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Pelagos Insurance Capital Ltd. (PLGO)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Pelagos Insurance Capital Third Quarter 2026 Earnings Conference Call. As a reminder, this call is being recorded for replay purposes. Following the conclusion of formal remarks, the management team will host a question-and-answer session and instructions will be given at that time.

With that, I would now like to turn the call over to Miranda Hunter, Group Chief Investor Relations Officer. Ms. Hunter, please go ahead.

Miranda Hunter

Group Chief Investor Relations Officer, Pelagos Insurance Capital Ltd.

Good morning and welcome to Pelagos Insurance Capital third quarter 2026 earnings conference call. With me today are Dan Burrows, our CEO; Allan Decleir, our CFO; and Jonny Strickle, our Group Managing Director. Before we begin, I'd like to remind everyone that statements made during the call, including the question-and-answer section, will include forward-looking statements. Management's comments regarding expectations, projections, targets and any future results are based upon current assessments and assumptions and are subject to a number of risks, uncertainties and emerging information developing over time. It's important to note that actual results may differ materially from those expressed or implied today. Additional information regarding factors shaping these outcomes can be found in our SEC filings, including our earnings press release issued last night.

Management will also make reference to certain non-GAAP proprietary measures of financial performance. The reconciliations to US GAAP for each non-GAAP financial measure, as well as descriptions of proprietary financial measures, can be found in our earnings press release and financial supplement available on our website at pelagosinsurancecapital.com.

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

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Daniel David Burrows

Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

Thanks, Miranda. Good morning, everyone, and thank you for joining us today. We delivered another successful quarter reflecting the strength of our capital allocator model with a 15.3% annualized operating ROAE. As I reflect on this strong performance, I want to highlight once again the three key points that stand out as our defining attributes of our business. First, we delivered a 5.3% increase in gross premiums written this quarter, in line with our expectations provided on the last call as we continue to find attractive opportunities to deploy capital. Our ability to respond quickly to evolving market conditions and dynamically allocate capital across our diverse and growing network of underwriting partners enables us to grow in lines with favorable risk-adjusted returns.

With our expanding network of underwriting partners, we have already bound more than $400 million of premium outside of The Fidelis Partnership in the first three quarters of 2026. This distribution network is broadening our access to attractive risks in both existing and new lines and is the primary driver of our 6.4% year-to-date growth. And as you will hear today, we are positioned to accelerate this trajectory.

Second, our portfolio continues to deliver attractive returns. Against the backdrop of heightened loss activity amid ongoing global geopolitical conflicts, we delivered a combined ratio of 91.5% in the third quarter and 89.6% over the last 12 months. Our 15.3% annualized operating ROAE in the quarter is a clear reflection of our successful ability to deploy capital across multiple avenues to create shareholder value.

And third, alongside strong growth, we extended our track record of returning excess capital to shareholders. During the quarter, we returned $95 million to shareholders, including repurchasing $83 million of common shares. This included $35 million in a privately negotiated transaction with Pine Brook. Last week, we announced another meaningful expansion of our capital management initiatives with the replenishment of our common share repurchase authorization to $400 million and an increase to our quarterly dividends to $0.22 per share. Taken together, these three points reflect the very core of our strategy, driving growth, deploying capital to opportunities, offering the most attractive returns and returning capital to shareholders.

In fact, there is no better reflection of the success of our capital allocator model to date than the balance we have achieved between capital returns and profitable underwriting, adding $2.23 to our book value per share through share repurchases since the inception of the program in 2024 while delivering premium growth of 40% over the same period.

Turning to performance across each of our segments, within Insurance, we delivered 13% growth in gross premiums written in the third quarter, driven by Marine War and continued diversification into lower volatility lines within our other insurance line of business. Similar to the trends we shared last quarter, Marine War, political risk and political violence, all experienced strong demand, driven by ongoing geopolitical tensions, including in the Middle East conflict where there has been a significant and prolonged escalation of maritime war breach underwriting activity. The situation remains fluid and we maintained our agile approach, executing in the open market and actively managing our portfolio at the individual risk level.

Within Marine War, opportunities arose in the back half of the quarter that aligns with our risk appetite. We were able to respond quickly to support our clients while maintaining our discipline and focus on long-term profitability. Asset-backed finance and portfolio credit remains an important part of our portfolio as we continue to see demand for our bespoke transaction structures. Our focus is on risk-adjusted returns and counterparty quality and we continue to see a strong pipeline, supported by new transactions from returning clients and the broadening of participation from financial institutions.

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In Property, we continued to see rate adequacy with terms and conditions holding steady. As a market leader, we benefit from greater differentiation and are well-positioned to capitalize on opportunities across the broader market, given our expertise, line size and unique access points. And we maintained our disciplined approach, walking away from risks that did not meet our return hurdles.

Turning to Reinsurance, property reinsurance gross premiums written declined year-over-year, largely due to the restructuring of one client's outwards program. Excluding this impact, our premiums would have been broadly flat, and we expect some of that premium to return through a different program early next year. We are pleased with the results of the July renewal season. While property reinsurance remains competitive, we've been able to mitigate pricing pressure by shifting capacity towards quota share deals over excessive loss, leaning into the cross-selling initiatives and leveraging our deep client relationships. We are also benefiting from improved outwards reinsurance instruments, which are enhancing margins and returns. Our scale and differentiated view of risk continue to enable us to identify opportunities without chasing premium at the expense of returns.

Before I hand it over to Allan to discuss our third quarter results in more detail, I'd like to take a moment to highlight how our capital allocation model uniquely positions us in this market. Our business is built around three key strengths: expertise, optionality and agility. Together, they allow us to respond to changing market conditions, access a broader range of opportunities, and allocate capital where we see the most attractive returns. No single underwriting team sees every opportunity. By partnering with multiple leading underwriting teams, each with distinct access, relationships, expertise and distribution channels, we see a broader range of opportunities than any individual partner alone. That allows us to compare, select and allocate capital to the risks that offer the most attractive returns, creating a stronger and more diversified portfolio.

We have a strong pipeline from our expanding underwriting partner network, which we expect to remain a core driver of our growth. That is how we intend to scale, not by doing more everything, but by being increasingly selective, effective and coordinated in how we deploy capital. It's a model built to adapt through the cycle and capitalize on opportunities as they emerge. And it gives us confidence in our ability to accelerate top line growth, deliver our through-the-cycle ROAE target of 13% to 15%, and create lasting value for shareholders.

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

Allan Carl Decleir

Group Chief Financial Officer & Executive Director, Pelagos Insurance Capital Ltd.

Thanks, Dan. We delivered operating net income of $83 million or $1 per diluted common share in the third quarter, generating an annualized operating return on average equity of 15.3%. Our diluted book value per share, excluding AOCI, was $27.11, increasing 12% since year end.

Taking a look at our quarterly results. We grew our gross premiums written by 5.3% versus the same quarter last year to $840 million. The growth in our Insurance segment was primarily driven by our Marine and Other Insurance lines of business, as we continued to see attractive opportunities in Marine War and further diversified into lower volatility lines.

In Reinsurance, the reduction in the quarter primarily related to the restructuring of one of our clients' programs. Excluding that timing impact, premiums would have been broadly flat. Our net premiums earned in Insurance were $634 million, ahead of the guidance we gave last quarter, primarily reflecting higher Marine War premium written and earned during the quarter. In Reinsurance, net premiums earned were within our expectations at $150 million.

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Looking to the fourth quarter, we expect net earned premiums to be $550 million to $600 million in Insurance and $85 million to $105 million in Reinsurance. Our combined ratio was 91.5% for the quarter and 92.4% for the first nine months of 2026. I'll now break down the components of our combined ratio in more detail.

For the quarter, our catastrophe and large losses were 14.8 points of the combined ratio or $116 million, all within our Insurance segment. These losses were primarily related to losses from the ongoing conflicts in the Black Sea and Middle East, with the Black Sea losses related to business written before the recent reescalation in the region. During the quarter, our attritional loss ratio was 29.5 points of the combined ratio. Most of our attritional loss originates from the Insurance segment, which year-to-date is running at 30.8 points and in line with our long-term expectations for this segment.

Some of the opportunities we've seen more recently in our Insurance segment are lower volatility, and those typically come with low or no catastrophe and large loss ratio, but a higher attritional loss ratio. So, as our business mix changes and evolves over time, the split between attritional and cat and large loss will evolve with it. As we've indicated previously, we expect an overall loss ratio in the mid-40s. We recognized $5 million of net adverse prior year development in the quarter or a 0.6-point impact on the combined ratio. This was primarily related to our political risk, violence and terror line of business, and was largely offset by better-than-expected loss emergence in multiple lines of business in our Insurance segment and continued favorable development in our Reinsurance segment. And as noted previously, given our business mix, most of our prior year development tends to emerge during the first half of the year. And year-to-date, we have favorable development of $31 million.

Turning to expenses. Policy acquisition expenses were 30.4 points of the combined ratio for the third quarter, consistent with 29.9 points in the prior year period. Policy acquisition expenses to TFP were 12.4 points of the combined ratio in the quarter, compared to 14.5 points in the prior year period. As we continue to expand our underwriting partnerships beyond TFP, this ratio will naturally continue to decline. Finally, our general and administrative expenses were $29.5 million for the quarter, consistent with our expectations.

Moving on to our investment results. Our net investment income was $45 million, consistent with our income last quarter. As of September 30, 91% of our portfolio is in cash and fixed maturity securities. Our fixed maturities have an average rating of A+ with a yield of 4.9%. As part of our active investment portfolio management, we've increased duration to 3 years, compared with 2.7 years a year ago. Our new money yield for fixed maturities was 5.4%. While the vast majority of our mark-to-market losses flow through accumulated other comprehensive income, we also recognized $27 million of net realized and unrealized investment losses impacting our income statement. These losses were primarily driven by the impact of rising interest rates on our fixed income investments.

Turning to taxes, our effective tax rate for the third quarter continued to be 16.0%. Now looking at capital management. Last week, we announced that our board approved a replenishment of our $400 million share repurchase authorization. The board also approved an increase to our quarterly common dividend to $0.22 per share, bringing our dividend yield to 3.2%. We remain in a very strong capital position. This strength has enabled us to grow our underwriting portfolio, return capital to shareholders and maintain significant flexibility in how we deploy capital.

During the third quarter, we repurchased 3.4 million common shares for $83 million at an average price of $24.55 per share. This included a further $35 million of shares that were repurchased through a privately negotiated transaction with Pine Brook, one of our founding shareholders. In the first nine months of the year, we repurchased $363 million of common shares, and this contributed $0.99 to our diluted book value per share. In total, we are pleased to have returned over $400 million to shareholders year-to-date when including dividends.

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In summary, we once again delivered a strong quarter, reflecting the quality of our portfolio, the resilience of our earnings and our effective capital management. As this quarter demonstrates, we are generating attractive returns, continuing to grow book value per share and creating long-term value for our shareholders.

And with that, I will now turn the call over to Jonny.

Jonathan Strickle

Group Managing Director, Pelagos Insurance Capital Ltd.

Thanks, Allan, and good morning, everyone. As Dan discussed, a key strength of our capital allocator model is access to a network of leading underwriting specialists, including our relationship with The Fidelis Partnership and our expanding network of underwriting partners. This approach creates new avenues for profitable growth by giving us multiple ways to access risk and optimize capital deployment. Our structure enables us to see more opportunities and adapt to changing market conditions.

Our model is built around our ability to allocate capital to the right areas, select the best partners, stay close to the underlying risk, and use outwards protection to optimize the shape of the portfolio. This becomes even more important in a competitive market where being able to optimize across all of these areas allows us to generate better risk-adjusted returns.

At the portfolio level, this year we have started to deploy more capital toward opportunities with low or no exposure to catastrophe and large loss events. The objective is to make our portfolio more resilient by reducing volatility and enhancing diversification, while improving our expected return profile. As planned, our expanding network of underwriting partners is a meaningful part of our business, representing around 10% of our gross premiums written year-to-date. These partners continue to deliver top line growth and bottom line performance that exceeds our long-term performance targets, both this quarter and since we began broadening our network.

Importantly, as we've said before, we take a selective approach to growing our network. We will only add new partners who not only have attractive economics, but also strength in the portfolio, whether through differentiated access, specialized expertise or meaningful diversification. As such, growing with our existing partners is core to our strategy, which we can do in two ways, by participating in the organic growth of our partners' portfolios and by increasing our share of the business that they write.

Complementing our inwards strategy, outwards reinsurance remains an important part of how we actively manage the portfolio. It allows us to take meaningful gross positions where we see attractive opportunities while managing our net exposures, reducing volatility and optimizing our use of capital. As we shared last quarter, effective July 1, we added a new Whole Account quota share arrangement with a leading US insurance partner. This both adds another source of strategic capacity and also validates our underwriting strategy and the attractive opportunities we are generating across our expanding underwriting partner network. We've also agreed to renew our Whole Account quota share with Travelers for 2027 who continue to be a valued strategic partner for us.

Together, the continued expansion of our network of underwriting partners and the flexibility provided by our strategic use of outwards reinsurance are key components of our capital allocator model. With a strong and growing pipeline of great new partners and opportunities to further scale our existing relationships, we are positioned to continue our momentum through the end of 2026 and into 2027. To build on what Dan said at the outset, we expect the fourth quarter to be our strongest growth quarter of the year, putting full year 2026 premium growth at the high end of the mid-single-digit range we previously shared.

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With that, I'll hand it back to Dan.

Daniel David Burrows

Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

Thanks, Jonny. Our performance for the first nine months of the year highlights the strengths of our capital allocator model: broad differentiated access to the market, flexibility in how we deploy capital, and the ability to actively manage our portfolio to generate attractive returns in a range of market conditions. And importantly, we are translating these advantages into tangible results. Looking ahead, our number one priority remains building on this momentum. Our strong pipeline of opportunities across our growing network of underwriting partners offers multiple avenues to accelerate growth even as we remain disciplined in how and where we deploy our capital. As we continue to scale, our focus is on consistent execution as we build an increasingly diversified, resilient business focused on delivering attractive returns on equity and meaningful value creation for our shareholders.

With that, operator, we will now open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] We'll also briefly what any questions are registered. The first question is from the line of Andrew Andersen with Jefferies. You may begin.

Andrew Andersen

Analyst, Jefferies LLC

Q

Hey, good morning. You had mentioned you're positioned to accelerate top line growth from the current 6% year-to-date. As we look into 2027, could you kind of frame those drivers a bit more and the magnitude of that acceleration? Are we thinking about 2027 gross growth kind of in the mid-single digit or greater range?

Daniel David Burrows

Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah. Hi, Andrew. Great question. It's Dan here. I'll kick that one off. I think it's a good place to start just remind our ability to grow. We've demonstrated that over the last three years since the inception of the business in 2023, gross premiums written are up by about 67%. We now have a partner network of 16. So, we've been able to show that we can grow profitably, onboard partners, increase premium growth. But what we do look at is rate adequacy. We're only interested in profitable growth. So, I think, yes, this quarter demonstrates that again, when we look in Q4, we expect that to be the strongest growth of the year. We're very excited about the pipeline moving into 2027 and the quality of the pipeline.

So, yeah, I think broadly, we'll be in line above that kind of mid single-digit growth for this year, perhaps towards the higher end of that mid-single-digit. And then next year, a similar number, but it's a bit early to talk about that. We'll give you more transparency around the growth plans and where we're at probably on the next earnings call. But we do have a great pipeline and we're very excited about the quality of it.

Jonathan Strickle

Group Managing Director, Pelagos Insurance Capital Ltd.

A

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Yeah, and it's Jonny here. I'll just add to that on some of our new partnerships outside The Fidelis Partnership. As we've added them on, it's not just attractive economics we've looked at from them, it's been adding something new that we don't have at the moment, whether that's a different point of access to an existing market, access into a new market, a new leading team with specialist expertise somewhere. So, broadening the number of options we have to deploy capital to, we're now finding to be a real engine for profitable growth going forward and keeping the portfolio where we want it to be. So, I'd point out with those new partners, growth can really come from three different places: we can increase the share we take of that portfolio, whether that's over the whole thing or adding new products or new classes of business on with them.

Many of them are organically growing themselves. So, even if we keep the same share, we benefit from the growth that they have coming through the portfolio. That's particularly true for a couple of our biggest new partners, Oak and Euclid Mortgage. And obviously, we can add new partners. And as Dan said, we've got a very strong pipeline of those into Q4 and into 2027. We've said before that probably less than 5% of the partners that we see make it through. But there is a really strong pipeline and some of those are looking very promising.

Andrew Andersen
Analyst, Jefferies LLC

Q

Thanks. And could you discuss a bit more kind of how pricing is relative to loss trends and these Marine and Political Risk lines and perhaps how you're thinking about the incremental margin on the recent premium growth in particularly Marine and Political Risk?

Daniel David Burrows
Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah, great question, Andrew. And again, it's Dan here. I'll kick it off. So, as I kind of stated, we focus on rate adequacy, not renewal indexes, which we don't think tell the whole story. If you look at something like aviation, we've seen increase in rating, but we don't see the rate adequacy to really expand our exposures. So, that's where we start as a capital allocator. I think when we look at the broader environment market-wise, it's obviously been a low severity year thus far for nat cat, it's wise to expect we'll see a bit more pressure in certain areas, but it's about rate adequacy. When we think of cat and we think of property direct, we've got excellent loss ratios over the last two or three years. And a lot of our businesses, we have over 100 different lines of business, we have a very diversified portfolio, many of those lines aren't actually exposed to the traditional market cycles. I think that really makes us stand out, but maybe I'll pass it over to Jonny.

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

Yeah, I'd just add to that for Marine and Political Risk in particular, obviously, if you're talking about risks in the live conflict zone at the moment, those are paying multiple of the premium they would have pre-conflict. That's why they're an attractive area for us to take risk still. Clearly, the risk environment's greatly increased, but we think the premiums increased by more than enough to offset that in those areas. We've written a pretty significant book of Marine War breach premium, which is one of the drivers of the net earned premium beat in the quarter. That's run very well. It's a sub-20% loss ratio, the business that we've written since the conflict broke out there.

In terms of the wider market post conflict in those two areas, I think there is a sizable market loss coming from the current situation and would expect that to begin to put pressure on rates more generally going forward in those lines.

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Andrew Andersen
Analyst, Jefferies LLC

Q

Thank you.

Operator: The next question comes from the line of Matt Carletti with Citizens Bank. You may begin.

Matthew J. Carletti
Analyst, Citizens JMP Securities LLC

Q

Hey, good morning. Do you guys think about growing the business and the piece of the book, that's the new partners and the piece of the book that's The Fidelis Partnership. Is there a long-term goal in mind of how you'd like to see the balance of those two? Or should we think of it as being more dictated by where the market is at any given point in time?

Daniel David Burrows
Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah, great question, Matt. Thanks for that. It's Dan here. So, I think we previously stated that when we think about growth with new partners, we expect that to be somewhere around 20% to 30% of our overall portfolio in the coming years. We don't really set targets. We don't want to be forced into writing premium. We want to focus on adequacy and scaling with existing partners and new partners as best we can. But yeah, we're certainly excited about the new partner network and that's ever expanding.

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

Yeah, this is Jonny here.

Matthew J. Carletti
Analyst, Citizens JMP Securities LLC

Q

Great.

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

Just to add to that and give you a couple of examples, Matt. If you think about The Fidelis Partnership, they've been a great partner for us on the Marine Breach premium. I don't think there is a better team in the market to write into a live conflict with the data and the expertise and experience they have in that area. But new underwriting partners are opening up different points of market access in lines of business that we do with The Fidelis Partnership. So, for example, The Fidelis Partnership might do bigger ticket items and our new partner target more the SME market or do E&S for The Fidelis Partnership, homeowners with a new partner. So, that's kind of how we tried to approach it, adding complimentary access to different parts of the market.

Matthew J. Carletti
Analyst, Citizens JMP Securities LLC

Q

Great. Thank you. And then if I could sneak another one in, can you just give a little more color on the adverse development in PVT during the quarter, just kind of what sort of exposure it was, maybe how long ago? Any – just peel the onion back a little bit would be great. Thank you.

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Allan Carl Decleir
Group Chief Financial Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Hey, Matt, it's Allan. I'll start and pass it over to Jonny. Yeah, we're – due to the short-term nature of our book, most of our prior year development tends to emerge in the first half of the year and year-to-date, our prior year development is a positive $31 million, with only $5 million of adverse during the quarter, which is 0.6 points of our combined ratio.

As the driver of the adverse development this quarter, as you know, is in the Insurance segment. It came primarily from our PVT line of business. We do not see any change in our long-term assumptions for this line of business.

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

And Matt, to give a bit more color on that, it was the 25 accident year loss. It's something where we sit higher up, we're aware of the underlying event, but as we got an update this quarter, it tipped into our layer that was unexpected and we booked it. And to Allan's point, I think if that happened in Q1 or Q2, then it would be far less noticeable because that's where most of our experience emerges. Anything in Q3 and Q4 is much more likely to stick out because by that point we've released most of the IBNR in the year that we're going to release.

Matthew J. Carletti
Analyst, Citizens JMP Securities LLC

Q

That makes sense. Thank you for the color.

Operator: The next question is from the line of Meyer Shields with KBW. You may begin.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thanks so much. Dan, you mentioned or maybe it was Allan, I apologize. Just talking about how new lines of business are less volatile, does that increase your appetite for some of the volatile lines with legacy partnerships? Or is the goal to have a less volatile overall portfolio?

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

Yeah. Meyer, I'll take that one. It's Jonny here. I think if we look at our profile at the moment, the goal is to diversify more and yes, bring down overall volatility in the portfolio. I mean, we're not trying to write lines with more volatility. 20% of our books, property cat reinsurance. I think trying to find the right balance between where volatility pays well in the market and lines of business, which we think can be stable and bring more balance to the book is something we've had a big focus on this year.

Daniel David Burrows
Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah, Meyer, and I think a very important part of that in terms of volatility is our outwards reinsurance strategy, the protection that we can buy. We've seen that to be a very competitive market and we'll continue to look for opportunities to reduce volatility. But it's getting the balance right, which is what we're aiming to do going forward.

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Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, that's very helpful. Second question, and I'm not really sure how to phrase this, but if you can give us some sort of guidelines for how you think about the attractiveness of the share price? And I'm asking because you're sort of still a unique animal in publicly traded insurance space.

Allan Carl Decleir
Group Chief Financial Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah, I'll start, Meyer. Yeah. As we noted, we've increased our share reauthorization plan to $400 million and increased our dividend along with that during the quarter. We continued to buyback shares this quarter and year-to-date, as I indicated. We bought back $363 million worth of shares and over $750 million since inception of 2023. Our focus is on value creation. It's how we measure ourselves. First port of call is always profitable underwriting. Capital management is an important tool to unlock value of business, but we'll be very careful and measured in how we approach our share buyback program going forward.

Daniel David Burrows
Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah, look, I think, Meyer, the way I think about it is we're very pleased in the momentum in the stock price, but we know there's a long way to go until we unlock the true value of the business. So, book value is growing, premium is growing, we've returned $850 million-plus to our shareholders. So, we think we should be trading at a significant multiple to book. But there's still value in all of the actions that we're taking.

Meyer Shields
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. That's very helpful. Thank you so much.

Operator: The next question is from the line of Pablo Singzon with JPMorgan. You may begin.

Pablo S. Singzon
Analyst, JPMorgan Securities LLC

Q

Hi. Thank you. Are you able to size the premium and underwriting income benefits in Marine War this quarter? And how much of that continues into 4Q?

Jonathan Strickle
Group Managing Director, Pelagos Insurance Capital Ltd.

A

The line wasn't great there, Pablo. I think you're asking about the sizing of the Marine War premium in the quarter, is that right?

Pablo S. Singzon
Analyst, JPMorgan Securities LLC

Q

Yes. The benefit to premium, and if you can, some sense of the benefit to underwriting income, Jonny, I think you said sub 20% attritional, so I presume it's quite profitable. So, any sense of how much that drove underwriting income this quarter and how much of that might show up in 4Q?

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Jonathan Strickle

Group Managing Director, Pelagos Insurance Capital Ltd.

A

Sure. I can kick off on that one. I mean, in terms of top line, we've guided to mid-single digits for the year. I mentioned in my prepared remarks that we're thinking, we'll come towards the top end of that by the end of the year. I think without Marine War, we still would have been in line with that target. So, Marine War has pushed us to the top end of it in terms of income is kind of how I think about it. In terms of profitability, the business we've written and post-conflict, it's been particularly profitable. We said sub-20% loss ratio for that. If I think about the entire war book, including premium that we've written prior to the conflict as well, that's running kind of mid-40s for the year. So, the war hasn't been overall a boost to profitability in the Insurance segment. But between the pre and post conflict writings, it's about in line with our plan.

Pablo S. Singzon

Analyst, JPMorgan Securities LLC

Q

Thank you. And then the second question, you had discussed how the loss ratio profile of your new partners will skew more attritional. I was curious if you could discuss what their acquisition expense ratio looks like? And I guess, it's the bottom line here that you'll end up with the same combined, whether you write through TFP or any of these new partners? Thanks.

Allan Carl Decleir

Group Chief Financial Officer & Executive Director, Pelagos Insurance Capital Ltd.

A

Yeah. Pablo, it's Allan here. You got it exactly right there. We look at the combined ratio in its entirety. As you know, we have very high hurdle rates from our other partners. There can be a change in the mix of acquisition cost versus loss ratio, although again, we still believe that mid-40s loss ratio for this year overall is the right number. And if it's insurance, two-thirds attritional, one-third cat and large loss. So, I think overall, the economics need to meet the hurdles. We're still comfortable with the rating environment for those partners. But it's no real change to how we look at overall business. It's just the component pieces might be a little bit different in the combined ratio.

Jonathan Strickle

Group Managing Director, Pelagos Insurance Capital Ltd.

A

And Jonny here, just to add to that quickly, the other significant thing for us when we think about new opportunities is volatility around them. Since whether we can get features like loss ratio caps in, event caps, it's the availability and use of outwards reinsurance to help protect it and factoring the cost of that in. It's the line size that's deployed, all of those things factor into our thoughts around the attractiveness of each opportunity versus each other.

Operator: Thank you. There are no further questions registered. [Operator Instructions] There are no further questions registered. At this time, I'll turn the call back over to Dan.

Daniel David Burrows

Group Chief Executive Officer & Executive Director, Pelagos Insurance Capital Ltd.

Yeah, thank you very much. We appreciate everyone joining us today. Just to let you know if there are any additional questions, we're always here to take your calls. We thank you for your ongoing support and I hope you all have a great day. Thanks very much for dialing in.

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Operator: Thank you. That concludes today's conference call. Thank you for participating. You may now disconnect.

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