

Fidelis Insurance Holdings Limited

NYSE:FIHL

FQ2 2024 Earnings Call Transcripts

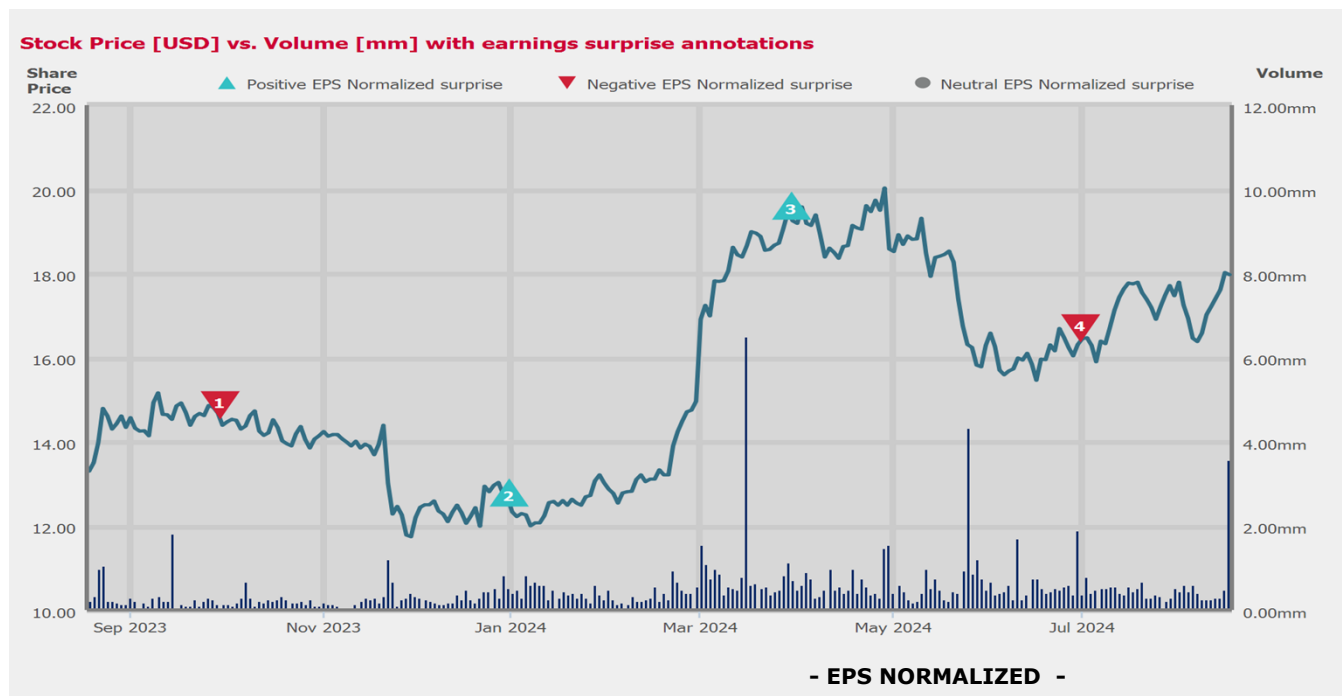
Thursday, August 15, 2024 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2024-			-FQ3 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.69	0.54	▼ (21.74 %)	0.86	3.07	3.52
Revenue (mm)	519.94	540.10	▲ 3.88	682.47	2425.41	2840.53

Currency: USD

Consensus as of Aug-14-2024 11:48 PM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ3 2023	0.80	0.74	▼ (7.50 %)
FQ4 2023	0.79	1.15	▲ 45.57 %
FQ1 2024	0.63	0.74	▲ 17.46 %
FQ2 2024	0.69	0.54	▼ (21.74 %)

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	9

Call Participants

EXECUTIVES

Allan Carl Decleir

*Group CFO, Bermuda CEO &
Executive Director*

Daniel Burrows

Group CEO & Executive Director

Jonathan Strickle

Group Chief Actuarial Officer

Miranda Hunter

Group Head of Investor Relations

ANALYSTS

Andrew E. Andersen

Jefferies LLC, Research Division

David Kenneth Motemaden

*Evercore ISI Institutional Equities,
Research Division*

Meyer Shields

*Keefe, Bruyette, & Woods, Inc.,
Research Division*

Michael Augustus Ward

Citigroup Inc., Research Division

Michael David Zaremski

*BMO Capital Markets Equity
Research*

Pablo Augusto Serrano Singzon

*JPMorgan Chase & Co, Research
Division*

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Fidelis Insurance Holdings Second Quarter 2024 Earnings Conference Call. As a reminder, this call is being recorded for replay purposes. [Operator Instructions].

With that, I will now turn the call over to Miranda Hunter, Head of Investor Relations. Ms. Hunter, please go ahead.

Miranda Hunter

Group Head of Investor Relations

Good morning, and welcome to the Fidelis Insurance Group's Second Quarter 2024 Earnings Conference Call. With me today are Dan Burrows, our CEO; Allan Declair, our CFO; and Jonny Strickle, our Chief Actuarial Officer.

Before we begin, I'd like to remind everyone that statements made during the call, including the question-and-answer section may include forward-looking statements. These statements are based upon management's current assessments and assumptions and are subject to a number of risks and uncertainties. These risks and uncertainties are described in our most recent annual report on Form 20-F filed with the SEC.

Although we believe that the expectations reflected in forward-looking statements have a reasonable basis when made, we can give no assurances that these expectations will prove to be achieved. Consequently, actual results may differ materially from those expressed or implied. For more information, including on the risks and other factors that may affect future performance, investors should also review periodic reports that are filed by us with the SEC from time to time.

Management will also make reference to certain non-GAAP measures of financial performance. The reconciliation to U.S. GAAP for each non-GAAP financial measure and our definition of RPI, which is our renewal pricing index, can be found in our current report on Form 6-K furnished to the SEC yesterday, which contains our earnings press release and is available on our website at [fidelisinsurance.com](https://www.fidelisinsurance.com).

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

Daniel Burrows

Group CEO & Executive Director

Thank you, Miranda. Good morning, everyone, and thank you for joining us. I will make a few comments before handing it over to Allan and Jonny to go through the quarter in more detail. The second quarter marks the 1-year anniversary of our listing as a public company. We are pleased to report a solid quarter during which we have successfully deployed capital into attractive underwriting opportunities and returned excess capital to our shareholders. Our position as a market leader focused on short-tail specialty lines enables us to remain focused on delivering attractive growth and driving value creation for our shareholders.

In underwriting, we continue to see attractive opportunities driving excellent top line growth and we remain on track to achieve our 2024 full year premium targets broadly in line with the growth we saw last year. Mature hard market conditions persist with a strong rating environment across the portfolio. The market remains versatilized. And as a leader, we are able to achieve preferential rates, terms and conditions. We are committed to disciplined underwriting. And as we have spoken about before, one advantage of our business model is the ability to quickly respond to changing market conditions, and we remain focused on deploying our capital where we see the most attractive risk reward opportunities in underwriting and broader capital management.

We increased gross premiums written by 24.7% in the second quarter with double-digit growth across all 3 of our segments. Positive pricing persisted across our portfolio with an overall RPI of 112% in the quarter. Following several years of compound rate increases, rate acceleration is beginning to slow in some areas, but market conditions remain at the best levels we have seen in recent history. In our Specialty segment, we continue to see opportunities for targeted growth at attractive returns with RPIs of 114%.

Looking at our key lines of business. Property Direct and Facultative continue to be a driver of growth with gross written premiums up 37.4%, driven by a high retention of existing clients and the new business. Rate and terms and conditions remain strong with Property Direct and Facultative RPIs of 117%. In marine, rates generally remained steady with RPIs of 104%. In our Aviation and Aerospace business, premiums were down as compared to prior year, predominantly driven by Aviation, where in general Aviation, certain deals did not meet our underwriting criteria and rating hurdles. Aviation & Aerospace remains a core line of business for us, and we will continue to evaluate opportunities while maintaining underwriting discipline. We recorded strong growth in our bespoke segment in the second quarter where we were able to convert a number of significant structured credit deals from our pipeline of opportunities. The structured credit market picked up in the quarter as banks and asset managers came into the market looking to utilize insurance for capital relief and credit enhancement.

Turning to our reinsurance segment. On the back of market corrections over the past few years, pricing levels remain healthy. Leveraging our lead positioning, we were once again able to achieve positive rate increases and attractive terms and conditions across our portfolio with an RPI of 107%. Growth in our North American property book was primarily driven by new business opportunities from nationwide accounts. In Florida, based on our view of the rating environment, we maintained our cautious stance and continue to take a targeted approach focusing on higher tier clients. Within our international property book, growth was driven by the April 1 Japanese renewals as we expanded our relationships. Pricing remains attractive in this market following several years of rate increases on the back of the typhoon impacted years of 2018 and 2019.

Across our entire underwriting portfolio, our combined ratio for the quarter was 92.7%. This is above prior quarters, primarily driven by a higher level of catastrophe and large losses in our Specialty segment and losses on intellectual property insurance within our bespoke segment. Intellectual property contributed 8.2 points to our overall combined ratio for the quarter. In response to the performance of the intellectual property business, we have ceased underwriting this product. This highlights the alignment in our approach to underwriting decisions with the Fidelis partnership as we act quickly to preserve underwriting integrity.

Active capital management remains a cornerstone of our strategy. And we are committed to reinvesting into the business while also opportunistically returning excess capital to shareholders through dividends and share repurchases. We believe buying back shares at the current price is a compelling use of our excess capital. We have completed our existing \$50 million share repurchase program. And as announced last night, our Board of Directors has authorized a new share repurchase program of \$200 million. Allan will expand on this in his remarks.

Finally, I want to discuss something more personal. I'm currently undergoing medical treatment as a result of a recent accident. I expect to complete this treatment soon, and I look forward to catching up with you in the near future. Allan and Jonny will now continue with our prepared remarks and then answer your questions.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Thanks, Dan. I speak for everyone when I say we wish you a speedy recovery. As Dan mentioned, we delivered a solid second quarter, 24.7% growth in gross payment revenue. Against the backdrop of heightened severe convective storms and losses on the intellectual property business, we generated operating net income of \$63 million or \$0.54 per diluted common share and an annualized operating return on average equity of 10%. We continue to grow our book value per diluted common share, which now stands at \$21.71.

Expanding on Dan's initial comments around our focus on capital management, we continue to pursue value-accretive opportunities as stewards of investor capital. Our first priority is to reinvest in the business and deploy capital into attractive growth initiatives. However, to the extent we have excess capital, we will return it to shareholders through dividends and opportunistic buybacks, including both open market purchases and privately negotiated transactions. We have completed our \$50 million share buyback program that was announced in December and cumulatively repurchased approximately 3 million common shares at an average price per share of \$16.83. This is approximately 78% of our current diluted book value per share, and that's highly accretive in both on book value and earnings per share basis to our shareholders.

In taking a closer look at our results for the quarter, I will touch on our investment performance before turning it over to Jonny, who will provide more details on our underwriting results. Our net investment income increased to \$46 million for the second quarter of 2024 compared with \$27.3 million in the prior year period. We continued the rotation of the portfolio started in the first quarter by selling a portion of the fixed income portfolio and reinvesting the proceeds into longer-dated and higher-yielding securities. Specifically, we sold \$220.4 million of securities with an average book yield of 1.6%, resulting in a realized loss of \$6.1 million. We reinvested the proceeds and secured it with an average purchase yield of approximately 5.2%, locking in the current higher interest rates for a number of years to come.

At June 30, the average rating of fixed income securities remains very high at AA- with a book yield of 4.7%. Duration has increased to 2.7 years as a result of purchasing longer maturity securities.

Now I'll turn it over to Jonny to cover our quarterly underwriting results in more detail.

Jonathan Strickle

Group Chief Actuarial Officer

Thank you, Allan, and good morning, everyone. Looking at our gross premiums written, we had an excellent top line growth compared to the same quarter last year, growing by 24.7% to \$1.2 billion. This is consistent with our expectations for 2024 growth to be broadly in line with the approximate 20% growth we saw last year.

Starting with our insurance business, we delivered specialty growth of 15.1% or [\$99.2] million, primarily driven by new business and increased rates in our Property and Property D&F lines of business which saw an increase of 37.4% or \$138.3 million as we continue to convert on opportunities in the market. This was partially offset by aviation, where certain deals did not meet our underwriting criteria and rating hurdles.

The Bespoke segment grew \$35.9 million versus prior year, driven by new structured credit business in our Credit and Political Risk Line. Given the highly tailored nature of this portfolio, premiums did not follow a regular predictable schedule and deal flow can be variable. Our Reinsurance segment also reported excellent top line results grown by \$100.9 million versus prior year, driven by rate increases as well as new business. Net premiums earned was \$501.1 million, an increase of 16.8% versus the second quarter of 2023. As noted in prior quarters, within our Reinsurance segment, our property catastrophe premiums are not earned on a straight-line basis and are weighted towards the second half of the year. Our combined ratio was 92.7% for the second quarter, and our year-to-date combined ratio is 89.3%. As a reminder, our target is mid- to high 80s across the cycle.

Our loss ratio was 44.4% for the second quarter, which is composed of attritional losses, catastrophe and large losses as well as prior year development. Attritional loss activity was within our expectations. We saw an attritional loss ratio of 21.9% compared to 17.6% in the prior year period. Noting that the second quarter of 2023 was a particularly benign quarter in terms of attritional losses. Catastrophe loss activity in the second quarter was impacted by a series of events, generating a catastrophe and large loss ratio of 36.2% or \$181.2 million of losses in the quarter. Of that \$181.2 million for the quarter, Specialty accounted for \$119.5 million, Bespoke \$59.6 million and Reinsurance \$2.1 million.

Catastrophe and large losses within Specialty were primarily driven by PTS losses in Property D&F, the largest of which was the catastrophic tornadoes in Oklahoma and surrounding states. Within Bespoke, we

recognized additional claims of \$53.0 million relating to intellectual property, which adversely impacted our consolidated loss ratio by 10 points and our consolidated combined ratio by 8 points. We had net favorable prior year development of \$68.6 million for the quarter versus \$2.4 million in the prior year period. Of the \$68.6 million for the quarter, Specialty was \$14.1 million, Bespoke was \$42.8 and Reinsurance was \$11.7 million, primarily driven by benign attritional experience in the specialty and reinsurance and favorable claim settlements within the bespoke pillar.

Taking a high level overview of our overall underwriting results for the quarter, there are a few important items to highlight. First, we have a short-tail book of business that does not include casualty. Second, while we track our loss performance on a quarterly basis, we think it's equally important and more informative to manage it over the duration of our short-tail book. This approach quickly provides us insights into the underlying performance of the portfolio and supports our ability to make informed underwriting decisions. Finally, given the structure of our book, we find the combined ratio is the most valuable metric.

We don't overly focus on the individual components, including attritional broken up from catastrophe and large losses or prior year development broken out from current year experience. This quarter perfectly illustrates why we evaluate our book in this manner. While there were movements in individual loss components including an uptick in favorable prior year development and higher catastrophe and large losses, there were no changes to our overall long-term loss expectations.

Turning to expenses, policy acquisition expenses from third parties were 28.4 points of the combined ratio for the quarter, in line with the prior year period. The Fidelis partnership commissions were 15 points of the combined ratio for the quarter, of which 0.3 points related to the variable accrued profit commissions. Total commissions increased from 12.3 points in the prior year period reflecting the full impact of owning these commissions since the agreement went into effect. And finally, our general and administrative expenses were 4.9 points of the combined ratio for the quarter, compared to 4.3 points of the combined ratio in the prior year period. The increase was driven primarily by employment losses relating to an increased head count to support the growth of the business.

I will now turn it back to Allan for additional remarks.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Thank you, Jonny. Now I'd like to talk about the insurance and reinsurance market outlook. We are seeing market participants collectively continue to demonstrate a disciplined approach, and we have not observed any new meaningful capacity from the market. We anticipate the mature hard market conditions for the rest of the year, especially for leaders within this verticalized market.

Now looking at the dynamics within each of our underwriting segments, we continue to expect growth across our specialty book to be driven by Property Direct and Facultative. This market remains dislocated, rates remain attractive retention levels are high and new business opportunities continue to present themselves.

In Marine, our established position as a leader, enables us to take a cross-portfolio approach. Large marine construction continues to present attractive opportunities for growth. This is driven by the continued need for significant capacity to accommodate the volume of new builds. In Marine War, our underwriters continue to leverage their capacity with hull acceptances to improve our overall pricing. Dan already mentioned the competitive dynamics truly affecting Aviation and Aerospace, we will continue to apply our underwriting discipline to opportunities presented.

Turning to Bespoke. The custom and direct nature of the business continues to allow us to lead on substantially all of our deals. Deal flow in this book can vary quarter-to-quarter given the highly tailored one-off nature of these policies. But looking ahead to the second half of the year, our pipeline remains robust and is currently tracking with the prior year.

Finally, in Reinsurance, the market remained attractive at July 1 with a continuation of trends seen through out key renewal dates in 2024. We continue to take advantage of opportunities focusing on

optimizing our reinsurance portfolio in line with our view of risk. Utilizing outwards reinsurance supports our underwriting approach of taking lead positions. It allows us to achieve differentiated pricing and terms and conditions, while at the same time, managing our overall risk.

During July renewals, we further optimized our outwards reinsurance purchasing. And as what is widely forecasted to be an active win season, we purchased additional targeted coverage to further manage our natural catastrophe exposures in our reinsurance and property D&F portfolios. Overall, across our portfolio, we continue to pursue opportunities for growth through new origination channels. As an example, in the second quarter, the Fidelis partnership opened their office in Abu Dhabi offering a strong platform to directly access Middle Eastern business going forward. And on July 1, we entered Lloyd's through our participation in variable quota share with the Fidelis partnership Syndicate 3123. This vehicle provides access to an enhanced ratings platform, global licensing and Lloyd's online business. It is a great example of identifying new ventures and providing flexibility to allocate the right risk to the right capital. As we evaluate opportunities to deploy our capital effectively, we are considering a number of attractive new underwriting opportunities.

As we have said before, the bar for any new partnership opportunity is extremely high, given the historical underwriting returns generated by the Fidelis partnership.

In closing, we delivered solid results across the underwriting portfolio and continue to improve our investment returns. During the quarter and through the first half of the year, we have continued to optimize our risk-adjusted returns. We achieved this by strategically allocating capital to areas of our underwriting portfolio where we see the best opportunities. We have moved quickly and decisively in response to market trends, leading into accretive opportunities in Property D&F business and selectively within our Reinsurance segment, while maintaining discipline in line where rates don't meet our return thresholds.

We remain confident in the outlook for our business and our ability to deliver full year premium growth in line with prior year and operating ROAE in the 14% to 16% range for the year.

With our diversified portfolio of short-tail specialty risks, we remain well positioned to deliver combined ratios in the mid- to high 80s throughout the cycle. And with our new \$200 million share repurchase program, we are committed to returning excess capital to our shareholders.

With that, I'll turn it back to the operator, and we look forward to your questions.

Question and Answer

Operator

[Operator Instructions]. Our first question will be from Mike Zaremski at BMO.

Michael David Zaremski

BMO Capital Markets Equity Research

Also wishing Dan a good recovery, a successful recovery.

First question, I just heard you kind of reaffirm the ROE goals for the year. I guess if we're looking at the year-to-date ROE and kind of, I guess, what the expected seasonality in 3Q kind of being the lowest ROE quarter of the year, given the catastrophe load. Do you feel that maybe the consensus is under appreciating maybe more retro you purchased or just the shape of your profitability in the second half of the year? Or is anything you'd like to kind of help us think through.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Mike. It's Allan here. Yes, great question. And as you know, while we monitor our business on a quarterly basis, we think it's equally as important and more informative to manage it over the duration of our short-term portfolio. Over this time, we have obviously been pleased with our underwriting performance and our ROAE. And as you point out, the year-to-date ROAE is 12%. And definitely in the second half of the year, as you've hinted at, there's some seasonality in our earnings patterns, especially in our reinsurance segment where we -- it's back ended in the second half of the year. I think on the further note, our investment income, we continue to enhance and optimize that portfolio, and you see that with the results this quarter versus prior quarters and last year. So given our investment income, our ROAE to date and our combined ratio year-to-date of just over 89%, we are confident in our long-term targets as well as our current year targets.

Michael David Zaremski

BMO Capital Markets Equity Research

Okay. Got it. Yes, okay. It feels like the investment income component is something that might be underappreciated. Okay. So for my follow-up, since I'll only ask one follow-up and get back in the queue. I'm feeling a lot of people will ask about the IP losses. So I'm just curious, the MGU ceding commission ratio, it's running mid-14s year-to-date. That is kind of materially higher, maybe 100 basis points or more higher than what we had modeled out maybe 6-plus months ago. What's -- and any color you can add on kind of what's going on there?

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Yes, it's Allan again, Mike. The ceding commission that we pay the Fidelis partnership is several components, as you know, it's a ceding commission on net premium written and earned as well as a profit commission. As you can see this quarter, with the underwriting results being slightly worse than in prior quarters, these -- the prop commission is reflective of that. Overall, we're still comfortable with the overall commission guidance we've given, and we think that it's working exactly as we intended that the partnership commissions as well as their day-to-day operations are working exactly as intended.

Operator

Next question will be from Michael Ward at BITM (sic) [Citi] .

Michael Augustus Ward

Citigroup Inc., Research Division

I'm at Citi. I just had a question, expanding on the IP. I was curious if you guys could maybe quantify the remaining exposure to the stock that you do have?

Jonathan Strickle

Group Chief Actuarial Officer

Sure. It's Jonny here. I'll take that one. I'll start off by giving some context with the IP portfolio overall, and then I'll come to that specific question. So our IP portfolio consisted of a small number of policies, which we've written over the last few years. As we mentioned in the prepared remarks, we no longer write it, and we haven't accepted any risks in 2024.

To give some background on what happened on it, we had a great number of defaults that we priced for, and we had more difficulty in realizing the value of the collateral after those defaults occurred than we had anticipated. It is worth noting that not all the policies that we've written have resulted in a claim.

Some of the books now run off or alternatively has been resolved without any loss to us either through a restructure or some other transaction that takes us off risk. Now we have a handful of live policies outstanding, and we monitor those on an ongoing basis. We're obviously comfortable with where we reserved to this quarter, but we do continue to monitor those policies going forward.

Michael Augustus Ward

Citigroup Inc., Research Division

Okay. Are you able to sort of speak to, I guess, the percentage of the loans that you -- where you've guaranteed the collateral is -- how far are you through the portfolio in terms of establishing reserves, I guess.

Jonathan Strickle

Group Chief Actuarial Officer

There's probably around 1/3 of the portfolio still outstanding, I would say. But to give some context, in the last week or so, we've resolved 1 of the exposures. So one came through was still on risk. There was a transaction underlying here, and we've been able to come off risk on that one. So like I said, it's just a handful remaining.

Michael Augustus Ward

Citigroup Inc., Research Division

Okay. That's helpful. And maybe just a non-IP question. Curious if you could speak to the runway for the favorable growth environment and growth in D&F specifically, given we've seen property pricing kind of slow down?

Allan Carl Decleir

Group CFO, Bermuda CEO & Executive Director

Yes, it's Allan. I'll take that call. We believe we're still in a mature hardening market and the commissions persist. The market has generally been very disciplined, and we're pleased with that. And as I mentioned in my prepared remarks, there's been no new meaningful supply of capacity. One thing that we differentiate ourselves on in this market is it's a verticalized market and needs to get from their leverage and their scale that we get different and preferential pricing in terms of conditions. And we think that's an important feature of our business model versus others. We've had positive RPI across our portfolio. on the back of many years of compound increases. And as we've mentioned previously, we don't write any casualty.

We're comfortable with the duration with the market. Things can change quickly, as you know, in our industry, especially during wind season, but we're very pleased with the growth we're achieving, 25% growth in Q2, and we see no reason why that growth target that we have for the year of 20% or more will not be achieved.

Operator

Next question will be from David Motemaden at Evercore.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

I'd also like to wish a speedy recovery to Dan.

My first question, just following up on the IP portfolio. So the 1/3 of it that's still outstanding, I guess how long will that take to run off? And the type of loss that we had this quarter, is that something that could happen again depending on the defaults and the loss given defaults? Or just sort of thinking about how we can think about volatility in this line going forward as that book runs off?

Jonathan Strickle

Group Chief Actuarial Officer

It's Jonny here. These are reasonably short-tail policies. So if they were to run off naturally, we would expect that to happen by around 2027. As I mentioned in my previous response, there are options for us to come off risk depending on what underlying transactions happened to the company over that time. In terms of the outstanding exposure versus the loss experienced in the quarter. The loss experienced, it closely came from 3 policies with 3 separate incidents that we reserved for. And as I mentioned in the previous response, we have a handful of outstanding policies over this period.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Got it. Okay. That's helpful. We can do that math. Okay. And then just on the D&F market, I think you -- Allan, and Jonny, I think you too also mentioned rate increases are starting to slow in some areas. It sounded like that was mainly aviation. But I'm wondering if you can just elaborate maybe a little bit more on pricing in D&F and I think you said RPI was 117% this quarter in D&F. If you could help us think through what that was last quarter as well, that would be helpful.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

David. Yes, property D&F definitely continues to drive our growth, and it's a wonderful business. We can just continue to see a lot of opportunities in that area, 37% growth, very positive RPI's and we continue to see the -- continue that portfolio to expect to grow and to produce profitable underwriting results. We're definitely leaning into that. We prefer the property D&F over some other areas in the business where your cat exposure to the cat dollars we put at risk. And so we think that's the best place to be in. And as a specialty insurer we prefer that line of business over many others and see great growth in that area.

Operator

Next question will be from Andrew Andersen at Jefferies.

Andrew E. Andersen

Jefferies LLC, Research Division

Sorry, one more on the IP losses. Am I correct in thinking that this business is written on a claims-made basis, so we wouldn't have to be concerned with stacking of limits as we would on an occurrence policy?

Jonathan Strickle

Group Chief Actuarial Officer

In terms of -- it's only on the current basis, but the -- I don't really see any stacking limit coming from this policy. There's only a handful of exposures that are all remote from each other and in terms of how they were to arrive at claim activity they're reasonably independent.

Andrew E. Andersen

Jefferies LLC, Research Division

Okay. And maybe within Bespoke, very strong growth in the quarter. Was any of that a forward from 3Q that could adversely impact next quarter's growth.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

It's Allan. Our pipeline is very strong within Bespoke. We're pleased with that business. It is hard to predict, as we've said on many of our quarterly calls. It's a strong pipeline. And yes, we hit on a couple of deals this quarter. And we continue to expect that, that pipeline will produce very profitable business going forward. And again, our Bespoke portfolio overall has produced very wonderful results over the last few years, and we're very pleased with the results there, and we continue to expect to produce returns, profitable returns going forward.

Operator

[Operator Instructions]. And next question will be from Pablo Singzon at JPMorgan Chase.

Pablo Augusto Serrano Singzon

JPMorgan Chase & Co, Research Division

Dan, I wanted to wish you a speedy recovery as well.

So first, just on Property D&F. It sounds like your underwriting appetite has not changed substantially, and the pricing environment is reasonably attractive. But I was curious if on the margin, anything has changed in your approach just given sort of one broad expectations of an active hurricane season this year into the losses that you booked in your portfolio year-to-date, right? So have any of those factors sort of changed how you approach the market on the margin?

Jonathan Strickle

Group Chief Actuarial Officer

It's Jonny here. Thanks for the question. The short answer is no, it hasn't changed how we view the market, but to break down to your 2 components. So to start with an active hurricane season, the cat exposures for both D&F and for the treaty book, we use our own view of risk, the Fidelis view of risk, which is a set of adjustments. We agree with the partnership to uplift the base count model. This reflects our views on climate change, but more generally, our view of cat risk across the globe. It's a specific set of uplift to the model, but if you think about it in aggregate, it's over a 50% load to the base loss coming out of that. And that's really the lens through which we view all of our cat business.

So it drives prices as we charge on inwards, it drives where we deploy the risk, how we shape the portfolio and it drives the outwards protections we purchase. So this gives us confidence in the portfolio and the level of exposure we've got, even if there is an uptick in expected activity, it's something that we planned for, for a number of years, and it's something that we've put through our pricing and portfolio management over that period as well.

In terms of the loss uptick in the quarter, I would say, as we said in our prepared remarks, if you step back and look over a longer time horizon at Property D&F, it's been a very profitable line of business for us. If I think about this quarter, in particular, there's around 5 large losses have come through on D&F, which make up most of the components you see on Specialty. If I go back to Q1, there was only 1 loss. So in terms of timing, whether there's a material difference between 3 and 3 or 1 and 5, we don't think so. We look over a much longer time horizon, and we're very happy with where that book is and how it's performed.

Pablo Augusto Serrano Singzon

JPMorgan Chase & Co, Research Division

Got it. And then second question maybe for Allan. Just on the buybacks. How fast can you execute on the \$200 million of authorization? And I guess, more importantly, is that amount by the prospective earnings generation? Or is that more reflective of excess capital you have today?

Allan Carl Decleir

Group CFO, Bermuda CEO & Executive Director

Yes. Pablo. It's Allan. Yes, we have a very intense look at capital every day. And so our capital considers many aspects in terms of how much do we have currently. We look forward to our expectations to growth. And we -- as we've mentioned in the past, first and foremost, we're focused on investing back into the business and Property D&F, as you mentioned is one area we absolutely want to participate in. So when you look at our model, which includes regulatory aspects, the rating agencies and others, we are in a very good situation where we have surplus capital. And given the current valuations of our shares, it's pretty much a no-brainer that we should consider share repurchases.

And I think that we have, again, plans and we looked at with the partnership with next year. And we are very comfortable with our capital position and surplus capital is still in our books and we will do the right thing, especially at these share prices.

Operator

Next question will be from Meyer Shields at KBW.

Meyer Shields

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

I want to extend my best wishes to Dan. Hope for a quick recovery.

Allan, I think 2 quick questions for you. First, you mentioned a couple of times this morning that Fidelis does not write casualty. Does that mean that you're not going to be participating in [indiscernible] new casualty product?

Allan Carl Decleir

Group CFO, Bermuda CEO & Executive Director

Meyer, Thanks for the good wishes for Dan. The way we think about it as we want to match the right capital to the right risk. And we have -- we look at every opportunity under the [welfare] agreement with Fidelis partnership. We're always in constant dialogue with them, and we knew they were going to -- we looked at this casualty proposal together. At this time, in the current market, we are not interested in participating in casualty. And so we are not participating on that [New Pine York sale].

Meyer Shields

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

Okay. Second question on Bespoke. It looks like the net to gross written premium ratio was the lowest that we've seen over the last several years. Is that a function of the individual products in the third -- sorry, that were written in the second quarter? Or is this a broader change to the segment's reinsurance protection?

Jonathan Strickle

Group Chief Actuarial Officer

Meyer, it's Jonny. I'll take that one. You're right. It's the individual products. If you look across the Bespoke pillar, there are some places where being able to put out a bigger gross line gives you more leverage in terms of the pricing, terms and conditions and just the type of products you can execute. So on those, we'd use much more quota share reinsurance sitting behind us. whereas some of the other products, we don't need to put out that size of line, and therefore, we can just run the risk net. So it really does vary quarter-to-quarter and is completely dependent on the type of products we have written in that quarter.

Operator

Next question will be from David Motemaden at Evercore.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Thanks for taking my follow-up. I was just wondering if you could elaborate more on the outwards re, you mentioned purchasing and how we can think about your reinsurance protection on your property exposures in both reinsurance and D&F looking for a single event retention, PMLs, that sort of thing, if you could help us with that.

Jonathan Strickle

Group Chief Actuarial Officer

It's Jonny here. So I'll start off with the PML query. We don't disclose our PMLs publicly at the moment. One of the key reasons behind this is we think it's a really difficult metric to compare between peers. So as I mentioned earlier, we used the Fidelis view of risk here, and that generates the PMLs that we consider internally and it includes really significant loadings over the base model. Obviously, some peers will have their own loadings. We think we're towards the top end of that and many will just use the base model to produce those numbers.

So if we were to release them, then the comparison is quite difficult. But what I would say in terms of our overall exposure is we've grown cat premiums in the last few years. That growth mostly come from rate rather than exposure driven, given the market conditions. We also, as evidenced this quarter at constantly looking at our outwards portfolio, both through our opportunistic purchases, where we see something in the market that we like and to make sure that we smooth the risk across the portfolio. Bringing both of those bits together, we've not increased our overall cat exposures over recent years despite the premium growth.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then any thoughts on -- or any quantification you could provide on the 2 hurricanes that have taken place so far in the third quarter?

Jonathan Strickle

Group Chief Actuarial Officer

It's Jonny here again. Yes, as you mentioned, there's been 2 hurricanes and a number of other events in the market over the quarter. Just to give a bit of background on our process, we monitor all those types of events in conjunction with the Fidelis partnership as they emerge, review our exposures and where necessary, look through to loss modeling. Based on current information and our assessment of our exposures, we don't believe that we have a material exposure to either of those or any of the other events coming through since quarter close.

Operator

Next question is from Mike Zaremski at BMO.

Michael David Zaremski

BMO Capital Markets Equity Research

A quick follow-up. And I don't think you've given color on more context on the Reinsurance segment growth. I don't know if there's color on whether it's mostly Florida or just any insights there on what continues to be healthy growth.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Mike, it's Allan. As you know, we pride ourselves in our nimble approach. And we lean in when we see the opportunities, certainly in the D&F space we have and in this quarter and a little bit more in the Reinsurance space. We look for the best opportunities to deploy our capital, and we saw opportunities there. And I think that including the reinsurance segment itself, there were some opportunities with some of the higher-tier clients, nationwide accounts and they were priced appropriately, and we're very

comfortable with that exposure and again, as Jonny mentioned, with some tweaking of our outwards reinsurance program, it was a great risk to put on our -- series of great risks to put on our portfolio.

Operator

Next will be Meyer Shields at KBW.

Meyer Shields

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

Just a follow-up on David's question. Do you have any exposure to the plane crash in Brazil?

Jonathan Strickle

Group Chief Actuarial Officer

Meyer, it's Jonny here. I'll take that one. No, we don't have any exposure to the underlying kind of liability policy. And at this time, we don't believe we have any exposure to that at all.

Operator

Next question will be from Pablo Singzon at JPMorgan Chase.

Pablo Augusto Serrano Singzon

JPMorgan Chase & Co, Research Division

Thanks for taking the follow-up. Allan, just a quick one for you on the portfolio with regards to getting the longer-dated assets. Is that mostly done at this point? Or how would you characterize that process? Just want to get a sense of sort of the prospective uplift in NII from here?

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Yes. Pablo. That innings approaches daily which I'm sure you've seen the markets, it's bouncing around a bit, but no word, like our underwriting portfolio, we manage our capital across all areas, including investments. We continue to optimize it where we can. And while we have a short-duration portfolio in our liability side and we are -- we match our assets accordingly. We repositioned our portfolio in the last 6 months to take advantage of what the rating environment is into, and really make some reinvestment risk as maturities roll off and sold some lower yielding assets. I mentioned 1.7% yield in some of those, and we sold them up and reinvested at 5.2%.

I think you consider us that we're still -- considering doing more than that in Q3 and Q4, but of course, it's really dependent on the market, the liquidity of our portfolio and various other areas where we can allocate our capital. but it's an ongoing process.

Operator

That concludes today's question and answer session. I'd like to turn the call back to Allan Declair for closing remarks.

Allan Carl Declair

Group CFO, Bermuda CEO & Executive Director

Thank you, everyone, for joining us today. We appreciate your interest in the company. If you have any follow-up questions, we'll be around to take your call, and thank you, and have a great day.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. And at this time, we do ask that you please disconnect your lines.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2024 S&P Global Market Intelligence.