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Earnings Call

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Call Participants

EXECUTIVES

Dennis E. McDaniel
VP & Investor Relations Officer

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Stephen Michael Spray
President, CEO & Director

Steven Soloria

ANALYSTS

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

Grace Helen Carter
BofA Securities, Research Division

Jing Li

Michael David Zaremski
BMO Capital Markets Equity Research

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Presentation

Operator

Good day, and welcome to the Cincinnati Financial Corporation's Third Quarter 2024 Earnings Conference Call. [Operator Instructions]. Please note, this event is being recorded.

I would now like to turn the conference over to Dennis McDaniel, Investor Relations Officer. Please go ahead.

Dennis E. McDaniel
VP & Investor Relations Officer

Hello. This is Dennis McDaniel at Cincinnati Financial. Thank you for joining us for our third quarter 2024 earnings conference call. Late yesterday, we issued a news release on our results, along with our supplemental financial package, including our quarter end investment portfolio. To find copies of any of these documents, please visit our investor website, investors.cinfin.com. The shortest route to the information is the quarterly results link in the navigation menu on the far left.

On this call, you'll first hear from President and Chief Executive Officer, Steve Spray; and then from Executive Vice President and Chief Financial Officer, Mike Sewell. After their prepared remarks, investors participating on the call may ask questions. At that time, some responses may be made by others in the room with us, including Executive Chairman, Steve Johnson, Chief Investment Officer, Steve Soloria; and Cincinnati Insurance's Chief Claims Officer, Marc Schambow; and Senior Vice President of Corporate Finance, Theresa Hoffer.

Please note that some of the matters to be discussed today are forward-looking. These forward-looking statements involve certain risks and uncertainties. With respect to these risks and uncertainties, we direct your attention to our news release and to our various filings with the SEC. Also, a reconciliation of non-GAAP measures was provided with the news release. Statutory accounting data is prepared in accordance with statutory accounting rules and therefore, is not reconciled to GAAP.

Now I'll turn over the call to Steve.

Stephen Michael Spray
President, CEO & Director

Good morning, and thank you for joining us today to hear more about our results. We are pleased with our operating performance for the third quarter and first 9 months of the year. Several metrics show the progress we are making as we work to provide value to shareholders over time and to deliver outstanding service to agencies and their clients through our dedicated associates.

Our combined ratio continues to improve, absent the volatility caused by severe weather. While the devastation Hurricane Helene in particular, inflicted on communities is heartbreaking, our claims associates are working tirelessly to deliver superior service with empathy and care. We had another quarter of strong premium growth, bolstered by improved pricing precision and risk segmentation by our underwriters on a policy-by-policy basis.

In addition to another quarter with nice investment income growth, we executed investment portfolio rebalancing to a larger degree than a typical quarter. We believe that effort will produce both near-term and long-term financial benefits. Net income of $820 million for the third quarter of 2024 included recognition of $645 million on an after-tax basis for the increase in fair value of equity securities still held. Non-GAAP operating income of $224 million for the third quarter was down $37 million from a year ago, driven by an $86 million increase in after-tax catastrophe losses.

Our 97.4% third quarter 2024 property casualty combined ratio was 3.0 percentage points higher than the third quarter of last year and included an increase of 3.9 points for catastrophe losses. Our 86.8%

accident year 2024 combined ratio before catastrophe losses improved by 0.9 percentage points compared with accident year 2023 for the third quarter and was 0.8 points better on a 9-month basis.

We had another quarter of what we believe is profitable premium growth. Agencies representing Cincinnati Insurance again produced a robust amount of new business for us, and we continue to appoint agencies where we identify appropriate expansion opportunities. Our underwriters use pricing segmentation by risk plus average price increases, along with careful risk selection to help improve our underwriting profitability. Estimated average renewal price increases for the third quarter improved incrementally compared with the second quarter of this year.

Commercial lines moved a little higher in the high single-digit percentage range and excess and surplus lines remained in the high single-digit range. Our Personal Lines segment also moved a little higher, with personal auto in the low double-digit range and homeowner in the high single-digit range. Our consolidated property casualty net written premiums grew 17% for the quarter, including 16% growth in agency renewal premiums and 30% in new business premiums.

As I next comment on performance by Insurance segment, I'll focus on third quarter premium growth and the underwriting profitability compared with a year ago. Commercial Lines grew net written premiums 11% with an excellent 93.0% combined ratio that improved by 2.2 percentage points, including 1.3 points from lower catastrophe losses. Personal Lines grew net written premiums 29%, including growth in middle market accounts and Cincinnati Private Client business for our agency's high net worth clients. Its combined ratio was 110.3%, 10.4 percentage points higher than last year, driven by an increase of 12.7 points from higher catastrophe losses.

Excess and Surplus Lines grew net written premiums 23% with a combined ratio of 95.3%. While that's still quite profitable, it's less so than a year ago due to higher catastrophe losses and a modest amount of unfavorable reserve development on prior accident years. Both Cincinnati Re and Cincinnati Global were again profitable and continue to reflect our efforts to diversify risk and further improve income stability.

Cincinnati Re grew third quarter 2024 net written premiums 5% and had a 95.6% combined ratio bringing its 9-month combined ratio to a very profitable 81.5%. The $38 million of catastrophe losses, Cincinnati Re reported for the quarter included approximately $19 million for Hurricane Helene. Cincinnati Global's combined ratio was an outstanding 66.6% for the third quarter with 12% growth in net written premiums.

Our life insurance subsidiary had another profitable quarter, including net income of $20 million and term life insurance earned premium growth of 4%.

Before I close my prepared remarks, I'd like to briefly comment on the estimated effects of Hurricane Milton on fourth quarter results. While it's still early, we estimate our pretax incurred losses will total between $75 million and $125 million, net of any applicable reinsurance recoveries. Catastrophe losses for direct business written by the Cincinnati Insurance Company represents less than $15 million of that estimate, while Cincinnati Re represents more than half. Now I'll conclude as usual with our primary measure of long-term financial performance, the value creation ratio. Our third quarter 2024 VCR was 9.0% bringing the 9-month total to an excellent 17.8%. Net income before investment gains or losses for the quarter contributed 1.7%. Higher overall valuation of our investment portfolio and other items contributed 7.3%.

Next, Chief Financial Officer, Mike Sewell, will highlight some additional aspects of our financial performance.

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

Thank you, Steve, and thanks to all of you for joining us today. Investment income had another round of strong growth, up 15% for the third quarter of '24 compared with the same quarter in '23. Dividend in income was down 1%, reflecting $959 million of net sales of equity securities during the third quarter, primarily from some portfolio rebalancing through trimming or exiting positions of 7 common stocks among our 63 holdings at the beginning of the quarter. As Steve mentioned in our news release, this does not represent a change in our investment approach of holding a significant amount of equities as we work to balance near-term income generation with long-term book value growth. The large cash balance generated during the third quarter has been reduced and should continue to decline with additional bond purchases during the remainder of the year.

Bond interest income grew 21% for the third quarter of this year. Net purchases of fixed maturity securities totaled $672 million for the quarter and $1.4 billion for the first 9 months of the year. The third quarter pretax average yield of 4.8% for the fixed maturity portfolio was up 36 basis points compared with last year. The average pretax yield for the total of purchased taxable and tax-exempt bonds during the third quarter of this year was 5.53%. Valuation changes in aggregate for the third quarter were favorable for both our equity portfolio and our bond portfolio. Before tax effects, the net gain was $841 million for the equity portfolio and $411 million for the bond portfolio.

At the end of the third quarter, the total investment portfolio net appreciated value was approximately $7.3 billion. The equity portfolio was in a net gain position of $7.5 billion, while the fixed maturity portfolio was in a net loss position of $203 million. Cash flow in addition to higher bond yields, again, boosted investment income growth. Cash flow from operating activities for the first 9 months of 2024 reached $2 billion, up 36% from a year ago.

I'll briefly comment on expense management and our efforts to balance expense control with strategic business investments. The third quarter 2024 property casualty underwriting expense ratio decrease of 0.2 percentage points was largely due to lower levels of profit sharing commissions for agencies.

Moving on to loss reserves. Our approach remains consistent and aims for net amounts in the upper half of the actuarially estimated range of net loss and loss expense reserves. As we do each quarter, we consider new information such as paid losses and case reserves. Then we updated estimated ultimate losses and loss expenses by accident year and line of business. For the first 9 months of 2024, our net addition to property casualty loss and loss expense reserves was $963 million, including $917 million for the IBNR portion.

During the third quarter, we experienced $71 million of property casualty net favorable reserve development on prior accident years that benefited the combined ratio by 3.2 percentage points. For our commercial casualty line of business, there was no material reserve development for any prior accident year during the quarter. On an all-lines basis by accident year, net reserve development for the first 9 months of '24 included favorable $326 million for '23, favorable $55 million for '22, favorable $10 million for '21 and an unfavorable $180 million in aggregate for accident years prior to '21.

My final comments pertain to capital management. During the first 9 months of 2024, we returned capital to shareholders through a $365 million of dividends paid and nearly 1.1 million shares repurchased at an average price of approximately $112 per share. Earlier this month, another dividend was paid, returning another $120 million or so to shareholders. That payment completed the company's 64th consecutive year of increasing shareholder dividends, a streak we believe is matched by only 7 other publicly traded companies based in the United States.

We believe our financial flexibility and our financial strength are both in stellar condition. Parent company cash and marketable securities at quarter end exceeded $5 billion. Debt to total capital remained under 10%. And our quarter end book value was at a record high, $88.32 per share with nearly $14 billion of GAAP consolidated shareholders' equity, providing plenty of capacity for profitable growth of our insurance operations.

Now I'll turn the call back over to Steve.

Stephen Michael Spray
President, CEO & Director

Thanks, Mike. The momentum we have right now is powerful. As we put the finishing touches on department plans for next year, you can feel the excitement and see the opportunities that lie ahead in all corners of the company. Agents echo that feeling as they comment on their appreciation for our ability to deliver stability, consistency and financial strength, giving them a first-class carrier to support their most well managed accounts.

Last week, Fitch Ratings agency agreed affirming our current financial strength ratings and revising our outlook to positive from stable based on our sustained track record of profitability and proven financial strength. As a reminder, with Mike and me today are Steve Johnston, Steve Soloria, Marc Schambow and Theresa Hoffer.

Betsy, please open the call for questions.

Question and Answer

Operator

[Operator Instructions]. The first question today comes from Michael Phillips with Morgan Stanley (sic) [Oppenheimer].

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Michael Phillips from Oppenheimer. I want to start with the commercial casualty. Steve, you mentioned no material favorable PYD there in last quarter, you had a little bit in the recent accident years was favorable. I say as a backdrop because if you look at the current accident year there, it's up a bit and commercial casualty, it's up almost 6 points. And I kind of want to drill into what's driving that. You say in the Q that for commercial lines total, there's more IBNR, it looks like that might be the case with some other lines. But if we can kind of do back of the envelope, the higher loss pick for commercial casualty. It seems like it might be more paid activity. I wanted to see if you can confirm that and maybe what else might be going on in commercial casualty.

Stephen Michael Spray
President, CEO & Director

Yes. Thanks, Mike. Mike Sewell is going to go ahead and tackle this, and then I may add some commentary at the end.

Michael James Sewell
CFO, Principal Accounting Officer, Executive VP & Treasurer

No, I appreciate it, and thanks for the question. So yes, as you already noted that there was no prior accident year that had a material development during this quarter. So recent quarters, we've added to or we slowed the release of IBNR reserves as we've reacted to loss payments and case reserve increases that were higher than expected for some accident years related to the commercial casualty line. There has been some higher case incurred losses that were spread across several accident years that was more severity than frequency.

But as you're probably looking at Page 9 of the supplement and you're seeing the loss pick being elevated a little bit, it's really -- Mike, it's just related to prudent case reserves or prudent reserves that we're adding. There's a lot of uncertainty there. You're seeing a lot of things in the industry that's out there. If I were to take a look at the 9-month compared to 9 months for that loss pick, you're really only about 2 full points higher. We are adding to the IBNR. You've seen that on Page 11 of the supplement. And you'll see that the commercial casualty is the largest area that we're adding IBNR. So I'll -- there's probably a lot of information, but yes, that's the background. Thank you.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Okay. I guess if we stick with that line for a second, Steve, your opening comments didn't seem like there was much of a change in commentary on renewal price changes. And yet this line saw a pretty good jump in premium growth. I'm so curious what's driving that and how we should think about the commercial casualty going forward with top line growth?

Stephen Michael Spray
President, CEO & Director

Yes. I think -- yes, Mike, the pricing there just remains strong. Everything that Mike said, I'd probably focus from a pricing standpoint, just the uncertainty around social inflation, legal system abuse, however you want to title that, but just uncertainty in general. I think the key with us, and I always go back to this, one, we're a package writer. We don't write monoline business. And two, our underwriters, whether they're in the field or here in headquarters are just tackling these accounts risk by risk, one by one, they're using the art of underwriting that we've all grown up with and then the science. And I think we're kind of at a nice spot intersection there. And just the way we can segment our book with sophisticated pricing tools, I think there's runway in rate and -- well, in all lines of business in commercial, maybe minus workers' compensation. But general liability and umbrella, certainly, I think there's runway for more rate there.

And currently, we're getting -- as we disclosed, we're getting high single digits in the casualty. But again, you got to really -- that's that point estimate. You really have to look at the -- just kind of the -- that average doesn't tell the whole story. You got to look at the whole book, and there's a fair amount of our book that we would consider price adequate and then in various levels and tranches where we need more rate.

Operator

The next question comes from Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

I guess just as a quick follow-up to the last question and answer on playing offense in commercial casualty, and I could see commercial auto, too. So is it -- am I understanding correctly that you're clearly playing more offense and feel better even despite the loss ratio in those 2 lines being booked at not ideal levels because you're just being more conservative in your picks like you have historically. And so as the years unfold, hopefully, that conservatism comes back in a good guy through reserve releases over time. Is that -- am I thinking about it correctly?

Stephen Michael Spray
President, CEO & Director

Yes. Mike, let me -- this is Steve again. Let me try that and then give me a follow-up. First of all, overarching, we feel good about our pricing. Obviously, where we're focused is on prospective pricing or rating periods. So we feel good about our pricing. We feel good about the team that's executing on that as well. And we look at that state by state and like I said, risk by risk, by line of business.

I would say we're definitely playing offense. We've got $13.8 billion of GAAP equity now supporting a little more than $9 billion of premium. I think that puts us in an enviable position. We -- as you know, our deep relationships with our agents. We are regularly communicating with them. And I can tell you that the feedback we get from them is one of the appreciation for our consistency, our stability, our financial strength. We're playing offense, I think, in all segments and all lines of business.

We've -- I talk about it a lot when we have these one-on-one investor meetings as well, but we've got that proven track record that proven business model, our field focused, the way we handle claims, our agency focus. But over the last 12, 13 years, the biggest improvement that has really driven our confidence and playing offense is that pricing sophistication and segmentation that we are -- we've been executing on for a decade plus. But that, along with the team that puts those predictive models in play, that just gives me a tremendous amount of confidence in everything we're doing and being able to grow through all market cycles.

In Personal Lines, we're -- I've talked about this in the past, too. I think we're in a once in a lifetime, once in a generation, however you'd like to put it, you could call it hard market, I look at it as a market opportunity. And we -- our ex cat there continues to improve. We're not just -- that doesn't make us happy. We got to pay cat dollars with real money. Commercial lines -- or excuse me, personal lines last year had 100.4 combined. The 4 years prior to that, in a rising cat environment had an all-in underwriting profit. So just feel good about, again, all lines of business and all segments. I hope that answers it.

Michael David Zaremski
BMO Capital Markets Equity Research

Yes. Honestly, if you're booking a much better loss ratio in some of those lines, maybe the stock would be up today, but I don't know how much people would -- some people would believe in it. So it seems like your be conservative, makes sense.

I guess just switching gears. So on the large sell-down on the investment portfolio, I think what you're saying is just no real change there due to Steve's new leadership? Or you're just kind of saying, if we just do the math on equities as a percentage of shareholders' equity ex AOCI, we're running well above historic levels. So you're trimming. And is that the right way to think about it? And will you continue to trim to get to a lower ratio?

Stephen Michael Spray
President, CEO & Director

Mike, I'll tackle the first part of that. I can tell you that there is absolutely no change in our philosophy because of the new CEO. But I'll let Steve Soloria kind of dive into the details there for you.

Steven Soloria

Mike, this is Steve Soloria. Again, I would agree with what you said. We view it as just standard prudent portfolio management. We were trying to be opportunistic. We will periodically trim or prune names in the portfolio for a variety of reasons, managing within our investment policy statement, evaluating stocks on a fundamental basis. And we felt that with that in mind, selling into a strong equity market on a couple of names that had run a bit was, again, opportunistic.

And as we looked at that, we started to look at where to invest those funds. Where was the best opportunity? Was it rolling back into a hot market or maybe taking advantage of interest rates that this -- the window may be closing on higher rates. So we started to roll into those, again, opportunistically. And as we looked at that, we were looking at tax implications and what booking gains was going to do for us and trying to offset some of those losses. So it was kind of a perfect storm of several different factors that kind of drove us to the scale of where we were. But the typical activity is stuff that we do on a quarterly basis anyway. So we feel we'll revert back to a more normalized activity level.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful, Steve. And maybe lastly, switching to the access and surplus lines segment. Just focusing specifically on the top line growth acceleration trend in recent quarters. I know there's historically been plenty of top line volatility in the segment, too, and it's a smaller segment, but is there a trend line we should be thinking of or something changing? Or I'm not saying we're going to run rate 23% top line growth. But I'm just curious if there's something underlying that we should be appreciating.

Stephen Michael Spray
President, CEO & Director

Yes. Thanks, Mike. Yes, nothing changing there. We're about 90% casualty in our E&S space. You can get some inherent variability or volatility in E&S, just in general, as you mentioned, as you know, both with premium and with losses. If you lose a larger account or so that will put pressure quarter-to-quarter on that net written premium.

But I would sum it up to you this way, is that we're working on 12 years, again, of underwriting profit in our E&S company customary to the way we look at reserving throughout the entire company, we take prudent approach. We are quick to act when we see things. And that just gives me a lot of comfort as well. We've got a consistent approach. We've got a consistent team doing it. As far as the growth goes, I would be consistent there as well. I think we're in a -- definitely in a favorable environment, but I think we can grow our E&S company through all environments. I think we're still just scratching the surface with what we can do from an excess and surplus line standpoint.

Michael David Zaremski
BMO Capital Markets Equity Research

Is it worth elaborating on why do you think you're just scratching the surface? Is it just you, over time, get more data and can expand your underwriting appetite or hiring more folks? Or trying to understand that thing.

Stephen Michael Spray
President, CEO & Director

Yes. I think -- yes, yes, that's a good follow-up. I think it's all of the above. We continue to expand our expertise. We continue to expand the team. We continue to expand the products that we look at, we're adding more agencies across the entire company, that favorably impacts our E&S company as well. So -- and when we look at the business that our agents write, the amount of business that they placed in the E&S space, we can just see tremendous opportunity. And I think our business model, the fact that we deal directly with the retail agents.

We've got our own in-house brokerage. We can pay -- we can return more of the compensation directly to our agents. We have direct bill. We handle claims with our own people. You get the point that I just think it's an attractive model that we can continue to just expand.

Operator

The next question comes from Gregory Peters with Raymond James.

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

So kind of, I guess, building a little bit on Mike's question, but more importantly, some comments that you made talking about the generational opportunities for growth, I think, in personal lines. Can you give us some perspective on your view on what used to be when you're throwing all the new business on the "new business penalty" and attended both personal lines and commercial lines. Can you give us a sense of how the profile of your business has changed over the last couple of years? Or is it a geographic change or just some color on how the company is changing as it grows?

Stephen Michael Spray
President, CEO & Director

Yes. I think it's -- I think, yes, that book of business has evolved for sure. 10 years ago, we were 90%, what we would call middle-market personal lines. That now, that book has grown considerably, as you can see, and we're just under 60%, which would be considered private client or high net worth I think the reason I say once in a lifetime is just there's just so many macro things going on there, Greg, both in the middle market space, primarily around severe convective storm, I'd say, in the Midwest. Inflation hit that pretty hard as well. The traditional competitors that we had in that marketplace just seem to be disrupted. Our balance sheet strength allowed us to take advantage of that opportunity.

I think one of the big strengths we have in personal lines today, and I'll talk about it a lot, is that we -- and this is our agents telling us this. I think we are considered a premier market, both in the high net worth or private client and in middle market. One of the advantages to us is, obviously, with deep agency relationships, we can be a solution or being more important to each of them with being able to handle middle market and the high net worth I think, in a first-class way. Financially, it's giving us some diversification both by a line of business and geographically.

High net worth or private client it's typically -- it's property driven, less so auto, middle market, the exact opposite. Auto driven, more or less so on the home. High net worth tends to be on the coast. We write it everywhere, but it tends to be coastal, middle market, more in the middle of the country. So we just think we're getting a nice mix and diversification across that entire segment.

Now on the pricing, yes, I think it's the same confidence that I talked about with Mike on commercial lines. It's just we've got an experienced team with a ton of expertise in building these models across the entire business. New business penalty, I don't believe in a new business penalty, I think you've got to write every risk at the right rate on a risk-adjusted basis. And I'm just confident in where our pricing is going on a prospective basis. I hope that answers.

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

Yes, it does. It does. I mean one of the -- you were mentioning the opportunities with severe convective storms. You're talking about E&S. I just have this, I guess, this natural pivot that I think you're growing your exposures like in California, Texas and Florida, maybe a little bit in the Northeast versus other areas of the country. But I guess that's what I was kind of thinking about because you talked about your losses to Milton, and it doesn't seem to be as large as, I guess, it could have potentially been but maybe your exposures are running in different areas of the state in Florida?

Stephen Michael Spray
President, CEO & Director

Yes. Our Florida new business in Personal Lines is down a little over $4 million year-over-year. But let me make sure I'm clear on that as well. It's not just the rate that we're driving, particularly in the middle market severe convective storm exposed property. Terms and conditions are probably equally as important there, whether it be wind and hail deductibles, ACV or roof schedules. And then when you speak specifically to E&S on the personal line side, Greg, yes, that is predominantly right now for us. That's California home.

We've got our E&S capability up and running in 10-plus states, most of those coastal. But as an example, even in Florida, we're writing new business on an E&S basis. But we just haven't seen that. We feel that the pricing or the terms and conditions that we can get are as attractive as we would need. So we'll continue to be conservative there.

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

Fair enough. I just pivot to another company question on the agents. I view them as a critical strength of your company, the agent relationships. Can you talk to us as you look out to next year, what you think the growth of the agency force might look like or the appointments that you make in '25? Or do you have a target? Or how do you sort of approach that, please?

Stephen Michael Spray
President, CEO & Director

Yes. We're not making public. Greg, our goal -- excuse me, for agencies for next year. What I can tell you is that we are committed to expanding that distribution. We think there's plenty of opportunity without "diluting the franchise." We will not -- this is kind of my thought, and this is the direction we're heading is we will not dilute the franchise by the number of agencies we appoint. What we have to focus on is making sure that we continue to do business with the most professional, and candidly, those who are most aligned just with the way we do business, locally fast, fair, handling business at the local level.

You're right. The agency relationships are key to everything we do. I think it's our differentiator. It's something that we're going to continue to stay focused on doing business locally is a big piece of that. But you can expect us to continue to expand the distribution I would say, roughly at a clip that you've seen us this year and over the last couple of years.

Operator

The next question comes from Jing Li with KBW.

Jing Li

I just have a question on E&S unfavorable development. I know it's pretty small, but I appreciate if you can add some colors on that.

Stephen Michael Spray
President, CEO & Director

Jing, yes, the -- I think you were referring to the unfavorable development on the E&S casualty. And I would just say for you there, it's just that we saw case incurred losses that are emerging at amounts higher than we expected. Like I had mentioned earlier, that business, that book of business is 90%

casualty, it's E&S. So it's got inherent volatility in it, inherent variability, but we've got a great track record of profitability in our E&S company. And we'll just continue to stay prudent like we always have company-wide with the reserves. So that's about all I'd have to add on unfavorable in the quarter for E&S.

Jing Li

Got it. I have a follow-up on the personal auto and personal lines. So the rate accelerated from high single digit to low double digit. Just curious about your view to reach rate adequacy. Do you think that you still need double digit for 2025 and beyond?

Stephen Michael Spray
President, CEO & Director

Yes. I wouldn't necessarily be able to give you, Jing, the kind of the run rate. All I can tell you is that we've still got a lot of rate earning into the book. And I think just with the -- all the things that we've talked about here, just with the changing weather patterns, I think there's still runway for rate across the entire personal lines book. We -- and I would say this, again, the key for us is looking at it prospectively, and we do feel on a prospective basis that our rates in personal lines are ahead of loss cost trends.

Operator

[Operator Instructions]. The next question comes from Grace Carter with Bank of America.

Grace Helen Carter
BofA Securities, Research Division

I realize these are smaller segments, but the core loss ratio ticked up quite a bit versus recent history in both other commercial and other personal. So I was hoping that you could kind of give us an update on what you're seeing there? And if there's any sort of intra-year movement in there? And if it's just kind of related to some of the comments we've heard across the industry on pressure on long-tail lines.

Stephen Michael Spray
President, CEO & Director

Yes, Grace, thank you. You alluded to it. They're smaller premiums there. You're going to have -- I think it's just a lot of inherent variability or volatility in those lines. As an example, in personal lines, it could be a little watercraft that you're seeing there in our book. But we do a deep dive on every line of business on a regular basis. And there's nothing there that points us in the direction of anything to be concerned about as far as geographic or agency or line of business. So I think that's about all I'd have to add on that for you, Grace.

Grace Helen Carter
BofA Securities, Research Division

Okay. And I guess I had another question on commercial casualty. I mean I think usually, you all have said that historically, you see the core loss ratio higher in quarter 1 -- or in the first quarter relative to the last 3 quarters of the year, just given higher uncertainty from the newness of the accident year I guess I'm just kind of trying to understand better like what exactly you all saw this quarter that resulted in Q3 kind of moving above Q1 and just kind of trying to think about if maybe a year-to-date number is the best way to think about sort of where we should see that trending going forward? Or just kind of any sort of color you can give on whether or not the Q3 level might be kind of the new run rate?

Stephen Michael Spray
President, CEO & Director

Yes, Grace, you're absolutely right. We -- typically, every quarter that we get more data, more information, you just refine those picks even more. I think what you've got going on and commercial casualty is just the macro things that Mike alluded to earlier, litigation costs up. The number of claims that are turning into litigation, social inflation, the legal system abuse, third-party litigation funding. It's all just really kind of turn in that line of business, industry-wide, I think, a little upside down. So I think that's why you're seeing that in the third quarter, it's just -- we're really trying to be prudent on that line of business just because the amount of uncertainty there has stayed pretty consistent.

So as you know, we've got 30-plus years of favorable development. And we do that through a consistent process, consistent people and acting quickly when we see things that just cause us concern. But there's nothing specific in that third quarter other than, I would say, macro uncertainty.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Steve Spray for any closing remarks.

Stephen Michael Spray
President, CEO & Director

Well, thank you all for joining us today. We look forward to speaking with you again on the fourth quarter call. I hope everybody has a nice weekend.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.