S&P Global
Market Intelligence

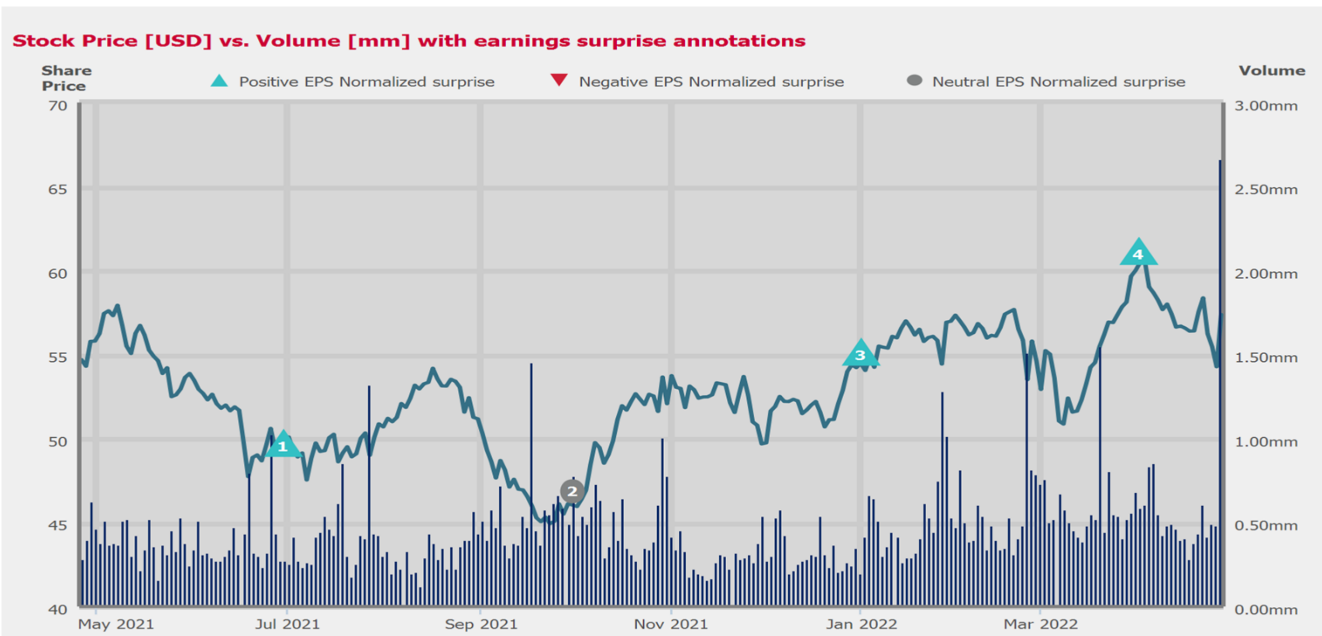
AXIS Capital Holdings Limited NYSE:AXS
FQ1 2022 Earnings Call Transcripts

Thursday, April 28, 2022 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.67	2.09	▲25.15	1.08	6.01	NA
Revenue (mm)	1923.63	1812.87	▼(5.76 %)	1323.40	5398.70	NA

Currency: USD
Consensus as of Apr-28-2022 3:43 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	1.44	2.00	▲1 38.89 %
FQ3 2021	(0.60)	0.01	NM
FQ4 2021	1.51	2.13	▲2 41.06 %
FQ1 2022	1.67	2.09	▲3 25.15 %

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Matthew Jay Rohrmann
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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

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Presentation

Operator

Good day, and welcome to the First Quarter 2022 AXIS Capital Earnings Call. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I'd now like to turn the conference over to Matt Rohrmann, Head of Investor Relations. Please go ahead.

Matthew Jay Rohrmann
Head of Investor Relations

Thank you, Jason. 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, 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 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. With that, I'll now turn the call over to Albert.

Albert A. Benchimol
President, CEO & Director

Thank you, Matt. Good morning, everyone, and thank you for joining today's call. Before starting our quarterly update, I'd like to express that at AXIS, we're dismayed by Russia's invasion of Ukraine, and our hearts and minds are with the people and families whose lives have been affected by the war. In all instances where it's possible, we stopped writing business in Russia and the impacted regions and through our philanthropic programs, we're supporting the relief efforts to address the humanitarian crisis that's happening on the ground in Ukraine.

I'll now begin our traditional quarterly update. AXIS started 2022 with another strong earnings report, the latest in a succession of positive quarters. In fact, we've seen our operating income more than double as compared to the prior year quarter. Even with some headwinds driven by business mix as we continue to reduce our exposure to volatile cat-exposed lines, we've delivered improvement across every key metric on our operating ratios and income statement.

During the first quarter of 2022, we continue to expand our footprint in some of the most attractive specialty P&C markets, strengthened the overall quality of our book and materially lower our net cat exposures, all the while delivering great service to our customers and distributors.

Our first quarter performance was highlighted by record premiums written and earned, a combined ratio of 91.4%, a materially lower market share of global net cats and an operating ROE of 15%. Substantially, every line across our company achieved improved core underwriting results. A handful of lines were impacted by the war in Ukraine, but we're confident our exposures there is -- are well contained and manageable, given what we know today.

Our insurance segment delivered its fifth consecutive quarter of 20% growth, setting production records for gross and net premiums written and net premiums earned. Our progress is underpinned by our focus on those lines and markets where we have strong competitive positioning, enhancing the value proposition that we offer to our customers, all while leveraging the deep expertise and relationships that we have in the E&S specialty and wholesale channels as well as our strategic retail partners.

This, coupled with favorable market conditions, has contributed to increased new business opportunities, rate increases on renewal and continued strong retentions. At the same time, we've continued to drive meaningful improvement in underwriting performance. Our insurance combined ratio of 87.5% is down over 6 points from the prior year period, with almost 2 points of reduction in the core ex-cat loss ratio and almost 4 points of reduction in the nat cat loss ratio. The momentum underway gives me even greater confidence that we're on pace to become a top performer in the specialty insurance space.

I feel very good about the progress we're making on the reinsurance side as well. We continue to proactively build the best portfolio for enhanced profitability and lower volatility. Our reinsurance segment's lower premiums written were purely on the back of a planned 45% reduction in cat reinsurance that only serves to increase the quality and sustainability of that book.

We're also making great progress in the profitability of our reinsurance business, with a combined ratio of 92.5%. While the ex-cat loss ratio is up over the prior year, this is entirely due to targeted mix shift. Excluding cat lines, the core ex-cat loss ratio for all other lines other than cat improved by over 2 points in the quarter. Stepping back, the actions that we're taking across both insurance and reinsurance are delivering strong results.

Finally, I would like to take a moment to recognize and extend my appreciation to AXIS Insurance Chief Executive Officer, Pete Wilson, who will transition out of the CEO role on the 1st of June and be succeeded by Vince Tizzio. Under Peter's leadership, we've driven significant transformation that strengthen our insurance business and we're grateful for all of his contributions to AXIS. Thank you, Pete. Vince is becoming our new CEO at a great time. The business is delivering strong results and got terrific momentum.

While 2022 is off to a tremendous start, we also know that we can build further on the progress achieved. We're excited by the opportunities available in pursuing new avenues for profitable growth and in further enhancing our efficiency, all as we continue to sustain lower cat volatility. We're committed to take the business to the next level, and there's a palpable sense of excitement across the organization.

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

Peter John Vogt
CFO & Executive VP

Thank you, Albert, and good morning and good afternoon to everyone. This was another excellent quarter for AXIS. During the quarter, we generated net income available to common shareholders of $142 million with an annualized ROE of 12%. Operating income was $180 million and as Albert noted, annualized operating ROE was 15.3% and the combined ratio for the quarter was 91.4%, which was 7.5 points better than the prior year quarter, with core underwriting results continuing to show strong improvement.

The company produced a consolidated current accident year combined ratio ex-cat and weather of 87.4% and or 1.8 points better than the prior year quarter. The consolidated current accident year loss ratio ex-cat and weather was 54.2%, a decrease of 0.9 point over the prior year quarter due to the improvement in the insurance segment. The quarter's pretax catastrophe and weather-related losses net of reinsurance were $60 million or 4.7 points. This included $30 million or 2.3 points attributable to the Russia-Ukraine war. The war loss provisions included $16 million for insurance, which was mostly attributable to terrorism and political violence covers.

In reinsurance, we have not yet received any notices. However, we have about $25 million in war covers and as a precautionary measure, we have put up about 60% of that limit. The natural catastrophe losses of $30 million were primarily attributable to Australian floods and other weather-related events this quarter. This compares to $110 million or 10.1 points in 2021.

Quarter-over-quarter, natural catastrophe industry losses are estimated to be down about 45%. I'll note that our nat cat loss ratio is down nearly 80%, and this speaks to the work that we've been doing to reduce natural cat volatility in our book. We reported net favorable prior year reserve development of $9 million compared to $5 million in the first quarter of

2021, the consolidated acquisition cost ratio was 19.7%, essentially flat year-over-year, and this was driven by a decrease in the insurance segment, which was offset by an increase in the reinsurance segment.

Consolidated G&A expense ratio was 13.5%, a decrease of 0.8 point compared to the first quarter of 2021. This was largely attributable to net earned premium growth, partially offset by the personnel costs associated with an increase in underwriting roles in the insurance segment. Lastly, on a consolidated basis, fee income from strategic capital partners was $18 million compared to $12 million in the prior year quarter. This was associated with an increase in performance fees.

Now let's move on to the segments, and I'll start with insurance, which once again had a great quarter with impressive performance across a number of metrics. Gross premiums written increased by over 20% to $1.3 billion this quarter, which is a record quarter for the Insurance segment. The increase came from significant growth from both existing and new business, as well as favorable rate changes throughout the book, but especially in professional lines, liability and property lines.

The current accident year combined ratio ex-cat and weather decreased by more than 4 points with improvement across all metrics. The current accident year loss ratio ex-cat and weather decreased by almost 2 points in the quarter, and this was principally due to the impact of favorable rate over trend in most lines of business and improved experience.

The acquisition cost ratio decreased by less than 1 point in the first quarter compared to 2021. The underwriting-related G&A expense ratio decreased by slightly over 1.5 points in the quarter, mainly from an increase in net premiums earned somewhat offset by the underwriting roles that I noted earlier.

Now let's move on to the reinsurance segment. The reinsurance segment's gross premiums written of $1.3 billion for the first quarter were $125 million lower than the prior year. This decrease was attributable to significant declines of 45% and 40% in catastrophe and property lines, respectively. That came from nonrenewals and decreased line sizes as we continue to make changes in the portfolio to improve balance.

We also saw a decrease in motor due to nonrenewals, the timing of some renewals and the impact of FX. The decreases were partially offset by increases in A&H lines that came from new business and the timing on renewals as well as new business and credit surety lines.

During the quarter, our current accident year combined ratio ex-cat and weather increased by just over 2 points. This was due to changes in business mix, driven by the decrease in catastrophe business written in recent periods. The current accident year loss ratio ex-cat and weather increased by just over 1 point due to changes in business mix from the previously noted decrease in catastrophe business.

As Albert noted earlier, when we exclude the catastrophe line of business, the rest of the portfolio's current accident year loss ratio ex-cat and weather decreased by just over 2 points. This reflects the impact of favorable pricing over loss cost trends in most lines of business as well as underwriting actions. The acquisition cost ratio increased by just under 1 point compared to the prior year quarter, and again, this was primarily due to the decrease in catastrophe business written.

Net investment income was $91 million for the quarter compared to net investment income of $114 million in the first quarter of 2021. The decrease in net investment income was primarily due to lower gains from alternative investments. At the quarter end, the fixed income portfolio had a book yield of 2.1% and a duration of 3.1 years, and our market yield was 3.1%.

Diluted book value per share decreased by $3.81 in the quarter to $51.97. 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 new money yields are now higher than our portfolio yield and bodes well for future investment income growth.

Overall, with continued improvement in most operating metrics and positive momentum in our core underwriting book, this was a strong quarter for AXIS. That summarizes our first quarter results. With that, I'll turn the call back over to Albert.

Albert A. Benchimol
President, CEO & Director

Thanks, Pete. So we'll do a brief overview of market conditions and outlook, and then we'll open the call for questions. Market conditions continue to be favorable. And while rate increases are generally off their highs of last year, they continue to extend to almost every line we write and remain, by and large, well ahead of loss cost trends.

The average rate increase in our insurance book was close to 12% this quarter. This represents the 18th consecutive quarter of rate increases and the 8th consecutive quarter of double-digit increases for our insurance book. By class of business, professional lines once again saw the strongest pricing actions with average rate increases of 24%. I would note, however, that professional lines is really best explained by thinking of it in 3 parts.

The first is cyber, which remains in hard market conditions. The average rate increase was almost 70%, but in some cases, was well in excess of 100%. The second part is public D&O, and that's less than 10% of overall professional lines book, and that was only modestly positive this quarter. The combination of strong price increases in prior periods, less new business opportunities, and the coming online of new capacity all led to a more competitive market, especially in the excess layers of public D&O towers. The third part is the remaining professional lines, which comprise more than 60% of our book, and they remain healthy with average rate increases of close to 15%.

Casualty lines are averaging close to 7%, with primary casualty strongest at 9% and excess casualty in low to mid-single digits. Property rate increases were up close to 9%. This is a line that's been much exposed to inflation, and I would note that the 9% rate increase is risk adjusted for changes in exposure and terms and conditions. We're achieving these rate increases over and above the revaluation of exposure-adjusted risk rates. Among our other specialty lines, we saw mid- to high single-digit increases throughout the portfolio and this included renewable energy and marine lines, which are up nearly 8% on average, while aviation rates increased by 6%.

During the quarter, 94% of our insurance portfolio renewed flat to up and close to half of the increases were double digit. We're generating record new business for the first quarter. And just as in prior quarters, we continue to see new business pricing at least as strong as, if not better, than renewal pricing. AXIS is very well positioned in the best parts of the current market, and there's significant opportunity to grow profitably while adding value to our customers and partners in distribution.

Let's look at the reinsurance business. For the quarter, we averaged reinsurance rate increases of close to 9%. A&H generated increases of more than 11%, and casualty and professional lines both increased by close to 9%. By and large, other specialty lines, including credit and surety and marine came in, in the mid-single digits. In catastrophe lines, as I noted in our prior call, we significantly reduced our participation in lower layers of towers and aggregate treaties, focusing our efforts on higher layers of towers where admittedly, there was more appetite and capacity. Thus, our average rate increase achieved was about 6%.

Turning to the April 1 renewal season. This is a relatively small renewal period for AXIS, covering about 12% of the total reinsurance book. Nevertheless, we continued our practice of reducing catastrophe business while looking for growth or conditions that are profitability thresholds. Our property and catastrophe volume was cut in half while we grew in casualty and professional lines.

On April 1, we achieved increases of about 5% on catastrophe lines and averaged 10% on casualty and liability lines as well as A&H. Professional lines were up in the single-digit range. We did see pressure for more ceding commissions on certain quota share treaties. In those cases, we generally reduced or even exited our participation where we thought the ask was just too much. With the reduction in property and catastrophe exposure, these 2 lines represented about 16% of our year-to-date reinsurance gross written premiums, down from 27% through April 1 of last year.

While the mix shift has put some pressure on the reinsurance portfolios ex-cat combined ratio, we're convinced that the business will ultimately benefit from a lower all-in combined ratio and less volatility. Looking forward, we expect disciplined pricing to persist in both insurance and reinsurance into 2023. Given the quantum of pressures and uncertainties on loss cost and profitability, the industry needs to maintain a rational approach to pricing.

Over the last few years, as an industry, we've demonstrated the vital role that insurance plays in helping society and business navigate through tremendous challenges. This will only continue as the world faces increasing losses both by financial and social inflation, climate change, the Russian innovation of Ukraine and the continued impact of COVID. For insurance to deliver on its social purpose of helping our customers during their time of need, it's absolutely crucial that we continue to sustain pricing discipline so as to deliver an adequate return on the capital that is so critical to fulfilling our role as a safety net for the free markets.

To conclude, this was a very strong quarter for AXIS and one in which we continue to produce positive results, and we're committed to building on this momentum that we've worked so hard to establish. Moreover, we believe AXIS is poised to begin a new phase of profitable growth as we further advance our position as a leader in specialty risk and focus on continually delivering increased value to our customers and in turn, to our shareholders.

We're excited for what the future can bring and we're committed to continue to work relentlessly to take our business to the next level and ultimately achieve our goal of becoming a top quintile performer. And with that, operator, let's please open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Meyer Shields from KBW.

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

Albert, I hope you'll indulge me in this. I'm sure you saw yesterday that there was a news article talking about AXIS considering a sale of AXIS Re. And I was wondering, first of all, whether you can comment on how you're thinking about that broadly. And secondly, when there are articles like this out there, whether they're realistic or not, do they have any impact on day-to-day operations at the reinsurance unit?

Albert A. Benchimol
President, CEO & Director

Yes. Look, Meyer, as you know, I can't comment on market rumors and speculation. It should go without saying that we're always focused on value and positioning the company for success and we have and will continue to act with those objectives in mind. But as you can see from the performance that we delivered, we've demonstrated that we're committed to driving top-tier return on capital. I think the performance that we've been showing in terms of our improvements over the last few quarters and this quarter provides real evidence that we're delivering on our promise.

I want to say I'm incredibly proud of the work that our team has done to strengthen our reinsurance business. They've delivered on the ambitious task of improving the quality and reducing the volatility of our reinsurance business. And now AXIS Re is well positioned to deliver very attractive returns.

As to the second part of your question, look, this is a business where occasionally, we get crazy rumors out there, and one of the things that we found is that the best response is to keep your head down, focus on providing value to your customers and your partners and distribution, and that works. And I'll tell you, we've got a really professional team. They're dedicated to what they do, and I've got incredible confidence in their ability to stay focused and to manage through this.

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

Okay. Perfect. That's helpful. Second question, and this goes to your comments on public D&O pricing. So I guess there's increasing competition. In your mind, is that rational? Is it overly aggressive and mapping because of a concern that is [billed] in other lines?

Albert A. Benchimol
President, CEO & Director

I think it's really a unique situation that it's a very attractive line right now, given what I mentioned to you the fact that we've had some very good pricing improvement over the last few years. There's frankly less deals on the table today than there were a year ago. There's less packs, there's less IPOs. So I think people are hungrier. And the new capacity is coming in and they're looking for ways to implant themselves.

But again, I think where we're seeing it is really in some of the upper excess layers where I think it's probably easier to get in and get out. So there's a unique set of circumstances that we're seeing in public D&O. I will tell you that in the rest of the market, we have not seen quality incumbents lose business when they want to keep it.

Operator

The next question comes from Yaron Kinar from Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I think I'm going to steer clear of questions around the news article. But what I wanted to focus on was firstly the accident year loss ratio in insurance. So clearly, we're still seeing improvement. It has slowed down a little bit relative to where its -- the improvement has been in the last year. I think you called out some mix shift into professional lines and liability.

I guess what I'm trying to get at is, is there also an element of the inflationary trends that we're seeing in headlines, loss trends? Are you taking an extra level of conservatism here? And what would the expectations of that underlying loss ratio in insurance be from here?

Albert A. Benchimol
President, CEO & Director

So let me address that, and I think the order of your question is right. I believe that if you look at today, I think for the first time, we actually have a majority of our earned premium in insurance, which is actually in professional and casualty lines as opposed to short tail line. So there is a mix shift impact. And in fact, we've identified well over 1 point of mix shift impact simply by moving away from cat-exposed lines to the longer tail lines.

But we've been talking about inflation and loss trends now for a while. And as we mentioned to you, when we were planning for 2022, as we were coming into 2022, we have already modified our view of risk and our pricing models to reflect higher inflation. And so that's already in place. We told you already that we would be prudent in incorporating loss trends in the reserving of our business. But I can tell you that if it weren't for mix shift, you would have seen a significantly higher improvement in the loss ratio.

Yaron Joseph Kinar
Jefferies LLC, Research Division

So then going forward, would you see -- have you -- help us maybe think about that, that accident year loss ratio going forward, then.

Albert A. Benchimol
President, CEO & Director

Right. So I think the shift is probably going to be a little bit less than it's been in the past because I think we're already moving towards the right balance. But Yaron, we've been talking about the fact that we're still seeing pricing well ahead of loss cost trends. So we're continuing to write business today that we believe will drive further improvement in the loss ratio because of the rate over trend.

So for the foreseeable future, we see our -- we still see ourselves writing business that has better rates than trend, and so we're optimistic about the trend on the loss ratio. Peter, is there anything you want add to that?

Peter John Vogt
CFO & Executive VP

Yes, I would just add that I think that the comments about inflation are noted, and you have seen the insurance non-cat loss ratio was 50.8% in both the third and fourth quarter of last year, now it's 50.5%. We feel very comfortable where it is. We feel very comfortable about our inflation assumptions. And you've heard the rate that we've been getting now that's being earned in, and so I think we're taking a very prudent view as to where we set it. And I think the loss ratio is in a really good spot where it is now.

Albert A. Benchimol
President, CEO & Director

I guess the other thing that I would add for our company is we've made huge progress on the ex-cat loss ratio. And at this point, I think it's going to be a lot more driven around rate over change and then the changes that we make on the edge of the portfolio. Where I think the big bang is still to come is all of the work that we've done on reducing our cat exposure is such that we have to expect a lower cat ratio going forward, and I think that will have a positive impact on our overall combined ratio. And frankly, we know that we need to work on our expense ratio and focus on that. So I still say that we've got a good runway for ongoing improvement in our results.

Yaron Joseph Kinar
Jefferies LLC, Research Division

That's very helpful. And then my second question on Russia and Ukraine related losses. I guess it's a two-part question, so sorry, I apologize. First on the reinsurance side, do you see losses there just being kind of follow the fortune of the primary carriers? Or do you see challenges emerge or kind of daylight between primary and reinsurers?

And then the second part of the question would be on cyber. Do you think that you have adequate -- you or maybe more broadly, the industry, have adequate protection from war exclusions?

Peter John Vogt
CFO & Executive VP

Why don't we -- I'll take that, Yaron. This is Pete. I would say that given the war is still going on and it's complex with a lot of uncertainties, I would say that we do expect that reinsurers will follow the fortunes of the primary companies, that's as we sit here today with what we know. So that would be our expectation as we sit here today. But as you noted, it's a complex ongoing event, but that would be our expectation.

And with regard to your second question, we feel really good about, one, the war exclusion we have in our cyber policies, given the current landscape. Ours is among the clearest and most effective for the market for some time even before the current war and we've been training our underwriters extensively on how to have good minimum standards in their wording. So we feel pretty good about that.

But overall, we also -- we've been implementing a lot of minimum cyber hygiene standards in our book of business for quite a while now, and we believe we've been seeing positive momentum in both the frequency and the severity facts because of that underwriting and focus on hygiene in the book. So we feel solid about where our book is.

But specific, I know there's been a lot of rhetoric in the industry about war exclusions on cyber. We feel good about ours, and we think it's one of the best out there. Albert, do you want to add anything?

Albert A. Benchimol
President, CEO & Director

No, perfectly said. Thank you.

Operator

The next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here. First, I'm just curious. I noticed you didn't buy back any stock in the quarter. Your stock got hit, like a lot of the reinsurance companies did, pretty significantly in March. Why didn't you actually execute on your share repurchase program? Was there anything inhibiting your ability to do that?

Peter John Vogt
CFO & Executive VP

Yes. Thanks, Brian. This is Pete. I'll take that. As we noted when we came out with the program, it's going to be opportunistic throughout the year. I'd say when we hit March, two things happened. One, the Russia-Ukraine war broke out and that created a little bit of agita, but also the movement in interest rates. We knew that was going to put pressure on sort of our fixed income portfolio in the quarter.

So we thought it was just not the right time to buy back some shares. We will look to deploy that the rest of the year. And again, we'll be opportunistic about it. But I think it was more events happening globally at the moment. But you know what, let's hold our powder and we can use it later in the year.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then next question. Just curious, Pete. You talked about the investment portfolio. I think you said market yield 3.1%. Is that what your new money yield is right now versus your book yield of 2.1%, so there's a 100 basis point difference? And then on that, how much your portfolio rolls this year?

Peter John Vogt
CFO & Executive VP

Yes. So that's a great question, Brian. I guess what I'd say is at 3/31, the new money yield was 3.1%. As you and I sit here today, it's actually 3.4%. So we keep that a good look on that number these days with our investment department. So it's about 130 basis points now. As I said, the duration is about 3 years, 3.1 years. So we got a $12 billion portfolio, 100-plus basis points as it rolls over.

My expectation is just a straight math, you'd roll over about 1/3 of the portfolio this year. Given the economics, we'll see with some of our fund managers and our investment guys think about more of the opportunities today. But I would say, at a minimum, you'd probably see 1/3 of the portfolio roll over at a minimum this year.

Operator

The next question comes from Michael Phillips from Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Albert, you've done a lot of work and talked a lot about the work you've done on kind of smoothing out your results over the last year or so, if not longer. How does that relate specifically if you think about that topic just on the insurance side of the equation?

Albert A. Benchimol
President, CEO & Director

Well, I think that the numbers on the insurance space speak for themselves, right? So we've taken well over 10 points of loss ratio out. We've taken, what, 2, 3 points of the expense ratio. We've been growing 20% for each of the last 5 quarters.

I can't tell you how good I feel about that business. It's delivering combined ratio, what, 87%. Last year, it was low 90s. So I think we're in the late innings of the game here. And I really think that when you look at our results, they're going to look really good against other specialty insurers.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. One quick one, I guess, also on the Russia events. Are you at all surprised by kind of the level of reported losses so far to date by some of your peers?

Albert A. Benchimol
President, CEO & Director

I don't know that I can really comment on that. Everybody's got their own books. But I'll recall 2 years ago, when COVID happened, we were probably very early in recognizing that, look, this could be something and we engaged you all, and most of the industry really reacted to it in the second quarter.

So I think there's probably styles of management teams. There are some that want to come out and tell you here's what we think we know today. And there are others who are saying, "You know what, let us take all the dots and everything else and then come back to you tomorrow." I think it's just style.

Operator

The next question comes from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, I guess, just I'll start with the first quarter cat load of, obviously, Russia, right, was included within that. But Albert, given that you guys said you've taken, right, a lot of action to lower the cat load, do you think that first quarter was in line with, slightly above normal for AXIS relative to where you would have thought it would have come out?

Albert A. Benchimol
President, CEO & Director

I got to tell you, we came up with a 2-point-something nat cat load. And as Pete mentioned, I think industry nat cat losses were down 45% and our loss ratio was down 80%. I think we're making great progress. Obviously, to the point that was just -- to the question that was just asked, we decided to recognize some Russia-Ukraine losses this quarter. Others didn't. But I got to tell you, looking at a 2% nat cat load, I think that's pretty good.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question. Within the insurance segment, you guys have obviously been earning and writing a good amount of rate over trend. Albert, I know you've mentioned that you guys have already reflected and responded to higher inflation. So do you think the level -- is the level of year-over-year improvement, right, I think it was around 180 basis points within the underlying loss ratio. Is that a good level to think about for 2022, just as we think about just the improvement that you could see within the underlying loss ratio just within the insurance segment?

Peter John Vogt
CFO & Executive VP

Elyse, this is Pete. I'll take that. Yes, I think that's a continuation of a good level to think about for improvement in insurance. As I noted, the rest of the year, the second half of the year will depend a lot on pricing in the first half of the year. And so those are -- those written rate increases will come through in the second half of the year. But I think that's a pretty good number. I think you may see that kind of improvement slow down on the non-cat loss ratio in the second half of the year because, as you said, the second half of 2021 was really quite good for insurance.

But I think where you're really going to see the improvement is back to your question on the cat load. We are very much focusing on our PMLs. If you check the 12-month movement in the PMLs in our financial supplement, you'll see in most areas, they're down anywhere from 35% to 50% from where they were a year ago. And I think that's where we're really focusing on bringing down the volatility and the overall combined ratio for the company.

Albert A. Benchimol
President, CEO & Director

I would add, I think it's fair to say that just for the avoidance of doubt, we continue to believe that we're going to -- if things go the way we plan, we're going to deliver a lower loss ratio to insurance than last year. Period.

Peter John Vogt
CFO & Executive VP

Yes.

Operator

The next question comes from Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Yes. Albert, you've been doing a remarkable job lowering your PMLs in cat loads for probably about 4 years right now, maybe it's even longer. When you look at the return in 2022 on deploying money into cat versus how you look at the world 1 year ago, why does it feel less attractive to you now? And are you cutting the cat loads too much? Shouldn't AXIS be willing to tolerate some cat risk because they're paid for it?

Albert A. Benchimol
President, CEO & Director

I like the last part of your sentence -- of your question. Shouldn't we be able to tolerate some cat risk because we're paid for it. We just don't think that the returns today are adequate to provide a sufficient return for taking the volatility. When you look back at where we were in the first decade of this -- of the century, we had a couple of bad catch years, but the rest of the years, we delivered 25%, 30%, 35% ROEs in low cat years. You don't see the same kind of upside in a low cat year. And may I remind us that we haven't seen a low cat year in 5 years.

So I just don't think that it's properly reflected. And look, I don't think we're the only ones now. I think that you're seeing a lot of pressure, people filling lower layers of towers because I think most of the industry, most of the capital providers are concerned that they're not getting adequately provided -- adequately compensated for taking exposure in lower attaching layers.

Peter John Vogt
CFO & Executive VP

Yes. And Josh, I guess what I'd also add on to that is, is Albert gave you a really good point on an absolute basis. We just, in the cat line, don't feel the returns are right there. But I'd also point out that as a hybrid company with all the lines of business we have to invest capital in, on a relative basis, we just see more attractive areas across our portfolio to move the capital, and that's what we've also been doing over the last year or 2.

And so you've been seeing us grow in areas where we really see the capital returns better than on a risk-reward basis than what we would get in cat. So you also have to think about it for us on a relative basis because we have other opportunities to deploy capital and we will always put it to the best use.

Albert A. Benchimol
President, CEO & Director

So if you can get a better return for lower volatility, that's what we would do.

Joshua David Shanker
BofA Securities, Research Division

And I've been with diversification, though. It's [months] you can put the same dollar of capital into two things at the same time, two or more. I mean I'm only looking -- are things worse right now in the market for cat risk than they were a year ago? Or just the capital efficiency model tells you that by not writing cat, you can deploy enough capital elsewhere that makes the trade worthwhile?

Albert A. Benchimol
President, CEO & Director

So look, I think different people will have different views on the frequency and severity of cat. There are some people who will tell you over the last 5 years are a precursor for the next 5 years, and there are some who will tell you that was just an unlucky fluke, and it's going to get back down, and people will take positions on that. Our perspective is that the last 5 years are a precursor of the next 5 years.

With regard to using our capital, Josh, we're in a very fortunate position. But we've got a lot of good places to use our capital with adequate returns. As I said before, incredibly proud of what we're seeing. On the insurance side, [where] I said, 5 quarters in a row of 20% plus, on the reinsurance side, we're reducing the capital, we're growing other lines. So we feel good that we can utilize our portfolio, our capital to generate a diversified, well-balanced, more profitable, less volatile portfolio. So we think we're hitting it on all fronts.

Operator

There are no more questions in the queue. This concludes our question-and-answer session. I'd like to turn the conference back over to Albert Benchimol for any closing remarks.

Albert A. Benchimol
President, CEO & Director

Well, thank you. And to all of you, thank you for your time this morning. Really pleased to discuss with you a really strong quarter and the continuation of a great trend for us. And as is often my practice, I want to reach out to my colleagues and just thank you, all of you, for all the great work that you've done.

Your drive, your resilience, your commitment to our customers, to one another, that's why we're delivering the results that we are. And I know that you share my enthusiasm for seeing this move forward. So to all of my colleagues, thank you for your contributions for making a quarter like this one happen. And to our shareholders, I look forward to talking to you about continuing progress and more positive quarters going forward. Thank you all. This will end our call.

Operator

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