

Everest Re Group, Ltd. NYSE:RE

FQ1 2021 Earnings Call Transcripts

Thursday, April 29, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	4.52	6.49	▲43.58	8.58	26.00	NA
Revenue (mm)	2407.75	2553.90	▲6.07	2248.52	10082.80	NA

Currency: USD

Consensus as of Apr-29-2021 1:23 AM GMT

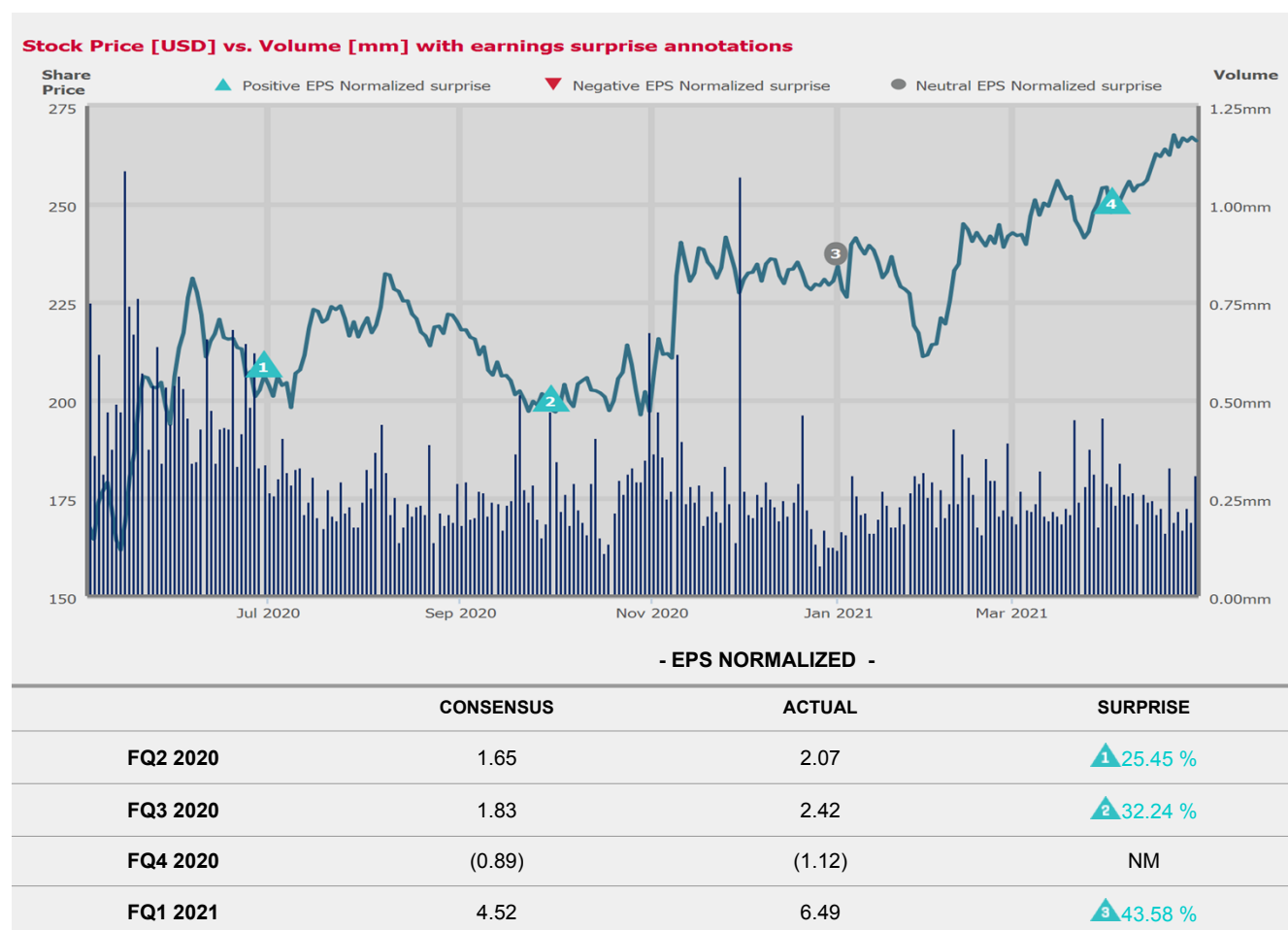


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Presentation

Operator

Welcome to the Everest Re Group Earnings Conference Call. [Operator Instructions]

I would now like to turn the call over to John Levenson, Head of Investor Relations. Thank you. Please go ahead.

Jon Levenson

Head of Investor Relations

Good morning, and welcome to the Everest Re Group Limited 2021 First Quarter Earnings Conference Call. The Everest executives leading today's call are Juan Andrade, President and Chief Executive Officer; Mark Kociancic, Executive Vice President and Chief Financial Officer. We are also joined by other members of the Everest management team.

Before we begin, I will preface the comments on today's call by noting that Everest SEC filings include 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 turn the call over to Juan Andrade.

Juan Carlos Andrade

President, CEO & Director

Thank you, John. Good morning, everyone, and thank you for joining the call. Everest is off to a strong start in 2021 with robust growth, strong overall profitability, continued improvement in attritional underwriting margins and excellent investment performance. We achieved these results despite the meaningful impact to the industry of the U.S. winter storms in the first quarter. Our thoughts are with those affected by these storms as well as the Australian floods, and I am very proud of the work our claims team is doing on the ground to help people restore their lives.

Our first quarter results demonstrate the earnings power of Everest and our success in implementing our strategy to build a broadly diversified company with a relentless focus on operational performance and disciplined underwriting. We are bullish about 2021. We will continue to profitably grow the insurance segment, while continuing to grow and strengthen our position as a leading global P&C reinsurer. Our diversified reinsurance and insurance franchises, financial strength, deep distribution relationships and leading customer solutions enable us to thrive in today's market.

I will now discuss our group reinsurance and insurance first quarter 2021 results. Starting with the group results, we grew gross written premiums by 14% and net written premiums by 16%, with robust growth across both segments. Our growth stems from: one, a combination of new business opportunities; two, improved terms and conditions; three, increased rate levels; four, expanded shares on attractive renewals; and five, high overall renewal retention.

The as-reported combined ratio was 98.1%, including the previously announced U.S. winter storms and the Australian flooding catastrophe losses. We generated \$45 million in underwriting profit compared to \$29 million in the first quarter last year. While the pandemic is not over, and as we have done in prior quarters, we completed a rigorous analysis of our COVID exposure in the first quarter, resulting in no change to our COVID loss provision. Our COVID loss provision remains at \$511 million, of which approximately 80% is IBNR.

The attritional combined ratio was 87.3%, a 2.5 point improvement over the first quarter of 2020, with both segments continuing to show significant year-over-year improvement in loss and expense ratios. We continue to diligently manage our portfolios to improve returns with a broad array of underwriting actions. This includes managing attachment points and limits, improving on terms and conditions and targeting nonrenewals of business, which does not meet our hurdle rates as well as many other actions. Underwriting profitability remains at the core of everything we do.

Net investment income was excellent at \$260 million compared to \$148 million in the prior year first quarter. These strong operating results led to a net income for the quarter of \$342 million resulting in an annualized return on equity of 15%.

For our Reinsurance division, the first quarter continued our strong growth with gross written premiums up 16%. We were pleased with our successful execution of our January 1 renewal plan. The targeted and disciplined growth was driven by

higher rate, increased shares on profitable deals along with new opportunities in property, casualty, specialty lines and facultative business.

The attritional combined ratio was 85.5% for the quarter, a 2.3 point improvement year-over-year. This came from improvement in both the loss and expense ratio. We saw better economics in most treaties and classes of business around the world. We were disciplined and reduced shares or non-renewed underperforming treaties for those where we did not get our target rate, terms, conditions, writings or exclusions. We also deployed additional capacity into lines with more attractive risk-adjusted returns. This dynamic capital allocation resulted in an improved attritional combined ratio.

Overall, we continue to write a stronger, more diversified and more profitable book. With regard to the April 1 renewals, we achieved 10% to 15% rate increases on Japanese wind treaties and 5% rate increases in earthquake treaties. Rates in other geographies continued to rise in both property and casualty lines. John Doucette is available to provide additional details during the Q&A.

Our insurance division continued its solid execution in the market, resulting in strong attritional underwriting performance and premium growth. Gross written premium grew 10%. If we exclude workers' compensation, where we see less attractive pricing, gross written premium grew 20%. This growth is driven by disciplined cycle management, new business opportunities, ongoing strong rate increases in our target classes of business and high retention rates on existing business.

We are also seeing a slow but steady improvement in overall economic activity. The growth was well diversified in our target classes, where market conditions are prime for profitable growth, including specialty casualty, professional liability and property short tail. We are happy with this diversification as it is a core tenet of our strategy.

Everest insurance delivered an improved attritional combined ratio of 92.2% for the first quarter, a 2.7 point improvement over Q1 2020. These results continue to be driven by proactive underwriting actions and a continued focus on expense management. These actions are resulting in the continued expansion of our insurance margins.

The attritional loss ratio of 64.3% improved 1.4 points year-over-year, and the total expense ratio improved 1.3 points year-over-year. Renewal rate increases continued to exceed our expectations for loss trend, up 16% in the quarter excluding workers' compensation, and up 10% including workers' compensation. The increased rate we achieved and the expected increase in margin is a function of market conditions and disciplined proactive underwriting actions across our businesses.

After years of soft pricing and rising loss costs, pricing adjustments remain necessary. We expect this favorable pricing to continue throughout 2021. Consistent with prior quarters, rate increases were led by excess casualty up 33%, D&O up 24%, property up 13% and commercial auto up 13%. We are also seeing widespread rate increases in other lines of business.

We are managing the insurance business to build a diversified portfolio, steering our mix to our product lines with better rate adequacy and higher long-term margins. We also continue to manage average limits deployed to control volatility. We are happy with the progress we have made, and we expect that this strategic direction should possibly impact our results going forward.

Conversely, we have been thoughtfully managing workers' compensation through the cycle. This portfolio now represents 14% of our first quarter premiums, down from 21% a year ago. We have pared back our writings in the monoline guaranteed cost base and shifted our portfolio to more loss sensitive loss ratable business. Workers' compensation is an area of expertise at Everest, and we are monitoring market conditions closely for potential opportunities. But these efforts illustrate the disciplined cycle management we have implemented in the company.

Lastly, our strong position in both the E&S and retail channels continue to give us access to a wide set of opportunities. Mike Karmilowicz is available to provide additional details during the Q&A.

Everest had a strong start to 2021, with robust growth, strong overall profitability, continued improvement in attritional underwriting margins and excellent investment performance. We have vibrant and well-diversified reinsurance and insurance businesses with experienced leadership and underwriting teams providing industry-leading solutions to customers. We have sustained momentum. This company has excellent financial strength, top talent and a prudent capital management philosophy.

We are focused on sustained profitable growth, a more diversified, targeted and deliberate mix of business and superior risk-adjusted returns. We believe that the relentless and disciplined execution of our strategies will result in maximizing shareholder returns. I am confident in Everest's future and in our ability to deliver on our commitments to customers and shareholders.

Now let me turn the call over to Mark Kociancic for additional details on the financials. Mark?

Mark Kociancic
Executive VP & Group CFO

Thank you, Juan, and good morning, everyone. Everest had very attractive results for the first quarter of 2021, with strong overall profitability, continued improving underlying margins, robust growth and an excellent investment result. I'll touch on these points over the next few minutes.

For the first quarter of 2021, Everest reported net income of \$342 million, resulting in an annualized return on equity of 15%. We also reported operating income of \$260 million for Q1 and operating earnings per share of \$6.49. Starting with underwriting income, Everest had positive contributions from both reinsurance and insurance with \$45.2 million of underwriting income. This reflects the improved underlying attritional loss and expense ratios, offset by the impact of catastrophe losses.

The catastrophe losses of \$260 million are pretax and net of reinsurance and reinstatement premiums, with \$213 million in the reinsurance segment and \$47 million in the insurance segment. The vast majority of \$250 million is coming from the U.S. winter storms with the balance from the floods in New South Wales, Australia. Also worth noting is that we have not added to our COVID-19 loss provision, which remains at \$511 million, with approximately 80% of our pandemic loss estimate remaining as IBNR.

First quarter results continue to reflect the impact of our underwriting and portfolio management initiatives. Our underlying attritional loss and combined ratios are strong and continue to improve. Excluding the catastrophe losses, reinstatement premiums, prior year development and COVID-19 pandemic impact, the attritional loss ratio was 60.7% in Q1 compared to 61.4% in the first quarter of 2020.

The attritional combined ratio was 87.3% for the first quarter of 2021 compared to 89.8% for the first quarter last year, representing a 2.5 percentage point improvement. For insurance, the attritional loss ratio improved from 65.7% in the first quarter of 2020 to 64.3% this quarter. And the attritional combined ratio for insurance improved to 92.2% compared to 94.9% in the first quarter of 2020. Our U.S. insurance business, which makes up the majority of our overall insurance business continues to run very well with an attritional combined ratio in the high 80s.

For reinsurance, the first quarter 2021 attritional loss ratio was 59.5%, down from 59.8% a year ago. The attritional combined ratio on the same basis was 85.5%, down from 87.8%. The group commission ratio of 20.5% for the first quarter of 2021 was down 150 basis points from 22% reported last year in Q1, largely due to changes in the composition of our business mix plus higher commissions received in the insurance segment.

The group expense ratio remains low at 5.9% for the first quarter of 2021 versus 6.3% a year ago. The expense ratio continues to benefit from our continued focus on expense management plus economies of scale as our premium base continues to grow.

First quarter investment income had an excellent result of \$260 million as compared to \$148 million for the first quarter 2020. Alternative investments recorded a quarterly record \$120 million of income in the first quarter, largely due to increases in the net asset values from our portfolio of diversified private equity investments, reflecting the strong economy and financial markets. As a reminder, we report our limited partnership income 1 quarter in arrears.

Invested assets grew approximately 2% to \$25.9 billion during the quarter, up from \$25.5 billion at year-end 2020. Approximately 80% of our invested assets are comprised of a well diversified, high-credit quality bond portfolio with a duration of 3.5 years. The remaining investments are allocated to equities and other invested assets, which include private equity investments, cash and short-term investments.

Our effective tax rate on operating income for the first quarter of 2021 was 7.9% and 8.4% on net income. This was favorable versus our planned effective tax rate of approximately 12%, largely due to the geographic distribution of the catastrophe losses occurring within the United States.

For the first quarter of 2021, Everest generated strong operating cash flows of \$904 million compared to \$506 million for the first quarter of 2020, reflecting the strength of our premium growth year-over-year. Our balance sheet remains strong with the capital structure that allows for the efficient deployment of capital, and ample capacity to execute on market opportunities.

Shareholders' equity was \$9.7 billion at the end of the first quarter and broadly flat versus the \$9.7 billion at year-end 2020. Our debt leverage ratio stands at 16.5%, and book value per share stood at \$241.57 at quarter end. I close in noting that Everest repurchased approximately \$24 million of common shares during the first quarter.

And with that, I'll now turn it back to Jon.

Jon Levenson

Head of Investor Relations

Thanks, Mark. Operator, we are now ready to open the line for questions. We do ask that you please limit your questions to 2 or 1 question plus 1 follow-up, and then rejoin the queue if you have any remaining questions.

Question and Answer

Operator

[Operator Instructions] Your first question here comes from the line of Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan

Wells Fargo Securities, LLC, Research Division

My first question, if we went back to last year, you guys within your insurance book were getting 24% of price that was excluding comp, 12% with workers' comp. And if we were to assume a 5% loss trend, that would have resulted in around 4 points of accident year underlying loss ratio improvement this quarter. And when we look at the insurance book and back out COVID, you produced just under 1.5 points. So is a good rule of thumb that you would get less than half of the improvement fall to the bottom line and the other half you would use to build some reserve conservatism?

Juan Carlos Andrade

President, CEO & Director

Yes. Thanks, Elyse, and this is Juan. I think there's a couple of things to keep in mind. Number one is, we had strong results across the board. As I said in my prepared remarks, it's a 2.5 point improvement in the combined ratio year-over-year. When you look specifically at the insurance division, that's a 2.7% improvement that you're seeing there as well that frankly is led by the loss ratio with a 1.4% improvement in the attritional loss ratio.

Now the mechanics of that improvement, I think it's along the lines of what we've discussed in prior quarters. So certainly, we are seeing very good rate. We saw, as I mentioned, 16% rate increases in the insurance book. In the first quarter, and that continues to do quite well. As Mark reported, put it in perspective, that 16% is 2x the rate that we achieved in all of 2019. So rate is part of that. But the bigger part of all of this is really the myriad of actions that we're taking on the underwriting side, as I mentioned previously, to continue to position our book of business, both on the insurance side and the reinsurance side to have sustained profitability over the long term.

And it's important to keep in mind one thing, right? We're deliberately shifting to portfolios towards segments that have better overall economics in addition to all the underwriting actions that we're taking and that I've mentioned in the past and in my script to continue to improve sustained profitability.

Now when it comes to loss picks, I think it's also important to keep in mind that we continue to hold the line on loss picks. We have clear indications that underlying profitability is continuing to improve. Some of that you saw in this quarter's results, and some of that will need to be proven over time as the accident years continue to mature. So I think that's probably the best guidance that I can give you on that.

And with that, let me ask also one of my colleagues, Jim Williamson, to jump into this question as well.

James A. Williamson

Executive VP & Group COO

Elyse, the only thing I would add, and I think it's important both in insurance and reinsurance, and I suspect it's on the minds of everyone on the call today is just this question of the loss trend, and we talk about rate achievement exceeding the loss trend. But we've also talked over the last few years about the fact that the trend line has been accelerating in terms of whether it's social inflation, inflation in building costs in terms of repair after natural disasters and things of that nature.

And so that does 2 things. One, it will certainly consume a little bit more of the rate increases, and we want to be prudent about that. That's, I would say, a smaller effect. The larger effect, though, is the degree that, that places uncertainty around what the ultimate trend line will turn out to be, which is why we're going to take a very conservative position around making sure that we've proven out our trend selections over time, which would ultimately allow us to be looking on these accident years more favorably, but it's going to take time for that to fully mature.

Elyse Beth Greenspan

Wells Fargo Securities, LLC, Research Division

That's helpful. And then my second question on the other part of your margin is on the expense ratio. If I'm looking at your consolidated expense ratio was around 26.4%, I think, in the quarter. And so in line with the levels that you guys saw in the second half of last year, but well below where you were pre-COVID, I'm just trying to get a sense of what kind of -- obviously, there is the commission and brokerage ratio and also the other underwriting expenses, but just trying to get a sense of where the expense ratio should level out once we're kind of through with COVID? And what's kind of a run rate level there?

Juan Carlos Andrade
President, CEO & Director

Sure thing, Elyse. I think it's important, I think, as you were describing just now to decompose the parts of the expense ratio, I think if we look at the operating expense ratio, that 5.9%, I think that 5.9%, 6%, et cetera, it's going to be pretty consistent for us. One of the things that you know about Everest, in our company, is our disciplined expense management. Whether it's COVID or no COVID, the reality is we're pretty focused on being efficient. So I would expect that the operating expense ratio would be relatively consistent with those numbers that you have been seeing.

The commission ratio is going to fluctuate based on the type of business that we're writing in any given quarter, right? And so for instance, if you're writing on the primary insurance business lines that are growing faster, but you're getting better cedes because of our reinsurance structure, that obviously will have an impact. On the reinsurance side, obviously, the business mix that we write at the 1/1 renewals will also have an impact on that. But let me ask Mark Kociancic to weigh in on that as well.

Mark Kociancic
Executive VP & Group CFO

Yes. I would echo that, Elyse. I think that expense run rate is going to be hovering around that 6 points. You might see some quarterly volatility. But in general, that's roughly the area I would expect it to go. There could be a weighting differential depending on the growth rate of insurance, which comes with a higher general expense operating rate versus the reinsurance division. And then the other piece that I would just highlight is we are having fairly strong net earned premium growth as we develop both franchises even more. So these are things we're all keeping an eye on. So I wouldn't get caught up in quarterly volatility, but that run rate of 6% is a pretty good bogey.

Operator

Your next question comes from the line of Phil Stefano from Deutsche Bank.

Philip Michael Stefano
Deutsche Bank AG, Research Division

We've been spending a lot of time with the first quarter earnings calls talking about the concept of rate adequacy. And I was hoping you could give us your thoughts on just the proportion of business that feels rate adequate or the extent to which we're reaching rate adequacy and pricing momentum may start to decelerate. And of course, the offset to that could be exposure growth as the global economy starts to recover in the back half of the year. And overall, what this could mean for potential top line growth. I mean, it's more of an insurance question than reinsurance question, but appreciate whatever color you have.

Juan Carlos Andrade
President, CEO & Director

Great, Phil. Let me start with the top line growth question, and then we'll come back to the margin expansion point that we've had. As I mentioned in my commentary in the script, one of the things that we're starting to see is a slow and steady return of exposure growth starting to get near pre-pandemic levels. And I think that's something that -- as well as the economic recovery is consistent you're going to continue to see probably for the back half of the year. So I think that obviously bodes well for the insurance industry as we have features of an economy and as there's more to insure, there's more opportunity for growth. So I think, again, the back half of the year, if exposure growth continues, you're going to see improvement in that.

With regard to rate adequacy, et cetera, we have been seeing rate exceeding our expectations for loss cost trend now for a number of quarters. And obviously, it's going to vary by line of business. But you are starting to see where the majority of your lines of business are rate adequate at this point in time. Now that being said, it's important to also keep in mind

that starting, particularly for some of the longer tail lines such as general liability excess and maybe some of the D&O lines, where they may be needed more rate as an industry over time, and we're starting to catch up, and we're starting to get there.

Now what you see in our numbers, frankly, is that we have that steady improvement of underlying profitability continuing to improve. As I just mentioned to Elyse a few minutes ago, we are holding the line on our loss picks. We expect that over time we will be bringing that to the bottom line. But all of that bodes very well for expected margin growth over time. But let me also ask Jim Williamson to weigh in on this question.

James A. Williamson
Executive VP & Group COO

Yes, Phil, the only thing I would add, I think Juan covered it really well, is just the idea that when you -- we're very disciplined underwriters. And so when you see us moving our top line the way that we have in the last several quarters, I think that's a very clear indication to you that we feel great about the trades we're making, both in insurance and reinsurance. I mean we would not be putting up that type of growth if we didn't feel very good about adequacy levels. And that's probably the best indication that we can give you.

Philip Michael Stefano
Deutsche Bank AG, Research Division

Okay. No, I appreciate that. So my follow-up is going to be dialing in on the workers' comp line. So we've now got 4 consecutive quarters of material declines. How should we think about the impact of remixing the book of business versus exposure versus price? And what has caused this line to come down? And how should we think about this line particularly as we move forward? Is it economically sensitive? Or is price just not have it at a rate adequate point where you feel comfortable turning the valve on and growing that business?

Juan Carlos Andrade
President, CEO & Director

Yes. Great. Thanks, Phil. Let me start, and then I'll ask Mike Karmilowicz it to jump in on this call. Look, the first thing I would say is we like workers' compensation, and we're experts at it, at Everest. But we're also disciplined underwriters. And as I said in my prepared remarks, we see better pricing opportunities in other lines of business right now, property, D&O, specialty casualty, those kinds of things.

As I also mentioned, we're still writing comp. We're just changing the type of comp that we're writing going forward. Where we see less attractive pricing right now, it's in the monoline workers' compensation space. So as a result of that, we have really shifted more towards loss ratable, loss sensitive business at that point. But as I also mentioned in my remarks, we are very much looking for the opportunities as the economy begins to heal, and as things begin to improve, we will see an improvement in exposures also in the workers' compensation line for us.

And when we see the opportunity and the pricing improving, firms improving exposures beginning to grow, you will see us start to deploy more capital into workers' compensation as well. But look, this is how we're managing this company proactively, presumptively to focus on lines with better rate adequacy, with better opportunities for growth and with better margin. But again, we like comp. We're just taking a pause on it right now from the perspective of monoline until we see conditions begin to improve. But with that, let me ask Mike Karm to jump in.

Michael Karmilowicz
Executive VP and President & CEO of the Insurance Division

Sure. Thanks for the question. Yes, I think -- only to follow-up, I think that was well said is we've been obviously managing overall exposure down as exposure growth has also shrunk as well. But the reality is we are starting to see that bottom out. And to the point that was made by Juan is we start to see that opportunity particularly pick up. I think we'll seize that opportunity. We've been basically focusing the composition of the portfolio, really around low and moderate type hazard risk. And so we feel very good about where we are. And we are starting to see signs, particularly outside of California, where rate is starting to go up and nudge up, and then in California, we are seeing it starting to bottom out. But we're optimistic that, that towards the end of the year should start to change in California. And as that opportunity presents itself, you'll see us certainly continue to gain some market share.

Operator

Your next question comes from the line of Mike Phillips from Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Kind of a follow-up to an earlier question, I think one of the first questions on insurance margins. I just kind of want to get a little more clarity on it. Juan, you mentioned the year-over-year improvement in the attritional loss ratio, the 64.3%. And you talked about how the loss trends are making things a little more cautious on your part. I guess, is that it? Is that why for the first time and over a year, we saw an increase in the loss pick from -- sequentially from the prior quarter? It's been coming down every quarter over quarter over quarter, and this quarter, it went up, from 4Q. Is that simply it because of your concerns on loss trends? Or is there anything else going on that would make your increases from 4Q?

Juan Carlos Andrade
President, CEO & Director

Yes. Thanks, Mike. Thanks for the question. I would start with saying, look, the appropriate comparison is more of the year-over-year comparison than the sequential comparison, and that's going to be driven more by mix of business than anything else. So I think that's an important point. The second point that I would make is, look, we feel pretty good about the business that we're writing today, about the rate adequacy on that business and about the margin that we're building.

My comments about holding the line on loss picks are really pretty straightforward. It's the fact, and I've been pretty consistent in this messaging over the last number of quarters, in this business, you've got to wait for things to season out over time. And so in the meantime, it's not just about rate. It's about all those actions that we're taking on the underwriting side, portfolio management, limit management, attachment points, et cetera, to continue to improve the profitability and the quality of your book, and that is what you're seeing.

Those are the numbers that are being reflected not only in this quarter but in the last several quarters as well. And so going forward, we do believe we're building expected margin in those lines. And as we start getting more certainty on the fact that rate has indeed exceeded our trend expectations, that margin will start coming through the bottom line basically.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Switching gears then to capital, I guess. As last quarter, you hadn't deployed \$1 billion of debt. And you mentioned here today that you've put some new deployment -- new capital into reinsurance. Well, I might have missed if you said anything on -- in insurance. But can you just tell us where you are with that \$1 billion that you did back in October? And where that stands today? And how you see that kind of being deployed this year, maybe more in growth or coming back a bit to anything else that you might do with that?

Mark Kociancic
Executive VP & Group CFO

Yes. Mike, it's Mark speaking. So first of all, the -- we still have ample room to deploy the capital. It's not fully deployed, but there's no constraints in terms of our growth expectations this year, our ambitions on both the underwriting side and on the investment side. So I'd say we're just looking for the best opportunities in the execution of our plan, and capital is not a constraint either in the execution of the business or on the capital management side in terms of buybacks or dividends.

Juan Carlos Andrade
President, CEO & Director

Yes. Mike. And what I would build on Mark's answer is, remember what we said back in October when we did the debt raise. It was purely opportunistic, right? We have plenty of capital to be able to deploy. And so as Mark said, and I will affirm that we're seeing great opportunities in this market. You're seeing the continued momentum on the top line in both reinsurance and insurance. And we feel pretty good about the capital backing all of that.

Operator

Your next question comes from the line of Yaron Kinar from Goldman Sachs.

Yaron Joseph Kinar

Goldman Sachs Group, Inc., Research Division

My first question, I hope that you'll be willing or able to answer it, I'm going to give it a shot. I'm looking at the slowdown in rate improvement, 500 basis points quarter-over-quarter in insurance. I'm looking kind of across some of your competitors, it sounds like there's a pretty wide range there of the rate of slowdown. And I'm just trying to understand what would drive one company's slowdown to be greater than another? Is it business mix? Are you accounting for rate in a different way? Any help that you can offer in looking at those -- at this wide variance of trends would be helpful.

Juan Carlos Andrade
President, CEO & Director

Yes, Yaron, I'm happy to give you a perspective, and then I'll invite Jim Williamson to jump in as well. Look, starting with Everest, and as I mentioned to Elyse earlier in the call, the 16% is very good. It continued significant momentum on the rate side of things. Business mix certainly will influence that. The type of business that you write in a particular quarter. For instance, in this case, if it's more heavily weighted towards a property, a short line type exposure, that carries a certain rate, that's certainly going to impact the mix.

Now if I elevate the answer to your question and basically then talk more about the industry and look across companies, I think, again, business mix plays a part of that. I think execution plays a part of that, right? I think one of the most important things about our primary insurance business, and I talk about it often, I'm very proud of them, is how well they execute in the market.

So I would say business mix is part of that. Execution is part of that. Portfolio management and how you look at risk is certainly part of that. And ultimately, risk selection, which is a component of that, I think those are all the things that essentially go into play. But look, speaking from our perspective at Everest, we expect continued momentum and strong renewal rate growth throughout 2021.

James A. Williamson
Executive VP & Group COO

Yes. Not a lot to add, Yaron, other than to say, when you start looking across companies, just to give you a sense of how we think about it within our own portfolio, I mean, obviously, we're well aware of the top line number for our insurance division, for example. But we really do look at it a much more granular level because of all the reasons that Juan cited.

And at the end of the day, we've got underwriters. They have -- they're approaching the market in a very disciplined fashion. But they're selecting 1 deal at a time. They're focused on making sure they underwrite the deal appropriately, that they attach the right terms and conditions to drive a total margin outcome. And so it's really only at that level that the numbers are truly meaningful. So I'd just be careful about reading too much into the fact that there's variation across firms.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Yes, that's fair. I appreciate the thoughts there. And then if I -- for my second question, if I could shift to the reinsurance segment. Helpful color around April renewals. Just curious as we're starting to look at 6/1 renewals and the turmoil in Florida, how do you see the potential for growth there? I mean, we're hearing that there is a lot of need for rate, on the one hand much more involved in citizens and cap bonds on the other hand. So what opportunity exists there as far as you can tell today?

Juan Carlos Andrade
President, CEO & Director

No, that's great. I'll invite John Doucette to jump into this question, please.

John Paul Doucette
Executive VP, President & CEO of the Reinsurance Division

Yaron, thank you for the call. So we're -- as you said, we had a good April 1 renewals. We're looking at not only June 1, but July 1, where we kind of finish out the treaty year. So our expectation is we'll be deploying about the same amount of capacity. And we will be focused on pushing rates, terms, conditions because there are a lot of moving parts, social inflation, the climate change, the assignment of benefits issue. So our view is our book will probably be similar to last year, and we'll look to improve the economics.

Operator

Your next question comes from the line of Josh Shanker from BofA.

Joshua David Shanker

BofA Securities, Research Division

So I'll stick with reinsurance. So the -- and then sort of a question we've been getting at, the loss ratio underlying didn't improve all that much year-over-year. But of course, the expense ratio did. And I look at the business mix, a lot of non-catastrophe XOL business written. And I think there's a lot of business mix. Of course, on reinsurance, there's very different -- acquisition costs, different types of businesses. Can you talk a little bit, educate us, on cat versus non-cat, property versus casualty, on how the acquisition costs differ between XOL and pro rata, that kind of explains what's going on, I guess, in the combined ratio, which improved very well during the quarter?

Juan Carlos Andrade

President, CEO & Director

Great. Thanks, Josh. And I'll ask John Doucette to please answer this.

John Paul Doucette

Executive VP, President & CEO of the Reinsurance Division

Yes. Thanks for the question, Josh. So yes, you're right. It is a business mix issue, a combination of -- and we do have different commissions and expenses, whether it's an excess of loss or pro rata, but it's more nuanced than that. It really -- there are deals that have very low commission structures, certain lines of business that the commissions -- even though they're on a pro rata basis, the commissions, given it's a function of the loss ratio is a lot lower and closer to an excess of loss business. So it really has to do with the mix. And it also has to do with -- we did see some improvement in ceding commissions on proportional deals, particularly on the property side, where we need it -- where the ceding commission is a function is effectively rate change. And so some of the proportional deals that needed some improved economics from a reinsurance point of view, we did see some downward pressure on the ceding commissions that then flowed into the numbers you're seeing today.

Joshua David Shanker

BofA Securities, Research Division

So if I want to extrapolate the first quarter results into the full year, you write the most amount of premium in reinsurance in the first quarter. Are the changes we're seeing year-over-year in the first quarter indicative of how the loss ratio and expense ratio might play out as we move across 2021?

John Paul Doucette

Executive VP, President & CEO of the Reinsurance Division

So I think the best estimate of where the loss and expense ratio would be this quarter.

Operator

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

Meyer Shields

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

I know you touched on this. But when I look at the non-acquisition expenses in reinsurance, so we saw a pretty big jump on a year-over-year basis. And I was wondering, is that tied to mix also or are there other factors driving that?

Juan Carlos Andrade

President, CEO & Director

Meyer, just to make sure I understand your question correctly, when you're looking at the non-acquisition expenses, are you focused on the 2.9%?

Meyer Shields

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

Yes. The ratio was flat, but the dollars were up a lot.

Juan Carlos Andrade
President, CEO & Director

Yes. So I think there's a couple of things at play here. Number one, I think, as Mark mentioned, we certainly are seeing a benefit from our premium growth coming through as a result of the business that we have been writing and frankly, the success that we had last year in growing the franchise. If you recall, we grew that franchise by about 15%. So you are seeing the benefit of that coming through.

Specifically to the dollars being up in the quarter on the reinsurance segment, I think a lot of that is, frankly, noise. As Mark said earlier, there's always going to be a bit of volatility in the expense ratio from quarter-to-quarter. So I wouldn't read too much into that. But as both Mark and I said earlier, when you think about the operating expense ratio trajectory, that 2.9%, 3% is probably a good number for reinsurance.

Mark, I don't know if you'd like to add anything?

Mark Kociancic
Executive VP & Group CFO

Yes, I'll just build off that a little bit because I think Juan captured it. I think for this quarter, you're seeing a slight elevation just in terms of the volatility. I know there was very strong earned premium growth in reinsurance. So perhaps it could have been less than the 2.9%. But there's often fundamental in there, you'll still see us -- we should be coming in less than 3% for the year.

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

Okay. That's very helpful. And then a big picture question. I can't remotely disagree with the rationality of rate increases slowing down as more business achieves adequacy. But the history of this industry is that, that second derivative continues and eventually becomes disruptive. This is not an Everest question, but as a reinsurer, you talk to a lot of companies and Everest has been focused on relationships. Is there any reason to be more optimistic about the post hard market phase of the cycle whenever that emerges?

Juan Carlos Andrade
President, CEO & Director

Yes, that's a great question. And I think you're getting into psychology now, Meyer, not insurance and reinsurance economics. But look, I think from my perspective, there's a number of things that might be slightly different, right? If you look at the underlying conditions that drove the need for rate, right, so a number of years of soft pricing, inadequate pricing, inadequate rates, et cetera, that finally began to turn, as you had the impact of the catastrophes in '17, '18, '19, as you had the impact of social inflation coming through. Now, you have the impact of the COVID pandemic and the correlated impact on both the asset and the liability sides of the business. So all of these things are at play, right?

And I think what you have found is that people have achieved some level of discipline. And you're hearing it from us certainly, you have certainly heard it from our peers, particularly on the reinsurance side, that they've all approached the 1/1 renewals with a level of discipline, frankly, from some of our competitors that may be we haven't seen that level of discipline in the past. So I'm an optimist, and I think that some of that will continue as we go forward.

There's also been capital that's coming in into the market and to the industry. But that capital has only been impacting on the margins and nibbling on the edges. It has not been a significant amount of capital. So look, I think you still have some of the underlying factors that drove the need for rate. Rates aren't getting more adequate, as I mentioned earlier. But again, there's still environmental issues that we all need to keep an eye on, particularly the more disciplined companies like Everest I think will be very focused on that going forward.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

I guess, first question, I'm just curious, in the insurance segment, the acquisition expense ratio, you talked about better kind of ceding commissions benefiting the acquisition expense ratio. Is that kind of a function of kind of changes in your reinsurance kind of buying philosophy? And should we continue to see that lower kind of acquisition cost ratio going forward?

Juan Carlos Andrade
President, CEO & Director

Yes. So let me start, and then I'll ask Mike Karmilowicz to jump in. I think a big driver of that, Brian, was really the business that we wrote in the quarter. And how that business then fits into the reinsurance structure that we have in place. So I think that's part of that. I think the other part of that is that our reinsurers for the primary business are seeing and have seen the quality of the portfolio and the quality of the book that we have put together. And so because of that, we are able to get slightly higher cede commissions on that business. But let me turn it over to Mike, and he can add some additional color and context.

Michael Karmilowicz
Executive VP and President & CEO of the Insurance Division

Sure. Thanks, Brian. Yes, so I think definitely business mix, to Juan's point, is certainly a factor in that. As you saw, like excess cash in some areas, we've had significant growth, that -- we're getting a little bit of the benefit of that. Also, there's a little bit of us shifting to some of the more open market from programs. That growth in that business mix, again, will play into that. And then finally, what I'd say to you, you'd probably see us, as we continue to gain scale, be less dependent. We tend to be very conservative in basically buying reinsurance. And so I think you'll see that net to gross number change as well as we continue to kind of evolve. But in general, I think that -- the business mix is mainly the much driver for the quarter.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And the second question I have, I know it's really early in the process here. But I just wanted to ask a quick question about taxes here and the discussion about corporate income tax rates going up, and particularly the GILTI tax. Does the GILTI tax have a big effect for you guys? And how should we kind of think about that in the event that we do get some big changes in the GILTI tax?

Mark Kociancic
Executive VP & Group CFO

It's premature to see how that's going to play out for us. Right now, I don't think it's -- what we see on the table from the administration or at least public dialogue is not good for the -- in general, but I don't think we'll have a material impact on us in terms of the way we're organized. So I would expect it to be marginal if something like that is implemented in the fall.

Operator

And I'm not showing any further questions at this time. I will turn the call back over to management for closing comments.

Juan Carlos Andrade
President, CEO & Director

Great. Thank you. Everest is well positioned for this market and for the opportunities we see in an improving economy. Despite the material social and economic impact of the COVID pandemic, we continue to grow unimpeded, recruiting top talent and delivering value to our stakeholders. We have leading financial strength, a preferred market presence and a diversified global platform. We are nimble. We have deep distribution relationships, great people and a great culture. I am very excited by the opportunity ahead of us, and I believe we are well positioned to excel. Thank you for your time with us this quarter and for your continued support of the company. We'll talk to you after the second quarter. Thank you.

Operator

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

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