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Earnings Call

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Call Participants

EXECUTIVES

Clifford Henry Gallant
Head of Investor Relations & Corporate Development

Peter John Vogt
CFO & Executive VP

Vincent Christopher Tizzio
President, CEO & Director

ANALYSTS

Andrew Scott Kligerman
TD Cowen, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

Charles William Lederer
BMO Capital Markets Equity Research

Hristian Getsov
Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Good morning, and welcome to the AXIS Capital Fourth Quarter 2024 Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Mr. Cliff Gallant, Head of Investor Relations. Please go ahead, sir.

Clifford Henry Gallant
Head of Investor Relations & Corporate Development

Thank you. Good morning, and welcome to our fourth quarter 2024 conference call. Our earnings press release and financial supplement were issued last night. If you 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. Joining me on today's call are Vince Tizzio, our President and CEO; and Pete Vogt, our CFO.

In addition, I would like to 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 the Form 10-K or our quarterly report on the Form 10-Q and other reports the company files with the SEC. This includes the additional risks identified in the cautionary note regarding the 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, our non-GAAP financial measures may be discussed during this conference call. Reconciliations are included in our earnings press release and financial supplements.

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

Vincent Christopher Tizzio
President, CEO & Director

Thank you, Cliff. Good morning, and thank you for joining our call. Before we begin, please allow me to take a moment to acknowledge the tragic wildfires in Los Angeles. And on behalf of all of AXIS, we share our heartfelt support for the impacted individuals, families and communities. We also express our gratitude to the firefighters and relief workers who are doing outstanding work.

Moving to our 2024 results. 2024 was a great year of progress for AXIS, culminating as one of the best years for our company. Before we unpack these results, I'll just take a moment to thank my AXIS colleagues throughout the world for their excellent work and commitment to our customers broker partners as well as to one and another. And looking at both the fourth quarter and full year, AXIS produced strong results across all its key indices, while advancing our company strategy outlined at our Investor Day in May.

The year was highlighted by a number of strategic accomplishments, including the expansion of our underwriting and product capabilities, investments and enhancements to our operating model and the recruitment of new and complementary talent. The changes we have implemented will allow AXIS to continue operating with pace, clarity of purpose and strong execution. We believe AXIS is well positioned to drive sustained profitable growth and value creation in '25 and beyond.

Let's now review our full year financial results. We delivered operating return on equity of 18.6% and a year-end book value of $65.27, representing 20.7% growth as compared to the prior year. We generated record operating earnings per share of $11.18, a 98% increase over the prior year and 75% higher than our previous best in 2007. I'll note that our top 4 quarters of operating earnings per share were all in 2024.

We delivered a combined ratio of 92.3% for the year, a 7.6 point improvement over the prior year on an ex-cat basis, we produced a current accident year combined ratio of 88.5% for the year, consistent with our prior year results. Full year premiums were a record $9 billion or 7.8% over the prior year including $2.6 billion in new business as we delivered on the full year expectations that we shared with you during our second quarter call.

We generated year-over-year expense improvement of 90 basis points to our GA ratio and are on track to hit our long-term target of 11% by 2026. There were some notable items in the expense ratio, which Pete will speak to in his comments.

And lastly, net investment income was a record $759 million for the year. Taken together, this was an excellent year for AXIS and one where we took important steps to build a stronger and more resilient company. From an improved position of financial strength, we view repurchasing shares as an attractive use of our capital, and we utilized our stock repurchase program in the order of magnitude of $200 million over the course of the year. And in December, we completed an important step in further aligning our balance sheet with the front end of our business with the execution of an LPT with NSTAR.

Let's now move to our operating segments, and we'll begin with insurance. In 2024, our insurance business performed exceedingly well. We produced an overall combined ratio of 89.1% and a current accident year ex-cat of 84%. Moreover, we generated $6.6 billion in premium, up 7.7% over the prior year. With respect to new and expanded products that we had mentioned at our Investor Day, we generated $560 million in new premiums, and we are very encouraged that the seeds that we planted are showing growth potential.

Turning to our core insurance divisions. In North America, strong growth of 8% for the year even while reshaping our primary casualty book and eliminating $140 million of written premiums. Across North America, submission flow was up 25% year-over-year with our wholesale channel generating a 27% improvement in submissions led by E&S Property and Excess Casualty.

Moving to Global Markets. We generated 7.6% growth over the prior year, which included the nonrenewal of some $60 million in written premiums from our delegated cyber portfolio, and we concluded 2024, maintaining our outperformed status from Lloyd's. As I've commented previously, we are evidencing increasing competition in global markets, particularly within our property, marine and aviation units. Our underwriters continue to maintain discipline as we drive selective growth, particularly in A&H, property, renewable energy and certain of our credit products.

Our dedicated energy transition syndicate launched just 8 months ago at Lloyd's produced more than $30 million of business in 2024, and we remain optimistic about the value of this syndicate and its product capabilities deliver to the market.

Let's now move to reinsurance. Our reinsurance business performed well in 2024, consistently producing strong contributions to both the top and bottom line. For the year, AXIS reproduced a combined ratio of 91.8% and generated $2.4 billion in premiums, growing nearly 8% driven by a 16% year-over-year increase in our targeted short-tail specialty lines. Moreover, during the year, we produced $493 million of new business, 63% of which came from our short-tail specialty lines. As respect to 1/1, where we write 45% of our reinsurance business, our team performed well with the backdrop of a competitive market.

Overall, it was an orderly renewal with some nuance by line. We saw particularly favorable conditions in Credit and Surety. We continue to see opportunities in Cyber despite an increasingly competitive environment. We saw greater competition in the U.K. motor class driven by the reduction in the Ogden rate, which, of course, has placed downward pressure on rate levels. As respect to marine, we saw increasing capacity and pressure on rates and in liability we saw double-digit rate increases in the U.S., but the market was differentiated by loss experience and business mix. While the overall reinsurance market remains competitive, we continue to leverage our specialty capabilities where we see strong premium adequacy while maintaining a selective appetite in professional and casualty lines.

Stepping back, let's take a moment to discuss broader market conditions. The risk landscape remains highly complex and continues to rapidly evolve, reflecting a marketplace that will draw on many of the specialist capabilities that AXIS brings to the market. There are a number of trends that we are observing and we are ensuring that our portfolio remains responsive and resilient. I will outline several trends that we continue to monitor and respond to with our specialty product capabilities through our various distribution channels.

First, climate. As respect to climate risk, there is no doubt that this was an active year globally, and we estimate more than $135 billion of industry losses at the same time, the dispersion of perils impacting the globe is wide ranging. We saw most recently the effect of the wildfires in Los Angeles, the continued increase of severe convective storms in the U.S. and other impactful natural catastrophes. A consequence of this phenomenon is the continued shift of business into the E&S channel, where we believe we are -- we have the expertise and product know-how to meet our clients' needs.

Second, the continued impact of social inflation on various lines of business, but most particularly on liability, which continues to draw great scrutiny as the increase in claims awards driving severity remains an industry challenge.

Third, the D&O market continues to show an imbalance with a growing delta between pricing and loss cost trends, even as conditions continue to deteriorate. Indeed, security class action lawsuits are at their highest level since 2020 and continue to grow year-over-year with filings up 5% in '24. Moreover, bankruptcy rate filings in the U.S. are also on the rise, up 8% year-over-year.

Fourth, the cyber risk landscape is evolving in a variety of ways, whether it be the resurgence of ransomware, third-party privacy regulations, the impact of AI in driving more sophisticated cyber attacks or rising geopolitical tensions. As a long-time leader in cyber with broad-based product capabilities and deep subject matter expertise, AXIS is particularly well positioned to help our customers delivering tailored products, risk advisory services and our rapid triage and support resource known as the Incident Commander.

Lastly, the energy marketplace will certainly evolve with a renewed focus on traditional energy in the United States, and yet it is anticipated that there will continue to be global demand for clean energy. With leadership in both traditional energy and energy transition and deep subject matter know-how with a broad and responsive portfolio of products, AXIS is well positioned to help our customers navigate emerging geopolitical developments, changing regulatory and policy environment, potential energy price volatility, technology advances and supply chain disruptions.

Stepping back, and looking at the shifts that are happening across the broader market, we believe the AXIS underwriting capabilities are well suited to support the diverse needs of our customers in this dynamic risk landscape. Let's unpack this further. We continue to mix shift toward premium adequate short-tail lines, which currently comprise 52% of our total gross premiums written, up approximately 4% as compared to the prior year.

In property, we're seeing increased competition through both our principal property divisions, Global Property and North America E&S, which taken together make up 57% of our total property written premiums. Our property portfolio is well constructed, well diversified and highly premium adequate. Following 5 years of rate increases where pricing has more than doubled.

As previously noted, pricing momentum and liability remains strong and is accelerating. By way of example, in our U.S. Excess Casualty book, we generated rate increases of 14% for the year, and 18% in the quarter as we grew our U.S. Excess Casualty business 18% year-over-year. In Primary Casualty, rates were up 20% for the year and 29% for the quarter. Transactional liability premiums grew 24% in the year and 11% in the quarter as we are seeing increasing deal activity driving submission flow. Premiums remain adequate in this line.

In cyber, we remain focused on growing our large account segment, and we grew North America large cyber by 13% in the year. As part of our reshaping of our delegated cyber portfolio, we continue to be pleased with the expansion of our partnership with Elpha Secure to address the lower middle market. As

I've commented in prior calls, we continue to lean into our ability to deploy cyber capacity through both of our underwriting businesses.

In reinsurance, we grew our portfolio to $166 million and written premium up 72% over the prior year. We remain confident in our strong premium adequacy, prudent limit deployment and accumulation management between both insurance and reinsurance supporting this growth.

Stepping back and looking at market conditions and the rate environment while there are signs of continued moderation in rate achievement, the AXIS portfolio remains premium adequate and is meeting our risk-adjusted return expectations. We anticipate our profitable growth will continue in part by price increases, but more importantly, we will continue to leverage our diversified portfolio and further monetize the expansion of new customer segments, new geographies and a rich and broadening arsenal of product capabilities.

Let's now turn to our How We Work transformation program. How We Work continues to progress, building a foundation for long-term profitable growth. In 2024, we took critical steps to strengthen and reshape our company's target operating model while building new skills and capabilities across the enterprise, including operations and claims. In addition, throughout the business, we've deepened our technical expertise as we've added strong talent to complement our existing team. This has enabled us to build out new business units with skills and tools to meet the emerging needs of our customers while deepening our bench of teammates.

Moreover, we've made key investments in technology, AI, and we continue to improve our efficiency and enhance our value proposition through speed, productivity and decision-making. We also continue to invest in our workplace programming to create an environment where our talent can thrive. And just last week, AXIS was recognized by U.S. News on its 2025 list of the Best Companies to Work for.

In closing, we look to the future with optimism and excitement. We believe that 2024 was a pivotal year in the AXIS journey, where the company delivered on its promises, enhanced its value proposition, continue to generate consistent, profitable results and achieve new recognition in the marketplace as a competitive force in the specialty arena.

We take pride in the progress that we've made and also have the humility to recognize that much work remains ahead. Throughout the company, we're committed to delivering value to our stakeholders, and we're motivated by the privilege that we have in solving customers' problems across the world.

And with that, I'll pass to Pete.

Peter John Vogt
CFO & Executive VP

Thank you, Vince, and good morning, everyone. AXIS had a very strong performance in the quarter and for the full year 2024. In the quarter, our net income available to common shareholders was $286 million or $3.38 per diluted common share. And for the full year, $1.05 billion or $12.35 per diluted common share, producing a 20.5% return on common equity. This drove our book value per diluted common share to $65.27 at year-end, an increase of 20.7%.

Our operating income was $252 million, or $2.97 per diluted common share for the quarter and $952 million or $11.18 per diluted common share for the full year, resulting in 18.6% operating ROE for full year 2024.

Looking at our consolidated results. Our company-wide quarterly gross premiums written grew 11% and to nearly $2 billion, our highest production fourth quarter ever as we continue to see attractive opportunities across most lines of business. For the full year, gross premiums exceeded $9 billion for 8% growth and outstanding results. Our quarterly combined ratio was an excellent 94.2%, despite Hurricane Milton, and for the full year, it was 92.3% and with improvements in both loss and expense ratios. For both the quarter and the full year, our accident year loss ratio ex-cat and weather was a superb 55.7%. For each quarter in 2024, we were consistently in the mid-50s range. We are vigilant in implementing our learnings from our 2023 fourth quarter in-depth reserve review while also reflecting the growth of attractively priced short-tail lines.

In the quarter, we adhered to our philosophy of wanting to see sustained positive momentum before releasing reserves. And we recorded a release of $16 million from short-tail lines of business with $12 million in insurance and $4 million in reinsurance.

As we mentioned on our third quarter call, our normal practice is to have an independent third-party actuarial firm review our reserves at year-end. That review is complete, and we continue to see that the data and underlying claims patterns are consistent with the assumptions we set a year ago. A very high natural catastrophe loss year for the industry, we're pleased to see the successful execution of our strategic efforts to reduce volatility. The fourth quarter nat cat loss ratio was 5.9% as we experienced $81 million of nat cats with the largest portion generated by Hurricane Milton at $53 million, with an additional $15 million due to an increase for Helen.

For the full year, we had nat cat loss ratio of just 4.3% and an excellent result. Our peak PMLs remain large U.S. natural catastrophes, including a California earthquake or Southeast hurricane. Each of these events remains well below 5% of shareholder equity at the 1-in-250 year peril mark. While we are taking advantage of market opportunities and growing our insurance property book, our event PMLs have remained steady.

For the quarter, our consolidated G&A expense ratio, including corporate, was 13.7% and up from 13.4% a year ago. 2024 was an all-around excellent year for AXIS. So there was an accrual for variable compensation, which impacted the ratio in the quarter. For the full year, the G&A ratio was 12.6%, down from 13.5% a year ago with actual dollar spend down 2.7%, inclusive of the higher variable comp. We remain on track to achieve the 11% target for 2026, as we shared with you on Investor Day.

I would add that we continue to achieve benefits of the How We Work program, these benefits are more than simply cost reductions, but also improvements in processing and all around productivity. I would also like to mention here that for our full year our other insurance-related income was $30.7 million, which along with over $54 million of expense reimbursement reflects an attractive stream of fee-like earnings derived from our third-party ILS partners including Monarch, long-tail and Harrington Re.

Now let's move on and discuss our segment results in more detail. Insurance had a strong quarter. Gross premiums written were $1.7 billion, an increase of 7.4% compared to the prior year quarter and our highest volume fourth quarter ever for insurance, ending the year with a strong quarter, which will sustain momentum into 2025. For full year, GWP was $6.6 billion, up 7.7%, in line with the guidance we shared with you back in the spring. Across our book, pricing remains highly adequate and we continue to see opportunity to put capital to work at attractive returns above our long-term targets.

The fourth quarter insurance combined ratio was an outstanding 91.2%, including 7.8% of cats and weather-related losses and 1.2 points of reserve releases, resulting in $90 million of underwriting income. For the full year, the combined ratio was 89.1% and with 5.5 points of cats and 0.4 point of reserve releases. The acquisition cost ratio of 19.5% was up over the prior year's 18.7%, reflecting mix of business change as we favored short-tail lines over pro lines and cyber.

Now let's move on to the reinsurance segment. Gross premiums were up 37% in the quarter. The fourth quarter is our seasonally lowest volume quarter, but we're pleased that about half the quarter's growth came from new business with the balance mostly driven by positive premium adjustments. The biggest driver of growth was A&H, where we closed a couple of new larger quota share contracts, Reported growth in motor and pro lines was essentially due to premium adjustments. In liability lines, we're maintaining a tough stance and being highly selective. For the full year, GWP was up 8% and ahead of the mid-single-digit guidance we gave you back at our Investor Day. The reinsurance team remains focused on the bottom line, and we are pleased with the consistency of the results. 2024 was the first year in many years that reinsurance made a profit in each quarter, a track record we expect will continue.

The quarter's combined ratio was 90.9%, with an ex-cat with a loss ratio of 66% and with cats of just 0.3% and 1.2% of benefit from the reserve releases. For the full year, the combined ratio was 91.8%, with an ex-cat and weather-related loss ratio of 66% and just 0.7% of cats and a 0.5% benefit from reserve releases. Our reinsurance G&A ratio was just 4% in the quarter and 3.6% for the full year. The improvement in G&A ratio is driven from lower spending and from higher third-party capital fees, which increased to $54 million for the year, up from $38 million a year ago.

We had a strong quarter and year for investment income. In the quarter, investment income was $196 million, up 5% over the prior year quarter. And for the full year, investment income was $759 million up 24%. The increases were driven mainly by higher yield on a larger fixed income portfolio. With increasing stability in our underwriting results, we have moved up marginally in our investment risk appetite with a slightly increased exposure to below BBB rated bonds at year-end, but we remain on the lower end of our stated range of 15% to 20% of the portfolio designated as higher risk.

The overall outlook remains positive as our book yield on fixed income securities was 4.5% at year-end, while the new money yield was 5.3%, and we continue to generate excellent operating cash flow. Our negative reported tax rate in the quarter had some unusual items, including a true-up to the Bermuda ETA. Excluding these onetime items, the effective tax rate was 5.4% and reflecting the geographic distribution of profits and losses. Looking at the full year, the effective tax rate, excluding the Bermuda ETA and unusual items, was 13.8%, consistent with the 14% range we discussed early in the year.

Looking ahead to 2025 and considering our expectations for the geographic spread of profits, we would expect a reported tax rate in the high teens. The priority for capital is to advance our strategic goals, whether it be growth opportunities, including organic growth and the hiring of new teams or investing in our capabilities, such as at scale adoption of digital and analytical capabilities. However, despite our share price hitting new highs in the quarter, we view repurchasing our shares as an attractive option for utilizing our capital. In the quarter, we returned $97 million to shareholders through $37 million of common share dividends and $60 million of share repurchases. We have $200 million remaining on our repurchase authorization.

2024 was a remarkable year for AXIS. One where we began to realize our potential as a specialty underwriter with a strong balance sheet, improved operating efficiency, significantly reduced underwriting volatility and a committed team driving profitability, we already have clear line of sight to a strong 2025. With that, we'd be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And the first question will come from Andrew Kligerman with TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

So first question is a little multifaceted. Vince, I think I heard you say that U.S. Casualty rates in the fourth quarter in insurance were up 29%. Did I hear that right? And what's your outlook for 2025, should we see similar rate increases? And with that, another part to this question, I'm hearing that there's some softness in reinsurance casualty pricing. Could you talk a little bit about that and what you're seeing there and why the disconnect?

Vincent Christopher Tizzio
President, CEO & Director

Yes. So Andrew, you did hear the 29%, correctly. And as we previously discussed, we believe we have to remain in excess of double-digit rate change in that business. Our team has reshaped that portfolio in a very substantial manner. I indicated in my opening remarks, the quantum too, quite a bit of reshaping and eliminating a premium that was not meeting our risk-adjusted return expectations. So we do expect double-digit rates to persist in '25 in liability.

In respect to reinsurance liability, we've been indicating since '23 Monte Carlo, a caution in respect to liability Re. We continue to price that business with a resurgence of rate in liability Re, double digit in the quarter, about 9.7% for the full year. We'll maintain a cautious underwriting appetite in that line until circumstances change.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. So there is some softness, but what you're doing, you're not allowing for that? Am I reading that properly?

Vincent Christopher Tizzio
President, CEO & Director

Well, we did not grow liability Re in the year, and that was purposeful. We took strengthening actions on a number of cedents in a variety of ways, but mostly relating to either the structure of the programs, ceding commissions we were tolerating or, in fact, we non-renewed a number of cedents that did not meet our underwriting standards.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it, Vince. And then the next question, which I'm sure you might have expected this to come the wildfires. Could you give a little color on how you think you're going to be exposed?

Vincent Christopher Tizzio
President, CEO & Director

Yes. First, just to iterate my opening remarks, our heartfelt concern goes to all those affected and sincere gratitude to the relief workers and the firefighters. For AXIS, this will not be a material event. Be reminded, pleased that we are a commercial underwriter in the state of California. We are not in the high net worth residential space in the state either. And I would approximate today some 10 to 12 basis points on a market share for us at the end of the day. But again, very early, we have really a strong observation on our exposure in total. Our accounting of claims to date is fairly insubstantial. So that's our view.

Andrew Scott Kligerman

TD Cowen, Research Division

That's very helpful. And then just one quick one, if I could sneak it in. You talked about an expense ratio of 13.7%. That was a little higher than I would have expected, but you talked about accrual or performance comp that drove it up, which sounds like a very good thing because it means that your underwriting was excellent. And so when you said that you're still on track for 11% in '26, could that number be a little higher in '26 if your underwriting is excellent again, but then I suspect it would still be a good thing because the underwriting is excellent. So I just want to make sure I'm following that right.

Vincent Christopher Tizzio
President, CEO & Director

Go ahead, Pete.

Peter John Vogt
CFO & Executive VP

Yes, first, I'll start is, Andrew, I appreciate the underwriting is excellent. That's helping drive an operating ROE of 18.6% for the year. So really good underwriting going on, very premium adequate book, and we feel really good about what our teams are executing out there today in the marketplace. I would say it may help if I normalize the quarter for you. If we look at the expense ratio normalized in the quarter, the 13.7% would have been about 11.4%, so that should give you some view as we enter 2025, we believe that we are on track to hit our 11% G&A goal in 2026. And Vince and I and the team are not coming off of that goal for 2026.

Operator

The next question will come from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I want to start with the loss experience in U.S. Casualty. And I think you said that the claims patterns are still consistent with the assumptions you set last year. Just want to confirm here, so you've not really in -- into any risk margin there?

Vincent Christopher Tizzio
President, CEO & Director

I lost you at the end, Yaron, would you say it again?

Yaron Joseph Kinar
Jefferies LLC, Research Division

I just want to confirm that with claims patterns consistent with your expectations, the risk margin that you set last year is still fully intact.

Peter John Vogt
CFO & Executive VP

Yes. I would say -- Yaron, this is Pete. Based upon the studies that we did last year and the reserves that we put up last year at the end of 2023, we still feel very confident in those reserves that we put up at that time. we feel very confident about the loss picks that we have for 2024 in our casualty lines of business. And in both those areas, we have been updating those studies and the patterns and what we see coming through in the data has reinforced our confidence. You can never say never, but we feel really good about where we are with our casualty book.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Great. Consistent with what you've said in the past, I just want to confirm that. And against that kind of 29% rate increase you saw in primary casualty also kind of mid-teen increases in Excess Casualty. Can you talk about what the loss trends in those lines are?

Vincent Christopher Tizzio
President, CEO & Director

They're consistent with what we've observed to you in the past and others, Yaron. They're performing in line. The current accident year loss picks are sufficiently strong to contemplate both the portfolio construction, which includes our limit profile and our sustained outbound reinsurance. The prior years are not showing anything that would create noise for us against the assumption set that we put forward as part of our reserve charge. You have to recall, please that in the Primary Casualty business, this is a business that was substantially underperforming. As you know from my opening remarks, we eliminated a meaningful percentage of those policyholders, and we are being extremely vigilant about what we're willing to retain, and we're charging what we think is an appropriate rate. And finally, bear in mind that this business is underwritten through the E&S channel, which permits us to be freedom of form and rate in that class.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Good point. If I could sneak one more on the wildfires. So I realize you're not really in residential in California. But I think you do have a large specie book in London. Do you see any exposures coming through that?

Vincent Christopher Tizzio
President, CEO & Director

We do. But again, they're within the tolerance that I indicated, we are a meaningful market in species globally, and we have a line of sight on our exposure in the state of California. But that is contemplated in the range I gave you.

Peter John Vogt
CFO & Executive VP

Yes. And I guess -- yes, the only thing I would add on top of that, Yaron, is we do fairly, really good risk management. Again, like you know, on our property book, we got $100 million event deductible, our specie book runs through our marine treaty, and that has a $10 million event deductible. So depending upon what happens, we'll have to -- we'll look at it, but that's the deductible. And then obviously, there'll be some rips on top of that. But we feel good about the risk management parameters around that book.

Operator

The next question will come from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Pete, any update on the Bermuda DTA and what could potentially happen here in 2025?

Peter John Vogt
CFO & Executive VP

Yes, Brian, thanks for the question. The OECD did put out a guidance memo, we'll call it, about 2 weeks ago. Our expectation is that looking at that, there will need to be some adjustments in time. The way we read that is our expectations is Bermuda or other tax authorities, we'll probably do something before 2027. It looks like the guidance that's out there right now would suggest that what's been put up for the Bermuda ETA would be acceptable, I'll use that term to the OECD for the first 2 years of it. So that would be '25 and '26. Thereafter, I think we'll see '27 and outwards actually not come to fruition when I think about it.

Brian Robert Meredith
UBS Investment Bank, Research Division

So maybe you can walk through how accounting-wise -- does that mean you're going to have to do something about that remaining DTA that was supposed to be booked post '27 kind of reverse that you think it will happen?

Peter John Vogt
CFO & Executive VP

Yes. I think something will happen with -- we put up for full year, we actually added a little bit more. We're at $177 million at the end of the year. But then after that, sometime before then, we will actually see that have to get adjusted. Now again, that's going to impact really cash, Brian. So the corporate tax rate in Bermuda is 15% now in 2026 in 2025. But that DTA, we'll make an adjustment to it probably sometime before the end of 2016 when we see what the new tax laws are.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then second question, I'm curious, Vince, given the reshaping of the portfolio that you've been doing, anything happened at 1/1 on your ceded reinsurance or anything contemplated in 2025 on ceded reinsurance?

Vincent Christopher Tizzio
President, CEO & Director

Well, Brian, we had about 5 placements at the 1/1. I think of note would be our cyber outbound reinsurance, which was, frankly, a very successful outcome. We bought a bit more tail cover. We improved our cede by about 3 -- excuse me, 4 points. And we felt very good about the recognition of the reinsurance panel that supports that business. Other lines that we place included construction and marine and renewable energy, some big placements for us there, again, we had a mix of change of positive changes either relating to the cede commission or our participation rate. I did fail to mention in cyber, we actually assumed an additional percentage of some 4 percentage points at this renewal as well.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. That's great. And then -- so does that mean that perhaps as we look into 2025, that we'll see in the insurance segment maybe a reversal of the decline in premium, we're seeing, is that reshaping kind of done at this point?

Vincent Christopher Tizzio
President, CEO & Director

Brian, in the third quarter, we mentioned that we would probably extend into the '25 year the delegated component of the reshaping effort, that quantum of premium is less than $100 million, and it's predominantly in the first half of the year. So I would suggest to you that, that growth rate will be ameliorated, but it's not going to happen in the first half of the year. You'll continue to hear Pete and myself target very specific customer segments geographically and by size of customer. We gave direction of that in our opening remarks, we grew the large North American customer base about 13%.

Operator

Next question comes from Josh Shanker, Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Obviously, the wildfires are sad and tragic situation, we've had another sad and tragic situation happened this morning in aviation, and you're still a player in that market. It's been a long time since a commercial airline has gone down in American soil. Obviously, we don't know all the details yet. But I have a number of questions to understand if the federal government were responsible for a crash mid-air, is the private market responsible for that loss?

And regardless, would the claims be paid in advance and later found out culpability and whatnot. Can you talk a little bit about what might happen? I realize you don't have the details, but we can we learn a little bit about the market?

Vincent Christopher Tizzio
President, CEO & Director

Josh, this is Vince. Sorry for the pause. I honestly don't have enough of the facts or information to even respond to your fact pattern. And what I can tell you is that with some degree of qualification, we don't believe we're on the American plane -- and to your more direct point, it is tragic, as respect to liability and the government, I'd have to look at it in totality to give you an informed point of view.

Joshua David Shanker
BofA Securities, Research Division

Okay. That's perfectly reasonable. Pete, can you talk about the goodwill adjustment in the quarter?

Peter John Vogt
CFO & Executive VP

Yes. Thanks, Josh. You'll see we made an adjustment to goodwill in the quarter. That actually goes back to the Novae transaction we did in 2017. We look back then, we evaluated the situation. We had a deferred tax asset that should have been put up in 2017. And so we actually made the adjustment in the balance sheet this quarter. And when we put that deferred tax asset up, that actually reduced then the goodwill just by a straight calculation.

So it was a true-up from deferred taxes back to that 2017 transaction. We think that actually closes out basically all the views we have on the transaction. So good news, it's not anything to do with an impairment or anything like that. It was a straight change in a deferred tax asset that should have been put up back in 2017.

Joshua David Shanker
BofA Securities, Research Division

All right. And one more quick one, and Cliff mostly set me straight, but I just -- maybe it's good to get on the transcript here. The closure of the LPT sometime in the first half of the year, I mean, I have it in 2Q, is there any more precision we can get around that.

Peter John Vogt
CFO & Executive VP

Josh, this is Pete again. We're going through really 2 regulators. I think your middle of 2Q is as best a guess as we have also. Obviously, as soon as we get the approvals, we'll be able to move forward with the deal and we'll let you know. But I will tell you, everything has been filed, and it's with the regulators, and we're just waiting to hear.

Operator

The next question will come from Charlie Lederer with BMO.

Charles William Lederer
BMO Capital Markets Equity Research

Just on that last question. I think I heard you guys say in the past that the investment income and the LPT would begin to impact in 1Q. I just want to make sure that's the case.

Peter John Vogt
CFO & Executive VP

The investment income on the LPT -- Charlie, this is Pete, will actually start to impact us after the close of the transaction. So if it actually hits in 2Q, it won't affect 1Q net investment income.

Charles William Lederer
BMO Capital Markets Equity Research

Okay. Got it. And you guys provided some helpful color on the fee income tailwinds you guys have had. Can you talk about the sustainability of that growth? And how we should expect that to impact your expense ratio in '25?

Peter John Vogt
CFO & Executive VP

I would say that what we actually talked to you about in '24 would be consistent in '25. It is a great partnership we have with really 3 of our ILS partners, we were on the forefront a number of years ago at using ILS and having great investment partners to handle reinsurance, long-tail liabilities. We've really leaned into that, really great for our underwriters on the front side because they actually get, I'll call it, bigger limits and more capacity to put out there, and we have great partnerships on the back end and our expectation is you're going to see consistency as we go into 2025. I don't know, Vince, if you want to add to that?

Vincent Christopher Tizzio
President, CEO & Director

I just would add 1 comment, Charlie. I think it's also a testimony of the confidence in the underwriting of our team as viewed by these independent investors. So we take pride in that as well.

Charles William Lederer
BMO Capital Markets Equity Research

That's helpful. And maybe just going back to the expense ratio conversation. I guess as the underwriting durability continues to prove itself out, should we think about embedding more variable comp in a quarterly run rate? Or is it really more of a 4Q true-up type of item going forward?

Peter John Vogt
CFO & Executive VP

Charlie, this is Pete. It's really more of a 4Q true-up item, given that we are still even in the cat business and anything can happen in the year to start thinking about variable comp in 1Q, while I'll be excited to report solid results to the Street in the first quarter 2025. That would be a little -- that'll be a little forward of us to start to accrue variable comp in 1Q and 2Q.

Operator

Next question will come from Hristian Getsov with Wells Fargo.

Hristian Getsov
Wells Fargo Securities, LLC, Research Division

I had a question on the premium growth trends for 2025. You talked about kind of the new business initiatives that you laid out at the Investor Day and you gave some quantification kind of around the uptick in 2024, but how should we think about those initiatives impacting 2025 premium?

Vincent Christopher Tizzio
President, CEO & Director

Hristian, 2024 was a pivotal year in laying foundation for the sustainability of our profitable growth ambition. As you know, we brought a number of our product capabilities from global markets within our insurance business to North America. They were successfully integrated into our operations. We brought additional new capabilities and they're off to a really good start. We have confidence in the sustainability of those investments, including the commentary that Pete offered with respect to or how we work transformation program, which has done a very good job of making certain that we have the operating infrastructure to support the growth.

So I think it's reasonable to see sustained mid- to high single-digit growth in 2025 and from our insurance operation. Moreover, I would say that the sustained success of our reinsurance business growing its specialty lines focused classes should sustain itself as well. They had a very good year in 2024, a lot of foundational work. And I'm frankly encouraged and look forward to speaking about 1Q on the pipeline that they've generated, which is quite distinct from prior periods in the specialty classes. So net-net, we still view ourselves as a growth-orientated company. We have sufficient premium adequacy to guide that profitability journey, and we look forward to executing it in the market.

Hristian Getsov
Wells Fargo Securities, LLC, Research Division

Got you. And then how should we think about the use of the capital that's free from the LPT? Is kind of the Q4 buyback a good run rate kind of moving forward? Or how should we think about like the allocation of that capital?

Vincent Christopher Tizzio
President, CEO & Director

Hristian, Pete laid out at our Investor Day, the uses of capital that range from the continuation of investing in our business, attracting new talent investing back inside our company as part of our How We Work initiative to certainly maintain opportunistic posture relative to buying back our stock and certainly a very, very high bar on an inorganic. But the principal uses, and we're going to continue to execute on that playbook.

Pete, I don't know if you want to come over the top.

Peter John Vogt
CFO & Executive VP

No. I think Vince hit everything that I spoke about last May and have continued to reiterate since then. I would remind you with -- the transaction is not closed yet. So we are looking forward here with that kind of commentary. But we do see really good opportunities in the market still today. And we do think our shares are undervalued as we sit here today.

Charles William Lederer
BMO Capital Markets Equity Research

Got you. And one more, if I may. On the California wildfires, I guess, what are you guys -- I know it's very early on and no one knows the losses yet. But what do you think about like implications kind of for the later renewals? You kind of have some nationwide programs and some other stuff that renews a little later on. And I don't know if you have a view on 2026. It might be too early, but how do you view that event impacting pricing for prop cat specifically -- or sorry, property?

Vincent Christopher Tizzio
President, CEO & Director

Yes, I think you mean in -- the balance of '25, I think it remains to be seen. Look, it was $136-odd billion a year in catastrophes. And so we'll see how the marketplace responds I don't think we have enough time elapsed to give you an informed view.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Vince Tizzio, CEO, for any closing remarks. Please go ahead, sir.

Vincent Christopher Tizzio
President, CEO & Director

Thank you all for joining today's call. Thank you once again to our AXIS colleagues worldwide as well as to our valued strategic brokers for their partnership in 2024. This completes today's call, and we look forward to reporting our continued progress in future calls. Thank you.

Operator

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