S&P Global
Market Intelligence

AXIS Capital Holdings Limited NYSE:AXS

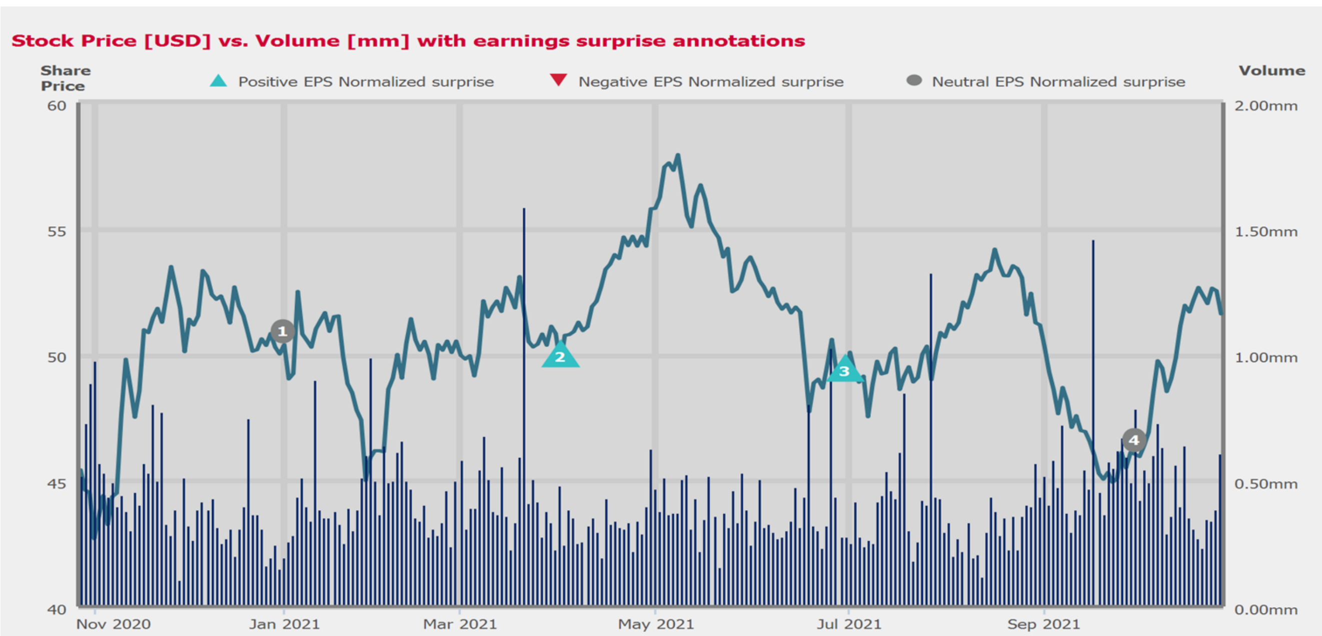
FQ3 2021 Earnings Call Transcripts

Thursday, October 28, 2021 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.60)	0.01	NM	1.47	4.48	NA
Revenue (mm)	909.45	996.47	9.57	926.49	4902.90	NA

Currency: USD
Consensus as of Oct-28-2021 12:38 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2020	(0.28)	(0.20)	NM
FQ1 2021	0.64	0.97	1 51.56 %
FQ2 2021	1.44	2.00	2 38.89 %
FQ3 2021	(0.60)	0.01	NM

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Call Participants

EXECUTIVES

Albert A. Benchimol
President, CEO & Director

Matthew Jay Rohrmann
Head of Investor Relations

Peter John Vogt
CFO & Executive VP

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Derek Han

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Michael Wayne Phillips
Morgan Stanley, Research Division

Presentation

Operator

Good morning, and welcome to AXIS Capital third quarter earnings call.

[Operator Instructions] Please note that this event is being recorded. I'd like to turn the conference over to Mr. Matt Rohrmann, Investor Relations. Please go ahead.

Matthew Jay Rohrmann
Head of Investor Relations

Thank you, Nick. Good morning, ladies and gentlemen. I'm happy to welcome you to our conference call to discuss the financial results for AXIS Capital for the third quarter ended September 30, 2021. Our earnings press release and financial supplement were issued yesterday evening after the market closed. If you'd like copies, please visit the Investor Information section of our website at axiscapital.com. We set aside an hour for today's call, which is also available as an audio webcast found at the Investor Information section of our website. With me today are Albert Benchimol, our President and CEO; and Pete Vogt CFO.

Before I turn the call over to Albert, I'll remind everyone that the statements made during this call, including the question-and-answer session, which are not historical facts, may be forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from those projected in the forward-looking statements due to a variety of factors from the risk factors set forth in the company's most recent report on Form 10-K and other reports the company files with the SEC.

This includes the additional risks identified in the cautionary note regarding forward-looking statements in our earnings press release issued yesterday evening. We undertake no obligation to publicly update or revise any forward-looking statements. In addition, this presentation may contain non-GAAP financial measures. Reconciliations are included in our earnings press release and financial supplement.

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

Albert A. Benchimol
President, CEO & Director

Thank you, Matt. Good morning, everyone, and thank you for joining today's call. Our company's performance in recent quarters has been defined by consistency and accelerating momentum in our results, a trend that continued in the third quarter even in the face of heavy cat and weather activity. We expect industry cat losses in the third quarter will exceed $50 billion. And with year-to-date industry natural catastrophe losses already ahead of full year 2020, this year should rank among the top 5 cat loss years for the industry.

Despite this, AXIS generated net operating income for the quarter. Our operating income is up $66 million in the quarter and $412 million year-to-date as compared to the prior year periods. And our core underwriting profitability is on a strong positive trajectory. Our all-in ex-cat underwriting income was up 82% in the quarter to $191 million, and year-to-date, it's up 56% to $518 million.

Over the last few years, we both improved our core ex-cat results and reduced our exposure to cat events and the results are now evident. This quarter marks the eighth consecutive quarter of year-over-year improvement in our ex-cat combined ratio. Over that period, we reduced our reported ex-cat combined ratio by more than 7 points and it now stands below 88% year-to-date.

In that same period, we've reduced our PMLs by 25% to 40% at various points along the curve to ensure that less of our core ex-cat profits are eroded by cat events. Our modest year-over-year change in cat losses and lower market share of global cat events this year, reflects our progress in reducing earnings volatility, allowing us to deliver a consolidated underwriting profit in the year-to-date period.

I want to highlight the strong performance of our insurance business to illustrate just how far we've come. During the quarter, our insurance business produced 26% growth in premiums, reflecting our strong positioning in the attractive E&S and specialty markets. And we're on pace to report record premium production for the second year in a row. We continue to extend our footprint in highly attractive markets that are seeing the most favorable conditions and we feel good about the pricing and terms that our underwriters are securing.

Importantly, this growth came with improvements in profitability as insurance delivered an underwriting profit in the quarter and our all-in year-to-date insurance combined ratio is below 93%, even with all the cat's incurred this year. This is on the strength of an insurance ex-cat combined ratio below 85% and a cat loss ratio of less than 8% in a heavy cat year. We're confident that we're building one of the better specialty commercial insurance franchises in the industry.

Our reinsurance business similarly delivered a strong year-to-date ex-cat combined ratio of 86%. And with an all-in year-to-date combined ratio of 101.6%, our reinsurance operations are within reach of generating underwriting profit for this year. Within our reinsurance business, year-to-date volume has been essentially flat as our team remains focused on increasing profitability and reducing earnings volatility related to catastrophes.

Stepping back, our teams remain disciplined, and we are allocating more of our capital to attractive insurance opportunities. Across this company, we have a strong team and a consistent record of developing and recruiting great talent and our performance over the last few years tells us that our plan is generating tangible results. And we know exactly what we need to do to sustain this momentum. We will continue to intelligently develop our portfolio while reducing our exposure to catastrophe events.

We will further manage expenses, and we will continue to invest in our culture and in our people. These are the actions that have delivered consistent progress over the past 3 years, and we're confident that they will continue to drive improvements to our performance, our value creation and delivering attractive returns to our shareholders.

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

Peter John Vogt
CFO & Executive VP

Thank you, Albert, and good morning, everyone. During the quarter, we generated net income available to common shareholders of $47 million and an annualized ROE of 3.9%. The Operating income was $1 million. Diluted book value per share decreased by $0.64 to $54.86. This was principally driven by a decrease in net unrealized gains as reported in other comprehensive income due to increasing interest rates as well as common share dividends declared.

This was partially offset by net income generated. As previously announced, pretax cat and weather-related losses, net of reinsurance and reinstatement premiums were $250 million or 20.7 points on the combined ratio. This was primarily attributable to Hurricane Ida, the July European floods and other weather-related events. As Albert noted, core underwriting results continued to show improvement as the company produced a consolidated current accident year combined ratio ex-cat and weather of 87.6% or almost 5 points better than the prior year quarter. The improvement was across both segments. This is the strongest our consolidated current accident year combined ratio ex-cat and weather has been since the fourth quarter of 2012.

The consolidated current accident year loss ratio ex-cat and weather was 55.4%, a decrease of more than 3 points over the prior year quarter also driven by improvements in both segments. There was no change to the net loss estimate of $360 million established for the COVID-19 pandemic in 2020.

We reported net favorable prior year reserve development of $11 million compared to under $1 million in the third quarter of 2020. The consolidated acquisition cost ratio was 19.1%, a decrease of 2 points compared to the third quarter of 2020, again attributable to both segments.

The consolidated G&A expense ratio was 13.1%, slightly higher than the prior year quarter. This was mainly driven by an increase in personnel costs and technology investments as well as lower expenses during the prior year period due to the impacts of the pandemic. Overall, operating efficiency and expense control remain important goals for us, and we expect the G&A ratio to come in below 14% for full year 2021. And lastly, on a consolidated basis, fee income from strategic capital partners was $18 million, a modest increase year-over-year.

Now we'll discuss the segments. I'll start in insurance, where once again, we have continued solid improvement across all underwriting metrics. Gross premiums written increased by 26% to $1.2 billion, making it our highest third quarter ever. The increase came primarily from new business in professional lines, liability and property as well as favorable rate changes across virtually all lines of business.

The current accident year loss ratio ex-cat and weather decreased by almost 4 points resulting from not only the impact of favorable rate over trend but also driven by improved performance due to the underwriting actions taken, most notably in property, liability and aviation lines. The acquisition cost ratio decreased by 2 points in the third quarter compared to 2020. This was primarily due to changes in business mix as we wrote less high-cost property MGA business and more low-cost pro lines and liability business, together with an increase in ceding commissions.

Now let's move on to the reinsurance segment. The reinsurance segment's gross premiums written of $470 million was $75 million or 19% higher than the prior year. Approximately 15% of our reinsurance business is written during the third quarter.

As such, during the third quarter, a few treaties can move growth figures dramatically either way. In this instance, the increase was driven by the timing of renewals in motor and Accident & Health as well as new business production that was primarily attributable to liability and Accident & Health.

The increases in our cat book were driven by reinstatement premiums due to the cat activity that occurred during the quarter. These increases were offset by a significant $20 million decrease in property lines as we continue to reshape that book. The current accident year loss ratio ex-cat and weather decreased by 1.3 points due to improved loss experience in credit and surety, and accident health lines as well as the impact of favorable pricing over loss trends. This was partially offset by an impact of changes in some retrocessional agreements and changes in business mix as we've earned less cat premium in the quarter.

The acquisition cost ratio decreased by 1.9 points compared to the prior year quarter, and this was primarily due to changes in the retro programs. Net investment income was $107 million in the quarter compared to net investment income of $102 million for the third quarter of 2020. The increase in net investment income was primarily attributable to positive returns from our alternative assets, principally the private equity funds. This was partially offset by a decrease in income from fixed maturities attributable to lower yields on the portfolio.

At quarter end, the fixed income portfolio had a book yield of 1.9% and a duration of 3.1 years, and our market yield was 1.4%. Lastly, I'll note that when you review our PML disclosures, you will see that the PMLs have come down significantly as compared to July 1. The decrease is driven by a cat aggregate cover on our insurance property book, where the deductible has been nearly exhausted due to the cat's in the third quarter. With this cover in place on a go-forward basis, we feel well protected on the insurance property book from now through May 2022.

Excluding the impact of the cat aggregate cover, the PML levels would be generally consistent with what you saw in July 1, 2021. Overall, with continued improvement in most operating metrics and positive momentum in our core underwriting book, this was a solid quarter for AXIS.

And with that summary of our third quarter results, I'll turn the call back over to Albert.

Albert A. Benchimol
President, CEO & Director

Thank you, Pete. Let's do a brief overview of market conditions and outlook, and we'll then open the call for questions. Market conditions remain strong with rates ahead of loss cost trends in practically every line across our book. This represents the 16th consecutive quarter of insurance rate increases and the sixth consecutive quarter of double-digit increases. Rate increases in insurance were almost 14% this quarter, which is close to flat with the 14% reported in the second quarter of this year.

Looking at our insurance segment by region. The North American market is up 13% and London is up 15%. By class of business, Professional Lines once again saw the strongest pricing actions with average rate increases close to 21%. Rapid pricing escalation in Cyber continues to be the key factor. For the quarter, Cyber is up 52%, which follows on a 38% increase in the second quarter. Excluding Cyber, other professional lines are averaging 12%, with London and Canada in the high teens, while in the U.S., rates are averaging about 9%.

Liability, primary casualty and excess casualty are averaging increases of close to 10%. Property likewise is seeing great increases at 10%. A number of our specialty lines continue to do well in the low to mid-double digits. For example, renewable energy, where we're a global leader is up close to 15%. Looking broadly from an industry view, insurance rate increases are not as high as they were in the third quarter of last year. But putting things in perspective within AXIS, for the first 9 months of this year, we achieved average rate increases of 13% that are on par with a 13% increase we saw in the first 9 months of 2020. So we're getting solid rate on rate.

It is understandable that after 4 years of rate increases that have now aggregated to more than 40%, pricing action is slowing modestly in certain lines. But overall, conditions remain very strong, and most importantly, we're staying meaningfully ahead of loss costs. During the quarter, 97% of our insurance portfolio renewed flat to up and almost half the portfolio renewed at double-digit increases. We're also generating record levels of new business and our new business pricing metrics are at least as strong as, if not stronger, the renewal pricing metrics.

Let's move to reinsurance. As Pete noted, the third quarter is a relatively small renewal period for AXIS Re, impacting less than 15% of our reinsurance business. By comparison, just over half of our insurance business will renew at January 1. The third quarter reinsurance rate change was up 9% in the quarter. While this is below the 11% average year-to-date, timing and mix issues are a factor. A better comparison may be the prior year third quarter, where rate change was 8%.

As is typical in the reinsurance market, there was a great variation by geography and line of business. The North American market was strongest with average increases of 11%, while the rest of the world averaged in the low single digits. By class of business, numerous lines saw increases in the low double digits with Accident & Health up 13%, Liability at 12% and catastrophe and property averaging 11%. Motor and credit and surety were close to flat.

Heading into the January 1 renewals, we expect to see reinsurance rate increases, but the quantum remains uncertain at the moment. In property and property cat, we anticipate that this year's cat's will continue to drive market momentum. These most recent events coupled with 5 years of poor performance within the sector and concerns about the immediate impact of climate change have most reinsurance carriers signaling stable to reduce capacity.

There's also the question of how much retro and third-party capital will be trapped or withdrawn at year-end and the amount of capital -- new capital that may be deployed. In other lines, the rationale for rate increases is also clear, as we've covered before. And the reinsurance industry has not gained relative improvements equal to what it has achieved in prior cycles. So there is a strong case for meaningful increases, at least on par with insurance pricing.

However, the absolute amount of reinsurance capital that is presently available continues to be the main offsetting driver to a more meaningful correction. For AXIS Re, underwriting discipline and optimizing the portfolio remains the foremost priorities. And we plan to further reduce our catastrophe exposure into the new year and in other lines align our appetite to attractive terms and conditions.

Taking a broader view of both insurance and reinsurance markets. Notwithstanding 4 years of price increases, not all lines offer adequate pricing. What the industry needs at this point is to get all lines to adequacy and sustain a discipline to price at or ahead of loss cost trends.

I believe that in the near term, there are sufficient drivers to maintain that discipline. This includes continuing low interest rates below book yields, which will provide a headwind to future growth of investment income, the catastrophic impacts of climate change as well as financial and social inflation.

On that last point, I believe most insurers recognize and the drivers of social inflation remain, including legislative and regulatory intervention, social inequality and litigation funding as well as new causes for actions including scrutiny surrounding ESG practices. I am increasingly confident that pricing discipline will run through 2022 and likely beyond. And as long as our industry can stay ahead of loss cost trends, we should have attractive opportunities for profitable growth at AXIS.

As we look to the future, the primary sentiment that we're feeling at AXIS is one of optimism. We've made significant progress through decisive action. We're delivering on our commitments, and we're seeing the intended results. We have a strong franchise grounded in a culture of providing superior service to our customers, a great team and we believe that we're well on our way to building an optimized hybrid underwriter that will deliver attractive returns to our shareholders.

Everything that we're seeing tells us that we're on the right path. Each quarter, we're seeing increasing evidence that our plan is working. And with our performance during the third quarter, providing yet another positive data points to that trend. We believe that the future looks bright.
And with that, let's please open the line for questions.

Question and Answer

Operator

[Operator Instructions]

First question comes from Brian Meredith, UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here for you. The first one, just curious, the underlying loss ratio we have in the insurance segment. Is that kind of a good run rate number? Was there any current year development or anything on that number?

Albert A. Benchimol
President, CEO & Director

Brian. There was nothing unusual...

Go ahead, Peter.

Peter John Vogt
CFO & Executive VP

Go ahead, Albert.

Yes, Brian, this is Pete. There was nothing unusual in that, Brian. So I would say, overall, it's a good run rate number. Again, there's always a little bit of noise just because of where we are in quarters, I'd look at the year-to-date numbers is a really good number right now going forward.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then a second question. You talked about that aggregate cover the effect on PMLs maybe you can describe it a little bit better for us? What impact will that have on mitigating cat losses here for you all over the next, I guess, couple of quarters?

Peter John Vogt
CFO & Executive VP

Yes. I'll give you a little bit more color on that, Brian. We purchased a -- we read our property purchasing. First of all, our XOL cover for insurance attaches at $100 million. So that's to be aware. And then we bought an aggregate that attaches at $100 million. That was almost exhausted with Hurricane Ida. So we've got about $10 million left to exhaust that. It is a 150 in excess of 100 tower. It's got a $10 million event deductible and it's about 70% placed. So you can sort of see -- that should give you all the details you need. What I would tell you is when you do the modeling, that cover really plays well on the lower end of the curve, which is why you saw sort of more of a benefit on the lower end of the curve than saying the 1 and 250 part of the curve.

Brian Robert Meredith
UBS Investment Bank, Research Division

And when did that -- does the best cover expire at year-end? Or when is it actually expired?

Peter John Vogt
CFO & Executive VP

No, actually -- yes, that's a good point, too. I'm sorry. That goes to May of 2022, that covers all the way through the winter and the early spring.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then my last question, just curious, your stock still trades at a pretty attractive valuation here. I know you had a -- we had the big cat losses in the quarter. But just looking at your capital position, looking at your leverage ratios, where are we with respect to your ability or desire willingness to repurchase your shares?

Peter John Vogt
CFO & Executive VP

Yes. So I mean, I think right now, as you noted, the stock does definitely trade an attractive valuation. We're coming out of wind period now. So we'll take a look at where the capital lands as well as what we want to do for growth next year. As Albert mentioned, still very attractive markets that we are in, especially on the insurance side. It will, as I said at the second quarter call, we'll bet that decision with our Board in the December time frame.

Operator

The next question is from Derek Han, KBW.

Derek Han

I just had a question on the underlying margin improvement. You obviously had good underlying margin improvement in the quarter. Can you provide some color on how much is being driven by the casualty and the specialty lines? Whether you've kind of lower loss picks in that -- in those lines of business or whether you have plans to do so?

Albert A. Benchimol
President, CEO & Director

Actually, every single one of our lines showed improvement year-over-year. So I think it's a combination of pricing and changes in underwriting. So really every single line produced an improved underwriting result.

Derek Han

Okay. That's helpful. And then I have another numbers question. Your written premium ratio was about 61%, which is quite a drop, both sequentially and year-over-year. Is that just being driven by a fee treaties? Or is low 60s or mid-60s is something that's run ratable given that you're going to allocate more capital to the insurance side?

Albert A. Benchimol
President, CEO & Director

Derek, could you repeat the first part of the question, you cut out there.

Derek Han

Sorry about that. Can you hear me okay?

Peter John Vogt
CFO & Executive VP

Yes, now you're coming in better Yes. What was that question?

Derek Han

So your reinsurance net gross written premium ratio is about 61%, and that's pretty steep drop off from both sequentially and year-over-year. I was just wondering if that's being driven by a few treaties or if that's something that's more run ratable?

Peter John Vogt
CFO & Executive VP

Yes. I would say right now, that is something that's more run ratable. We increased our sessions on our property cat as we went into the second half of this year. So that showed more in the third quarter. And as Albert noted, we are looking to reduce our net on, especially the property and the property cat, and we've done that through more third-party capital partnerships, and that's actually led to higher sessions.

Operator

[Operator Instructions]

Next question is from Elyse Greenspan of Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, the G&A ratio was pretty low this quarter relative to how you 13.1%, right? And I think you guys were talking about getting in the mid-13s next year. But I know that seasonally that can sometimes be lower in the back half of the year. So is there anything there? Or is that sort of 13.1% run ratable or should we think about seasonality?

Peter John Vogt
CFO & Executive VP

The only thing that impacted it in the quarter, Elyse, was a little bit of noise, I would call a normalized G&A ratio for the quarter at 13.5%. Again, I do think that means, as you know, it tends to be a little bit higher in the first half of the year. That will allow us to come in under 14% for the year. I had been indicating kind of low 14s, but will come in under 14%. And I believe that means we will be in the 13s for next year also.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then what about the acquisition cost ratio? Was that impacted by mix like that came in at 19.1%? So good level of improvement, a couple of points year-over-year. Is there anything there? Or is that just kind of run ratable?

Peter John Vogt
CFO & Executive VP

No, that actually is a pretty good run rate for the quarter, Elyse. If you noted, I noted the -- it came back, especially in insurance to around that 18% mark because it was 17% in the second quarter due to some onetime good guys for the third quarter is a pretty good run rate right now for where our book is.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then, Albert, in terms of your commentary on the reinsurance market, it sounds like there's some realistic pessimism just given alternative capital and how things might shake out at January 1. So I just want to make sure I'm understanding that correctly in your thoughts there? And then second of all, if the market opportunity proved to be stronger at January 1, just given the losses that we've had this year? Obviously, AXIS has done really well in terms of taking down its cat exposure. If pricing does improve significantly. Would you consider switching course and adding to your exposure? Are you guys regardless of what happens, you kind of set on the idea of continuing to just have lower cat exposure?

Albert A. Benchimol
President, CEO & Director

Yes, Elyse. So I wasn't trying to put pessimism. What I was trying to say is it's a wide range of possible outcomes. And certainly, in talking to people in conferences and elsewhere, we've heard a number of reinsurers, retro providers and ILS providers, all communicating dissatisfaction with results kind of indicating flat to down capacity. As I mentioned, if retro and ILS get trapped or capacity gets reduced, I think that could put even more pressure on pricing.

So what -- basically, what we're saying is it's something to look for. There are a lot of pressures for increased rates that also some capacity in the market. And that's why we're just -- we're saying the quantum of the increase is one that we're not clear on right now. It's a little foggy as we get closer to 1 1, we'll get more clarity.

But I want to be very clear, our goal is to deliver strong and steady and less volatile earnings going forward. We will not be increasing our cat exposure no matter what the price is. We want to bring our book down to a specialty lines book that has an appropriate amount of property and property cat, but not too much. We've suffered from being overweight property and property cat in the last 3, 4 years. We're working our way down. We like what it does to us. To be fair, I think if I were to tell you a year or 2 or 3 ago that AXIS insurance would report an underwriting profit or that we would report an operating gain in a $50 billion cat quarter, you would have been surprised at that. We like the trend we're delivering, and we're going to stay on that trend.

Operator

Next, we have a follow-up question from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Albert and Pete, I'm just curious, the current inflationary environment that we're in CPI as well as medical cost inflation and just looking for a total inflation. How are you thinking about that? And how is that factoring into how you're setting loss picks right now?

Peter John Vogt
CFO & Executive VP

The straight line of this is that it's incorporated in our loss trends. So I think our loss trends right now are more elevated in the way we're looking to price and reserve. And I think it's something that we incorporate every year. It's also something that we spend a lot of time on when we settle individual claims. I feel really proud by the fact that when our claims professionals look at something, they take into consideration what's the current and anticipated price of services and supplies, what's happening with demand surge. And I feel really good about the fact that we do a very good job of evaluating those costs.

But to your point, Brian, we are, for the moment, estimating higher loss trends in our loss ratios. But I would also say something which is that it's really important that when we renew policies or we price policies that we reflect recent inflation in calculating the exposures, the values of assets that are being insured and so on. One of the real risks in our industry is insufficient insured value compared to actual replacement value. And so it's important that as part of the underwriting process, you get a good estimate of what your insured values are.

Operator

Next question is from Michael Phillips of Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

You talked a lot about building a better specialty insurance company and mitigating and getting out of the cat risk and volatility there. I guess -- and you also talked about recruiting. So I'm curious on the specialty, clearly, that requires a lot of deep underwriting expertise at the underwriting level. Are you -- do you have the staff you need there? If not, on the recruited efforts, where are you getting them from?

Albert A. Benchimol
President, CEO & Director

So the short answer is we've got a great team. We've got a strong staff. And frankly, our strong underwriters have been an important part of who we are for a long time. And I would say that I'm very proud of the culture at AXIS that is a great culture at recruiting and retaining people and developing them. So we absolutely have a great team. We like to bring them in young and develop them. But when we need to bring somebody in at middle or senior levels, we also recruit outside from other providers, and we've had a very strong track record of recruiting talent.

In fact, I believe you've probably seen a number of press releases throughout the year that we're adding talent to property. We're adding talent to liability. We're adding talent to Cyber. We're adding talent to renewable energy. So if we don't have the sufficient number of people to support the great growth opportunities in front of us, we're very happy to recruit talent. And to date, our track record has been very good.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. And then maybe one for -- also for Pete. Do you think your reserve level today, do you feel a little more comfortable in your reserve level today maybe because of what we went through with COVID, is there more of a cushion than otherwise would have been there?

Peter John Vogt
CFO & Executive VP

Mike, I guess what I'd say is I'm very comfortable with our reserve levels today, especially since as we've actually increased some reserves in our pro lines and liability area have been focused on those 16 to 18 years. And so we feel that we've really gotten good balance there. And then since those years, those are the books of business that have really gotten a lot of rate, a lot of good terms and conditions. And we -- as you can see, as we've gotten a lot of rate, we've been very -- I call it, I don't want to say conservative, but we're looking at social inflation and our underwriting -- our current accident year loss picks have not come down near as much as you've seen, as we've said, for the rate increases.

So I feel really good, especially about the '19, '20 and '21 years. And so far this year, as we've put some reserves up in those pro lines areas, those were really focused in the '16 to '18 years. And also, what I'd say in the current accident year is some of those reserves we've put up, especially probably 50% of them this quarter are associated with books of business that we're no longer in. So the underwriting actions we've taken where we've gotten out of some particular sublines of business actually make our current book much better. And therefore, I think our more younger reserves much stronger than we had in '16 to '18.

Operator

This concludes our question-and-answer session. I'd like to turn the conference back over to Mr. Albert Benchimol for closing remarks. Please go ahead.

Albert A. Benchimol
President, CEO & Director

Thank you, everybody, for your time this morning. I appreciate the interaction. Again, really pleased, and we feel very optimistic about the future. Before I wrap up the call, I just want to thank all of my colleagues who are listening across AXIS for the fantastic work that you're doing every day for your deep commitment to the company and our clients and our partners and distribution. We're all working together to make this a stronger, more profitable company, and it's a great team. Thank you all. Operator, that ends our call.

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