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Earnings Call

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Call Participants

EXECUTIVES

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Vincent Christopher Tizzio
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ANALYSTS

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Presentation

Operator

Good day, and welcome to the Second Quarter 2024 AXIS Capital Earnings Call. [Operator Instructions]. After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]. Please note this event is being recorded. I would now like to turn the conference over to Cliff Gallant, Head of Investor Relations. Please go ahead.

Clifford Henry Gallant
Head of Investor Relations & Corporate Development

Thank you. Good morning. And welcome to our second quarter 2024 Conference Call. Our earnings press release and financial supplement were issued last night. If you would 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 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 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, non-GAAP financial measures may be discussed during this conference call. Reconciliations are included in our earnings press release and financial supplement.

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. During the second quarter and first half of the year, we continue to make strong progress against our stated strategy of achieving specialty underwriting leadership. Indeed, our performance during the quarter demonstrated advancements across the key metrics we outlined at our Investor Day this past May.

Before unpacking our results, I'll take a moment to thank my AXIS colleagues. We're operating in a dynamic market requiring increased collaboration, consistency and a resilient attitude and I'm proud of our team's commitment to providing excellent service to our brokers and customers.

Let's now review some of the headline results from the second quarter. Our annualized operating ROE was 20% and driven by strength across the vast majority of our business lines. We produced operating earnings per share of $2.93, a 31.5% increase over the prior year quarter and the highest quarterly operating earnings per share in the company's history.

Our diluted book value per share was $59.29. Overall premiums were up 6.8% driven by solid growth across both insurance and reinsurance, which were up approximately 8 and 4 percentage points over the prior year quarter, respectively. Our overall underwriting profitability remains strong with a 90.4% combined ratio. Our attritional loss ratio improved 1 point versus the prior year quarter at 55.1%. Net investment income increased 40% or $54 million as compared to the prior year quarter.

Let's now move to our operating segments, and we'll start first with insurance. In the quarter, our insurance business performed very well. We generated a combined ratio of 87.9%, with premium production of $1.8 billion, 17% net written premium growth, record new business premiums of $576 million with particularly strong contributions from our property lines.

In North America, we continue to see a healthy demand for our specialty products and capabilities New business was up 18% as compared to the prior year quarter. Within the wholesale channel, we saw submissions increase 24%, marking the 10th quarter in a row where submission growth has been double digits. Two of our wholesale business units, property and excess casualty were up 25% and 16%, respectively, over the prior year quarter.

As regards the new initiatives mentioned at Investor Day, our distribution partners response is strong. It is early days, but our Inland Marine, U.S. construction capabilities are being recognized. Our expanded environmental team had a strong quarter and positive momentum. In addition, our dedicated wholesale lower middle market business is starting to take hold with 20% premium growth over the prior year quarter.

We continue to cycle manage the portfolio. By example, during the quarter, we continued to reshape our primary casualty, cyber, small and delegated and public D&O portfolios, while refocusing our underwriting appetite to areas of opportunity. I'll speak more to this when we discuss market conditions.

Moving to global markets. Our results were highlighted by double-digit growth across a number of our lines, construction, global property, credit. In the London market, we are observing increasing levels of competition. However, our portfolio remains highly rate adequate and has a diverse product set of offerings to service a wide net of customers' needs and broker expectations.

As previously shared, we launched our new energy transition syndicate on April 1, and we're already seeing positive response from our distribution partners and encouraging signs that our syndicate over time, will be a meaningful contributor in future years.

Finally, our specialist capabilities in marine war provided opportunistic growth while meeting our customers' needs.

Moving to our reinsurance business. We delivered 89.3% combined ratio while generating $46 million in underwriting profit. These results reflect our continued progress in repositioning the business.

During the quarter, we continued to lean into our specialty lines, including credit and surety, A&H, cyber and agriculture with specialty businesses growing more than twice the 4% we delivered for the reinsurance portfolio in total. We continue to see meaningful opportunities in cyber, while maintaining prudent limit deployment and balance with our insurance portfolio. As respects casualty and professional lines we remain vigilant and selective as we have not evidenced the degree of rate change and ceding commission changes that we expected.

During the 1/7 renewal season, where approximately 13% of our business is up for renewal. We saw continued positive submission flow in our targeted specialty growth lines, while we continue to navigate a competitive reinsurance market, particularly in professional and casualty lines.

I'll now take a moment to comment on overall market conditions. Conditions continue to be generally favorable and premium adequacy across our portfolio remains strong for both new and renewal business. Within our -- in insurance, our limit profile remains virtually unchanged from prior quarters and aligns with our portfolio objectives.

In addition, we continue to mix shift towards short-tail lines which in the quarter formed 52% of our group gross premiums written, up approximately 4% as compared to the prior year quarter. These lines are strongly priced and match our underwriting capabilities and needs of our brokers and customers.

In the quarter, we observed heightened competition in our property businesses. Notwithstanding, we continue to see strong submission flow and premium growth. We feel confident about our portfolio construction, particularly our average net limits, geographic spread of the business, peril mix and outbound event attachment point of $100 million as we look toward what is forecasted as a busy third quarter win season.

In liability, we have evidenced a resurgence of rate. Within our U.S. casualty business, we continue to see double-digit rate increases that continue to perform ahead of trend. U.S. primary casualty and U.S. excess casualty were up 27% and 12%, respectively. In our primary casualty business, a book that we previously noted as being reshaped, written premium was down $52 million quarter-over-quarter. We expect our repositioning of the business to last throughout the year.

Excluding the actions within primary casualty, our Insurance segment growth during the second quarter was over 11% as compared to the prior year quarter. Finally, within liability reinsurance rates were up close to double digit and ahead of trend.

As I've commented in past calls, within insurance, we remain vigilant in managing our professional lines portfolio, particularly in public D&O, where pricing continues to be inadequate. This is being offset by the growth that we're driving across select premium adequate lines such as our U.S. D&O business, which grew 10% in the quarter, and our transactional liability class, which grew 62%, albeit off a relatively small base.

As respect cyber, we continue focusing on growing the large account segment while selectively targeting and reshaping our small and delegated businesses. By example, we expanded our partnership with Elpha Secure, and InsurTech that blends cyber insurance with advanced diagnostics and security software, which will help enhance risk selection for our small cyber portfolio, while over time, extending these capabilities to our broader cyber portfolio.

Looking at the performance across both segments. We're pleased with the second quarter, our previously shared guidepost of producing 7% to 12% annual premium growth for insurance and single-digit growth for our reinsurance business are unchanged. Pete will give more detail shortly.

Stepping back, in the second quarter, we produced earnings results that demonstrated what we said at our Investor Day. We grew our diluted book value per share and produced strong financial results. We drove profitable growth by leaning into our targeted specialty markets and tapping into new growth opportunities. We continued making improvements to our operating model to improve efficiency and productivity.

And finally, we are making investments in our platform to align with our go-forward strategic imperatives. During the quarter, we made tangible progress in advancing our How We Work program to enhance all aspects of how we operate and go to market. This includes implementing improvements focused on heightening our organizational effectiveness and making investments to empower our colleagues and optimize their productivity while improving service quality.

We also continue to reinvest in the business to enable sustained profitable growth. This includes further enhancing our claims and operations capabilities advancing digitization and automation initiatives to increase our agility and response time, improving our tools, technology and platforms.

In summary, it has been a very strong first half of the year for AXIS as we continue to execute on our strategy.

I'll now turn the call over to Pete for a more detailed discussion of our financials.

Peter John Vogt
CFO & Executive VP

Thank you, Vince, and good morning, everyone. AXIS had a very strong performance in the quarter. Our net income available to common shareholders was $204 million or $2.40 per diluted common share, which resulted in an annualized ROE of 16.2% and drove our book value per diluted common share to $59.29 at quarter end, an increase of nearly 10% year-to-date and adjusted for dividends, up nearly 20% over the past 12 months.

Our operating income was $250 million or $2.93 per diluted common share, the highest quarterly operating EPS in our company's history, which resulted in an annualized operating ROE of 20%.

Looking at our consolidated results. Our company-wide gross premiums written grew 0.8% to $2.4 billion, our highest second quarter ever as we continue to see attractive pricing across most lines of business. Our quarterly combined ratio was an excellent 90.4%, generating $161 million of underwriting income, marking our highest ever accident year underwriting income for a quarter.

Our current accident year loss ratio, ex cat and weather, was an excellent 55.1%. Importantly, our loss picks continue to be consistent with the learnings from our in-depth reserve review conducted at the end of last year. While it's only been 6 months since our year-end reserve actions, early data has reinforced our confidence that the actions were appropriate, and we made no changes to prior period reserves.

We did experience $47 million in cats in the quarter, resulting in a 3.6% cat loss ratio. Natural catastrophes and weather-related losses were $38 million, accounting for 2.9 points of the cat loss ratio, with an additional $9 million or 0.7 point resulting from losses due to the Red Sea conflict.

Our peak PMLs are large U.S. natural catastrophes, including a California earthquake or a Southeast hurricane. Each of these events remains well below 5% of shareholder equity at the one in 250-year peril mark.

In the quarter, we renewed our outwards insurance property program. The renewal went very well, specifically within our worldwide cat occurrence XOL, we increased our ground-up indemnity event protection from $415 million to $565 million and maintained our treaty event attachment point of $100 million.

While we are taking advantage of market opportunities and growing our insurance property book materially, our event PMLs have remained steady. The consolidated G&A expense ratio, including corporate, was 11.4%, down from 13.3% a year ago. We have previously said that as we execute on how we work, we expected our dollar spend to decline, and sure enough, our year-to-date G&A spend is down 7%, even as we have grown our premium volume.

I want to be clear that the expense improvement we are experiencing this quarter is the result of several successive actions we have taken over the past year to optimize our target operating model and progress underlying processes. Our actions have been decisive but thoughtful as we strive for operating excellence.

In that effort, as we have told you, we will also continue to make investments in our company, whether it by adding to our talent pool, implementing new operating systems or expanding capabilities. So as we continue to invest in the company, we expect the degree of year-over-year improvement experienced this quarter may not continue into the second half of this year. However, we remain committed to the target we previously shared with you of a G&A ratio below 11% for the full-year 2026.

This quarter included $14 million of reorganization expenses, which is essentially the cost of severance and outplacement as we reduced head count across several areas during the quarter.

Now let's move on and discuss our segment results in more detail. Insurance had a strong quarter. Gross premiums written were $1.8 billion, an increase of 7.7% compared to the prior year and our highest volume quarter ever for insurance. Across most of our book, pricing remains adequate, and we see opportunity to put capital to work at attractive returns above our long-term targets.

Let me discuss a few lines of business. Property was a major driver of growth this quarter across most classes. We saw premium growth well into the double digits in E&S property, renewable energy onshore, construction and global property. Pricing remains very attractive, although as Vince discussed, the rate of improvement has slowed.

In U.S. casualty, we are very careful in pursuing growth. And overall in the quarter, we are down about 5%. Breaking it down, we are growing in U.S. excess casualty where rate was 12% ahead of high single-digit loss trend, and we continue to see good opportunities.

The growth we're seeing in excess casualty is more than offset by reshaping, we are executing in primary casualty that Vince spoke about earlier. To give you a sense of magnitude, excluding the primary casualty reshaping, our insurance liability growth rate would have been approximately 14%.

Lastly, in A&H. We note that we had double-digit growth, which is being driven by good growth in North America pet insurance. In our first quarter call, we stated an expectation of 7% to 12% growth in insurance for this year, and our expectation remains in that range, but we favor the lower end.

Net written premium in the quarter was up 17%, benefiting from the gross premium growth as well as the restructuring of an outward reinsurance treaty, which resulted in a 34% session rate for this quarter. When normalized, the session rate was approximately 36%. The insurance combined ratio was an outstanding 87.9%, including 4.8% of cat and weather-related losses, resulting in $116 million of underwriting income.

The current accident year loss ratio ex-cat and weather was 51.8%, which compares to 51.5% in the prior year. and continues to be consistent across recent quarters. Additionally, the acquisition cost ratio of 19.6% was up over the prior year, reflecting mix of business change as we favor short tail lines and lower ceding commissions in pro lines and cyber. Given our treaties have renewed with consistent ceding commissions this year, we would expect the ratio to be fairly consistent going forward.

Now let's move on to the reinsurance segment. Gross premiums were up 4.3% in the quarter as we continue to build our specialty-focused business. As I mentioned on our first quarter call, the first quarter benefited by some timing of a few contract renewals, a number of which were new business in 2Q of last year, thus having a negative impact on this 2Q.

Again, this quarter, we benefited from timing between renewals from the third quarter to the second quarter. As a result, despite the high single-digit growth year-to-date, we are maintaining our expectation for mid-single-digit growth for the full year, with a particularly difficult comparison in 3Q.

I wanted to highlight that our growth in professional lines of 9% was entirely driven by growth in cyber reinsurance, and without cyber, pro lines would have been down year-over-year. Net written premiums declined versus prior year quarter as we are ceding more business to our strategic capital partners. We would expect the ceding percent of approximately 37% to be maintained throughout the year.

Our reinsurance team remains focused on the bottom line, and we are pleased with the much improved consistency in the results. The combined ratio was 89.3% with an ex cat and weather loss ratio of 64.2%, both very solid. Our acquisition cost ratio of 22.3% is consistent with recent quarters, with some variability reflecting the impact of profit commissions associated with loss sensitive features.

Our reinsurance G&A ratio of 2.5% is down from 4.6% in the prior year quarter. The improvement in G&A ratio is driven equally from lower spending and from higher third-party capital fees, which increased to $14 million in the quarter, up from $9 million a year ago.

We also had a company record level of investment income at $191 million, up 40% from the prior year in the quarter, driven by a higher yield on a larger fixed income portfolio, and in part by alternatives reporting positive returns versus a loss in the prior year quarter.

The fixed income portfolio reported $154 million of income, up 24% over the prior year quarter, benefiting from higher yields and strong operating cash flow. The overall outlook remains positive as our book yield on fixed income securities was 4.4% at quarter end, while the new money yield was 5.7% and we continue to generate excellent operating cash flow, which was $902 million for the first half of the year.

Our effective tax rate in the quarter was 16%, a bit higher than what we've typically reported as more of our profitability occurred in our higher tax geographies. We're producing substantial capital today. The priority for capital is to advance our strategic goals, whether it be growth opportunities, both organic and the hiring of new teams or investing in our capabilities such as at scale adoption of digital and analytic capabilities.

However, despite our share price hitting new highs in the quarter, we view repurchase of our own shares as an attractive option for utilize, utilizing our capital. In the quarter, we returned $76 million to shareholders through $38 million of common share dividends and $38 million of share repurchases.
In closing, we're very pleased with the results today, and we're looking forward to the second half of the year with optimism. We'd be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Pete, in your opening comments, you said that the early data reinforces your confidence in the reserve actions you took in the fourth quarter. Can you maybe elaborate on that a little bit and maybe also touch on specifically the greener accident years 2020 through '23. And I ask that, obviously, just given the intense investor focus on reserves that has really come the forefront this quarter?

Peter John Vogt
CFO & Executive VP

Yes. Thanks for the question, Yaron. The first thing I'd say is we do, do and completed a full review of our reserves in the quarter. We do that every quarter. So we did a full ground-up review of all the classes. I'd say our philosophy remains the same. We will take bad news as soon as we see it quickly, and we will wait for good news to really be substantiated through the results over time before we actually see any good news.

Having said that, as we did the reviews this quarter, when we looked at all the data. We looked at, I'll call it, the paid data that we're looking at, we look at close claims data, and we did this review with our claims team and our actuarial team, both pricing and reserving. We felt very confident about the assumptions that we used for all the accident years with the result -- with the performance and the results that we did in the fourth quarter.

I would remind you that when we did the fourth quarter, the $425 million included $177 million of liability reserve increases for the '20 to '22 accident years and we did increase our 2023 loss picks in the fourth quarter on the liability lines. So when we took those actions, we unleveled everything for what we saw with our higher severity as well as the elongation that we talked about at the time with the development patterns.

And as we said, it's early days still, but we feel very good about the strength of our reserves and everything we're seeing with regard to those data points are actually holding and we feel very good about where we are.

I don't know, Vince, if you like to add to that.

Vincent Christopher Tizzio
President, CEO & Director

I think you covered all of it, Pete. The only thing I'd remind Yaron by is we also unleveled the loss ratio assumptions from the assessment that we took at 4Q. And the point you made around the claim integration insights is a very good point, especially relating to the patterns that we're observing around closed claims without payments, Yaron. There's a fairly tight and integrated process between our claims and reserving actuaries, and it gives Pete and myself increasing confidence.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I appreciate that. And then my second question, maybe to you, Pete. Obviously, you talked about share still being a very attractive option for utilizing capital -- buybacks, sorry. But I don't think that you conducted any additional buybacks since the Investor Day. And if that -- if I'm correct in that, can you maybe elaborate on how -- why that would not -- why you didn't?

Vincent Christopher Tizzio

President, CEO & Director

Yaron, this is Vince. So as Pete mentioned in his opening remarks, we found that the work we were doing relative to how we work would have precluded us from going into the market and buying back our shares. It was a decision that we took with the knowledge that we had around the actions that we were undertaking in the quarter.

We've maintained the same view that we shared at the Investor Day that we believe our stock is not priced to its fullest measure. We will opportunistically and strategically look to buy back shares in the future. As you know, coming out of our most recent Board meeting, we saw it and obtained an additional authorization of $300 million without any time restriction. So we will continuously evaluate and be opportunistic in our share repurchase approach.

Pete, I don't know if you want to add.

Peter John Vogt
CFO & Executive VP

Yes. The only thing I'd add is you could see it in the quarter, Yaron, we took $14 million of below-the-line charges associated with restructuring. The vast majority of that was severance and outplacement costs for a number of employees that we left.

And all those actions happened in June since we knew those actions were to happen in June. Kind of at the end of May, we felt we had material nonpublic information. And so out of abundance of caution, we did many shares we didn't trade.

Operator

Our next question comes from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Yes. I trust the reserve reviews were done in great care. And I noticed that the unfavorable or favorable that was zero, which is an unusual number. There are some other companies that put up zero. You guys go through hundreds of millions of dollars' worth of reserve reviews. I come to the number zero, is it means no change whatsoever. There are plenty of companies put up that zero numbers. AXIS is one of those companies that in the end, the plan is so if there's not a major change to round the reserve adequacy or [indiscernible] to zero?

Peter John Vogt
CFO & Executive VP

I would say, Josh, this is Pete. When we go through the process, what we're looking at is what we think the ultimate loss picks are on these lines of business. And with all the data we had, we felt very good and comfortable actually reinforced with the assumptions we had. So because of that, the ultimate loss picks didn't change. And so to your point, there is some rounding that happens. It's just when you look at it in millions, it actually -- it turns down to zero.

Joshua David Shanker
BofA Securities, Research Division

So there were puts and takes, some things were better than you thought and some things, not quite as good, but in aggregate, everything sort of balanced to zero?

Peter John Vogt
CFO & Executive VP

Yes. I would say everything balanced to zero because the ultimate loss picks we thought were actually right on point. So when I look at it by accident -- when we look at it by accident year, there really wasn't any movements versus accident year that had anything to do with the ultimate expectation of claims. And when we look at it by line of business, when you look at the Q, you'll see it by line of business, you've seen 0 cost.

We did have movement in the first quarter. If you recall in the first quarter, we had some negatives that come out of the aviation area due to some losses that were materializing out of 2019 that were negative, and that was offset by some positives that we saw in the property line.

Joshua David Shanker
BofA Securities, Research Division

Okay. And then final, but just a little bit on the share repurchase issue. I don't know what the future brings. I think you're investing in your business is doing a wonderful job doing it. Who knows what the actual results will be as things mature.

We know where the share price is today, and we know where your book value is today. Given that situation, as you report earnings and now the severance costs are out of the equation. When we think about earning an 18% ROE in a company that's been derisk from cat risk over time, trading at probably at or maybe even below year ahead of book value, can you go through the capital sort of math on whether share repurchases are better or worse than investing in your own business?

And I know you can do both, but one thing you probably feel confident your share price isn't going to be $70 or $74 forever. Is investing your business, you can do at any time. Can you buy back your shares at this level at any time?

Peter John Vogt
CFO & Executive VP

Josh, this is Pete. What I'll tell you is, number one, I do think our operating ROE in the quarter was about 19.9% and I think today, we're trading at least we're trading above tangible book as well as full book. So we do think that the stock price is moving in the right direction. But to your point, we believe it should go higher.

I'd say that good use of capital. Our number one use of capital continues to be investing in the business. And we believe right now with the price adequacy we're seeing, we're getting returns in excess of our long-term targets. And we like to continue to invest in the business by bringing on more teams by building out our infrastructure and by also building our capabilities.

Having said that, I think you're correct. Our new $300 million, we will use opportunistically, and it will be based upon where we see the market dynamics as well as our results over a quarter. We do expect our results to be less volatile going forward, and all that will take it into account as we think about share repurchases over the future.

Vincent Christopher Tizzio
President, CEO & Director

Pete, I think you covered a majority of it and just reminding Josh and others, when we spoke to the capital walk at the Investor Day, we outlined our philosophy around capital management. We've taken a successive set of actions to transform the organization design in focus of its underwriting strategy, its cost structure. And of course, as part of seeking and obtaining the Board authorization of additional share repurchase, it's certainly contemplated in our overall strategy.

But as Pete noted, we're going to continue to make investments in our operating platform, continue to bring in teams of underwriters and it will certainly be accounted for in our calculus.

Joshua David Shanker
BofA Securities, Research Division

And I guess you'll indulge me on one more along those lines if we get to the end of the third quarter and the buyback hasn't resumed, would you be surprised?

Vincent Christopher Tizzio

President, CEO & Director

Well, it's certainly not going to speculate as to the third quarter. What we're focused on today is advancing the underwriting strategy, making certain that our underwriters have the tools and sufficient capital to go to market to ensure that our continued work and delivering really spectacular results is sustained, Josh.

Operator

Our next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

First question, I wanted to dive in a little bit into the insurance underlying loss ratios or loss picks you guys are putting up incredibly attractive. And if I look at the maybe kind of on a year-over-year basis, my assumption is they're probably down when you kind of factor in some of the reserve development actions you took at the end of last year.

So Peter, I was wondering if you could dive in a little bit how -- what is kind of driving that? Is it a mix? We've heard companies talking about maybe increasing loss picks on liability a little bit just because of the questions on tort inflation. Maybe give us a little color on what's going on there and why they continue to kind of trend downwards here?

Peter John Vogt
CFO & Executive VP

Yes. So Brian, this is Pete. I would say I use the word consistent. I think our attritional loss ratio ex cat and weather has been very consistent when we look year-over-year. But to your point, there are two really drivers underneath there.

One is, we do have a mix shift. As you've noticed, we are selling more short-tail business, especially in the insurance business, and that's up probably 4%, 5% when I think about the mix shift. And if I looked overall, we would have expected that to maybe drop the loss ratio by about 1 point.

That is being offset because, as I mentioned earlier, when we did our fourth quarter review in the long-tail lines, we moved our long-tail loss picks up, and we've unleveled it for '20, '21, '22 as well as '23. And so we're actually booking to that higher loss pick in our long tail liabilities and that's about 1 point higher. So the two are offsetting to create that consistent, I'm going to call it, 52 plus or minus you're seeing in the insurance attritional loss ratio. Does that make some sense?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes, it makes a lot of sense. That's really, really helpful. And then the second question, I guess, more for Vince here. I guess two parts here. One, maybe you can talk a little bit about why writing cyber is more attractive right now from a reinsurance perspective than maybe on the primary side? And then the second part to that, obviously, there was a pretty major headline event, CrowdStrike. What do you think that does to the dynamics of the cyber market here going forward? Will it cause some firmness? Is it going to make any changes you think to policy forms or anything as you look for in forward here?

Vincent Christopher Tizzio
President, CEO & Director

Thank you, Brian. So first, with respect to Cyber Re, we announced a quarter or so ago an interest in leaning into our reinsurance business. We saw an opportunity to provide solutions to our cedents and from the access point of view, we did so in a way that we feel is premium adequate first; secondly, being able to be executed with loss caps so that we're not creating conflict with our insurance portfolio, and finally, we liked the cedent portfolios, the information set that we were able to obtain an understanding in a very detailed way, we felt comfortable with the risk. And we saw it as an offset to the changing insurance landscape in the small and delegated segments where we have cut back and we've shrunk.

In terms of CrowdStrike, we think this is an opportunity for the market to reset appropriately. When you think about the business interruption language associated within the primary forms, when you think about the waiting periods and the application of those waiting periods across different industries, we think it's an important opportunity for companies to take stock.

AXIS is comfortable with CrowdStrike not creating any impact to our financials at this time. Obviously, this will develop over a successive period. But what we see now, we're very comfortable with what we've seen. But we think more importantly, for the industry, language change around contingent BI, language around clarity on nonmalicious events. And certainly, the waiting periods will come under increasing scrutiny.

Operator

Our next question comes from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, I guess, going back to the insurance margin discussion. So 51.8 in the quarter, based on -- I know you mentioned there's kind of a shift towards some short tail lines, right, which could help that number based on your view of pricing and business mix as well as loss trend. Does that view -- do you view that as a sustainable level for the insurance business?

Vincent Christopher Tizzio
President, CEO & Director

Certainly, within '24, Elyse, we don't see any material change whatsoever.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then on the reinsurance side, right, maybe like a similar question, right? The underlying loss ratio was 64 point -- just over 64% in the quarter. You guys had said mid-60 kind of the target for that business after you exited property and cat re. It seems like it's a little bit better than planned. How do you -- was there anything one-off in that loss ratio in the quarter? And how do you view the sustainability of that number?

Peter John Vogt
CFO & Executive VP

Yes, Elyse, this is Pete. I would say there really wasn't anything one-off in that quarter. It had some benefit in the marine area, but that was actually offset by the engineering that we mentioned in the press release. So I would -- if you're thinking reinsurance, that mid-60s, so 64% to 65%, I think that's -- we think that's where we expect that business to perform as we go on a go-forward basis.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then maybe one more on buyback. I know you guys mentioned there were some charges related to that How We Work program in the Q2. Would there be subsequent charges or I guess now because we know that there could be charges? I'm just trying to get a sense of subsequent action there would preclude you from additional buyback.

Peter John Vogt
CFO & Executive VP

Yes. This is Elyse -- Pete. Now I'll let Vince expand on this. But as we sit here today, we don't expect any additional below-the-line charges with regard to the How We Work program, which we don't have any in our sites.

Vincent Christopher Tizzio
President, CEO & Director

No. And you'll certainly hear more about our investments as the year unfolds in the remaining 5 months. There's quite a bit of work that still remains. It's a multiyear program. in how we work, but we'll leave it there.

Operator

Our next question comes from Meyer Shields with KBW.

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

So I guess you both have emphasized the fact that you're shifting towards short tail line. But can we take a step back and say, okay, property rate increases are decelerating and -- sorry, casualty are reaccelerating, how sustainable is the current mix shift relative to the opportunities that the market is going to present over the next 12 months?

Vincent Christopher Tizzio
President, CEO & Director

Meyer, this is Vince. I think for the balance of the year, the mix will look just as we're reporting. As you know from prior representations, we are reshaping our primary casualty business in North America. We have grown our excess casualty business quite substantially. We are developing new underwriting appetite in our liability classes generally. [Mike,] our North American executive leadership is putting a lot of effort in time toward that endeavor.

Over time, next year, I would expect our liability writings to start to show the benefit of this reinvestment of underwriting tools, appetite as we continue. Now whether or not that's going to materially mix shift in the immediate term, I don't see that in the immediate term, but over time for sure.

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

Okay. That's helpful. You've also talked about adding teams. And I was hoping you could give us sort of an overview of what the current market for underwriting talent is and where the -- obviously, not names, but where the opportunities are?

Vincent Christopher Tizzio
President, CEO & Director

Yes. So it's an active specialty market for talent. There's certainly a premium being paid and there's equally a premium being paid for the kind of culture of the organization. The tools that are being provided to the underwriters in order to execute their role, the empowerment that they're seeking. And so we've been reasonably successful at creating an environment that allows for those attributes to be satisfied.

We will continue to add to the numbers, the numbers of investments we've made across a variety of product capabilities that include North America, but as well in our global markets portfolio equally. And so we'll continue to be on the town search.

In terms of representation, we don't believe in having one targeted company. We've enjoyed the trust of colleagues from a number of prior companies. There isn't one particular company that has in any meaningful way contributed to that. we're seeking out attributes and culture and attitude and, of course, capability of the person. So that's our mantra.

Operator

[Operator Instructions] We have a follow-up question from Josh Shanker.

Joshua David Shanker
BofA Securities, Research Division

Yes. Just a quick one. Of course, there's been a lot of talk about professional lines pricing and the trends, and you guys have shrunk your exposure in the primary market. But on the reinsurance market, it looks like the exposure increase or at least you wrote a lot more. Is there something different going on in excess layers than there is in the more professional layers?

Vincent Christopher Tizzio
President, CEO & Director

Well, Pete will unpack that for you.

Peter John Vogt
CFO & Executive VP

Yes. Actually, Josh, I think Vince might have alluded to this in his comments. But when we look at reinsurance professional lines, you're right, it was up 9% in the quarter year-over-year. When we take cyber out of that because cyber in reinsurance is reported through professional lines, the rest of professional lines is actually down 8% year-over-year.

So to your point, we are seeing that pressure in professional lines in the reinsurance space also. And if it hadn't been for the growth in cyber, pro lines actually would have been down year-over-year.

Operator

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

Vincent Christopher Tizzio
President, CEO & Director

Thank you for joining today's call. In summary, it's been a strong quarter and first half year for AXIS. We look forward to reporting our continued progress in our third quarter call. Thank you very much.

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