RenaissanceRe
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Corporate Speakers

- Keith McCue; RenaissanceRe; Senior Vice President of Finance and Investor Relations
- Kevin O'Donnell; RenaissanceRe; President and Chief Executive Officer
- Robert Qutub; RenaissanceRe; Executive Vice President and Chief Financial Officer
- David Marra; RenaissanceRe; Executive Vice President and Group Chief Underwriting Officer

Participants

- Elyse Greenspan; Wells Fargo; Analyst
- Yaron Kinar; Jefferies; Analyst
- Ryan Tunis; Autonomous Research; Analyst
- Joshua Shanker; Bank of America; Analyst
- Meyer Shields; KBW; Analyst
- Michael Zaremski; BMO; Analyst
- Brian Meredith; UBS; Analyst
- David Motemaden; Evercore ISI; Analyst

PRESENTATION

Operator^ Good morning. (Operator Instructions) At this time I would like to welcome everyone to the RenaissanceRe Third Quarter 2024 Earnings Conference Call and Webcast. (Operator Instructions)

I would now like to turn the call over to Keith McCue, Senior Vice President of Finance and Investor Relations.

Please go ahead, sir.

Keith McCue^ Thank you, Jim. Good morning. And welcome to RenaissanceRe's third quarter earnings conference call.

Joining me today to discuss our results are Kevin O'Donnell President and Chief Executive Officer; Bob Qutub, Executive Vice President and Chief Financial Officer; and David Marra, Executive Vice President and Group Chief Underwriting Officer.

First, some housekeeping matters.

Our discussion today will include forward-looking statements including new and updated expectations for our business and results of operations.

It's important to note that actual results may differ really from the expectations shared today.

Additional information regarding the factors shaping these outcomes can be found in our SEC filings and in our earnings release.

During today's call we will also present non-GAAP financial measures. Reconciliations to GAAP metrics and other information concerning non-GAAP measures may be found in our earnings release and financial supplement, which are available on our website at renre.com.

And now I'd like to turn the call over to Kevin. Kevin?

Kevin O'Donnell^ Thanks, Keith. Good morning, everybody. And thank you for joining today's call.

I am pleased to report that RenaissanceRe delivered another quarter of strong performance.

We earned over $540 million of operating income. This represents an operating return on average common equity of 22%.

Year-to-date, we have earned $1.8 billion in operating income and delivered a 26% operating return on equity.

Our results this quarter were due to a strong performance by the entire team.

I believe these superior returns we have been delivering can persist into 2025. Each of our three drivers of profit continues to perform well.

In underwriting, we have demonstrated our ability to grow aggressively when markets are favorable. Both our Property business and our Specialty business are two years into very attractive markets that show a little sign of abating. Year-to-date, top line growth in these businesses has been between 35% and 75% depending on the particular line of business.

In investments, interest rates have persisted at elevated levels and remain attractive relative to almost any point over the prior two decades. These elevated rates, in combination with our increased asset leverage, allows investment income to remain a significant contributor to our earnings.

Finally, our Capital Partners business, already one of the largest managers of third-party capital continues to grow, while generating consistent management fees and attractive performance fees.

Our acquisition of Validus has been a significant contributor to growth across each of our three drivers over the last year.

But that is not the only way we're already creating value from the Validus acquisition.

Our recently completed integration efforts have also resulted in significant capital and liquidity.

We purchased Validus knowing we would unlock value by bringing it onto our platform and sharing risk with our capital partners.

We have access to multiple forms of efficient capital, which allowed us to best optimize its capital structure and, by extension, profitability.

The easiest way to explain how we achieve this optimization is what we call the 3-2-1 Validus portfolio transformation. Prior to the acquisition, Validus has had about $3 billion of equity capital. Just prior to close, this amount was reduced through a $1 billion dividend payment. This left the entities we acquired was $2 billion of capital, which represented the amount we needed to run the company through transition over the last year.

By optimizing the Validus business on to our owned and partner capital balance sheets, we created an additional $1 billion in capital. And finally, by merging the two main Validus balance sheets into legacy RenRe rebalance sheets, we shifted this excess capital to our holding company. This increased our financial flexibility, enabled strong support for our customers, enhanced fees associated with our capital farmers business and increased earnings for our shareholders.

Our success in generating capital, however, extends beyond efficiencies we brought to the Validus portfolio. When we began evaluating the acquisition of Validus in early 2023, our common equity position was about $4.6 billion.

Since that time, due to the strong performance of our three drivers of profit I previously discussed, we have generated almost $4.5 billion in retained earnings, while returning an additional $350 million of capital to our shareholders through dividends and share repurchases.

As a result, we ended this quarter with $10.5 billion in common equity.

Obviously with our significantly larger scale, we need more capital to run our business than we did two years ago. That said, a portion of this increase is on deployed capital. This positions us to both grow our business and increase capital returns to our shareholders. Bob will address our capital management plans in greater detail shortly.

However, we are pleased to announce that we are increasing our share repurchase authorization from $500 million to $750 million.

Importantly, this increase reflects the greater scale we have achieved with consistent, superior returns we expect to continue generating and enhances our capital flexibility.

Moving now to a few comments on the upcoming January one renewal, which David will elaborate more on later in the call.

We are beginning from a position of strong rate adequacy in our property catastrophe book. This market began hardening after Hurricane Irma and accelerated after Hurricane Ian. Unlike prior circles -- excuse me, unlike prior cycles, however, we have yet to experience an influx of new capital, with the exception of certain corners of the market where we do not heavily participate, such as cat bonds.

As a consequence, the market remains disciplined with reinsurers holding on retentions and terms and conditions.

At the same time, demand for reinsurance continues to increase.

In 2025, we estimate that U.S. cat limit purchases will increase by about $10 billion. This should lead to new opportunities over the course of 2025, while keeping the rate environment favorable.

We expect similar opportunities in other property, where Helene and Milton should assure that rates remain at attractive levels.

Moving now to our Casualty and Specialty segment. Regarding Specialty lines.

Overall, these continue to remain attractive.

We expect an orderly annual first renewal, and our focus will be on maintaining our book and to seek additional opportunities with existing customers. Regarding Casualty lines.

We are increasingly a top reinsurer on the programs that we participate on. This provides us a broad overview of the state of the market and puts us in a strong position to set the tone for renewals and drive positive change.

This is important as much of Casualty is written on a quota share basis, which means we depend on our customers' underwriting and rate setting more than in other lines.

We think about the Casualty business cycle over a 10-year time scale.

We like our current portfolio, but believe casualty rates need to accelerate for this business to remain attractive over the next 10 years.

Consequently, we are engaging with our customers and providing feedback regarding our observations on rate and trend. This engagement has been positive, and our customers share a similar assessment of the market requirements.

For this reason, we are optimistic that additional rate will be achieved and we can continue to support our customers.

This concludes my opening comments.

As discussed, Bob will cover our financial performance for the quarter, followed by David, who will provide an update on our segment performance. Bob?

Robert Qutub^ Thanks, Ken. And good morning, everyone.

We had a strong third quarter with net income of $1.2 billion and an annualized return on average common equity of 47%.

Operating income was $540 million, and our annualized operating return on average common equity was 22%.

During the quarter, we reported a net negative impact of $243 million from large events including $125 million from Hurricane Helene.

As we have discussed, RenaissanceRe has built a very resilient platform to manage our customers' risk, while producing strong returns for our investors.

All three drivers of profit performed well this quarter. Underwriting income was $394 million, with an adjusted combined ratio of 82%.

Fees were $82 million, up 27%, and retained net investment income was $292 million, up 35%. When we acquired Validus, we noted that the transaction will be accretive to all three drivers of profit in addition to our key metrics. You can clearly see this in our 2024 results.

Specifically, for the last nine months, operating income is up more than 50% year-over-year with strong contributions from our three drivers of profit.

Operating earnings per share are up 36% year-over-year.

Intangible book value per share plus change in accumulated dividends is up 30% since December 2023.

Importantly, we have been generating these strong returns in a year with catastrophes. Year-to-date industry losses exceeded $100 billion, which is slightly above the 10-year average, and this is before considering Hurricane Milton, which occurred in the fourth quarter.

Moving now to capital management.

During the quarter, we repurchased $107 million of our common shares.

For the year, we have repurchased a total of $215 million at an average price of $224 per share. Last night, we were pleased to announce a 50% increase in our share repurchase authorization from $500 million to $750 million. This change reflects our larger scale and reinforces our commitment to being good stewards of capital.

Our approach to capital management remains consistent.

Our first priority is to deploy it into the business and then return the excess to shareholders.

We do -- and we expect to do both.

As Kevin mentioned, we are in a strong capital and liquidity position. Validus has been a tremendous success.

We have scaled the business, grown our three drivers of profit and built an increasingly resilient platform that has been generating strong, consistent returns over the last two years.

As a result, we expect to continue growing our tangible book value per share plus accumulated dividends, while actively repurchasing our shares at attractive valuations.

Turning now to our third quarter results and starting with our first profit underwriting, where gross premiums written were up 48% and net premiums written were up 52%.

We continue to grow organically in both property catastrophe and specialty lines, where we're receiving the most attractive risk-adjusted returns. And as mentioned earlier, we have been able to continue growing profitably with an adjusted combined ratio of 82% in an active catastrophe quarter.

Moving now to our Property segment and starting with Property catastrophe. The third quarter is relatively quiet for renewals. Catastrophe gross premiums written were $344 million, up 114% or 65% without reinstatement premiums. Net premiums written were $262 million, up by 175% or 114% without reinstatement premiums. The growth was driven by -- primarily by new opportunities, increased demand from our customers and Validus.

In the quarter, net written premiums grew faster than gross written premiums due to the timing of ceded contracts, which tend to accept in the first half of the year.

Overall, our property catastrophe adjusted combined ratio was 40%. This reflected a current accident year loss ratio of 56% and 36 points of favorable development from prior year events. This is a strong result, especially given the catastrophe activity of the quarter. The current year results include 44% on percentage point impact from Q3 large loss events including Hurricane Helene, Debbie and Barrel, as well as the hailstorms in Calgary.

Moving now to other property, where gross premiums written were up by 28% and net premiums written were up by 26% due to the action -- the addition of the Validus portfolio. Net premiums earned in the quarter were $403 million next quarter, we expect other property net premiums earned to be about $360 million.

Overall, the other property book is performing well and we reported an adjusted combined ratio of 84%.

The current accident year loss ratio was 72%, which included a 25 percentage point impact from Q3 large losses.

We reported 20 percentage points of favorable development in other property, primarily in the attritional book.

Looking forward, we continue to expect an attritional loss ratio in the low 50s.

Finally, a few comments on Hurricane Miton. Milton made landfall in Florida on October 9, so this will be a fourth quarter event. David will discuss Milton in more detail in his comments, but we currently estimate a net negative impact in the fourth quarter related to Milton of approximately $275 million. This is based on an industry loss estimate of $25 billion.

Moving now to Casualty and Specialty, where gross and net premiums written were up 45% and 50%, respectively.

As in previous quarters, this growth primarily relates to renewing the Validus portfolio.

We have retained the majority of the portfolio while capturing organic Specialty opportunities. Net earned premiums were $1.6 billion, up 60%, and we expect Casualty and Specialty net earned premiums in the fourth quarter to also be about $1.6 billion.

This quarter, we reported a small underwriting loss in Casualty and Specialty.

As a reminder, this was adversely impacted by $37 million of purchase accounting adjustments, which had a 2.4 percentage point on the combined ratio. The Casualty and Specialty adjusted combined ratio was 97.7% this quarter. This reflected about a point of integration-related acquisition costs, which are not related to purchase accounting.

As Kevin mentioned, we have been keeping a close eye on Specialty loss trends and lines being impacted by social inflation, most notably general liability.

As we move forward, in 2025, we expect to report an adjusted combined ratio in the mid- to upper 90s on average.

Our long-standing approach is to recognize increasing trend early.

We're reflecting our insights into the prudent reserving process to proactively stay ahead of these trends and the increase will be reflected in our current accident year loss ratio.

One final point.

On a year-to-date business for Casualty and Specialty, we reported a $33 million underwriting profit. This was adversely impacted by $116 million of purchase accounting adjustments as well as $61 million from the Baltimore Bridge collapse in the first quarter. Together, these totaled $177 million. After adjusting for these impacts, our Casualty and Specialty underwriting income is running better than last year.

Looking out to fee income and our Capital Partners business, where fee income was $82 million, up 27%; management fees were $55 million, up 24%. Management fees have been at this level for the last three quarters, largely due to growth in DaVinci and Fontana. Performance fees were $27 million. This included the impact of favorable development in the quarter.

Looking ahead to the next quarter, we expect management fees to be around the same level.

We expect performance fees to be down significantly given the impact of Hurricane Miton.

Moving now to investments, where retained net investment income was $292 million, up 3% from the second quarter and 35% from a year ago.

We reported significant retained mark-to-market gains of $786 million in the quarter. This was driven by, first, a $511 million gain in our retained fixed maturity portfolio, largely driven by decreased interest rates; and second, a $134 million gain related to the successful IPO of TWFG, which we have held in our strategic investment portfolio since 2018.

Overall, retained unrealized gains in our fixed maturity investments are now $283 million or $5.46 per share.

As a reminder, last quarter, we reported an unrealized loss of $214 million, so some of the mark-to-market gains in the quarter reflect our investment portfolio pulling back to par.

As a result of declining interest rates, our retained yield maturity decreased to 4.9% from 5.7% last quarter.

We have increased duration slightly to 3.4 years.

Interest rates are now up from where they were when the quarter ended.

Consequently, we expect retained net investment income next quarter will remain flat around $290 million.

As we look forward to 2025, given our positioning and anticipated asset growth, we should be less sensitive to rate cuts and shorter duration portfolios. Consequently, we expect our investment portfolio to continue providing a relatively consistent level of income next year.

Turning briefly to expenses. The operating expense ratio was 4.8%, which is about flat compared to a year ago. Going forward, we expect the operating expense ratio will stay around this level as we continue to invest in the business to support our growth over the last several years. Corporate expenses were $26 million including $8 million from the Validus acquisition. These transaction-related expenses have been tapering off and are excluded from operating income.

And finally, turning to tax.

Our income tax expenses were $102 million in the third quarter, this primarily relates to an increase in investment gains in our taxable jurisdictions. Going forward, in 2025, the Bermuda government will be implementing a 15% corporate income tax in response to the OECD global minimum tax rules.

We will start accruing for this tax beginning in Q1 of 2025.

In conclusion, we were pleased to deliver another strong quarter with robust performance across all three drivers of profit. Going forward, at a larger scale, we are confident that we will continue to generate strong results for our shareholders.

As a result, we expect to continue growing our tangible book value per share plus accumulated dividends, while repurchasing our shares at attractive valuations.

And with that, I'll now turn the call over to David.

David Marra^ Thanks, Bob. And good morning, everyone. With less than two months ago in 2024, we are deep in preparation for the January one renewals and are excited about the opportunities ahead of us.

Our customers have been overwhelmingly supported the Validus integration, and we are entering the renewal season with a larger and more diversified portfolio and deeper partnerships.

Our focus leading into January one is on serving customers and deploying capacity at our increased scale.

Our underwriting portfolio is very attractive.

We will retain the combined portfolio and look for opportunities to deploy capacity where rates are at or above adequacy.

As we have discussed, portfolio management is a continuous process.

Our team is nimble and deeply experienced, and we can increase our participations on deals or classes where returns are most attractive and reduce where our hurdles are not met.

As we look forward, we are in a strong position to grow with our customers. They know we are a trusted partner to help them manage their risk across portfolios and across market cycles. Especially in the current environment, where the market is contemplating several large property losses and growing concerns around casualty trends, we offer certainty of execution that others cannot. This consistency and confidence is the direct result of our clear risk appetite, deep customer relationships, strong balance sheets and the flexibility of our gross-to-net strategy.

Shifting now to a deeper discussion of the Property segment. This has been an active quarter for catastrophes, and I want to express our sympathies to everyone impacted by these events. RenaissanceRe is proud of the role that we play in helping communities recover and we are paying claims quickly to aid in these efforts.

Diving deeper into the events of the quarter. Hurricane Helene was the most significant event, making landfall as a large category for a hurricane in the Florida Panhandle. The storm pushed heavy rain to the Carolinas, Georgia and Tennessee, causing devastating flooding and significant loss of life.

Industry losses for Helene are likely to be in the low double-digit billions.

In addition to Helene, hurricanes Barrel, Debbie and Francine all made landfall in the U.S. as relatively small hurricanes and did not significantly impact reinsurance programs.

Finally, industry loss in Canada at record levels this year, driven by approximately $5 billion in the quarter from a significant hailstorm in Calgary to floods in Toronto and Montreal.

In the fourth quarter, Hurricane Milton followed closely on the heels of Helene, making landfall just south of Tampa on the West Coast of Florida as a Category three hurricane.

As the storm approached Florida, its outer bands spawned several tornadoes across a wide area of the state. Close to landfall, Milton encountered increasingly hospital conditions, which weakened the storm from a strong Category four to a low category 3.

While industry losses from Milton will be significant, they are much less than they would have been if the store made landfall in Tampa as originally forecast.

Our diversified portfolio, platform of owned and managed balance sheets and three drivers of profit, put us in a differentiated position to absorb these losses, while still providing efficient capacity to our customers and producing strong returns for our shareholders.

The core aspect of RenaissanceRe's purpose is to protect our customers against large events relative to their size, storms like Helene and Milton are large events for smaller insurance companies. These companies carry lower retention of the nationwide or global carriers, and storms of this size will trigger reinsurance recoveries to protect their capital.

Our property cat portfolio demonstrated its value and its resilience in this active quarter, providing balance sheet protection rather than earnings protection at an appropriate level for each of our customers.

We expect this dynamic to persist into 2025, supporting a healthy reinsurance market and the consistent protection our customers need.

It is too early to predict the outcome of January one renewal. Even before Hurricanes Helene and Milton, we were expecting additional demand to come to market. Rates remain favorable, and we will continue to grow with existing customers, while capitalizing on opportunities to increase our market share of attractive placements.

Moving now to a few specific comments on other properties.

While the loss events of the quarter also impacted other properties, we delivered another profitable quarter with a significant level of favorable development.

As a reminder, we accessed at-driven E&S business through the other property book. With the recent loss activity, we expect increased opportunities in this space and are ready to deploy capital in the most attractive business.

Now moving on to Casualty and Specialty.

In 2024, we successfully brought on the Validus portfolio, enhancing our market leadership position materially in the areas we target. This provides us with stronger access to business and more options to construct our portfolio.

First and foremost, we aim to optimize underwriting returns in line with our vision to be the best underwriter.

It is important to recognize, however, that the Casualty and Specialty book also brings a significant amount of investment income and fee income, both of which have increased since Validus.

In combination, these income streams contribute meaningfully to earnings and book value growth as well as diversification of our Property book.

Our leadership position also means that we see the whole market, which provides us with unique insights on market trends and profitability drivers.

As we discussed last quarter, we have been tracking general liability trends closely and engaging with the market to better understand and accurately price future trend.

Inflation and claim severity have been increasing in this line, driven by an aggressive plan for and sympathetic journeys.

While social inflation is not new, we believe that the industry needs to continue to evolve to stay ahead.

In the last five years, companies have responded by reducing limits and increasing rates. These remain important levers.

But to stay ahead of loss trend, we believe that insurers also need to improve claims handling processes, refine their underwriting approach and accelerate rate increases.

To support this, we are actively working with customers to share insights and improve data capture throughout the renewal process. This enables us to deploy our capacity in the right place and charge the right price for each program.

While our goal is to continue to partner with all of our customers, we are prepared to reduce on those programs that do not meet our requirements, most notably in our general liability book.

We believe that the steps we are taking to increase rates, improve data and practice disciplined underwriting, will help create a more sustainable cat market and an attractive portfolio that maintains strong returns in short term over the cycle.

Outside of Casualty, we continue to see opportunities in specialty and credit, and these portfolios are stronger than ever due to our larger leadership position.

We have access to the best business and continue to find lines, such as aviation, marine, energy, mortgage and other credit classes attractive.

We expect an orderly January one renewal, and our focus will be to maintain our book and grow where possible.

We also make efficient use of ceded record capacity to shape our portfolio, particularly in marine and energy and in cyber, where we have grown our gross folio or reduced our aggregate exposure to loss.

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

Kevin O'Donnell^ Thanks, David.

In closing, we reported a strong quarter in what so far has been an excellent year.

We delivered superior results across our three drivers of profit, underwriting, fees and net investment income, with a manageable level of catastrophe losses.

We have unlocked significant capital synergies with Validus, and as a result, we have now increased our share repurchase authorization by 50%.

We expect the Property market to remain attractive, and in Casualty, we are taking a proactive client by client approach.

Consequently, I could not be more excited about our potential for future performance and ability to create value for shareholders. Thank you.

And with that, we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We will now take our first question from Elyse Greenspan at Wells Fargo.

Elyse Greenspan^ My first question is about the 1/1 renewals on the cap side. You guys have pointed, right, your excess capital to meet the additional supply that you're talking about and you're generating record ROEs.

So isn't that an environment, when you kind of put that all together, where probably it shakes out to flat or rate decline during the renewals?

Kevin O'Donnell^ So Elyse, thank you for the question. Just taking pure supply and demand. We also believe there'll be $10 billion or so new capacity coming to the market. We've seen capacity be continuously introduced in '24. We expect that to continue in '25. That additional demand will help stabilize the pricing environment.

So when we go in, we believe rates are fair and adequate for the property cat market, that's the way we'll approach. And I think it will trade, as we've said before, at the new level in which the market reset to in the beginning.

Equally important, I think the slips that we -- that are in place with the level of retention will likely persist as well.

So the reset retentions, I think, will continue. And I think rates will be, as with any financial market, they'll trade at roughly around the level that we're at.

Elyse Greenspan^ And then my follow-up is on specialty casualty, right? So you guys said that you're going to start booking this to a higher adjusted combined ratio, right, mid- to high 90s next year.

I guess it's kind of a two-part question. If you're responding to social inflation, why wouldn't you have, I guess, started booking it higher this year? And if you think in trends that are going to go up, is that reflected in where your reserves sit today for the segment?

Robert Qutub^ Thanks for that question, Elyse.

I pointed that out in my comments that we have -- we are increasing the combined ratio.

We've been booking at in the mid-90s for our last couple of years. And now we're looking at changing in trend, whether it's mix or a trend that David was referring to, and I'll turn it back to him in a second.

But we did reflect that in the current. Two points to make.

One, it's in the current accident year on a forward-looking basis. Two, we've talked about our historical portfolio that we have and how we've shaped that portfolio over the years.

Shaping meaning we didn't grow it back in the challenging years, we grew it later on. And through acquisitions, we did get protections around it.

And we talked about that in the past, but that's really the driver of it, and it's more on the trends that we're seeing going into it and how we're responding to those trends on a forward-looking basis.

David Marra^ Elyse, this is David.

I can talk about what we're seeing on the underwriting side.

We've been following loss trend for several years, and it's a known issue in the market. There's good awareness on the insurer side.

Insurers are taking action. But we've done what we can to support this by engaging early, getting more data in advance of renewal, data like claims settlement patterns, individual case reserving data, that normally wouldn't be part of the annual submission process. So we're using that to have feedback with our customers.

They're taking the right action. They're getting rate. They're improving claims handling processes. Trend is a cumulative thing.

So all those actions will be taking place over the next year, and it's too early to know the net-net result of cumulative loss trend for all those actions.

So it's the prudent thing to do to look at where we're going to next year, but it is a 2025 issue more so than a current issue.

Operator^ Our next question today will come from Yaron Kinar at Jefferies.

Yaron Kinar^ First one, maybe following up on the last question.

I want to better understand why the loss trend issues that we're seeing kind of emerging wouldn't be also reflected in the potential need to revisit some of the reserves of the prior years, whether for the company itself or for the [cedents] that could ultimately reflect company results?

David Marra^ Yes. This is David. Thanks for the question.

I think what goes into the current reserves is the cumulative effect of all the actions we've taken over the last 10 years. And there's a lot to that.

So it starts with just, first of all, good underwriting and how we constructed the portfolio, avoiding the most extreme areas of inflation like commercial auto.

We've also been very active in scaling the book up into the betters, and so we have more exposure to the more recent years, and you see the reinsurance as a way to manage our net risk in a lot of different ways.

As far as the reserving process, our process is independent from what our clients book.

So one of the examples of how that manifests itself is when we grew into the 2021, [2020], rates were improving rapidly, but we didn't adjust our picks down as much as that rate would have implied we should. That has the effect of having our reserves be more resilient when we're facing inflation like we are now.

So our focus is more on how do we get the right rate in 2025 and differentiate between portfolios rather than the current reserve pool.

Yaron Kinar^ Got it. And then my second question, I wanted to touch on the buyback authorization, the 50% increase. I just want to understand what changed this quarter.

Because if my recollection is correct, you've already talked about the expectation of the benefits from the Validus deal coming in when the $500 million authorization was set last quarter. So what's changed in these three months? Is it that the very active (inaudible) season that we expect it turned out to be not as active? Or were there other puts and takes?

Robert Qutub^ Yes. Both Ken and I have talked about that in our prepared comments, but the common theme is scale, is really we have to put that. The last time we did increase in our share authorization was back in 2007. And so that was quite a long time ago. A lot has changed.

You start to see a number of things change in terms of size, volume in the market. And we just thought it was the prudent thing to do to be able to take advantage of what we see as attractive opportunities. That's a simple answer to that one.

Kevin O'Donnell^ And adding to your comments, Bob, the other thing that happened is we're able to consolidate the Validus balance sheets onto the RenRe balance sheet, which produced the final piece of liquidity that rolled up to the holding company.

So nothing's changed in the way we're going to manage our capital position where we're going to deploy first into the market and then be good stewards and return capital to shareholders. This is really a reflection of the change in scale and the flexibility and the timing really reflects the fact that the integration of Validus is complete and the capital flexibility and the liquidity that we expected from -- to achieve from the transaction has been realized.

Operator^ Our next question will come from the line of Ryan Tunis with Autonomous Research.

Ryan Tunis^ I guess following up on the last question. Kevin, you said there's [$1 billion] of common equity and a portion of that is increased undeployed capital. Just trying to get a feel for how much equity capital does this combined business of RenRe and Validus like need at this juncture? It's not $10.5 billion. Is it minus $10.5 billion minus $750 million? Or is the excess here a lot significant?

Kevin O'Donnell^ So I think we generally manage the company with undeployed capital that provides us flexibility to leverage into markets.

It also provides a buffer for the balance sheet should there be a loss. We don't specifically disclose the amount of excess capital.

What I would say is that we are in an above-average period of financial flexibility with the undeployed capital that we have.

We do think we'll have some opportunities to deploy it into the market in 2025. We also believe we'll have equally strong opportunities to return to shareholders.

Ryan Tunis^ Got it. And then I guess just on the 1/1 renewal, it's active loss here in Europe.

But then I guess the 3Q hurricanes are some more U.S.-centric. So I was thinking there might be a little bit more June 1.

But I guess first part, like, to what extent are the elevated losses in Europe going to affect the conversation around the 1/1 renewal?

And is there a reason to think that some of the momentum we might pick up from pulling in Milton might be more evident in 6/1?

David Marra^ Ryan, this is David. I'll start with that one.

So there has been loss activity in Europe, like you mentioned, that's in the bucket of attritional losses that we're seeing in North America and in Europe.

So it does -- had the impact of keeping the conversation around stability and retentions and how important that is to the reinsurance market.

So we see that U.S. and Europe, we're expecting stable retention, stable structures, and the conversation is around price. And like we say, the price will trade around levels we're at. And we see opportunities with our market position post Validus to potentially deploy capital in both sides, both the North America and in Europe, with where we are now.

Kevin O'Donnell^ Yes. The final thing I'd add to Dave's comments is Milton is a Florida event.

So I would say that if there are to be loss-specific discussions, those will be largely more 6/1.

I also believe that the market's matured a bit with what happened in '24. And discussions around loss and loss effective covers and that being the only catalyst for sustaining rate are no longer really the fixture of the market.

I think everybody recognizes that today's structures and today's prices will persist.

Operator^ Next question will come from the line of Joshua Shanker at Bank of America.

Joshua Shanker^ So you guys have this larger share repurchase authorization of $750 million.

Over the past 12 months, operating income has been $2.5 billion and net income has been $3.5 billion.

We don't know what's going to be in the future for earnings, but at the rate you guys are generating capital, you're going to be -- so you have a significantly higher capital position over the next few months heading into '25 as you did a year ago.

Is that amount of share repurchase adequate to think about the year ahead? Or would you burn through that more quickly than you foresee?

Robert Qutub^ Thanks, Josh. This is Bob. Good question.

I tried to address that in my prepared comments. You point out appropriately that we have been generating excess capital through operating income.

All three drivers of profit have been contributing significantly.

Also the efficiency on what Kevin described in as 3-2-1 for Validus, generate excess capital.

So we do have the capital. And what I had talked about in my prepared comments, we had the option to -- we have the option to do both at the same time.

We'll be deploying capital into the business at the renewals next year, to which David and Kevin have spoken regarding opportunities as well as new demand.

But in the same light, we'll be returning capital as well at attractive valuations. The authorization increased from $500 million to $750 million is part of our scale that Kevin talked about. And we look at that each quarter.

So if you go back in time, we approve -- we reapprove every quarter. So whether we use all of it or none of it, we're tapped into it, we look at that every quarter. So it's not an annual, it's quarterly.

Joshua Shanker^ And I realize that once you establish a quarterly common dividend, it's a promise in perpetuity to the future. Do special dividends make sense, maybe not at the current valuation? How would RenRe approach that as a way of giving capital back to shareholders?

Kevin O'Donnell^ I think it's a great question.

I think we look at every way possible for us to think about managing capital.

Obviously first, as I mentioned several times, our first protocol is to deploy it into the business.

Our preferred methodology in what we see as the most accretive over the long term to tangible book value per share is through their share -- through repurchasing our own shares.

If that was a different calculation, we would certainly look at different mechanisms to manage capital.

Our history suggests that we have a bias to share buybacks, and that's simply because the economics are most accretive to our existing shareholders.

I don't see that changing in the near term.

Operator^ Meyer Shields at KBW.

Meyer Shields^ Great. So one question I'm getting a lot of this morning is just whether the sort of flat reserve movements in Casualty and Specialty, is there a significant variation by accident year or by Casualty versus Specialty?

Robert Qutub^ I mean I talked a little bit about that in my prepared comments regarding the overall profitability of Casualty.

But more specifically, when it comes down to purchase accounting, it's amortized into the acquisition ratio and prior year reserves. So that was actually affected by about $10 million, $11 million.

So when you negate for that, the $1 million actually becomes a much larger and more consistent number what you've seen before.

But again, it's the purchase accounting that's distorting that by about $10 million or $11 million?

Kevin O'Donnell^ One thing I'd add to Bob's comments is if you look at the reserve profile that we have, we grew pretty substantially in '20 and forward, which are seen to better years.

We also have a nice balance of Casualty and Specialty. Within the Casualty segment in the area of problem for the industry has been commercial auto, and we're not a commercial auto writer.

So it's not only that we're in good years, I think we have a better balance of better business in our reserve pool than what the industry would reflect as well.

Meyer Shields^ Okay. That's helpful.

Second question, and it's so easy for me to ask this, but how hard would it be to set your focus on casualty lines, excess of loss so you're not dependent on your clients' rate actions?

David Marra^ This is David. The market does trade on a quota share basis mostly, and that is a good structure with which we participate in the business because it aligns interest between the [cedent] and the reinsurer.

So it's important that we engage with customers and understand how they're settling claims, understand how they're getting rate. And those are all very positive conversations, and they're making strong actions now and we expect them to continue to do that in 2025. The other dial that we had to turn is the ceding commission.

And ceding commissions are reducing with the early renewals that we've seen up into this season, and we expect that to continue in that has the effect of having -- we'll see more of the net premium with a lower ceding commission than we move with a higher one and (inaudible) position.

Kevin O'Donnell^ Yes.

One thing I'd add -- or two things I'd add to Dave's comments, is it's a good time for quota share because the primary companies are aligned with our view of where -- of what needs to happen from a rate perspective.

So they are pushing through primary rates, and we're harvesting the benefit of their work. The second thing is with trend, there's been an increased frequency of severity. Being excess on that, you can be more impaired by that trend compared to quota share.

So again, it's another reason to support the quota share market at this time.

Operator^ Mike Zaremski at BMO.

Michael Zaremski^ Back to the Casualty and Specialty color you've offered in the guidance of mid- to upper 90s.

Can you give us a flavor of whether you're contemplating within that guide any improvement in casualty ceding commissions for the reinsurance marketplace? And also just on just overall pricing in your prepared remarks, you did, Kevin, talk about the need for more rate. And at least the data plans we see so far, especially in 3Q, point to the market moving higher in terms of rates.

So curious, too, if you're contemplating in that guide, especially since you're not taking any reserve charges on your back book, if you are contemplating the market moving higher on rate materially?

Robert Qutub^ Yes. We definitely are. And we priced in some additional loss trend into 2025 and some additional rate.

It's the best estimate that we have at this point. The -- we're seeing the same thing you are. The market is responding to this known issue, which is accelerating loss trends in some areas.

They're getting more ready. They're taking underwriting actions. They're also improving the way they settle claims. That's a big differentiator that I think will come more and more important over the next few years. But that's how we're approaching it.

If rate continues to accelerate, that will be a positive news. But as always, with our reserving process, we'll wait to recognize that good news until the business seasons and recognize the potential for trend like we are now early.

Michael Zaremski^ Got it.

Okay. And sticking on casualty, and I know this question has been asked in many different ways, but I still to getting incoming questions on it from investors.

So the reason you didn't take reserve charge, is it -- in layman's terms, could I say -- can we say that it's because you run read books more conservatively than -- and there is a cushion still even though you are seeing a materially higher trend line?

Robert Qutub^ Yes. So I'll continue on and kind of reference some of my remarks earlier about the process we follow in 2020, 2021, there was a significant improvement in the business, and we didn't reduce our reserving picks very Significantly. that, in some cases, might lend that we're booking those years higher than some of the market. And that's just part of the process. The other thing that we have is we have curves, development curves that are slowing up to make sure that we wait until we see positive development before we recognize the good news.

And if our curves were faster than the 2020, 2021 years, we might have reacted already, but that's not the way we approach the reserving process.

Operator^ We'll hear from Brian Meredith at UBS.

Brian Meredith^ Two questions here for you.

First one, just hopefully a simple one. Could you provide us some color how much is left in the Tokyo Marine adverse development cover? Is that kind of helping some of the reserve development?

Kevin O'Donnell^ We don't disclose specific transactions. Tokyo has been a great partner.

We're delighted to have that book as part of our portfolio. And we -- that's the last to pay cover. There's still available and it still remains unpaid.

Brian Meredith^ Great. Helpful. And the other question, I'm just curious, what is your anticipation of kind of retro capacity availability as we look into 2025, property retro capacity? You think we'll see any increase?

Kevin O'Donnell^ That's a tough call right now because there isn't a ton of price discovery in the market.

I think the retro market will have limited impact from the events that have happened so far this year. That's generally a good sign that capacity in the retro market will be at least stable.

From our perspective, we use the retro market to really shape our portfolios.

We'll build our performance with the expectation as to what we will likely purchase to help with that shaping.

I would say, at this point, we have an expectation that we will purchase slightly less retro in '25, but we also have a belief that it will be available.

Operator^ And now we will hear from Evercore ISI's David Motemaden.

David Motemaden^ I had a question. So I think a few times, you've mentioned that you haven't assumed as much loss ratio improvement in your casualty picks during the hard market years.

I'm just wondering how much improvement you guys have assumed if I were to look at accident year 2019 compared to accident year '20 or '21, '22? How much improvement have you guys assumed?

Kevin O'Donnell^ Let me talk a little bit about our process for reserving and kind of the way we think about it, because I'm not sure that we have that information here with us for the call.

What we do is we will set the initial loss pick and then we develop a curve.

As the curve develops, we amend the curve to make sure we're reflecting what our observations are for trend.

We believe when we set the initial expected -- we know we said it independent to the primaries, and our observation is we said it higher.

Additionally, we are very slow to recognize good news, which means our curves will develop slowly.

I believe when I look at the balance of our reserves, they're in a very healthy state and they reflect our best estimate. The other thing which I do want to go back to is a lot of the conversation for casualty is around commercial auto. That is an insignificant part of our reserve base. The second thing is we've spent a lot of time talking about rate coming through on the accident year for casualty. And one of the things that's important is when we talk about the need for rate, we are talking about the need for margin for the risk that we're taking.

So we feel as if we're in a good position for the portfolio, but we want to make sure that we enhance the margin because we're looking at this over 10 years, and the margin that we're getting today is not the margin that we would target over a 10-year.

So the book balance is in good shape. I believe we've got a great process, which reflects the uncertainty that emerges in casualty and reflecting that uncertainty by being cautious and slow. And then we are in a position where we're enjoying the benefit of a shared view of a difficult casualty market, harvesting additional rate, which will help enhance margin.

David Motemaden^ Got it. And then it definitely sounds like you guys stepped up the engagement with the casualty ceding this quarter.

I guess how far along are we in that information gathering process? And I guess is that something where we should expect you guys to reflect what you've gleaned from those conversations in your reserves and in your picks in addition to what has happened this quarter?

Robert Qutub^ Yes. I would say, so we're -- in the normal part of business, the submissions come in 10/1, 11/1, 12/1, 1/1. And we started much earlier than that, and we engage with the brokers and the clients directly to let them know that we're seeing this in aggregate data.

Because we see the whole market, we're not a lot aligned on just one company's data, and we could see where the trends were and where they weren't and what we needed to be able to help price that as accurate as possible. Very positive conversations.

And the first focus of the outcome will be for us to select our portfolio. Price the right rate, price the right ceding commission and make the right risk decisions into 2025. And we'll continue to keep you updated as we see more information on trends evolving, but that's the area of focus. And besides just the data, we're also getting the right level of information about claim settlement practices and underwriting adjustments, which all of those work together in order to create the right results into the future.

Operator^ And that was our final question from the audience today. Mr. O'Donnell I'm happy to turn it back to you, sir, for any additional or closing remarks.

Kevin O'Donnell^ Thank you, everybody, for joining today's call.

We're looking forward to the 1-month renewal and looking forward to talking to you in February. Thanks again.

Operator^ Ladies gentlemen, this concludes the RenaissanceRe third quarter 2024 earnings call and webcast.

Please disconnect your line at this time. And have a wonderful day.