Q3 2015 Earnings Call

Company Participants

- Albert A. Benchimol
- Joseph C. Henry
- Linda Ventresca

Other Participants

- Charles J. Sebaski
- Christopher Campbell
- Michael Nannizzi
- Ryan Byrnes
- Vinay Misquith

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and welcome Third Quarter 2015 AXIS Capital Earnings Conference Call. All participants will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

Now I would like to turn the conference over to Linda Ventresca, Director of Investor Relations. Ms. Ventresca, please go ahead.

Linda Ventresca {BIO 5930519 <GO>}

Thank you, Keith, and good morning, ladies and gentlemen.

I'm happy to welcome you to our conference call to discuss the financial results for AXIS Capital for the third quarter ended September 30, 2015. Our earnings press release and financial supplement were issued yesterday evening after the market closed. If you would like copies, please visit the Investor Information section of our website, www.axiscapital.com.

We set aside an hour for today's call, which is also available as an audio webcast through the Investor Information section of our website. A replay of the teleconference will be available by dialing 877-344-7529 in United States and the international number is 412-317-0088. The conference code for both replay dial-in numbers is 10068213.

With me on today's call are Albert Benchimol, our President and CEO; and Joe Henry, our CFO. Before I turn the call over to Albert, I will remind everyone that the statements made during this call, including the question-and-answer session, which are not historical facts, may be forward-looking statements within the meaning of the U.S. Federal Securities Laws.

Forward-looking statements contained in this presentation include, but are not limited to, information regarding our estimate of losses related to catastrophes, policies and other loss events; general economic, capital and credit market conditions; future growth prospects; financial results and capital management initiatives; evaluation of losses and loss reserves; investment strategies; investment portfolio and market performance; impact to the marketplace with respect to changes in pricing models; and our expectations regarding pricing and other market conditions.

These are important factors that could cause actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements as they are further described in the risk factors set forth in AXIS' most recent report on Form 10-K and our other documents on file with the SEC. We undertake no obligation to update or revise publicly any forward-looking statements whether as a result of new information, future events, or otherwise.

In addition, this presentation contains information regarding operating income, our consolidated underwriting income, and adjusted group and segment results, which are non-GAAP financial measures within the meaning of the U.S. Federal Securities Laws. For a reconciliation of these items to the most directly comparable GAAP financial measures, please refer to our press release and financial supplement, which can be found on our website.

With that, I'd like to turn the call over to Albert.

Albert A. Benchimol {BIO 2023727 <GO>}

Thanks, Linda; and good morning, ladies and gentlemen. Thank you for joining us today.

Last night, AXIS reported third quarter net income available to common shareholders of $248 million or $2.50 per diluted common share. On an operating basis, we report net income of $51 million or $0.51 per diluted share.

The operating income excludes a termination fee of $280 million following the cancellation of the amalgamation agreement with PartnerRe, and a charge approximately $46 million relating to the reorganization that we communicated to you earlier this month.

This quarter's results include several positive developments from the targeted portfolio enhancement actions we have undertaken over the last 18 months. We are pleased to observe the accident share loss ratio excluding catastrophe and weather improved by almost 0.5 point year-over-year despite the adverse impact of rate declines, unusually high marine losses, and lower amount of earned catastrophe premium.

This speaks to the great work our underwriters are doing to diversify and optimize the risk and returns in our various portfolios using our enhanced data analytic capabilities. However, we also experienced higher cat losses in the prior year, including $30 million relating to the Tianjin explosion and much lower investment results, reflecting the weak performance of the equity markets in the quarter.

Overall, we reported a consolidated combined ratio of 96.6% including 4.7 points of cats and 4.9 points of favorable prior year reserve development. Prior year favorable reserve development remains strong despite the actions taken to strengthen reserves for the professional lines portfolio in Australia, a big part of the retail insurance operations in Australia in which we decided to exit as part of our reorganization announced a few weeks ago.

We ended the quarter with diluted book value per share of $53.68, an increase of 8% over the last year. Adjusted for dividends, diluted book value grew 4% in the quarter and 10% over the past 12 months. During the quarter, we returned over $270 million in capital to our shareholders through share repurchases and common share dividends, repurchasing 4% of our shares outstanding at the end of last quarter.

Notwithstanding competitive market conditions, we're still finding opportunities for growth as our commitment declined service, responsiveness, and strong claims management continue to differentiate us in the eyes of clients and brokers. Gross premiums written in the quarter increased 6% on a constant currency basis to $937 million.

Our insurance segment gross premiums written were up 11% on a constant currency basis. The increase was primarily driven by growth in accidental health. Outside of A&H, the insurance segment was flat overall as growth in attractive areas and success in our initiatives introducing less volatile business into our portfolio were offset by a reduction in activity where we found fewer opportunities. These reductions were generally in the more competitive, often volatile business classes.

Within our reinsurance business, premiums were up 21% after adjusting for the impact of currency and multiyear contracts. While we are both writing and retaining less catastrophe business, our reinsurance teams are also working closely with clients and brokers to identify and deliver highly valued coverages to our cedents. We've been working diligently to respond to market changes afoot, and we are confident that our efforts to prune businesses, challenged over the long-term, advanced attractive new initiatives, optimize our portfolio and enhance the efficiency of our platform, position us well to continue to deliver shareholder value against the backdrop of an increasingly difficult market.

And now, Joe will walk us through the results. Joe?

Joseph C. Henry {BIO 13390626 <GO>}

Thank you, Albert, and good morning, everyone.

During the quarter, we generated positive results, which included operating income of $51 million, and an annualized operating ROE of 3.9%. Our net income for the quarter was $248 million compared to $279 million in Q3 2014. Our diluted book value per common share grew to $53.68, an increase of 4% compared to last quarter and an increase of 8% over the last 12 months.

Adjusting for common dividends declared, the increase in book value per share was 10% over the last 12 months. Our net income this quarter reflected the termination fee of $280 million and $35 million in merger expense reimbursement received following the termination of our amalgamation agreement with PartnerRe.

During the quarter, we also implemented a number of profitability enhancement initiatives including the wind-down of our Australian retail insurance operations, which resulted in the recognition of reorganization and related expenses of $46 million and additional corporate expenses of $5 million. Our results continue to benefit from continued favorable prior year development in loss reserves and a decrease in our general and administrative of expenses.

Our net income this square was impacted by a decrease in net earned premiums and an increase in catastrophe and weather-related losses driven by the losses related to the Tianjin port explosion. We also reported decrease in our net investment income, net realized investment losses, and an increase in unrealized losses on our available-for-sale investment portfolio, which reflected the negative performance of equity markets, the widening of credit spreads in non-government bonds and foreign exchange volatility in the third quarter.

As you are no doubt aware, the global investment markets continue to be volatile and the performance of the markets since the end of September has been positive resulting in a substantial recovery of the losses we reported in the third quarter.

Moving into the details of the income statement, our third quarter gross premiums written increased by 4% to $937 million. After adjusting for the impacts of movements in foreign exchange rates, the quarter-on-quarter increase was 6% with an increase in our insurance segment partially offset by a decrease in our reinsurance segment.

For the third quarter, our insurance segment reported growth in top-line of $51 million or 9%. Adjusted for FX, the growth was 11%. We reported increased premiums written in our accident and health lines driven by new business primarily in the Middle East.

Our liability lines increased reflecting continued growth in our U.S. primary and excess casualty business, and we experienced growth in our credit and political lines. These increases were partially offset by the reductions in aviation lines mainly due to timing differences.

Our reinsurance top-line growth was down 12% – excuse me, $12 million or 3%, 2% on a constant currency basis this quarter compared to the same period in 2014. Similar to what we reported in earlier quarters this year, the variances in our reinsurance premiums continue to be impacted by a significant number of treaties written on a multiyear basis during 2014, which reduced premium available for renewal during the current quarter. After adjusting for the impact of multiyear contracts and FX, our reinsurance gross premiums written increased by $59 million or 21%. The increase was primarily driven by liability lines due to increased participations and new business and property lines due primarily to a large new proportional treaty.

These increases were partly offset by a decrease in catastrophe lines driven by continued difficult market conditions and resulting treaty restructurings. On a year-to-date basis, our total gross premiums writtens were $3.8 billion, a decrease of 4%, 1% without FX, compared to the same period in 2014. The variance was driven by decreases in the reinsurance segment due to the impacts of the contracts written on a multiyear basis as well as the negative impact of foreign exchange movements.

After adjusting for the multiyear contracts and FX, reinsurance gross premiums written increased by $23 million year-over-year driven by motor lines due to new business and favorable premium adjustments as well as new business in property and liability lines. These increases were partially offset by lower premiums in property catastrophe, agriculture, and professional lines driven by treaty restructurings and non-renewals.

The decrease in reinsurance was partially offset by growth in insurance with increases in accident and health and liability lines for the same reasons I discussed in the quarterly results, which were partially offset by decreases in the property lines reflecting continued competitive market conditions. Our net premiums written are down 1% for the quarter and 8% for the year. The movements reflect variances in the level of gross premiums written as well as an increase in premiums ceded across both of our segments.

Premiums ceded increased in insurance driven by increased reinsurance protection purchased primarily in our professional lines and changes in the business mix. Increased retrocessions in our reinsurance cat lines also contributed to the overall increase in premiums ceded. Our net premiums earned decreased by 5% to $919 million in the third quarter of 2015 and by 5% to $2.8 billion for the year-to-date compared to the same periods in last year.

Net premium earned decreases 3% on a constant currency basis reflected reductions in both segments. The reinsurance segment decrease reflects reduction in the business written in certain lines of business, most notably catastrophe in recent periods as well as an increase in the premium ceded reflecting the increased catastrophe retrocessional covers. In insurance, the growth in business written in recent periods was more than offset by the increase in ceded premiums.

Our third quarter consolidated current accident year loss ratio increased by 2.1 points to 65.9% compared to the same period of last year. During the quarter, we reported $43 million in losses related to catastrophe and weather events including the Tianjin port explosion of $30 million and adverse weather losses in the U.S. of $13 million, which compared to the $22 million of such losses reported in the same period of last year.

Our ex-cat and weather current year loss ratio decreased modestly by four tenths of 1% to 61.1% primarily due to an improvement in loss experience in our agriculture lines. You will recall that 2014 was a very difficult year for the agricultural line of business while so far in 2015 experience for this business has been much closer to expectations.

The improvements in agriculture during 2015 were partially offset by a change in the mix of business in our reinsurance segment and the impact of lower rates. Our reinsurance segment loss ratio was impacted by an increase in catastrophe and weather losses during the quarter. We reported $24 million of such losses including $20 million related to Tianjin compared to $3 million reported in the same period last year.

After adjusting for cat and weather events, the current accident year loss ratio was consistent with 2014 at 62.3%. The reinsurance segment's loss ratio increased primarily due to changes in business mix.

As we have reported in prior quarters, we continue to take actions aimed at reducing the volatility of our book of business, primarily by reducing the level of business written in catastrophe lines. These lines have seen pricing in terms deteriorate for a number of periods, and industry conditions are expected to remain difficult.

We have also increased our writings in more stable, longer tail lines of business such as motor and liability. While these lines are less volatile in terms of losses incurred, they do attract higher loss ratio compared to the catastrophe lines, which increases the overall segment loss ratio in periods of relatively low catastrophe loss activity.

During Q3, 2015 we also reported higher losses incurred in the credit and surety lines, however, these increases have been fully offset by the improvement in the agricultural loss provisions.

During the third quarter, our insurance segment reported $19 million of catastrophe and weather-related losses including $10 million for Tianjin compared to $19 million during the same quarter of 2014.

After adjusting for these events, the current accident year loss ratio decreased 0.7 tenths of 1% to 59.9%. Insurance segment loss ratio benefited from decreases in property and credit and political risk, midsized and attritional losses and improvements due to changes in our business mix which more than offset the impact of lower rates which reflect current challenging market conditions.

We also noted continue loss ratio improvements in our U.S. professional lines following the significant efforts aimed at reshaping this book of business over the last 18 months. In this quarter, these improvements were partially offset by increased loss experience in our

Australian professional book, which we announced earlier this month as being wound down.

The improvement noted in our insurance lines was also partially offset by a higher incidence of Marine midsized losses driven by an above-average number of large industry events. While this line of business can from time to time be exposed to significant loss events, I would like to emphasize that this line of business has been historically very profitable for our company.

In the first nine months of 2015, our current accident year loss ratio was 65.8% compared to 63.7%. Current year was impacted by the Tianjin port loss explosion of $30 million and weather events of $60 million, and while in the same period last year we reported catastrophe and weather events of $72 million.

After adjusting for these events, the current accident year loss ratio increased by 1.3% to 62.5%, primarily due to a change in the business mix and the impact of lower rates, partially offset by improvements in the reinsurance agricultural lines.

On year-to-date basis, the reinsurance segment current accident year loss ratio, net of cat and weather was up 2.4% to 62.3% compared to 2014, primarily due to the changes in business mix I discussed earlier and the impact of lower rates partially offset by an improvement in agricultural loss provisions. Our insurance segment current accident year loss ratio net of cat and weather was comparable year over year at 62.6% with decreases in property midsized losses and decreases in professional lines due to the profit improvement actions, offset by the increase in marine midsized losses, a higher credit and political risk loss ratio and the impact of lower rates.

Turning to loss reserves established in prior years, our results continue to benefit from net favorable loss development, which aggregated $45 million during the third quarter. Short-tail classes in both segments contributed $38 million of this balance, primarily reflecting better than expected loss emergence as well as reserve reductions related to storm Sandy, a $15 million in our insurance segment.

For the year-to-date, these short-tail lines contributed $61 million of net favorable prior-year development. In addition, we continue to give way to actual methods that reflect our favorable experience for liability and professional reinsurance business, which contributed a further $13 million of favorable development for the quarter.

Favorable prior year loss development was also reported in motor and credit and surety reinsurance lines of $9 million and $7 million respectively, which was partially offset by adverse loss developments in the insurance, professional and liability lines of $15 million and $6 million, respectively. Adverse development in our insurance professional lines reflected reserve strengthening resulting from an updated actuarial assumption for our Australian professional lines and was partially offset by favorable development in certain of our U.S. professional lines.

The net adverse development on insurance liability business primarily related to a higher frequency of large auto liability claims. On a year-to-date basis, our favorable loss development was $166 million compared to $193 million recognized during the first nine months of 2014.

During the third quarter and the first nine months of 2015, our acquisition cost ratio increased by 0.7 points and 0.5 points respectively, compared to the same periods in 2014 driven by increases in the reinsurance segment. These increases were primarily due to higher acquisition cost paid in certain lines of business, changes in the mix of business and adjustments related to loss sensitive features in reinsurance contracts primarily due to prior year loss reserve releases.

Our G&A ratio was 15.7% for the current quarter compared to 15.9% last year. The decrease in G&A expenses between periods was primarily driven by the receipt of amalgamation expense reimbursements from PartnerRe of $35 million and lower operational excellence initiative cost compared to last year, partially offset by PartnerRe merger related expenses incurred during the quarter of $27 million and reorganization related corporate expenses of $5 million dollars.

The reduction in net earned premiums largely mitigated the impact of the reductions in G&A expenses on the G&A ratio in the quarter and was the main driver of the increase in overall G&A ratio for the first nine months of 2015. Overall, the company reported underwriting income of $56 million and a combined ratio of 96.6% for the quarter. On a year-to-date basis, our underwriting income was $214 million with a combined ratio of 95.7%.

During the third quarter, we implemented a number of profitability enhancement initiatives, which resulted in the recognition of reorganization and related expenses of $46 million and additional corporate expenses of $5 million. The organization and related expenses included staff severance and related costs, the write-off of certain information technology assets, lease cancellation costs, and a write-down of certain customer-based intangibles, following the decision to wind down our Australian retail operations.

Net investment income was $46 million for the quarter, down from $89 million in the previous quarter and down from $67 million in the third quarter of last year. The most significant drivers of the decrease was the contribution to net investment income by our other investments portfolio.

Other investments produced a $27 million loss during the quarter versus a gain of $14 million last quarter and a loss of $3 million in the third quarter of the prior year. The decrease in net investment income from other investments was primarily due to a decrease in income from hedge funds, which were impacted by the weaker performance of the equity markets during the quarter.

Income from our fixed maturity portfolio was $76 million for the quarter, down slightly from the last quarter's $78 million and up slightly from $75 million in the prior year. In aggregate, the total return of our cash and investment portfolio was a negative 0.3% including the impact of foreign exchange movements or a negative 0.1% excluding foreign exchange movements. The total returns for the current year were impacted by the decline in pricing of our equities portfolio as a result of the decline in the global equity markets.

We continue to hold a high-quality well-diversified portfolio with cash and invested assets totaling $14.7 billion at September 30th, no change from June 30th and down $0.7 billion from a year ago. The decrease from the previous year was due to the repayment of our senior notes and a decline in pricing on our fixed maturities and equities. The duration of our fixed maturity portfolio was 3.1 years at September 30th, down slightly from 3.2 years at the end of June 2015. Our fixed maturity weighted-average credit rating remains unchanged at AA minus.

Our total capital at September 30th, 2015 was $6.8 billion including $1 billion of senior notes and $628 million of preferred equity and was in line with the $6.8 billion at December 31st, 2014. The increase in total capital due to the net income available to common shareholders generated this year, net of common share dividends was offset by the repurchase of common shares primarily due to the execution of an accelerated share repurchase agreement, which I will discuss shortly and an increase in the unrealized losses on investments.

We previously announced that effective January 1st, 2015 the share repurchase authorization program was increased to $750 million of the company's common shares effective through December 31st, 2016. However, in the first quarter, we suspended our share repurchases while the PartnerRe merger activities were ongoing.

Following the termination of the PartnerRe amalgamation agreement, we reinstated our share repurchase program. As part of this program, we entered into an accelerated share repurchase agreement to repurchase an aggregate of 300 million of our ordinary shares.

During August, we initially repurchased 4.1 million of our shares under this agreement. The schedule termination date of the ASR agreement is February 18, 2016, but it can be accelerated at any time or after November 18, 2015. The final number of shares to be delivered will be based on the company's volume weighted average price for the period from August 18, 2015 to the termination date less a discount.

At October 27, 2015, the remaining authorization under repurchase program approved by our board of directors was $444 million. While we were disappointed that the merger with PartnerRe was terminated, during the quarter, we made significant progress on the strategic goals and expansion opportunities initiated before the merger announcement.

As we announced earlier this month, we have enacted certain initiatives designed to support profitable growth and enhance shareholder value. This has led us to scale down in the areas where the returns did not meet our expectations and redeployed the capital to more attractive opportunities. We also made a number of operational improvements aimed at delivering both greater efficiencies and increased levels of client and broker support around the world.

We also continue to make progress on our ongoing expense reduction initiatives and expect to see early benefits of these initiatives to start impacting our results by the year end. In addition, our Lloyd's unit is making good progress in the London market; and during the quarter, we have further expanded the capabilities of AXIS Ventures, our third-party capital vehicle.

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

Albert A. Benchimol {BIO 2023727 <GO>}

Thank you, Joe.

Moving on to market conditions; competition in the market continues to escalate. Within our insurance segment, the overall AXIS insurance rate change for the third quarter of 2015 was minus 4%, down from minus 3% last quarter and the same level as – the same quarter last year.

Within that, our U.S. P&C business stabilized at minus 4% similar to last quarter's rate. Global professional lines deteriorated slightly to minus 2% from minus 1% last quarter while international lines continue to be the most pressure at about minus 7% compared to minus 5% in the second quarter of the year.

In the U.S. market, catastrophe exposed E&S property and large account risk managed property are the most stressed with close to 10% rate reductions. Meanwhile, primary and middle-market business is stronger, but still showing an overall decline at minus 3% for the quarter.

We've been actively balancing our property portfolio by adding smaller risks with a view toward achieving better, more stable attritional experience. Pricing in casualty lines which have driven the recent growth in our U.S. business, continues its positive trend, increasing by 2% in the quarter, slightly better than last quarter's rate, although below the plus 5% that we saw in the same quarter last year.

We expect this overall positive trend to continue. As has been widely reported, auto and transportation business is now under significant stress due to an increased frequency of loss severity. Areas with exposure to auto, such as umbrella business, including low attaching auto, are experiencing positive bias in pricing and we expect this trend to intensify.

Within our global professional lines business, pricing slipped a point in the quarter to minus 2% or minus 1% last quarter, and flat with the same quarter last year. Softening excess pricing in the management liability lines worldwide, continues while E&O rates remained slightly positive. We are proactively addressing the market challenges by continuing to shift away from those areas not generating adequate returns.

In addition, we are focused on strategic use of reinsurance in certain portfolios to better optimize the risk reward balance. Our professional lines portfolios is growing in the smaller account arena such as small lawyers. This is consistent with our overall strategy of rounding out our portfolio with more small accounts subjects to less competitive pressure. In our international division, overall rate change was minus 7%. Lines under the most pressure include terrorism, down 15%, and international property at minus 10%.

Pricing in onshore and offshore energy is down low double digits reflecting high levels of market capacity. We are hopeful that more than $2 billion of offshore energy market losses this year will slow rate reduction. We reduced activity in the most challenging international insurance lines and exited our retail insurance operations in Australia. There are nevertheless a few bright spots.

We are experiencing good growth and stable rates in renewable energy and our Lloyd's syndicate has been a successful complement to our established London market business providing us with robust topline of new business opportunities. There are still attractive risks in the market, but access to the business and risk selection are increasingly an important differentiator in the market. And from our perspective, AXIS is very well positioned in that regard.

Moving on to reinsurance, the major themes in the market have not changed. Excess capacity, strong balance sheets, and the consolidation of buying - excuse me - continues to pressure reinsurance pricing across most territories and lines of business. This has been coupled with some movement in terms of conditions. Multiyear commitments continue to be in demand, broadly impacting all lines of business.

However, on the whole, the pace of pricing erosion seems to be stabilizing. Property in the U.S., which has shown declines, is now leveling off and casualty remains relatively stable. Likewise, request for increased ceding commissions are meeting strong pushback. Given our recent experience of PCI, we are hopeful that this rising resistance to further deterioration gains traction as reductions experienced over the past three years have substantially eroded available margins in many reinsurance lines.

Every cloud has a silver lining. Market conditions are leading to more opportunities to purchase retro protection which we continue to actively use in an effort to optimize the portfolio and reduce tail volatility. Further, we're looking to expand in many areas that are currently underpenetrated, which is agricultural and weather as evidenced by our recent growth in the weather and commodity markets in Europe. We also believe that Solvency II will put some pressure on certain companies creating additional demand in certain lines and markets.

These past few months have given us ample opportunities to analyze our markets and emerging trends evaluate ourselves, and explore how we could better realize the full potential of our company. We came to a number of positive conclusions. Among them, we reconfirmed our commitment to being a global leader in specialty risks. We have a wealth of experience and expertise. This is the business in which our capabilities have been proven and we know we can generate significant value in the pursuit of growth in specialty risks.

We are committed to the hybrid model where we have global capabilities in both insurance and reinsurance. Our presence in both the insurance and reinsurance markets provides flexibility, balance, and diversification and opportunities and risks leading to more stable growth and profitability.

We are convinced our 21st century approach to capital management, whereby we will complement our own balance sheet with a broad range of third-party capital, is the right approach to evolving markets. Because it supports the delivery of significant capacity, innovation, and tailored solutions to our clients and brokers, provides valuable product and service to the investment community and rewards our shareholders with the growing stream of stable fee income.

Our discussions with clients and brokers highlighted our strong positioning in our chosen markets and reinforced our confidence in our ability to achieve our market leadership objectives. Our people have been tested, and they've delivered in outstanding fashion. Their commitment, energy, and creativity in a rapidly changing environment have been nothing short of superb.

However, we also identified a number of areas where change was appropriate. We identified a few markets where ongoing conditions and our positioning would make acceptable profitability very difficult in the foreseeable future. And retaining the status quo would generate ongoing losses in those areas.

The most evident of these is the very difficult retail Australian market. After a comprehensive review, we determined to wind down our retail operations in Australia. We very much like the Australian market and will continue to support it through our reinsurance operations and our global wholesale insurance operations.

We recognize the needs to better align our resources to our most promising profitable growth opportunities and so reduced staffing in certain less attractive lines, but also increase the staffing and resources we dedicate to more promising opportunities.

We also recognized that we must be more efficient and effective in the delivery of our products and services in a more fluid and demanding marketplace. Thus, we restructured and eliminated a number of positions across our business and support functions.

These initiatives announced earlier this month are expected to deliver in excess of $30 million in annual pre-tax expense savings, almost one point of the combined ratio based on our 2014 net premiums earned.

These recently announced actions form only parts of our delivery on the targeted profitability improvements we shared with our shareholders last summer. You will recall these initiatives had four important considerations.

The first was an improvement of our underwriting performance through the enhanced application of data and analytics to portfolio construction. In this regard, we have made significant investments in systems and actuarial resources and have already observed rewarding improvements in underwriting, particularly in professional and property lines.

We're continuing to make progress in other parts of our business. Our year-to-date consolidated results have already seen over two points of beneficial impact from our focused efforts in the insurance property and professional lines.

The second was to ensure that those of our initiatives that did not yet have appropriate scale achieved that scale on an accelerated schedule or were otherwise restructured for profitability. We continue to have success in the growth of many attractive initiatives, including our rapidly growing accident and health business and primary casualty operations in the U.S.

For example, our various insurance initiatives including accident and health on a consolidated basis reported over 30% growth in gross premiums written in the first nine months of this year. With an improvement of over 3.5 points on their combined ratio, contributing an additional 0.7-point benefit on the consolidated combined ratio. We expect additional strong profitable growth of these initiatives into 2016.

The third was to achieve a more effective and efficient operating platform and reduce our expenses. In addition to the moves announced this month, we also made significant changes to our finance and IT operations where we've restructured processes and entered into third-party sourcing relationships. We are on our way to achieve the $50 million of annualized net savings by the end of 2017 with the capabilities to better serve our clients and brokers in an efficient manner.

And the fourth step of our profitability improvement initiative was an enhanced 21st century capital management strategy. We have already been very effective in returning substantially all of our operating earnings to our shareholders in the past few years.

After giving effect to the $300 million ASR announced in August, since the beginning of 2011, we have returned to our shareholders $2.3 billion in the form of dividends and share repurchasing - repurchases representing 115% of all operating income plus the PartnerRe breakup fee earned in that time. Our board will again review our dividend and stock repurchase authorization at our next scheduled board meeting.

To conclude, we're very proud of the work that we've been doing to position our company for top-quintile industry performance. We are not immune to the pressure on industry profitability from the catastrophe reinsurance line in particular. But we have been very actively addressing this.

We believe that the methodical shift over the last few years and mix of business should lead to a less volatile portfolio. The profit enhancement and organizational efficiency initiatives should bring core underwriting and margins to attractive levels. Combined with incremental growth and invested assets, more efficient use of capital, higher operating leverage, we aim to achieve superior ROEs and growth in book value for the benefit of all our shareholders.

And with that, let's open the call for questions. Operator, please open the line.

Q&A

Operator

Thank you. And the first question comes from Mike Nannizzi from Goldman Sachs.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Thanks so much. Just one real quick one up front here, Joe, on the buyback. Can you say what was the dollar spent in the quarter on buybacks? Do you have that handy?

A - Albert A. Benchimol {BIO 2023727 <GO>}

I was talking about 4.1 billion – or 4.1 million shares and then the size of the authorization, but I don't know if I saw it in the dollar amount.

A - Joseph C. Henry {BIO 13390626 <GO>}

Mike, we are about halfway through the ASR.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Okay.

A - Joseph C. Henry {BIO 13390626 <GO>}

I'll get you the specific number. We did buy back a few additional shares beyond the ASR before we implemented it, but the number is actually $246 million to be specific.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Great. Perfect. Thank you so much. And then, on the profitability actions, restructuring efforts, to the extent that more actions are necessary in order to get to run rate savings, do you expect that there may be further charges along the way in order to monetize those eventual savings?

A - Albert A. Benchimol {BIO 2023727 <GO>}

We don't expect that. I think that we are well on our way to creating improvement on a consistent basis. So it's really changed in the way we approach the underwriting and the portfolio construction. And as you know Mike, it takes a little while for those things to earn through the income statements as you do that. There are some changes that we are making to efficiencies. As an ongoing part, I think we need to do that on a daily basis in the organization, but in terms of coordinated actions and the way that we've announced October 7th, it is not currently our intention to do that.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Okay. So you don't anticipate further head count reductions, because that would probably the more expensive from a charge standpoint?

A - Albert A. Benchimol {BIO 2023727 <GO>}

No, we have tried very hard to make sure that we identified those areas that required immediate and coordinated action. Again, what we need to do as an organization, what every organization needs to do is to make sure they're vigilant on a daily basis about the staffing, organizations of various departments. But in terms of a coordinated action like the one we announced on October 7th, it is our strong desire not to do that.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Go it. And I guess – I mean sort of thinking bigger picture, I mean, after the amalgamation agreement went away, and it seems like your strategy here is to right-size your infrastructure and expenses, and also reduce exposure to volatile lines, and sort of thinking that through, it seems at least like this year, I think in Joe's comments, you – Joe, you mentioned that the expense benefits so far from some of the actions you've taken have been somewhat chewed up by the premium declines. So the ratio hasn't – we haven't seen a ton of improvement yet.

And then, the move to less volatile lines, I would think, will cause underwriting profitability to deteriorate as you no longer being compensated for that additional volatility. I guess my question is how should we think about underlying profitability from here, and what is your own internal goal for an ROE or a return, how you define it? And how do we get there? And if it's a double-digit number in this environment, how much of the heavy lifting will reserve releases be forced to carry?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Okay. Let me see if I can address most of these comments.

The first thing that I would say is that we're not so much moving away from volatility lines. You'll recall that I mentioned earlier, excuse me, in the call, that I envision this to be the global leader in specialty risks. And specialty risk many of them have a fair amount of volatility.

What we were focusing on is making sure that we manage that volatility well. We had a few areas where we probably were taking on more volatility than was desired and that is easily managed through line size management, through reinsurance management. But we are absolutely not moving away from volatility lines. That is a core strength of AXIS.

What we are doing, however, is we are also balancing our portfolio by looking for growth in generally smaller, less volatile, more stable lines. So it's an expansion strategy, Mike, it's not a reduction strategy. So that would be the first.

I think with regards to reducing expenses, I don't believe that AXIS is alone in facing a difficult environment and making sure that we right-size the expense structure to what has been a low-growth environment over the past little while with some profit pressures because of pricing.

I think that we need to – in an environment where I believe being nimble and quick to respond is going to be a competitive advantage, we need to make sure that our operations are organized accordingly. And that is not a one-shot move. I think it's a frame of mind in the way that we approach that.

The third thing that I would say is – we have been incredibly impressed with the improvements that we are seeing in our portfolio results not because we're changing lines of business, not because we're moving away from market or another but because we are informed by significant amount of additional data and analytics, better interdisciplinary cooperation between underwriting claims, reserving pricing, all of which are guiding our underwriters to be much more selective in which parts of their business they are going after. And we see that continuing even within the existing portfolios that we are at, so all of these things point to that.

The one thing that I would say with regards to the expense ratio – let me conclude first the comment that I would make. We spoke last year about having anywhere between four to five points of improvements that we're creating. And Mike, we've already identified for you today close to three or four points of improvement.

We talked about profitability in property and professional lines having a beneficial impact of two points. We talked about the growth of the smaller businesses adding 0.7. We talked about the savings that we've put in place $30 million close to a point. We are making significant progress on the targets that we've established for you. And we fully anticipate that as these activities continue to be implanted in our business, we will see more.

The one comment that I would make is with regards to the ratio – on the expense ratio, per se. And you'll notice I spoke earlier today of $50 million as opposed to the ratio. And the reason for that is that current market conditions are giving us opportunities to improve the bottom line, in some cases, through a quota share reinsurance that provides substantial ceding commission benefits.

So, there could actually be benefits in writing premium, ceding it on a quota share basis with attractive ceding commissions, where the benefit will be seen not in the G&A ratio but actually in the acquisition expense line for business.

As far as we're concerned, as long as we can increase the bottom line for our shareholders, it ought not to matter whether it's in the acquisition expense ratio or the G&A ratio. But we're still sticking to our commitment of saving $50 million in annualized savings between 2014 and year-end 2017.

All of these, I believe, will position us to deliver top-quintile performance in the industry independent and irrespective of reserve releases over time. Because what really matters is reserve releases, as you know, are simply a question of timing. And so over a three, four, five-year period, what you're really dealing with is the core underwriting performance of the company and our core underwriting performance will be in the top quintile of the industry.

A - Joseph C. Henry {BIO 13390626 <GO>}

And Mike, it's Joe. Let me just add to that briefly.

There is a lot of noise in our results this quarter as you could probably tell with the merger, expenses, expense reimbursement, and the charge that we took. If you remove all of that from our expense ratio in the quarter, our expenses are actually down $5 million over the prior-year quarter and about $11 million your-to-date over the prior-year, year-to-date. So, what we're trying to do is shift, if you will – the discussion a little bit to dollars as opposed to ratios. If you normalize the premium decrease that we've had year-over-year, the expense ratio is actually 15.3% in the quarter and 15.3% on year-to-date basis. So, I just want to throw those out to add to what Albert said.

Q - Michael Nannizzi {BIO 15198493 <GO>}

Great. Thank you.

Operator

Thank you. And the next question comes from Vinay Misquith with Sterne Agee, CRT.

Q - Vinay Misquith {BIO 6989856 <GO>}

Hi, good morning. I just like to drill down further on these expense saves. So if I understand it correctly, number one, we have $30 million of expense saves that will come through in the future from here from the restructuring charge. Is that correct?

A - Joseph C. Henry {BIO 13390626 <GO>}

It's correct.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. The second piece is the $50 million and that's from 2014 to 2017. So the question is, how much do we have left from here on out, because you just mentioned that the expenses were down $11 million, so do we have about $40 million left from here on out?

A - Joseph C. Henry {BIO 13390626 <GO>}

No, no, no. Vinay, we've outlined $50 million worth of expense savings to get our expense ratio from where it was at the midpoint of 2014 to where it's expected to be in 2017. We expect further expense reductions from this point forward. But to date, and we've talked about this on prior calls, we've saved about $20 million in non-personnel related expenses, initiatives that we put in place for last couple years, lease cancellations, the establishment of a vendor management office, a number of things. We've consolidated frankly, management positions within the company. So we've achieved quite a bit of that.

Now, some of that, as we've also communicated in the past, we plowed back into hiring additional resources, particularly in the actuarial area where we wanted to enhance data and analytics. So, that's what we've achieved to-date. I'd quantify it as saying $20 million in non-personnel related expenses, $30 million through the charge that we just took. And then we expect further increases to get to the $60 million that we outlined in 2014.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. So the $30 million is a subset of the $50 million?

A - Joseph C. Henry {BIO 13390626 <GO>}

That's correct.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. And the improvements on the data and analytics, that's already come through mostly?

A - Joseph C. Henry {BIO 13390626 <GO>}

No. I would say that we've achieved substantial benefit from that as Albert said in his remarks. Particularly in professional lines, but we've expanded that to property lines and frankly, the insurance and reinsurance groups are completing, if you will, that across the rest of our portfolio. So we still expect further enhancements coming from the investment we've made in data and analytics.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay, sure. So, to summarize, it seems that from an expense perspective you have about $30 million to $40 million maybe over the next couple years plus in the form of data and analytics, some small improvements. And also in the scale, some of your smaller businesses you have a little bit of improvement? Does that sound about right?

A - Joseph C. Henry {BIO 13390626 <GO>}

The first part of it, I think it's a geography question. We are expecting further improvement in our loss ratio through enhancements that we've made in the data and analytics, not necessarily on the expense side.

Q - Vinay Misquith {BIO 6989856 <GO>}

Sure. Fair enough.

A - Joseph C. Henry {BIO 13390626 <GO>}

On the second question, I'm sorry, was-

A - Albert A. Benchimol {BIO 2023727 <GO>}

Can I just take this back a bit, because I – Vinay, I'm little concerned, we are throwing a lot of numbers around.

Q - Vinay Misquith {BIO 6989856 <GO>}

Yes.

A - Albert A. Benchimol {BIO 2023727 <GO>}

And I want to make sure that they are properly done. We want to achieve at least $50 million annualized savings by the fourth quarter of 2017. As Joe just mentioned, we've achieved approximately $10 million, $11 million this year through IT reorganizations, lease cancellations, so on and so forth. We've just announced to you today or earlier this month, an additional $30 million which now gives you $40 million.

We have already expenses that are on our schedule that will be coming on line or savings that will be coming on line of at least an additional $10 million which will be coming on line in 2017. That work has already been done, Vinay.

Q - Vinay Misquith {BIO 6989856 <GO>}

Sure.

A - Albert A. Benchimol {BIO 2023727 <GO>}

So, we have actually – we have now done what needs to be done to deliver $50 million. The $11 million that we've just discussed, the $30 million that we've announced on October 7th and I can tell you at least another $10 million that is already on the books as deliverable in 2017. We've made a huge amount of progress in delivering those.

Obviously, they are not yet in our financial statements today. But we have very, very strong confidence that we've taken the required actions to deliver on the commitment that we made to you to reduce our expenses and to reduce our expense ratio.

We are taking, if you would, the focus now to dollars because, depending on how we achieved savings in terms of acquisition expense ratio versus G&A, I think that could be confusing. But we are not going to move away from our target of delivering at least $50 million in savings, and I'm telling you now, we have already done all the work to deliver that. $11 million already this year, $30 million announced on October 7th and at least $10 million that is already on the books for coming online in 2017.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. That's helpful. Thank you and – go ahead.

A - Joseph C. Henry {BIO 13390626 <GO>}

Vinay, on second part of your question in terms of new initiatives, repeating a little bit of what Albert said in his preferred remarks. We've seen about a 30% increase in gross written premium from the new business initiatives, primarily on the insurance side of the house. That had a slight drag on our results and an improvement from where it was in 2014 and a slight drag on results in 2015. But we're actually assuming that we're going to see a benefit coming out of those initiatives in 2017. So, that's a swing from a slight drag to a slight benefit with increased premium coming from those new business initiatives.

A - Albert A. Benchimol {BIO 2023727 <GO>}

And that benefit was already about 0.7 points of combined ratio, this year year-to-date alone.

A - Joseph C. Henry {BIO 13390626 <GO>}

Right.

A - Albert A. Benchimol {BIO 2023727 <GO>}

And as those businesses grow further in 2016 and so on, we would expect some additional improvement as they start to contribute to the bottom line of the company.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. That's helpful. And then on the primary insurance, on the reserves related, I believe, there was a charge this quarter for the U.S. professional lines. I just want to be sure, because historically your U.S. – I mean, your insurance business, had meaningful amount of favorable. Just want to be sure that the rest of the reserves are pretty much on track and this quarter was really a bump in the road because of the professional lines business in Australia.

A - Joseph C. Henry {BIO 13390626 <GO>}

You're correct, Vinay. Basically we've strengthened reserves by a net amount of $18 million in the quarter for Australia. We actually had positive development in the rest of our remaining professional lines.

Q - Vinay Misquith {BIO 6989856 <GO>}

Okay. All right. Thank you very much.

A - Joseph C. Henry {BIO 13390626 <GO>}

Okay.

Operator

Thank you. And the next question comes from Charles Sebaski with BMO Capital Markets.

Q - Charles J. Sebaski {BIO 17349221 <GO>}

Good morning. Thank you. I don't want to belabor this. I just want to make sure I understand something on the expense side. This most recent $30 million announcement, earlier this month, is included in the $50 million that you announced in 2014 and not in addition to. So, the total expense is $50 million, not $80 million.

A - Albert A. Benchimol {BIO 2023727 <GO>}

That is correct. The $50 million was the target. And what we are giving you is a progress report on working towards that $50 million.

Q - Charles J. Sebaski {BIO 17349221 <GO>}

Okay. Thank you for that. I guess, bigger picture, just would like your thoughts on the reinsurance business. Obviously, a lot has gone on this year. And talk a bit about – conceptually maybe scale was a more appropriate means to operate in that business. And just wondering what your thoughts are on – how you go forward from here if scaling up that business is still appropriate for you guys or expectation is to grow it on absolute term or being more niche and bringing it back where you can operate into smaller lines that are more profitable. I guess, thoughts on which way, directionally, you think about it going forward.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Thank you for the question. I think that the short answer is that in reinsurance, you need a minimum amount of scale. Because if you're going to provide the resources globally for your clients, you need to make sure that you've got the representation globally to understand local businesses. You need to write multiple lines to be able to provide them multiple accounts. But once you've achieved that scale, incremental scale is not necessarily a significant benefit as probably can be proven by the fact that this is not necessarily the largest reinsurers that have the best results.

So, your next question becomes what about our scale? Well, interestingly enough, we actually believe that we are ideally scaled in the reinsurance business. If you look at the most recent listing of the leaders in the reinsurance space, I believe that AXIS Re comes across as the number 14 largest reinsurer in the world.

So, let's take a look at what is included in the companies below that. It includes Lloyd's, which is not a company, it's a market and those premiums are carried by others. It includes RGA, which is an outstanding company, but it's a life company, it's not in the business that we're in. So, it doesn't compete with us.

It includes national companies, like India Re, Korea Re that are very focused on their markets and have preferential access to business due to the regulations of their countries. And if you ignore those, AXIS ends up being number nine or 10 on the global reinsurance market, which puts us right smack in the best spot in reinsurance.

And why do I say that? Because there will be consolidation, and there will be reductions in the number of panels. And what clients and brokers are looking to do is to reduce the number of smaller reinsurers in the world. And so we don't need 50 or 60 reinsurers, but certainly, we need at least 10.

Why don't they give it to the top reinsurers? Because under Solvency II, there's a concentration charge for the amount of recoverable that insured companies take for their largest reinsurance recoverables. So, those companies in the past that have had number one, that have had, the largest market shares are also those companies that currently provide the biggest drag on capital efficiency for many clients in the world. So they will be looking for additional companies that provide diversification in their reinsurance panel but are still strong enough and broad enough to provide them with that capacity.

And finally, a number of the companies that are in the top five are direct companies. And, as the percentage of the reinsurance premium in the world, direct premium is actually flat to down. So as a broker committed reinsurer, we're also participating in all of the work that the brokers are doing in growing the reinsurance business.

All of that's to say that, of course, we are in a difficult period in the reinsurance market, but we believe that we are approaching it properly. We think we're excellently positioned and certainly when you look at the business that we have retained and grown during the last nine months, the commitment and support of our clients and brokers has been very, very encouraging.

So, we will continue to run that business on a standalone basis. It does not need an acquisition. I think there are plenty of opportunities for growth. And where our clients feel they need more capacity, we feel very confident that we can access alternative capital to provide them with the size of capacity that they need at any point in time. I hope that answers your question.

Q - Charles J. Sebaski {BIO 17349221 <GO>}

No, it does, and I appreciate it. I guess, just one follow-up on capital management. And obviously, Albert, you outlined that you guys have, over the last few years, returned all of your operating income and then some, and I don't know if this is just timing matters.

I guess when you announced the $300 million ASR, it kind of seemed to be solely the amount of the amalgamation termination fee as opposed to kind of the accrued operating earnings over the first couple of quarters. And so, I guess, just conceptually, how did you get to $300 million? I guess I would have ballparked it as operating income plus the $280 million into more of the $400 million, $500 million range.

A - Albert A. Benchimol {BIO 2023727 <GO>}

I guess there's a couple of things to look at. The first is there's no one thing. We just said over $2.3 billion returned to our shareholders. It's done over a period of time. I think when you do an ASR, in many ways, it boxes you out of the market, and it forces you into a contractual obligation that reduces your flexibility. So you don't want to make it so large that you've lost all flexibility in the way you manage your capital.

The fact that we have a $300 million ASR doesn't mean that we can't follow that with additional actions after that. So I think it's simply a question of making sure that we maintain the flexibility that we need in managing our capital. I think our bona fides in capital management have been well proven.

We have been very consistent with our shareholders about our commitment to an intelligent shareholder-friendly capital management. As we've just noted, we've already returned 115% of all the operating income including the PartnerRe breakup fee year-to-date. And we will be sitting down with our board again in early December and reviewing our dividends and share repurchase authorizations. I think that our actions have been very consistent with our words.

Q - Charles J. Sebaski {BIO 17349221 <GO>}

I appreciate all the color. Thank you very much.

Operator

Thank you. And the next question comes from Ryan Byrnes with Janney.

Q - Ryan Byrnes {BIO 16902592 <GO>}

Hi, good morning, guys.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Good morning.

Q - Ryan Byrnes {BIO 16902592 <GO>}

Just a question on the A&H growth in the quarter, and I guess the year as well; I think you guys noted that it was coming from Middle East. Was it a kind of a large new program, a reinsurance contract? And again separately, just want to go over the return profile now that that book is kind of – your target $300 million on an annualized basis.

A - Joseph C. Henry {BIO 13390626 <GO>}

Yes, Ryan, it is Joe.

The third quarter is not a big quarter for A&H. A lot of for our businesses is one-one. But we did have a large new reinsurance quota share program in the third quarter. So that accounts for most of the growth itself. We've actually had some good growth on the year-to-date as well, and frankly it is across both our insurance and reinsurance platforms both on a domestic and international basis.

And then, the third part of your question is profitability. We're moving steadily towards the goal that we set out for profitability in the long run. We made very good progress. Our technical ratios in A&H have been excellent from the beginning of the program, they've stayed that way. I love it frankly, because it's very steady. And it's always been a scale issue and Chris and his team have continued to grow the operation significantly. And we are making the progress we want. If you include that in the overall initiatives, that really is one of the major contributors to some of the information that we pointed out before relative to the improvement from new business initiatives.

Q - Ryan Byrnes {BIO 16902592 <GO>}

Okay, great. Thanks for that color. And then just my last question, just want to get a quick – the Australian professional liability book was a pressure on reserves. I think you also mentioned there was a pressure on the underlying loss ratio. Just wanted to get the size of how big that book is? And I guess try to figure out what kind of pressure that can be for the next kind four quarters going forward.

A - Albert A. Benchimol {BIO 2023727 <GO>}

I think it's a fair request, because as you pointed out, as we earn down the UPR from Australia that will have a negative effect. On an annualized basis, Australia is about $80 million of premium a year. It's come down a little bit, frankly in the last quarter since it was very competitive, and we were growing it. So, I don't have the exact amount of UPR at the end of the third quarter for Australia. But if you assume that they are somewhere between – and we will specify that – but my guess is somewhere between $40 million and $50 million of UPR from Australia that would probably be in the right range.

Q - Ryan Byrnes {BIO 16902592 <GO>}

Okay, great. Thanks guys.

Operator

Thank you. And the next question comes from Christopher Campbell with KBW.

Q - Christopher Campbell {BIO 20262752 <GO>}

Yes, good morning. My first question relates to acquisition cost ratios across both segments. Insurance is up about 110 bps over the past two quarters and reinsurance is up about 50 bps over the same timeframe. Can you help us kind of understand what's driving this upward trend in each segment, and should we expect these trends to continue?

A - Albert A. Benchimol {BIO 2023727 <GO>}

Well, there is a couple of things that I would say. There's always going to be a little bit of volatility in our acquisition expense ratio because of profit, shares that we provide both on the insurance and the reinsurance side. On the reinsurance side, I think you've heard conversations in the market about the fact that there have been request by clients for additional ceding commission on quota share treaties, and those of course are driving increases in acquisition cost. And I would say that in both insurance and reinsurance, the major driver happens to be changes in the mix of business where lines of business that already have a higher amount of acquisition costs are now becoming a larger part of the portfolio.

Let me give you an example. Catastrophe is a line of business that tends to have a very low double-digit acquisition cost. We are writing less catastrophe, we are writing more liability, we are writing more property, we are writing more motor. All of those have higher acquisition costs within their lines. So, even if in that line of business, we don't increase the acquisition cost the fact that those lines are greater part of the overall portfolio, it means that the reported acquisition cost number comes up. I hope that gives you some coverage some explanation.

Joe, you want to add to that?

A - Joseph C. Henry {BIO 13390626 <GO>}

Yes, I'd like to just add two things to it. Number one on the reinsurance side, we also have profit commissions when we take down reserves, when we release reserves from prior years that actually flows through the current year acquisition ratios. So that's one of the factors.

The other thing I'll add and this is not a projection going forward, but we have changed the reinsurance programs on the insurance side pretty significantly. And the ceding commissions from those changes have flowed through our topline, but have not flowed through our bottom line. So we expect to see actually improvements in terms of acquisition ratios on the insurance side coming through ceding commissions if that makes sense to you.

A - Albert A. Benchimol {BIO 2023727 <GO>}

On some of the lines.

A - Joseph C. Henry {BIO 13390626 <GO>}

Yes.

Q - Christopher Campbell {BIO 20262752 <GO>}

Yes, thank you. That's very helpful. And just one more question relating to corporate expenses: what's a good quarterly run rate you assume for these excluding reorganization and related expenses?

A - Albert A. Benchimol {BIO 2023727 <GO>}

And are you dealing with corporate or are you dealing with the consolidated?

Q - Christopher Campbell {BIO 20262752 <GO>}

The consolidated – yes, the consolidated corporate expenses?

A - Joseph C. Henry {BIO 13390626 <GO>}

They average somewhere in the $26 million to $27 million range for corporate.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yes. We'll have to – they will be coming down over the next six quarters as we speak. So we'll have to come back to you with a more precise number.

Q - Christopher Campbell {BIO 20262752 <GO>}

Okay, thank you very much. Best of luck this quarter.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Good. Well, operator?

Operator

Yes. And that was the last question actually. So, I would like to turn the call back over to management for any closing comments.

A - Albert A. Benchimol {BIO 2023727 <GO>}

Yes, well, first of all, we want to apologize for the audience we did take longer than our hour today. We felt we had a lot to report in particular giving you progress on our profit improvement plan; and obviously very good questions that needed to be addressed. We are making great progress. We feel very good about where we are. And we are absolutely focused on improving the results of our company for the benefit of all of our shareholders. And we look forward to giving you more progress on more improvements when we speak again in January. Have a good day.

A - Joseph C. Henry {BIO 13390626 <GO>}

Thank you.

Operator

Thank you. The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.