

Horace Mann Educators Corporation NYSE:HMN

FQ3 2024 Earnings Call Transcripts

Tuesday, November 5, 2024 6:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.75	0.76	▲ 1.33	1.06	2.56	NA
Revenue (mm)	411.50	412.10	▲ 0.15	417.03	1604.70	NA

Currency: USD

Consensus as of Nov-05-2024 9:30 PM GMT

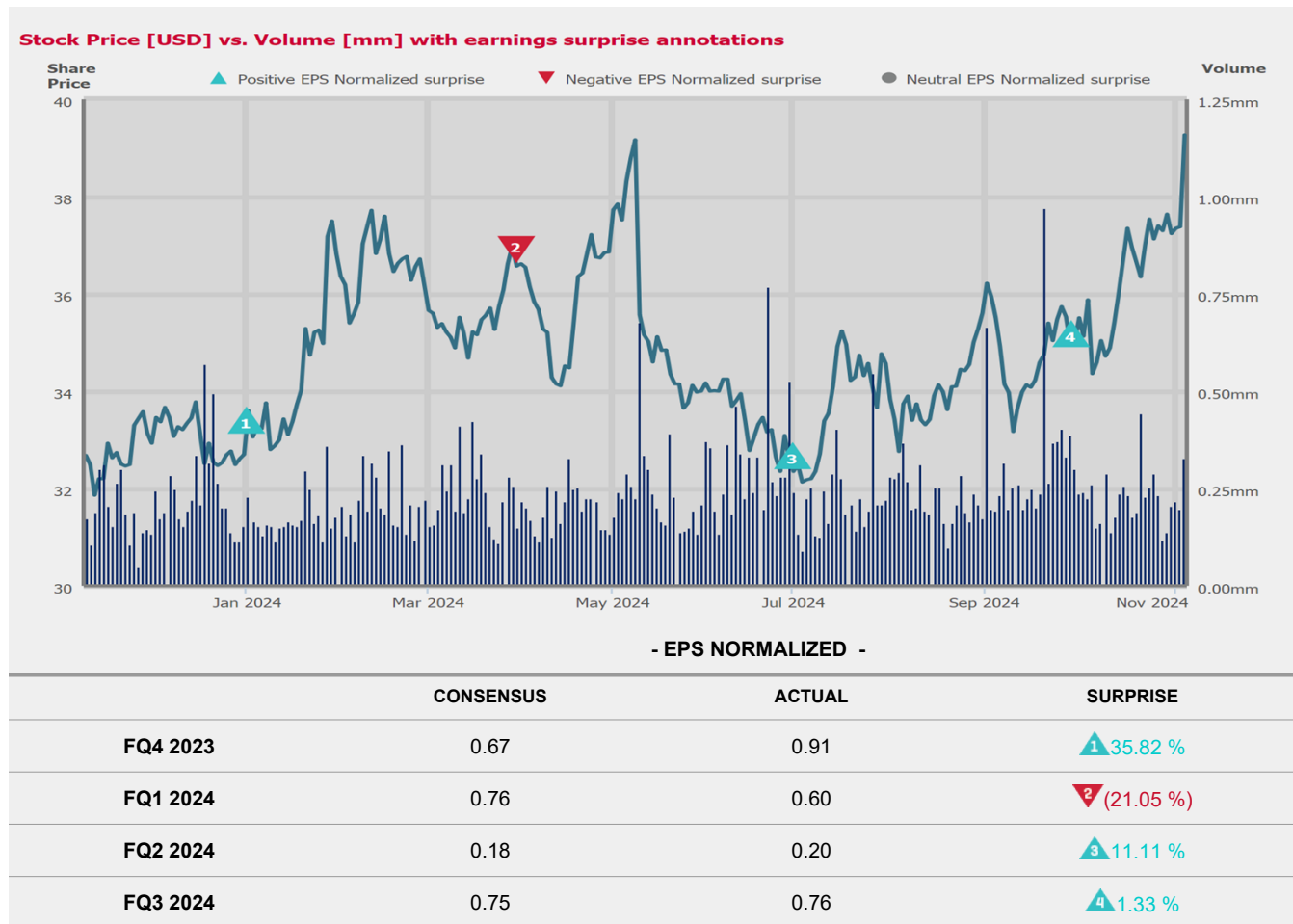


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Call Participants

EXECUTIVES

Brendan Dawal

Marita Zuraitis

President, CEO & Director

Mark Richard Desrochers

*Chief Corporate Actuary & SVP of
Property and Casualty*

Ryan Edward Greenier

*Executive VP, CFO & Chief Investment
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Stephen Joseph McAnena

Executive Officer

ANALYSTS

John Bakewell Barnidge

Piper Sandler & Co., Research Division

Unknown Analyst

Wilma Carter Jackson Burdis

*Raymond James & Associates, Inc.,
Research Division*

Presentation

Operator

Good day, and welcome to the Horace Mann Educators' Third Quarter 2024 Investor Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to hand the call to Brendan Dawal, Vice President of Investor Relations. Please go ahead.

Brendan Dawal

Thank you. Welcome to Horace Mann's discussion of our third quarter results. Yesterday, we issued our earnings release, 10-Q, investor supplement, and investor presentation. Copies are available on the Investors page on our website.

Marita Zuraitis, President and Chief Executive Officer; and Ryan Greenier, Executive Vice President and Chief Financial Officer, will give the formal remarks on today's call. With us for Q&A, we have Bret Conklin, Steve McAnena, and Mark Desrochers.

Before turning it over to Marita, I want to note that our presentation today includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The company cautions investors that any forward-looking statements include risks and uncertainties and are not guarantees of future performance. These forward-looking statements are based on management's current expectations, and we assume no obligation to update them. Actual results may differ materially due to a variety of factors, which are described in our news release and SEC filings.

In our prepared remarks, we use some non-GAAP measures. Reconciliations of these measures to the most comparable GAAP measures are available in our investor supplement.

I'll now turn the call over to Marita.

Marita Zuraitis

President, CEO & Director

Thanks, Brendan, and hello, everyone. Yesterday, we reported third quarter core earnings of \$0.76 per diluted share, a 73% increase over prior year and in line with the guidance we set at midyear. Revenues were up 9%, and we saw double-digit sales increases in auto, life, and individual supplemental lines.

We are maintaining guidance and continue to expect core EPS in the range of \$2.40 to \$2.70 for the full year and remain on a solid track to meet our strategic goals of a larger share of the education market and a sustainable double-digit shareholder return on equity in 2025.

I want to start today by thanking our claims team for their tireless efforts to take care of our customers affected by Hurricane Helene. We estimate the storm caused \$22.5 million in damages for our policyholders, primarily in the Carolinas and Georgia. Because of our frontline team's compassionate and swift response, we were able to deliver on the promise of distinctive service to our customers in their time of need.

There's a lot of moving parts in the Property and Casualty results, but what I want to highlight is the progress we have made in our underlying loss ratios due to our multiyear P&C profitability restoration strategy of rate and non-rate actions.

In auto, our underlying loss ratio was 71.5%, a 8.2 point improvement over prior year. In property, it was 41.4%, a 20.4 point improvement over prior year. In the bigger picture, it means even in a quarter like this one, when a single catastrophe event adds 12 points to the combined ratio, we are able to remain profitable in the segment.

Our reported combined ratio of just under 98% was nearly a 19-point improvement over third quarter 2023. With additional rate planned in the fourth quarter, our profit restoration actions will be largely complete, and we will be rate adequate in aggregate across the country.

That progress, combined with the steady revenue and earnings diversification provided by the Life and Retirement and Supplemental and Group Benefits segments reinforces our efforts to accelerate growth. We expect to reach the inflection point in auto policy growth by the latter part of 2025.

With target profitability levels expected in 2025, we expect that mid-single-digit rate increases will keep pace with anticipated loss trends, but we will continually monitor and react as necessary.

Before I speak to this quarter's business performance, I want to take a step back to highlight the strength of Horace Mann's value proposition and what makes us unique in the marketplaces we serve. Our multiline approach enables us to empower educators and others who serve their communities to achieve lifelong financial success with solutions and support for each stage of their careers.

For us, the value of a lifelong loyal customer with multiple lines of business is greater than the sum of the parts. From a business perspective, this means earnings and revenue diversification to profitably grow through various economic cycles and conditions as well as deliver consistent and reliable value to our shareholders.

Third quarter encompasses the back-to-school season and our dedicated agency force spent that time in schools, hosting events and providing support to local educators and school districts.

In retail, we saw strong results, including 24% increase in auto sales and a 14% increase in life sales. 403(b) deposits, which include our Retirement Advantage mutual fund platform accounts were up 9% over prior year. It is worth noting that our close ratio in property and casualty remains consistent, which means the increases in sales volume is directly related to increased quote activity.

In addition, our agency recruiting efforts remain healthy. We see continued success with our agency mentorship program, where we pair high potential new recruits with an established successful agent. We are seeing more new agents reach key milestones faster, and we continue to be strategic with agent geographic placement to maximize key opportunities.

At the same time, we are seeing an increase in digital leads as we continue to invest in our omnichannel marketing approach. Following upgrades to our website and quoting functionality that were implemented earlier this year, we realized a 50% increase in quotes started online. We continue to optimize our processes to further improve digital quoting effectiveness.

In the worksite division, we are pleased with the strong sales activity in the individual supplemental line. We saw a 20% increase in sales over prior year and continue to surpass pre-pandemic sales levels. Our customers and agents are responding well to our product features and enhancements, which meet specific customer demand and provide higher average premiums. Agent productivity is up and agent enthusiasm is high.

We continue to build on our relationship with the International Association of Firefighters. Our strategic partnership with this group has continued to expand over the last 3 years and now accounts for more than 20% of new individual supplemental sales.

In the employer-sponsored business, our number of covered lives grew to 842,000, a 2% increase over prior year, although new business sales were behind a very good 2023 result. In this relatively small book, a handful of cases can skew comparisons quarter-over-quarter.

Our persistency remains strong at over 94% and the specific timing of new cases can make quarter-over-quarter comparisons challenging. In addition, we continue to leverage our existing broker partnerships to expand distribution and are adding more partners.

From a corporate perspective, our net investment income remains in line with the guidance we provided at midyear. If you recall, in the second quarter, we recorded unfavorable mark-to-market valuation adjustments related to our commercial mortgage fund portfolio, the majority of which is held in our Life and Retirement segment.

As we noted at the time, improving market factors could create a tailwind for CMLs in future quarters, and third quarter results reflect early signs of stabilization in the results. We are well on our way to booking the \$10 million to \$12 million of commercial loan mortgage income we estimated for the second half of the year.

Before I close, I'd also like to acknowledge Horace Mann's continued commitment to supporting educators' financial wellness. Last month, in partnership with TransUnion, we launched HMScore, an online platform to help educators across the country build strong credit habits through practical credit education and interactive credit tools.

Among its offerings, HMScore provides access to individuals, TransUnion credit report and score, credit monitoring, and a score simulation tool. Any educator can sign up for the online service for free. This product fits into our already robust complementary financial wellness offerings for educators, including individualized student loan solutions, online accounts, and workshops covering topics like comprehensive retirement planning and financial literacy.

In closing, we have successfully executed our plan to reach rate adequacy across the P&C book and are on track to achieve segment underwriting profitability on a full year basis in 2024. With a clear line of sight to target profitability in all businesses, we will

continue to invest in growth opportunities in 2025 while maintaining expense discipline. I look forward to achieving our 2025 goals of a double-digit shareholder return on equity and a larger share of the education market and building on those achievements in the years ahead.

One last note. As many of you know, last month, Ryan Greenier was promoted to Chief Financial Officer of Horace Mann. He and Bret Conklin have been working closely together over the past year to ensure a successful transition. I deeply appreciate Bret's commitment and leadership as CFO over the past 8 years.

Thank you. And with that, I'll turn the call over to Ryan.

Ryan Edward Greenier
Executive VP, CFO & Chief Investment Officer

Thanks, Marita. I am excited to take on the new role and continue to partner with the executive leadership team to support the educational community and drive long-term shareholder value creation.

Now to the results. Third quarter core earnings were \$31.3 million or \$0.76 per diluted share, well above the prior year result of \$0.44. We continue to expect full year 2024 core EPS in the range of \$2.40 to \$2.70. Today, I'll talk through results by segment and close with a recap of our capital management strategy.

First, in Property Casualty. Net written premiums of \$212 million, increased by 13% over prior year, primarily on higher average written premiums. The reported combined ratio of 97.9% improved 19 points over the prior year. Higher catastrophe losses were more than offset by strong underlying results and favorable prior year development.

Taking each of those components individually. Catastrophe losses were \$34 million, including \$22.5 million from Hurricane Helene compared to \$28.7 million in catastrophe losses in third quarter 2023. We believe our Helene losses, which added 12 points to the combined ratio, were in line with our market share and comparable to others in the industry. Hurricane Milton was a fourth quarter event, but because we have an immaterial amount of exposure in Florida, we expect losses to be close to 0.

The P&C underlying loss ratio of 60.7%, improved 12.6 points over prior year, reflecting the rate and non-rate actions we've taken to restore P&C profitability. We released \$13 million in prior year development, the majority of which is from lower-than-expected severity and auto liability claims from accident year 2022 and prior. We also released prior year reserves in property due to lower severity than expected, reflecting cooling inflation trends.

In auto, net written premiums of \$129 million, increased 9% over prior year, primarily on rate actions. The combined ratio of 92.8%, improved 16 points over prior year, split nearly evenly between underlying loss ratio improvement and favorable reserve development. Policyholder retention remained strong at 86.6% despite significant rate actions.

In property, net written premiums were \$83 million, an 18% increase over prior year. The underlying combined ratio of 66.9%, improved 20 points over the prior year. Total combined ratio improvement over the prior year also included 7 points of favorable prior year development, partially offset by 4 points of higher catastrophe losses. Despite higher premiums, our policyholder retention remained strong at 90.1%.

Looking ahead, the fourth quarter has historically been a seasonally high frequency quarter for auto. However, we are on track to achieve underwriting profitability in Property Casualty on a full year basis. We remain confident in our guidance range of \$36 million to \$39 million in full year core earnings for the segment.

The Life and Retirement segment contributed \$14.8 million to core earnings, below prior year, primarily due to lower net interest margins. I'll discuss the full net investment income picture in a minute, but we remain confident in reaching our full year guidance of \$50 million to \$56 million in core earnings for this segment.

Net written premiums and contract deposits of \$156 million were a slight increase over prior year. In the retirement business, deposits in our core 403(b) products increased by 9% and persistency remained steady at 91.5%. Annualized life sales increased 14% over prior year. Mortality costs for the quarter were higher than the previous year, but within actuarial expectations. Persistency remained strong at 96%.

Moving to worksite. The Supplemental and Group Benefits segment contributed \$14.8 million to core earnings, a decrease of 6% due to a 3.7 point increase in the blended benefits ratio over the prior year. We anticipate the blended benefit ratio will continue to move towards guided levels. Premiums and contract charges earned were \$63 million, down slightly from prior year.

Total segment sales of \$7.5 million, were down over a strong prior year. However, individual supplemental sales were up 20% in the third quarter, and we continue to see strong momentum. For the full year, we remain confident in our guidance of \$49 million to \$52 million in core earnings for this segment.

Turning to investments. Total net investment income of \$113 million, was down 5% and flat year-to-date. In our core fixed maturities portfolio, which represents about 80% of our total investments, income was up slightly over prior year. Our core fixed income new money yield in the third quarter was 5.48%, which exceeded the portfolio book yield by 122 basis points.

The portfolio remains high quality at A+ with an average duration of 7 years. It is concentrated in investment-grade corporates, municipals, and high-quality agency, and Agency MBS securities.

The commercial mortgage loan fund portfolio represents about 9% of our total investments. Last quarter, we took unfavorable mark-to-market valuation adjustments on several of these funds, which follow the equity method of accounting. These adjustments did not impact cash returns, and we noted at the time that as the underlying loans mature and pay off or refinance at par, we would expect to see a corresponding tailwind in investment income.

We are beginning to see early signs of this positive trend with a \$9.9 million contribution to net investment income in the quarter. For comparison, we booked \$4.2 million in the first half of the year.

The limited partnership portfolio represents about 7% of total investments. In the quarter, income declined due to negative performance in some equity-related funds. For the full year, we remain comfortable with the guidance range provided of \$440 million to \$450 million in total net investment income.

I would like to end today's remarks underscoring Horace Mann's commitment to improve long-term shareholder value creation and reach a consistent and sustainable double-digit ROE. Our third quarter core annualized return on equity is 8.4%, a 3.4 point improvement over the prior year, and it reflects continued progress towards our goal of a sustainable double-digit return on equity in 2025.

Our annual shareholder dividend provides a compelling yield, and we are committed to annual increases. We've done so for the past 16 years. Additionally, we continue to opportunistically buy back shares when market conditions are favorable. Year-to-date, we have repurchased 256,000 shares at a total cost of \$8.5 million at an average gross price of \$33.31. We have about \$26 million left on our current share repurchase authorization.

Most importantly, when operating at target profitability, the most accretive use of capital to drive shareholder value creation is profitable growth. Looking ahead to 2025, we are confident in our ability to generate a sustainable double-digit ROE and will be at or above target profitability in all segments. I'm excited for what's ahead and energized by our growth opportunities. Thank you. Operator, we're ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Meyer Shields of KBW.

Unknown Analyst

This is Dean on for Meyer. I wanted to start with the core loss ratio within personal auto. Given that the reserve releases were strong over the past few quarters, which implies that the prior year losses are coming down and coupled with just the moderating loss trends in the current year, I think I was expecting a bit more core loss ratio improvement within auto. So could you just -- anything you could say on that? And how should we expect those initial loss picks as well going forward within auto?

Marita Zuraitis

President, CEO & Director

Yes, thank you for your question. There's a lot in that. And I break it down into 2 pieces. First, we probably should tackle the prior year development piece, and then we can talk about auto loss ratio, combined ratio, both in this quarter, sorry, and how we feel about it on an ongoing basis. From a prior year development standpoint, I'll have Ryan give you a few more details in a minute. But I want to start with the fact that, and I think you all know this, we have a strong and consistent reserve process.

As you know, we reported some prior year development in the second quarter in other than BI. And also in the second quarter, we started to see some early signs of what I'd call potential favorable development trends in the injury lines from 2022 and prior. And also in the third quarter process, we start to see this favorable trend clearly, which is why we reported what we reported in the third quarter. I don't know what you have to add to that, Ryan.

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

Sure. I guess I'd just add a little bit of color on auto. So auto was an \$8 million prior year reserve release. And as Marita said, that's injury liability from accident year '22 and earlier. Paid severity is emerging lower than we initially expected. And so what we're seeing is we're seeing claims severity settling in trends in the low to mid-single digits. And so we reacted to that this quarter. Importantly, we did not make any adjustments for accident year '23.

And then finally, the other component of it, property was \$5 million of the release. And similar to auto, we're seeing paid severity emerging lower than we initially expected, and we think that's clearly tied to the inflationary pressure that we're seeing cooling off.

Marita Zuraitis

President, CEO & Director

Yes. Thanks, Ryan. And the other half of your question revolves around loss ratio, combined ratio, which probably has more to do with auto rate adequacy than anything else. But even there, I think you have to remember our strategy. We're a niche multiline writer. I think the strength of our customer retention and how strong those retention numbers are and how strong they're holding up in this pricing environment is really key for us. We may be a quarter or 2 behind the giants, if you will, in the auto line as our rate changes earn in, but we're clearly on track.

I don't know if you want to add anything to that, Mark?

Mark Richard Desrochers

Chief Corporate Actuary & SVP of Property and Casualty

Yes. I think, Marita, you're focused on the right thing that we were probably a quarter or 2 behind some of the larger folks in the industry. So our earn-in time frame is lasting a little bit longer. But I'd add to that a little bit, as we've seen this increasing rate environment over the last couple of years, we've seen a shift in our book of business, which if you go back a couple of years ago, was probably 70% or a little bit north 6-month policies. And right now, we're probably a tad under 60%. So that shift alone is probably driving a difference in what your expectations might be by as much as about a point on the loss ratio.

So one, we will see that earn-in continue into the rest of this year and into next year. But also when you look at just the additional rate actions we've been taking probably a little bit, like we said, a quarter or 2 behind the rest in the industry. We have expectation that our earned impact going into next year will still be a double-digit year-over-year change and probably even more when we look at

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early in the year, closer to mid-teens level year-over-year change in earned premium. So we believe it's coming. We believe we're rate adequate because the rate actions that we've needed are all in place, and they just kind of have to earn their way through.

Marita Zuraitis

President, CEO & Director

And pretty much coming in very close to what our internal plans have been for quite a while.

Unknown Analyst

That was very comprehensive. For my follow-up, just I want to shift to the Life and Retirement segment. I noticed that deposits were up year-over-year for the variable annuities, but they were down for your fixed and your fixed index annuities. How do you expect that trend to play out over time? Or is that just -- how should we think about that into 2025?

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

Sure. This is Ryan. I'll take your question. Our mix of business in the 403(b) and annuity space is pretty consistent. The K-12 educator demographic, which forms the bulk of our annuity customer base, tends to prefer a lower-risk fixed and fixed index type of product. Even when they select our variable annuity products, they still tend to have a sizable component in the fixed account.

I think it's important to note that our variable annuity products don't have living benefits. They're pretty simple asset accumulation tools for our demographic that we target. So you'll see quarter-over-quarter variability, if you will, depending on case size, et cetera. But overall, it's a pretty consistent book.

Marita Zuraitis

President, CEO & Director

Ryan, well said, I mean, we've been in the 403(b) business since there have been 403(b)s. We're one of the largest writers in the country. And for decades, you can see that consistency in retention of assets in 403(b) core products that we offer. And in the other products, they tend to move a little bit with the economy as some people might chase interest rates. But for our segment, our core book tends to be, we use the word ballast. Some folks can say that's not a very exciting word, but it is our ballast, and it does provide consistent earnings year-over-year and tends not to move and a big part of our customer retention.

Operator

The next question comes from John Barnidge of Piper Sandler.

John Bakewell Barnidge

Piper Sandler & Co., Research Division

Can you talk about the growth opportunity in the segments across the organization now that you're approaching rate adequacy, both in the educator and those adjacent markets you're looking to grow in?

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

So John, I think you weren't coming through really clear. I think what I heard you say was you want us to talk about the growth opportunity we see in the educator and non-educator segments as we approach rate adequacy. Is that -- did I frame that right?

John Bakewell Barnidge

Piper Sandler & Co., Research Division

Ryan, you heard great, yes.

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

Okay.

Marita Zuraitis

President, CEO & Director

Yes. Let me kind of break this down between auto first and then maybe supplemental and group benefits after that. Before I turn it over to Mark to see if he has any comments on auto growth, I want to start with the fact that we have more agents, our agents are more productive. We've got increased web traffic. We have better digital tools. And our sales numbers are very strong. And we are clearly on track for PIF growth in the latter half of 2025 in auto, but I know Mark probably has some more details to add to that.

Mark Richard Desrochers

Chief Corporate Actuary & SVP of Property and Casualty

Yes. I mean I think the important thing to remember here is that we are clearly entering an environment where many of the competitors feel like the profitability issues are behind them and competition will heat up. But right now, as Marita said in the opening script, our close rates are actually holding pretty strong. I would have actually predicted given where I thought the competition would go that that we might have seen some drop off, but we haven't. But we're going to have to watch that closely.

And I think the most important factor for us is going to be, can we keep that quote volume up. And I think some of the investments that Marita just alluded to, whether it be in our distribution plant and hiring more agents or driving digital lead activity is going to help us not only maintain pace, but hopefully, as we go into 2025, increase that lead funnel.

Marita Zuraitis

President, CEO & Director

Yes. Well said, Mark. And if you look at the J.D. Power studies or any of the others, shopping behavior is still at an all-time high, and we've certainly been a benefit of that shopping behavior. So if you want to turn to supplemental and group benefits, before I turn it over to Steve for a few more details, we continue to see clear value in this business. I think it's important for us to reiterate the fact that the earnings power and earnings diversification of this business is clear. The customer acquisition benefit continues to pull through.

And if you think about our individual business, we're now seeing record sales in our group business, as we mentioned in the script, we're seeing a nice increase in covered lives. And I think it's important for us to remember that the MNL acquisition that brought us the group capability was 2.5 years ahead of -- I mean, behind the NTA acquisition that gave us the individual capabilities. And we've been in this individual business now for 2.5 years longer than the group business. And make no mistake, we are excited about the value and the future that these businesses bring us. Steve?

Stephen Joseph McAnena

Executive Officer

Yes. Thanks for the question, John. And I think building on what Marita said, I'll just talk about worksite. I'll divide my comments into 2 parts because the businesses are fundamentally different. And Marita said it, on the individual supplemental side, we continue to see really strong new business growth.

And there's a couple of things going on there. One is, we're increasing the number of specialists or agents selling the products. We see some improvements in productivity, and we're adding a few additional schools and emergency services, et cetera. So I think our view there is steady, strong growth as we go forward.

Employer-sponsored or group sales, it's a totally different business, totally different model. And I think given our book size and sort of what I would say is the inherent variability in our case sizes, we can sometimes make comparisons when we look at the numbers in the supplement pretty challenging quarter-to-quarter. In fact, it can be challenging year-over-year. Kind of to make that real, by way of example, third quarter of '23, I think our largest case was somewhere around \$800,000. For the full year '23, the largest case was north of \$1.2 million. This year, and we're having, we think, a solid year, our largest case is \$400,000.

And so sort of in the group space, just like I said, given the book size, given the inherent variability in case sizes, comparisons year-over-year are tricky. When I sort of look back and think about the overall health performance of the business, we obviously start with new business sales, but then we also look at and Marita referenced this growth of lives, and that's up around 2%, persistency is strong, 94%.

So we feel when we look at those measures and the sales on the group side, gives us a pretty complete view of the performance of the business that the fundamentals are in pretty good shape, sort of a strong foundation to be able to grow the business going forward.

I think the last thing I'd say is as we peer ahead to 2025, given the nature of the sales cycle for employer-sponsored, meaning we sell policies, or sorry, cases today that are effective 3, 6, 9 months down the road, we see pretty strong activity and successes, and that gives us a pretty decent degree of confidence as we ramp up the 2025 sales cycle.

So in short, on the worksite side, individual supplemental continues to grow at a healthy clip. Employer-sponsored group benefits producing healthy growth. Near-term activity looks pretty good, and we feel pretty good about '25 as we head into that, extremely encouraging numbers that we see coming up for '25.

John Bakewell Barnidge

Piper Sandler & Co., Research Division

And my follow-up question, Ryan, you had some comments about commercial real estate and commercial loan income stabilizing and seeing some early signs there. As we think about annual marks that would come in, in the first quarter, should we begin thinking about those becoming gains as opposed to losses or write-downs?

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

Thanks for your question, John. Look, it was a good quarter for CMLs. The annualized quarterly return was 6.4%, and we did still see a little bit of drag of unrealized losses on that return, about a 2% drag versus the cash base -- the cash return, but that drag is starting to slow. So I'm encouraged at the early signs of stabilization we're seeing. But at the same time, it's too soon to say with certainty exactly how these are going to come in and over what period. We left our forecast for the second half at \$10 million to \$12 million. We have nearly \$10 million of that in hand with the third quarter number. So I hope that gives you a little bit of color of how we're thinking about it.

Operator

The next question comes from Wilma Burdis of Raymond James.

Wilma Carter Jackson Burdis

Raymond James & Associates, Inc., Research Division

Can you talk a little bit about how you think about share repurchases going into 4Q, given the cat results have been pretty much in line for the first 3 quarters of the year?

Ryan Edward Greenier

Executive VP, CFO & Chief Investment Officer

Hello, Wilma, this is Ryan. Thanks for the question. When I think about share buyback and use of capital, since you heard in the script, we have a clear line of sight to sustainable double-digit ROEs in 2025. And so this clearly increases our level of conviction in capital deployment. Our first priority is growth. Our second, if you will, we're committed to a compelling dividend. And finally, our approach on the buyback has been opportunistic.

But I'll point out that we purchased at various price points. So it's not a static equation. We're taking a multiyear view and continue to have optimism for a higher share price commensurate with earnings growth and multiple expansion as we execute on our goal of a sustainable double-digit ROE. So we are tracking ahead of last year, and we're comfortable using that lever when it makes sense.

Marita Zuraitis

President, CEO & Director

Yes. Well said, Ryan, on a run rate basis, our capital accumulation is right on track with what we had talked about and where we thought we would be at this point.

Wilma Carter Jackson Burdis

Raymond James & Associates, Inc., Research Division

And then maybe you could dive a little bit more into the PYDs, the favorable PYDs and just, I guess, a little bit more detail on the drivers and any expectations for, I guess, continued reviews there going forward?

Marita Zuraitis

President, CEO & Director

Yes. I don't know if there's too much more to add. I mean we have a consistent process. It's a strong process, as we've said before. When we looked in the second quarter, we released what was appropriate in the other than injury lines. Like I said, we started to see the potential beginnings of some favorable development in the injury lines.

We wanted to see it clearly. We saw that clearly in the third quarter, which is why we released what we released. And there's not much more to say other than the fact that you go through that consistent process. You call it when you see it, and we clearly saw it in the third quarter. I mean if you have anything specific, we'd be glad to address your question.

Wilma Carter Jackson Burdis

Raymond James & Associates, Inc., Research Division

No, I think that helps.

Operator

This concludes our question-and-answer session. I'd like to turn the call over to Brendan Dawal for any closing remarks.

Brendan Dawal

We'd like to thank you for joining our call today. Please reach out to us if there are any additional questions. And have a great day.

Operator

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

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