S&P Global
Market Intelligence

Everest Re Group, Ltd. NYSE:RE

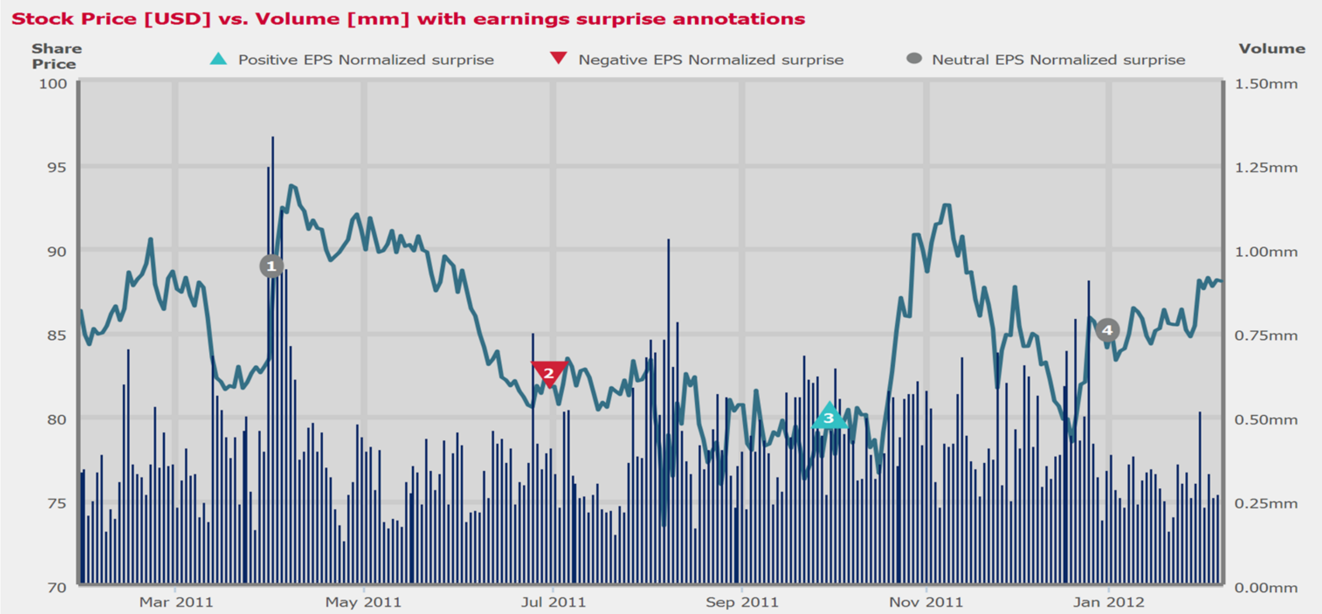
FQ1 2012 Earnings Call Transcripts

Thursday, April 26, 2012 2:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2012-			-FQ2 2012-	-FY 2012-	-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.45	4.48	29.86	3.36	13.02	12.66
Revenue (mm)	997.56	997.98	0.04	1079.57	4544.93	4696.30

Currency: USD
Consensus as of Apr-26-2012 1:28 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2011	(4.47)	(5.95)	NM
FQ2 2011	2.49	2.46	(1.20 %)
FQ3 2011	2.03	2.70	33.00 %
FQ4 2011	(0.69)	(0.94)	NM

Table of Contents

Call Participants

EXECUTIVES

Dominic James Addesso
President, CEO & Non-Independent Director

Elizabeth B. Farrell
Vice President, Investor Relations

Joseph Victor Taranto
Chairman of the Board

ANALYSTS

Amit Kumar
Macquarie Research

Gregory Locraft
Morgan Stanley, Research Division

Joshua David Shanker
Deutsche Bank AG, Research Division

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Ronald David Bobman
Capital Returns Management, LLC

Unknown Analyst

Presentation

Operator

Good day, everyone and welcome to the Everest Re Group Limited First Quarter 2012 Earnings Release Call. Today's conference is being recorded.

At this time, for opening remarks, I'd like to turn the conference over to Beth Farrell. Please go ahead ma'am.

Elizabeth B. Farrell
Vice President, Investor Relations

Thank you, Jim. Good morning and welcome to Everest Re Group's first quarter 2012 earnings conference call. With me today are Joe Taranto, the company's Chairman and Chief Executive Officer and Dom Addesso, our President and Chief Financial Officer.

Before we begin, I will preface our comments by noting that our SEC filings include extensive disclosures with respect to forward-looking statements. In that regard, I note that statements made during today's call, which are forward-looking in nature, such as statements about projections, estimates, expectations and the like are subject to various risks. As you know, actual results could differ materially from current projections or expectations. Our SEC filings have a full listing of the risks that investors should consider in connection with such statements.

Now, let me turn the call over to Joe.

Joseph Victor Taranto
Chairman of the Board

Thanks, Beth. Good morning. We are pleased with our first quarter results as we generated an annualized operating ROE of 17%, and annualized net income ROE of 21% and group book value per share, adjusting for dividends, by 7%.

Including other comprehensive income, we made over $400 million for the quarter. We bought back a $125 million of our shares, paid $26 million in dividends and still increased our surplus by $260 million.

This increase adds to the already strong excess capital position we had established. Our balance sheet has never been stronger with high quality, well-performing assets and reserves that continue to test well. Even though it is by no means of hard market, we have positioned our portfolio to take the best the market has to offer. We have continued to find opportunities in the property catastrophe market, where losses in the last 18 months have driven improved rates, terms and conditions.

Although our expected margins have increased, we have not materially increased our P&Ls in any of the peak zones year-over-year. Since our last call, we have completed the April 1st Japanese renewals and we were pleased with the results. Rates on earthquake excess of loss treaties had increases ranging from 20% to 60% compared to 2011, and from 40% to 150%, when compared to the pre-earthquake 2010 rates. Wins excess of loss treaties experienced rate increases of 10-ish percent following 5-ish percent increases from the year prior. Japanese interest to buy proportional covers were improved to exclude natural perils, which increased the demand for specific excess of loss coverage on these overseas risks.

The next important renewal date for us will be June 1st, when we have our Florida renewals. We anticipate that, that will go very well, given the following dynamic. First, the new RMS-11 model increases the need for most buyers to buy more reinsurance at higher model prices, while it reduces the risks -- the risk capacity of many of the sellers. Second, the state of Florida will be providing less reinsurance, which will increase the need for professional reinsurance capacity. And third, the underlying homeowners' insurance rates have been permitted to increase, allowing for a bigger healthier premium base.

Moving on to casualty reinsurance, we continue to take a conservative position, essentially keeping our book to long-term declines that we have made money with. Many insurance executives are anticipating meaningful improvements in this market and we hope they are correct, in which case we would adjust their appetite, but for now, we will continue to hedge our best.

Our insurance operation continues to show improvement, whereas it ran to a 101 combined ratio for the first quarter, we expect continued improvement for ensuing quarters as rate increases achieved last year and this year on California Workers comp business works its way into the earnings, and our crop premiums, which are seasonal in nature, will be much heavier in subsequent quarters. Our financial institution D&O, our medical stock loss insurance and our property insurance both continued to produce an underwriting profit.

On the investment front, we continue to perform quite well, despite lowering our duration to better insulators from an upward movement in interest rates. Strong cash flow continues to build our invested asset base. As previously announced, Craig Howie has joined us as Executive Vice President and will become CFO following our first quarter SEC filings. Dom and I interviewed a large number of qualified candidates for the position, and we were delighted that we were able to attract our number one choice.

Dom remains CFO for the first quarter and accordingly, he will present the financial report this quarter. Craig will be on the next call presenting the second quarter financial report. Now that Craig has joined us, Dom will be able to spend most of his time on the operational side of our business.

Our management team has never been stronger with Dom as President, Craig as CFO, John Doucette as Chief Underwriting Officer for Worldwide Reinsurance and our many strong executives around the world, like Mark de Saram, who oversees Bermuda, Europe and Asia, and Ron Diaz, who oversees Latin America and the other international areas.

Last quarter I said I was optimistic about 2012. Clearly, now I'm only more optimistic. I like our team, our plan and our portfolio. We have achieved a compounded 13% growth in book value per share, including dividends through our 17 year history as a public company. Given our first quarter we are hopeful we will exceed that historical average this year. Dom?

Dominic James Addesso
President, CEO & Non-Independent Director

Thank you, Joe. We are very pleased with the performance in the first quarter. In comparing the results to last year, consideration must be given to the catastrophes experienced in 2011. Over the long-term, despite the catastrophe levels in recent years, our returns have been quite favorable and this quarter has moved our compound annual growth and shareholder value back towards our historical average.

This most recent quarter with $7.31 growth in book value per share was 6.5% reflects an underlying 21% net income ROE. This return is reflective of the reinsurance attrition combined ratio, excluding the impact of restatement premiums, improving 2 points from 85% to 83.2%. It should be noted that the 2012 results include a $20 million provision for the Concordia loss and as adjusted for this, would mean that there was an underlying 4-point improvement in the combined ratio results.

Rate increases are a primary driver of this improvement, as well as the portfolio shift and pro-rata to excess contracts in heavily taxed close regions. The favorable impact of rate increases earning through is expected to continue during the year as rate increases on cap exposed business began picking up momentum starting last April, after the Japan earthquake.

In this first quarter of 2012, property cap excess of loss in return increased over $15 million or 17.5%. An overall cap exposed premium is up 12% without meaningful increases in CML or peak zones. Premiums in the reinsurance segments were up approximately 9% after adjusting for reinstatement premiums and foreign exchange. This increase was less than the percentage rate increases decided due to shifts in geographic mix as well as shift in capacity to excess of loss from pro-rata.

So, this quarter in addition to the attritional results, there was a catastrophe loss $30 million for the February and March tornados. Despite these events, the reinsurance underwriting gained for the quarter as a result of portfolio change and rate increases as mentioned, was at $112 million. On the insurance fund, there has been a similar improvement in the attritional combined ratio when compared to the full year run rate. Insurance operation ended the full year of 2011 at a 106 current year attritional combined ratio.

This year's first quarter is as expected, showing dramatic improvement over that run rate with 101.2 combined ratio. This improvement is in part being driven by over 2 years of rate increases, most notably in California Worker's compensation.

Rate increases in casualty and worker's comp have continued into the first quarter. In addition, the insurance portfolio was benefiting from a shift in mix with new products such as crop and ANH insurance and a reduction in certain casualty programs. Insurance premiums are down quarter-over-quarter due to runoffs in certain program business and a light quarter for crop premium.

Last year's crop business was recorded evenly throughout the year as reinsurance premium. With the shift to the insurance, this business now has a certain seasonality, which resulted in only $8 million of first quarter net premium. Nevertheless, we expect approximately $150 million of crop premium for the balance of the year, with an expected combined ratio in the low 90s even more normalized weather events.

Turning to investment income for the quarter, there was $152.4 million of income compared to $178.7 million one year ago or a decline of $26.3 million. The difference is primarily due to the income from limited partnerships. After adjusting for the impact of the $24 million decline in income from limited partnerships, core investment income is down by approximately 2% or $2.5 million.

This is a result of declining reinvestment rates offset by new cash flows, which continues to be positive at $166 million this quarter. Capital gains were quite strong for the quarter at $99 million pre-tax and were reflective of the rising equity markets in the first quarter.

The combination of solid investment performance and strong underwriting results, produced net income before taxes of $343 million. Taxes for the quarter of $38 million results in net income of $305 million or $5.68 per share. Operating results, pre-tax, equal $244 million and $240 million after-tax. The low effective tax rate on operating income of 1.7% during this quarter was a result of the impact of the large realized gains in the quarter on the analyzed effective tax rate calculation and other one-time adjustments. It is expected that the tax rate on operating income will normalize with an overall effective rate for approximately 6% by year end.

Turning to other miscellaneous items, the $6 million gain on derivatives was comparable to the prior year's $7.5 million. Again this quarter was a reflection of the rise in equity markets. Other expenses, which are mostly foreign exchange losses, were just slightly ahead of the prior year are still relatively minor at $6 million. There was no meaningful change in corporate expenses and other underwriting expenses increased by $3.5 million due to timing of certain expenses.

Commissions were increased by $2.6 million due to the change in accounting deferred acquisitions costs. Commissions are therefore down on a like-for-like basis due to the shift XOL business, which carries lower commissions. This accounting change was adopted prospectively and will impact each of the next 4 quarters through commission expense for a similar amount.

Adding to our income position this quarter was $80 million of unrealized gains after tax from our bond portfolio as a result of declining yields. When added to our net income plus foreign currency translation gains, we totaled $402 million as comprehensive income. After taking into account $25.6 million of dividends, $125 million of share repurchases and ended the quarter at $120.30 at book value per share. Our total capital position of $6.3 billion leaves us with capacity to maximize our business opportunities as well as continue share repurchases.

We're also pleased to report that our A+ rating from S&P was recently affirmed with a stable outlook.

Thank you. And with that I'll now turn it back to Beth for Q&A.

Elizabeth B. Farrell
Vice President, Investor Relations
Tim, we are ready to take questions.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Matthew Heimermann with JPMorgan.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Couple of -- just a couple of quick numbers questions before a bigger picture question, which is just the Concordia loss, what segment was that in or it was spread across multiple?

Joseph Victor Taranto
Chairman of the Board

It's U.S. reinsurance.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Okay. And then the reinstatement premiums in the quarter, what segment were those booked in?

Joseph Victor Taranto
Chairman of the Board

International. And they were mostly from last year's events.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Okay. Mostly are from last year. Okay, and then the crop premium that earned the rest of the year, is it fair to assume that probably about 90% of that will earn and the second and third will be written in the second and third quarters?

Joseph Victor Taranto
Chairman of the Board

The bulk of that will be, yes.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Okay. And then your tax rate comment, I was a little surprised by 6%. Because that would imply basically no tax on underwriting income, if I am doing the algebra correctly. So did I hear that right and is that 6% to run rate and if so why -- what's the significant change there?

Joseph Victor Taranto
Chairman of the Board

We are anticipating obviously, our effective tax rate to grow to 1.7% to 6% by the end of the year. In that calculation would be any other anticipated adjustments that we might have to attach to accounts during the year.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

So, is that like favorable resolution of prior year tax matters, things like that?

Joseph Victor Taranto
Chairman of the Board

Things of that sort, yes.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

So we shouldn't play that for forward, let's say in the next year.

Joseph Victor Taranto
Chairman of the Board

Probably not.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

That's helpful. And then, big picture, Joe on Florida. Just with respect to the demand picture, because I think one of the -- there are clearly some increased demand, citizens though it look like you the capital markets for a bit more of the program that people were anticipating, there's obviously been a lot of third party capital setup alongside companies and of course, in cars and other rather rated entities. I'm just -- how I'd curious if you could just talk to the supply side, I mean how that's changing relative to the demand side?

Joseph Victor Taranto
Chairman of the Board

You're right, Matt. There certainly are some moving parts, and some go one way and some go the other. Citizens it does seem as if there will be more into the bond market. It's unclear if they'll buy and more or less outright reinsurance did. They'd be populating of course with more risk than exposure into other companies and create more meaning for reinsurance. I think the big things are, RMS-11 and the fact that the premium base of reinsurance level is getting healthier. On the supply side, again RMS-11 for many reinsurers starts to limit the amount of capacity they can provide. I am not seeing any sort of groundswell and signs that our new companies that I think is going to create any sort of meaningful additional capacity for the marketplace. So when do look at the whole equation, I think it will continue to be improvements for re-insurers at 61, that's my expectation.

Matthew G. Heimermann
JP Morgan Chase & Co, Research Division

Okay. And do you think for your portfolio that means -- I mean does that mean growth in terms of -- does that mean growing just with your existing clients, let's say you get rate pass through on pro-rata and maybe with maybe with de-popping just a little bit of up growth in their books, are you expecting on top of that to be putting new accounts on the book as well?

Joseph Victor Taranto
Chairman of the Board

Well, I would like to say there may be some new accounts and existing clients will certainly come first. And the limitations will be that we don't really want to increase our P&L in any significant way in Florida. Of course if there is rate increase, we will be pleased about that.

Operator

We will now take our next question from Joshua Shanker from Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

Yes, thank you. I was hoping you might accompany out by walking through reinstatement premiums of 1Q 2011 by segment, and then maybe talking about exposure growth by various segments reinstatement premium exposure that way?

Joseph Victor Taranto
Chairman of the Board

Okay. Let me just -- all right, reinstatement premium for this year?

Joshua David Shanker
Deutsche Bank AG, Research Division

For the comparing. I'm trying to sort of normalize this year's numbers with last year's by segment?

Joseph Victor Taranto
Chairman of the Board

Okay, just keep in mind that we do have -- what you are trying to do is looking at the attritional combined ratios, excluding the effects of reinstatements. We can give you those if that's easier, but…

Joshua David Shanker
Deutsche Bank AG, Research Division

I'm actually interested in your growth and where you are taking more risk, where you're taking less risk. It's hard to describe that with premium, but I would like a qualitative on top of the quantitative I guess?

Joseph Victor Taranto
Chairman of the Board

What we've got in U.S. reinsurance this year $337,000 against 16 million reinstate in premium in last year in the first quarter. International $4 million this year versus $9 million a year ago. And Bermuda, zero this year against $5 million a year ago. So that brings a total reinsurance of a little over $4 million against a little over $30 million a year ago.

Joshua David Shanker
Deutsche Bank AG, Research Division

Okay, that's great, Dom. Can you talk about where are you taking more exposure, where are taking less exposure, where is the likes for justifying that and what not? I mean can you handle that any way you want I guess?

Joseph Victor Taranto
Chairman of the Board

So as we mentioned earlier, in all of your peak zones, our PMLs have not changed in many meaningful way. Any exposure growth or stretching at a rag has been primarily in the Midwest with a little bit of growth in the northeast, but most of our exposure growth has been in the Midwest.

Joshua David Shanker
Deutsche Bank AG, Research Division

And is that in terms of like tornado or like new mattered earthquake?

Joseph Victor Taranto
Chairman of the Board

It would be all catastrophic.

Joshua David Shanker
Deutsche Bank AG, Research Division

Okay, okay.

Joseph Victor Taranto
Chairman of the Board

There may be pockets like Dom just decided where we'd done more. Again, reacting to the rate changes that happened post the tornadoes that took place last year. But in the name, when you get to the big zones and in Japan, and Europe and California and Florida, we really don't have at least an increase first, at least subject to one sharp loss.

Joshua David Shanker
Deutsche Bank AG, Research Division

And then in the Midwest it doesn't feel one of those zones and aggragates as one of the big 3?

Joseph Victor Taranto
Chairman of the Board

It's not a big item for us, but it's bigger than what it was before. But it's known as a peak zone now.

Joshua David Shanker
Deutsche Bank AG, Research Division

Okay, very good.

Joseph Victor Taranto
Chairman of the Board

[Indiscernible]

Dominic James Addesso
President, CEO & Non-Independent Director

Josh, there has been other areas where we decreased as well of course.

Joshua David Shanker
Deutsche Bank AG, Research Division

And do you want to highlight that I mean, I'm just trying to get much as information as possible?

Dominic James Addesso
President, CEO & Non-Independent Director

Oh, a little bit of a reduction in quake, some modest reductions in Japan wind, Canadian British Columbia quake, things of that sort.

I can give you some broad executive summary, and it's broad. Last call I mentioned that we expected to write an additional $100 million to $150 million in pure cat premium on our book of business, that still looks to be a pretty good number. And yet if you ask me in terms of just worldwide exposure I think if anything were down a bit because terms and conditions they are much better and again the rates being up that's where I think the premium growth comes from.

Operator

Moving on, we'll take our next question from Greg Locraft from Morgan Stanley.

Gregory Locraft
Morgan Stanley, Research Division

Wanted to just follow up on the commentary regarding book value growth this year. You mentioned you're hopeful that you can exceed the long term 13% average for the corporation. How do you think about catastrophe losses from here or how do you – yes, how do you think about catastrophe losses and equity market or partnership returns within that commentary?

Joseph Victor Taranto
Chairman of the Board

Are you asking about each of them separately or collectively Greg, I'm not sure.

Gregory Locraft
Morgan Stanley, Research Division

Separately, because obviously that's where the volatility can come into achieving or missing that target. And I'm just curious how you guys both modeled it internally as you think forward, knowing that it's impossible to predict with exact accuracy?

Joseph Victor Taranto
Chairman of the Board

Okay. I mean we obviously carry capital against all of the risks in our portfolio, and not the least of which are the ones that you mentioned. Thinking about equity returns, for example, what we try to do is carry a balanced investment portfolio, particularly coming out of 2008, 2009, we saw opportunities to expand our investment portfolio, if you will, not within any undue risk. So, we generally would like the direction that our position or the posture of our portfolio and it has obviously performed well over the last couple of years and quarters, and particularly in the first quarter.

But we're not going to necessarily dramatically change let's say our investment portfolio front of allocation from here, but we do like the way it's positioned. In terms of the catastrophe risk, we still manage our catastrophe risk through about 11 after tax basis to largest events through about 11%, 12% of the capital. We're not looking to meaningfully change that. And...

Gregory Locraft
Morgan Stanley, Research Division

I guess, Dom if I may, I think what I'm trying to get at…

Joseph Victor Taranto
Chairman of the Board

With the tax business, you get some volatility with that. We usually put in about 9 points in our plan, as to what we would expect in terms of anticipated catastrophes. Obviously, we were below that for the first quarter and when I start looking forward, I am going to put back in the average expectation if you will for the future. I think frankly that's less volatility on our books this year than we had last year. Again between changes in terms and conditions, which have been happening both at the insurance levels and at the reinsurance level.

And I think if multiplied to make for a very, very meaningful change. When we start replaying even events like last year at $100 billion under varying scenarios, we just come out with much better answers and much less volatility. So trying to kind of get to the bottom line for your question. Yes, I very much expect to have, or hope to have good results for the next 9 months that give us a yearly result that is much better than the historical average. And that certainly will encourage us to continue to buy back stock as well. And I think it will lead good answer, if to say if it's a year that's not average if in terms of various catastrophes.

Gregory Locraft
Morgan Stanley, Research Division

Okay. That's helpful. And then 9 points is what you budget for on tax and then is the equity market assumption like a 7, and 8, and 9, how do you think about that on the investment side? Again, knowing it's not perfect?

Joseph Victor Taranto
Chairman of the Board

The equity markets are going, I think, even probably guess that is what we have guessed is that it's been a good place for to us be in the last year. We'll have an investment meeting every month to decide what we chart to do going forward, but I think we will leave it to you to put expected increases on the equity markets.

Gregory Locraft
Morgan Stanley, Research Division

Perfect, fair enough. So again on that 13% growth number, if -- and I know it's a historical and it's hopefully you beat it and obviously you're off to a decent start, but that points to earnings of north of 14 bucks a share to get to that level. Streets not even close today to that. So as you guys look at our models, what are we missing with regards to the earnings power of Everest Re.

Joseph Victor Taranto
Chairman of the Board

Well I think you're -- what you're missing currently is the improvement in attritional results. Essentially we've highlighted this as an example the additional cap premium we've had just in the first quarter. Already taking into account April rules, that number is now approximately $100 million. Joe mentioned that we expect that 100 to be an increase by the year end over $150 million. So that's how the dramatic improvement on our attritional combined ratio is. In addition the shift from pro rata excess change in terms of conditions is all pointed towards driving that attritional lost ratio down lower.

Gregory Locraft
Morgan Stanley, Research Division

And I would add insurance on top of that improving. So put it all together it's really improved underwriting with some help from the markets, especially in the property catastrophe side. It's not so much any changes on investments or even future taxes. Share buyback, of course, will sweeten things but I guess Greg it was being this was what Dom just said improvement on the underwriting side.

Joseph Victor Taranto
Chairman of the Board

Perfect. Okay. Great. And then one last one if I could on capital deployment, it was nice to see the buyback in the quarter. Should we be thinking about buybacks plus dividends being at or below operating income going forward? And what is your at fault, I guess still 83% of book value now after today's move given the growth.

Gregory Locraft
Morgan Stanley, Research Division

Look our apatite's buyback we haven't issued forecast, but -- and we won't just we want flexibility but we will continue to buyback and at 83% we think it's very attractive to buyback. The fact that we have had very good earnings and certainly are hopeful of continued good earnings only encourages us to buyback more. So that's our formula with net earnings buyback.

Operator

Moving on with our next question from Amit Kumar from Macquarie.

Amit Kumar
Macquarie Research

Maybe just going back at the discussion on California comp, I wanted you to refresh us, as to what you think is the gap between the earned premium rates versus loss costs?

Joseph Victor Taranto
Chairman of the Board

Going from the light. Rates that we're achieving versus how much lost cost are going up?

Amit Kumar
Macquarie Research

Yes, one of the written rate and it's earned over time. So there is a gap. There is a lag. It lags. So that's what I'm trying to figure out, do you think that on an earned basis the margin is positive or negative or you know you're looking to get to at end of 2012?

Joseph Victor Taranto

Chairman of the Board

We feel that by year's end we will see positive margins in our California comp book.

Amit Kumar
Macquarie Research

Maybe a sign of the loss cost trends?

Dominic James Addesso
President, CEO & Non-Independent Director

Yes, let me help. We certainly grade it down. We achieved I think something like 9% increases on the book about 2 years ago. This rating period increased last year, I believe we averaged 15% and this year, to the first quarter we are averaging 10%. And these are all compound and we think they are well in excess of plain cost inflation. It's far to put a number on what plain cost inflation is exactly, but if you want to use half of that might be close to my best guess. That means as the rates continue to play out, we are surpassing plain costs by a pretty decent margin, and that's why we think each quarter just on the back of that should be better and by the end of the year, if not sooner, we'll be booking underwriting profits on the California income.

Amit Kumar
Macquarie Research

Got it. Okay that's helpful. I guess the other question was just going back to the discussion on fixed one and your P&Ls being flat at 12% or so. I'm curious just based on the market opportunities you're talking about, why not move that number higher, just based on the margin you might be getting on that?

Dominic James Addesso
President, CEO & Non-Independent Director

It's a good question and certainly we debate it. But we have some other great opportunities like buying stock back and so we want to limit volatility to make sure that we can act on that front as much as we want to as well. So I think it's just a question of how much did we build on the various opportunities that we have.

Joseph Victor Taranto
Chairman of the Board

There's also opportunities to deploy our capital, as I mentioned earlier, and spread our aggregate to other parts of the U.S. and around the globe and continue to balance up that portfolio as rate increases outside of Florida present themselves. and we like deploy our capital in the most diversified way, so that helps us to do that as well.

Operator

We will now take our next question from Michael Nannizzi from Goldman Sachs.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Just couple of questions I guess, one is starting at the insurance segment trying to understand talking about 2012 premiums versus 2011 so, you had to star phase out in 2011 and you had a family crop was booked as reinsurance in 2011, I'm guessing it was in this segment, and now it's going to be written on your own paper in 2012. I mean, you have the new NAH business. So just trying to think about, what does that look like growth at the 2011, just kind of with all these puts and takes from just the top line perspective?

Joseph Victor Taranto
Chairman of the Board

I would anticipate that it would be kind of flattish by -- for the year on the insurance front.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Okay. And then, with crop, I'm guessing that the expense and loss ratios kind of look differently than the rest of the book. Should we assume then that the combined ratios look differently in the center and kind of a 2 center quarters of the year versus the edges or are there other contributing factors that would make that less relevant?

Joseph Victor Taranto
Chairman of the Board

I think that you are right. I think what you're focusing on is the expense ratio on the insurance side was obviously challenged a little bit, not terribly so, but a little bit by the fact that the crop premium in particular was not a heavy number in the first quarter. So as that begins to emerge to -- back towards that annualized $150 million or $160 million number, we'll enjoy the benefit of a lower expense ratio in the succeeding quarters.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Great. One question I guess just on capital and your buybacks, clearly buybacks were big in the first quarter, not just relative to last year, but just even going back further in that, it was a large quarter for buybacks. You talked about writing more cap business in your PMLs had not risen. I guess, just kind of wanted to understand -- I am guessing as you were saying before, it's in the geographic concentration. But would you expect, as you go through the year, to see PMLs rise either from writing more business at June 1 or just the impact of continuing to buyback your own stock?

Joseph Victor Taranto
Chairman of the Board

I don't anticipate any rise, I really like the formula that we've been using, which is we don't want increases in exposures if anything we probably want less, but we want more margin and more premium. I think that's the sign of an improving market, I think that's what we want our underwriters to achieve.

Again, this is all coming on the back of lot of losses that were paid last year and so I think it's proper. So I'd just like -- I just like to be planned as it currently is and at least for this year, I'm not envisioning any increase in P&L, certainly not in the deep zones.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

So I -- what are you expecting this to see, I mean out of 4, I mean if -- it sounds like you mentioned that conditions are improving, you're optimistic heading into 61. So should we read that to mean that you -- if everything worked out the way you wanted to your exposure wouldn't change, you would just be earning more on that business and I guess the question is, is there a rate at which you would write more of that business than you are currently expecting if conditions are better?

Joseph Victor Taranto
Chairman of the Board

It might be something modestly more, but it won't be something tremendously more, I think what we're looking for is less volatility, more profitability and the ability to again to continue buy back the stock. So I think it's a good spot, I think that's the sweet spot for us at this point. So we are not looking to any significant way to increase cash exposure in the peak sums. We have found opportunities in zones that we didn't have a lot of exposure, Dom mentioned the Midwest where we weren't there before the last year or so. And we will continue to look for other opportunities around the world, but no we don't expect any big increase in P&L in Florida, even though we do expect improved conditions.

Operator

Moving on we'll take our next question from Howard Flanker [ph] from Flanker & Company.

Unknown Analyst

I have two questions, one in your usual releases your loss ratio differs from the loss ratio in the 10-Qs, why is that?

Joseph Victor Taranto
Chairman of the Board

You have to be more specific in…

Unknown Analyst

For example, I haven't looked through this year 10-Q, but last year in the 10-Q the loss ratio was 120.4, and your announcement was 123.6, and that's happened for a number of quarters, so you are using some different measures, I want to know what the difference could be….

Joseph Victor Taranto
Chairman of the Board

There could be reinstatement premiums, the impact of reinstatement premiums.

Unknown Analyst

Wouldn't you know that when you announced your quarter?

Joseph Victor Taranto
Chairman of the Board

Of course we do, but I don't have the specifics in front of me, so I'm struggling a little bit with….

Unknown Analyst

Well, I don't know what the loss ratio is going to be in the 10-Q, but this year you said the loss ratio was 60.4 and last year the similar number is 123.6, correct? First page of your release, but if you look at the 10-Q on the table that 123.6 became what did I say, 124.4.

Joseph Victor Taranto
Chairman of the Board

I should flip the pages.

Unknown Analyst

Yes, it's on page 28 in the Q and there is a difference, so I do not understand the difference.

Joseph Victor Taranto
Chairman of the Board

I don't have the data with me.

Dominic James Addesso
President, CEO & Non-Independent Director

We would be happy to call you back and do the reconciliation.

Unknown Analyst

Okay. And then you used the term, where I'm not acquainted, it's not run off but rates of the premium, I forgot the word, my memory slipped me.

Joseph Victor Taranto
Chairman of the Board

Well I was referencing on the insurance side, I was referencing the run off of certain programs and essentially what I was referencing there was this is that was terminated and of course using the term run off applying that premiums would be coming down each and every quarter, as that…

Unknown Analyst

That I understand. That's not the word I was thinking. There's another word you used and I haven't heard it used very much. It wasn't underlying premium, it was another word, I'll probably have to get back in queue and I'll ask…

Joseph Victor Taranto
Chairman of the Board

We'll go through when we chat with you.

Operator

And moving on we'll take our final question from Ron Bobman from Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

Sounds like you have a bunch to talk about with Howard after the call. I just had a follow up, sort of more qualitatively than anything specific about your exact reserves. Qualitatively about Thailand, I'm just sort curious as to what's happening there claim wise? Obviously more time has passed since the flooding, is there a lot more certainty, I know is a strong word, but sort of the risk of variability in claims -- claim amounts et cetera, could you just talk about what's transpired over the last I guess, almost 6 months or so.

Dominic James Addesso
President, CEO & Non-Independent Director

That's a fair question. Right up until yearend of course it was obviously saw a lot of upward pressure on claims from Thailand, late reporting et cetera. We did of course a deep dive on the events there in closing out the year end. We've had, and of course we do the same thing every quarter with all of our events. And I'm happy to report that this particular quarter has been very stable.

As you do know that the year end, we had some additional provisions that we made, given the uncertainty of 2011 around all of those events. I'm also pleased to say that we've not seen any movement around that number. So that's been stable. We've had no reason to, quite frankly, utilize that IBNR at this point. So it still exists there in the event that there is some volatility around those results, but pleased to report that it's has been very, very stable. Does that answer..

Ronald David Bobman
Capital Returns Management, LLC

Yes, I was looking for a little more sort of qualitative and specifically, about any risk or actual movements in your numbers. Just there's all sorts of claims that following, immediately following these events, people talking about BI, CBI, the linkages and I was just sort of qualitatively to get Joe's thoughts?

Joseph Victor Taranto
Chairman of the Board

Yeah, I do think that in the case of CBI, for example, I think the industry was obviously very worried about that early on, and that seems to have tempered quite a bit. I don't think the loss has actually reached a level that the industry had feared.

Operator

And at this time that will conclude today's questions-and-answer session. I will turn it back to our speakers for any additional or closing remarks.

Elizabeth B. Farrell
Vice President, Investor Relations

I want to thank everybody for their time and participation and we look forward to speaking with you again next quarter.

Operator
Thank you. That will conclude the conference. We thank you for participation.