S&P Global
Market Intelligence

AXIS Capital Holdings Limited NYSE:AXS

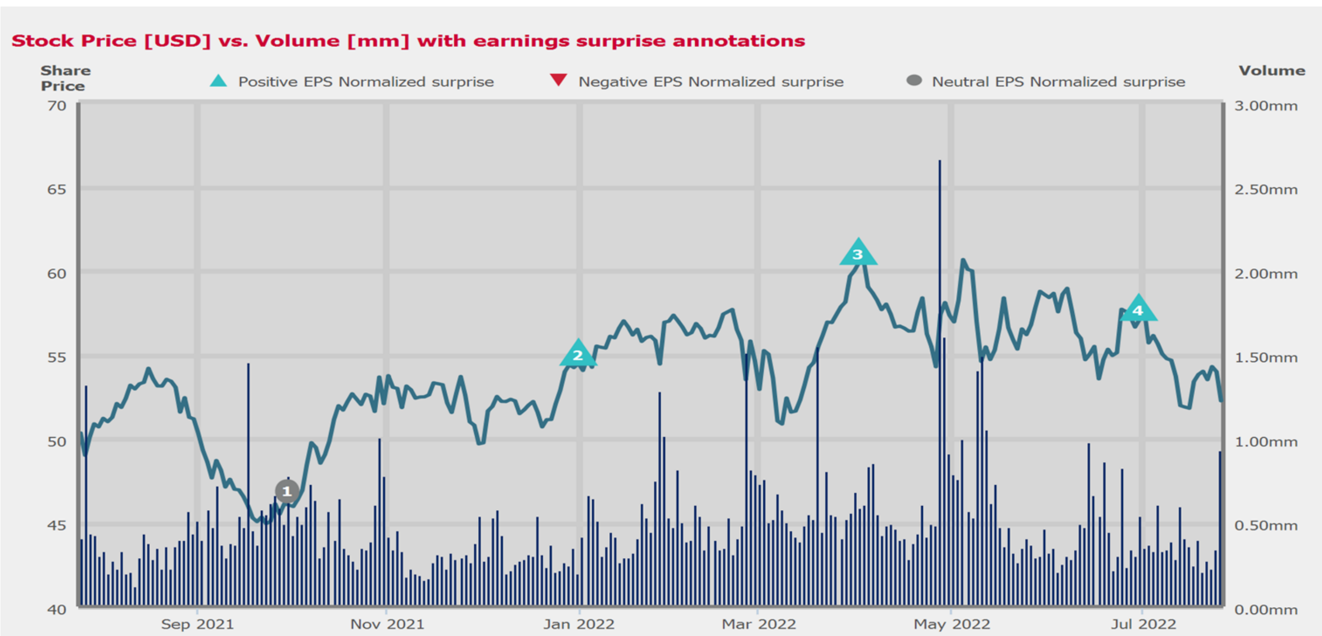
FQ2 2022 Earnings Call Transcripts

Wednesday, July 27, 2022 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2022-			-FQ3 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.53	1.74	▲13.73	0.83	6.32	NA
Revenue (mm)	1304.07	1316.85	▲0.98	1093.55	5271.30	NA

Currency: USD
Consensus as of Jul-28-2022 1:11 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2021	(0.60)	0.01	NM
FQ4 2021	1.51	2.13	▲1 41.06 %
FQ1 2022	1.67	2.09	▲2 25.15 %
FQ2 2022	1.53	1.74	▲3 13.73 %

Table of Contents

Call Participants

EXECUTIVES

Albert A. Benchimol
President, CEO & Director

Mei Feng A. Zhang
Interim Head of Investor Relations

Peter John Vogt
CFO & Executive VP

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

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

Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Good morning, and welcome to the AXIS Capital Second Quarter 2022 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Mei Zhang, Interim Head of Investor Relations. Please go ahead.

Mei Feng A. Zhang
Interim Head of Investor Relations

Thank you, Greg. 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 second quarter ended June 30, 2022.

Our earnings press release and financial supplement were issued last night after the market closed. If you'd like copies, please visit the Investor Information section of our website at axiscapital.com. We set aside an hour for today's call, which is also available as an audio webcast on our website.

With me today are Albert Benchimol, our President and CEO; and Pete Vogt, 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.

Forward-looking statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from those projected in the forward-looking statements due to a variety of factors, including the risk factors set forth in the company's most recent report on Form 10-K and other reports the company files with the SEC.

This includes the additional risks identified in the cautionary note regarding forward-looking statements in our earnings press release issued last night. We undertake no obligation to publicly update or revise any forward-looking statements. In addition, this presentation may contain non-GAAP financial measures. Reconciliations are included in our earnings press release and financial supplement.

Now with that, I'll turn the call over to Albert. Albert?

Albert A. Benchimol
President, CEO & Director

Thanks, Mei, and good morning, everyone, and thank you for joining our second quarter earnings call. We delivered another strong quarter of operating performance, reaffirming the sustainability of the improvements we've made over the last few years. We continued our trend of year-over-year improvements in core underwriting metrics as we have advanced our strategy to grow AXIS as a specialty underwriting leader that's recognized for the value and high level of service we provide to our customers.

The second quarter was highlighted by a consolidated ex cat combined ratio of 88.4% and all-in combined ratio of 93.4% and an operating ROE of 13.7%. Our industry will always have some volatility within quarters, therefore it's instructive to look beyond just 1 quarter. And our year-to-date results are very strong.

Record second quarter production contributed to all-time high midyear production figures. Half year gross and net written premiums and net premiums earned are all at record levels. And on a year-to-date basis, we delivered a consolidated ex cat current accident share combined ratio of 87.8%, an all-in reported combined ratio of 92.4% and overall operating ROE of 14.6%.

Further illustrating our progress, over the past 6 months, our underwriting income of $255 million is up 36% over the prior year, and our 6-month operating income of $329 million is up 30% over 2021. We believe these performance metrics attest to the solid progress we're making to shift to a more stable portfolio, especially when considering the headwinds created by our ongoing mix shift, which impacted our ex cat loss ratios by 1 point.

As we'll discuss further on this call, we're confident that the actions we're taking to position AXIS for an even stronger future will deliver better and less volatile all-in combined ratios. To illustrate, our average market share of cat losses over the prior 5 years was about 0.5%, and in 2022, we're at less than half of that. And we expect more progress as we run out the reinsurance catastrophe exposures over the next few quarters.

Our specialty insurance businesses continue to produce impressive results that increasingly put us among the best in the industry. During the second quarter, we delivered robust 16% growth in our gross written premiums, 22% growth in net written premiums and an 87.8% all-in combined ratio in a market that continues to offer attractive opportunities. And with leadership positions in strong wholesale and E&S markets, we're well positioned to build on that growth.

These improved results are the product of a disciplined and concerted multiyear effort to enhance our leadership in specialty lines markets and shift our book of business towards profitable specialty risks that provide attractive risk-adjusted returns and lower overall volatility; a commitment that continued into this quarter.

During the quarter, we announced bold moves to further advance our strategy. Among them was the exit from reinsurance property and catastrophe lines. We also reorganized our businesses under a single front-end organization led by Vince Tizzio, with an aligned underwriting support and analytics tower to be headed by our group COO.

Let me address these moves in further detail. First, we completed the shift of AXIS Re to a specialist reinsurer with a commitment to profitable casualty, specialty, accident and health in credit lines, and this, along with our overarching goal of being a leading specialty underwriter.

We find that reinsurance remains an attractive channel to access specialty risks that we can't easily obtain through our insurance business. It provides additional scale, balance and geographical diversification to our consolidated portfolio, and we're very good at it. Our clients and brokers appreciate the value that we bring to their businesses.

On the other hand, we do not believe that the AXIS we are building is the best market for volatile property and catastrophe reinsurance lines. We felt it best to be clear with our broker partners and customers as to the sustainable long-term risk appetite of our business.

To be clear, our exit from catastrophe reinsurance is not a view on the catastrophe business within the broader industry. Indeed, we expect that this line will continue to improve at the January 1 renewals. Rather, this is a strategic decision to advance our progress towards the company we choose to be: a leader in specialty underwriting with a strong and consistent earnings profile.

We also believe that combining all our front-end business capabilities under one leader and all our underwriting support and analytics under a COO will increase our efficiency and agility and speed to market and responding to our customers' needs.

Before I pass the call on to Peter to get to the specifics of the financial results, I just want to speak to the importance of our team and our culture in achieving the progress we've reported over the last few years and intend on sustaining into the future. Specialty business is all about talent, and we believe we've done a good job of attracting and retaining great talent and cultivating a strong internal culture.

We're committed to growing our people and are proud of our consistently strong engagement scores, which are supported by external validations such as our recent inclusion on the Forbes list of Best Midsize Employers in the U.S. We believe that our team and our culture present a sustainable competitive advantage as we look to do even more with our customers and partners in distribution and realize our potential as a leading specialty underwriter.

And with that, I'll pass the call over to Peter and then return to go over our traditional review of market conditions. Pete?

Peter John Vogt
CFO & Executive VP

Thank you, Albert, and good morning, everyone. As Albert noted, I will go through the particulars of the quarter, but I will also provide some comments on how exiting the reinsurance catastrophe and property lines will impact the reinsurance ratios on a go-forward basis.

Overall, this was another strong quarter for AXIS. During the quarter, we generated net income available to common shareholders of $27 million and an annualized ROE of 2.5%. Operating income was $149 million, and as Albert noted, annualized operating ROE was 13.7%.

The company produced a consolidated current accident year combined ratio ex cat and weather of 88.4%, an improvement of three-tenths of a point over the prior year quarter. The consolidated current accident year loss ratio ex cat and weather was 55.3%, again, a decrease of four-tenths of a point over the prior year quarter.

We continue to feel good about the progress that we've made across our entire portfolio. Underwriting actions as well as rate in excess of trend have improved the ex cat loss ratio by over 1 point. However, this has been offset by almost 1 point as the proportion of our portfolio associated with catastrophe and property lines continues to decline.

This quarter's pretax cat and weather-related losses net of reinsurance were $67 million or 5.3 points, primarily attributable to South African floods and the high frequency of small to midsized other weather-related events that occurred worldwide. This compares to $29 million or 2.5 points in 2021.

The consolidated acquisition cost ratio was 20.2%, an increase of over 1 point over the prior year quarter, and this was driven by both segments. The consolidated G&A expense ratio was 12.9%, a decrease of over 1 point compared to the second quarter of 2021, and this was largely attributable to net earned premium growth. Lastly, on a consolidated basis, fee income from strategic capital partners was $12 million in the quarter, and this compared to $16 million in the prior year quarter.

Now let's move into the segments. I'll start with insurance. Once again, insurance had a great quarter with impressive performance across a number of metrics. Gross premiums written increased by 16% to $1.5 billion this quarter. The increase came from property and liability lines driven by new business and favorable rate change, professional lines due to favorable rate change, and accident and health lines due to new business.

The current accident year loss ratio ex cat and weather decreased by two-tenths of a point in the quarter. This was principally due to the impact of favorable rate over trend in most lines of business, partially offset by changes in business mix associated with the increase in pro lines and liability business written in recent periods.

The change in business mix generated about 1 point of headwind in the year-over-year change in the ratio. Additionally, there was some noise in the quarter due to a loss ratio catch-up on some program business, and so the 6-month number is likely a better indicator of our run rate performance.

The acquisition cost ratio increased by 1.9 points in the second quarter as compared to 2021. If you recall, last year, I noted that the second quarter had some timing adjustments that benefited this ratio. In 2022, we had some adjustments that actually negatively impacted this ratio. Clearly, it's affected the year-over-year comparison.

We expect that on a normalized basis, the quarterly acquisition cost ratio going forward would be about 18%. The underwriting-related G&A ratio decreased by 1.7 points in the quarter, mainly from an increase in net premiums earned somewhat offset by personnel and travel costs.

Now let's move on to the reinsurance segment. The reinsurance segment gross premium written of $600 million for the quarter was $29 million lower than the prior year. This decrease was attributable to catastrophe and property lines due to nonrenewals and decreased line sizes. These decreases were partially offset by an increase in credit and surety lines driven by new business and an increase in professional lines due to favorable market conditions.

The current accident year loss ratio ex cat and weather of 60.9% increased by 0.5 point due entirely to changes in business mix driven by the decrease in cat and weather business written in recent periods. This mix shift increased the ratio by about 1.5 points year-over-year.

This was partially offset by favorable pricing over loss trends in most lines of business. In fact, when I look at the current accident year loss ratio ex cat and weather, excluding the cat and property business, the ratio improved by more than 2 points year-over-year.

The acquisition cost ratio increased by almost 1 point compared to the prior year quarter. Again, this was primarily due to changes in business mix driven by the decrease in property catastrophe business written in recent periods. But we also had some upward adjustments attributable to loss-sensitive features driven by improved loss performance mainly in our motor lines.

While it is our policy not to give guidance, I believe it is important for me to help frame the transition of our reinsurance portfolio as the catastrophe and property business runs off. I've just been talking to you about the impact of mix shift.

Since we're moving to a world where there'll be 0 property and catastrophe business in our reinsurance book, I want to give you a sense as to what we expect the portfolio could look like.

If I take the first 6 months of this year and completely eliminate the catastrophe and property business, the pro forma year-to-date reinsurance ex cat and weather loss ratio would be about 6 points higher than the 60% reported year-to-date. Also, the pro forma year-to-date acquisition cost ratio would be about 1 point higher than the reported year-to-date acquisition ratio. We anticipate these increased ratios will be offset by a significantly reduced cat loss ratio.

Over both the past 3- and 5-year time frames, the annual reinsurance cat loss ratio has averaged 13.5%, so I expect that exiting the reinsurance catastrophe and property business will be a net positive for the company. While the ex cat combined ratio may increase on a relative basis, I expect a significant decrease in cat loss ratio will more than offset that increase, and our resulting combined ratio should, on average, be flat or better with much less volatility.

These new ratios will manifest over the next 18 months as the cat and property book runs off. To give you an idea of timing, the net unearned premium reserve at the end of the second quarter for the catastrophe and property business is about $190 million. I expect about 60% of that to run off by the end of this year, another 25% in the first half of 2023 and an additional 10% in the second half of 2023. The remaining 5% is essentially gone after 2024. I trust this additional detail will be helpful in understanding our portfolio going forward.

And now turning to investments. Net investment income was $92 million for the quarter compared to net investment income of $105 million in the second quarter of 2021. Decrease in net investment income was primarily due to lower gains from alternative investments, which were particularly strong in the second quarter of last year. This was partially offset by an increase in income from fixed maturities attributable to increased yields.

At the end of the quarter, the fixed income portfolio had a book yield of 2.4% and a duration of 3 years, and our market yield was 4.3%. With the current book yield now 60 basis points higher than at the beginning of the year and the market yield about 200 basis points higher than the current book yield, we expect to see the benefit of higher net investment income over the course of the next quarters and years.

If rates stay at their current levels and with our current duration and portfolio characteristics, we can expect to see income from our fixed maturity portfolio approach $300 million for the full year 2022 and potentially increase by another $100 million for the full year 2023. The significant increase in income from our fixed maturity portfolio will help improve operating earnings and restore book value loss to the increase in interest rates.

As previously announced, the company's Board of Directors authorized the repurchase of up to $100 million of the company's common shares through December 31, 2022. During the quarter, we repurchased $35 million of our common shares pursuant to this program.

Diluted book value per share decreased by $4.35 in the quarter to $47.62. This was principally driven by net unrealized losses related to increased treasury rates and the widening of credit spreads. While the increase in rates has impacted our book value per share, it's encouraging that the new money yields are now higher than our portfolio yield and bodes well for future investment income growth, as I noted earlier.

Overall, the continued improvement in most operating metrics and positive momentum in our core underwriting book, this was a strong quarter for AXIS. That summarizes our second quarter results as well as provide some details on the reinsurance segment and net investment income. With that, I'll turn the call back over to Albert.

Albert A. Benchimol
President, CEO & Director

Thank you, Peter. Let's do a brief overview of market conditions and outlook, and we'll then open the call for questions.

Market conditions are still favorable. And while, as expected, the rate of increase is declining, we continue to achieve meaningful increases across nearly every line we write and remain, on the whole, ahead of loss cost trends.

The average rate increase in our insurance book was close to 10% for the quarter. This represents the 19th consecutive quarter of rate increases for our insurance book, which, in the aggregate, now exceed 50% since the beginning of 2017.

By class of business, professional lines once again saw the strongest pricing actions with average rate increases of more than 16%. But as I noted last quarter, professional lines are diverging in pricing trends and thus best explained in 3 parts.

The first is cyber, which continues to experience hard market conditions, with an average rate increase of 62%. The second is public D&O, which is less than 8% of our overall professional lines book, but this saw a 15% decrease this quarter.

As I shared last quarter, the combination of strong price increases in past periods, fewer new business opportunities, the coming online of new capacity, along with the recent decrease in the number of filed cases, all led to a more competitive environment.

As a result of these factors, we're writing much less public D&O business than we did at this time last year. However, the rest of the professional lines book, which provides more than 60% of our professional lines, remained healthy with average rate increases of close to 7%.

Casualty lines are averaging over 7%, with primary casualty strongest at more than 9% and excess casualty at over 5%. Property rate increases were up more than 7%. Our other specialty lines experienced single-digit rate increases with an overall low single-digit average for that portfolio.

During the quarter, 93% of our insurance portfolio renewed flat to up, with about 30% of renewals delivering double-digit increases. On a year-to-date basis, our average insurance rate increase was close to 11%. And just as in prior quarters, we continue to see new business pricing metrics, at least as strong as, if not better, than renewal pricing.

Let's turn to reinsurance. For the quarter, the average reinsurance rate increase was close to 9%. Aviation generated increases of more than 13%, and liability was up more than 11%. Professional lines were up 9%, while motor, marine, credit and surety all saw modest gains below 5%.

Overall, as Pete noted, our experience in the second quarter reinsurance renewals was consistent with those of the first quarter. We reduced property and catastrophe reinsurance volume by more than 50% while growing other lines, including credit and surety, motor and cyber by 13%. Thus, total reinsurance gross premiums written were down only 4%.

For the July 1 renewal season, we were substantially out of property and catastrophe but still grew other lines such that the July 1 renewal volume was down 32%. In the business we renewed, we experienced average increases of close to 7%, with aviation and motor in the mid- to high teens and liability at about 11%.

Marine, A&H and professional lines were all in the mid-single digits, while workers' comp and credit and surety were close to flat. And on a year-to-date basis, our reinsurance pricing is up 8.5%. I'd like to take a moment to put these metrics in perspective.

In our rate change discussion, we present our renewal rate change on a like-for-like basis per unit of risk. Our reported rate increases are over and above the additional change in pricing on renewals from a revaluation of the exposure base that may be impacted by financial inflation. Thus, our year-to-date rate increases of close to 10% for our entire consolidated book compares to a loss trends, which we see to be in the mid- to high single digits.

We're thus satisfied that our pricing remains ahead of loss trends. I hasten to add that we're not looking just the pricing to improve our overall results. We continue to take intelligent actions on risk selection, attachment points, line size and other terms and conditions, all of which are expected to deliver a favorable impact on our underwriting results.

Stepping back, when looking at our overall portfolio, by and large, we feel that the vast majority of lines are adequately priced at this moment. However, we also know that our industry is experiencing an all-in loss trend in the high single digits when all factors are considered.

We're also continuing to operate in an uncertain environment as we collectively work to navigate the impacts of political and economic instability, the Russia-Ukraine war and the ongoing questions, as to the full long-term costs and effects of the COVID-19 pandemic beyond financial and social inflation. It's therefore imperative that our industry keeps pricing in line with these loss trends to protect our margin.

On the positive side, our industry has a comforting historical record of adjusting to inflation and pricing to reflect those loss cost trends. For these reasons, we expect that, on average, our industry should sustain pricing at above loss cost trends through 2023. We've already seen some lines reaccelerating in light of new data and conditions, and I believe that this reflects the discipline we expect to see in this market.

This scenario would maintain industry margins at adequate levels and provide us with excellent opportunities for profitable growth, especially given the ongoing positive fundamental conditions in E&S and wholesale markets where we have very strong positioning.

Overall, we look to the future with optimism and excitement. We've proven that access is no longer a transformation story, but rather a profitable growth story. The progress delivered over the past few years has been both substantial and consistent, and we're convinced that the actions we continue to take will further advance our market positioning and our profitability.

We know we must continue to enhance our business, and everyone at AXIS is committed to that goal. I feel privileged to be surrounded by a strong and talented team that's dedicated to supporting our customers and focused on advancing our goal of growing AXIS as a profitable leader in specialty underwriting.
Thank you for your time. And with that, let's open the line for questions. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question is from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here for you. First, Albert, I just want to make sure I heard. I think you said that January 1 renewals were down 31% in reinsurance.

Albert A. Benchimol
President, CEO & Director

July 1 renewals.

Brian Robert Meredith
UBS Investment Bank, Research Division

July 1.

Albert A. Benchimol
President, CEO & Director

Property was down like 97% because, as you know, we had some quotes outstanding. But property was down 97%. We grew the rest of the book that was available for growth. So net-net, it was 32%. But as you know, July is a very property-heavy renewal. So I wouldn't -- I absolutely would not take that number and apply to the book.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. That makes sense. And I'm just curious on that. If I look at your liability reinsurance, it's growing, but just a little bit. How much of an impact are you seeing from getting out of the property business on certain other lines like liability, so call it whole account-type business?

Albert A. Benchimol
President, CEO & Director

So Brian, well, we don't do a lot of whole account-type business, but I think you're probably addressing the question of how are we going to continue forward as a specialty underwriter. And that's a fair question. And we've thought about that long and hard as we made our decision. And let me share with you some of the components that went into our thinking.

So number one, we've been building these multiline relationships and specialty lines relationships for quite a while now. So we're actually in a good position. As of June 30, we had about $2.1 billion of reinsurance premium in force in all lines other than property and property cat. So obviously, it was a little bit higher than that, but assume that property and property cat goes away as we expect. What's left as of June 30 is an in-force book of about $2.1 billion.

Of that amount, Brian, 55% is with accounts that have no cat or property business. And so we think that those accounts should not be meaningfully affected by our announcement. Of the $950 million or so of premiums with accounts that do buy property coverages from us, 50% of that volume is from accounts with property mix of less than 10% of the relationship premium, and 80% of that volume is made up of accounts with property mix of less than 25% of the relationship premium.

So we think that this reflects our deep multiline relationships that we've built with our customers. So certainly, we hope and expect that given the quality of our relationships, the multilines that we have and the service that we offer, we're planning on retaining and even growing those relationships over time.

As you know, of course, we've been exiting property or reducing property for a year now, so this is not the first moment that we've taken certain accounts to 0. And I can say that with virtually all of the accounts that we've taken down to 0, we're still trading very healthily with those people. So we certainly respect that our customers have choices, but we plan to earn and defend every dollar of reinsurance premium that we want to keep going forward.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then I just -- one of the -- just quick question. If we think about the mark-to-market on your investment portfolio -- sorry, and just with the impact of what that was on equity, Pete, how should we think about your debt-to-cap ratio here?

Do you think about it ex AOCI? Do you think about it including the marks? And it looks like it's going to be above 30% as the end of the second quarter [indiscernible] per the cap if we include the marks. How should we think about that?

Peter John Vogt
CFO & Executive VP

Yes, Brian, you're right. It's back over 30%. If you recall, it was over 30% a number of years ago. And what I would say is I do look at the impact just due to the movement of interest rates, and we will, over time -- we really want that ratio to get back down to 25%, but I'm willing to do it over time as we see investment income come back into the balance sheet as well as interest rates continue to move going forward.

So I would say, right now, it is high. It's due solely to the change in interest rates as you looked at, but I look at that as a long-term figure. And really we'll expect to see us, in the future, get it back down at that 25% to 30% range, but I really want to target 25%, but I'm willing to take time to get there.

Albert A. Benchimol
President, CEO & Director

If I could just add to that, just -- Brian, the only comment that I was going to add is, obviously, there's a mark-to-market component. But as you know, our fixed income portfolio is a AA- rating. We feel pretty good that at maturity, these are going to give us back 100 cents on the dollar.

So that's a discount that, over time, should unwind either through just the natural unwinding of the bond or a sale and then a reinvestment at a higher rate. So we really view this as a temporary increase in leverage that should unwind naturally over a short period of time.

Operator

The next question is from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I wanted to go back to the exit from property reinsurance. And can you maybe help us think about what that means for capital? How much capital is associated with that book today? And what would your goals for that capital will be once it's released?

Albert A. Benchimol
President, CEO & Director

I guess the short answer is, as I mentioned to you just a second ago, we've got about $300-odd million of premium in force in the property cat book. So that's running off over 18 months. And certainly, our primary goal is to use that to drive more profitable growth in other specialty lines. Pete, do you want to take that?

Peter John Vogt
CFO & Executive VP

No. I said the only thing I would mention is Albert's number is a gross number, Yaron. And when we look at capital requirements of that cat business, we're really looking at the net written premium for rating agency formulas in that number, because we do see about 50% of our property business to our third-party capital partners will be much less than the $300 million that Albert mentioned.

I mean I did note that I got about $190 million of unearned premium -- net unearned premium on the book, so that's probably a better think when you're trying to think what's the right number to think about for capital. And to Albert's point, the number 1 use, I think, for that capital as we continue into 2023 will be solid organic growth in the lines of business where we continue to see some attractive opportunities.

Albert A. Benchimol
President, CEO & Director

Thanks for that.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And then my second question goes to the insurance accident year loss ratio, where I understand there's a mix shift that is continuing to influence the results. When do you see that mix shift starting to slow or the impact of that mix shift starting to slow and for us maybe to see more of the rate over trend and maybe the re-underwriting of some of the businesses coming through more forcefully?

Albert A. Benchimol
President, CEO & Director

So there's probably 2 pieces to that. I think there's always going to be some, but there's no question that, right now, because of our limited cat appetite, we're holding back on the growth of property while we're not holding back on the growth of the other specialty lines. So it's probably on a -- given where we are right now, it's probably accelerated. So I think that's relevant.

I do want to make one comment. You talked about re-underwriting. I've got to say we like where our book is. As I mentioned, we delivered an all-in combined ratio of 88% in the insurance book. We've done a lot of work over the past prior years. I mean at this point, I think we're very well positioned, and it's really about continuing to build on that. I don't see repositioning or refixing or whatever the term was.

Operator

The next question is from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, given where your debt to cap is, above 30% with preferreds right now as well as the move we've seen in interest rates, do you guys still expect to complete the remainder that you have left under that $100 million authorization this year?

Peter John Vogt
CFO & Executive VP

I would say we'll look at that through the rest of the year, Elyse. I mean right now, we did $35 million in the quarter. We felt good about the purchases we did there. We'll continue to evaluate it as we go through wind season here in the third quarter.

And if we think the market still looks attractive, as Albert said, when I look at the change due to interest rates, we will be earning that back as those bonds march towards maturity, but also in higher investment income as we go forward. And I think when we think about the stock buyback and our capital management, it will be, I'll call it, point in time, but it's also looking at it over a couple of years.

So right now, I know I've got the $65 million. We're going to look if it makes sense. We'll decide when we get into -- probably after wind season, we see what the cats do to decide whether we want to use it or not, but I think it's going to depend upon market where the stock is trading, where interest rates go as well as how wind season goes for us.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then in terms...

Peter John Vogt
CFO & Executive VP

I know that's not the [indiscernible] you want, but...

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

No, that's helpful. And then in terms of the insurance underlying margin and the mix that we were just talking about, I guess is it right to assume that at least given the mix shift going on there that at least for the balance of the year, probably the impact of mix on that underlying loss ratio could continue to overshadow the earned rate over trend? Or how should we think about the balance between those 2 items?

Albert A. Benchimol
President, CEO & Director

I don't know. I mean we're still showing positive year-over-year. We're -- so there's always -- we've had headwinds for some time as we've been shifting the book. To our mind, it's the right call. But even through the first 6 months, the change in mix did not completely overshadow the rate over trend.

Peter John Vogt
CFO & Executive VP

Yes. I would say, Elyse, when I think about this quarter, there was some noise in the quarter, onetime things that increased the loss ratio just in the quarter. But as I look out to the rest of the year, as I said, I think the full year will probably come in somewhere around that 51% where we are year-to-date.

Now it may bounce around. We're a specialty company, could be a little bit lower, could be a little bit higher in any 1 given quarter, but I think that 51% overall. Last year, in the second half of the year, we ran at about a 50.8%.

We had some really good property results in the second half of last year. If they manifest themselves, we could be right about the same place the second half of this year. But I mean I think -- when I think about where that book is, low 50s is a really good, solid current accident year loss ratio for that book.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then after the property and the cat re-exit, right, you guys still will have some cat exposure stemming from the primary operations. Where would you say the consolidated catastrophe load of AXIS ends up at?

Peter John Vogt
CFO & Executive VP

I guess I'd say 2 things on that one, Elyse. One, I would say you still may see a little bit of cat because I don't think it's going to be 0 in reinsurance because we're still in the marine business there and marine is exposed to cat. But it will be negligible. I'll just put it that way.

And when I think about the report card that we've put out for you all -- and we've seen last year's cat loss ratio was 9.5%. We said we really want to get that down a good 3% to 4% this year. I would say our new expectation would be a cat load less than 5%.

Operator

[Operator Instructions] The next question is from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

I'm wondering, I guess, if you can frame for me how you think the reserves in paid-to-incurred ratio will trend in the coming year as the remaining property re-reserves come off the book and replace the higher amount of casualty reserves, which tend to be more reserve-intensive over time. Also a, big short [indiscernible] reserves are coming off. How should we frame that next year transition?

Peter John Vogt
CFO & Executive VP

It's in -- we've talked about this metric before, Josh. I think in the quarter, reinsurance was right around actually just slightly above 100%, and insurance was down around 78%. I guess what I would tell you -- and you can look in the financial supplement to see those numbers.

But I'd say specifically for reinsurance, what we're going to see is probably a top line coming down because the cat is going to run off. So you're going to see your incurred number -- this is pure math, so you'll see the incurred number coming down.

We still have cat and property claims to pay out, so those will be getting paid out. So that might affect the reinsurance ratio in that way. Longer term, over the next, say, 18 months when we actually close out a lot of property claims, as you know, we'll be in longer tails of business.

They tend to run with a little bit lower paid to incurred because you're putting up the incurred, especially if those books are growing and you're [indiscernible] not paying the claims for a couple of years out.

So I think right now, we'll have to wait to see the reinsurance business turn into a growth mode, and then you should see them come down a bit because of the paid. But moving mix to long period, so as I just said, moving the mix to long tail, will definitely decrease that on the reinsurance side over the next couple of years.

Joshua David Shanker
BofA Securities, Research Division

And [indiscernible] related, where are we on a COVID IBNR? Is there still a large COVID IBNR around the book?

Peter John Vogt
CFO & Executive VP

I guess what I would say on COVID is, one, we didn't change the reserves in the quarter again. We feel good about it. On the paid side -- again, right now on the insurance side, we've got over 90% of the insurance is paid. So we feel really good about that, and we're continuing to just drive that to an end.

On the reinsurance side, the paids are still pretty minimal. And so I would say the paids there are less than 25%, is my recollection. And so you've got a fair amount of case reserves, and IBNR still sitting there in reinsurance. And that was fully expected. We think that COVID, from a reinsurance perspective, will be a longer event to actually come through.

Operator

The next question is from Meyer Shields with KBW.

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

Pete, in particular, thanks so much for the explanation of reinsurance on, I guess, pro forma basis. One remaining question. How do you think about fee income in the reinsurance segment with regard to Harrington and the other partners?

Peter John Vogt
CFO & Executive VP

Yes. That's a really good question. One, I'll handle a couple of the details, but I know I think Albert want to add some color there because we are seeing really good traction with our third-party capital partners on other business outside of property and cat.

We've done some really good deals when we think about long tail business, and we're also looking at other opportunities in that book -- in that particular business line. So I'll let Albert address that.

Yes, but overall, I would say if you look at our fees year-to-date, I've actually got -- there's about $12 million associated with property year-to-date. And so I think we're going to see that come off, but I do think that we will see some fee income go back up due to some of our business in the long-tail lines.

I'd also note that everything we do with Harrington, which is a substantial part of our fees right now, that's all long-tail business. Harrington, we cede out pro lines, motor and casualty business, too.

So if I look year-to-date, we've got about $29 million, $30 million of fees. About $12 million of that was associated with properties. So the fee income will come down, but we still think we'll be able to generate fees on those long-tail business lines.

Albert A. Benchimol
President, CEO & Director

Yes. Thanks, Pete. We started our third-party capital, obviously, with cat and property. But as you know, we've been very proud of the fact that we've been able to expand our partnerships to include a very broad portfolio of risks, and to the point where today, more than 50% of our fees are actually coming in from the longer-tail lines.

So I think to your point, as you're looking forward, very likely that there'll be a dip in 2023 as we lose the cat piece. But on the other hand, we're still working hard at continuing to share other risks. So over time, we would hope that those fees would be replaced by new relationships, new fees as we look to expand the non-cat lines with our third-party capital partners.

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

Okay. Fantastic. That's helpful. And then just a second follow-up on reinsurance. Setting aside the mix shift, how are ceding commissions on the specialty lines that you're seeing? And how are those ceding commission rates trending?

Albert A. Benchimol
President, CEO & Director

I would say that they probably hit their peak this year in terms of the reinsurance sessions. I think that you're seeing it as firming up. So our -- overall, we've seen a little bit of pickup, as you know, in some of the quota shares in property and professional lines. If I were to look forward, my guess is we've probably seen the peak of those.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Albert Benchimol for any closing remarks.

Albert A. Benchimol
President, CEO & Director

Thank you. I noticed a couple of questions on -- again, on the impact of mix shift. And I realize that as the book is progressing, it makes -- it adds some noise to the comps. But I just wanted to share with you some of the ways that I look at it. Pete spoke about doing a pro forma of the book completely excluding property and property cat. And we certainly do that because that's the book that we want to see going forward.

And I can tell you that for the quarter and for the year-to-date, if we were to take all the property and the property cat out of both sides, we would have seen a decline in the combined ratio -- even with the more active cat season this year, we would have seen a decline in the all-in combined ratio. We would have seen a decline in the ex-cat loss ratio in both the second quarter and in the year-to-date.

So when I look at this core book that we are growing, that is the foundation of AXIS going forward, we feel very good that we're continuing to see progress in the profitability of that book. And I believe that as the book runs off, you'll see that much more visibly.

So thank you for your attention. Thank you for your time. As I do often, before we wrap up the call, I'd like to say thank you to my AXIS colleagues for all that they do every day to support our customers and make us a stronger company. They've delivered a great quarter for us. We're continuing to make great progress, and we look forward to speaking to you again and reporting on better progress and more progress as we go forward. Thank you, everybody.

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