the gross amount of the inflationary impact on the loss reserves, I assume offset by [favorable] development for frequency-related issues on the short-tail lines from the '20 to '23 period. I guess what I'm getting at is how much will reserve strengthen for inflationary issues on those later years?

Mark Kociancic
Group Chief Financial Officer

Well, virtually, all of the strengthening took place in 2016 to '19, and that was really related to the inflationary pressure favorable development. We had some on the Insurance side with respect to workers' comp, property and surety. But by and large, we're dealing with more of an isolated issue from '16 to '19. When we look at 2020 to onwards to 2023, we feel good about the loss picks that we've set and then the process that we followed there. So we've got a few points there. So start with underlying rate that's been achieved on an annual basis.

And even before social inflation became even more elevated, we were increasing loss picks in 2020. And then there's the portfolio actions really identifying the root cause of some of the general liability development that we've had, and that's been acted upon. So the loss picks from 2020 to 2023 have reflected a proper amount for the social inflation risk, and we feel comfortable with those figures.

And then going back to 2016 to '19, given the seasoning and the really well-developed patterns, payment patterns that we've seen, the fact that they're so mature approaching the 70%, 80%, 90% range depending on the year you're looking at, that's what's giving us the confidence in that segment, and that's also why we're confident for the 2020 to 2023 period.

Juan Carlos Andrade
President, CEO & Director

Josh, this is Juan. I would also add maybe just a couple of things. Gross is very similar to net, and there are no big moves under the covers, per se, I think, as Mark basically just said. The other thing that's important to note in context always matters. When we're talking about general liability for 2016 to 2019 and the actions that we took, they're really isolated to 2 things. One is a program that's now been put into runoff. The second one is related to a block of business that we have aggressively re-underwritten as well in the past couple of years. This is not endemic to the rest of the GL book in insurance. That also gives us confidence on the go-forward numbers. And hence why you hear Mark saying that we have closed the door on the 2016 to 2019 years with this action.

Joshua David Shanker
BofA Securities, Research Division

So look, I'm just someone who throws peanut shells from the cheap seats, and I apologize. To understand what you're saying is that the inflationary CAGR was underestimated in the '16 to '19 period, but even on those accident years, it was corrected in the 20 to 23 years such that you didn't have to make -- I mean I would assume that if you thought that the inflationary [CAGR] was 5% and turn out to be 6%, all years need to be adjusted up for that 6% CAGR. Is that a too simplistic way you're thinking about it?

Mark Kociancic
Group Chief Financial Officer

No, that's -- you can look at it that way for sure.

Joshua David Shanker
BofA Securities, Research Division

And then the question would be if the 2018 accident year inflationary CAGR was underestimated in '18, '19, '20, '21, '22 and '23, why don't I need to be concerned that the 2020 year was underestimated in 2021, '22 to '23?

Mark Kociancic
Group Chief Financial Officer

Well, first of all, I go back to my other remarks that I was making. So you've got payment patterns for 2016 to 2019 well developed. And so we're showing ultimate loss ratios in the '16 to '19 period, which are markedly elevated from the initial loss picks. So that's one part. When we switch over to 2020, 2023 time frame, out of an abundance of prudence, we started with elevated loss ratios to begin with. So over and above what we would have expected. Then you're getting the rate in addition to that, and you've got the portfolio management, which is eliminating some of the root cause of the '16 to '19 development.

So it's not just applying a raw number, a social inflation factor, there are other things that go to mitigate the development that could happen from 2020 to 2023 and probably more importantly, how do we get comfortable with those years. So GL, for us, from 2020 to 2023, still looks very good, good to us. There's -- we don't have an issue there. From 2016 to 2019, it was the lion's share of the problem that we're solving with this reserve charge today in Insurance.

Juan Carlos Andrade
President, CEO & Director

Yes. And again, Josh, this is Juan. Just to add a little bit more color on that. Look, the bottom line is the factors you're talking about have already been addressed. And again, I would reiterate some of the things that Mark said, I think it's very important. They've been addressed, number one, by much higher loss picks that we started to put in place really at the end of 2019 for 2020. That's number one. The fact that we raised our inflation assumptions essentially in our loss trend select, so we price to it. Number three, the fact that additional pricing in excess of trend was coming in through that period of time, and on the underwriting side, the fact that we did a lot of different things, for example, increasing our loss sensitive mix, lowering limits, racing deductibles, all of that basically helped to give us the confidence that we're talking about today in addition to exiting social inflation prone industry classes.

Joshua David Shanker
BofA Securities, Research Division

Okay. I know it's a complicated issue. I'll take anything else I have offline. Appreciate it.

Juan Carlos Andrade
President, CEO & Director

Thanks, Josh.

Operator

And our next question today comes from Elyse Greenspan at Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Following up on the reserves as well. I was hoping can you give us a sense on where you're working your reserves overall and in each of the segments, Insurance and Reinsurance relative to the actuarial midpoint and where was it before?

Mark Kociancic
Group Chief Financial Officer

So we're clearly looking to best estimate plus a margin, overall. So we do feel confident with that. I can tell you 2 pieces to the margin point. So one is what's embedded in the balance sheet. And I think we've still got a good chunk of seasoned or embedded margin in the reserves. And then we have the more green years, particularly in longer-tail casualty, which we feel strong about as well. But that's going to take some time to play out. So I would say there's an embedded margin that's diversified in the current set of reserves.

The second part is really the flow or the engine that's producing it. And this is what we're trying to emphasize with a lot of the remarks we made in the model lives. The steps that we've taken to ensure that we are producing margin-accretive business, and we're just taking our time to let it season, and we're not touching it right now. So when you think about the reserves that we've released, for example, you're seeing mortgage, for example. There was -- most of that release was from 2013 to 2019. So well-seasoned, very prudently reserved. We're letting that out.

Similarly, on the property side, you've got 2020 to 2022 as the lion's share of those releases. Again, short-tailed, well-seasoned, well defined, we're letting that out. And so we have this engine that is producing and embedding margins. And for longer tail lines, it takes more time to let it season. For shorter tail, it can become available sooner. And so to get back to your point, best estimate plus a margin, feeling good about our positioning and the flow of margin in the future.

Juan Carlos Andrade
President, CEO & Director

Elyse, this is Juan. And just to add to what Mark is saying. To think about what we have been saying and said in this call today about the quality of the underwriting, really over the last 4 years, the pricing environment that we've been in ahead of loss trend, the portfolio management actions that we have done and how we have crafted both books to be higher quality. What that basically means is that there's more in the tank and there are lots of good news in the future that we just haven't touched for the reasons that Mark just articulated. They're just not well seasoned yet.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then my follow-up question, you guys said that you made an adjustment in Reinsurance, but I think, Mark, you said that it was marginal for some of those years, 2016 to 2019. Can you give us a sense of what the Reinsurance charge was for those years? And I guess, why you didn't think you had to embed some extra conservatism and move that a little bit further?

Mark Kociancic
Group Chief Financial Officer

Yes. It was marginal. You're looking at a very small percentage of the total reserves, low single digit for those exposed years. I think there's a couple of things that you can look at, and I would start with the reserve charge we took in 2020 that was fairly meaningful at $400 million, and most of that was going into the casualty years from 2016 to '19. So I think we took a good chunk of that apple.

Over the last few years, both sides, Insurance and Reinsurance, there has been some minor adjustments for those years throughout the time. So we have been nibbling away at the data that we've been seeing. 2023, I think, was more pronounced in terms of industry loss data for those years. But we were in a -- we were just in a much stronger position from a Reinsurance point of view, on those years. I don't see any problem going forward on either side for '16 to '19 in either segment.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

When you say low single digits, do you mean low single digits millions or low single digits as a percent of...

Mark Kociancic
Group Chief Financial Officer

Percentage. Percentage, yes.

Operator

And our next question today comes from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just following up on the reserves. So Mark and Juan, you guys spoke about specific programs that are driving the insurance charge, mainly on GL, but I guess I would have thought that the trends impacting those lines are the same trends that are impacting the rest of your book. So I'm just wondering, as you guys take a look at it, how do you make the conclusion that it's isolated to these books in these accident years and not other programs across GL, but other lines in general?

Mark Kociancic
Group Chief Financial Officer

David, it's Mark. The -- I think the data for us is quite definitive when you look at it. So in particular, 1 program and 1 block of business is driving a very strong majority of the development that we're seeing in GL. It doesn't mean it's 100%, but it's clearly a strong majority. And just in terms of other lines, I want to make it clear, umbrella, for example, on our side was performed well during that 2016 to 2019 period. Professional liability, very minimal impact for us. So this is really general liability, and there were 2 main components for us, which we identified some years ago and began to act upon. But the 2016 to 2019 aspects of those 2 are what we're dealing with today.

Juan Carlos Andrade
President, CEO & Director

Yes, David. And what I would add is those 2 items that both Mark and I have mentioned, those are niche-type businesses, not sort of standard type of GL. And essentially, we have closed that book for all intended purposes.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And then Yes, just on that point, just closing the book. I guess I'm sort of just wondering any other color you can give us that would help us feel comfortable that this is behind us because I kind of look at the charge that you guys took in 2020. And then after that, there have been more additions. It sounds like you guys did a little bit here in 2023. So what makes you think we don't sort of see that same trend happen on the Insurance side as well?

Mark Kociancic
Group Chief Financial Officer

I think there's several points. First of all, you've got very well-developed reporting patterns for the '16 and '19 years. So again, anywhere from 70% to 90% development, completion of development for 2016 to '19. So that gives us a lot of confidence that we're dealing with actual data. We also have assumptions that I think are very prudent in terms of the social inflation impact. And so when you combine that altogether, we're able to capture with a high level of confidence what we think the ultimate loss ratios are going to be for really '17, '18 and '19. '16 is pretty much I think, done and really didn't move that much for us.

The larger point is 2020 onwards, and I think this is what we've been trying to emphasize is, we're benefiting from several factors, you can start with the process that we've embedded not only on the reserving side, but how we act upon information inside the company. And so you're seeing the claims data, what we're getting on the reserving side and embedding it within management pricing and underwriting.

So which classes of business, which programs are causing issues or at risk? Are we getting adequate pricing for it? And so we're far more disciplined, I would say, 2020 onwards with respect to that. Second part, there's been a significant amount of rate that's accumulated on a quarterly basis beginning in Q4 of 2019. And that's clearly helping, and it's supported by the industry loss data that's been developing since that point in time.

And then you've got the prudent loss picks. Clearly, we've elevated our loss pick selection, taking into account social inflation factors, other risk factors, just trying to be more prudent as a management team. Nobody wants to go through this exercise. And so we recognize that when we started. And hence, the constant effort on portfolio management. I mean, that is ultimately the key understanding at a granular basis, your portfolio by line, by client, by policy what is driving your profitability? What is driving underwhelming results? What is driving good results, the risk selection aspect? And that's something that I think we've been able to do a pretty good job of since 2020.

Michael Karmilowicz
Executive VP and President & CEO of Everest Insurance®

Yes. And this is Mike Karmilowicz. The other piece I'd add to all this is as you think about us growing into the hard market years, these portfolio compositions are dramatically different. So to point to risk selection, we've massively cut down rates over 40% on average, our rates -- our overall limits are down in excess, or we've actually continued to drive and thinking just on GL, our policy count is down over 23% in the last 2 years as we drive heavy risk selection, driving rate embedded to exceed margin. So we're making all the right steps to continue to be proactive in our portfolio management.

Operator

And our next question today comes from Gregory Peters with Raymond James.

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

I'd like to pivot to the Reinsurance business and a lot of market commentary and your commentary around the 1/1 renewals certainly seem more orderly on from a supply-demand perspective. I guess where I'm going with this is just the sustainability of price and terms and conditions that have been achieved over the last year, as we look to 6/1 and future renewal periods. So any perspective on that? Like, for example, we were hearing of more interest in the risk remote layers by the marketplace, et cetera. So just your perspective on how the market's changing inside Reinsurance would be helpful.

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

Sure. Greg, this is Jim Williamson. Thanks for the question. Everest did have another excellent Jan 1 renewals. You've heard Juan say we were able to deploy our incremental capital at really exceptional economics. We did grow the cat book, including leading or participating in many of the new top-off programs that you would have heard about as well as executing on a number of non-CAT opportunities in engineering and cyber, aviation and marine. So it's really excellent all around.

In terms of the dynamics of the sustainability of the market on the property cat side, which is, I think, where the core of the question lies, I would really point to 3 critical factors in terms of what is driving or what drove the market correction that started in the back half of 2022, and then obviously reached a peak and sustained itself through 2023.

The first is there's been this persistent gap between supply and demand in terms of available capital. And clearly, some of that ameliorates as the industry earns good returns in 2023. But there's really fundamentally been no formation of new capital in the industry other than our equity raise. And so I think there's still that element. There's also a rising demand from our cedents to buy more limit, which we saw again in some of those new deals that came out.

The second key factor, which I think is critical is underwriting psychology. The fact is the industry has been affected by multiple years of elevated loss activity that's hurt underwriters across the business. And they understand, I think, very firmly we need to sustain rate momentum to earn good returns.

And then the last thing is, if you look at the underlying loss trends, climate change, the impact of development patterns, we're in an elevated cat world, it's the new normal, and we saw it again this year. We had an elevated 2023 cat year. So our view is that puts legs on this market, and our expectation remains that these terrific conditions will persist past the January 1/25 renewal.

In terms of risk remote layers, yes, I mean, look, there's interest there because I think people are trying to get away from all of the factors that I just described. We did see some cap on formation up in the towers that caps price increases. But as you saw in our portfolio, there's plenty of areas of these programs where we can continue to do exceptionally well. And so we see just tons of opportunity for us as we go forward.

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

And just building on that answer. I was looking at Slide 16 of your investor deck, where you talk about the risk profile and after-tax net 1:100-year PML. Given some of the growth statistics you've thrown out in property cat, I guess I'm surprised that we haven't seen a bigger increase in your 1:100 year sort of PML calculation. Give us a sense of what's going on there that's keeping it muted.

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

Sure. Greg, Jim again. Yes, so a couple of things, and you would have heard us opine on this in prior calls, a couple of things moving there. First of all, the way we shaped our portfolio definitely has an impact on the shape of the curve and the shape of the PMLs. And so one of the things that we did, for example, throughout 2023 was move up in programs and really get more remote in terms of our average attachment level. And I've talked about an average attachment that might have been in the 1 in 4 or 1 in 5-year range is now more like a 1 in 7, and that's very meaningful in terms of managing total risk profile. And so that's been very important.

The other thing I would indicate, obviously, is we are growing our portfolio across the world. We see really terrific opportunities in markets in Europe, in Asia, in Latin America. So we don't have to over-lever ourselves to our existing peak zones. We can be diversified and get exceptional returns.

And then the last thing I would note, obviously, is the company is growing. And so the capital base, the denominator of those 1 in 100 calculations that you're referencing is getting larger as well, which gives us obviously capacity to prudently grow our portfolio.

So if you were to look at on a dollar basis, our reported PMLs, you'll see growth. I think that growth is appropriate given the environment. I'd say gross PML growth is lower than net PML growth as we've hedged less, as Mark indicated in his comments, which means more retained profit for us. So we're really moving all of these dials to ensure superior returns as we move forward.

Mark Kociancic
Group Chief Financial Officer

Greg, it's Mark. I'll just add another point to it. I do think that you will see a movement to the right on that slide that you're indicating, where we'll take a bit more exposure to tail risk through the course of 2024 and probably beyond. We are becoming more of a gross underwriter. And so in addition to Jim's point on the expansion of capital, the portfolio shaping, there will be less reliance on some of the hedging instruments as we move into more of a gross underwriting mindset, but all within our risk appetite and only where we have significant margin expectations. And then the last point is we are benefiting from meaningful diversification in our property cat book as well.

Operator

And our next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I've got 2 quick ones here. The first one, I'm just curious, back to the reserves, and I apologize, on the Reinsurance side. You're not the only ones on the primary side, obviously, there's some taking adverse development in the '16 through '19 years on the Insurance side. I'm just curious, is the [bordereaux] come in from all these other companies that are taking reserve charges? Do you or have you taken into account that increase in the claims activity and severity that you're likely to see just from bordereaux coming in on Reinsurance?

Mark Kociancic
Group Chief Financial Officer

Yes. We're definitely, I think, ahead of the curve on that. That's something that we've had in our vision for quite some time. And we're prudently reserved clearly in '23, that's been proving out. So we feel very good about our casualty reserve positioning in the Reinsurance segment for those years and recent years.

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

And Brian, it's Jim Williamson. The only thing I would add to that, I totally agree with what Mark said. But we're not waiting for bordereaux. We have very strong collaboration with our core cedents in terms of claim -- from a claims management perspective, we're getting signals much earlier than reported bordereaux and that helps us to stay on top of these trends and to ensure that we're building significant prudence into our quarterly loss base.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then second question, just curious, capital management. I mean, obviously, you've had a lot of fantastic organic growth opportunities here, you're really growing. But as I look at your stock right now, it's kind of come down and getting closer to some pretty attractive valuations. And what are thoughts on kind of using some of the capital that you're generating for share buyback?

Mark Kociancic
Group Chief Financial Officer

Well, it's always a consideration, Brian. But we made this point last year. The underwriting opportunities are very lucrative, particularly in Reinsurance. And we think we can capture a lot of that in 2024, build our portfolio, build the franchise, and we can execute easily. So remunerating that capital is fundamental to achieving our Investor Day objectives.

If we can't do that, yes, capital management is a tool that we can use to remunerate our shareholders more adequately, but we're very confident in our ability to achieve those objectives from Investor Day, deploy that capital profitably, build the franchises and get it done. There's a runway here for 2024, clearly and well into 2025.

Juan Carlos Andrade
President, CEO & Director

Yes, Brian, this is Juan. And I would echo what Mark said, look, from our perspective, buybacks are always there right after organic growth and something that we consider on a regular basis.

Operator

Our next question comes from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research US LP

Just one for me. If we think about your 2024, 2026 objectives, let's say, social inflation continues to kind of nag. So there's -- in this area where there's a little bit of underlying loss ratio pressure at the group level. Are those objectives still achievable in your mind? And I guess, if not, you mentioned capital management, but are there other levers that you can pull to stay within that ROE range?

Mark Kociancic
Group Chief Financial Officer

Ryan, it's Mark. Short answer is, yes. Very well-diversified set of lines of business that we have in both franchises to execute from. It goes back to my earlier point about the granular view that we have in our portfolios so that we understand where loss trend is, what we think of social inflation exposure, medical inflation, economic inflation, et cetera, all the kind of risk factors that go into calculating the expected returns that we can get.

And so when you've got that type of diversification, much easier to do cycle management and make sure that you're disciplined in allocating that capital over time. So lots of paths to do that. In terms of the social inflation aspect, I mean, it's well known, I think, in the industry. So we're obviously taking prudent loss picks into consideration as we price that business going forward. So we feel very good about the 3-year plan beginning '24 to '26.

Operator

And our next question today comes from Michael Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

So back to the reserving discussion. You said, I think, Juan, you might have said that you're making much higher loss -- taking much higher loss picks on the -- as of 2020 from looking back at the transcript wording. I don't believe, and maybe I'm incorrect your disclosure, many of your peers, you can see the disclosure, but I don't believe you -- Everest discloses loss picks by vintage or by major line of business. So unless I'm wrong, and you want to give some color on that, it would be great to understand how much higher those loss picks are, or if you wanted to change the disclosure in the future kind of as many of your peers to disclose that.

Juan Carlos Andrade
President, CEO & Director

Yes, Mike, I'll start and then I'll have Mark add some commentary as well. Look, we don't disclose our loss picks, obviously, for competitive reasons. But I can tell you that, again, as I've said before, since I arrived here in the fall of 2019 and for the first plan that we did for 2020, we significantly increased our loss picks in both Insurance and Reinsurance, particularly on long-tail lines of business. And that is something that we look at every quarter, and we true up every quarter, and you have not been seeing us really take loss picks down, at least not since I've been here as CEO of this company.

And the reason for that is everything that we have been talking about right now, right? Number one is the fact that we recognize that there is loss inflation in the environment. So that's one of the key reasons for increasing the loss picks and not taking them down. We also have been truing up our loss trend assumptions, and we've been doing that on a very regular basis starting in 2020. So before inflation, economic inflation really started to happen, we started doing that really in 2020. So I think those 2 things really come back to what Mark and I were saying earlier in the conversation, which also gives us comfort as to where we are right now.

In addition to that, and very importantly, it's all the risk management and portfolio management actions that we have taken across the book. You heard Mike Karmilowicz, for example, talk about the fact that in lines, like excess liability, where we might have had $25 million limits exposed back in 2018, 2019, they're down to $10 million now, and it's actually a net of $5 million for us in the company. So significantly lower. And that's across every single line of business that's out there.

So when you take into account the increased loss picks, the increased rate, the additional loss trend we've put up, the rate and the portfolio management actions, the risk selection, et cetera, all of this comes together. And essentially, the conclusion that we're giving you today on how we feel about that go-forward business and the fact that we have dealt with the 2016 to 2019 years.

Michael David Zaremski
BMO Capital Markets Equity Research

That's helpful, especially the reminding us about the limits changes on lots of the policies in '20 and beyond. Let me -- just lastly, I don't know if -- just looking at the -- you've taken a lot of realized losses make sense to kind of lock in some higher yields and some reserve changes, too, a lot of premium growth, which is -- which uses up capital. So just is there -- should we be thinking about just being careful with our buyback assumptions on a go-forward basis given all the moving parts? Or should we -- am I splitting hairs and that you can keep kind of at the current pace?

Mark Kociancic
Group Chief Financial Officer

Mike, it's Mark. The first point that I would make is we have ample capital. There's a lot of capital that we have at our disposal. The capital raise that we did last year, fully deployed, we've generated an additional $1.5 billion in the second half of 2023. I think we've also got very favorable margin expectations for 2024 and beyond. And so the ability to generate income and retained earnings going forward, we feel very bullish about.

And then you've got process that we have internally where there's the -- and I think this is really important, there's a discipline of what I call threshold pricing, where we are able to move into the most accretive opportunities. We are not forced to simply underwrite certain lines or classes of business to keep volume or whatever it is. It's very much a profit focus. And so the attractiveness of what we see in this environment for underwriting expansion is driving everything.

Capital management, I think that's a secondary tool. There's nothing that would restrict it. It's simply not as privileged given these opportunities that we have now. And the main point here is that with all this ample capital and capital generation ability, if we're not able to remunerate that satisfactorily to our TSR objectives, yes, then I think you'll see more capital management levers being pulled, but there's nothing stopping that conceptually. It's simply the opportunity set that we have in front of us that we want to pursue and capture.

Operator

And our next question comes from Jing Li with KBW.

Jing Li
Keefe, Bruyette, & Woods, Inc., Research Division

The first question is on the runoff book that you mentioned in the blocks underwritten prior on the casualty book. Just wondering like how big was that and what's left on these books? Are they in majority GL book?

Juan Carlos Andrade
President, CEO & Director

Yes. So on the 2 items that we mentioned for general liability and frankly, what's creating some of the issue that we're proactively addressing right now. I would say one of those programs has been completely shut off at this point in time. And then second book has been remediated, re-underwritten, very little new business coming into that at this point in time.

But I don't know Mike Karmilowicz, if you want to add a little bit of color to that.

Matthew Jay Rohrmann
Senior VP & Head of Investor Relations

Yes. It's basically a couple of hundred million dollars. And these were actually dealt with over the last 18 to 24 months. So we proactively got in front of it. And again, I think that gets back to the point you made around active and proactive portfolio management.

Jing Li
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Just one more follow-up on the overall market. How attractive do you guys think is the market looking post reform?

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

Yes. This is Jim Williamson. Thanks for the question. Our stance has been pretty consistent in that. We thought the government of Florida, the legislator did a very good job in the structuring of those reforms. Early indications in terms of communication with our clients in Florida and other stakeholders in the state would suggest that the reforms are doing what they were intended to do. But we also said that we would be waiting for the results of those reforms to show up in our data before determining what that means for our underwriting position.

So our approach to Florida has been quite consistent over the last couple of years. We are a meaningful provider of capacity to the state -- and as long as our expectation for risk-adjusted returns are met, which would mean at least as good or improved from last year, meaning excellent, we'll continue to provide that capacity. Obviously, if that isn't the case, we would do less. And if conditions get even better, we might do a little bit more. But I don't expect a major change at the upcoming June 1 renewal.

Operator

And ladies and gentlemen, this concludes today's question-and-answer session. I'd like to turn the conference back over to the management team for any closing remarks.

Juan Carlos Andrade
President, CEO & Director

Yes. This is Juan Andrade. So thank you for the great dialogue and all the questions on the actions that we took in the quarter. I do think it's important to zoom out and keep things in context, right? If you look at the 2023 results for the company, they were simply outstanding, 23% operating ROE, total shareholder return of over 26%. And if you exclude the Bermuda DTA action, you're still generating an operating ROE of 19% and a TSR of 21%. So simply world-class results.

You also heard a commentary on the 1/1 renewals, which were excellent. That gives us pretty significant tailwind going into 2024. A lot of great discussion on the reserves. And I think hopefully, the takeaway that you have here is we have a strong reserve position. We feel confident about where we are. And then lastly, as Mark and I both said, we are confident in achieving our Investor Day targets. We have lots of levers to achieve our objectives.

So with that, I look forward talking to you after our Q1 results. Thank you.

Operator
Thank you. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines. Have a wonderful day.