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Market Intelligence

The Hartford Financial Services Group, Inc. NYSE:HIG

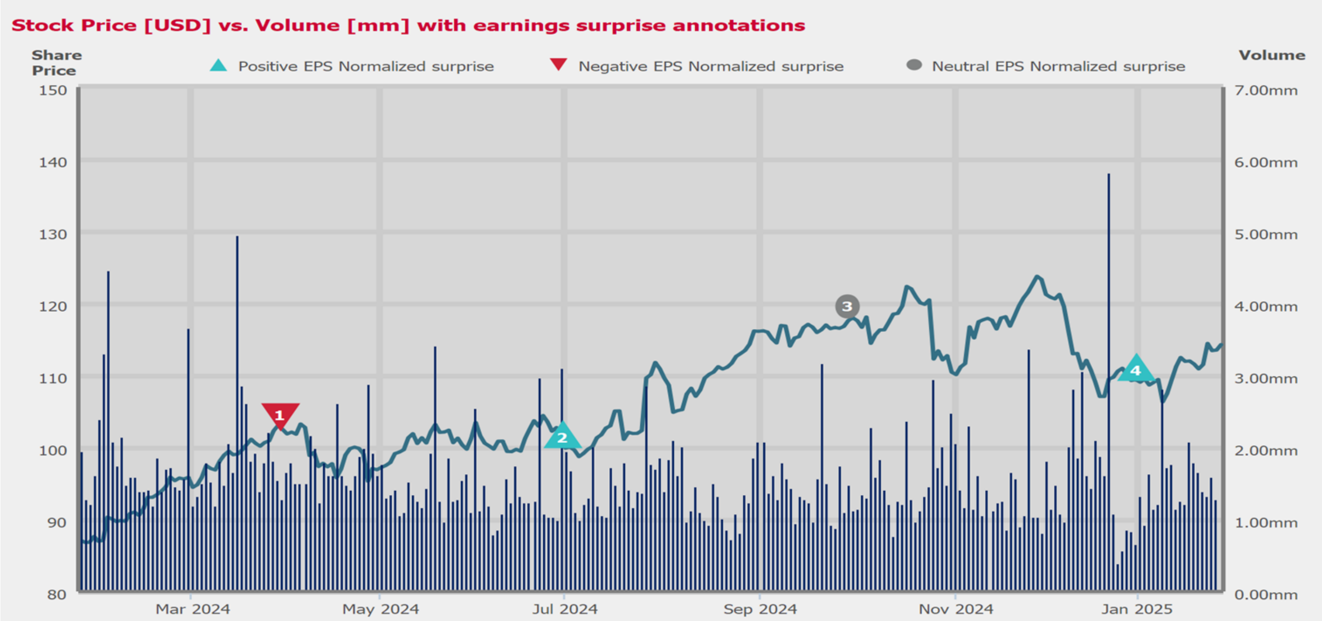
FQ4 2024 Earnings Call Transcripts

Friday, January 31, 2025 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	2.64	2.94	▲11.36	2.76	10.02	10.30	▲2.79	11.48
Revenue (mm)	6960.79	6879.00	▼(1.18 %)	6996.62	26492.12	26535.00	▲0.16	28656.78

Currency: USD
Consensus as of Jan-31-2025 9:33 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2024	2.44	2.34	▼1 (4.10 %)
FQ2 2024	2.25	2.50	▲2 11.11 %
FQ3 2024	2.53	2.53	●3 0.00 %
FQ4 2024	2.64	2.94	▲4 11.36 %

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Presentation

Operator

[indiscernible] Full Year 2024 Results Conference Call and Webcast. [Operator Instructions] As a reminder, this conference call is being recorded. I would now like to turn the call over to Susan Spivak, Senior Vice President of Investor Relations. Thank you. Please go ahead.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

Good morning, and thank you for joining us today for our call and webcast on fourth quarter and 2024 earnings. Yesterday, we reported results and posted all of the earnings-related materials on our website. Now I'd like to introduce our speakers. To start, we have Chris Swift, Chairman and Chief Executive Officer; followed by Beth Costello, our Chief Financial Officer. After their prepared remarks, we will begin taking your questions. Also with us to assist with your questions are several members of our management team. Just a few comments before Chris begins.

Today's call includes forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance, and actual results could be materially different. We do not assume any obligation to update information or forward-looking statements provided on this call. Investors should also consider the risks and uncertainties that could cause actual results to differ from these statements. A detailed description of those risks and uncertainties can be found in our SEC filings.

Our commentary today includes non-GAAP financial measures. Explanations and reconciliations of these measures to the comparable GAAP measures are included in our SEC filings as well as in the news release and financial supplement. Finally, please note that no portion of this conference call may be reproduced or rebroadcast in any form without the Hartford's prior written consent. Replays of this webcast and an official transcript will be available on the Hartford's website for 1 year.

I'll now turn the call over to Chris.

Christopher Jerome Swift
Chairman & CEO

Good morning, and thank you for joining us today. Before beginning, I want to take a moment to address the recent wildfires that have devastated the Los Angeles community. Our thoughts are with all those impacted by this tragedy. Our team on the ground is working tirelessly to help our customers rebuild and recover, and I thank them for their dedication.

After Beth and I summarize our outstanding fourth quarter and full year results, we will then be joined by our business leaders for a Q&A session, including Mo Tooker who was appointed President effective tomorrow, February 1. Mo will lead all our P&C businesses and will be responsible for stewarding several enterprise-wide initiatives. Mo is an exceptional leader with a strong reputation for strategic growth, customer-focused solutions, underwriting discipline and building a cohesive culture. He is ideally suited to step into the President role as we advance our growth and innovation strategy aimed at addressing our customers' changing needs.

So let's get started. Our fourth quarter results capped off another outstanding year of financial performance and strategic achievements. These results highlight the strength of our franchise, particularly our exceptional underwriting execution, extensive distribution relationships and an unparalleled customer experience. I wanted to extend my heartfelt thanks to our dedicated employees. Your unwavering commitment and hard work are the driving force behind our success.

Reflecting on some key achievements from 2024 for both the quarter and the year. Top line growth in Commercial Lines was 6% for the quarter with an underlying combined ratio of 87.1. For the year, growth was 9%, and the underlying combined ratio of 87.9 was consistent with prior year.

Personal Lines achieved 9.3 points of underlying combined ratio improvement in the quarter, including over 10 points in auto. For the year, Personal Lines delivered an underwriting gain, including an auto underlying loss ratio that was 1 point better than our expectations. We continue to achieve strong renewal written pricing increases across P&C during the quarter, including notable double-digit increases in commercial and personal auto, commercial property, homeowners and general liability.

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Group Benefits delivered an impressive core earnings margin of 7.8% for the quarter and 8.2% for the year, led by strong life and disability results. And our investment portfolio continues to generate solid performance. All these items contributed to an outstanding core earnings ROE of 16.7% for the year. Let me dive deeper into the performance of each of our businesses. Our Commercial Lines business achieved significant top line growth while maintaining highly profitable underlying margins. Written premium growth was driven by strong pricing increases across most lines, double-digit new business growth in our SME focused business and exposure growth that continues to benefit from a resilient economy.

As expected, underlying margins for the year were consistent with 2023, reflecting our steadfast commitment to disciplined underwriting, while sustaining industry-leading performance. Favorable underwriting results in property, along with strong renewal written pricing execution across all lines offset industry-wide elevated liability severity. Beth will provide specifics around prior year development in her comments, but I wanted to take a moment to address our general liability reserves. Based on our fourth quarter review, we have strengthened our general liability reserves by $130 million before tax. We believe that we have addressed the most recent trends and have adjusted our ultimate losses accordingly, reflecting the potential for increasing settlement costs due to a higher percentage of attorney representation across all claim sizes and the rise in average settlement rates.

Moving into each of our commercial lines businesses. Small Commercial remains the cornerstone of growth and profitability for The Hartford, setting an industry standard that is difficult to replicate in the market. I am very pleased to share that for the sixth consecutive year, Kinovo Group has ranked The Hartford as the #1 small commercial carrier in overall digital capabilities, an important competitive advantage in this market. Our top ranking reflects our commitment to providing exceptional functionality, ease of use and unparalleled support and access to our agents and customers.

Our financial performance reflects this top ranking where we achieved a record-breaking written premium of $5.5 billion in 2024, including $1.1 billion of new business while extending a decade-long trend of annual sub-90 underlying combined ratios. With another year of exceptional results and relentless advancement of our capabilities, I remain incredibly bullish on the outlook for our small commercial business. Our middle and large commercial organization continues to demonstrate strong growth and underlying profitability. We are capitalizing on elevated submission [indiscernible] in part by our strategic investments to expand product capabilities and enhance the efficiency of the broker and agent experience.

Our investments in Middle and Large Commercial position us well to drive additional top line growth and deliver exceptional results. While fourth quarter new business was slower than previous quarters, full year performance included strong top line growth and an underlying margin that remained below 90. Written premium growth reflects strong renewal rate execution and a 16% increase in middle market new business with robust growth across nearly all product lines led by Construction and Marine.

In 2025, we expect to sustain our track record of delivering meaningful growth with underwriting discipline. Global Specialty had an exceptional year, maintaining excellent underlying margin performance in the low to mid-80s for the past 3 years. Our competitive position, breadth of products and solid renewal written pricing drove strong gross written premium growth and record new business. This expansion was fueled by significant contributions from Global Re and our wholesale business. We remain excited about our position in the wholesale market and across global specialty with execution that has never been stronger.

The transformational work we have done over the last 5 years has put us in a strong position to accelerate our market-leading competitive advantage, driven by technology, data science and an experienced workforce. Whether in standard lines or E&S lines, we are gaining market share due to our unique underwriting capabilities and strong distribution relationships.

Across commercial lines, our continued emphasis on property expansion generated 16% premium growth this year. We achieved our full year goal ending the year with $3 billion in written premium and plan to continue building on this success in 2025. We remain confident that the market conditions support earnings strong risk-adjusted returns through disciplined underwriting while maintaining a stable approach to catastrophe risk management.

Despite industry-wide elevated catastrophe losses, we are proud that our full year CAT ratio remained flat with 2023, even with our significant property portfolio expansion.

Moving to pricing. In commercial lines, renewal written pricing in the quarter, excluding workers' compensation of 9.7%, was up 40 basis points from the prior quarter. All in, ex comp renewal written pricing in commercial lines remained comfortably above loss cost trends. Workers' compensation pricing was slightly down sequentially. As we look to 2025 pricing, we are focused on keeping pace with loss cost trends across commercial lines. With our diversified and expanding product portfolio and innovative mindset, we are primed to continue to grow market share at highly attractive margins.

Turning to Personal Lines. 2024 was a transformative year, positioning us well for the future. We have positioned the business with new products and capabilities, revamped our operating routines and equipped ourselves with data and technology resources. We

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have faced business and environmental challenges with unparalleled determination, and I want to recognize the team's hard work and commitment to our vision and strategy.

For 2024, in auto, we achieved significant rate increases across the book, driving an overall auto underlying loss ratio improvement of 7.3 points, over 1 point better than the high end of our expectations. As a result of the significant written pricing actions that we'll earn into the book, combined with moderating severity trends, we expect continued underlying combined ratio improvement to reach the mid-90s during 2025.

Our homeowners business had an exceptional year, highlighted by an impressive underlying combined ratio for the quarter, the best we've seen in over a decade, and a slightly improved CAT ratio in a year of elevated industry catastrophe losses. Pricing remained strong all year, outpacing underlying loss cost trends. Substantial investments have significantly improved price to risk matching and enhanced underwriting capabilities that are benefiting the homeowners book more broadly. With our rates and insurance to value keeping pace with loss trend, we are confident about our strong position in the market.

Turning to Group Benefits. Our strong core earnings margin in 2024 demonstrates focused execution, a resilient economy, improved mortality trends and continued strong disability results. Group Life mortality trends were favorable, though they are expected to remain above prepandemic levels. The full year disability loss ratio of 68% primarily reflects favorable long-term disability trends, offset by pressure in paid family and medical leave products. These leave products are highly utilized and valued by employees, and we are implementing the necessary rate and underwriting actions to improve the margins.

Overall, the benefit landscape is evolving with increased awareness of features and benefits which is positively impacting our supplemental products such as critical illness, hospital indemnity and accident. We continue to expect the group benefits market to remain dynamic with digital transformation, product innovation and increasing customer demands. As a result, we are investing in this business and have a clear road map that I am confident will only strengthen our market leadership position.

Looking ahead, we expect a modest increase in sales during 2025, and are off to a solid start. Core earnings margins in recent years have exceeded our long-term targets. However, we continue to expect a core earnings margin of 6% to 7% in this business with disability incidence trends returning to historic levels.

Moving to investments. The portfolio continues to support The Hartford's financial and strategic goals, performing well across a range of asset classes and market conditions. Beth will provide more details.

In closing, excellent fourth quarter results capped a year of outstanding financial performance, positioning us to sustained, consistent and superior results in 2025. I remain incredibly optimistic about our future because 2024 financial results have showcased the effectiveness of our strategy in the value in our ongoing investments.

Commercial Lines continues to maintain excellent underlying margins while delivering robust top line growth. Group Benefits core earnings margin remains outstanding. We have achieved key milestones in our personal lines journey, and plan to return auto to targeted profitability by mid-2025. Investment income remained strong, supported by attractive yields and a diversified, durable portfolio of assets and share repurchases and dividends remain our primary capital management tool. As our businesses continue to generate excess capital, we will proactively manage capital resources to further drive shareholder value. All these factors contribute to my excitement and confidence about the future of the Hartford and our ability to extend our track record of delivering industry-leading financial performance.

Now I'll turn the call over to Beth to provide more detailed commentary on the quarter.

Beth A. Costello
Chief Financial Officer

Thank you, Chris. Core earnings for the quarter were $865 million or $2.94 per diluted share with a full year core earnings ROE of 16.7%. Commercial Lines had a strong quarter with core earnings of $665 million, written premium growth of 6% and an underlying combined ratio of 87.1.

Small Commercial continues to deliver excellent results with written premium growth of 9%, including 22% new business growth and an underlying combined ratio of 86.7. This is the 18th straight quarter of an underlying combined ratio below 90.

Middle & Large Commercial had another quarter of strong profitability with an underlying combined ratio of 90.2, slightly improved from the prior year and written premium growth of 5%, reflecting lower new business as we remain disciplined, particularly with elevated general liability severity loss trends.

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Global Specialties fourth quarter underlying combined ratio was an excellent 83.6, with record earned premium of $865 million. Written premium growth of 3% in the quarter reflects lower new business in primary and excess casualty and from our global reinsurance business, which declined 14%, primarily due to lower premium in Latin America.

Global Specialty written premium, excluding Global Re, was up 6%.

In Personal Lines, core earnings for the quarter increased to $155 million, including the first underwriting gain in 2 years with an underlying combined ratio of 90.2, driven by a 17.3 point improvement in the loss ratio over the prior year. The fourth quarter auto underlying combined ratio of 103 improved 10.5 points from the 2023 period, and homeowners produced an outstanding underlying combined ratio of 61.7. Written premium in Personal Lines increased 12% in the fourth quarter, in part driven by steady and successful rate actions.

In auto, we achieved written pricing increases of 19.1% and earned pricing increases of 21.9%. In homeowners, written pricing increases were 13.9% and 14.9% on an earned basis. Additionally, new business growth was robust in both homeowners and auto with homeowners more than doubling to $59 million, and auto increasing by 18% to $77 million.

The Personal Lines fourth quarter expense ratio of 26.5 increased from the prior year by 1.9 points, primarily driven by higher direct marketing costs, higher staffing costs and higher commissions, partially offset by the impact of higher earned premium.

Total P&C net unfavorable prior accident year development with in core earnings was $97 million before tax, primarily driven by $141 million of asbestos and environmental development. Excluding the A&E development, core prior accident year net development was favorable by $44 million due to reserve reductions in workers' compensation, catastrophes, bond, professional liability and personal auto, partially offset by increases in general liability and commercial auto.

As Chris mentioned, we strengthened our general liability reserves this quarter by $130 million before tax. This included strengthening to the 2015 to 2018 accident years, driven by higher-than-expected construction defect claim activity in those years. In addition, across our general liability lines, we strengthened the incurred but not reported reserves for more recent accident years as we observed an increase in severity on reported claims above our expectations and anticipate a higher claim severity trend on unreported claims as the industry continues to face increasing settlement costs with rising attorney representation rates and higher average settlement rates.

We completed our A&E reserve study in the quarter, resulting in an increase in reserves of $203 million, comprised of $167 million for asbestos and $36 million for environmental. As I mentioned, $141 million impacted core earnings and $62 million was recorded as a deferred gain, exhausting the ADC cover we have for A&E. As a reminder, we have recorded a total of $850 million before tax as a deferred gain within other liabilities for A&E as of December 31.

For our Navigators ADC, in 2024, we have amortized $145 million of the total $209 million deferred gain. Based on our estimate of payment patterns, we expect the remaining balance of $64 million to be amortized in 2025. This will positively impact net income and have no impact to core earnings.

With respect to CATs, P&C current accident year catastrophes in the fourth quarter were $80 million before tax, which was essentially flat to the prior year and included $68 million from Hurricane Milton, as well as net reductions for CATs incurred earlier in the year of $18 million. For the year, CATs totaled $768 million.

We continued to actively manage our CAT exposure through aggregation management, an underwriting discipline, especially in certain higher-risk areas. Additionally, we have a robust and comprehensive reinsurance program on both a per occurrence and aggregate basis. In terms of our catastrophe reinsurance program renewal on January 1, we were very pleased with the placements and terms and conditions for our programs. Our expiring core per occurrence catastrophe protection was renewed at an approximate 10% decrease in cost on a risk-adjusted basis, which based on publicly available information, compares favorably with the overall market and speaks to the quality of our underwriting, strong reinsurer relationships and favorable experience. Additionally, we continued to strategically leverage the combination of traditional reinsurance capacity with the sponsorship of our catastrophe bond, Foundation Re to ensure robust and diversified protection for our portfolio.

As of January 1, after the reset of our catastrophe bonds, our occurrence program provides protection from peak perils up to a gross loss event of $1.5 billion. The majority of that protection is secured on a multiyear basis. We also renewed our aggregate treaty under the same structure and at a favorable decrease in cost on a risk-adjusted basis. The continuing strength and diversification of our property, occurrence and aggregate protection aligns with and supports our strategic growth in property writing.

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Although it is too early to estimate the potential losses from the current California wildfires, we are closely monitoring the situation in areas where we have insured properties and businesses at risk. Our current reinsurance programs includes coverage for wildfires that attaches at $200 million and exhausts at $1.2 billion. Our reinsurance program does include provisions allowing the combination of events subject to hours and radius provisions. We have summarized the catastrophe reinsurance programs within the slide deck.

Moving to Group Benefits. We achieved core earnings of $139 million for the quarter. The core earnings margin of 7.8% for the quarter reflects improved life results and continued strong disability performance. The group disability loss ratio of 66.9 compared to 63.6 in the fourth quarter of 2023 was driven by a higher loss ratio in paid family and medical leave products and slightly higher LTD incidents in 2024 after 2 years of all-time historically low incidents, partially offset by favorable long-term disability claim recoveries.

The group life loss ratio of 79.9 for the quarter improved 3.1 points versus prior year, reflecting an improving mortality trend. The group benefits expense ratio of 26.7 increased 2.5 points for the quarter, reflecting higher staffing costs and increased investments in technology.

Fully insured ongoing sales in the quarter of $68 million combined with increased exposure on existing accounts and excellent persistency above 90%, resulted in a 1% growth in fully insured ongoing premiums.

Turning to investments. Our diversified portfolio continues to produce solid results. The overall credit quality of the portfolio remains high with an average credit rating of A+. For the quarter, net investment income was $714 million. The total annualized portfolio yield, excluding limited partnerships, was 4.6% before tax, 10 basis points above the third quarter. We continue to benefit from higher reinvestment rates and accretive trading activity earning into the portfolio. The fourth quarter reinvestment yields continued to exceed the sales and maturity yield.

Looking forward to 2025, we expect net investment income, excluding LPs, to be higher, driven by an increased level of invested assets resulting from continued growth and anticipate yields to be marginally higher than 2024. As expected, our fourth quarter annualized LP returns of 6.4% before tax were higher than previous quarters. We continue to anticipate LP returns to improve in 2025, exceeding 2024 on a full year basis.

Turning to capital. As of December 31, holding company resources totaled $1.3 billion. For 2025, we expect net dividends from the operating companies of approximately $2.5 billion, a 9% increase over 2024. During the quarter, we repurchased 3.4 million shares under our share repurchase program for $400 million, and we expect to remain at that level of repurchases in the first quarter. As of year-end, we had $3.15 billion remaining on our share repurchase authorization through December 31, 2026.

To wrap up, 2024 business performance was excellent, and we are well positioned to continue to deliver on our targeted returns and enhance value for all of our stakeholders. I will now turn the call back to Susan.

Susan Spivak Bernstein
Senior Vice President of Investor Relations
We have about 30 minutes for questions. Operator, can you please repeat the instructions for asking a question?

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Question and Answer

Operator

[Operator Instructions] Our first question comes from Andrew Kligerman from TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

First question, and I hate to even bring this one up because the quarter was so darn excellent. But the prior year development of general liability, $130 million. Could you break out that mix between the '15 and '18 underwriting year construction defect policies versus the IBNR on the more recent accident years. What was the mix there?

And then with that, really curious about how confident going forward, you won't likely need to take other GL charges? Because I think with construction defect policies, and correct me if I'm wrong, the pricing now is much higher for labor and material loads as that's probably the reason for 2015 to '18 charges. So I'm kind of curious on construction defect in particular, but I think those are much tighter policies today.

Christopher Jerome Swift
Chairman & CEO

Andrew, thank you for joining us and the question. Let me give you some context and then I'll ask Beth to add her commentary on the splits by year. So you're right. We made a move on our reserves and added $130 million in PYD across a number of accident years and product lines. And we also did a little move in commercial auto.

So I think what I really want you to know, and you said it, with this move, and Beth will explain more on some of the approach changes that we made this quarter, I feel highly confident that we put a good -- if not all, a good chunk of this behind us.

And we've been working hard at getting our reserves right every quarter, but more importantly, pricing our products for the new trend to make sure that we're improving our economics to the extent possible. So on the PYD side, I'm highly, highly confident.

I think the implication, though, there is, we also then needed to take a move on our 2024 accident year, where we added about 1 point on a year-to-date basis to our expectations for GL. So we needed to then true-up 2024.

And then as we look to 2025, I could share with you that we have these higher loss cost trends in our assumptions. The team, our underwriters are already reacting with increased pricing, really effective 1/1 and will continue throughout the rest of the year. So comprehensively, I feel like we got our arms around it and are hitting the ground running as hard as we can in 2025.

And if I put that all in context for you, Andrew, of all people against it is, I do believe we can generate margins that are consistent with 2024. And that's ultimately the proof of all our actions, all our strategies, all our ability to execute at a high level. And I think that's an important data point for you and others to hear.

So I'll ask Beth to do the splits and any other commentary she'd like to make.

Beth A. Costello
Chief Financial Officer

Yes. Thank you, Chris. So as it relates to the liability reserve increases, between sort of the older accident years, the '15 to '18 and then more recent years, I'd say the split is roughly half and half.

And Andrew, I would agree with your characterization on the older years that, that really is related to sort of increased costs that have happened, I think of sort of post COVID and the inflation that we've seen that really is related to a legacy book. And as we've talked about in the past, we've made adjustments to those reserves, that's a book that we've done significant reunderwriting on and really feel it's contained in those years. The more recent years, that activity, I would characterize as more related to social inflation.

And as it relates to how we approach the reserve increases this year, this quarter, I would say we did a little different approach. In the previous quarters when we had PYD in the general liability lines, we were reacting to the elevated activity we were seeing and we were adjusting that accordingly. And if we had followed that same approach this quarter, I think our reserve strengthening would have been more consistent with what we saw in previous quarters.

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But given that it was another quarter of this elevated activity, this quarter, not only did we react to the observed activity, we also increased our severity assumptions going forward for unsettled and unreported reserves, resulting in a larger increase to IBNR.

And as Chris said, we also incorporated these estimates into our 2024 accident year. So when we step back, when we look at the actions that we took for prior years, the actions that we've taken in the current year, we think this positions us very well going into 2025, both in terms of the overall adequacy of our GL reserves and equally important, and Chris commented on this, but I want to reemphasize it, these trends are incorporated into our pricing models going forward, and that's what our business leaders are executing on with the goal of getting pricing increases above these loss trends.

Andrew Scott Kligerman
TD Cowen, Research Division

Very helpful. And just quickly on net written premium and commercial. Small Commercial was a really strong 9%, mid-large was 5%. And I think last year, there was kind of a disconnect on -- or there was some underperformance of some of your competitors and you were able to capitalize.

So I want to understand, do you still have that momentum in small commercial in that upper single digits? And then with mid- to large at 5%, I think in the past, Mo has talked about mid being -- the lower end of mid being pretty robust, just like small commercial. So how sustainable is the mid-single digit in mid-large net written premium growth?

Christopher Jerome Swift
Chairman & CEO

Andrew, I'll start and then ask Mo to comment. So I think on an overall basis, if you look at the components of commercial, particularly on a year-to-date basis, we feel really good about the growth, the execution, how we're capturing additional market share.

So nothing philosophically is going to change in our approach other than we just need to continue to be disciplined from an underwriting side. And from quarter-to-quarter, you could have some variations. It's a competitive marketplace. Others might lean in a little bit more to us, but I really would want you to know.

Yes, we want to grow and capture more market share and serve more clients and serve more of our agency needs, but only in other terms and conditions and with the proper underwriting and proper pricing. And I think that's really what's reflected in this quarter. But Mo, what would you add?

Adin Morris Tooker
Head of Commercial Lines

Yes. Maybe I'll take it a little bit deeper, Andrew. I would say that the small commercial just had a terrific year. I think 9% overall, new and renewals strong, the flows continue to be really good. And this is especially in the face of some disruption around us over the past couple of years, and I think the team has really been measured in the way they've grown so that we can be consistently growing going forward.

I think really what you saw in the quarter was our strategic advantages showing through. That's our investments in technology, helping the customer and the agent get things into the system easier, the data advantage.

And then all on top of that for small, I think we just had a really good year on the E&S binding front, and they will continue to push into the E&S space because we think we can bring our same strategic abilities into that space.

Middle and large commercial is a little bit of a different story. We're really happy there, too, with the 9% for the year, but the market is competitive. And the team there has really tried to stay disciplined. And what we saw in the quarter was a little bit more of a competitive market, especially in the workers' comp, the GL and the umbrella space. And we're just going to make choices on that, and that's what the team did. I was really proud of what they did.

But I will kind of echo Chris' comments. I think it's an out-of-pattern quarter. We still see submission flow really good into the middle and large commercial space, especially in the lower end, to your point. The market is broadly supportive from a pricing perspective. And again, the investments that we're making in that space, we're trying to take all of that advantage we have in small into the middle space. And we think that just allows us to gain market share in the middle market space over time. So again, I think 2 different stories, but confident about our ability to grow it and grow market share over time.

Operator

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Our next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

First one, Beth, I was trying to get a baseline on kind of what the underlying loss ratio looks like in commercial lines with some of the ins and outs you were talking about. So what was the kind of favorable non-CAT kind of property loss? And then any current year development when you increase that IBNR, anything from 2024 that may have impacted it?

Christopher Jerome Swift
Chairman & CEO

Brian, if I understand your question, Beth can add her commentary. I think what I said in my commentary was for the GL line, it was a 1 point true-up on a year-to-date basis for the elevated combined ratio given some of the things we just talked about from PYD. It's probably 2.5 points in the quarter on a comparable basis year-over-year. And then you're also asking about property, I think I heard.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. I think you mentioned that non-CAT weather was a little bit favorable this quarter.

Christopher Jerome Swift
Chairman & CEO

Right? So I know you're jumping and trying to get numbers from me. So I would say on a year-to-date basis compared to prior year, our non-CAT property experience is about 0.9 point better than the prior year. And from an expectation side, it's probably 1.5 points, a little better than our expectation. But Beth?

Beth A. Costello
Chief Financial Officer

No, I would agree with that. And as you know, a non-CAT property can obviously bounce around quarter-to-quarter. But looking at the numbers that Chris just quoted relative to the prior year, I'd also say that we did take underwriting actions in '23 on property book. So some of that we would expect would continue to benefit.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. That's helpful. And then I was just wondering, is it possible to give us a little more color on perhaps exposure to the L.A. wildfires here, kind of what your share in the area is? Do you have commercial exposure with your small commercial business? Do you think you're going to hit your CAT reinsurance programs here?

Christopher Jerome Swift
Chairman & CEO

Yes. I'm going to -- Beth and I tag team. And I would say, I think you're very observant that this is, for us, going to be both a commercial lines event and a personal lines event. If I look at our personal lines market share for home and auto because obviously, some cars will also be damaged, we're less than 1%.

We've managed California very tightly, I would say, over the last 7 or 8 years, Beth, with concentrations of risks that we had in certain zones that we needed to remediate. So Personal Lines, obviously, will have some losses. And then our bigger market share is in our middle market book and our BOP product, small commercial.

So we do have a larger market share there. We'll have to see how things develop. And we've just recently been able to get on site and start to do more inspections. We have a reinsurance business that will have a little bit of exposure and then we'll have to see what the FAIR Plan does with any assessment.

So instead of just putting numbers out, we really wanted to just be more deliberate and thoughtful. And when we're ready, Brian, we'll share with you what we believe and see. So Beth, what would you add?

Beth A. Costello
Chief Financial Officer

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Yes. So again, maybe to put it in context, as you asked to our reinsurance program. As we sit here today and we look at our exposures, as I said in my prepared remarks, our first part of our per occurrence coverage starts at losses once they've reached $200 million.

So that first layer, we have $150 million of protection in excess of $200 million. We retained 60% of that, 40% of that is reinsured, and very likely that we will be in that layer.

The next layer then comes in at $350 million. That layer, again, provides $150 million excess of $350 million. We retain 25%. We reinsure 75%. Sitting here today, it's not entirely clear that we'll be at that level. We could very well be below that.

Again, all of that would exclude Global Re. Global Re has its own retrocession program. That program attaches when U.S. property losses hit $60 million, and right now, we'd expect to be below that. So hopefully, that gives you some context of just how we're framing it.

And the last thing I'll just remind you of is that as it relates to wildfire losses, up to losses of $350 million, excluding Global Re, those losses would count towards our aggregate treaty, which again, attaches similar to last year at $750 million.

Operator

Our next question comes from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is on group disability. The loss ratio ticked up by 3.3 points from last year. I was hoping to get a sense how much of that was driven by paid family and medical leave versus higher LTD incidents?

Christopher Jerome Swift
Chairman & CEO

Elyse, thanks for joining us. I would say when we characterize our LTD -- excuse me, our disability book, it includes both the LTD portion, the STD portion and then obviously, some of our new paid medical and family leave products. So on a, call it, year-over-year basis, I would say that the PFML incident trends that are elevated is creating 3 points of that difference. Our long-term disability incidences, 1 point. And then the offset to that is our recoveries, or terminations are probably 1 point better. So that's the step between years I would have easier to think about.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question is on the kind of the high-level view you provided on commercial lines for 2025. Chris, I think in response to an earlier question, you said kind of like flat underlying combined ratio.

And you pointed to that contemplating continued higher GL picks. But then you guys did say that there was 1.5 points of favorable non-CAT in '24. So are you assuming that, that normalizes like and reverses in your outlook for flat margins in '25? And is there anything else we need to think about kind of when thinking about commercial margins in '25?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say, again, you heard it right, right? I think we're ending the year at 87.9 on an underlying combined ratio in Commercial Lines and I think we can produce a consistent result in 2025. That's what I want you to hear.

And if you want to do all the pluses and minuses by product line and things like that, I'm not going to do that. I'm going to tell you that, that's what we're going to deliver in totality with a diversified product line point of view, executing strongly, particularly in the general liability lines. And if there's returns to normal or if there's additional benefits that we're able to get. That will all be part of the results that we'll communicate quarterly to you on it. But I'm not going to get into a reconciliation by product line.

Operator

Our next question comes from Bob Huang from Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

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You might have addressed this, so apologies if this is a little redundant. So if we think about the GL reserve charge this quarter and the 2 smaller ones in prior quarters, can you maybe help us get a sense of how much of loss picks would have gone up from the initial loss pick assumptions for the year, like just for the entire book? Yes, that would be the first question.

Christopher Jerome Swift
Chairman & CEO

Yes. I think -- Bob, thanks for the question. It's actually a good one. All I'm going to ask you to do is wait until we file the 10-Ks and Schedule Ps, and you'll see it there. And unless Beth, you want to add any color right now.

But I would say that the overall trends, Bob, that we've talked about as far as attorney rep rate, slip and falls in certain areas, just the dollar levels of -- to settle some of these cases, the time limit demands that the plaintiff bar uses the sort of jam us. I mean, that is generally consistent, and nothing is changing.

And as Beth said, what we did take is just a holistic approach to estimating that these trends most likely will continue, and that's what's reflected in the charge. But I'd ask you just to wait for the K and the Schedule Ps to be filed, and you could see those trends.

Jian Huang
Morgan Stanley, Research Division

Okay. Got it. My follow-up is group benefits. One thing you previously said was moderating incidents and fast claims recovery really drove a lot of the outperformance in the prior quarters, especially in long-term disability.

Now it does look like it's changing this quarter to be a more normalized trend. Is there like -- how should we think about what is a normal run rate for that long-term disability business in terms of incidents and claims recovery, knowing that the last 2 years was abnormally low?

Christopher Jerome Swift
Chairman & CEO

Yes. I'll do my best to try to explain that to you. And then I'm going to ask Mike Fish to add his commentary. I would first start with saying that, remember, a lot of our LTD clients and policies have 90 or even 180-day elimination periods. So really, the last 2 quarters of the year, we're not out of elimination period. And we're still sort of in PIC. And when we look at sort of trends in totality, those are some of the judgments we always make and from quarter-to-quarter, we might make judgments that are different on what's emerging versus what's still in PIC.

So I would say, though, that overall -- over the last 2 years, our disability incidence trends have been like at all-time lows and rock bottoms. And what we're beginning to reflect now is just, I'll call it, a more normalized return to mean assumptions so that we don't get caught short in any of our reserving positions here. So those are the 2 components I would share with you, and I'll ask Mike to add any of his color.

Michael Jeffrey Fish
Head of Group Benefits

Chris, I think you captured that well. The only couple of items that I would add to your point on what we saw with historically low incidence levels, and that was really back in 2022 and 2023 accident years. And when we look at that and we look at where we're running more recently, I would say, our recent experience that you're seeing here in the quarter would correlate back to about a 5-year average of incidents, historical sort of average.

And that's about where we set our pricing. So as you know, we've got rate guarantees generally 2, 3 or maybe beyond 3 years. So we're looking at a longer-term average around both incidence and recovery. So again, I'll just leave you with incidence rates more recently trending back to a historical 5-year average.

And then our recovery experience has been very favorable. Our team does an outstanding job on the claims side, and we expect to see strong performance moving forward.

Operator

Our next question comes from Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

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Thank you Chris, Beth, for all the detail on the cash flow stuff. One more question, it's more philosophical. I think that you've gotten yourself comfortable that you've put this issue to bed. Generally, putting something to bed means that you've put a layer of caution on top of something beyond your best actuarial estimate of where it is, so you don't have to revisit that again. But I know that you're always trying to get to the best number.

In the grand scheme of things, $130 million is not a lot of reserves given the size of your general liability book. Have you done something differently other than given the data you have, going to the most precise number you can? Or you put a layer of caution on top of the number?

Beth A. Costello
Chief Financial Officer

Well, Josh, I don't know that I'd call it caution. But as I said in my response to the first question, we did evaluate the reserves a little differently this quarter. And that's why the reserve charge was higher than what you've seen in previous quarters. So I'll leave you with that.

That was how we have evaluated sort of the current trend and an expectation that, that trend will continue. We have included that in our estimate for prior accident years. We've built that into our call for the '24 accident year. And as I said, it's built into our pricing models going forward.

Joshua David Shanker
BofA Securities, Research Division

Okay. And then on the personal lines business, I see you're growing in homeowners still bleeding from auto. To the extent that the product design, is it generally designed to be sold as a home auto bundle? And is there any risk of adverse selection selling monoline homeowners?

Christopher Jerome Swift
Chairman & CEO

Thank you, Josh, for seeing the improvement that Melinda and the team have there. So I think we're in a good position. I'm going to look to Melinda to add her color. But I think right now, we probably bundle 75% of our homeowners business with auto. We're not a big monoline homeowners player.

We do, do it on occasion, particularly as our agency channel is being revived a little bit with an older product. So that's what I would say. But Melinda, what would you add?

Melinda Thompson
Head of Personal Lines

Yes. I think we're really proud of the performance of our home business as evidenced by the results this quarter and on a full year basis. And if you look at our home business over a long period of time, we've generated combined ratios in the low 90s, which really compares favorably to the industry.

So as we think about the performance, the investments we've made in the products and capabilities, we believe we can grow the business with our auto and where we write at monoline, do so in a way that is judicious and thoughtful.

Christopher Jerome Swift
Chairman & CEO

And Josh, I would just add one last point. I think the team, led by our risk management team, our underwriters have really taken to heart modeling sort of on a by-peril basis, all the things that could go wrong from a weather, from an earthquake, from the wildfires as we're seeing. So I really have the utmost confidence in the improvements we've made, one in our modeling, our risk selection, matching price and risk. And I like the opportunity to continue to grow thoughtfully in the homeowners market because, again, it's a needed product.

There's a lot of disruption in those marketplaces. We're going to be -- continue to be cautious and thoughtful, but I think we've got a pretty good track record.

Operator

Our next question comes from David Motemaden from Evercore ISI.

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David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I had a follow-up question on the general liability reserves. And I appreciate it sounds like you guys took a more proactive approach on the reserves this quarter. I guess, I'm wondering now after the changes you've made, what sort of severity assumption you guys are embedding in the reserves on the more recent years, and what you guys are thinking going forward in 2025?

Christopher Jerome Swift
Chairman & CEO

Yes, David, it's Chris. I would say, in aggregate, when you think about sort of liability lines, I would say we're in low double-digit range currently. Some of the primary lines of business might be a little lower in our general industries, and then the umbrella and the excess might be a little higher, sort of even in the 15%, 16% range.

But I would say for the recent year, we're probably exiting low double digits in aggregate, and that's what we need to react to from a pricing side. That's already baked into all our pricing models that our underwriters are executing to beginning here in January. And that's the mission for next year, particularly in any liability line, including in commercial auto.

We've got to stay up with these elevated loss cost trends. And I know the team knows how to do that very, very well in an empathetic way while still taking care of customers and agents, but we got to protect our margins.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Understood. And then just another question, and I guess this one is a bigger picture question just in terms of the reserving process. Could you guys remind me when you first started recognizing this impact of higher attorney rep? And I guess, have you guys changed your approach to just detecting these trends over the last year or so? I'm just wondering if there's been anything that you guys have done that might be picking up on it a little bit more than in the past.

Christopher Jerome Swift
Chairman & CEO

Yes, I wouldn't say there's anything dramatic. I really thought the question was just meant to torture us, David. But I think our listening post, what we're doing with our claim lawyers, our claim teams in totality, there's nothing -- I don't think we missed per se. I just think it's a magnitude of sort of some of the strategies that the plaintiff bars uses, particularly with time bar demands.

And again, that's -- you get into -- if you get that wrong, I mean the potential magnitude is really greater on the claims side. We saw much more, I'll call it, just basic slip and fall activity as we talked about in the past. So I don't think there's anything we're missing. If anything, maybe we were just a little too optimistic on how severe these trends were going to be and how long they were going to continue, but that's what I would say, Beth.

Beth A. Costello
Chief Financial Officer

Yes. The only thing I would add to that, David, is that last quarter, we talked about the fact that we saw activity that was above our expectations. So the notion around increased attorney reps to increased severity, I mean some of that was built into our assumptions.

It's just last quarter when we -- as Chris pointed out, when we saw actual activity coming in, time limit demands and attorney rep rates changing from what our expectation was. That's why we made some of those adjustments. And I think we commented on this last quarter that when we look overall at our general liability business, we've definitely seen a decrease in frequency over the last several years. So that points to a lot of the very favorable underwriting actions that we've taken.

What we were seeing, though, is that when we broke out the categories of claims into no attorney rep, attorney rep and litigated, all 3 of those buckets from a frequency perspective were coming down. It's just that the frequency decrease was higher in nonattorney, nonlitigated bucket than some of the other buckets. And that, again, these claims have seasoned, became more evident in the last quarter or so.

Operator

Our last question today will come from Gregory Peters from Raymond James.

Charles Gregory Peters

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Raymond James & Associates, Inc., Research Division

Congratulations on your promotion, Mo. In your comments, you spoke about the increase in the expense ratio in personal lines. I was wondering if you could unpack what's going on there a little bit in more detail. Just it's kind of counterintuitive given the amount of premium and rate increases are flowing through and some of the new business restrictions that have been put in place prior to see your expense ratio going up, if that makes sense.

Christopher Jerome Swift
Chairman & CEO

I think, Greg, I'll ask Melinda to add her color. It could be a little bit of mix, right, as we mix in a little bit more agency. We're still investing in the platform somewhat, we're at the tail end of the direct response rollout of Prevail. So that's in 45, 50 states. We are contemplating a broader agency strategy that we're spending some money on. But Melinda, would you add anything else?

Melinda Thompson
Head of Personal Lines

Yes, I would just maybe -- sorry. I just want to revisit some of the Beth's comments because she alluded to the themes earlier. In the quarter, we were up about 2 points. That was largely driven by marketing and by higher commissions.

And the premium growth that we are driving, certainly, over time and the PIF growth that we are seeing in home that's all come with investment in new business growth. And so marketing spend and commissions are the primary driver in the quarter.

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

Got it. And I guess a reserve question, but an entirely different subject area. Everyone seems to be still taking A&E reserves. And this is like this never goes away. Do you have some perspective like on outstanding claim counts? You would think that this would start to subside. It just doesn't for the industry and for you guys? .

Christopher Jerome Swift
Chairman & CEO

Well, that's a hell of the last question, Greg, of the day. So I would share with you just a high-level observation and Beth can add hers. I think frequency of claims is coming down, particularly in the meso area.

But severity is going up as, again, the plaintiff is trying to extract the same amount of economics or greater economics per claim than in sort of the older days. So yes, I'm hopeful that at least the frequency trends can continue, and we'll try to manage the severity trends as best way we can.

And yes, that's why we did the A&E cover years ago when we did. Obviously, we fully utilized it, which turned out to be a good trade for our shareholders, and we'll just manage it the best we can going forward, but it's a continuing issue for sure.

Beth A. Costello
Chief Financial Officer

Yes, I don't think I'd add too much to that. I mean, obviously, on the frequency piece, some of it is a little bit of just what our expectations were. So you might see a little bit of a decrease, we would have expected maybe more.

And so some of that impacts our study each year, kind of where our particular insureds and the insurance that we provide for particular insureds, where that shows up sort of as we do the ground-up study by insured and that can change year-to-year. We had a little bit more activity that we saw on accounts where we just had a little bit more exposure than some of the others.

And then on environmental, there, we had a little bit of, just increase in remediation costs, one coming from a coal ash claim and things like that. So similar themes, I would say, to what we've seen in the past.

Operator

We are out of time for questions. I would like to turn the call back over to Susan Spivak for closing remarks.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

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Thank you for all joining us today. And as always, please reach out with any additional questions. We look forward to seeing many of you over the next coming weeks, and have a great day.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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