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Everest Group Ltd. (EG)

Q1 2026 Earnings Call

MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone, and welcome to the Everest Group Limited First Quarter 2026 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please also note, today's event is being recorded.

At this time, I like to turn the floor over to Mr. Matt Rohrmann, Senior Vice President, Head of Investor Relations. Please go ahead.

Unverified Participant

Thank you, Jamie. Good morning, everyone, and welcome to the Everest Group Limited first quarter of 2026 earnings conference call. The Everest executives leading today's call are Jim Williamson, President and CEO; and Mark Kociancic, Executive Vice President and CFO. We are also joined by other members of the Everest management team.

Before we begin, I will preface the comments by noting that on today's call we'll include forward-looking statements. Actual results may differ materially, and we undertake no obligation to publicly update forward-looking statements. Management comments regarding estimates, projections and future results are subject to the risks, uncertainties and assumptions as noted in Everest's SEC filings. Management may also be referring to certain non-GAAP financial measures. Available explanations and reconciliations to GAAP can be found in the earnings release, investor presentation and financial supplement on our Investor Relations website.

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

Unverified Participant

Thanks, Matt, and good morning, everyone. This is the first quarter reporting under the new segment structure we previously announced. And the early read is consistent with what we committed to a more focused, more profitable, more capital efficient Everest. Both core businesses contributed meaningful underwriting income. Investment income remained a durable earnings engine, and we accelerated capital return to shareholders. There is more work to do, but the quarter offers clear evidence of the strength in our lead market Reinsurance Treaty franchise and that the strategic reset within our new Global Wholesale & Specialty segment is beginning to take hold in the numbers.

Group operating income for the quarter was \$648 million, producing a net operating return on equity of 16.7% and an annualized total shareholder return of 16.1%. This performance was delivered despite a more challenging market environment. The combined ratio was 91.2%, with \$130 million of pre-tax catastrophe losses, net of recoveries and reinstatement premium, including a \$58 million provision for the conflict in Iran. Excluding the Legacy segment, the combined ratio for the quarter was 89.3%. Net investment income was \$567 million, supported by fixed income portfolio growth and strong limited partnership returns. Gross written premium was \$3.6 billion year – down year-over-year 18%, largely due to the completed exit of our Commercial Retail Insurance business and continued run-off of Legacy US casualty exposures.

Excluding the impact of divestitures and deliberate run-off, underlying premium declined 6.4%. Consistent with the strategy we laid out in October, we will continue to prioritize profitability and shareholder return over top line volume, and Q1 is a clear example of that philosophy at work. Treaty Reinsurance delivered an excellent quarter, generating \$315 million of underwriting income on an 87.2% combined ratio. Gross written premium was \$2.7 billion, down 8.9% year-over-year, driven primarily by continued casualty discipline and selective reductions, where pricing or structure did not meet our return thresholds. Since January 2024, we have reduced casualty premium by more than \$1.2 billion. Over that same window, the portfolio has rotated meaningfully toward Short Tail and Specialty Lines, where we continue to see opportunities for attractive risk-adjusted returns.

The April 1 renewal reflected the market conditions we anticipated on the last call. Property catastrophe pricing continued to soften, with rate down 13% on our book globally, however terms and conditions held, attachment points held, and structural discipline remained intact. Our lead market position and preferred counterparty status allowed us to shape signings towards the most attractive deals. Bond premium at \$401 million, decreased 14.6% versus expiring, but expected returns on the written portfolio remain above our thresholds.

Looking to the mid-year renewals, we see continued competitive conditions. Florida will be an interesting dynamic with strong demand by [indiscernible] (00:15:21) and meaningful tort reform benefits that we are clearly seeing in our data. We will continue to deploy capacity where the math works and pull back where it does not. Mt. Logan continues to build momentum, with assets under management now exceeding \$2.6 billion. Our pipeline of investor interest is strong across multiple strategies. And Logan is playing an increasingly important role in our overall capital model, supporting underwriting capacity and enhancing our return on capital.

Turning to the Global Wholesale and Specialty segment. As a reminder, this business includes our London market operation, US wholesale, Global Fac, and a number of specialty groups with deep expertise in their respective markets. This is the first quarter printed results for the go-forward platform, a 96.8% combined ratio on \$793 million of gross written premium, producing \$23 million of underwriting income. Premium was up modestly year-over-year, driven by growth in Specialty Lines and Accident & Health, partially offset by continued reductions in US casualty, especially in our facultative business.

A word on how to read the results. Underlying attritional loss performance in the quarter was strong, improving 3.8 points to 58.9%. This was achieved by repositioning the portfolio into higher margin lines and by underwriting improvements in each of our portfolios. Rate achievement in key US lines, including GL, umbrella, excess and auto liability, remained strong. The operating expense ratio at 12.6%, continues to reflect drag tied to mix and modestly lower underwriting leverage, which we expect to improve as we scale the business over time. The team is executing a clear plan, sharpening underwriting, driving operating leverage, and concentrating on the specialty and wholesale segments, where Everest has genuine competitive advantage. Meanwhile, the transition of our retail business to AIG is progressing as planned, and we continue to expect meaningful capital release from this transaction to become visible in the back half of 2026.

Moving to reserves. We completed our customary Q1 reserve assessments across the group. The overall reserve position remains robust, especially in reinsurance, with favorable development in the quarter of \$33 million, driven primarily by short tail lines. Consistent with our expectations following the comprehensive actions we took in 2025, there were no material movements in US casualty. Our approach to current year loss picks remains prudent across both businesses and in every line, particularly in US casualty, where we continue to build risk margin.

Now, a word on capital. In the quarter, we repurchased \$331 million of shares at an average price of \$330. We also repurchased an additional \$100 million in April. Effective this quarter, we are raising the quarterly floor on

share repurchases from \$200 million to \$300 million, absent major external dislocation. This reflects our continued conviction that Everest share price today does not accurately reflect either the current value or the true earnings power of the company. And as we have demonstrated in the past two quarters, we have a willingness and ability to exceed the floor repurchase amount.

Stepping back, this quarter shows what the new Everest can produce, focused businesses centered on markets where we have a right to win, disciplined underwriting, deploying capital only where return expectations are clearly above our threshold, a strong balance sheet underpinned by prudent loss picks and reserve practices, and a growing third-party capital base and a clear capital return trajectory. While this quarter is a meaningful step in our journey, we are not declaring victory. Market conditions are more competitive than a year ago. The legal environment in the US remains hostile and we will have to continue earning our results, deal by deal, renewal by renewal, quarter by quarter. But Everest is better positioned today than it has been in years, and the team has confidence in where we are taking this company.

Before I turn it over to Mark, let me take a moment to thank him for his service as our CFO over the last five years. He has been an important partner to me as we've moved Everest to a stronger position. On behalf of the entire Everest board and management team, I want to wish him the best of luck in his retirement.

Over to you, Mark.

Unverified Participant

Thank you, Jim, and good morning, everyone. Everest delivered a strong first quarter building upon the momentum of – from the strategic actions taken in the prior year as both underwriting income of \$316 million and net investment income of \$567 million, drove operating earnings per share of \$16.08. This resulted in net income of \$653 million, and an annualized total shareholder return of 16.1%.

Now turning to our group results. Everest reported first quarter gross written premiums of \$3.6 billion, representing an 18.5% decrease in constant dollars, while excluding reinstatement premiums from the prior year quarter. When excluding our Legacy segment, which now includes our Commercial Retail Insurance business, gross written premiums decreased 6.4%. Combined ratio improved to 91.2% for the quarter. Net favorable prior year development of \$33 million from well-seasoned property reserves in our Reinsurance Treaty segment contributed a 90 basis point benefit to the combined ratio. Catastrophe losses contributed 3.6 points to the group combined ratio, largely driven by a \$58 million provision for the Iran war and several other weather-related events globally. The group attritional loss ratio improved 2.8 points to 59.4% in the quarter. Aviation losses contributed approximately 2 points to the prior year first quarter attritional loss ratio. When excluding this, the improvement was driven by improved expected loss experience and a lower proportion of retail casualty premium.

The commission ratio increased to 23.1% in the quarter. With the increase driven by mix, the underwriting-related expense ratio improved 10 basis points to 6%. In the other income and expense line, we recognized the net expense of \$81 million associated with the sale of the Commercial Retail Insurance renewal rights to AIG in the quarter, as well as expenses associated with the sale of other primary operations, principally Canada. As I previously noted, we expect there will be approximately \$150 million of restructuring charges throughout 2026 associated with our exit from the Commercial Retail Insurance business, and we still expect some elevated real estate related costs in the fourth quarter, which we expect to mitigate through subleasing opportunities. And these costs will be reflected in our other income and expense line within operating income and will not impact the combined ratio.

Moving to Reinsurance Treaty. Gross written premiums decreased 8.5% in constant dollars versus the prior year quarter when adjusting for reinstatement premiums during the quarter. Property growth of 1% in the quarter, when excluding reinstatement premiums, was largely driven by a 9.4% increase in property tax as well, and this was more than by targeted decreases of 23.9% in casualty pro-rata and 13.3% in casualty XOL. The combined ratio improved to 87.2% in the first quarter 2026. The quarter benefited from a relatively lighter amount of catastrophe losses, which contributed 3.7 points to the combined ratio versus 19.7 points in the prior year first quarter. Favorable prior year reserve development contributed 1.4 points to the improvement. The attritional loss ratio decreased 270 basis points to 56.7%, largely due to aviation losses in the prior year first quarter. And consistent with prior quarters, mixed benefits were balanced by our proactive approach to embedding prudence into our US casualty loss picks.

And moving to Global Wholesale and Specialty, gross premiums written increased 1.6% in constant dollars to \$793 million. Growth in Accident & Health, Professional Liability and Other Specialty was more than offset by decreases in property lines and reduced ratings and casualty lines. Combined ratio was 96.8% in the quarter, and included 4.2 points of catastrophe losses, versus 3.1 points in the prior year first quarter. Cat losses in the quarter were largely driven by losses associated with the Iran War, as well as US winter storm activity. And while it's early, we believe mixed benefits from our actions to shift the portfolio towards short tail lines and to strengthen the quality of the portfolio are driving improved loss experience. These actions contributed a 3.8 improvement in our attritional loss ratio to 58.9%, while we continue to set prudent loss picks. The underwriting related expense ratio was 12.6%, with the increase driven by reduced casualty earned premium and the commission ratio increased 1.6 points to 21.2%, with the increase largely driven by mix.

Now moving to our Legacy segment. The segment generated a modest drag to group results, largely due to higher seeded premiums, as well as a modest increase in property loss activity. We continue to expect the segment to run at a combined ratio above a 110% combined ratio for fiscal year 2026, driven primarily by higher expenses as we transition the Commercial Retail Insurance book to AIG.

Now moving to reserves. While we are seeing early evidence that a remediation actions are leading to improved underwriting results, in our US liability insurance portfolio, we will continue to maintain elevated loss picks as we did in 2025. While rates and US casualty lines continue to increase, there remains uncertainty in loss cost trends, and we expect these lines to continue to represent a smaller percentage of our overall mix.

Moving on to investments. Net investment income increased to \$567 million for the quarter, largely driven by strong alternative asset returns, which generated \$156 million of net income in the quarter versus \$55 million in the prior year quarter. Overall, our book yield remained stable at 4.5%, which is consistent with our current new money yield, and we continue to have a short asset duration of approximately 3.5 years. And the fixed income portfolio benefits from an average credit rating of AA-. Our operating income tax rate was 11.7% in the first quarter 2026, which was below our working assumption of 17%, 18% for the full year and this was driven by a one-time benefit from the takedown of an accrual of UK Pillar II tax due to the UK updating its tax laws in the first quarter to conform with the most recent OECD guidance on global minimum tax.

Operating cash flow for the quarter of \$649 million decreased from \$928 million in the prior year first quarter. And shareholders equity ended the quarter at \$15.3 billion to \$15.7 billion when excluding \$369 million of net unrealized depreciation on available for sale fixed income securities. Book value per share, excluding unrealized depreciation on available for sale fixed income securities end of the quarter, a \$393.02, an improvement of 4% from year end 2025 when adjusted for dividends of \$2 per share. In the first quarter, we repurchased approximately 1 million shares, amounting to approximately \$331 million at an average share price of \$330.01 per

share. When factoring in the lower growth environment for the industry, in combination with the strategic actions announced last year and the sale of our Canadian retail insurance operations, we would expect an elevated payout ratio for 2026, assuming a relatively normal level of catastrophe activity and other risk factors. As Jim mentioned, we now expect \$300 million to be a quarterly floor for common share repurchases in 2026.

Lastly, I wanted to take a moment to acknowledge that this will be my last earnings call for Everest. And the company has gone through a period of meaningful transformation over the years, and I'm particularly proud of being able to be a part of the accomplishments to set Everest on its trajectory. I'm confident that Everest is in a strong position to deliver attractive results. And on a personal note, it has been a privilege to work with my Everest colleagues and the many fine people within the P&C industry over the years.

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

Unverified Participant

Thank you, Mark. Jamie, we are now ready to open the line for questions. We do ask you to limit your questions to one question plus one follow-up, and rejoin the queue if you have additional questions.

Jamie, over to you.

QUESTION AND ANSWER SECTION

Operator: And we will begin the question-and-answer session. [Operator Instructions] Our first question today comes from Andrew Anderson from Jefferies. Please go ahead with your question.

Q

Hey. Good question. Into Florida renewals, how much incremental demand are you seeing at an industry level, and how are you considering adverse deployment there just given some tort reform benefits, but also considering the current pricing market?

A

Sure, Andrew. Thanks for the question. I mean, look, I'm not going to quantify the demand forecast, but I do think there's some pretty strong tailwinds in terms of clients looking to procure more limit. We have, as you probably know, a preferred position in the Florida market. I think we are a lead reinsurer for all of the best local underwriters. Obviously, the renewal is very much still in flight. It's early days, but so far, we're actually reasonably optimistic about where things will land. And I think you should expect us to be pretty consistent in terms of capacity deployment, assuming that rates move in a reasonable direction. I do think we are seeing, as I indicated in my prepared remarks, very strong statistical evidence that the tort reforms have worked, which obviously, obviously, is a great positive given where our book is.

Q

Thanks. And on casualty reinsurance still seeing some premium declines there, but are you seeing any improvement in terms that could warrant re-engagement down the line or is that line still not at the return hurdle as you would like to see?

A

Well, to step back, I think the way I would frame this is, our view of casualty pro-rata, particularly given what's happening in the US tort environment is that, we want to continue to partner with our best teams who have a firm bead on how to underwrite in a fairly adverse environment, who's claims expertise, data analytics are world class, and we're going to continue to do that. Now, what that is meant for us is that, we had to reduce total premium levels over \$1.2 billion in the last two years. And I think that, that's just an indication of the level of discipline we're bringing to the equation.

I think what we would need to see for that trend line to significantly reverse would be, first of all, ceding commissions on property [indiscernible] (00:32:29). Casualty pro-rata remained quite elevated, I think that needs to change. And I also think you need to see some sort of normalization in US legal environment. So, obviously, we're prepared to pivot when conditions warrant. But right now, I feel really good about how we're positioned.

Q

Thank you.

Operator: Our next question comes from Elyse Greenspan from Wells Fargo. Please go ahead with your question.

Q

Hi. Thanks. Good morning. My question – my first question is on the Global Wholesale and Specialty segment. The attritional was a 92.6% in the quarter. I know you guys highlighted right, just an elevated expense level to start in the segment. But I'm just thinking away from just the expense comment. Would you highlight anything one-off in the quarter just when we think about the margin profile of that segment from here?

A

Sure. Thanks for the question. A couple of things. First, while I do think there's drag in the expense ratio, we're starting from a pretty decent spot. And I think we have some clear strategies in place that will help us to manage that, but that's going to happen over time. So that'll be something that we're working on for a while. And there were really no one-offs in the quarter. What I would tell you is, what's critical to lettering up this attritional loss ratio that drives that combined is the things that I talked about in my prepared remarks.

The team has done an excellent job positioning the portfolio in terms of its mix, and that's something that we're going to continue to focus on. And then, the quality of the underwriting really across lines of business has been

very strong. And so, again, over time, I think those things get more to our benefit. At the same time, it's a very complex primary insurance market. As you know, we have a lot of rate movements in multiple directions across lines of business. And so, we'll just navigate it very carefully and make sure that we're printing very prudent loss picks in each of the quarters that we bring going forward.

Q

Thanks. And then, my second question, we've seen industry losses come up for the Baltimore Bridge event. I just wanted to get a sense of your thoughts there and just how you're thinking about Everest exposure?

A

Sure. Yeah. So, when the loss first occurred, I think a lot of people were sort of settling into about \$1 billion industry loss range, if memory serves. We had, as you may recall, put up a pretty prudent initial reserve of \$70 million. Like you, we're gathering information regarding the settlements that are occurring around that loss. Those seem to indicate that we'll be looking at a larger overall industry loss level, but we're still very much assessing that. And what I would suggest based on just sort of early indications, if they prove to be correct, we could be looking at a few tens of millions of dollars of incremental loss reserve needed, which would flow through in a future quarter, whether that's Q2, Q3, we'll see through our prior year development line.

Q

Thank you.

A

Thanks, Elyse.

Operator: Our next question comes from Meyer Shields from Keefe, Brunette & Woods. Please go ahead with your question.

Q

Great. Thanks. Ask that question on Global Wholesale and Specialty. Something to update us on the amount of casualty talents that you have relative to what you would want. I understand that the market is challenging for all the reasons that you laid out. But I just want to get a sense as to your assessment of whether the current underwriting team is all intact or whether we should anticipate incremental hires?

A

Yeah. Thanks for the question, Meyer. I feel – one of the things I feel just exceptionally good about across really all of Global Wholesale and Specialty and certainly, Reinsurance and the rest of the company, is the quality of the talent that we have. If you sort of rewind the clock, remember, we started the remediation process in North America casualty a couple of years ago. We made significant changes and I would say, upgrades to that team.

We've had a chance to continue [audio gap] (00:36:50) that in the meantime. And so, when I look at the team on the field today, whether it's in our evolution business, our US programs business or other parts of the group where we're writing US casualty, I think we have best-in-class talent.

Now, we are investing in wholesale and specialty across a number of dimensions. Technology would be an area where, particularly with the retail divestiture, we now have more resources to devote to the Global Wholesale and Specialty business, so we're investing in tech. And we are also selectively hiring. But I really view that as an augmentation as opposed to needing to rebuild teams. We're in a really good spot talent-wise.

Q

Okay. Great. That's very helpful. And then second question, obviously, for some specialty lines exposed to the Iraq conflict, there have been meaningful rate increases. I was hoping you could talk to how Everest is responding to that?

A

Yeah. Absolutely. I mean, we're in active – we're an active underwriter in the region. We have a very robust reinsurance operation centered on the Middle East. And we also obviously, underwrite a number of specialty coverages out of our London market operation in both businesses. And so, as these events occur, there will be rate movements. And our teams are very nimble and they will be leaning in where they see appropriate risk adjusted returns to both securing those rate increases and potentially, deploying more capacity. Now, as you can imagine, at this moment, given the level of uncertainty around where the conflict is going to go, we're being very judicious on what we're writing. But I would expect it to in order to the benefit of the portfolios in terms of rate movement.

Q

Fantastic. Thanks so much.

A

Thanks, Meyer.

Operator: Our next question comes from Josh Shanker from Bank of America. Please go ahead with your question.

Q

Yeah. Thank you for taking my question. First of all, congratulations to Mark on his retirement. Wishing the best in all your endeavors. Quickly, you have a new floor setting of a minimum \$300 million repurchase per quarter. Historically, we've seen reinsurance companies slow the roll a little bit around the early summer period in anticipation of the outcome of the hurricane season. Do you expect programmatic purchase or will you just be continuing to buy at the same pace regardless of where we are in the calendar?

A

Josh, it's Mark. Yeah. Thanks for the kind remarks. Regarding the share buyback, I expect a more of a programmatic approach throughout the year and with possible augmentation later in the year, just depending on how cat season plays out and as well as the development of the release of capital stemming from Legacy operation reserve run-off. So I think you'll see potentially more buybacks later in the year as well.

Q

Thank you. And notably, there was \$33 million of favorable development in the quarter on the going forward businesses. If I go back and look at Everest's results for most of the past, the – there's always been almost no volatility in the reserves. Zero is the most common result in any quarter. This is always a little confusing. There's always new information, obviously that you get about your reserves. But the truth is I understand it, we just don't know what the future claims are going to be. With the portfolio throwing up [indiscernible] (00:40:23) in this quarter, does it signal a change in how you're thinking about conveying your – what new information comes into the actuaries? And also give your retirement and [indiscernible] (00:40:33) not having joined yet, why is this happening now?

A

Well, it started last year. I think in the second quarter, we had some favorable PYD also offset a bit through Russia-Ukraine adjustments. But in general, we made a point a year ago that, the reserves in property, which is where this is coming from, are really well-seasoned and significant enough where we felt comfortable to start releasing it. So we feel very good about the level of embedded margin in the reinsurance property reserves, especially given the seasoning. We're going to play it, I think, close to the vest in terms of casualty, given the loss trend uncertainty, be prudent there. But there's a really nice embedded margin, I would say, on the property side that I think is available going forwards.

Q

And if you'll indulge one quick – other one, the Legacy segment will be small enough in 2027 that it won't need to be disclosed anymore or is that getting ahead of myself?

A

Probably, getting ahead of yourself. Look, the reserves will still be meaningful. The P&L, I would expect to be smaller simply because the net earned premium will have essentially become de minimis. But we set up this segment a couple of years ago under the nomenclature of calling it the other segment, because we did have a few pieces in there, asbestos, environmental, plus a specialty program through Ryan Specialty. So I expect some level of much smaller levels of premium as this year progresses and still something in 2027. I doubt it'll go away, but it will definitely be much smaller.

Q

Thank you for all the answers, and best of luck to you.

A

Thanks, Josh.

Operator: Our next question comes from Michael Zaremski from BMO Capital Markets. Please go ahead with your question.

Q

Hey. Thanks. Good morning. Good to see a cleaner print. Just curious on the move kind of increased P&Ls and kind of move into short tail lines. Is it fair for us to kind of bump up our cat loads a bit as we think about 2026?

A

Yeah. Hey, Mike. It's Mark. I think the cat load percentage, back when we did the Investor Day in 2023, we were saying, approximately 7%-ish. We're in that same zip code. Today, you obviously got a higher load for the reinsurance segment and a lower one for the global wholesale and specialty. It's a lot more diversified the portfolio in terms of the zonal P&Ls and the risk that we're taking. And I think that it's something that will mechanically potentially increase a bit as the legacy premium diminishes. And really depending on the growth environment for the company going forward, so as you've seen premium reductions year-over-year in some of the lines. So mechanically, it could have a slight increase given the fact that we still find property, property cat very attractive, and we are diminishing some of our casualty exposure.

A

Yeah, Mike. This is Jim. The only thing I would add, I think Mark's explanation is spot on. There is that mechanical reality just driven frankly, more by what we're doing with casualty than anything happening in property. When I look at the actual net P&Ls, though, and I know, you don't have the [indiscernible] (00:44:28), but what I'm seeing is our net P&Ls across, I think just about every peak zone, maybe with one or two exceptions are coming down now, just given the portfolio management we're doing in the market. So and that, I think all of the things being equal, that would continue to occur certainly during the course of 2026.

Q

Got it. That's helpful. Just switching gears to capital management. Mark, you mentioned that expecting the higher capital match from the back of the year. But I think you just mentioned the AIG transaction. But I believe, you also sold the Canadian property for a very nice multiple. So I think, is it fair for us to kind of put us a small placeholder for some capital return from that transaction as well on the back half of the year if that closes this year?

A

Yeah. I think it'll be a component. Clearly, the transaction still has to settle. That's probably six months away and we'll see how that gets handled at the end of the year, but it'll be accretive to that discussion for sure.

Q

Thank you.

Operator: Our next question comes from David Motemaden from Evercore ISI. Please go ahead with your question.

Q

Hey. Thanks. Good morning. And, Mark, also, I want to extend my congratulations on your retirement. I guess maybe just quickly, Jim, on just hoping to get a little bit more texture on your expectations for the [indiscernible] (00:46:09) mid-year and mid-year renewals. Just I know you spoke about property cat pricing continue to soften down 13% globally at [indiscernible] (00:46:21). Maybe you could split that out between US, internationally, and how you're thinking about both pricing and terms in mid-year?

A

Yeah. So thanks for the question, David. Just we'll cover [indiscernible] (00:46:35) and then we can pivot into [indiscernible] (00:46:37). On 401, look, I think pricing similar North America to international. Obviously, you had some really big international renewals. And in particular, you had a lot of drag from a pricing perspective, from the Japanese renewal, where I think pricing levels were very robust. It's been a loss free market for a while. And so, you saw a little bit of a sharper take down in that market.

And then, the other one I would call out as sort of anomalous is in India, which is becoming a much more meaningful reinsurance market, where everybody decided to get into India. We had a very nice book of business in that country with terrific seasons for a number of years, unlike I think, frankly, most carriers in that market, we made a fair bit of money providing that coverage. And pricing was down sharply at 401, and we substantially cut our book of business in response to that. So that's certainly affecting the rate view.

And the one thing I would sort of add before I get into 61 is each of these renewals is so different, [indiscernible] (00:47:43) very different renewal structure for the reasons I just cited. And then, [indiscernible] (00:47:48) obviously very much centered on Florida. In terms of what to expect for Florida, a couple of things to note. First of all, I do want to certainly give our reinsurance team an enormous amount of credit for how they executed in 2025, because that sets up the story. I think we had a very clear bead on the fact that 2025 pricing was well above our thresholds of expected return, and we leaned into that and grew meaningfully.

And I think that was exactly the right thing to do at the time. And you see that playing through in our Q1 cat growth rates, ex-reinstatement premiums being pretty, pretty solid. I think for this [indiscernible] (00:48:29), what we're seeing is rates are definitely going to be coming off. I think there's a fair degree of rationality among underwriters regarding the exposure because it is – it's a peak zone for a reason. It's the peak zone. And so, I think that'll put a bit of a floor under things. I think terms and conditions will look good. The vast majority of our deals in Florida are on a non-concurrent basis and we're advantaged that way. So I think that'll advantage us.

And it's early days, though. I mean, we've worked on whether it's 25% or a third roughly of our renewals are sort of getting some indications on them, so very early. But I would expect rates to come off maybe in the mid-teens zone. Time will tell. And I think we'll have an opportunity to do quite well. It may include taking a few chips off the table. But overall, feeling really good.

Q

Got it. Help – that's very helpful. Thank you. And then maybe just for my follow-up. Mark, the underwriting expense ratio is 6% here this quarter. I mean that's pretty much where you guys had said you were expecting to be exiting the year. So is – should we be thinking about maybe a little bit lower on like continuing at this level? How should we be thinking about next year as well? Are we talking about this getting into like the low-5s, just as you guys work on some of the expense efficiencies to help offset some of the top line pressure?

A

I think the 6% to 7% range we talked about is still in order. A lot of different moving parts. So let me put some of those on the table. We're still benefiting materially in the first half of the year from net earned premium stemming on the commercial retail run-off that we have. So that's helping to absorb some of that expense load. I think you've also – you're seeing in the industry and for us, reduced premium ratings this first part of the year. And if that continues, that will also put a damper somewhat on the net earned premium development, which will mechanically increase the ratio.

However, we're obviously aware of all this. We run fairly lean or efficiently, I'd say, on the corporate side. I think there's a tension, good attention on the corporate expense, low to the company to manage it in a disciplined fashion as we exit the retail and navigate whatever the premium environment is going forward. But I still think on a relative basis, we'll keep our expense advantage that we have. It's just that number could move, but not that much. I don't think it's going to be something that's problematic. I just wouldn't be prepared to say, you're going to be under 6%. And for any meaningful period of time in the next year.

Q

Got it. Make sense. Thank you.

Operator: Our next question comes from Alex Scott from Barclays. Please go ahead with your question.

Q

Hey. Thanks. First of all, I have is on the reinsurance reserves. It sounded like [indiscernible] (00:51:53) was not favorable this quarter. I just wanted to check to see if you could give us any color on, was there any unfavorable if you look specifically at casualty? And I mean, from the commentary in the room – in the presentation, it sounded like Short Tail is doing well. So I'm just trying to understand if there's some level of offset to the positive commentary being made about Short Tails or the property comments you made on the call we need to consider?

A

No. It's doing well, Alex. No problem in Q1. Feel good about the loss picks. We took an even more prudent approach, I'd say, with the 2026 loss picks per casualty pro-rata, so feeling good about that. We did the review last year. The roll forwards continue every quarter. We've got a reserve studies coming in the summer. The seed and data that we're getting is pretty much in line with our expectations, and we're seeing good strength from other lines of business outside of casualty pro-rata. So for now, it's a steady as she goes.

Q

Got it. Very helpful. And then, just some of the investment portfolio. Can you talk at all about any exposure you have to private credit, whether it's in your alts portfolio or your fixed maturities?

A

Yeah. Sure. So we do have private credit exposure. It's roughly 7% of our assets under management, roughly \$45 billion of AUM in the company. It's something we've had for meaningful chunk of time. A lot of diversified type holdings that we have. Direct lending, I'd say, slightly more than half. A lot of first lien secured loans attached to it as well. Software, pretty much on the smaller side, I'd say, it's probably 15% of that overall 7% that I'm mentioning, but it's performing well. We're not seeing anything meaningful in terms of impairments or watch list exposure. We're not adding to it, but we're quite comfortable with where we are right now.

Q

Got it. Okay. Thank you.

Operator: And our next question comes from Tracy Benguigui from Wolfe Research. Please go ahead with your question.

Q

Good morning. You said you were in your early days with respect to the Florida renewal season. And I heard yesterday from one of your competitors that they placed half so far. So I just want to talk about the cadence of this renewal season. If tort reform is making the market more attractive, do you think renewal discussions will wrap up earlier this go around than you typically see, and what does that mean for pricing trajectory like is it better to get in sooner?

A

Sure, Tracy. I mean, I think, every renewal season is the renewal season when we say, we're going to get things done earlier and more – in a more orderly fashion. It hasn't happened yet, but hope spring is eternal. Look, I think, we are a, as I said, we're a lead market in the Florida market. We have preferred client relationships. The renewal is well underway. And again, I think conditions overall will be fairly strong given the dynamic of, yes, there is tort reform which makes it more attractive, but there's also increased demand.

And you always have to remember, it's a peak zone for a reason. And I think underwriters across the industry are well attuned to the risks involved in underwriting Florida property. And then, as I would just remind everybody just

to repeat something I said earlier, north of 80% of our deals in the Florida market are with non-concurrent terms, which I think puts us in a terrific position.

Q

Very good. And as properties becoming more meaningful in your book, are you de-emphasize – and as you're de-emphasizing casualty taking a step back. For prudence, have you made any material changes in your cat modeling process like adding additional loads or is it more status quo?

A

Sure. I would say that, our CAT modeling capability is second to none in the industry, and it's a core competitive advantage of ours. So we are always enhancing our CAT models. We have a fully dedicated team of PhDs, math experts, seismologists, volcanologists, you name it, on staff who are always incorporating the best scientific research, whether it's trends around climate change, views of the legal environment, et cetera. So, we always want to be on the cutting edge of where we are on modeling. And again, I think that's a core advantage of ours.

Q

Thank you.

A

Thank you, Tracy.

Operator: Our next question comes from Yaron Kinar from Mizuho. Please go ahead with your question.

Q

Thank you. Good morning. And, first, congratulations, Mark, on the retirement. A couple of questions. One, and I apologize for asking you, Jim, to pull out the crystal ball here. But I think you said that, that property capped rates remain above adequate at this point. So assuming that we have like a normal hurricane season this year, at what point would you think that the industry inflects flat or even property rate – property cap rates increasing?

A

Sure. It's a good question. And my crystal ball is out of order at the moment on that dimension, Yaron. I mean, look, here's what I would say, the first thing and I know others have said this over the last few days, but while rates are coming down, there is also this underlying sort of floor of discipline that's occurring as well, which really gets reflected in terms and conditions. Attachment points are very strong, which tells me that underwriters are alive to the risks that we're taking, and they're allowing rates to fall because pricing is above the levels they think they need to achieve in order to earn a reasonable return for the risk.

I think there's probably still, there's still some room, but our view and the communication we're having with our clients is, we've been a consistent supplier of CAT capacity. We're a lead market. We want to get paid reasonable levels. And our view is that, pricing shouldn't continue to fall. So we'll just have to see how it plays out. I think one thing that I take away from some of what I've heard in the market over the last few days from others is that, we do see the lead markets taking chips off the table.

And I think that's a very good sign that the market will find a reasonable resting place from which we then can have sort of a normal market cycle. And I've said pretty consistently since the January 2023 renewal that, it's my view that renewal was a reset around which you would see a market oscillation. And I think that's playing out and it'll be up to the lead underwriters to sustain their discipline, if – when we're talking about the January 1, 2027, renewal and beyond, to ensure that is, in fact, what comes to pass.

Q

Thank you. That's very helpful. And then, my second question is, can you size the earned premium base associated with the Iran loss provision? The reason I ask this is, I just want to make sure that as we think about underlying loss ratios, that we have the right base here to model into the future.

A

I mean, I can give you some indications. But one thing to keep in mind is a lot of the covers that are going to get affected are global in nature, especially a lot of the covers coming out of the London market. So how much of that premium is attributable to that particular region is really an impossible game. What I would tell you is, if you look at our Middle East Reinsurance business, meaning we have a team that's an exceptional team that's been writing in that region for a long time, and they write for clients based in the Middle East. That business alone is in the neighborhood of \$300 million a year in gross premium.

So the reinsurance loss that we've pegged for Iran is \$40 million. So it gives you an idea, it's a meaningful kind of a CAT number against \$300 million, but not outsized. For the rest of it, again, it would be sort of impossible to attribute an actual market size to, But I think a \$57 million provision, which we feel is quite prudent given where the conflict is at the moment relative to a global diversified insurance and reinsurance business, is a pretty modest number.

Q

Thank you.

A

Thanks, Yaron.

Operator: And our next question is Ryan Tunis from Cantor. Please go ahead with your question.

Q

Thanks. First off, congrats to Mark. Jim, I wanted to go back to the attritional loss ratio in Global Specialty, so 58.9% and make sure I'm thinking about this right. On the pro forma, that's like more than 4 points lower than what you did in 2025, which seems like quite a bit. Is that just lowering a loss pick just based on – just a brand new view of profitability? Will you just help me wrap my mind around that just a little bit better?

A

Sure, Ryan. Happy to unpack that. I think there's a number of things happening. The first thing to keep in mind is that, we have shifted the mix pretty meaningfully over that time. And some of it you see when you look at it by line, if you look at, for example, in the quarter, the growth of our specialty businesses has a pretty meaningful impact on that number. I think then, even beneath that, there's dramatic changes to the underlying portfolio. So, for example, if you go back a couple of years to our US wholesale business, we might have been writing a fair proportion of open – what I would call open market ENS, casualty business.

Just submissions are coming in, you're writing excess umbrella, often lead umbrellas. Loss ratios on those are very elevated. And when we've moved almost entirely away from that kind of business, what are we writing today? Well, we have experts that we've built that great team. I got a question earlier about the team we built. They're writing, for example, new risks around data centers. We have deep expertise in the area. We have a specialized product. It's still casualty.

But if you look at the liability profile, we might be writing an umbrella limit, a \$5 million limit that might have used to be a \$10 million. It's not lead anymore. We're further up in the tower. Pricing is dramatically better. I mean, those things do start to inure to your benefit in a loss pick. And I can tell you, we've been incredibly conservative in how we've reflected any of that in the number. But it's been so dramatic that, I do think it justifies some movement. And that's how you get to the number where we are now.

Now, I do want to reiterate and maybe expand a little bit on something I said earlier in terms of where does this go from here. I feel good about the picks. Mix is really going to make a meaningful difference. And when you're in an environment, where you have pricing moving in all directions, so property pricing is coming down in the core market, but casualty pricing is accelerating in a number of areas, we got a bunch of specialty businesses. I think the relative growth of those businesses could move that average loss pick up or down and still results in really terrific overall results. So just be aware that there's some of that going on.

Q

Got it. And then, I guess, just for modeling purposes, just thinking about how the inverse asset base moves this year is just a little bit weird with the AIG run-off. I mean, is there any rough rule of thumb on how we – how you guys are thinking about growth there relative to the decline in premiums is coming from losing that retail business?

A

Yeah. Ryan, it's Mark. I would expect it to be more marginal AUM growth. So part of it, to your point, is the reduction in the retail business. You've got a, at least in the first quarter, diminishing gross rate and premium also being somewhat of a headwind. And you're seeing us emphasize buybacks, which is clearly a good thing, but a drain on AUM. So the other side of it, we'll see how the reserve paydowns progress. Particularly in the Legacy

segment, that'll be something that also impacts it. So I would probably go with more of a flat to marginally – marginal growth in that area. But it's dependent on all these factors on a quarterly basis.

Q

Thank you.

Operator: And with that, ladies and gentlemen, we'll be concluding today's question-and-answer session, as well as today's conference call. We do thank you for joining. You may now disconnect your lines.

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