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Earnings Call

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Call Participants

EXECUTIVES

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Matthew Rohrmann

Peter John Vogt
CFO & Executive VP

ANALYSTS

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Meyer Shields
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Michael Phillips

Yaron Joseph Kinar
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Presentation

Operator

Thank you for standing by, and welcome to the Fourth Quarter 2021 AXIS Capital Earnings Call. [Operator Instructions]

It is now my pleasure to hand the call over to Matt Rohrmann, Head of Investor Relations, to begin. Please go ahead.

Matthew Rohrmann

Thank you, Emma. 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 fourth quarter and year ended December 31, 2021. Our earnings press release and financial supplement were issued last night after the market closed. If you'd like copies, please visit the Investor Information section of our website, axiscapital.com. We set aside an hour for today's call, which is also available as an audio webcast on our website.

With me today are Albert Benchimol, our President and CEO; and Pete Vogt, our CFO.

Before I turn the call over to Albert, I'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 including the risk factors set forth in the company's most recent report on Form 10-K and other reports the company files with the SEC. This includes 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 financial supplement.

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

Albert Benchimol

Thank you, Matt. Good morning, everyone, and thank you for joining today's call. This was a strong quarter for AXIS in a year where we demonstrated meaningful progress in strengthening all aspects of our business and in enhancing the value proposition that we deliver to our customers. I'm grateful to my AXIS colleagues for their tenacity and commitment in serving our brokers and clients as well as supporting one another, as we collectively navigated through a dynamic environment that included another tough cat year, continued curve balls thrown at us by the COVID pandemic and rising inflation.

To the credit of our team in 2021, AXIS advanced its efforts to reposition the portfolio, manage down volatility and drive profitable growth while capitalizing on a favorable market. We began 2022 as a stronger company than we were just a year ago, committed to further increasing the value that we deliver to all of our stakeholders, and we're confident that we'll continue to build on our progress in the year ahead. In a few minutes, Pete will walk us through the fourth quarter results, but I'd like to take a moment to step back and put our annual results in the context of a multiyear transformation.

Let me get to some of the specifics of the evident progress in our performance. Comparing our results to 2017, we've taken our attritional ratio down by 9 points to 55.1% this year and brought our current year ex-cat combined ratio by 10 points to 88.7%, the best since 2007.

All the while, we reduced our PML by over 50% across the curve. The improvement in our performance is attributable to more proactive reshaping of the portfolio, reduction of limits and modification of attachment points, in addition to good growth in selected lines once they reached rate adequacy.

In 2021, industry cat losses are up about 40%, but our cat loss ratio stayed flat at 9.5%. This is still higher than we target, even in a $100 billion-plus cat year, and we're actively continuing our disciplined actions to reduce our cat exposure and deliver more consistent earnings.

Importantly, we continue to build a very successful specialty insurance franchise, which produced $4.9 billion of gross premium in 2021, making up 63% of our writings, up from 50% in 2017. We expect that number to approach 70% this year as we capitalize on our already well-established presence in some of the most attractive P&C markets today.

Our insurance business is producing excellent results, growing production by 20%, generating record new business and total premiums, while at the same time, strengthening the overall portfolio. Our Insurance segment delivered a combined ratio of 91.6% this year, the best since 2010 and a current year ex-cat combined ratio of 85.9%, the lowest since 2006. We're confident that the business is on pace to establish its place among the top carriers in the specialty insurance sector.

We continue to be focused on actively growing this business by enhancing the customer experience, and investing in capabilities and services that will increase the value that we deliver to our customers and the greater specialty sector.

Our reinsurance business also delivered improved performance and it's an encouraging sign of progress that in a very high cat year for the industry, it produced a combined ratio below 100%. In addition, the current year ex-cat combined ratio of 86.3% was the best since 2012.

This progress demonstrates the work our team has done to improve the quality and resilience of our reinsurance portfolio. And as I noted earlier, we're fully committed to driving even more progress. Indeed, during the recent January 1 renewals, where we write more than 50% of our reinsurance business, we advanced our corporate objectives to reduce volatility, allocate capital rigorously and produce the most optimized portfolio for the current market. As such, we took decisive action and reduced our reinsurance property and property cat premiums by 45%.

I'll talk more about this later during the call when we discuss rates and trends, but I would like to thank now our reinsurance team for their tremendous work during a tough renewal period.

Our performance over the last few years tells us that our plan is generating tangible results, but we're still not done. We won't be satisfied until we consistently deliver top quintile performance. I've said this before, but it bears repeating, we know exactly what we need to do to sustain this momentum and profitably grow our business.

We'll continue to grow a franchise that leverages our broad global capabilities to deliver value-added products and services that meet our customers' needs. We'll continue to intelligently grow our portfolio while reducing exposure to catastrophe events. We're focused on achieving a competitive expense ratio that can support continued investment in long-term profitable growth, and we will continue to invest in our culture, our people and in making a positive impact in our communities as well as in advancing our ESG objectives.

We're excited to begin 2022 and looking to the future with optimism and enthusiasm. We're confident in what we can achieve and believe there's significant runway to further grow the business, deliver consistent profitable results and enhance the value that we provide to all our stakeholders.

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

Peter John Vogt
CFO & Executive VP

Thank you, Albert, and good morning, everyone. This was an excellent quarter for AXIS in what was another good year of progress for the company. During the quarter, we generated net income available to common shareholders of $197 million and an annualized ROE of 16.4%. Operating income was $182 million, and annualized operating ROE was 15.1%. The combined ratio for the quarter was 93.1%, with core underwriting results continuing to show improvement. The company produced a consolidated current accident year combined ratio ex-cat and weather of 89.5 points or 2.3 points better than the prior year quarter. The improvement was attributable to both segments.

The consolidated current accident year loss ratio ex-cat and weather was 54.3%, a decrease of more than 3 points over the prior year quarter. This was driven by improvements in the Insurance segment. The quarter's pretax cat and weather-related losses net of reinsurance were $54 million or 4.3 points. This compares to $198 million or 18.4 points in 2020.

2020 did include $125 million or 11.6 points attributable to the COVID-19 pandemic. There was no change in the total net loss estimate of $360 million established in 2020 for the COVID pandemic. We reported net favorable prior year development of $9 million in the quarter, and this compared to $7 million in the fourth quarter of 2020. The consolidated acquisition cost ratio was 20.4%, a decrease of 0.9 point over the prior year quarter, and that was attributable to both segments.

The consolidated G&A expense ratio was 14.8%, an increase of 1.7 points compared to the fourth quarter of '20. The G&A ratio was impacted by year-over-year increase in performance-related compensation costs as well as an increase in personnel costs, partially offset by an increase in net premiums earned. The personnel costs were largely associated with increased headcount in our Insurance segment. We are really pleased to continue to attract talented individuals to join our team and support the growth, especially considering the favorable market conditions we see in this sector.

Normalizing the G&A ratio, which was primarily impacted by performance-related compensation, the fourth quarter '21 ratio was 13.5%, and this would compare to a normalized 4Q 2020 of 13.8%. We continue to focus on expense efficiency and expect to achieve a mid-13s G&A ratio going forward.

And lastly, on a consolidated basis, fee income from strategic capital partners was $27 million for the quarter compared to $13 million in the prior year, largely associated with an increase in investment manager performance fees.

Now we'll discuss the segments. I'll start with Insurance, where once again, we had continued improvement across the underwriting metrics. The current accident year combined ratio ex-cat and weather decreased by over 5 points, reflecting the underwriting actions we have taken to strengthen the portfolio. Gross premiums written increased by 19% to $1.3 billion, making it our highest fourth quarter ever. I would also note that the year-to-date gross premiums written of $4.9 billion, was also a record for the Insurance segment.

The increase in gross premiums written in the quarter, primarily related to new business and favorable rate changes centered in the professional lines, liability, property and marine. The current accident year loss ratio ex-cat and weather decreased by 5.3 points, resulting from not only the impact of favorable rate over trend but also driven by improved loss experience in several lines of business. Pretax catastrophe and weather-related losses net of reinsurance were $23 million. These were primarily attributable to the Quad street -- Quad-state tornadoes and other weather-related events.

The acquisition cost ratio decreased by over 1 point in the fourth quarter compared to 2020. This was mainly related to an increase in ceding commissions due to growth in professional lines. This is consistent with what we've been discussing throughout the year.

Now let's move on to the Reinsurance segment. During the quarter, our current accident year combined ratio ex-cat and weather decreased by 1 point due to the repositioning of this portfolio. The Reinsurance segment's gross premiums written was essentially flat compared to the prior year quarter. I would note that the fourth quarter is the smallest quarter for gross premiums written for reinsurance representing less than 10% of their annual gross premiums.

If we look at the full year, gross premiums written increased by a modest 0.5 point as we continue to make changes in the portfolio, to improve balance and profitability of the book. The current accident year loss ratio ex-cat and weather increased by 0.2 point, resulting from the change in business mix as we increased writings in accident and health and liability along with a decrease in premiums earned in catastrophe and credit surety businesses. This mix impact was offset by favorable rate over trend in all lines of business. Pretax catastrophe and weather-related losses net of reinsurance were $32 million. This was primarily attributable to December convective storms, the Quad-state tornadoes and other related events.

The acquisition cost ratio decreased by 0.4 points compared to the prior year quarter. This was primarily due to the impact of retrocessional contracts. Net investment income was $128 million for the quarter, and this compared to net investment income of $110 million for the fourth quarter of 2020. The increase in net investment income was primarily attributable to positive returns from our alternative assets, principally related to private equity funds as well as positive -- as well as a positive return on our privately held investment. This was partially offset by a decrease in income from fixed maturities attributable to lower yields on the portfolio.

With respect to yields, at the end of the year, the fixed income portfolio had a book yield of 1.9% and a duration of 3 years, and our new money yield was 1.7%. As we sit here today, given the movements we've seen in rates, our current new money yield is virtually equivalent with our book yield. It's good to see these 2 yields coming together so that we can avoid any more headwind to our fixed income portfolio yield going forward.

Diluted book value per share increased to $55.78. This was principally driven by net income generated, partially offset by a decrease in net unrealized gains related to increased treasury rates, and the widening of credit spreads as well as common share dividends declared.

Overall, the continued improvement in most operating metrics and positive momentum in our core underwriting book, this was a very strong quarter for AXIS. That summarizes our fourth quarter results.

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

Albert Benchimol

Thanks, Pete. Let's do a brief overview of market conditions and outlook, and we'll then open the call for questions. Market conditions remain quite strong. Within our Insurance segment, this represents the 17th consecutive quarter of rate increases and the 7th consecutive quarter of double-digit increases. The average rate increase in our insurance book was more than 14% for the fourth quarter. For the full year, rates also averaged up 14%, which was nearly identical to the increases that we saw in 2020.

Average rate increases were generally equivalent across both our North American and London international businesses. By class of business, professional lines once again saw the strongest pricing actions with average rate increases of close to 24% for the quarter and nearly 22% for the year.

Continued rapid pricing escalation in cyber remains the key driver. For the quarter, Cyber increased nearly 80% and averaged 50% for the year. Excluding Cyber, other professional lines are averaging 13% for the quarter and 14% for the year.

Breaking it out further, London is averaging more than 18% for the quarter and the year, Canada is averaging more than 30% for the quarter and 24% for the year, while in the U.S., rates are averaging about 9% for the quarter and about 11% for the year.

Liability, Primary Casualty and Excess Casualty are all averaging increases in the high single digits for the quarter and the low double digits for the year. Property rates increases were close to 10% for both the quarter and the year. Among our other specialty lines, we saw high single-digit to low double-digit increases across the portfolio. This included renewable energy, where we're a global leader at 13% for the quarter and the year. While in marine and political risks, those increased 11% for the quarter, with an annual average just shy of 8%.

During the quarter, 96% of our insurance portfolio renewed flat to up and about half of the increases were double digit. As mentioned earlier, we're achieving record new business production and we continue to see new business pricing metrics at least as strong, if not better, than renewal pricing. In this market, we have terrific positioning and the ability to add value to our customers and partners and distribution while growing quite profitably.

The question on everyone's lips is how long will it last. Looking forward, we expect that after many years of unsatisfactory performance, the industry will sustain a rational approach to pricing. And there are enough uncertainties and pressures on loss costs and profitability as well as higher reinsurance costs to bear, that we expect disciplined pricing through 2022 and potentially into 2023.

Let's look at our Reinsurance segment. We estimate that for the full year 2021, we averaged reinsurance rate increases of about 11%. As Pete just noted, the fourth quarter is a relatively small renewal period for AXIS Re. By comparison, just over half of our reinsurance business renews at January 1, so I'll focus my comments on 1/1. There's been a lot of talk already in the industry about 1/1 and there's no doubt that pricing is making further progress.

At AXIS, during the January 1 renewals, we saw average rate increases of about 9%. Our international book renewed at average increases of more than 10%, while our North American book generated increases of 9%. By and large, professional lines, casualty and A&H came in, in the high single to low double digits, and other specialty lines, including marine, aviation and credit and surety in the low to mid-single digits.

On property cat pricing, you'll have heard that global rates averaged in the 10-ish percent range, but pricing was not uniform across the book. Lower layers of reinsurance towers and aggregate treaties where supply was more constrained, exhibited the strongest pricing increases, especially if they were loss impacted. In those loss impacted treaties, you would have seen increases in the 25% to 50% range. As one moves up the towers to layers that are further removed from frequency and where supply was more plentiful, rate increases were more subdued.

As I noted earlier, we took meaningful action to reshape our cat portfolio and reduce our overall earnings volatility. This was evidenced by a 70% reduction in gross premiums for aggregate treaties and a 75% reduction in gross premiums on low attaching treaties among our various actions, leading to a 45% reduction in property and property cat reinsurance premiums at the 1/1 renewals as compared to the prior year. This is consistent with our commitment to build the portfolio that we believe will drive the economic performance that we target. Given the changes expected to our portfolio to reduce both frequency and severity, our average rate increase on [property] was 7%.

With the reduction in profit and deposit [indiscernible]

[Technical Difficulty]

I'm sorry, my line was going dead, so I'm replacing it. Are we good?

So with reduction to the property and catastrophe exposure, these 2 lines represented about 17% of our 1/1 renewal premiums, down from 27% in the 1/1 renewal portfolio last year. I'm pleased that despite this meaningful shift in business mix and reduction in property cat lines that generally model well, we continue to expect an improvement in overall technical ratios, but with much lower volatility.

Our general view of the reinsurance market is that while it's still running overall behind primary pricing, the market is heading in the right direction, but must continue to do so to adequately compensate reinsurers for the risk and volatility they assume.

In the year ahead, with the outlook that we have for the market, we will push for continued growth of our specialty insurance business. We remain disciplined in our capital allocation to those lines and markets that provide the best balance of both short-term and longer-term opportunity, while working in partnership with our customers and brokers to ensure we maintain transparency on our ongoing support as we help them solve their risk management needs. We see a bright future for AXIS. We have a great team that's fully engaged and committed to building on our progress, generating consistent and sustained profitability and enhancing the value that we deliver to our customers and shareholders.
And with that, let's, please, open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Yaron Kinar from Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Albert, maybe to follow up on your last comments on the reinsurance book. So clearly, you're focused on improving the results and the volatility there, and that has had an impact of negative to flat premiums in recent years. As we look at this current market and given the actions you've already taken in that book, how do you think about the premium growth profile in reinsurance in the coming year?

Albert Benchimol

Well, obviously, we're more focused about the bottom line than the top line. I'll start with that statement. But I think that as we go through the next renewals that we expect in April, May and June, you should expect to see similar action in terms of some reduction in the property, property cat book. And we hope that, that will be offset by growth in other lines of business, which are proving to be more attractive, both internationally and in the U.S. And so overall, we expect modest growth in the portfolio for reinsurance, but we think it's going to be a much more powerful book as we move forward.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Got it. And then my second question goes to expenses. And maybe you can help us think through this. You have wage inflation, you have hires -- how do you see that impacting G&A this year? Is the 13 -- mid-13% G&A target unconsolidated still a reasonable target? And on acquisition costs, do you see the higher ceding commissions ultimately driving acquisition costs upwards in '22?

Peter John Vogt
CFO & Executive VP

So Yaron, this is Pete. I'll take that question. Yes, I really do think as we get into '22, as I mentioned, we're looking to actually bring the G&A ratio -- continue to see it come down and I would expect we can achieve somewhere in the mid-13s. As I look to '21, we ended the year at about 14% flat. That's where I expected us to be. I think I indicated kind of low 14s. So right at 14% even better than we thought. But I expect us to continue to grow the top line, but also be very judicious and we do have some expense leverage, especially on the insurance side, where we've got a really good base core system there. And we will add underwriters where appropriate, but there's not really a multiplier effect to that. So I feel good about where the G&A is headed.

And with regard to the acquisition costs, as I mentioned last time, I think we are at a full year run rate, 21% would be good going into this year. I mean, there could be some puts and takes. But as we're thinking about it on a go forward, I think that's still a pretty good number. And I would note, it is -- we've done a lot of work on that particular ratio also. And it's down materially from where it was in '20. And -- but I think right now, that's a pretty good look going forward.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Congrats on a good quarter.

Peter John Vogt
CFO & Executive VP

Thank you, Yaron.

Operator

Our next question today comes from Meyer Shields from KBW -- Apologies, our next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of quick questions here for you. The first one, Albert, just thinking about the Insurance segment and thinking about the underlying loss ratios as we kind of look going forward, given the level of rates you're getting, what can we think about kind of margin improvement continuing going forward? And I guess that also kind of ties the question in your view of loss trend and loss cost inflation pressures in insurance?

Albert Benchimol

Right. So as you know, we've averaged 14%. But I believe that what's promoting the market to sustain good pricing is some concerns around loss cost trends, social inflation, financial inflation. So we are absolutely expected to see ongoing improvements in our loss ratio. But I will say that our expectation is that we've added close to 200 basis points to our average loss cost trends across the portfolio. So we intend to be reserving this year prudently in anticipation of the uncertainties around there. But even with that, we're still expecting to see some continued improvement in the loss ratio.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then my second question, and maybe this is more for Pete. Taking a look at your paid loss ratio this year in insurance and paid to incurred, it really kind of popped up versus the last several years. Is there something unusual going on in 2021's results with respect to paid to incurred and paid loss ratios?

Peter John Vogt
CFO & Executive VP

Yes. Brian, this is Pete Vogt. Looking at our paid overall, 1 of the things we did have this year is we settled a lot of COVID claims associated with what happened in 2020, in 2021. That's affecting our paids this year. But overall, as I look at the overall paids, especially when I look at it for the full year, it's not necessarily very out of line. I mean 2019, it was at $105 million for insurance, 2020 at $79 million and then this year at $87 million. So it's bumping around a little bit, but I think it's a little bit higher this year because of the cats in 2020, and I'll through COVID in that cat bucket. If you see some of the FCA reports coming out of London. You can see we've done a very good job settling our COVID claims and getting those claims paid out to people.

The only thing I would add is I know you'll see this when the K comes out, but I mean, last year was a really good year for us with regard to cash flow. We'll generate over $1 billion of positive cash flow in the year. So overall, I'm still feeling good about it, even though it looks like the paids are up in '21. Again, that bounces around a little bit on timing, especially with some of the cats and the COVID hitting this year.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then one -- just one quick one if I can just lob it in here. You implemented a $100 million share repurchase program. I guess given the reductions we continue to see in your cat exposure, I imagine that's freeing up a fair amount of capital. Can you just talk about what your kind of expectations are for capital management here in 2022?

Peter John Vogt
CFO & Executive VP

Yes. I think we're going to -- right now, we've got that authorization. We'll be opportunistic and to look to use that through the rest of the year. We'll see how the year plays out, Brian. I think a lot of it will be dependent on our net operating income -- our net income as we earn it through the year. But you got to remember, we're also looking to continue to grow in this particular attractive market on the insurance side. So again, as I look to where to deploy capital, number 1 would be good profitable growth, and that's something that we continue to expect to see this year.

Albert, would you add anything to that?

Albert Benchimol

No, I agree. I think it's important that we have it and be opportunistic with it.

Operator

Our next question today comes from Meyer Shields from KBW.

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

Two quick questions on reinsurance. First, Albert, you've been very clear for a long time about the plan to reduce volatility. I'm wondering what's the net impact of less property cat premium and rate increases in other lines in terms of the attritional loss ratio progress, specifically in reinsurance in 2022.

Albert Benchimol

A good question. As you imagine, there is a mix impact, as you write less of the modeled lower loss ratio business that you've got on the cat. Although I hasten to remind everybody, these low modeled loss ratios didn't pan out for the last 5 years. But we're expecting that there is going to be an offset. But as I mentioned earlier in my comments, that even with the meaningful reduction in property and property cat in the portfolio, we're still expecting improvement in the technical ratio this year. So net-net, the quality of the rest of the book, the rate increases are such that even without the modeled lower loss ratio, property cat business, we're still expecting improved attritional loss ratios and technical ratios for the year.

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

Okay. Fantastic. And then a broader, I guess, non-AXIS question. Could you talk about reinsurance as an industry moving in the right direction? How discouraging is it that as soon as -- well, not as soon as we start to see that improvement, but there's improvement coming in, but a lot of that's offset by higher ceding commissions?

Albert Benchimol

Well, look, I think that the higher ceding commissions really relates to the fact that the primaries are delivering good rate and good books of business. And I think reinsurers, including ourselves, when we evaluate those, we look at what the total return that's available to us, right? And so there's been cases where ceding commissions have gone up, and there were some where we felt it was attractive, and we did it. And in many cases, honestly, we felt that the demands for ceding commission increases were too much, so we backed away.

So everybody has an appetite and they'll figure out what they want to do. But one of the things that we -- that we are recognizing, and I've said this in my prepared remarks, is that the reinsurance average rate increases are running behind overall the primary industry. And I think that probably has to do with the fact that there is much greater ease of entry and exit in the reinsurance market than there is in the specialty insurance market.

Operator

Our next question today comes from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is on cyber. I think in your prepared remarks, you mentioned some pretty good rate increases that you're seeing in that business. Can you just give us a sense of the growth you expect there? And then any changes you might have made or been or are contemplating relative to your own reinsurance protections on the cyber [indiscernible].

Albert Benchimol

Right. So as you know, we've discussed this pretty consistently in the past. We've made some meaningful changes to our underwriting guidelines. As you know, requiring significantly more cyber hygiene, reducing limits across the board, making sure that we have a more balanced portfolio. And I believe just off the top of my head, we probably reduced our exposures -- our gross exposure by over 40% since June of last year. So I think we've done all of the right actions on managing exposures. We're getting strong price increases. We're, of course, assuming large loss trends, but even with those large loss trends. There's no question that those price increases are having a beneficial impact on the overall book.

And again, it's important for me to say, I've said it before. The truth is that the book that we're writing, the cyber book that we're writing today is actually making an underwriting profit, right? So it's not like this is runaway loss costs that are draining the profitability of our companies. It's making an underwriting profit. We just don't think it's making a sufficient underwriting profit for the volatility and the capital requirements. And so we believe that the pricing is absolutely necessary to justify the allocation of capital to that line. But it's moving in the right direction, and we continue to feel very optimistic that strong pricing increases will last for quite some time.

Now with regard to our reinsurance treaty, we pretty much renewed it almost the same year-over-year. We have both a quota share treaty and an excess of loss treaty. I think our retention may have gone up by may be 4, 5 points overall, but that's by 5 points. But other than that, there's no major change to our reinsurance treaty.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then can you just give us a sense of where IBNR percentage is of your COVID reserves as they sit today?

Peter John Vogt
CFO & Executive VP

[Audio Gap]

50% of the total. But I think one of the things that -- I'll do the other side of that. This is Pete, Elyse. I'll tell you, the paids have actually been moving along really well on the insurance side. So paids are at about 82% on the insurance side of the reserves, only about 16% on the reinsurance side. Obviously, a much longer process to solve on the reinsurance side. But we've been doing really good on the paids when it comes to the insurance side.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then one last one on S&P is in the process of rolling out some capital changes. I know we're in the comment period right now. But anything that you can share just in reference to AXIS and how you think about your own capital position. And what you're thinking about as you kind of read through what S&P has put out there?

Peter John Vogt
CFO & Executive VP

Yes. So this is Pete. I'll handle this first, Elyse. Obviously, like the rest of the industry, we're still working our way through this. The changes are in draft, I'd say, I'd also point out that S&P actually hasn't published the actual model. So we're reading through their documents. And we've done some of the modeling of what the implementation would be. Again, many of the points are somewhat unclear because they haven't released their model. But based on our interpretation, there are a lot of puts and takes, but we'll -- we're happy that they moved the comment period back a month. We'll be giving them some comments on our own. Obviously, we're also dealing with some of the industry groups to address a couple of the issues that we see in that particular document. But I think there's more to come on that. And -- but we're deep into it and working with some industry partners.

Albert Benchimol

Yes. The only comment that I would make is that we have our own capital modeling and we allocate capital based on our capital model and our preferences. So obviously, we have an understanding with S&P about how much capital they expect to see. But once we agree on what that number is, we allocate that capital as we see fit. And our views aren't always the same as S&P in terms of capital loadings by lines.

Operator

Our next question today comes from Michael Phillips from Morgan Stanley.

Michael Phillips

Pete, maybe a question for you on your investment portfolio. How do you think about where that stands today? And maybe thinking about shuffling some things around there, given what you've done with your liability side and reductions in volatility and obviously also where interest rates are headed this year.

Peter John Vogt
CFO & Executive VP

[Technical Difficulty] [question]. Right now, as we sit here today, especially given where I'd call it the risk markets have gone over the last year, we have still about just less than 15% of our assets are in riskier assets. And we still feel pretty good about the balance of that. And on the fixed income side, we're at about a 3-year duration. That's down a little bit from where we were at the end of the third quarter. But as rates tick up a little bit, we're just going to look to take advantage of that. I don't see us doing any major changes in the investment portfolio, Mike.

Michael Phillips

Okay. And just a real quick one, just kind of a follow-up to confirm on the last couple of questions on COVID. You didn't change your net loss estimate, $360 million still. It sounds like on the insurance side, things are kind of coming in nicely with the paids. Have you moved things around on the reserves from insurance to reinsurance, given maybe more cautious on the reinsurance side? And again, I'm sorry, part of that question, Pete, would be, are you more confident that you can bring things down on the insurance side? And if so, maybe move things to the reinsurance side?

Albert Benchimol

Well, actually, that's exactly what happened. Insurance is coming in very well. And so we are actually thinking that we probably booked a little over than we needed in the insurance side, but we didn't think that it was appropriate to release the overall reserves. So we transferred them to the reinsurance side.

Operator

Our next question today is a follow-up question from Meyer Shields from KBW.

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

I think this is a Pete question. But I was just hoping you could share any updated thoughts on the long-term expense ratio, like [Technical Difficulty].

Peter John Vogt
CFO & Executive VP

The long term -- well, Meyer, that's a great question. One, I'd say we've been looking at our long-term expense ratio in total. If you look at us as a company, we were in the high 30s. And we really do think that to get where we want to go and sustain some good profitability, and the best thing about expenses is -- the best thing about a drop in the total expense ratio is it actually helps provide some balance to the extent you get some movement on the underwriting side.

Having said all that, I still think that there's room for improvement. And in the long term, Meyer, I really do think we want to get down into the low 30s with that total expense ratio. To me, that would mean bringing the G&A ratio down actually below 13% in the long term. And I think that's the right way to go. I think we'll get some of that as we continue to see good growth in the market. But I think you're also -- we also internally expect ourselves to continue to press the efficiency in how we process business, think about business. And so I would say our long-term goals are not to stop at that mid-13s I mentioned earlier in the call.

Albert Benchimol

Yes, I would add that, again, putting things in perspective, a few years ago, I mean, we had a G&A ratio in the 16% range, which we've now taken down to 14-ish, and as you see, we're planning to be in the 13% range in this year. I think we have some real opportunities, I think, in terms of some of the technology investments that we're making. And frankly, just leveraging growth. We don't expect that our expenses are going to grow at a faster pace than our top line. So I think we've got a lot of good tailwinds in the area of G&A.

Operator

[Operator Instructions] We have no further questions. So I'll hand back to Albert to end today's call.

Albert Benchimol

Thank you, Emma, and thank you to all of you for joining us this morning. Before we wrap up the call, again, I want to say thank you to my colleagues. There's been significant progress at AXIS and we couldn't have done it without our team. And together, we navigated through a rapidly evolving environment, another year of hybrid work, and our team really never lost its focus or its commitment to our customers' business and other. This team has given me confidence in our progress -- in our continued progress going forward. So we're really excited about this year coming, and we hope to report to you about our further progress in future quarters. Thank you all. This will end our call.

Operator

Thank you all for joining today's call. You may now disconnect your lines. Please enjoy your day.