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Earnings Call

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Call Participants

EXECUTIVES

Miranda Hunter
Former Head of Investor Relations

Peter John Vogt
CFO & Executive VP

Vincent Christopher Tizzio
President, CEO & Director

ANALYSTS

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Unknown Analyst

Weston Bloomer

Presentation

Operator

Good morning, and welcome to the Second Quarter 2023 AXIS Capital Earnings Call. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to Miranda Hunter, Head of Investor Relations. Please go ahead.

Miranda Hunter
Former Head of Investor Relations

Thanks, Chad. Good morning, and welcome to the AXIS Capital Second Quarter 2023 Conference Call. Our earnings press release and financial supplement were issued yesterday evening after the market closed. If you would like copies, please visit the Investor Information section of our website at axiscapital.com. Joining me on today's call are Vince Tizzio, our President and CEO; and Pete Vogt, our CFO.

Before we begin, I would like to remind everyone the statements made during this call, including the question-and-answer section, 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 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 our financial supplement.

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

Vincent Christopher Tizzio
President, CEO & Director

Thank you, Miranda, and good morning. Thank you for joining us. I'm now 90 days in the seat as AXIS' new CEO, and I'm excited to share our results and priorities as we look to the future, including generating consistent, profitable results and growing book value per share. As reported, the second quarter was very strong across multiple measures. We grew gross premiums written to $2.3 billion, a company record for the second quarter and an 8% improvement year-over-year.

This was driven by our specialty insurance business, which produced 15% growth, its largest ever quarterly premium volume of $1.7 billion, a record new business of $500 million and a combined ratio of 86%. Our group combined ratio also saw improvement of nearly 2 points to 91.5%. We produced operating earnings per share of $2.23, making 2023 our best first half operating EPS record -- on record, excuse me. And finally, our investment portfolio performed well, producing net investment income of $137 million, up more than 48%.

Let's now discuss our second quarter performance in more detail and within the context of the broader market environment. We produced these results in a market that we believe is vibrant and will continue to hold favorable conditions in the near and intermediate term. Some of the key actions we led in advancing our business were bringing more products to our North American market by leveraging our global specialty knowledge, continuing to make investments in our dedicated lower middle market units in wholesale and retail within North America. And of course, attracting new talent and leadership roles to support our business. These actions are just a start. Across the organization, we are pursuing profitable growth and unlocking new opportunities to meet our brokers and customer needs.

Let me now provide more color on the insurance segment. We continue to see generally favorable market conditions across our specialty lines with rates holding at 9%, putting us ahead of loss cost trends. Our wholesale business grew 35% and produced strong growth, particularly in property and excess casualty while producing an average rate increase of 17%.

Our international business, including our Lloyd's syndicate, grew premiums by 23% with strong momentum evidenced in marine, aviation and renewable energy all the while yielding an overall rate increase of 7%. Within property, we continue to cease upon favorable market conditions. Across our North America and international businesses, we produced premium growth of 33% and an average rate increase of 22%, unlocking property a bit further.

Our wholesale and E&S property business grew 66%, while achieving an average rate increase of 28%. Our onshore renewable energy business produced premium growth of 71% and rate increases of 11%. Our London open market property book produced premium growth of 61% and rate increases of 26%.

As respect to cyber, we delivered premium growth of 5%, with rates up 6%. I'll add that with rate increases slowing, we are repositioning our book to deemphasize the small commercial accounts that may no longer meet our risk or return threshold.

Moreover, our underwriters are practicing discipline in the wake of increased price competition driven by new and existing companies in the market and the recent debate surrounding the LMA's war exclusion wordings. As respects professional lines, premiums were down 9% or $29 million with rates down just under 3%. As in prior quarters, a key driver was the repositioning and reduction of our U.S. public D&O business where pricing remains inadequate generally as well as the reduction of transactional liability opportunities.

Looking across other lines. Our marine and global A&H businesses generated premium growth of around 30% with rates up in both lines in low single digits. For aviation, we delivered premium increases of 59% with rates up 14%. In liability, we saw premium growth of 7% with rates up close to 9%.

Now let's turn to our reinsurance segment. We produced $600 million in gross premiums written. This is 7% lower than the prior year. However, when excluding exited lines, we grew 4%. The second quarter gave us further evidence that our repositioning efforts to shape AXIS Re into a more focused, specialist reinsurer are taking hold. Our premium growth within reinsurance was driven by new business writings of $169 million, a 47% increase over the prior year.

We continue to lean into targeted specialist reinsurance markets, including credit and surety and cyber, to name 2. Our operating margins are performing as expected. In particular, our attritional loss ratio increased, but this was more than offset by our market improved cat loss ratio. On the pricing front, across our specialty reinsurance book, we saw average rate increases of just over 5%.

During the July 1 renewals, which make up about 12% of our reinsurance portfolio, we continue to demonstrate strong retention and new business generation across our targeted specialist lines.

Now when stepping back and looking across all of our businesses during the second quarter and, indeed, the first half of 2023, we have demonstrated that we are delivering on our strategy to elevate AXIS as a specialty leader in the specialty underwriting arena.

Let me now tell you about how I see our future and why I believe there is ample opportunity to further enhance our business. Key to our success will be to continue advancing underwriting and performance-oriented mindsets within AXIS and a structure designed to take advantage of the marketplace dynamics. Let me be clear, we see plenty of opportunity to grow our business in the specialty markets where we have deep expertise and existing leadership positions.

How will we get there? Our approach will include leveraging existing product capabilities across more of the geographies that we compete and accessing new customer segments. We'll deepen our distribution relationships and build upon the strong partnerships that we have in place, enabling our partners to leverage the full breadth of our product capabilities. As noted earlier, we will continue to add talent wherever it is necessary to bolster our specialty proposition and enhance our value proposition generally.

We will increase our pace of play and enhance our operating infrastructure and execution so that we can further take advantage of the opportunities in our chosen target markets, while benefiting from pricing that again is generally ahead of loss trends. By example, we recently launched an internal program called How We Work. The program is focused on enhancing how we operate and how we go to market.

Through this initiative, we are increasing our agility and speed to market so that we can better pivot and adapt to shifts in the market, addressing changing customer needs. This includes simplifying our operating structure, leveraging our data and digital capabilities, enabling quicker decision-taking and enhanced collaboration across the company. Further, we are focused on improving efficiencies and monetizing our productivity gains.

Internally, our colleagues across access AXIS are energized by the positive momentum in our business evidenced through the first half year mark, the progress that we're making towards our strategy and the future that stands before us. Our team is focused on optimizing AXIS' strengths to realize its full potential and I believe the measure of our success for our shareholders lies in our ability to consistently deliver profitable results and exhibit outstanding cycle management acumen and produce increased book value.

In summary, there's a lot to be excited about at AXIS. We look forward to sharing our progress as we further execute on being a leader in specialty underwriting.

I'll now turn the call over to Pete for more color on the financial results.

Peter John Vogt
CFO & Executive VP

Thank you, Vince, and good morning, everyone. This was another strong quarter for AXIS, rounding out a very good first half of the year. As Vince noted, it was our best first half operating income per diluted common share in the company's history.

During the quarter, we generated net income available to common shareholders of $143 million and an annualized ROE of 12.9%. Operating income was $191 million, and our annualized operating ROE was 17.2%. Diluted book value per share increased $0.67 or 1.3% to $50.98. This was principally driven by net income partially offset by net unrealized investment losses and common share dividends declared. As noted in our press release, adjusted for net unrealized losses on available-for-sale fixed maturities, the book value per diluted common share would be $58.01.

The company produced a combined ratio of 91.5%, an improvement of 1.9 points over the prior year quarter. This quarter's pretax cat and weather-related losses net of reinsurance were $32 million or 2.6 points, primarily attributable to Cyclone Gabrielle and other weather-related events. This compares to $67 million or 5.3 points in 2022. Given the high incidence of convective storms in the quarter, we were pleased with this outcome.

I would also add that in the quarter, we renewed our outwards reinsurance coverage for our insurance property portfolio. We kept the attachment point on our excess of loss occurrence cover at $100 million and renewed the quota share treaties on our E&S and global property books at consistent levels.

The July 1, 2023 PMLs in the financial supplement reflect the new outwards protection for our insurance property book. To review the change in our PMLs, please compare this year's values to the July 1, 2022 values. I'll note that the April 1 PMLs from this year are benefiting from the erosion of the previous insurance aggregate treaty, and therefore, not an apples-to-apples comparison to the July 1, 2023 PMLs.

Net favorable prior year reserve development was $6 million compared to $4 million in the second quarter of 2022. The favorable development was in both segments and I'll cover this a bit more in my segment comments. The consolidated acquisition cost ratio was $0.20 -- 20%, which was a slight decrease from the prior year quarter. The consolidated G&A expense ratio was 13.3%, which was an increase of 0.4 points over the prior year quarter. This was driven by a slight increase in corporate expenses due to the CEO transition and the decrease in net earned premiums year-over-year.

And lastly, on a consolidated basis, fee income from strategic capital partners was $15 million compared to $12 million in the prior year quarter. I would expect our normalized quarterly run rate on fee income to be in the $12 million range on a go-forward basis.

Now let's turn on and move to discuss our segment results in more detail. I'll start with insurance, which once again had a strong quarter with good performance across a number of metrics, including a combined ratio of 86.4%, which was an improvement of 1.4 points over the prior period. As Vince mentioned earlier, the insurance segment set a new record for gross premiums written in the quarter of $1.7 billion, an increase of 15%. I would also note that the segment's net premiums written and net premiums earned were also all-time highs.

Since Vince went through much of the details on gross premiums written, I'll just reiterate a few points. Notably, the increase in quarterly premiums was primarily related to favorable rate change and new business in property, marine and aviation and liability lines, while accident health lines also increased due to new business. Partially offsetting the growth was a decrease in professional lines due to reduction in U.S. public D&O premiums, which year-to-date now represent approximately 5% of our professional lines portfolio as well as a decrease in transactional liability due to a lack of opportunities.

The current accident year loss ratio ex cat and weather was comparable to the second quarter of 2022. Quarter-over-quarter, we had improvement in the ratio due to the mix as we have a higher proportion of marine and aviation business which carries a relatively lower loss ratio and a lower proportion of professional lines business, which has a relatively higher loss ratio. The improvement from mix was offset from the higher year-over-year book loss ratio and liability, which is consistent with the actions taken in the second half of last year.

Insurance PYD was positive for the quarter. favorable development from credit political risk business as well as marine and aviation lines was partially offset by negative development from both liability and professional lines, mainly related to the 2017 through 2019 accident years. As you've heard from others in their quarterly reporting, we are continuing to monitor those years.

The underwriting-related G&A expense ratio decreased by 0.6 points in the second quarter. This was mainly driven by an increase in net premiums earned, partially offset by increases in information technology costs and personnel costs as we invest in our specialty businesses.

Now let's move on to the reinsurance segment. I'll start with gross premiums written where approximately 75% of our business is written in the first half of the year. In the quarter, we had premiums of $600 million, which was a decrease of $44 million or 7% compared to the prior year quarter. A decrease of $68 million was directly attributable to the impact from our exited lines. The remaining specialty portfolio increased gross premiums written by $24 million or 4%. This was principally driven by new business in our credit and surety lines and professional lines businesses and a higher level of premium adjustments. The new business and professional lines was driven by new cyber premiums, partially offset by a reduction in other professional lines classes.

Lastly, as we indicated during our first quarter call, our second quarter liability business was negatively impacted by our exit from property, where $10 million of regional multiline business was non-renewed, and our share on a significant account was reduced. Adjusting for these impacts, the liability business grew by $5 million or 3% in the quarter.

The total current accident year net loss ratio is performing in line with our current reinsurance strategy. The current accident year loss ratio ex cat and weather increased by 4.4 points, while the cat loss ratio decreased by 6.3 points, resulting in improvement of 1.9 points in the total accident year net loss ratio. Digging into the increase in the current accident year loss ratio, ex cat and weather, it is up 4% -- 4.4 points as I noted. And this is due to the exit from cat and property lines as well as the impact from higher losses in the exited engineering line of business. Excluding these items, our specialty reinsurance loss ratio was relatively flat.

The acquisition cost ratio increased by 0.6 point. This was primarily related to the changes in business mix associated with the exit from cat and property lines of business, partially offset by the impact of retro contracts. Reinsurance PYD was $4 million positive due to the favorable development in our accident and health lines as well as the runoff catastrophe lines. This was partially offset by negative development, primarily in our liability and professional lines due to reserve strengthening across the 2015 through 2019 accident years. The underwriting related G&A expense ratio decreased by 0.7 point. This was mainly driven by the decrease in personnel costs associated with the exit from property and catastrophe lines of business.

Let's move on to investments. Net investment income was $137 million compared to net investment income of $92 million for the second quarter of 2022. In the quarter, investment income from fixed maturities was $124 million. This was up 70% from $73 million in the second quarter last year, as the yield on the portfolio has increased from 2.4% to 3.9% over the last 12 months. At quarter end, the fixed income portfolio had a book yield of 3.9% in a duration of 2.9 years. Our market yield was 5.9%, 200 basis points above the book yield. Given the duration of our portfolio and the current market yields, we expect net investment income from fixed maturities to be more than $150 million greater in 2023 than we reported in 2022.

With respect to commercial mortgage exposure in our investment portfolio, nothing material has changed since my update in the first quarter. I would note that we have slightly less CMBSs at June 30, as we sold some securities in the normal course of trading during the quarter.

Regarding capital management. In the quarter, we returned $38 million to shareholders through common dividends and we still have $100 million remaining on our share repurchase authorization. Our top priority is to allocate capital to support profitable growth in our specialty businesses. In summary, this is a strong quarter for AXIS, one in which we advanced our strategic priorities to deliver consistent, profitable results and to grow book value. To echo Vince, we are committed to building on our progress and we are optimistic for the future.

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

Miranda Hunter
Former Head of Investor Relations
Thank you, Pete. We're now ready to begin the question-and-answer session. [Operator Instructions] Chad, over to you.

Question and Answer

Operator

[Operator Instructions] And the first question will be from Brian Meredith from UBS.

Weston Bloomer

This is Weston Bloomer on for Brian. I guess within reinsurance, the premium growth that you saw there was pretty strong and in the double-digit range. Is double-digit premium growth or gross written premium growth kind of within expectations in the back half of the year? Could you just expand on your outlook there? And which lines do you expect to drive a majority of that growth?

Peter John Vogt
CFO & Executive VP

Weston, this is Pete. I'll unpack a little bit of your double-digit growth because I want to make sure other folks see where you're coming from. I believe that when we exclude the exited lines of business, we were up 4%. But I believe what you've done, which I appreciate is when I exclude the multi-line regional treaties and I exclude the one large quota share that we got signed down on, both due to the fact that we exited property. And when you add those 2 numbers up, it's about $36 million impact. The rest of our ongoing business in reinsurance actually did grow about 11.6%. So I appreciate you noticing that the team actually underlying did a double-digit growth.

With that, I'd remind you that 75% of the book was actually renewed in the first half of the year. And so in the second half of the year, I don't think we're going to see the same type of double-digit growth just because the opportunities aren't there, we'll see. But I'd also point out that in the fourth quarter of 2022, we had some material premium adjustments coming through mostly our ag and our motor lines. And those are just hard things to predict. But as for an outlook for the actual business going forward, I think I'll turn it over to Vince.

Vincent Christopher Tizzio
President, CEO & Director

I think, Peter, you captured the explanation unpacking the business. I think the outlook remains. Most of the business has already renewed. The second half of the year will be approximately the same as what we saw in the first 6 months, except I would say that new business will probably be lighter just given what comes to market in the remaining months of the year in the reinsurance market.

Weston Bloomer

Great. And then as a follow-up, within insurance, accident year loss ratio did improve sequentially, and you gave a lot of good color on pricing versus loss trend and mix shift and some increases in liability. Is there a way to quantify the impacts that you're seeing either from the mix shift on the basis points or relative to mix shift? And is a low 50s accident year loss ratio within insurance kind of the right level to think about still going forward?

Vincent Christopher Tizzio
President, CEO & Director

I think the mid-50s to capture the end of what you said will be consistent. Low 50s is what you should expect from us. In terms of the continued mix, we liked the dispersion of our line of business writings in the quarter. We think it is in keeping with our targeted product strategies geographically and by line of business. And I'd leave it at that and give it to Pete.

Peter John Vogt
CFO & Executive VP

Yes. I think that's appropriate, Vince. Again, I'd say low 50s is where we think that will be going on a go-forward basis with reinsurance. And I echo the sentiment that we do like the mix where it is today.

Weston Bloomer

Great. And I might sneak in one more. Do you have a loss trend -- you gave loss trend on a consolidated basis around 8% within insurance. Do you have what that is for liability lines specifically? I may have missed that.

Vincent Christopher Tizzio
President, CEO & Director

We indicated loss trends mid to high single digits for the portfolio. I don't recall expressing a specific trend on liability. But I would say that, that would be in the upper single digits in our insurance business.

Operator

And the next question will be from Meyer Shields from KBW.

Unknown Analyst

It's [Dina] on for Meyer. My first question is on the property book. So property book within insurance segment looks pretty strong. Just wondering if you could provide some premium growth guidance for the second half of '23?

Vincent Christopher Tizzio
President, CEO & Director

I wouldn't provide guidance, but I would tell you that we're very comfortable with the second quarter performance in property. We gave you color on the contributing components of our insurance business around the property market. I might take the opportunity just to simply add that we are particularly pleased through the half year mark with our management around our geographic spread of where we're writing the business, our average limit profile and our use of our PML, including an active posture with our brokers who obviously have a tremendous opportunity that they're bringing to the marketplace.

Unknown Analyst

Okay. Got it. My second question is on the cat losses. So since AXIS is growing primary property books, are the cat losses came in relatively better? So can you add some color on the drivers behind this?

Peter John Vogt
CFO & Executive VP

Vince, I'll take this. This is Pete. I think what you're seeing in the property book is, one, this quarter very much was due to convective storms or secondary storms. And in our portfolio, that's not the majority of our portfolio. But I would say, one, we've done a great job the last few years of getting down our limit profile. Our average net limit in our E&S book is now down below $2 million and so any one particular storm or tornado that hits us doesn't necessarily stick out like it used to.

And I'd also point out that across the book, we've got an awful lot of rate. And the rate is what that book needed, and we're seeing that come through on the property side, and we consistently tend to do that.

Operator

And the next question will be from Matthew Carletti with JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

Pete, I was hoping to go back to your comments on PML and we've seen the actions you've taken has been pretty substantial, right, exiting the property reinsurance lines and results first half of the year, certainly have shown it in terms of good bottom line. But when I look at, like you suggested, the PMLs July

1 this year versus July 1 last year, I was surprised to see what looks like little movement in certain areas. So like south -- the peak wind PML in the Southeast, it only dropped to 3.3% of equity from 3.5%. It's similar at a 50-year return period. I was just hoping you could help us kind of fill in the color there, what might be going on. I mean it is worth noting that Gulf of Mexico is a bigger decline, Cal-Quake is a bigger decline, but I just would have thought the peak PML would have come down by a bit more.

Peter John Vogt
CFO & Executive VP

Yes. Matt, this is Pete. I'll take that. What we're seeing across, you're actually seeing pretty significant double-digit declines across just about all the PMLs. And I will say that is very much driven by the exiting of cat and property from the reinsurance business. You did point out, especially when you look year-over-year, like Southeast wind, Southeast hurricane and the 1 in 100 is actually up a little bit. One of the things we did in our renewal at July 1 is we did not renew 3 cap bonds we had. And so the cap bonds were really helping, I'll call it, the real tail risk that's there.

Now we did get good indemnity coverage instead when we renewed our XOLs, but it's the working of the cat bond through the model. It's actually showing some of the noise there, mostly in Southeast wind. If you look at all the other perils, they're down pretty substantially. And again, I feel really good that now as we're going into wind season, what's more important is really what's our outwards reinsurance property treaty look like, and we're able to renew that with XOL occurrence -- event occurrence treaty that still attaches at $100 million. And so that was really good for us going forward as well as the quota shares that we see on the other 2 -- on the E&S line of business and the global property.

But I think what you're seeing in Southeast wind has to do with those cat bonds and how they model and we switched from cat bonds to indemnity coverage, which, quite frankly, I feel better about because I have no basis risk.

Operator

And the next question is from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question. I was hoping to just get some additional color on what's driving the adverse development within professional lines and liability? It's almost $100 million year-to-date and why weren't these lines like accident years covered by the LPT that you guys entered into late last year?

Peter John Vogt
CFO & Executive VP

Elyse, this is Pete. I'll take that. The LPT that we entered into last year was specific to the insurance segment, and it was specific to some lines of business that we had put into runoff. And we feel good about what went into that deal, and we now know that we've put those particular books of business behind us. As we continue to look at, I'll call it, the soft market years of 2015 to 2019, we as well as others continue to monitor the situation, and we do our reserve reviews on a quarterly basis, so we take new information into account, we see what's coming through in there.

And what I would say is those are the soft market years where we continue to see some social inflation impact those areas. And as we get new information, we react to it very quickly and move those reserves, and that's what you're seeing this year. I would note that in the first quarter, especially in reinsurance, as I mentioned, we did move up our assumption on financial inflation and that did have an impact on the reinsurance book this year in the first quarter to the tune of about $30 million of adverse. We think we've got that now really quite right. But again, as new information comes in, as we learn more, we'll react quickly to what we see. I don't know Vince, if you would like to add on to that?

Vincent Christopher Tizzio
President, CEO & Director

Go ahead, Elyse.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

So I was going to say, Vince, I guess my follow-up goes to you, right? I mean you're new CEO, right? This is your first conference call in the role. Are you planning an in-depth review of your reserves at some point this year? And would that be something if you are considering that you would look to undertake in the third or the fourth quarter?

Vincent Christopher Tizzio
President, CEO & Director

Yes. Elyse, let me start by unpacking it this way. My reserve philosophy is to err on the side of prudence. And given the color that Pete provided around social inflation, the so-called soft years, there's no doubt that as part of how we work, we are looking at all of our capabilities, our processes. And certainly, having onboarded a new claims executive, it's certainly our aspiration to make certain that we have the best set of processes. And so will we continue to examine our quarterly earnings in our reserve positions? Certainly. We'll look at that as we continue to receive new information.

But I think what our shareholders can pay confidence in is that we will have an active posture at examining the development of our lines. And as you noted in your first question, you cited a number. That will continue to be an active footing for us, and we are going to examine each of our lines as we have historically. But there won't be some magical moment where we're coming back with some conclusion on a particular line other than looking at our book in total. Peter?

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Go ahead, Peter.

Peter John Vogt
CFO & Executive VP

No, I'm good, Elyse.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then, Vince, my last question, are you looking to lay out financial targets at some point to The Street as maybe it's more short to intermediate term that you're looking towards your tenure as CEO?

Vincent Christopher Tizzio
President, CEO & Director

No. But we do expect in the new year to have an Investor Day and talk further about our exciting strategies, the advancements that we're making and to lay out a clearer with added time where we're taking the company.

Operator

And the next question will come from Yaron Kinar from Jefferies.

Unknown Analyst

This is Andrew on for Yaron. You mentioned in the 10-Q that you established a working group to look at exposure to the banking sector. I was hoping you could kind of touch on what you discovered and also discuss net limits to banks and perhaps what were year-to-date losses to any banks that failed?

Peter John Vogt
CFO & Executive VP

So I'll take that, Vince. Yes, we actually -- in response to what we saw happened in the first quarter with SVB, we put a working group together to make sure that we reviewed our portfolio on the underwriting side with exposure to banks and how we feel about that.

The conclusions were, I believe that we -- our conclusions were that, one, we had no exposure to SVB or to any of the other banks have failed signature, et cetera. So we had no exposure there. And we've had a real, I'll call it, positive -- we've had a real management of our limit profiles in our FI book for quite a while. So that review was a solid review, but it didn't make us change any of our underwriting stances on a go-forward basis. I think Vince...

Vincent Christopher Tizzio
President, CEO & Director

You got that right, yes.

Unknown Analyst

Great. And then also just mentioned the build-out of middle market. It feels like an area of competition, but perhaps you can talk about the opportunity set there, where you are in the build-out and perhaps average premium size?

Vincent Christopher Tizzio
President, CEO & Director

Yes. Thank you. So the lower middle market is a vast universe in specialty. This really is a concentration on select products out of our wholesale business, including things such as private company D&O, environmental, excess casualty. It's a customer segment with likely a $50,000 premium mark. This is not the SME or the BOP space to be sure. It is an underserved market that we are pursuing through our wholesale channel. And I would say that we're in the early innings in putting the structure and the process together, but we are already yielding fruit.

It's important to note that we go to market historically with the products I've mentioned across all customer segments. This is one that we're putting more emphasis and focus on bringing a stronger value proposition to.

Operator

[Operator Instructions] And ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Vince Tizzio for any closing remarks.

Vincent Christopher Tizzio
President, CEO & Director

Thank you for your time today. This was a strong quarter for AXIS, and we're focused on growing the company to become a specialty underwriting leader that delivers consistent profitable growth and growth in book value for our shareholders. We have the specialty underwriting acumen, product capabilities, customer relationships and a global platform to take the business to the next level.

For AXIS, it's all about further enhancing our execution and this is the focus of our leadership team. I look forward to providing updates on our progress in future calls. Finally, I want to thank all of our teammates across the world for their continued hard work and commitment to the company. And thank you very much. Have a good day.

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