AXIS Capital Holdings Limited NYSE:AXS

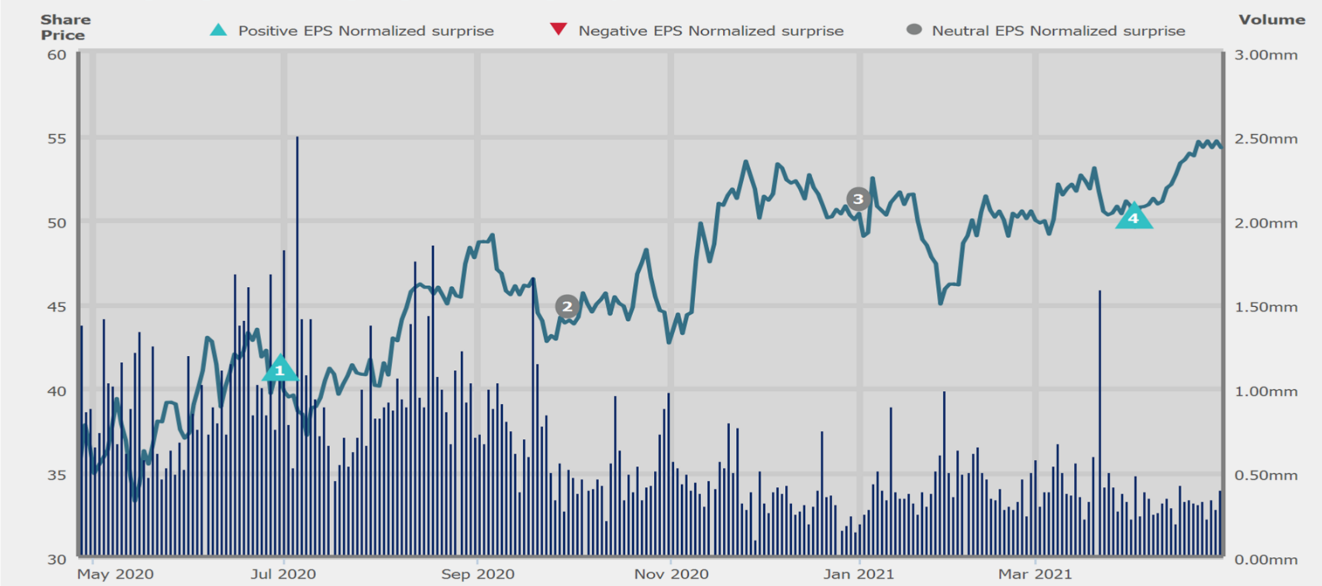
FQ1 2021 Earnings Call Transcripts

Thursday, April 29, 2021 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2021-			-FQ2 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.64	0.97	▲51.56	1.07	4.00	NA
Revenue (mm)	1739.56	1778.89	▲2.26	1144.87	4728.80	NA

Currency: USD
Consensus as of Apr-29-2021 10:35 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2020	0.36	0.84	▲133.33 %
FQ3 2020	(0.93)	(0.77)	NM
FQ4 2020	(0.28)	(0.20)	NM
FQ1 2021	0.64	0.97	▲51.56 %

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EXECUTIVES

Albert A. Benchimol
President, CEO & Director

Matthew Jay Rohrmann
Head of Investor Relations

Peter John Vogt
CFO & Executive VP

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Derek Han

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Presentation

Operator

Good day and welcome to the AXIS Capital First Quarter 2021 Earnings Conference Call. [Operator Instructions] Please also note this event is being recorded.

I would now like to turn the conference over to Matt Rohrmann, Investor Relations. Please go ahead.

Matthew Jay Rohrmann
Head of Investor Relations

Thank you, Carrie. 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 first quarter ended March 31, 2021. Our earnings press release and financial supplement were issued yesterday evening after the market closed. If you'd like copies, please visit the information -- 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 found in the Investor Information section of 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'll 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 additional risks identified in the cautionary note regarding forward-looking statements in our earnings press release issued yesterday evening. 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.

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

Albert A. Benchimol
President, CEO & Director

Thank you, Matt. Good morning, everyone. And thank you for joining our call. Notwithstanding a record first quarter for U.S. weather events, for AXIS, 2021 is off to a promising start. Our consolidated current year ex-cat loss ratio of 55%, ex-cat combined ratio of 89%; and sub-99% all-in combined ratio, all provide solid additional data points indicating that our work to reposition our business is delivering a portfolio that is both more profitable and more resilient than that of prior years. And it appears that our momentum is only accelerating.

This represents the seventh quarter in the last [9] that we've delivered improvements in our core underwriting performance, highlighting a clear positive trend in our results. Our insurance business is firing on all cylinders, taking advantage of attractive market conditions to grow premiums -- gross premiums written by 17%, delivering an ex-cat combined ratio of 88% with a 2-point reduction in each of the attritional loss and expense ratios. Even the cat loss ratio showed good progress at less than 6 points to bring our all-in insurance combined ratio to below 94%. In addition, our reinsurance team is contributing equally to our progress, with continued underwriting discipline and portfolio management emphasizing enhanced profitability and managing volatility. Our reinsurance current year ex-cat combined ratio improved again to 85%, allowing us to absorb the U.S. winter storm losses and still reported a 100% all-in combined ratio. I'm confident that our continuing improvements in the portfolio will lead to increased profitability and further reduce our vulnerability to cat events.

We've added and continue to hire strong underwriting talent to bolster our efforts to drive profitable growth, and we feel very good about our team, our culture and our consistent ability to attract top caliber talents. We've worked very hard to get to this point. There's a strong sense of optimism throughout the organization, and we're excited about the future.

I'll pass the floor to Pete, who will walk us through the first quarter financials, then I'll come back to discuss market trends and we'll have our Q&A. Pete?

Peter John Vogt
CFO & Executive VP

Thank you, Albert, and good morning, everyone. During the quarter, we generated strong results featuring net income available to common shareholders of $116 million and an annualized ROE of 9.9%. Operating income was $83 million and an annualized operating ROE of 7.1%. As Albert noted, core underwriting results continue to show improvement as the company produced a current accident year combined ratio ex-cat and weather of 89.2% or over 4 points better than the prior year quarter.

As previously announced, the quarter pretax cat and weather-related losses, net of reinstatement premiums, were $110 million or 10.1 points. The cats in the quarter were primarily attributable to the Texas area winter storms as those events contributed $88 million of cat weather-related losses to the quarter. The consolidated current accident year loss ratio ex-cat and weather was 55.1%, a decrease of 2 points over prior year, with the decrease attributable to both segments. The consolidated acquisition cost ratio was 19.8%, also a decrease of 2 points and again, the decrease was attributable to both segments.

The consolidated G&A expense ratio of 14.3% was a slight decline to the first quarter of 2020. Overall, operating efficiency and expense control remain important goals for us, so we continue to target a G&A ratio in the low 14s for 2021. Fee income from strategic capital partners was $12 million this quarter compared to $16 million in the prior year quarter.

We'll now discuss the segments. I'll start in insurance, where we had some impressive performance across a number of metrics this quarter. The gross premiums written increased 17% to $1.1 billion this quarter. The increase primarily came from new business and favorable rate changes in the professional lines, property, marine and liability lines. Net premiums written grew -- growth was higher and I'd note that reinstatement premiums paid last year was a contributing factor to that growth. During the quarter, the insurance current accident year combined ratio ex-cat and weather decreased by 4 points from last year as the repositioning of the portfolio continued to earn through.

The current accident year loss ratio ex-cat and weather decreased by 1.9 points in the quarter, principally due to favorable pricing over loss trends across virtually all lines of business and improved loss experience in property lines associated with the repositioning of that portfolio. These positives were partially offset by a large marine cargo loss. The acquisition cost ratio decreased by 1 point in the first quarter compared to 2020, mainly attributable to the increase in ceding commissions associated with the growth in professional lines. The underwriting related G&A expense ratio decreased by slightly over 1 point in the quarter, largely attributable to an increase in net premiums earned.

Let's now move over to the Reinsurance segment. The Reinsurance segment's gross premiums written of $1.4 billion for the first quarter was $58 million or 4% lower than the prior year. Gross premiums written decreased in motor, engineering and catastrophe lines as we look to better balance the portfolio. This decrease was partially offset by selective increases in liability lines where terms were attractive. During the quarter, the reinsurance current accident year combined ratio, ex-cat and weather, decreased by over 4 points from 2020 as the repositioning of this portfolio continued to earn through. The current accident year loss ratio, ex-cat and weather, decreased by 1.6 points in the first quarter, principally due to favorable pricing over loss trends in most lines of business and benefits associated with the repositioning of the portfolio. This was partially offset by an increase in loss experience in non-cat property lines.

The acquisition cost ratio decreased by over 3 points in the quarter due to changes in business mix, driven by reductions in proportional business, including trade credit and non-cap property. The underwriting related G&A expense ratio increased by 0.5 point in the quarter attributable to the decrease in net premiums earned. Net investment income for the quarter was $114 million, and this was $21 million higher than the first quarter of 2020, primarily due to an increase in returns from alternative investments. This increase was principally related to private equity funds and hedge funds which are reported on a [1-quarter lag], so that performance is indicative of the fourth quarter of 2020. It was also helped by a gain of $17 million associated with the sale of a venture capital investment. This was partially offset by a decrease in income from fixed maturities attributable to decreased yields on the portfolio.

At quarter end, the fixed income portfolio had a book yield of 2.1% and a duration of 3.3 years, and our new money yield was 1.5%. For the quarter, you'll note there was a higher-than-usual effective tax rate. This was driven by earnings and capital gains realized in the U.S. and Europe, while the losses from the winter storms mostly impacted the Bermuda balance sheet. Diluted book value per share decreased by $2.06 in the quarter to $53.03. This was principally driven by the decrease in net unrealized gains reported in other comprehensive income, due to the rise in interest rates. Overall, the continued improvement in most operating metrics and momentum in the core underwriting book, notwithstanding notable cat and weather events, this was a good quarter for AXIS.

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

Albert A. Benchimol
President, CEO & Director

Thank you, Pete. Let's do a brief overview of market conditions and outlook, and then we'll open the call for questions. Across both our insurance and reinsurance segments, we saw positive rate action continue during the first quarter. This represents the 14th consecutive quarter in which we've seen overall rate increases in our insurance book and the fifth consecutive quarter of double-digit average rate hike. This quarter, the average insurance rate increase was up about 13%. This is more than 3 points higher than the first quarter of 2020 but sequentially down from last year's fourth quarter reported level of 18%. In most lines, we monitor, sequential rate of change in pricing has increased, while it has remained flat or crested in others.

Looking at our Insurance segment by region, the U.S. is strongest with average rate increases of close to 15%, while the London market is up nearly 10%. By overall line, in insurance, liability is strongest with increases at close to 18%, with the best conditions in U.S. excess casualty space at plus 25%, while primary casualty is in the mid-teens. European rates are up in the mid- to high single digits. Professional lines are close behind with average rate increases at 17%. Strongest is our London book, where we're seeing great increases in the mid- to high 20s. Canada, U.S. D&O and financial institutions are all strong, with increases in the 19% to 20% range, but with sub-sublines over 30%. Cyber is accelerating rapidly with increases anywhere from the mid-teens to the high 20s. Property averaged up about 10%, with U.S. E&S property and global property strongest in the 13% to 14% range, while other lines were more in the high single digits.

Our portfolio specialty lines, including marine, political risk and A&H, saw increases that averaged in the high single digits, although here again, many sub-lines are in the double-digit range. For example, marine cargo and facilities are up 15% and 16%, while aviation was strong in at 18%. Overall, virtually all of the insurance portfolio renewed flat to up, with more than 50% of the book achieving renewal rate increases above 10%. New business, we feel, is priced at least as well as renewal business. In this environment, our insurance team did very well. Retentions are up versus last year's first quarter and new business production set a new record. I would observe that with these recent changes in pricing, more of the opportunities that we're seeing are meeting our hurdles. Indeed, the past 2 quarters have been the largest insurance production quarters in our company's history.

Let's move on to reinsurance. In the first quarter, we estimate overall reinsurance rate change was up about 11%. Rates were strongest in the U.S. and global specialty lines, with increases in the 12% range; while EMEA, which for us is Europe, Middle East, Africa and Latin America, was up about 10%. And Asia saw average increases in the low single digits. By line of business, professional lines saw increases that average in the mid-teens, with our EMEA region up 17% and U.S. up 12%. Liability average increases in the low teens globally, with rates up 14% in EMEA, 12% at Lloyd's and 10% in the U.S. Generally, we found other specialty reinsurance lines to be up in the double-digit range while aviation was much higher, reaching up to 40%.

In the first quarter, property cat averaged about 16% in the U.S., while we saw increases in the 5% to 10% range in the rest of the world. We found these rates to be unimpressive, given recent property cat losses, a fact of which we were again reminded with the U.S. winter storms. Non-cat property changes were generally in the single digits. Given the property and cat pricing we observed, our underwriting actions led to a reduction of approximately 5% in the gross writings and premiums of our property and cat reinsurance in the first quarter. All in, our first quarter reinsurance gross written premiums were down about 4% as we focused on enhancing the profitability and reducing the volatility of our book all the while growing in the more attractive lines.

Looking at April 1 reinsurance renewals, rate momentum was in line with our expectations. We're seeing evidence of a growing supply of capital and competition, which may, in the future, dampen the overall improvements that are needed across the sector. The largest part of our renewal was Japan, where we experienced property cat and non-cat rates increasing in the 5% to 10% range, but where loss impacted risk and [indiscernible] treaties were renewed, rates were a bit higher than that. Elsewhere, U.S. professional lines saw increases of 11% and U.S. liability was up more than 20%. Overall, we booked a modest reduction to expiring premiums at the April 1 renewals.

I'm not concerned about the premium reductions in reinsurance. One of the benefits of being a hybrid company is that we have access to business across lines in many markets and geographies. It gives us a wealth of choices from which to choose and create the best optimized portfolio under available circumstances. I'm just as proud of the strong growth delivered by our insurance team in an attractive market as I am by the disciplined response exhibited by our reinsurance team under more mixed market conditions. They both contribute to building the best portfolio for AXIS in terms of balance, profitability and lower volatility.

Stepping back, as we look to the months ahead, we're anticipating that favorable market conditions will continue throughout the year and very likely into next year, even if in some lines, rates of increase come off their peak levels. The many issues that our industry is facing right now, including low interest rates, ongoing uncertainty as to longer-term impacts of the COVID pandemic, loss cost inflation and climate change should sustain pricing discipline. And if relative market conditions play as they are currently, with the environment more favorable in insurance, we anticipate that much of our growth will continue to be focused there, particularly in non-cat exposed lines of business. As we continue to build our optimized One AXIS portfolio, we see the hybrid model as a competitive differentiator, providing us with flexibility to allocate capital to the areas of our business that are offering the best returns.

And as I said earlier, we feel great about the future. We're in a good place right now and we believe the wind is at our backs. But while we're seeing exciting progress to run our business and we're actively taking advantage of all of the opportunities presented by the current market, we feel encouragement, we see our momentum, we're satisfied with this quarter results. But we're not satisfied with where we are overall. And we know there is much to do, and we remain focused on delivering additional progress towards the achievement of our goals and ambitions.

Our action plan is very straightforward: to make the most of the current market to both enhance the balance of our portfolio and grow profitably; to invest in talent and technology; to accelerate growth in existing and new markets; and to leverage technology and growth to increase our capabilities, productivity and efficiency while lowering our overall expense ratio. We believe that all of the years of hard work to reposition the business are now starting to be more fully reflected in our financial results. And we look forward to continuing to keep you updated with our progress.
And with that, let's please open the line for questions. Operator?

Question and Answer

Operator

[Operator Instructions] First question will be from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. A couple of them here. First, you talked a little bit about Cyber and the prices going on. Can you talk about kind of loss trends continuing in that line of business? And just give us kind of a quick update after last quarter's kind of elevated loss picks in that area.

Albert A. Benchimol
President, CEO & Director

Brian, there, we're continuing to see things kind of within our expectations. Obviously, we've made a number of changes in the portfolio during the year, we continue to do that. So we feel our actions are doing a good impact on our overall results. We think pricing is going to continue. But by and large, I would say that Cyber in the first quarter met our expectations, combined ratio below 100%. It's kind of doing what we expect it to do.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. Great. And then my next question, but I'm just curious. So 2 of the lines of business, you mentioned that you reduced in the reinsurance area where non-cat exposed property and trade credits on a quota share basis. I'm just curious, I would have thought that those 2 lines of business are probably pretty attractive right now from an underlying kind of seasons economics perspective. Why would you be reducing those lines?

Albert A. Benchimol
President, CEO & Director

There are 2 different issues. I think on the non-cat side, on the non-cat property side, we've been, I think, pretty clear in telling you that reducing our volatility is a very important goal of ours. And there's no doubt that property cat had increasingly, especially the non-cat property, actually has a very large amount of cat property in it. And so we found that it was contributing a lot to our volatility.

And I go back to the point I made earlier, one of the great things as a hybrid is we can take property, property cat volatility anywhere in the world, insurance, reinsurance, E&S, standard, whatever. And right now, the best returns for us are in the E&S property space. And so if we're going to -- for what property cat exposed volatility, we're willing to take, we're getting better paid right now on the insurance property and E&S property side. And we think that's a smarter place to put our exposure.

With regards to credit, and you'll notice we actually reduced credit both in insurance and in reinsurance. And I think, frankly, that's just a question of where the economy is and where the opportunities are. And again, that's just following where the market is. Now we are writing a little bit less quota share credit and that's just because when you add the very high acquisition expense ratios to the large volatility there, we think a smaller amount of that business makes sense for us.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then last question, just curious, acquisition cost ratio continues to come down. I know you've talked a little bit about that. Should we continue to see that coming down during the course of the year, both in insurance and on the reinsurance side?

Albert A. Benchimol
President, CEO & Director

Well, again, we're not big on giving guidance, but what I will tell you is what drives these things. So part of the drivers of reducing the acquisition expense ratio on the insurance side is that as we're repositioning our credit portfolio, favoring certain lines versus others, we're writing a little bit less cover holder business. Back cover holder business, as you know, have generally a higher acquisition ratio. So as we write less of that cover holder business that will have a lower acquisition effect. And the other thing is, we've got a good growth book of business. Reinsurers are happy to participate in that book, and we've been able to get the good feeding commissions to offset our acquisition expense. So those kinds of things are moving in our favor.

On the reinsurance side, it's also a question of, as I've just discussed, reducing some of the higher acquisition expense lines of business, and we feel ultimately, are not giving us the technical ratio we want. So the trend that you're seeing in Q1, I think is consistent with what we're expecting. But Peter, I don't know if you want to add anything to that.

Peter John Vogt
CFO & Executive VP

Yes. The only thing I'd add, Brian, is remember when we talked earlier about what our expectations were for '21, we said we thought the acquisition cost should come down by at least 1 point. I think we said improve 1 point in our discussions with folks. And this is now full year last year was [21.3%]. I said it should come down to around [20%], we've got a little bit more action. So now it's in the 19s. I would say the first quarter is representative of what I expect for the rest of the year.

Operator

The next question is from Yaron Kinar of Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

My first question goes back to reinsurance. I guess I get that you have the hybrid capabilities here and allows you to kind of pick and choose where you want to play. Now thus, is there a -- what's the end play for the Reinsurance segment? Is it going to be as dominant part of the business over time? Or is it something that really becomes a much smaller component of the overall business?

Albert A. Benchimol
President, CEO & Director

I think what you've seen over the history of this company is that we kind of got up and down growth rates of each of the segments based on the opportunities there. I don't want to say right now that Reinsurance is always going to go down. I don't want to say that Reinsurance is always going to go up. I don't want to say it's the same. I think it really depends on where the opportunities are.

What I will say is that over the last 2, 3 years, we've been spending more and more time running not 2 portfolios, 1 insurance portfolio, 1 reinsurance portfolio, but increasingly running 1 portfolio. And when you run 1 portfolio, you really have the opportunity to choose. And in some cases, we're going to make the call on the insurance side. In some cases, we're going to make the call on the reinsurance side, and we will focus very much on how we build that best portfolio.

There are some lines of business right now, for example, where we prefer to allocate our capacity much more on the insurance side. A good example of that would be on the -- on Cyber. We -- most of what we do, we write some reinsurance Cyber, but most of it we write on the insurance side. We think that's the better way to play it. Certainly, I will tell you that I'm very, very grateful for all of the contributions that reinsurance makes to the lines of business that we do not write in insurance. We're a very strong E&S player. We're very strong in the wholesale markets in the U.S. and in the London market. But that in and of itself tends to be a book of business that is very focused, that has generally a little bit of volatility to it. And we can add with our reinsurance book, we can add some very good international business that we all have access to, very good standard lines of business we don't have access to.

So I think that the 2 of them will always be at every planning session, at every quarterly review that all of the opportunities come up from the bottom, they get explored. They look -- we look at what contributes to the best portfolio and we move in that direction.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Got it. That's helpful. And my second question, looking at the underlying loss ratio in insurance, I think if we adjust for the runoff losses that you had in 1Q '20, you get about 1 point of improvement year-over-year. Is that all coming from rate over trend? Or do you see that maybe some impact from kind of the slowdown in the economy and maybe courts being closed, this is also benefiting the loss ratio?

Albert A. Benchimol
President, CEO & Director

Peter, you can follow up on that, but what I would tell you is we're not -- I can tell you that as a general part of our reserving philosophy, we are reserving kind of our expectations or got to be their worst higher number. We recognize absolutely, as you say, that right now, there may be short-term factors. And so we're not letting favorable A versus E impact what we're booking as loss ratios. We're taking a more prudent view than that. Peter, you want to add to this?

Peter John Vogt
CFO & Executive VP

Yes. I'd say that we have been seeing, as you noted, some favorable A to Es, but we're not letting that flow through to the bottom line. There is an expectation that when the courts open up that there will be claims that will go into those courts. And so we'll wait and see what happens in the future. And I think you're about right, if I look at the adjustments with the book that has run off, which was very poorly, that's about 8/10 of the [1.9]. And the rest of it really is coming from good rate over trend as well as some other underwriting actions in, obviously, the property portfolio.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Got it. And the runoff is essentially done here?

Peter John Vogt
CFO & Executive VP

Yes, it's pretty much done. Yes.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Congrats on a good quarter.

Operator

The next question is from Derek Han of KBW.

Derek Han

I really wanted to touch on how you were thinking about capital deployment opportunities for the balance of the year. On the reinsurance side, you've obviously had significant underwriting actions and you pulled back your cat-exposed businesses. But is that something that could potentially change this year, given the severe dislocation that we're seeing in the Florida market?

Albert A. Benchimol
President, CEO & Director

Well, the Florida market is to come, I think it will be interesting to see ultimately, where it goes. I think we've told you already, we found that most of the renewals to date have been lukewarm to us at least. But I think Florida could be dislocated, we'll take a look at there. I think there will be some natural reductions in as much as a few of the clients that we've supported in the past, that have been acquired, were writing less. There is -- I would take a look at Florida on its own merits, but it doesn't change the fact that when we look at our portfolio, we are being very careful about managing our volatility. The Southeast remains our largest zone. So we're not going to want to go crazy in terms of having a peak zone compared to the rest of our zones. I'm not looking for any massive increase in cat pricing if the relative trends stay the way they've been for the last 6 months.

Derek Han

Okay. And then my second question is more qualitative. Is there any way to assess the conservatism of your accident year 2021 loss picks?

Albert A. Benchimol
President, CEO & Director

That's always a difficult subject. But what I would recommend is that you do what probably you've done with other companies such as ours, which is how do you reconcile average growth -- rate increases last year of 14% with loss ratios going down only a couple of points. And I think what that speaks to is the fact that we believe there's a lot of uncertainty in the current environment. And we're reflecting, by definition in our loss picks, much higher loss ratios than you would anticipate simply by doing rate minus strength.

And the reason for that is we feel there's a lot of uncertainty right now. We'd rather take a more prudent approach. And I'd like to believe that when these lines of business start to mature, we'll be able to bring them down to a better loss ratio, but we'd rather start high and finish low than the other way around. But if you look at rate over trend, you would -- a priori have expected a higher -- a greater reduction in the loss ratio, you're not seeing that because I think we're showing the appropriate prudence. Peter, I don't know if you want to add to that?

Peter John Vogt
CFO & Executive VP

No, I think you pretty much covered it there, Albert, that's exactly what I would say. I mean, I do believe we're being appropriate in our loss picks. There is risk and uncertainty around loss cost inflation, and I think we're being appropriately prudent. And I would remind folks that our standard reserve philosophy is we've put up bad news early. And I mean, we put up bad news early and we take good news later. So we'll see how these reserves develop over the next couple of years.

Operator

The next question is from Elyse Greenspan of Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is probably, I think, serving upon the last question. So in the outlook that you guys also relayed for the year, you pointed to 2 to 3 points of underlying loss ratio improvement for the full year. You guys came in at 2% in the Q1. Tying some things together, it sounds like still good healthy rate increases, but some slowdown and you guys are being conservative with loss trend. So given those 2 forces, would you expect the underlying improvement to pick up as we go through the year and get you closer to the high end of that range? Or is the 2% in the Q1 kind of a good barometer for the next 3 quarters?

Peter John Vogt
CFO & Executive VP

I guess, Elyse -- this is Pete. I'll take that. I mean the full year ex-cat loss ratio consolidated last year was [57.7%]. We came in at [55.1%]. So that's about 2.5 points. That's like -- at least when I go full year to first quarter, that's like spot on in the middle of the 2% to 3%. I'd say the first quarter is pretty indicative. We'll see how much more rate we get. But I would say the first quarter is fairly indicative of where we think things will play out for the rest of the year.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

That's helpful. And then one quick number, you pointed to a large marine and cargo loss in the quarter. Just trying to get a sense of the magnitude of that in terms of the impact within the Insurance segment?

Peter John Vogt
CFO & Executive VP

Yes. We had 1 big Japanese cargo loss in the quarter that ran through. I don't like to put out the large losses per se. But if I'm looking overall, that probably hit the insurance loss ratio by about, I'd call it -- let's see, if I do -- maybe a little less than 1 point quarter.

Albert A. Benchimol
President, CEO & Director

Yes. I wouldn't want to make too much of that. Look, I wouldn't want to make too much of that. We have -- we've talked about large losses before. We're going to have large losses, right? The issue is we're going to absorb them. And generally, we have a couple of them 1 or 2 a quarter, no big deal. We've talked to you in the past, sometimes we've had an unusual quarter with more than that. But I don't want to assume that we're not going to have $10 million, $15 million losses here or there. That's part of our business. And as long as we can absorb it, I consider those part of the attritional loss ratio. And I really wouldn't want to make anything exceptional out of that.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. That's helpful. And then on the cat side, You guys, I think, alluded to, right, you brought down your PMLs and lowered your cat exposure. You also, I think, alluded to a cat ratio about 2 to 3 points better than your 5-year average, excluding [COVID]. So I think implies something just around 7.3% to 8.3% for the full year. Given that the Q1 was elevated, and I did see some of your PMLs did come down at April 1, is that still a good rule of thumb for the full year even with a slightly higher cat loss to start the year?

Peter John Vogt
CFO & Executive VP

Yes, I would say so...

Albert A. Benchimol
President, CEO & Director

As you know -- go ahead. Go, Pete. Go, Pete.

Peter John Vogt
CFO & Executive VP

I would say, I would say so, Elyse, mostly because when we talked about the cat loss ratio, and we said we were bringing it down. I think a couple of you folks thought that we should bring it down even further. So I would say our expectations were to be even better than that. And this Texas storm just put some pressure on it. So I'd say that's still a pretty good ballpark.

Albert A. Benchimol
President, CEO & Director

Yes. What I would just say is we always look to kind of create patterns on cat. I mean cat, by definition, is unpredictable and volatile and then so you don't know where things are. What we do know is that we've got less exposure than we've had in the past that we're building our portfolio better and smarter than we have in the past that we have less exposures at lower layers which would give us less, again, at just -- on a frequency basis. So we think that we're building a more intelligent cat-exposed portfolio. But I think I've been in this business a long time. I don't make projections on the cat ratios.

Operator

The next question will be from Josh Shanker of Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Yes. So if I look at some of your competitors -- not many, but some, you see a few outliers and maybe a few more in that growing top line, 15%, 20% rate this year. And some of them are even buying back shares at the same time. Obviously, the AXIS growth is not necessarily at this point as robust it might be in the future. But the share repurchase activity isn't as strong. Can we talk a little bit about how much capital is being consumed by business mix/growth changes? And given the stock trades at onetime book, how you're doing the math between canceling shares versus investing in the business?

Albert A. Benchimol
President, CEO & Director

I can tell you that right now, if the market opportunities are the way they are, we anticipate using all of our capital to fund growth of attractive business and to build our positioning in our chosen markets for the foreseeable future.

Joshua David Shanker
BofA Securities, Research Division

Has your activities consumed capital over the past 3 months? You lowered cat exposure. I assume that frees up capital and we're just not really -- I guess we're not seeing it so greatly on the top line side. Is there more capital consumption going on in the book than there was 3 months ago?

Albert A. Benchimol
President, CEO & Director

I think it's just different kinds of consumption. I mean you've got cat, which takes up short-term consumption. But then in rebalancing our book to bring our property down again from over 30% of the overall book down closer to the 20% range, you're, by definition, going to be writing lines of business like liability and professional lines that have a longer reserve tail, which requires you to keep capital longer to support those reserves. So again, we -- what we're looking to do is to allocate our capital to those areas that will deliver the best portfolio, delivering the best profitability at acceptable volatility. So you know as well as I do, liability can use up a lot of cash in the same way as cat can use up a lot of cash. They just do so differently.

Joshua David Shanker
BofA Securities, Research Division

Do you have less excess capital now than you did 1 year ago? Or about the same?

Albert A. Benchimol
President, CEO & Director

I would say that our -- certainly, when we look at our rating agency models, when we look at where we are, we feel very good. I mean I think you can read the various rating agencies tell you that we have a very strong capital position. We continue to believe that to be the case. We're growing more now than we did last year. So by definition, we're going to start to use a little more of the capital, but we still feel very comfortable with our capital position. I don't know if you want to add anything to that, Peter?

Peter John Vogt
CFO & Executive VP

No. I think we're using the capital well. And the only other thing right now we just had is, obviously, last year, at the end of the first quarter, where interest rates went, the capital was pressured just because interest rates rose so much. So right now, we're just keeping our eye on interest rates, too. We did have about [2 up] -- most of the drop in the book value was because of interest rates going through OCI. So we just keep our eye on that [2], Josh.

Operator

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

Albert A. Benchimol
President, CEO & Director

Thank you, operator, and thank you all for your time this morning. Obviously, it was a pleasure for us to be able to discuss with you a good quarter for AXIS and the continuation of our momentum. But before we complete the call, I just want to thank my team for their continued hard work, their passion, everything they do every day to support our clients and partners in distribution to make AXIS a stronger company. I really do believe and that we feel strongly that our standing in the market continues to strengthen our relationship with our brokers are very strong. And as I said, we feel good about our progress. We know there's more to do, but we've got the wind at our backs, and we've got a great team doing it. So we look forward to sharing our progress.

Operator, this ends our conference call. Goodbye, everybody. Talk to you soon.

Operator

Thank you. The conference has now concluded. Thank you all for attending today's presentation. You may now disconnect your lines. Have a great day.