S&P Capital IQ

CONTENTS

AXIS Capital Holdings Limited NYSE:AXS

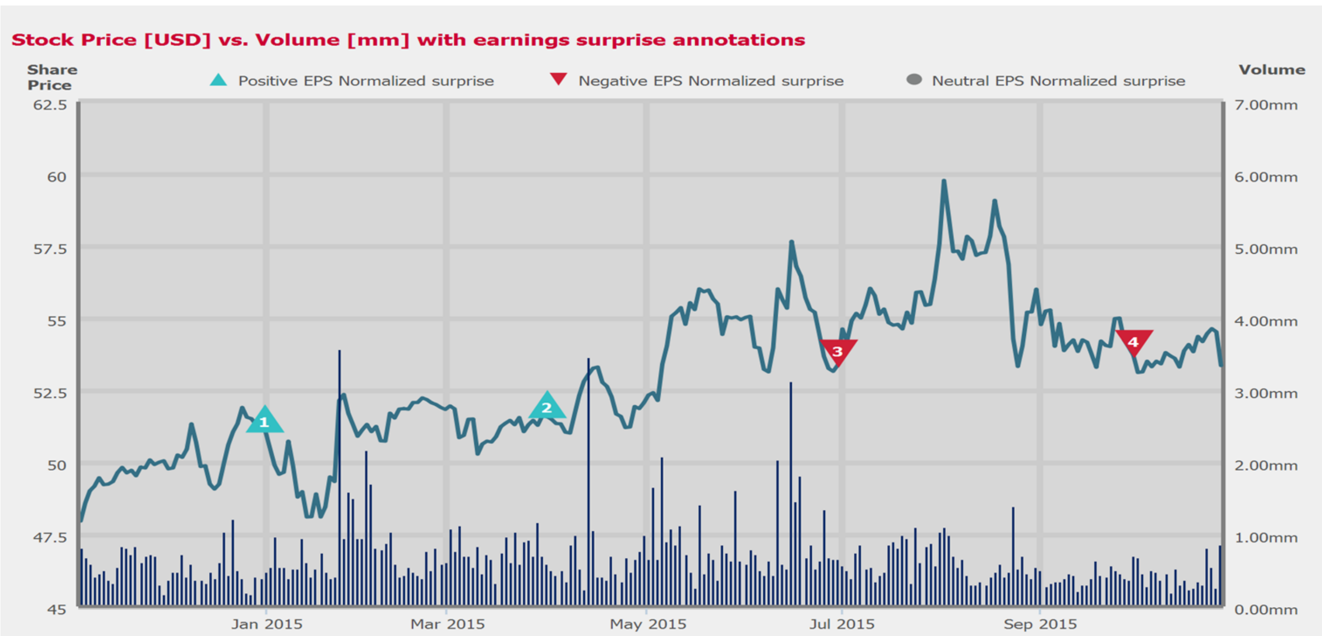
FQ4 2015 Earnings Call Transcripts

Wednesday, February 03, 2016 1:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2015-			-FQ1 2016-	-FY 2015-	
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL
EPS Normalized	1.13	1.23	▲8.85	1.08	3.93	4.02
Revenue (mm)	572.14	595.36	▲4.06	1461.22	3652.98	3674.67

Currency: USD
Consensus as of Feb-03-2016 11:57 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2014	1.17	1.18	▲ 0.85 %
FQ1 2015	1.23	1.35	▲ 9.76 %
FQ2 2015	0.94	0.93	▼ (1.06 %)
FQ3 2015	0.72	0.51	▼ (29.17 %)

Call Participants

EXECUTIVES

Albert A. Benchimol
President, Chief Executive Officer & Director

Joseph C. Henry
CFO & Executive VP

Linda A. Ventresca
Corporate Development Officer

ANALYSTS

Amit Kumar
Macquarie Research

Brian Robert Meredith
UBS Investment Bank, Research Division

Clifford Henry Gallant
Nomura Securities Co. Ltd., Research Division

Kai Pan
Morgan Stanley, Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Ryan J. Byrnes
Janney Montgomery Scott LLC, Research Division

Vinay Gerard Misquith
Sterne Agee & Leach Inc., Research Division

Presentation

Operator

Good morning, and welcome to the AXIS Capital Fourth Quarter 2015 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Linda Ventresca. Please go ahead.

Linda A. Ventresca
Corporate Development Officer

Thank you, Emily, 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 fourth quarter and year ended December 31, 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 the United States and the international number (412) 317-0088. The conference code for both replay dial-in numbers is 10078267.

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; the valuation 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 our results, level of activity, performance or achievements expressed or implied by the forward-looking statements as 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
President, Chief Executive Officer & Director

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

Last night, AXIS reported fourth quarter operating income of $120 million or $1.23 per diluted share and annualized operating ROE for the quarter of 9.2%.

For the full year, we delivered operating earnings per share of $4.02. ROE of 7.7%. Net income was $6.04 per diluted share.

We ended the quarter and year with diluted book value per share of $54.08, an increase of 6.8% over the year.

Adjusting for dividends, diluted book value grew 9% over the last 12 months.

During the year, we increased our dividend by 21% and returned $447 million to our shareholders through common dividends and share repurchases. This continues a trend that we've established for quite some time.

Over the last 5 years, we returned to our shareholders 110% of aggregate operating income, including the breakup fee earned from PartnerRe.

2015 was a busy year for AXIS and featured many successful initiatives to steer the company towards the future of enhanced profitability and stability.

Despite the competitive market environment, noteworthy for its pressure on pricing and overabundance of capital and low interest rates, which affected much of our industry, we made rewarding progress against our objective to be a global leader in specialty risks.

I'm extremely pleased that in the face of this challenging year, AXIS emerged stronger, leaner and more focused.

Joe will walk you through the highlights of the quarter and year, but I wanted to begin by sharing with you my perspective on the full year as all quarters, including this one, tend to be affected by adjustments up and down and full year results eliminate some of that noise.

Our franchise and market positioning continue to improve. Absent the impact of FX and discontinued operations, we achieved good growth in selected markets. Our efforts in analytics are helping our underwriters target exactly the business we want. And even as the markets are increasingly competitive, we are winning desirable business.

Importantly, we are executing well on the right initiatives for the current market conditions.

In our insurance segment, which accounts for 56% of our gross written premium and 49% of net premiums earned, we reported a combined ratio of 97.8% for the year as compared to 95.7% in the prior year.

However, the current accident year combined ratio ex cat was essentially flat at 96% compared to 95.6% in the prior year. We achieved that result notwithstanding the fact that we experienced this year a highly unusual frequency of mid-sized losses, mostly in the energy lines. Mid-sized losses contributed close to 7 loss ratio points for the insurance segment this year, twice the average of the prior 3 years.

We are comfortable that our share of the unusual frequency of energy losses this year is in line with our leading presence in the energy market and not a reflection of any change in our underwriting discipline.

Thus, when we normalize for the higher frequency of mid-sized losses this year, our attritional combined ratio for insurance improved by 3 points even while we absorbed close to 2 points of adverse rate and trends. I'm very proud of this impressive progress achieved by our insurance team.

In our reinsurance segment, which accounts for 44% of our gross written premium but 51% of our net premiums earned, we reported a full year combined ratio of 86% as compared to 81.3% in the prior year.

Again, if we look at the current accident year combined ratio ex cats, that ratio increased almost explains 6 points to 95.2% in an increasingly difficult reinsurance market.

Importantly, over half of the increase is due to mix.

Given the significant declines in pricing for property and catastrophe risks, our writings for these lines are down almost 20% in the year.

The lower percentage of premiums earned represented by property and catastrophe lines, with offsetting growth in longer tail lines with higher target combined ratios contributed about 3 points to the increase of the segment's combined ratio.

I feel it important to repeat that this is not an indication of a deterioration in underwriting. It merely reflects that at current terms, we believe it is best to reduce cat business as a percentage of our overall portfolio.

The remaining increase in the reinsurance combined ratio reflects more competitive pricing and higher acquisition costs prevalent in reinsurance market as well as a prudent approach to reserving in a transitioning market.

We've been able to partially offset these negatives by taking underwriting actions to protect the quality and profitability of our book, targeting larger shares of the more attractive treaties, reducing the overall volatility of our reinsurance book and building a stronger group of strategic capital partners with whom to share our risk and earn attractive fees.

Our team is executing well on the appropriate responses to the market reinsurance -- challenges, all the while getting closer to our clients and getting meaningful shares of their better business as a result of our customer-centric approach.

2015 has been a year of continued progress on our various initiatives, improving the quality of our book of business, growing and enhancing the profitability of our recent initiatives, expense control and capital efficiency, which have contributed to improvements in 2015 and create more value to our shareholders in 2016 and beyond.

I'll report more of these as well as market conditions in our outlook for 2016 after Joe covers the details of our financial performance. Joe?

Joseph C. Henry
CFO & Executive VP

Thank you, Albert, and good morning, everyone.

During the quarter, we generated good results, which included operating income of $120 million and an annualized operating ROE of 9.2%. Our net income for the quarter was $135 million compared to $164 million in Q4 of 2014.

Our results, this quarter, benefited from a low level of catastrophe and weather-related losses, continued favorable prior year development in our loss reserves and a decrease in our general and administrative expenses.

Other factors impacting our results this quarter included an increase in our ex cat and weather current accident year loss ratio, which I will discuss shortly, and in other insurance-related loss of $15 million, which was driven by realized losses and mark-to-market adjustments on our reinsurance weather derivatives portfolio, following unseasonably warm weather conditions in Europe.

Our book value was also favorably impacted by an increase in unrealized loss -- losses on our available-for-sale investment portfolio, which reflected the increase in U.S. interest rates, the widening of credit spreads in nongovernment bonds and foreign exchange volatility.

Moving into the details of the income statement. Our fourth quarter gross premiums written increased by 5% or 6% after adjusting for foreign exchange movements, with an increase in our reinsurance segment, partially offset by a decrease in our insurance segment.

For the fourth quarter, our reinsurance segment top line was up $50 million compared to the same period in 2014. The increase was mainly driven by an increase in multiyear contracts written primarily in our liability lines. Our liability lines also benefited from new business and favorable changes to treaty terms.

Our insurance segment reported a decrease in the top line of $12 million. The segment premiums this quarter were impacted by the profitability enhancement actions we announced during Q3, where as we discussed with you last quarter, we decided to better align and deploy our resources into areas that provided the most attractive opportunities. This resulted in a reduced focus on certain markets, most notably Australia, and has led to a modest decrease in our insurance top line.

In addition, our insurance premiums continue to be impacted by the strength of the U.S. dollar.

After adjusting for these 2 factors, our insurance gross premiums increased by approximately $23 million driven by new business, primarily in our Accident & Health, credit and political risk and professional lines.

These increases were slightly offset by continuing difficult market conditions in the property markets.

Our net premiums written were up 7%, 8% adjusted for FX in the quarter, compared to Q4 2014 and reflect variances in the level of gross premiums written as well as a change in the mix of premiums written between our segments with a higher proportion of premiums written in our reinsurance segment, which has a much lower ceded ratio.

Our net premiums earned decreased by 4% in Q4 2014 compared to the same period last year.

Net premium earned decreases 1% on a constant currency basis, primarily reflect reductions in the reinsurance segment due to lower business written in certain lines of business, most notably catastrophe in recent periods as well as an increase in the premiums ceded, reflecting increased catastrophe retrocessional covers.

Insurance net premiums earned, net of FX, was flat with the growth in business written in recent periods offset by the increases in the level of our ceded premiums, primarily due to increased reinsurance coverage purchased on our professional lines.

Our fourth quarter consolidated current accident year loss ratio increased 3.6 points to 65.2% compared to the same period of last year.

During the quarter, we reported $10 million in losses related to catastrophe and weather events, which compared to $21 million of such losses reported in the same period of last year.

Our ex cat and weather current year loss ratio increased by 4.8 points to 64.2% with increases noted in both segments.

Our reinsurance segment current accident year loss ratio, net of cat and weather, increased by 6.1 points compared to Q4 2014, primarily due to the changes in the business mix.

As we have reported in prior quarters, we have continued to take actions aimed at reducing the volatility of our book of business, primarily by reducing the level of business written in the catastrophe lines, where industry conditions continue to remain difficult.

We have also increased our writings in more stable, longer tail lines of business, such as motor and liability which, while less volatile, do attract a higher loss ratio.

Q4 2015 reinsurance results were also impacted by higher losses incurred in the credit and surety lines, which was partially offset by improved quarter-over-quarter loss experience in our property reserving class, which includes our agriculture and engineering business.

The insurance segment current accident year loss ratio ex cat and weather was higher by 3.1 points at 62% compared to the same period in 2014. Due to the increased mid-sized and attritional loss experience in the Marine lines, which was driven by an above average number of large industry events during the year and the liability lines as well as the impact of lower rates.

These were partially offset by improvements in the loss experience in the credit and political risk in property lines as well as professional lines, which continue to reflect improvements following efforts aimed at reshaping this book of business.

Changes in the business mix also partially offset the increase in the loss ratio.

For the full year 2015, the group current accident year loss ratio was 65.6% compared to 63.2% in 2014. We reported catastrophe and weather-related losses of $100 million compared to $93 million last year.

After adjusting for these events, the current accident year loss ratio increased by 2.1 points to 62.9%, primarily due to the change in the business mix, the impact of lower rates and the increase in Marine insurance and credit and surety reinsurance loss experienced during the year, partially offset by loss experienced and improvements in property and other lines across both segments and in the insurance professional lines.

Turning to loss reserves established in prior years, our results continue to benefit from net favorable loss reserve development, which aggregated to $77 million during the fourth quarter.

Short-tail classes in both segments contributed $40 million of this balance, primarily reflecting better-than-expected loss emergence.

In addition, we continue to give way to actuarial methods that reflect our favorable experience for liability and professional reinsurance business, which contributed a further $21 million of favorable development for the quarter.

Favorable prior year loss development was also reported in the motor and credit and surety reinsurance lines of $9 million and $8 million, respectively, and insurance professional lines of $2 million.

These favorable loss developments were partially offset by adverse loss development in the insurance liability lines of $3 million, reflecting an increase in the loss reserve for one specific claim as well as increased loss provisions related to a higher frequency of large auto liability claims.

During the fourth quarter of 2015, our acquisition cost ratio increased slightly by 0.1 compared to the same period in 2014, driven by increases in the reinsurance segment. These increases were driven by variance and accruals for loss sensitive features in underlying contracts, primarily due to prior reserve -- prior year reserve releases, changes in the mix of business and higher acquisition costs paid on certain lines of business.

Our insurance segment acquisition ratio decreased this quarter compared to the prior year driven by a federal excise tax adjustment, following a change in the application of certain cascading tax rules by the Internal Revenue Service, higher ceding commissions received and changes in the mix of business, partially offset by higher commission costs in certain lines of business.

Our expense ratio in Q4 was 15.2% versus 17.3% a year ago. Our year-to-date expense ratio was 16.2% versus 16.1% a year ago.

Focusing solely on dollars, we've reduced expenses by $25 million in the quarter and year-to-date. We did, however, have some unusual expenses in Q4 2014, such as severance cost, increased IT cost due to sourcing and certain system write-offs and lease abandonment charges, which made the drop in our expense ratio relative to 2014 appear larger than it really was.

In addition, expenses in the current period also decreased due to a $7 million and a $13 million reduction in incentive compensation costs in Q4 and year-to-date 2015, respectively, compared to the same periods in 2014, reflecting our 2015 financial performance.

As you know in 2014, we targeted $50 million to $60 million in expense reductions by the end of 2017.

So far, we've identified $40 million of that, with $30 million of that to flow through results in 2016 and a further $10 million to come in 2017. These savings in 2015 have been partially offset by normal inflationary increases, investments we've made in analytics over the past 2 years and resources to support the growth of the organization.

We expect to continue to invest in the growth of the franchise during 2016 and believe, we will be successful in continuing to leverage our expense base, scaling attractive new initiatives.

While we cannot predict exactly where our expense ratio will be in 2016, we expect improvement in the 1% range from the full year 2015 expense ratio.

Overall, the company reported underwriting income of $88 million and a combined ratio of 91.6% for the quarter.

Net investment income was $79 million for the quarter, an increase of $33 million from the previous quarter and comparable to the fourth quarter of 2014.

The increase from the third quarter of 2015 was primarily due to the contribution to net investment income from our hedge funds, which benefited from the reality in equity markets in Q4 following the declines experienced in the previous quarter.

In the aggregate, the total return on our cash and investment portfolios for the quarter was negative 0.1% or flat, excluding the impact of foreign exchange.

The total returns in the quarter were impacted by the decline in pricing of our fixed maturities as a result of the increase in interest rates by the Federal Reserve.

As previously discussed with you, during August 2015, we entered into an accelerated share repurchase agreement or an ASR, 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. This ASR agreement has formally terminated on January 15, 2016, with 1.4 million of additional common shares delivered to the company.

During 2015 -- during December 2015, we announced that effective December 31, 2015, the share repurchase authorization program was increased to $750 million of the company's common shares effective through December 31, 2016.

Following the expiration of the ASR agreement, we have reinitiated our share repurchase program and expect to maintain our goal, provided that market and financial conditions remain the same, and we do not identify any attractive investment or growth opportunities of returning at least 100% of our annual operating earnings to our shareholders in the form of common dividends and share repurchases.

At February 2, 2016, the remaining authorization under the share repurchase program approved by our Board of Directors was $734 million. We continue to make strong progress on the strategic goals and expansion opportunities we have discussed with you in prior quarters.

The initiatives designed to support profitable growth and enhance shareholder value announced during the third quarter of 2015 have already made an initial small contribution to our results this quarter. However, as a reminder, we do not expect the full benefit of these initiatives to be reflected in our results until later in 2016 and into 2017.

We also continued to make progress on the other ongoing expense reduction initiatives and expect to see benefits of these initiatives to start impacting our results in 2016.

Our Lloyd's unit continue to make progress in the London market. And during the quarter, we also announced the establishment of an underwriting division in China, which will focus on treaty reinsurance business on the Lloyd's China platform, beginning from the first quarter of the current year.

We also have recently opened a new representative office in Dubai, which will focus -- which will initially focus on Accident & Health reinsurance business. And during the quarter, we have continued to expand 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
President, Chief Executive Officer & Director

Thank you, Joe. Before opening up the call to questions, I'll provide an update on market pricing, our January 1 reinsurance renewal and a progress report on our 4-point profit enhancement plans.

As with the rest of the market, we experienced continued pricing pressures in most lines of markets during the year and in the fourth quarter.

But while the overall average market change for our insurance book of minus 3% in the fourth quarter is higher than the minus 1% experienced in the fourth quarter of 2014 it was, nevertheless, a bit better than the minus 4% reported for the third quarter of 2015.

Consistent with prior quarters, the greatest pressure is in catastrophe exposed property and London-based global specialty lines.

Large accounts are more competitive than smaller risks.

In our U.S. division, the overall average rate of decline was minus 1%, much better than the minus 4% experienced in the first 3 quarters of 2015.

The improvement is primarily driven by rate increases in excess casualty, where we are observing pricing corrections associated with the recognition of poor industry results with low attaching auto-related reliability.

Pricing in U.S. casualty lines was up 6% on average in the quarter, while U.S. property was down 8% due to an abundance of capacity and a lack of catastrophe events.

In this market, we continue to grow our casualty business and shift our property business towards smaller accounts in order to achieve a better, more stable attritional experience with lower severity.

In our international division, overall, the rates change was minus 7% for the quarter in line with last quarter. The toughest conditions are in global property, energy and terrorism, with double-digit reductions. Other lines are more reasonable, with generally low to mid-single-digit reductions.

We've taken a number of actions in 2015 in an effort to address challenges in the international marketplace, including winding down our retail insurance operations in Australia, reducing our business volume where necessary and increasing our writings of smaller, less volatile risks.

In our professional lines division, overall, rate declined 1%, a bit better than the minus 2% observed in the third quarter. It was a fairly widespread of pricing conditions.

Aggregate E&O rate change was positive 3% for the quarter, with higher rate increases driven largely by cyber coverages.

D&O lines were down 4% with primary layers essentially flat, while excess and Side-A experienced ongoing declines.

Within this overall insurance market environment, we are focusing our energy on the lines of market that remain adequately priced, or continuing to deliver price increases, providing opportunities for profitable growth.

This includes Accident & Health, capital risk solutions, casualty and certain targeted professional lines among others.

We're satisfied with our new business production for the quarter, and its quality was consistent with that of our renewals.

Moving on to reinsurance. At the January 1 renewal, the trading environment remained competitive as has been widely reported. Multiyear commitments are in great demand, broadly impacting all lines of business.

We participated in a number of multi-lines transactions where it made sense to do so.

Brokers continued pushing for increased coverage, and opportunistic buying was on the rise.

We observed property and catastrophe pricing declines in the range of 5% to 10%, with the U.S. at the lower end of the range and international markets at the upper end.

Professional lines and liability exhibited fairly modest reductions, with a modest increase in ceding commissions.

Credit and surety and motor were essentially flat. Among the more favorable trends we saw, reinsurance panels are getting smaller in some instances. Increased retentions are no longer working for all cedents, and Solvency II driven purchases introduced opportunities into the mix.

These factors, combined with AXIS' customer-centric approach, provided opportunities for us to grow.

For the 50% of AXIS Re's 2015 expiring premium renewable in January, excluding agriculture, we grew premium by approximately 7%. We maintained disciplined and good relationships and assured continuity. We were able to successfully mitigate some of the price declines through shift of business mix and rigorous risk selection.

Most of our growth came from lines of business that experienced very little if any, margin deterioration such as motor, where Solvency II constraints increased the opportunity set.

Due to our portfolio construction, discipline and strong relationship with clients and brokers, we believe, our price technical ratios increased by only a bit more than a point, but with less portfolio volatility.

We estimate that the deterioration of the various lines in which we participate was higher than our point of deterioration for the overall market.

Overall, our team did a commendable job in protecting the risk-adjusted profitability of our portfolio.

Now I'd like to give you an update on our 4-point profit improvement plan we previously discussed with you.

You will recall, we are targeting a 4- to 5-point incremental margin improvement in our combined ratio, off the 2014 levels by the end of 2017, excluding the impact of rate change.

The 4 pillars are: Improvements in underwriting to achieve lower and more stable loss ratio; growing our newer initiatives so they make strong positive contributions to income; eliminating at least $50 million in expenses; and optimizing our capital structure and risk-funding alternatives. We made very good progress on each of these 4 goals.

As I noted in my introductory remarks, our insurance current accident year loss ratio, ex cat and midsize losses, improved by over 2 points in 2015, even after we absorbed 2 points of adverse rate in trend.

We believe that as midsize losses revert to historical averages, this trend should be more clearly reflected in our results. This improvement was driven by our underwriters using data and analytics to target better performing business, including smaller, less volatile risks and take corrective action on underperforming sectors.

We are continuing to embed analytics in our structure -- in our culture and as -- and to drill down deeper and wider into data, both our own data as well as market data. We are confident that as we continue to do that, we will continue to deliver improvements in the level of quality of our insurance loss ratio.

As to reinsurance, while our ex cat loss ratio has increased 3.4 points for the year, this was in the face of adverse pricing and a shift in the mix of business to include a greater proportion of long tailed and less volatile business that improved our overall risk adjusted return.

We are using analytics to better segment and target opportunities and build a more efficient portfolio.

In reinsurance, our use of data and analytics is not limited to our own book, and we are increasingly sharing our findings with key clients. And this creates a win-win situation, where we can help them improve their own results, and as a core reinsurer, we benefit from participation in a better book of business.

The deterioration of reinsurance pricing, we have seen, over the past couple of years is affecting every participant in the industry. But through it all, we believe our current book of reinsurance business is more stable and more capital efficient than it was in 2012.

The second pillar of improvement is to bring our newer initiatives to appropriate scale so they can begin to contribute meaningfully to growth and profitability or take corrective action as we did with our Australian retail operations.

In that regard, 2015 was a year of strong progress, as insurance initiatives, including Accident & Health, grew premiums 30% in the aggregate and lowered their aggregate combined ratio by 4.5 points.

As a result, while new initiatives added over 2 points to the 2014 year insurance combined ratio, that impact was less than a point in 2015 insurance combined ratio.

We believe these initiatives are positioned to be net positive contributor to insurance results in 2016 absent unusual events.

And as we do this, as Joe noted, we are still investing in new initiatives, opening up new offices and looking for opportunities to expand the AXIS' franchise.

As to expenses, we targeted the elimination of $50 million in expenses by the end of 2017.

As we discussed in our last conference call, the actions announced in October to better align our resources to our profitable growth opportunities and enhance operational efficiency should generate annualized savings of $30 million by the end of 2016.

In addition, with savings of approximately $11 million resulting from actions initiated late in 2014 as well as an additional $10 million of saving that should come online in 2017, we have identified and put in place savings of $50 million.

We remain focused on identifying and delivering on additional saving opportunities to free up resources that we can invest in a more effective and efficient platform, enhance analytic capabilities and expand our underwriter force to better serve our clients and distributors and accelerate the growth of profitable premium.

Finally, as to capital efficiency, we are increasing our use of attractive reinsurance as evidenced by our increase in ceded premiums, as Joe mentioned earlier.

Our efforts to develop a group of strong and aligned strategic capital partners allows us to do more for our clients and provide high quality to our risk partners.

To illustrate the point, in 2015, our reinsurance business ceded a $105 million of premium, a 17% increase over the prior year.

Of that amount, over 70% was ceded to our strategic capital partners.

We received fees and profit participations, which favorably impacted various components of our income statement. We intend to grow our roster of strategic capital partners and to provide them with a high-quality and well-balanced portfolio of risks because it is good for our clients, it is good for our strategic capital partners and it is good for our shareholders.

We have been responsible and disciplined toward use of capital. In the absence of meaningful opportunities to reinvest our capital at acceptable levels of profitability, from 2011 through to '15, we've returned $2.4 billion to our shareholders in the form of dividends and share repurchases. And as I noted earlier, that represents 110% of cumulative operating income inclusive of the PartnerRe breakup fee.

As Joe noted, we are back in the market after completion of the $300 million ASR we launched last August.

We are committed to further progress along each of these vectors. While we are building our company for long-term success, we also believe strongly that the actions we are pursuing will deliver enhanced profitability in the near term.

I remain extremely optimistic about our company as we build an AXIS for the 21st century. Our mission remains to help our clients manage their risks, to provide creative solutions to address difficult challenges and to provide outstanding claims management service.

AXIS is today more focused and more disciplined than ever. We are providing thoughtful solutions, improving our use of data and analytics to construct our portfolio and adding value to our customers, our strategic capital partners and shareholders alike.

In this transitioning market, quality of relationship, brand, reputation, service and claims management, financial strength and ratings all influence access to business opportunities. This access to risk combined with the rigorous selection of risk and portfolio construction are paramount in extracting the best performance out of a declining market.

In these attributes, we believe that AXIS has a strong track record and is well positioned to succeed. With that, I'd like to open up the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from Mike Nannizzi of Goldman Sachs.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

I guess one question, Albert, just looking at the results and kind of trying to parse the points, maybe starting with reinsurance. You gave some -- Joe gave some reasons as to the change year-over-year, but it sounds like those are changes that are likely going to persist, so mix changes and competitiveness. How should we think about that profitability in that segment, both the loss and the expense side? It looks like ceding commissions probably, a little bit higher too. Is it possible for that to sort of 99 underlying to revert back to levels that we were more accustomed to seeing in the past or should we assume that these changes that you've made in conditions will cause us to remain at around this level?

Albert A. Benchimol
President, Chief Executive Officer & Director

Well, reinsurance is a cyclical business. And so I think we've seen periods where the industry delivered high combined ratios and very low combined ratios. And there's no question that currently, we are following 3 years of price declines. I am not of the view that it will stay this way. For one thing, I think as you've heard from ourselves and other people, I think that we're getting close to the point where we're earning our cost of capital. And in some lines of business, we're not even being offered our cost of capital and so I think there's an absolutely limit to what it is that we can do. And so I think rather than watch declines in profitability, you'll probably see us write less. And if other people do that, then that, of course, becomes a market event where we will start to see more improvement. I think with regards to what we've discussed earlier is the fact that when I look at our book of business and I look at our individual lines of business, I do not see deterioration in each of our lines of business that you see in our portfolio. And what do I mean by that? I -- the reality is that when you look at the ex cat ratio, there's a flaw in the formula because it keeps all of the cat premium and then it reduces -- and then it eliminates the cat losses, which means that if you have a very high cat components in your portfolio, you're always going to have a low ex cat loss portfolio and then you take the excuse that it was a bad cat year, so we should ignore it and go back and look at the ex cat loss.

The truth is that what we are doing right now is creating a more balanced book, a more efficient capital-efficient book. And so we are protecting the returns on risk, the returns on capital in the ways that are much stronger than what you see in the reported combined ratios. I think, over time again, you will see your pricing on cat improve. And if not, then we will write less of it. I think we will take the right actions to ensure that our capital is profitably utilized. I am not the only CEO to be saying that we think we've reached pretty much the floor of what we can tolerate in many lines. And if we don't see changes, we'll simply write less of it. Mike, [indiscernible].

Joseph C. Henry
CFO & Executive VP

Why don't you ask your question first and I'll come back?

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Sure. Just absent a change in the market, I mean, in terms of you changing, everyone changing, tolerance for lack of profitability goes down. Absent a change in the market, there isn't something, one-time either is there something about this quarter that we should think that this is not indicative of where this business is currently running. Is that fair?

Albert A. Benchimol

President, Chief Executive Officer & Director

I think we're -- I think the way -- where it's priced today is where it's priced today. I think that we however will continue to look for ways to optimize the profitability efficiency of the portfolio by making judicious mixes -- changes in the mix of business, looking at different ways of structuring, and frankly, differentiating ourselves and demonstrating to our partners -- our clients and our partners that we're adding value, and that we need to be adequately compensated for that value.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

I'm sorry, yes, go ahead, Joe.

Joseph C. Henry
CFO & Executive VP

Yes, let me just jump in here. So there is about a point in our reinsurance segment combined ratio related to loss sensitive features. It's just hard to -- for you to see. But basically, because we release reserves from prior years, and you note that we've had $75 million worth of prior year releases in the quarter, that actually increases our commissions, and in some cases, ceded premiums, due to the fact that we have loss sensitive features on a lot of our credit and our Motor reinsurance agreements. So I would say there's some unusual, if you will, acquisition costs impacts due to the release of prior year reserves due to these loss sensitive features. I just want to point that out.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Got it, got it. I'm sorry, just one -- just to follow-up there. If you're reducing exposure to property cat, which even with deteriorating pricing is still probably on a notional basis among sort of the more profitable business and you're replacing with long-tail casualty business that's maybe more stable, but carries a high loss ratio, how does that makeshift provide a tailwind to margins from here?

Albert A. Benchimol
President, Chief Executive Officer & Director

Again, I think the issue that we're looking at, which is not reflected in current quarters, is that in the last couple of years, we've had very, very favorable cat activity. And our view is that when we look at the composition of our portfolio, we need to take a look at it in terms of the expected cat results. And I say that if we look at the expected cat results, I believe that we've made the right decisions of reducing the cat exposure in our portfolio. The value of the strategy, as I said before, really needs to be viewed in the context of multiple quarters and years that include cat results so that you can see whether or not we've delivered a more profitable, more balanced book of business. I continue to be of the view that when we look at the reduced volatility, the enhanced diversification, that from our return on risk perspective, from a return on capital perspective, our book of business today is better than it was in 2012.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Got it. And then just one last one, on the expense ratio in insurance. Joe, what was the impact of that tax item and just trying to get an idea of sort of what the normalized profitability looked like in 4Q?

Joseph C. Henry
CFO & Executive VP

Yes. It was $8 million for the group, $7 million to insurance and $1 million to reinsurance.

Operator

Our next question is from Amit Kumar of Macquarie.

Amit Kumar

Macquarie Research

Just maybe a quick follow-up to Michael's question on the discussion of losses. So if I understand this correctly, that the losses -- the attritional [indiscernible] has losses in both segments, that was more than function of changes in business mix, external events and hence, no corrective actions are needed, specifically, in the AXIS book? Did I understand that correctly, or I missed the point there?

Albert A. Benchimol
President, Chief Executive Officer & Director

No. I think that there are really 2 different issues, if you would. And in fact, one of the benefits of being at AXIS is we have both insurance and reinsurance, so we have the ability to up back and forth. I think with regard to insurance, and we should look at the 2 issues, insurance, we discussed with you earlier, the fact that we believe that there are significant improvements that we can make in our underwriting. And in that case, we talked about a number of corrective actions in our underwriting, including using data and analytics to better target risk and identify sub-performing classes that we could exit, we talked about bringing our businesses, our new initiatives to scale. And in that area, we've seen progress in all of those. And as we've discussed with you, we say that, that progress has been masked in 2015 by the highly unusual frequency of energy losses in 2015. And we believe that with a more normalized loss experience that is more consistent with history that, that result would've been more evident 2015. And our expectation is twofold. Our expectation is twofold. One is that the actions that we're taking in insurance, we will continue to take and they will deliver further progress in the underwriting loss ratios for the insurance industry, for -- sorry, for our insurance business. And secondly, even with the way the book is today, if we return to a more normalized midsized loss environment, we should see enhanced profitability. That is the insurance action plan. It's an action plan that we've been dedicated to. And that, given some of the metrics that I've just discussed with you, certainly are delivering very, very encouraging results. The issue with the reinsurance book is different. We always believed that our reinsurance book was very attractive, very well underwritten and very well constructed. We did not believe that our reinsurance book required "corrective action." The issue with our reinsurance book is simply making sure that we respond in an intelligent way to what is a difficult market for reinsurance. What we are facing in reinsurance is a significant increase in available capital. We're seeing strong pricing competition, and frankly, some irresponsible behaviors by some participants in the market. In that environment, what we are doing in the reinsurance book is making sure that we position ourselves to defend our best relationship in our best business and changing the mix of business as we can to make sure that on a return on risk perspective, we continue to protect the profitability of that business. So I think when we talk about whether we need or don't need corrective action, I mean, I think that does not reflect the specific conditions of each of our 2 businesses and the appropriate action that each of our 2 businesses are taking to optimize their profitability. And as I mentioned at the end, I remain optimistic that we are as well positioned as anybody in this industry and that we have a real tailwind of momentum in terms of improving this organization, given the work that we've been doing over the last few years. And I will add that with all of the dislocations happening in the industry, which I don't need to name, but that you are very well aware of, we actually have a -- we are actually in a better position because we've gone through our reviews. We've gone through our book of business. We've got through the way we approach our portfolios, and we know where we want to be. We know what we're doing, and we're very comfortable that we do not -- that we are going to be an island of stability in an industry that is really going through severe dislocation.

Amit Kumar
Macquarie Research

Got it. That's helpful. Maybe the next question is for Joe. In terms of the reserve release in the reinsurance segment, I think you talked about methodology. And can you just expand on that, or maybe give more color on the lines or time periods where those releases came from?

Joseph C. Henry
CFO & Executive VP

Yes, Amit it's, first of all, it's just about all lines of business. I mean, as I mentioned, a lot of it is on the property and short-tail lines, but it's really releases across all lines of business and almost across all accident years. Clearly, the emphasis is on the earlier years. But we've just seen very positive development, both on all lines of business and virtually all accident years.

Albert A. Benchimol
President, Chief Executive Officer & Director

And I think you mentioned that I think, the longer tail -- our pre-2010 type of releases and to the extent that we've released any reserves in the years post-2010, we have essentially been associated to the short-tail lines, where we've now seen enough maturity.

Amit Kumar
Macquarie Research

Got it. And then just final question, on the buyback. Obviously, you talked about returning 100% of earnings, and you have a meaningful buyback. How should we think about sort of the timing of that buyback? Is that more front-end loaded for 2016, and any thoughts on that? Or is it more -- instead of following the past patterns, how should we think about that?

Joseph C. Henry
CFO & Executive VP

Yes, no, it would not be front-end loaded, Amit. As you know, we look at this on a quarter-by-quarter basis. We're committed to returning our operating earnings and more than our operating earnings if, again, we do not identify anything that makes sense from a bolt-on type acquisition or, frankly, opportunities in the business itself. We have been -- just to add to that, we have been subsequent to the expiration of the ASR buying back shares through a 10b5-1. So we're in the market.

Operator

Our next question is from Cliff Gallant of Nomura.

Clifford Henry Gallant
Nomura Securities Co. Ltd., Research Division

I wondered -- You had a question about your P&Ls. I mean, it sounded like you were talking about reducing risk, and it seems like your cat property exposure is down. But when I compare your -- the disclosure we saw last night on your P&Ls versus 3 months ago, it appears that on a, like a Southeast hurricane or for a California earthquake that, particularly on the high end of the sort of 1 and 2 50 event, that the exposure is up, so it looks like it's up about 15%. Could you talk about why that is?

Albert A. Benchimol
President, Chief Executive Officer & Director

Sure. I think the simplest way to say is, we got to look at gross and net. I think what you'll find is that, when you compare this to 1/1, 2015, you'll find that they are still down. And so in fact, we, on a gross basis, we're writing less. The very simple fact is that we had a level of protection that expired on 1/1, which we have not yet renewed. So you'll notice there was a reduction in the P&L between the 1/1 date and the end of the first quarter last year. And we are currently reviewing our various options to buy additional cat protection for our book, but we haven't finished our deliberations on exactly what approach we will take. So this is simply the fact that we are between the expiration of one level of coverage and the replacement. We felt that we could afford to do that since, as you pointed out, much of that exposure is a typical U.S. hurricane exposure that will not really come online until the second quarter. So we believe that we have a window of opportunity, just like we did last year, to visit all of the options that we have and that we will make a decision and then we will act on it.

Clifford Henry Gallant
Nomura Securities Co. Ltd., Research Division

Actually, as a follow-up, you mentioned growth in your cyber lines of insurance. I was curious as to -- if you could talk a little bit about what exactly is being covered in that? Is that more of sort of a, what do you call it, data breached-type of protection?

Albert A. Benchimol
President, Chief Executive Officer & Director

We have different kinds of protection that we provide, and they are really meant to meet the needs of our target clients. We -- most of our book of business is aimed at small to midmarket accounts, who are looking to respond to data breaches and address any kind of corrective action. We do have some exposure, but not a lot of exposure that relates to third-party liability in the event of those. That tends to be more in our -- in the larger account crowd. But the AXIS pro division, which offers our cyber policy is essentially a small to midmarket account division.

Operator

Our next question is from Kai Pan of Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

First question on your, sort of the outlook for the margin improvement, 4 to 5 basis points, 100 basis points through 2017. I just want to clarify, that margin is based on the underlying margin, that ex-cat and the reserve release. Is that right?

Albert A. Benchimol
President, Chief Executive Officer & Director

Yes, it's a certainly -- it's ex-cat and reserve releases. I think that, at the end of the day, we believe that -- we believed when we made that statement that there were significant actions that we could do to improve the underlying profitability of the book. And as I mentioned to you earlier, we're already seeing a significant amount of that. In fact, you can argue that if we had normalized midsize losses, we would've seen a 400 basis point improvement in the insurance loss ratio just in 2015, to show you the power of what we've been doing in terms of improvement. So we will continue to do that. I think, overall, part of our long-term profitability, of course, is to make sure that, as we continue to improve our attritional losses, that we don't take unreasonable catastrophe exposure, so that all of the progress on the attritional losses is wasted and offset by excessive cat losses. So we want to make sure that attritional loss ratio is steadier and lower. And we want to make sure that our exposure to the volatile cat lines and volatile cat risks are appropriate for our portfolio and add an appropriate level of volatility, not an excessive level of volatility.

Kai Pan
Morgan Stanley, Research Division

That's great. You also mentioned that, that the target is excluding any pricing pressure. I just wonder, given that we'll continue to see on the pricing side, do you see part of that improvement will be offset by continued pricing pressure?

Albert A. Benchimol
President, Chief Executive Officer & Director

Well, I think it is. And the reason we differentiated it, is we didn't want to talk about pricing improvement that could be helped simply by the markets. We -- or areas that we don't have full control over, which is the pricing. What we can do is determine what risks we write. What we can do is determine how to appropriately price our risks and our overall portfolio composition. So it's important for us to make sure that we do that. And again, using the insurance results for the -- as an example, we've had 400 basis points of improvement in the loss ratio, given normalized midsize losses, but we only showed 2 points, because we absorbed 2 points of losses. So yes, of course, to the extent that rate and trend continues to be adverse, it would offset some of that benefit. But we at least have the opportunity to have our own improvements based on what we do, no matter what happens in the market.

Kai Pan
Morgan Stanley, Research Division

Great. The second question, on energy. I mean, getting a lot of attention in the market this way. Could you tell us in more detail about both on your investment portfolio side as well as underwriting exposure to the energy sector?

Albert A. Benchimol
President, Chief Executive Officer & Director

Well, we do have a large presence in the energy area. We write all forms of energy, whether it's onshore or offshore or renewable energy. As you know, it is an industry that has significant properties at risk. And we have been a leading participant in that line of business for a long time. It's also true that the industry has seen a significant amount of additional losses this year. Our share of the losses is not inconsistent with our share of the market. So we are not disturbed by that. And again, as I've mentioned, whether you go back 3 years, 5 years, 10 years, energy has been a very attractive line for us, and will continue to do so. I will say that we expect the growth in our energy underwriting will -- that our premiums will come down a little bit, because we fully expect that as with the price of oil these days, there are may -- many fewer construction projects and new construction projects. So we would expect that one of the components, to demand for energy, which is construction project, would probably come down. We expect, however, that we will see growth in our renewable energy division as that picks up the slack, as that starts to move on. So we have been, I believe, very good participants in the energy markets. I believe that we have a recognized and differentiated expertise in energy lines, upstream and downstream. And I think we will continue to be a leader in that area. The next question is with regard to investments. And Joe, you may want to talk about that.

Joseph C. Henry
CFO & Executive VP

Yes, Kai, it's not material. Our investment team actually has been deemphasizing energy as a class in the investment portfolio for a while. At the end of the year, it's about $250 million.

Kai Pan
Morgan Stanley, Research Division

That's in like in return investments or in, like in bond portfolio?

Joseph C. Henry
CFO & Executive VP

No. It's more on the bond portfolio.

Kai Pan
Morgan Stanley, Research Division

Okay, great. And lastly, if I may, on -- to follow-up on the buyback. It looks like authorization, remaining $734 million is much bigger than your earnings for the past few years. And I just wonder, is that upper limits or is that -- you plan to fully execute on that?

Albert A. Benchimol
President, Chief Executive Officer & Director

The -- I find the authorization is really an administrative issue, because our Board is very responsive and shares our commitments to good capital stewardship. So we increased -- excuse me, we increased the authorization whenever we see that it's been used up. I wouldn't take the $750 million as a strategic number, that once we do $750 million, we stop. That hasn't been our case. We've updated our authorization at least 3 times since I've been here. And as we continue to buy back stock, when we need more authorization, we will get it.

Operator

Our next question is from Meyer Shields of KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Albert, I guess this is an underwriting question. Is it just coincidence that the same year the energy crisis and projects [indiscernible] increasing the side losses?

Albert A. Benchimol
President, Chief Executive Officer & Director

It is, in my mind, a total coincidence. I mean, we could go back and take a look at some of the events that have happened. And they are truly fortuitous. And we feel comfortable that they are not a reflection of the underlying economics. I will bring up that in energy, we deal very much with very large buyers who have significant primary exposure to the losses before we kick in. We're talking about our clients losing hundreds of millions of dollars before we kick in. So we're comfortable that there is a strong alignment of interest between ourselves and our energy clients. But obviously, we are monitoring it. To date, we haven't seen anything to that effect. I will tell you that over time, we have absolutely monitored our behaviors -- the behaviors of our client. And to the extent that we've ever noticed that a client was reducing maintenance and CapEx and so on and so forth, we would discontinue them, and I can tell you that I have personally seen a number of cases where we've non-renewed large accounts, where we start to have concerns that maintenance and CapEx was being reduced.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

It's very helpful. When you talk about moving through smaller casualty focused accounts, does that require material change in distribution strategy? In other words, do you have the write network for that now, or does that require a lot of further expense in '16?

Albert A. Benchimol
President, Chief Executive Officer & Director

That's an excellent question. And in fact, we do have access to multiple sources of premium in the year, I'm speaking on our insurance side. It's true that if you look at the retail operations of the large top 3, they, of course, do a lot of large accounts. But even the large top 3 have increasingly been focusing on expanding their midmarket distribution capabilities. And we're taking advantage of that. It also means that we are working more with smaller distributors -- sorry, smaller brokers, who tend to be more regional and more specialized in the middle-market, so that we can access that. As you know in our insurance business, we have a very strong E&S franchise. We're one of the leading E&S writers in the United States, and there -- that business comes from E&S brokers who do tend to give us both small and large accounts. And we also have access through our program division to MGAs and MGUs that provide opportunities for select smaller portfolios. So we continue to use multiple sources of distribution. In fact, I think you know this. A little over a year ago, we added a new division in our insurance area, which is really about the distribution management broker and distribution relationships, and we've had some very, very good early response to these efforts. And we are clearly monitoring that. We are increasing our access to small and mid-sized accounts. And when we monitor the percentage of our premium and the percentage of our policies that are coming from smaller and midsize accounts, we're seeing progress there. And we've got divisions that do only that. So as I was mentioning earlier, our AXIS Pro division only does small and mid-market and our E&S division, we do a fair number of small accounts, too.

Joseph C. Henry
CFO & Executive VP

Meyer, it's Joe. I'll just add two things to that. We have reengineered certain of our operations. You mentioned -- Albert just mentioned AXIS Pro, some of the things we've done there have increased productivity of our underwriters by 30%. And in addition to that, we've made some significant IT investments, which will enable us to handle smaller and mid-sized accounts more effectively as well.

So I think we're well positioned from an underwriting standpoint, and well positioned from an operating operational standpoint to handle it.

Operator

Our next question is from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Couple of questions here for you. Albert, just curious, if I look back over the last couple of years since you announced your target of 400 basis points, the rate pressure looks like it's probably costing you 2 to 3 points on your loss ratios today. Is that a fair assumption?

Albert A. Benchimol
President, Chief Executive Officer & Director

Yes. I'd say that's about a couple of points, I'd say a tad under a couple of points to date. But again, when I look at our book, I think that we're probably in line with the rest of the industry. I don't believe that there is anything unique in what we're doing. I think what we have again, is the fact that we now have a running start and real momentum in digging into our portfolio and looking for ways to optimize that, even in the declining rate environment.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. Got you, good. And then the next question, just curious, if I look at your reinsurance division, talked about reducing your cat exposure there, is there some way that we can kind of quantify that as we look at kind of projecting out a cat load or something that we can think about?

Albert A. Benchimol
President, Chief Executive Officer & Director

Well obviously, I think we give you a -- we do disclose though the property and cat writings. And so you can always put in a target ratio against those numbers. What I will say is that, when I look at our historical average cat loss over the last 15 years, we've made a commitment that we would reduce our average cat loss load over time. And that continues to be an important component of our efforts. And the reason for that, again is, I think we have an outstanding group of underwriters who do a very good job of servicing clients on a daily basis and building good portfolios. And what -- I don't want to see all by progress negated by an excessive market share of cat losses. So we've said all along, we're very happy to have industry average volatility. I think that's the business we're in and we should do that. But we will make sure that we do not have excessive volatility versus the industry.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay great. And then last quick question here. I'm just curious, the midsize loss activity that you experienced this year. Is there anything you can do, from a reinsurance perspective, to mitigate that or do you think it's just not worth it doing it?

Albert A. Benchimol
President, Chief Executive Officer & Director

Well, look. We could certainly have had -- we can certainly, ex post facto, create a reinsurance program that would have provided cover for that. But the issue that I would make to you is that, we do not believe that, that this is an economically good idea, because, as I've mentioned before, even if you take a look at the last 5 years, the last 10 years of results, including every single loss that we've had, including the losses we've had this year, this still remains a very attractive line of business. It's a line of business that generally gives you good results, but every once in a while, you may have a bad quarter, or in the case of 2015, a bad year. That is a good example of the kind of volatility that I'm very happy to take, because it's the right call to make over an extended period of time. The net risk that we are keeping delivers very attractive results to us. And that's just the nature of our industry, that every once in a while, you're going to have a bad year in a line of business. But for the moment, we don't see anything in the energy line that causes us to believe that we need a different risk mitigation, a different risk management profile. Obviously, if we see losses continuing to stay at a high level, we will revisit that. But for the moment, we are taking the position that this is just a very unusual frequency of losses. And we're obviously monitoring to see if it goes back to a normal level or not.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then, last question, just quickly. As you move more into some of the more casualty lines and the mix shifts that way, longer tail, what are your thoughts on interest rates and how are you kind of thinking of the kind of return on capital for those lines versus the property lines?

Albert A. Benchimol
President, Chief Executive Officer & Director

Certainly, I think we face the same issues that everybody else does, which is that, low interest rates have not been beneficial to the insurance industry. And we certainly would like to see that improve. I think that some of the casualty pricing has responded by -- since we can't make as much money on the investments, we've had to make more money on the underwriting. And in fact, the casualty lines, in recent years, have actually delivered very good underwriting profits. In the old days, the industry was happy to write casualty at substantially above 100, because they would make their return on the investment income. To the extent that we don't have that any more, we've seen pricing improve. And even at these low interest rates, we're very satisfied with our casualty book, that we are making some very good returns. The ROEs on casualty, frankly, are among some of the best that we have in our book. So that is not preventing us from writing good casualty business today.

Operator

Our next question is from Vinay Misquith of Sterne Agee.

Vinay Gerard Misquith
Sterne Agee & Leach Inc., Research Division

So first on the reinsurance business, the accident year combined insurance cat's 99% for the fourth quarter. We shouldn't be looking at that as a run rate for the future, correct? Shouldn't we be looking at it more on a folio basis?

Albert A. Benchimol
President, Chief Executive Officer & Director

I think you should look at it from a portfolio basis and you should look at it again on an annual basis, because if -- reinsurance, by definition, tends to be a little bit more volatile. And as Joe mentioned, we did have a couple of large losses in the fourth quarter. So you'll have that. So when you look at that 99%, I'll remind you of 2 things: One is, there are some large losses in there; and two, is the comment that Joe made, which is that there's over a point of acquisition expense, which is really tied to the prior year releases. So if you really want to take a look at the -- if you really want to take a look at the true underlying profitability of that book of business, you're going to have to reduce the acquisition expense ratio by over a point. And then the other thing that I would say to you is that we have not changed our level of prudence with regards to initial reserving. And so I'm actually quite comfortable that the level of prudence in our book of business is such that it would assume trends that are worse than we are seeing in our industry today. And if we're doing our job right, I believe that it's more likely than not that these loss ratios that we're putting up will prove very resilient.

Vinay Gerard Misquith
Sterne Agee & Leach Inc., Research Division

Sure, that's helpful. The second question was on share repurchases. My sense is in theory, you guys had about $300 million, if I'm correct. And that seems to be in line with earnings and you receive the breakup fee. I'm just curious why there was more share repurchases, knocked down this year?

Joseph C. Henry
CFO & Executive VP

Yes, Vinay, it's Joe. Under the terms of the ASR, it really -- we're precluded from buying more than that. So it was strictly more a contractual issue than anything else. And frankly, prior to instigating the ASR, we didn't want to be active buying back, because we're basically, we're negotiating against ourselves. I'll just say, just to give you an indication, we bought back about 328,000 shares since the ASR has expired, just in the last couple of weeks.

Vinay Gerard Misquith
Sterne Agee & Leach Inc., Research Division

Sure. Now -- but the fact that you guys got about $280 million more last year than your earnings, shouldn't we be expecting that, that sort of gets it done back to shareholders, too?

Albert A. Benchimol
President, Chief Executive Officer & Director

I think we -- look, I go back to the statement I made earlier. If you back the last 5 years, we've already given back 110%, including the breakup fee. Again, we are active in the market. There is a limit to what we can do on a daily basis. We have to maintain an orderly market for our shares. And we will continue to be in the market, buying as much as is reasonably available to us. I think it's a question of execution, Vinay, and I think if we were to stop, this might be a conversation worth having. But we started immediately upon the termination of the ASR, and we're already in the market. There is a limit to how much we can buy back without affecting the price of the shares, and as Joe say, competing against ourselves.

Operator

We have come to the hour schedule for the call. Our last question will come from Ryan Byrnes of Janney.

Ryan J. Byrnes
Janney Montgomery Scott LLC, Research Division

Just had some questions on the reinsurance book, going back to that. Again, from remixing the underwriting this year, it was kind of a 3-point headwind to the underlying combined ratio. Is the remixing done? I guess, I am just trying to figure out, should that be pressure again heading to 2016? And if it is, it -- would it be the same similar type level?

Albert A. Benchimol
President, Chief Executive Officer & Director

I don't think so. I mean, look. We start with a statement that every renewal is an opportunity to create the best portfolio that we can. And I think we have to let our underwriters build the best portfolio that they can, at any point in time. But the truth is, we already are writing a lot less property cats than we were before. And so I think that when you think about where we are as a percentage of overall portfolio, I think that to the extent that the business remains at current levels, then we think it would make sense to sustain the kind of exposures to cat that we have right now. If pricing improves, we may take more. But certainly, if pricing is less, then we will have to write less of that, because it'll be the right decision at the time. I'm sorry that I can't give you a more definitive answer. I can tell you that I'm very satisfied with the mix of business that we have. And so I am not looking to proactively reduce that -- the mix of cat in our portfolio. But we do have to respond appropriately to conditions in the market.

Ryan J. Byrnes
Janney Montgomery Scott LLC, Research Division

Okay, great. And I just have one last one for me. The weather-driven book seems to be adding a level of volatility to your earnings. I'm just wondering if that is, if you're comfortable with that level of volatility, sort of maybe just get your thoughts on that. Obviously, it was a very warm winter so far.

Albert A. Benchimol
President, Chief Executive Officer & Director

I think one of the issues with that is that yes, because it's a book that tends to have a lot of derivatives then the mark-to-markets on those things do add volatility. And if you don't mind, Ryan, I'd like to maybe just take a step back and talk philosophically about it. At AXIS, we have no problem with individually volatile lines. That's what we do. Our job is to absorb the volatility from our clients, and our job is to then take all of those volatile lines and create a less volatile portfolio through its diversification. So at any point in time, we're going to find a line of business somewhere that pops. What matters to me is not that a line pops. It's that the portfolio is well constructed and balanced. So you have a situation where the conditions this year were so warm that you had significantly less winter storms in Europe and so on, so we had favorable experience in terms of European cats, and we had some unfavorable experience with regards to the weather portfolio. I view that as the nature of our business. At AXIS, we recognize that our job is to assume volatility on behalf of our clients, and that's something that we are willing to do. As the book of businesses that we write in weather is one that does have some inherent volatility, but if you look at what happened last year, we had the same situation in the fourth quarter where we had -- of '14, where we had a warm winter and then we made back a lot of that in the first quarter of 2015. So there is some quarterly volatility. What we experienced in the fourth quarter is literally what our modelers are telling us is a 3-sigma event. There are going to be situations where we have losses of that type. But we still think that weather is increasingly being seen by a number of businesses, governments and different entities as a real risk to their enterprise. And we think that over time, it's going to be an important line of business, and we are building a strong franchise in that area.

Joseph C. Henry
CFO & Executive VP

Ryan, it's Joe. The only thing I'll add is that this is commensurate with our share of the market. So not unusual. The market is experiencing a pretty big loss in this area and this is commensurate with our market share.

Albert A. Benchimol
President, Chief Executive Officer & Director

Thank you, everybody. And I really appreciate your interest in the questions. And I -- and for that reason, I'm sorry that we extended beyond our usual hour. Obviously, if you have any additional questions, please feel free to reach out to us through Linda. And if so, thank you, and we look forward to speaking with you over the quarter through our various meetings and on our next conference call. Have a good day.

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