



# Annual Report 2003

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# Financial Highlights

for the year ended December 31, 2003

(Expressed in thousands of United States dollars)

Prepared By: CEM 1/31/04

Approved By: AC 2/6/04

| For the years ended December 31          | 2003      | 2002      |
|--|-----------|-----------|
| Gross Premiums Written                   | 2,273,645 | 1,108,003 |
| Net Premiums Earned                      | 1,436,230 | 536,850   |
| Net Investment Income                    | 73,961    | 71,287    |
| Net Realized Gains                       | 22,567    | 26,070    |
| Net Losses and Loss Expenses             | 734,019   | 229,265   |
| Acquisition Costs                        | 229,712   | 103,703   |
| General and Administrative Expenses      | 94,589    | 46,521    |
| Net Income                               | 532,350   | 265,119   |
| Basic Earnings per Share                 | \$3.69    | \$1.96    |
| Diluted Earnings per Share               | \$3.42    | \$1.91    |
| Net Loss and Loss Expense Ratio          | 51.1%     | 42.7%     |
| Acquisition Cost Ratio                   | 16.0%     | 19.3%     |
| General and Administrative Expense Ratio | 6.6%      | 8.7%      |
| Combined Ratio                           | 73.7%     | 70.7%     |
| Book Value per Share                     | \$18.48   | \$14.19   |
| Return on Shareholders' Equity           | 22.3%     | 14.7%     |



# Segmental Financial Highlights

for the year ended December 31, 2003

(Expressed in thousands of United States dollars)

Prepared By: CEM 1/31/04  
Reviewed By: AC 2/6/04

| For the years ended December 31       | Global Insurance |         | Global Reinsurance |         |
|---------------------------------------|------------------|---------|--------------------|---------|
|                                       | 2003             | 2002    | 2003               | 2002    |
| Gross Premiums Written                | 980,661          | 793,759 | 462,938            | 314,244 |
| Net Premiums Earned                   | 763,339          | 314,613 | 418,235            | 222,237 |
| Other Insurance Related Income (loss) | 24,467           | (639)   | 552                | -       |
| Net Loss and Loss Expenses            | 387,953          | 137,848 | 174,391            | 91,417  |
| Acquisition Costs                     | 115,359          | 56,683  | 71,090             | 47,020  |
| Underwriting Profit                   | 284,494          | 119,443 | 173,306            | 83,800  |
|                                       |                  |         |                    |         |
| For the years ended December 31       | U.S. Insurance   |         | U.S. Reinsurance   |         |
|                                       | 2003             | 2002    | 2003               | 2002    |
| Gross Premiums Written                | 625,898          | -       | 204,148            | -       |
| Net Premiums Earned                   | 168,252          | -       | 86,404             | -       |
| Net Loss and Loss Expenses            | 108,497          | -       | 63,178             | -       |
| Acquisition Costs                     | 21,130           | -       | 22,133             | -       |
| Underwriting Profit                   | 38,625           | -       | 1,093              | -       |



We now have offices in  
Bermuda  
Dublin  
London  
United States  
Zurich



# Global Progression

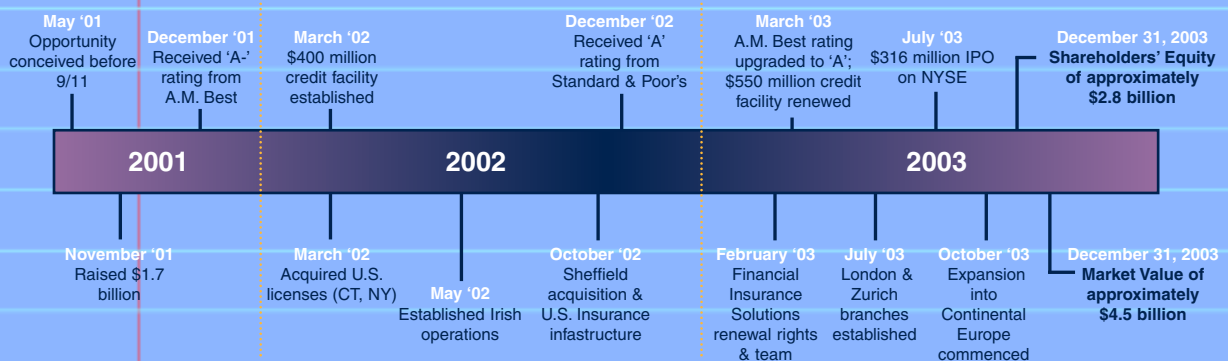
For AXIS Capital, 2003 was a year of perpetual motion and steady growth. During the first quarter, we began the build-out of our U.S. Insurance and U.S. Reinsurance segments. In early March, we were upgraded by A.M. Best to an “A” rating to stand beside the “A” awarded by S&P at the end of 2002.

By mid-year, AXS, a new symbol on the New York Stock Exchange, signaled the launch of AXIS Capital’s IPO. At the same time, AXIS Capital was establishing branches in both London and Zurich.

Our expansion into Continental Europe represents a strategic opportunity for growth. Our recruitment of an exceptional team of underwriting experts, known for their excellent long-standing relationships, positions AXIS Capital as a major force in the European market.

The flight of quality to quality continues to be a fact of life in our industry; a fact that accrues greatly to the advantage of AXIS Capital. Our emphasis on disciplined underwriting, a controlled infrastructure, management accountability and transparency have created a transformational model for the insurance and reinsurance industries. This model has earned AXIS Capital worldwide respect.

We are profoundly grateful to all who have made these accomplishments possible: our team-mates, clients and, most especially, our shareholders.





date: january 9 2003

Pembroke, Bermuda

**AXIS announces formation of  
Holding Company**

JANUARY 2003

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## PRESS RELEASE

### AXIS ANNOUNCES FORMATION OF HOLDING COMPANY

Pembroke, Bermuda, January 9, 2003

AXIS announced today the formation of AXIS Capital Holdings Limited "AXIS Capital".

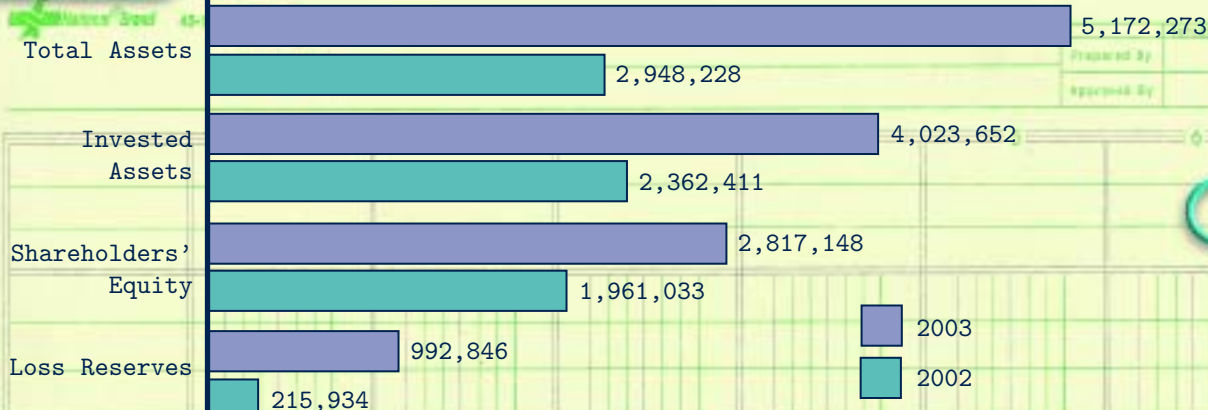
AXIS Capital is a newly formed Bermuda company that became the holding company for AXIS Specialty Limited and its subsidiaries on December 31, 2002. AXIS Specialty Limited continues to operate as a Bermuda domiciled Class IV insurance and reinsurance company.

John Charman, President and CEO of AXIS Capital, said, "The formation of the holding company is an important part of the continuing development of our capital infrastructure and gives us additional flexibility to accomplish our ongoing operational goals."

### Balance Sheet Highlights

As of December 31

(Expressed in thousands of  
United States dollars)



# Chairman's Report

Dear Shareholders,

This report marks a year during which we became a public company and the second year since our formation. During this time, our industry has undergone a belated and fundamental change. In my 40 years in the business, I have not seen such a rapid and remarkable change. The deferred recognition of past problems, balance sheet impairment and continuing low interest rates have rightly refocused the industry on pure underwriting profit.

As a result, our company has been able to capitalize on the opportunity and fill the vacuums created at an even faster rate than we anticipated when we began. We have created a franchise in two years that would, at other times, have taken six years or more. As we are in a "renewable" business, this franchise will give us a sustainable competitive advantage.

The flight of quality to quality continues. In some areas, it is actually accelerating. Historically meaningful participants in insurance and reinsurance markets worldwide continue to retrench and, in some cases, exit as they recognize capital impairment and scramble to focus their cultures on achieving underwriting profitability. Against this backdrop, AXIS president John Charman has carefully and successfully recruited underwriting talent of the highest quality. These are individuals who share his vision for a new age insurance and reinsurance business.

*Michael Butt*



date:

may 8 2003

Pembroke, Bermuda

Annual meeting of the  
Board of Directors

MAY 2003

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Current Board of Directors 2003

Our Newest  
Board Member

W. Thomas Forrester

## AXIS Capital Board of Directors

(standing, left to right)

Robert L. Friedman, Edward J. Kelly III, Frank J. Tasco,  
Charles A. Davis, Jeffrey C. Walker, Maurice A. Keane,  
Donald J. Greene, Scott A. Schoen and Andrew H. Rush

(sitting, left to right)

Michael A. Butt, Robert J. Newhouse, Jr. and  
John R. Charman



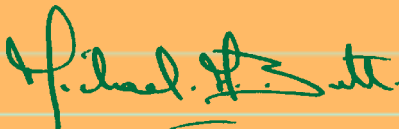


The emphasis on management accountability and transparency in financial reporting is forcing a new reality for the industry. This accrues to our benefit by differentiating us in our shareholders' minds and providing solid security to our clients. We have been committed since our inception to upholding the highest standards of corporate governance. We will continue to emphasize this commitment throughout the organization.

I am happy to report that we strengthened our Board of Directors in 2003 by adding a new member with deep industry knowledge and experience. Tom Forrester has a diverse management background spanning finance, operations and marketing. I welcome him to our Board and look forward to working with him in 2004 and beyond.

During this, my first full year as Chairman of the Board, I was extremely pleased to see the enthusiastic reception of AXIS Capital in the public market as it executed its original listing on the New York Stock Exchange. I am confident that our company will continue to build upon the strength of the last two years and deliver long-term value to our shareholders as a leading global specialty insurance and reinsurance company.

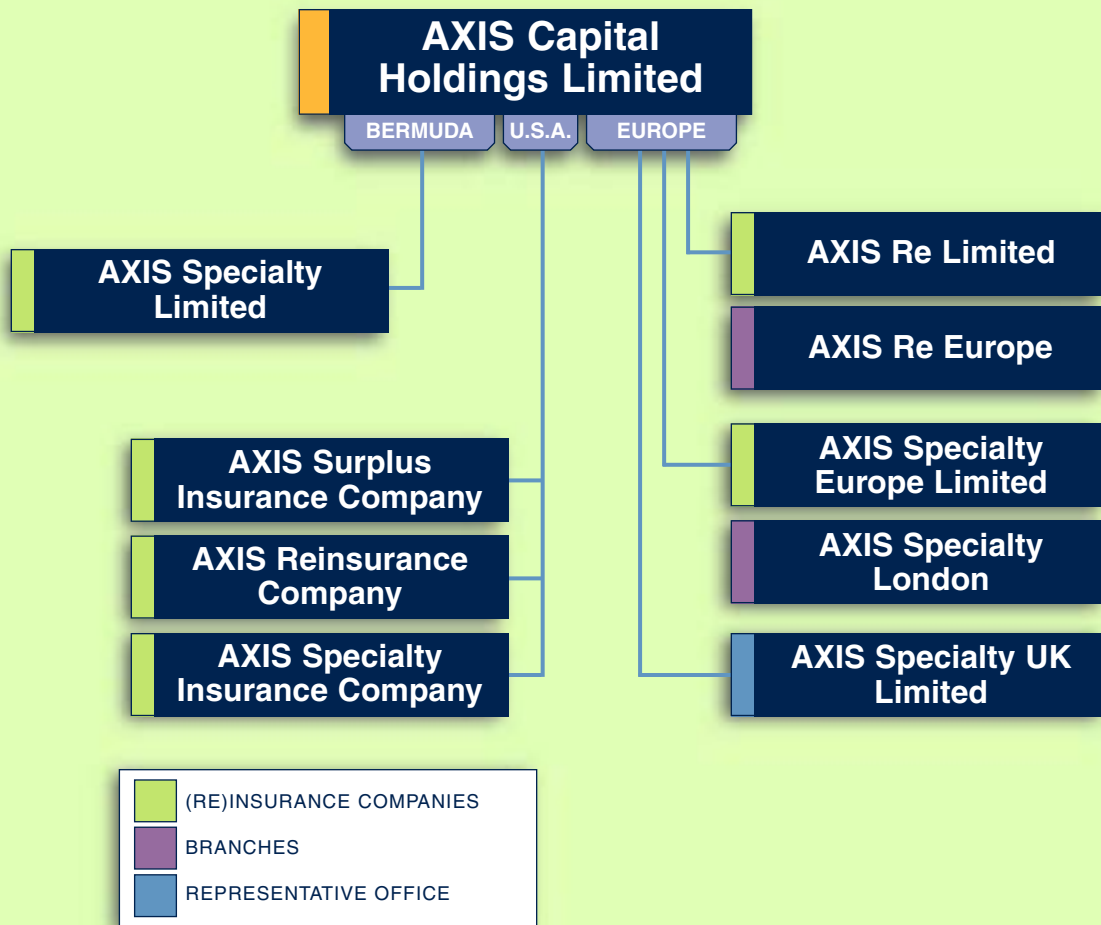
Our excellent results could not have been achieved without the exceptional commitment and dedication of our staff and the continued strong support of our producers, clients and shareholders and I would like to thank them.



Michael A. Butt  
Chairman of the Board

## The world of AXIS Capital Group Structure

AXIS Capital Holdings Limited is the Bermuda-based holding company for the AXIS Capital Group.



# The Chief Executive Officer's Overview of Operations

AXIS Capital achieved significant advances in 2003. We met all of our business plan targets and laid a strong foundation for the 2004 trading year. As detailed in our Annual Report on Form 10-K, we more than doubled our gross premiums written to over \$2.2 billion, achieved 100% growth in net income and delivered our shareholders a return on average equity of 22.3% for the year. Our stated target is a return on average equity of 15% over the insurance cycle. In light of this target, we were very pleased with our return in 2003. To achieve these results, we built on the strong and broad-ranging leadership positions we had previously established in our Global Insurance and Global Reinsurance segments. We expanded our business model in the U.S. marketplace very deliberately with the establishment and development of our U.S. Insurance and U.S. Reinsurance segments. Our initial public offering in July represented an important milestone for AXIS Capital, a company dedicated to delivering long-term strategic value to its shareholders.

## The Underwriting Machine

In creating AXIS Capital, our vision was - and continues to be - to create a transformational model for the insurance and reinsurance industry. One focused on ultimate profitability. We align extraordinary talent with substantial, unencumbered capital and harness our high-quality underwriting aptitude to a global, state-of-the-art trading platform.

*John Charmann*



## BUSINESS

## The \$1m-a-day company

AXIS: Shareholder equity breaks the million barrier

By Lilla Zull

It is a company that, in the almost two years since it opened its doors, has increased shareholder equity by more than a million dollars a day.

AXIS Capital yesterday released its third quarter earnings report showing that the company had made \$147 million during the three-month period alone.

But management also pointed to what the company had assumed for investors over its relatively young life with shareholders' equity totalling \$2.58 billion as of September 30, 2003.

AXIS president and CEO John Charnan (pictured) said "If you really look at what we have achieved, and bearing in mind that we were the first (company) to establish itself after September 11, from the time we were established on 20 November 2001 to the end of this third quarter we have increased shareholder equity in excess of one million dollars a day."

The company, which is now staffed by up to 250 employees throughout offices in Bermuda and on both sides of the Atlantic, said it attributed its success to a "modern" approach to business.

Mr. Charnan told *The Royal Gazette* that AXIS stood apart from insurers in that it was writing the same level of business with fewer hands on deck.

"This is the new age of business. We are the only company to try and create a modern template," he said, adding that the company had kept its numbers small through the use of proprietary technology platforms and outsourcing back office functions.

"We do not want to be famous for processing paper."

Mr. Charnan added that the staff members could easily be laid off when they were: "The staff members are desperate we could easily have ten times the number," but said the company "would not overvalue itself by not infrastructure or people."

Mr. Charnan outlined: "Financially, in insurance and reinsurance five to ten percent of the workforce actually drive the value, the rest administers."

"We have established beach heads in the major markets. We are a global business that can attract business from anywhere and we do."

Taking a new tack, Mr. Charnan said AXIS was doing the opposite, but made it clear that while processing functions were being outsourced, decisions were made in house.

Although Mr. Charnan said the lean staffed, technology driven approach was being applied to all of its operations, he added that this model was ideal for Bermuda.

"Bermuda is not an island that should encourage infrastructure."

"This high-tech approach works well. The very fact that we are on an island should drive modern solutions."

Mr. Charnan, a veteran of the Lloyd's market, said he had been using this kind of approach since 1986 but that technology developments in the last two years had brought it to a stage of being a viable working model.

AXIS has seen rapid expansion of its operations with its branching out from Bermuda to having offices across the US, in the UK and Europe.

Mr. Charnan said the company's network of offices gave it a global reach.

He said with technology, the connectivity between segments was "absolute" and AXIS was now in a position to write business in all corners of the world.

"We have established beach heads in the major markets."

"We are a global business that can attract business from anywhere and we do."

"We no longer have to have a physical location, that is the difference between the old style and the new style of infrastructure."

Although he said the company is constantly reviewing its physical locations, it was safe to say that it was "comfortable" with its current network of international offices.

## AXIS OF GOOD



Photo by Arthur Stearn

Stellar earnings: CEO John Charnan and CFO Andrew Cook released the company's third quarter earnings report last night with net income of \$147 million reported.

## Q3 RESULTS

## Net income soars

By Lilla Zull

## AT A GLANCE

Highlights of AXIS results as of September 30, 2003:

- Net income: \$371.9m
- Shareholders equity: \$2.7 billion
- Diluted book value per share: \$16.72

Third quarter 2003:

- Net income: \$147 million
- Gross premiums written: \$653.3m
- Net premiums written: \$534.6m

Bermuda-based AXIS Capital yesterday reported its net income in the third quarter had shot up to \$147 million.

The company's healthy level of earnings, which broke down to 90 cents per share, was quite a jump on the 69.1 cents in earnings, or 69 cents per share, recorded during the same period of 2002.

Yesterday, AXIS CFO Andrew Cook told *The Royal Gazette* that the \$14.9 million increase in net income from the third quarter of last year was a significant gain.

But he said that the company's expenses should also be taken into consideration when looking at the growth in earnings.

AXIS was the first of a wave of companies to set up on the Island after a void in capacity following the September 11 terrorist attacks.

It opened its doors nearly two years ago - on 20 November, 2001, and in the interim has established a strong Bermuda presence as well as operations on both sides of the Atlantic.

Earlier this year it also went public, with its July initial public offering (IPO) on the New York Stock Exchange.

Mr. Cook said that AXIS' US insurance and reinsurance operations - with offices now established in New York, Connecticut, Atlanta, Chicago and Los Angeles - had come online in the last year and the company's results now reflected the earnings of those units.

That would not have been the case last year, as the premium written last year would not have been earned until this year.

Continued on Page B1

We have differentiated ourselves from the mediocrity, heavy infrastructure and high costs associated with many international insurance and reinsurance businesses. Consequently, AXIS Capital thrives as a proactive business with its underwriting talent focused on individual transactions and senior management deeply embedded in the company's day-to-day underwriting operations. Our infrastructure and culture both support and promote a collaborative approach to underwriting. No underwriter is ever isolated in committing our capital to a transaction.

In over the slightly more than two years since AXIS Capital's inception, our global franchise has become extremely well-positioned. It is defined by its financial strength, superior client service capabilities and its ability to write a breadth of high-quality specialty commercial property and casualty business across geography and products. Because of these characteristics, we are benefiting and believe we will continue to benefit in all of our operating segments from the flight of quality to quality that persists globally.

### *Our Portfolio of Risks*

Since our inception, we have constructed a high-quality, sustainable, balanced portfolio of risks. This portfolio is distinguished by its broad diversification by product and geography and by the nature of the type of business we choose to underwrite. The portfolio we underwrite is designed to provide us, our clients, our producers and our shareholders with assurance that the balance sheet we produce is real. We do not and will not commit our capital and resources to underwriting lines of business that cannot provide strong indications of profitability within a reasonable time frame.

date:

may 8 2003

Pembroke, Bermuda

Sheffield receives  
'A' (Excellent) from A.M. Best

MAY 2003

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## PRESS RELEASE

### AXIS ANNOUNCES SHEFFIELD RECEIVES "A" (EXCELLENT) RATING FROM A.M. BEST



Pembroke, Bermuda, May 8, 2003

AXIS Capital Holdings Limited announced today that its subsidiary Sheffield Insurance Corporation has received an "A" (Excellent) rating from A.M. Best Company, Inc.

John Charman, President and CEO, said, "The rating of Sheffield is a natural extension of our global underwriting strategy and our planned, controlled expansion."

See Reverse For Restricted Legend

COMMON SHARES



AXIS Capital Holdings Limited

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is the registered holder of  
\*\*ONE HUNDRED TWENTY THOUSAND\*\*

FULLY PAID AND NON-ASSESSABLE COMMON SHARES, PAR VALUE US \$0.05 PER SHARE, OF

*AXIS Capital Holdings Limited* transferable on the books of the Company by the holder hereof or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares hereby are issued and shall be held subject to all the provisions of the Memorandum of Association and By-Laws of the Company, copies of which are on file with the Transfer Agent, to all of which the holder by acceptance hereof assents. This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar. Witness the seal of the Company and the signatures of its duly authorized officers.

Dated  
JUN 30, 2003

FOR AUTHORIZED AND REGISTERED  
THE BANK OF NEW YORK

TRANSFER AGENT  
AND REGISTRAR

AUTHORIZED SIGNATURE

SECRETARY

PROVISED  
CHIEF EXECUTIVE

PROVISED AND  
CHIEF FINANCIAL OFFICER



## Operating Highlights of 2003

Our operating highlights include these notable achievements:

- During the first quarter, we completed the acquisition of shell companies in the U.S. as a first step in the build-out of our U.S. Insurance and U.S. Reinsurance segments. These will contribute meaningfully to our growth and profitability in 2004 and beyond.
- We substantially integrated all U.S. operations into our global underwriting system and initiated the roll-out of our proprietary, web-based submission system to our U.S. operations.
- We completed a renewal rights transaction with Kemper and recruited a high quality team from Kemper to address the significant opportunity in the U.S. professional lines marketplace.
- We established our London and Zurich branches and recruited a talented underwriting team with important local knowledge and relationships to address the significant and unique opportunity in the Continental European reinsurance marketplace.
- We continued to focus on cash flow throughout the company, as evidenced by our strong operating cash flow for the year of \$1.3 billion.

## Outlook for 2004

Few anticipated the truly transformational period for the industry that was ushered in by an extended period of senseless underwriting throughout the last decade, the investment losses of the late 90s and the tragedy at the World Trade Center. Many looked to 2003 as a likely inflection point for the underwriting profitability of the last few years. At this point, we expect the continued deterioration of the balance sheets of legacy players to



John Charman, Robert Newhouse, Jr., Michael Butt

2003

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## Senior Management

**John R. Charman**

**Michael A. Butt**

**Robert J. Newhouse, Jr.**

**Jack Gressier**  
Global Insurance

**William Fischer**  
Global Reinsurance

**Dr. Karl Mayr**  
European Reinsurance

**Michael Morrill**  
U.S. Reinsurance

**Dennis B. Reding**  
U.S. Insurance

**Andrew Cook**  
Chief Financial Officer

**Glenn Gardner**  
Chief Technology Officer

**Tim Hennessy**  
Finance Director, Europe

**Lorraine S. Mariano**  
Chief Human Resources Officer

**John Murray**  
Chief Operations Officer

**Carol S. Rivers**  
General Counsel & Secretary

**Richard Strachan**  
Chief Claims Officer



contribute to the duration of the hard market. We remain confident of the premium value of a strong balance sheet for our global clients.

Building upon the solid foundation we have laid, 2004 will emphasize strong and focused growth, disciplined global risk management and capital deployment as well as organizational stability. We will seek to maximize the opportunities that present themselves to our now fully established global network. We will focus on strong organic growth and continue to address new opportunities by identifying quickly those that suit our business model. We will recruit, as necessary, the best underwriting talent to capitalize on these opportunities.

All of us at AXIS Capital are dedicated to creating and sustaining a strategically important and highly profitable company. In this, our first annual report as a public company, I invite you to read the letters from the leaders of our four major business segments. I have come to know and respect these individuals over my many years as an underwriter. I am delighted to stand side-by-side with them and the teams we have assembled, driving value for our fellow shareholders on a daily basis.

Let me begin the new year with sincere thanks to our shareholders, customers and brokers who continue to provide enthusiastic support and encouragement. As we at AXIS Capital continue to successfully execute our long-term strategy, we look forward to a long and mutually successful future.

A handwritten signature in black ink, appearing to read 'John Charman', with a long horizontal flourish extending to the right.

John Charman  
Chief Executive Officer  
President



AXIS Specialty Europe Limited  
AXIS Re Limited

Alexandra House  
The Sweepstakes, Ballsbridge  
Dublin 4, Ireland

An tAontas Eorpach  
European Union

ÉIRE  
IRELAND



Pas  
Passport

BRITISH AIRWAYS

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BERMUDA

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P03

BDA BA 2233 / 23SEP

BA 112358

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## Global Insurance

For AXIS Global Insurance, 2003 was a year of consolidating and reinforcing the excellent foundation constructed in 2001 and 2002. First, we created a solid premium base defined by strong product and broad geographic diversity. Second, we strengthened many strategic, long-term relationships with high-quality international clients and within the global broking community.

Whatever business we had not been able to access in 2002, we pursued relentlessly throughout 2003. Once again, our strong relationships and vast experience and knowledge of the market positioned us well against the competition. The energy and enthusiasm of our outstanding team, our exercise of extreme prejudice within the risk selection process and the efficiency of our technological platform have further strengthened the AXIS franchise. A franchise that has become synonymous with decisive service and value of the highest quality.

The year finished as it began, with the specialty market strong in most areas in which we participate. Pricing in some areas, however, softened slightly, particularly in classes that experienced benign loss activity. Energy, aviation, war, terrorism and the property classes fall into this category.

*Jack Gressier*





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Global Insurance  
Dublin and London Offices

Political risk business saw increased activity as flows of foreign direct investment picked up globally. The most disappointing markets were space and marine hull. Although rates continued to increase in these areas, they were not at a level that would have enticed us to participate in a meaningful way. We did see an improvement in marine liability and cargo and specie business. We expect these, along with professional lines, to be strong areas for growth in 2004. The price softening we saw at year's end, although trying, was not terminal, particularly since deductibles remained at historic highs and terms and conditions, including cash flow, remained tighter than they have been in years.

While operating in a generally favorable marketplace, the Global Insurance team continued to re-engineer its participation in many risks, carving out positions that maximize price for the risk we accept, securing the optimum share and, thus, ensuring the most efficient use of our capital. Our teamwork and communication will continue to position us well in 2004 as we anticipate the market being unnecessarily weak in some areas. We expect that many legacy players will continue to be challenged by past sins.

*continued on page 25*

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### **Dublin Office Team Photo**

*(standing, left to right)*

Erica Delaney, Hayley Frake, Gordon McFadden, John Murray, Sally Wurthmann, Adrian Ryan, Madeleine D'Costa, Fintan Mullarkey, Susan Rogan and Tim Hennessy

### **Dublin Office**

*(top row 24, 24A, 25) - Adrian Ryan, Fintan Mullarkey and Gordon McFadden, Hayley Frake*

*(middle row 25A) - Sally Wurthmann and Richard Housley*

### **London Office**

*(bottom row 26, 27, 28) - Rupert Cousins, Patricia Richmond, Jonathan Marshall and Nicholas Flynn*

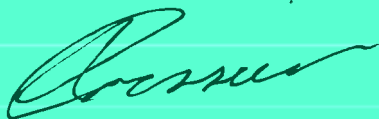


8th Floor, 2 Minster Court  
Mincing Lane, London, EC3R 7AS,  
England

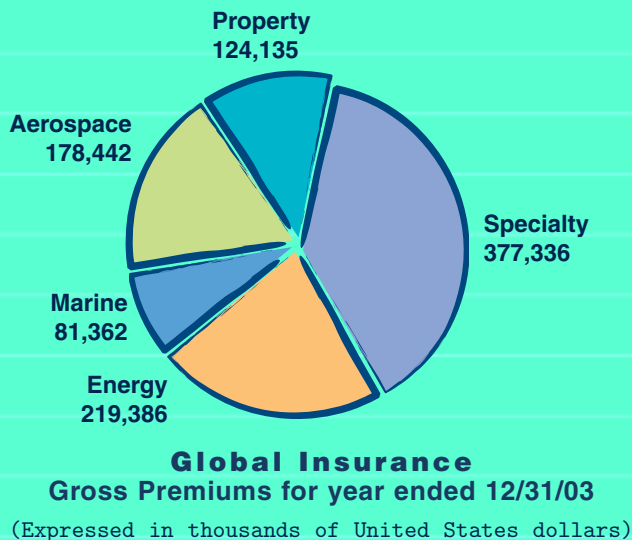


We are stunned by the disconnect that appears to exist between the management of many insurers and their front-line underwriters. Despite this weakness, we expect to see the inexorable flight to quality continue. As the reinsurance markets remain firm, we expect sub-standard players to be squeezed out of the market.

Meanwhile, we have the talent and the desire to capitalize on what we have created thus far and we remain firmly committed to the pursuit of stability, diversity and profitability within our business. Finally, I would like to thank every member of the Global Insurance team for absolutely outstanding performance throughout 2003.



Jack Gressier  
Chief Executive Officer & President  
Global Insurance



date: june 17 2003

Pembroke, Bermuda

**AXIS announces London branch  
underwriting office opening**

JUNE 2003

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## PRESS RELEASE

### AXIS ANNOUNCES OPENING OF LONDON BRANCH UNDERWRITING OFFICE

Pembroke, Bermuda, JUNE 17, 2003

AXIS Capital Holdings Limited announced today that it has received regulatory approval for the establishment of a London branch of its European insurance subsidiary AXIS Specialty Europe Limited ("AXIS Europe").

AXIS Europe is licensed and domiciled in Ireland and able to provide insurance business throughout the European Union. The company carries the AXIS group rating of "A" (Excellent) from A.M. Best and "A" (Strong) from Standard & Poor's. John Gressier will be the London Branch Manager with Jonathan Battle the Deputy Branch Manager. The branch will operate from premises at No 2 Minster Court, Mincing Lane, London.

John Charman, President and CEO, said, "The addition of a London underwriting presence enhances the AXIS franchise built up over the last eighteen months and gives us a key presence in each of the significant insurance marketplaces globally. The branch will complement our Irish head office and will assist us with servicing the London broker community."

### London Office



(left picture)

Richard Fricker, Luan Nott and Gemma Oakes

(right picture)

John Andrews and Rupert Cousins



## Global Insurance, Bermuda Team



*(standing, left to right)*

Hillary Williams, Tsehay Lambert, Terry Wood  
and Richard Bullen

*(sitting, left to right)*

Nicola Swain, Rory MacGregor and Jennifer Lapsley

### London Office

*(film strip from top to bottom)*

Michael Dempsey, Jennifer Marquis,  
Brian Jiggins

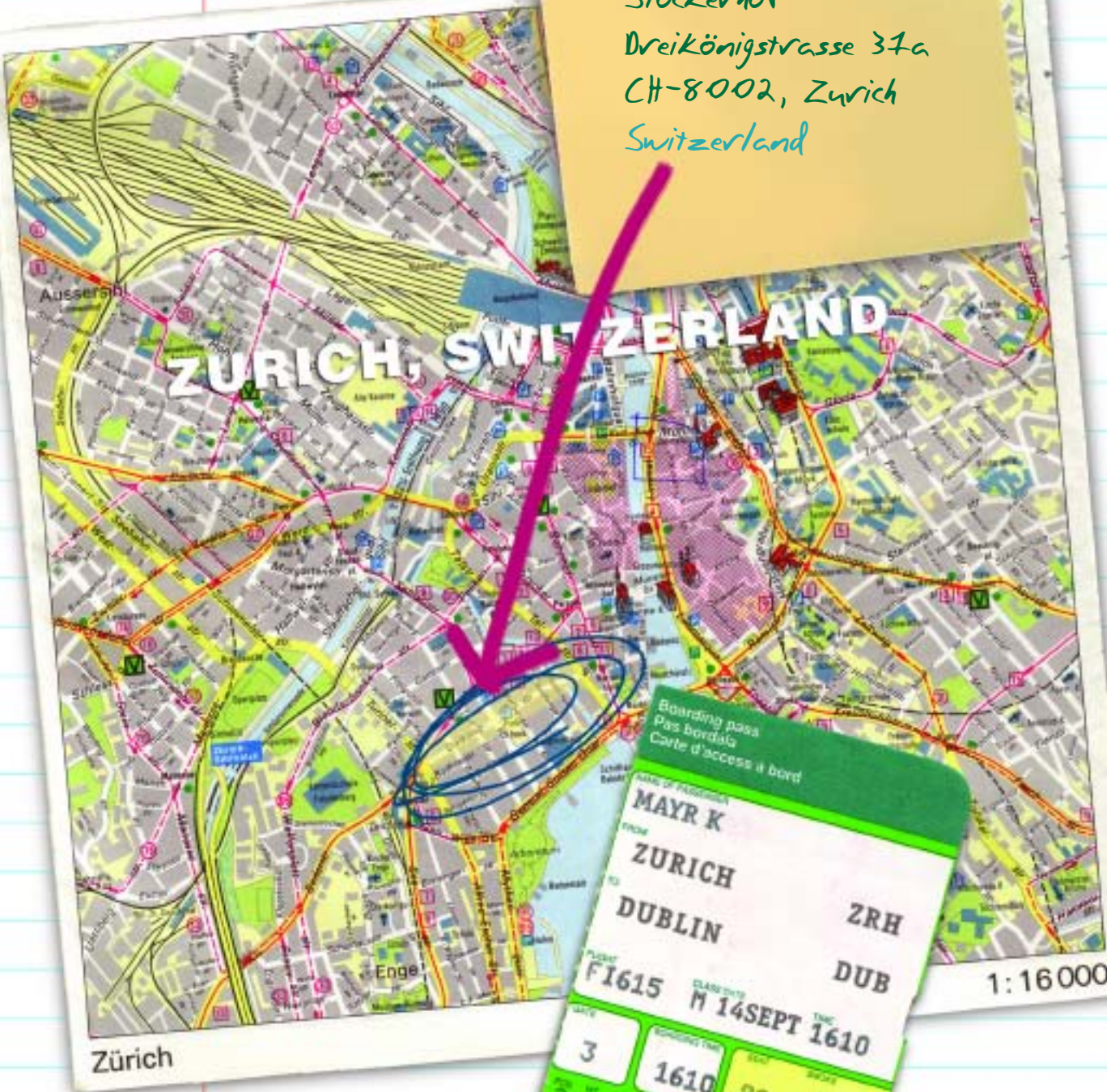
*(film strip 4) - Nik Bracey*

*(film strip 2) - James Pullen*





Stockerhof  
Dreikönigstrasse 37a  
CH-8002, Zurich  
Switzerland



date: july 21 2003

Pembroke, Bermuda

**AXIS Capital announces the  
appointment of Dr. Karl Mayr**

## PRESS RELEASE

### **AXIS CAPITAL ANNOUNCES THE APPOINTMENT OF DR. KARL MAYR AS PRESIDENT AND CEO OF AXIS RE EUROPE**

Pembroke, Bermuda, July 21, 2003

AXIS Capital Holdings Limited ("AXIS Capital") today announced the appointment of Dr. Karl Mayr as President and CEO of AXIS Re Europe ("AXIS Re").

Dr. Mayr will lead the AXIS Re underwriting team in developing and servicing our European reinsurance clients. This operation is subject to final regulatory approval and will be based in Continental Europe.

John Charman, AXIS Capital President and CEO said, "We are delighted that Karl has agreed to lead AXIS Re in Europe. This extraordinarily important market is undergoing both fundamental changes as well as a substantial re-alignment of strategic business partnerships. We will deliver to European clients a highly rated unencumbered balance sheet uniquely coupled with sustainable, dependable and proven underwriting skills. Michael Butt will also serve as Chairman of AXIS Re and we will be making further announcements as we put our senior European reinsurance management team in place this autumn."

*Dr. Karl Mayr*





JUNE 2003

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*Zurich Team*

## European Reinsurance Staff

(top image, left to right)

Jacqueline Schoenmann, Karl Mayr, Sara Vollenweider, Andrew Bisset  
Jasmin Bonser, Colm Lyons and Bruno Félix

(bottom image, left to right)

Stefan Haberer, Marc Maupoux, Michael Kaepfner, Christoph Virchow and  
Stephan Knipper

# Axis IPO expected to net \$256m

June 11, 2003

Insurer premium  
million c

Axis Capital Holdings Ltd. yesterday announced it expects to sell 21.5 million common shares in an initial public offering for \$19.50 to \$21.50 each.

The Bermuda-based insurer, which was formed in the wake of the Sept. 11 terrorist attacks, said it expects to have a potential market value of about \$1 billion based on that price range.

It filed its IPO prospectus with the Securities and Exchange Commission yesterday.

Axis, which wrote \$608.6 million in gross premiums and posted \$107.1 million in net income in the first quarter of 2003, originally announced it planned to go public in March.

In 2002, Axis wrote \$1.1 billion of gross premiums and generated \$265.1 million

## AXIS Capital floats shares

Asia Capital is set to float this week on the New York Stock Exchange - hoping to raise about \$400 million in the process.

The company cannot say when the initial public offering will take place, but the Bermuda-based insurance firm is offering 21.4 million shares, at \$15.50 to \$21.50, each with underwriters Morgan Stanley and Citicorp. IPO on March 6 with plans

Asia Capital filed its IPO on March 6 with plans to raise up to \$518 million in proceeds.

While 1996's move to a new building is the latest in a series of means to improve service providers.

The company rang up \$1.1 billion in first-half revenue and \$337 million in revenue in revenue and profit, and provider of specialty insurance and reinsurance, 2001. Asia Capital was founded in November, 2001. Singapore-based insurer, which was formed

The Singapore-based company, which is in the midst of the September 11 terrorist attacks, expects to have a potential market value of about \$3 billion. Asia wrote \$906.6 million of gross premiums and posted \$107.3 million in net income in the first quarter of 2003. In 2002, Acis wrote \$1.3 billion of gross premiums and generated \$265.1 million in net income, according to an SEC filing in June.

The company is selling 13.4 million shares while shareholders are offering an additional 5.1 million shares, Asia predicted it will net about

\$250 million in proceeds, which it plans to use as additional capital for operations and general corporate purposes. It will not get any of the proceeds from the stock sold by the shareholders, which include Marsh & McLennan Cos. Inc. and J.P. Morgan, according to the SEC filing.

Asx will become the fourth post-2011 IPO start-up to list on the New York Stock Exchange in the past 12 months. Montpelier Bx, Platinum Underwriting and most recently Endurance Specialty, have also gone the IPO route. Last year was an infrastructure building year for Asx.

With the opening of their offices in New York, the company moved into the US market by acquiring three US companies and locations in Connecticut and New York. The high-end men's wear is described as a truly global player. The high point to the year, however, was the receipt by the operating companies of a Standard & Poor's "A" rating.

The group covers two major types of insurance—marine and casualty. Its marine segment includes specialty risks (including terrorism, maritime and offshore energy, aviation and oil risk), nuclear and offshore energy, and marine. The casualty segment refers to reinsurance written in brick rather than in a policy-by-policy basis. The underlying policies include: property; workers' compensation; personal accident and life; professional liability; casualty dash; marine and aviation.



Capital Holdings Limited

106 Pitts Bay Road

Pembroke, HM 08

## Bermuda



## Global Reinsurance

Global Reinsurance continued to successfully expand its portfolio in 2003 through a combination of better penetration of its existing global client base and adding new customer relationships in Europe. Significant shifts in the dynamics of the traditional European reinsurance marketplace, including a sea change in the previously closed relationships between client and carrier, led us to quickly establish a strong underwriting presence in Zurich. This strategic expansion into Continental Europe represents a unique opportunity to achieve significant quality growth and product diversity in this segment. Our new team's outstanding reputations, local knowledge and excellent long-standing client and broker relationships are of critical value as we quickly establish ourselves as a major force in Continental Europe.

The dominant part of our portfolio continues to be property catastrophe business. During 2003, we broadened our property mix by taking selected positions on property per risk treaties. In addition, we diversified our catastrophe book by substantially increasing our underwriting of excess workers' compensation, life and accident and health covers.



*William Fischer*



JUNE 2003

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## *Global Reinsurance Team - Bermuda*

*(standing, left to right)*

Timothy Tetlow, Alex Smith, Dave Wolfe and Conan Ward

*(sitting, left to right)*

Christian Dunleavy, Sherry Chadwick and Andrew Bubniak



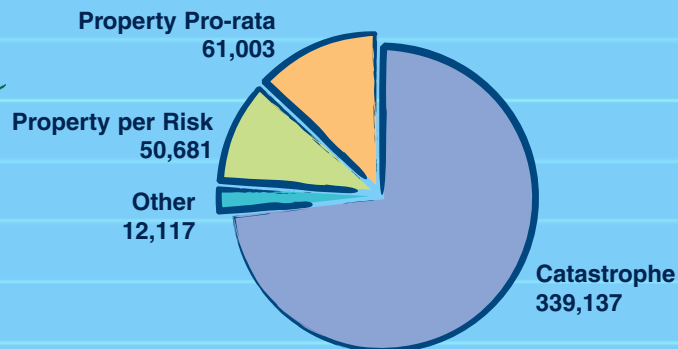
This diversification will continue as we globalize our infrastructure and our franchise. Specifically, we expect our Zurich operation to build within Europe a more highly diversified account than is underwritten in Bermuda where we are primarily a severity-driven business.

During 2004, we will continue to focus on coordinating our global efforts to maximize client and portfolio penetration, profitability and cross-selling opportunities. We will also continue to enhance our customer service capabilities and refine and improve our active management of risk across our product lines. Our longer-term strategy calls for us to establish a presence in the Asian region in order to better promote our franchise and brand name as well as service our existing clients locally.

While 2003 was an active year for natural catastrophes, none were severe and those that did occur had a modest impact on our financials. We are “exposure-driven” underwriters and, as such, this type of experience has little impact on our pricing methodologies. We believe the majority of our clients understand and appreciate a disciplined approach to underwriting, which gives them confidence in our consistency of approach as well as long term viability as a counter-party. This valuable client support gives us confidence in the sustainability of the current market terms and conditions and reinforces our ability to deliver long-term real value to our shareholders.

*William A. Fischer*

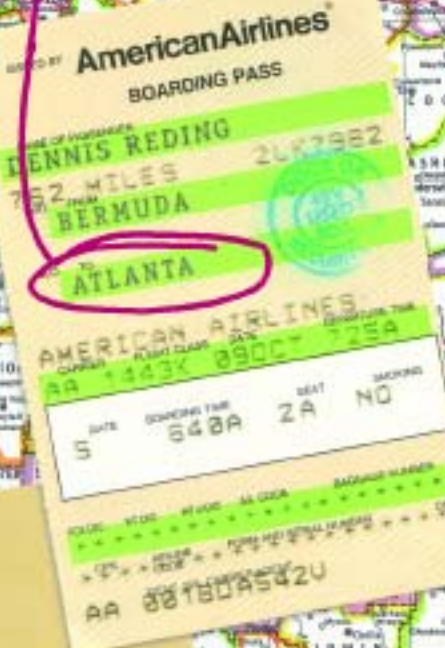
William Fischer  
Chief Executive Officer &  
President  
Global Reinsurance



**Global Reinsurance**  
**Gross Premiums for year ended 12/31/03**

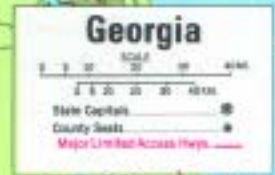
(Expressed in thousands of United States dollars)





AXIS U.S. Insurance  
Headquarters

11680 Great Oaks Way  
Suite 500  
Alpharetta, GA 30021



## U.S. Insurance

Following the recruitment of a skilled and proven underwriting team in November 2002, we moved quickly to obtain all necessary regulatory approvals and complete all remaining operational items. We launched the new U.S. Insurance segment of AXIS just four months later, in March of 2003.

Initially, opportunities were greatest in four business areas addressed by our four initial business units. Three were in the excess and surplus (E&S) market and one was in the more traditional standard market. Our E&S business units focused on commercial property, primary liability and umbrella and excess liability business produced by wholesale brokers. Our retail unit focused on large commercial property business. The E&S market has become a very favorable market for us, allowing us freedom of rate and form and access to a large producer base through our wholesale distribution partners.

Although our launch was later in the first quarter than originally anticipated, we exceeded our business plan for the year due to the experience and strong relationships of our underwriting team. These strengths, coupled with strong group financial ratings from A.M. Best and S&P and a favorable marketplace, drove this success and will continue to benefit us in 2004.

*Dennis Reding*





KODAK TX6043



U.S. Insurance Leadership Team

AK TX6043

DAK TX6043 ▶ 16



KODAK TX6043



20A

▶ 18 KODAK TX6043



▶ 19 KODAK



▶ 22 KODAK TX6043



New York Office

U.S. Insurance - Atlanta, Chicago, Los Angeles and New York Offices



Early in 2003, we identified the professional lines market as a new area of opportunity for U.S. Insurance. This market was undergoing significant changes in terms and conditions as well as pricing. In February, we recruited an exceptionally skilled underwriting team who shared the same underwriting discipline and approach to the business as the existing U.S. team, and completed a renewal rights transaction for Directors & Officers and related products business. Due to the strength of this team and their broker and client relationships, we were able to retain more business than initially anticipated, and both new and renewal business writing was strong throughout 2003. This fifth unit within U.S. Insurance is now fully integrated.

By mid-year, we had formed a sixth business unit, Custom Accounts, to expand into a segment of the property market generally characterized by smaller accounts not accessed by existing distribution sources and leverage our existing underwriting expertise and catastrophe management skills. This proved to be a successful initiative, with controlled growth and specialized accounts.

*continued on page 39*

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### **Leadership Team Photo**

*(standing, left to right)*

Timothy B. Chesson, F. Marshall Turner II, Dennis B. Reding, John A. Kuhn

*(seated, left to right)*

Michael P. Flaherty, Alan J. Rodrigues, Thomas A. Steidinger and Carlton Maner

### **Atlanta (Alpharetta, GA) Office**

*(top row 16)* - Douglas J. Krumrey

*(middle row 18, 19)* - Jim Pratte, Vivienne Ferguson

### **Los Angeles Office**

*(middle row 20A)* - John Montgomery, Connie May-Bavis and Martin J. Maslanka

### **Chicago Office**

*(bottom row 21, 22)* - Gregory W. Springer, Marc H. Nance

### **New York Office**

Edward N. Talarico, Michael A. Wright *(standing)*, Christine Santiago and Nancy J. Usic

date: july 1 2003

Pembroke, Bermuda

**AXIS launch their new  
corporate website**

JULY 2003

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## PRESS RELEASE

### AXIS LAUNCHES NEW CORPORATE WEBSITE

Pembroke, Bermuda, July 1, 2003

AXIS Capital Holdings Limited (NYSE: AXS) announced today that it has launched a new corporate website. Starting today, information about AXIS, its people and products can be found by visiting **www.axiscapital.com** on the Internet.

Visitors to the Company's old website will be automatically redirected to the new homepage.



[www.axiscapital.com](http://www.axiscapital.com)



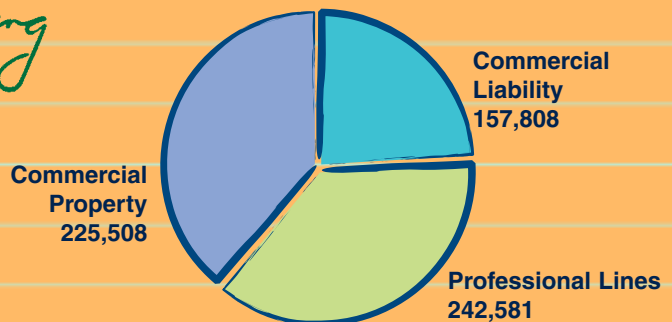
In the third quarter, we expanded this unit by attracting underwriting expertise in the specialty inland marine business, particularly for large-builders risk accounts.

We have just completed a further expansion of our professional lines business by recruiting an experienced team of underwriters who have strong customer relationships and proven track records in selective classes within the errors and omissions market. This unit complements our existing business and brings talent that promises to make this a significant business unit in the future.

The cornerstones of our strategy are four-fold: One, to target business where conditions are such that we believe it can consistently produce an underwriting profit. Two, to remain committed to underwriting discipline, including our strong peer review process. Three, to keep expenses under control and our infrastructure limited. And four, to stay close to our chosen markets and production sources. In our initial year, we implemented the aforementioned strategy, laying the foundation for future success. With an excellent management team, strong experienced underwriters and continuing favorable market conditions, we expect 2004 to be another successful year.

*Dennis B Reding*

Dennis B. Reding  
Chief Executive Officer  
U.S. Insurance



**U.S. Insurance**  
**Gross Premiums for year ended 12/31/03**

(Expressed in thousands of United States dollars)



40

AXIS U.S. Reinsurance  
430 Park Avenue  
15th Floor  
New York, NY 10022



## U.S. Reinsurance

U.S. Reinsurance enjoyed a favorable year in 2003. Total capital in the U.S. rose to more than \$500 million. This unencumbered capital, together with 'A' ratings from both A.M. Best and S&P, enabled us to offer excellent financial strength to our clients. U.S. Reinsurance's speed to market, a result of our flat management structure, allowed our underwriters to respond quickly and professionally to our customers' requests. Our continued development and market acceptance as a lead enabled us to develop our portfolio. Today, there is more evidence than ever that clients reward service, financially secure capacity and increased line size.

While we continue to consider all types of reinsurance structures, we prefer excess-of-loss covers. We are very careful in setting our attachment points and seek to avoid contracts with anticipated frequency of loss.

During 2003, professional liability was the largest line of business in our portfolio. U.S. Reinsurance offers a complete range of professional liability reinsurance products, including directors and officers, medical malpractice, lawyers, architects and engineers and employment practices liability. In a market characterized by historically high losses resulting in diminished capacity, we have been able to capitalize on increased opportunities presented by a complete re-underwriting of the underlying product.

*Michael Morrill*





JULY 2003

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## U.S. Reinsurance Team



## New York Office

(standing, left to right)

James B. Ruden, Steven W. Komis and Michael Fokken

(sitting, left to right)

Michael Orlich, Halina Herc and Christopher A. Donelan

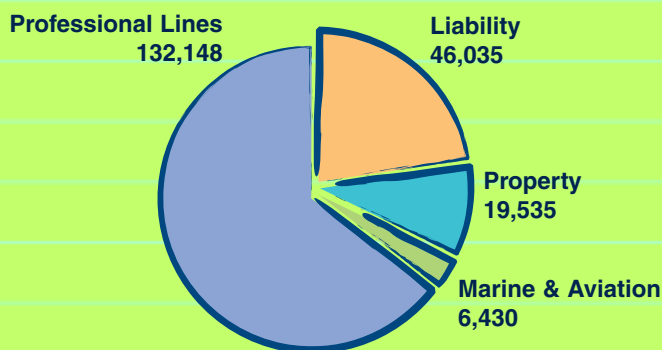




The general casualty reinsurance market improved during 2003, but not to the degree we had anticipated or feel comfortable with. Significant unrestrained competition and capacity slowed positive trends in terms and conditions and, thus, the attractiveness of this class. The good news is that the trend is now positive and we expect to see improvements during 2004 that will allow us to write more business in this class. One notable exception has been casualty-clash reinsurance where clients have placed emphasis on market quality, expertise and creativity.

We are developing a portfolio of property proportional and per risk excess-of-loss reinsurance. We currently reinsure specialty companies and specialty divisions of mid to large-sized regional and national carriers. We also provide carefully selected facultative reinsurance through semi-automatic binding agreements. We expect this area to grow during 2004 as we better leverage our Global Reinsurance property relationships.

The marine and general aviation portfolio is focused on excess-of-loss, with an emphasis on severity-driven layers, although proportional treaty business is considered as well.



**U.S. Reinsurance**  
**Gross Premiums for year ended 12/31/03**  
 (Expressed in thousands of United States dollars)

date: july 1 2003

Pembroke, Bermuda

**AXIS initial public offering**  
\$22.00 per share

JULY 2003

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## PRESS RELEASE

### AXIS INITIAL PUBLIC OFFERING PRICED AT \$22.00 PER SHARE

Pembroke, Bermuda, July 1, 2003

AXIS Capital Holdings Limited (NYSE: AXS) announced today that its initial public offering of 21.5 million common shares, including 13.4 million common shares offered by the Company and 8.1 million common shares offered by its selling shareholders, has been priced at \$22.00 per share.

The shares, representing approximately 15 percent of the Company's equity, are scheduled to begin trading today on the New York Stock Exchange under the symbol "AXS".

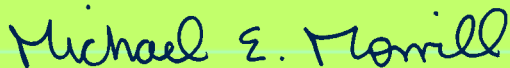


Clare Moran, Andrew Cook,  
Linda Ventresca and  
John Charman

AXIS ON NEW YORK STOCK EXCHANGE... SHARES \$22.

Lines of business covered under the marine segment include - but are not limited to - hull, cargo and marine liability. Our general aviation treaty products include - but are not limited to - aircraft hull and liability coverage.

In all lines, our strategy stresses underwriting discipline to achieve a profitable portfolio. We control our aggregate exposures real-time and maintain a diverse spread of risk across both product lines and geographic zones. We emphasize excess-of-loss business as that is an area where we can influence terms and conditions and use our capacity most effectively. We seek to leverage the efficient global platform and operations of the AXIS group. This platform, together with the group's underwriting discipline and broad access to the broker distribution network, will continue to benefit us as we seek to create a major business in the world's largest reinsurance market. U.S. Reinsurance provides the service, quality and security that cedants demand today, tomorrow and in the future.



Michael Morrill  
Chief Executive Officer & President  
U.S. Reinsurance



JULY 2003

# The New York Times

Copyright © 2003 The New York Times

NEW YORK, WEDNESDAY, JULY 2, 2003

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## **AXIS Capital Shares Rise on Public Offering**

Shares of AXIS Capital Holdings rose 16 percent after it raised \$473 million in this year's biggest initial public offering by an insurance company.

AXIS Capital, based in Bermuda, sold 21.5 million shares at \$22, more than the company's expected price range. The stock rose to \$25.55.

# THE WALL STREET JOURNAL.

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WEDNESDAY, JULY 2, 2003 - VOL. CXXLIII NO. 35



AXIS ON NEW YORK STOCK EXCHANGE... Shares \$22.

## Financial Overview

Most of what AXIS accomplished in 2003 is covered in detail in the 10-K included in this report. As you read the 10-K, keep in mind these fundamental points, which we have focused on since our inception:

- The financial strength of AXIS, demonstrated by our capital and surplus in excess of \$2.8 billion and our A ratings from both A.M. Best and Standard & Poor's;
- A capital base unencumbered by legacy exposures or reinsurance recoverable balances;
- A conservative investment portfolio focused on high quality investments and capital preservation;
- A disciplined focus on cash flow;
- And possibly most important, a commitment to open and transparent financial reporting.

In 2001, we were presented with an exceptional opportunity to develop AXIS from a greenfield site. We have taken advantage of that opportunity to build advanced analytical and reporting capabilities. Underlying our management and financial reporting is a single underwriting database that we utilize across our entire operation.

*Andrew Cook*



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# 'Milestone' day for Bermuda, Axis



Photo by David Souter

**Flashed!** The men at the helm of Bermuda's newest listing on the New York Stock Exchange, Axis, will today celebrate raising \$473 million by ringing the stock exchange bell. From left John Charman, president and CEO, Michael Butt, chairman, Robert J. Newhouse, Jr., chairman of the executive committee and Andrew Cook, executive vice president and chief financial officer.

By Mairi Mallon

The listing of Axis Specialty yesterday confirmed Bermuda as the world centre for insurance and reinsurance said Michael Butt, chairman of the company.

Yesterday Axis started trading on the New York Stock Exchange under the ticker symbol AXSP, raising \$473 million and trading at the top end of the scale at \$22 and moving up 16 percent to \$25.50 during the day.

Mr. Butt said: "It is a milestone in the history of the island in establishing itself as the centre for global insurance and reinsurance. "In the ten years since the catastrophe (insurance) companies were formed (in the wake of Hurricane Andrew), the ability to build lasting businesses based in Bermuda has impressed the world's buyers who now view Bermuda as the highest quality of market available. The public flotation of Axis today (yesterday) confirms the position of Bermuda as the world centre for insurance and reinsurance."

The company is the latest in a line of Bermuda post-September 11 start-ups to list on the exchange - Endeavour Specialty

Holdings Ltd. made its own NYSE debut on February 18 at \$25 a share, and began Tuesday at \$29.65. Montpelier Re Holdings Ltd. trades at \$31.00, well above its own \$20 offering price. Montpelier began initial trading on October 10.

Axis, which has its offices on Pitts Bay Road in Hamilton, has seen its Bermuda staff triple in the 18 months since it came into being and has opened offices around the world.

"When Bob (Robert Newhouse) and I set the company up back in October, 2001 it was because we genuinely believed that the World Trade Center tragedy was a transformational moment, not only for the world and its relationships with each other, but also for the insurance and reinsurance industry," said John Charman, president and chief executive officer of the company.

"It was transformational in the fact that it forced at long last the modernisation of the last of the financial services (insurance). And the opportunity was to create the leading diversified specialty insurance and reinsurance company in the world as measured by quality, cost and... Continued on Page 28

continued from Page 23 ability and profitability. And I want to emphasise the leading as opposed to one of the leading. Mr. Charman added that this was not a bad mission statement to come out with from the very inception of the company.

"I think this goes against everything and everybody that criticises start-ups," he added. Last week Pluck in a report, said that the Bermuda start-ups were not as safe an investment as the more established insurance companies.

"From the very beginning we had a very strong commitment to creating a new type company because most of the traditional companies were overwhelmed by cost, people and infrastructure.

As I said at the very inception of Axis that we were going to create a modern structure as a business platform and we were going to find the highest talent, we were going to use the best technology and we were going to outsource as much of our back office as we could, because I do not want to be famous for processing.

And Mr. Charman said that over the past 18 months the company has demonstrated that they have moved significantly towards achieving that goal.

"And that is against the backdrop of a global industry where legacy businesses cannot escape from the size of their past, and shareholders equity is being persistently and consistently impaired from old year losses and then

past year liabilities.

"We believe that the group of businesses in the last quarter of 2001 have exemplified a new approach, a more modern approach, a more disciplined approach to the global insurance and reinsurance business and will continue to do so."

The initial public offering of 21.5 million shares, led by Morgan Stanley and Citigroup Inc., priced above estimates of \$19.50 to \$21.50 a share.

Axis, Allied World Insurance Company, Arch Capital Group, Dai-ichi Kangaro, Insurance Specialty, Montpelier Re, Orangetree all set up within months of each other in Bermuda with an initial capital of \$7.5 billion between them.

At the time, many existing insurers were added by the heavy attacks, combined with the new terrorism-claims exposure these companies faced. Many of these same insurers also faced other liabilities from asbestos and environmental claims, and deep losses in their investment portfolios. This, and a need worldwide for new insurance capacity, prompted a move to set up new problems of the industry. Since the attack, \$15 billion of new capital was invested in insurance businesses in Bermuda, according to data from Axis included in its offering documents filed with the Securities and Exchange Commission.

In 2002, its first full year, the company had \$1.1 billion in gross premiums with income of \$265.1 million. The first quarter of this year is reported \$107.1 million income on \$608.6 million in gross premiums.

Unlike many IPOs, Axis is paying a dividend to shareholders. It plans initially to pay seven cents a share quarterly. Some mining in Axis, including: M. McLennan Cos., J.P. Chase & Co., The Black Group and Thomas H. Lee, crashed out part of investments in the IPO. 21.5 million shares sold, 8 million shares were offered by big holders.





This system allows us to analyze key information on a real-time basis and enables us to be consistent throughout our organization in accounting policies, forecasting and financial reporting procedures and fulfillment of our disclosure requirements.

On July 1, 2003, AXIS Capital listed on the New York Stock Exchange under the symbol AXS. This event ushered in a new era of maturity for us, with respect to both our financial flexibility and our reporting responsibilities under the rules and regulations of the NYSE and the SEC. We have always prided ourselves on our transparent financial reporting, but this event clearly opened our reporting to a new audience. In today's uncertain climate, we want to assure you, our shareholders and clients, that we are presenting our financial statements in accordance with generally accepted accounting principles, as openly and transparently as possible. We encourage you to access not only our required disclosures but also our supplemental disclosures in the Investor Information section of our website, [www.axiscapital.com](http://www.axiscapital.com).

The U.S. fixed income market resembled a roller coaster ride for most of 2003, making the investment arena very challenging. During this unstable period, we remained committed to our investment strategy, which seeks to preserve principal and maintain liquidity while attempting to maximize investment returns through a high quality, diversified portfolio. From the outset, we have adhered strictly to investment guidelines that ensure we can reach these strategic investment goals.

We ended the year with an investment portfolio that boasted an overall credit quality of AA+, a duration of 3.0 years and that generated a total return of 3.50%. We believe that our portfolio offers several advantages. We have the necessary cash available to satisfy our clients' loss requirements.

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## BERMUDA NEWS

# AXIS enjoys income boom after IPO

By Lilla Zuill

## Q2 RESULTS

AXIS Capital Holdings yesterday reported a more than fourfold increase in net income with \$117.8 million posted in the second quarter compared to \$21.2 million in the same period last year.

The stellar results followed the company's initial public offering (IPO) on the New York Stock Exchange earlier this summer.

AXIS president and CEO John Charman said: "We are delighted to have produced such a strong set of financial results for our first reporting period as a public company."

"These results clearly demonstrate the differentiating AXIS franchise that has been built over the last 18 months."

"All four of our underwriting segments are now fully operational, each has top quality ratings, excellent staff and well capitalized platforms from which we can not only sustain our profitability but, more importantly, from which we can generate future growth."

Going public and seeing profit levels jump comes on the heels of the company's metamorphosis from a small start-up after the September 11 tragedy to one with staff now numbering in the hundreds and offices in Bermuda and several other key markets.

Last year the company expanded its horizons to the east and west of Bermuda with its establishment of US operations and a Dublin office from which to write business in the European market.

At the same time as branching out to different parts of the world, AXIS also diversified its book of business with acquisition of the renewal rights to Directors & Officers and related product lines from Kemper's Financial Insurance Solutions Group.

Alongside this growth, the company - on a consolidated basis - wrote \$51.5 million in gross premiums during the quarter, a solid increase over the same period the year before when AXIS recorded \$25.7 million in gross premiums written.

"These results clearly demonstrate the differentiating AXIS franchise that has been built over the last 18 months." - John Charman

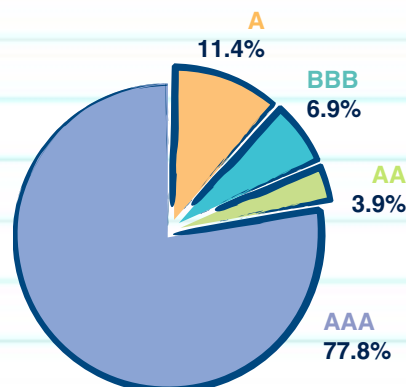
The company reeled more than \$190 million of its second quarter, 2003 business to reinsurers for a net premiums written total of \$449.8 million compared to \$233.8 million during the same period in 2002.

Breaking down how much money the company made on each dollar of business it underwrote, AXIS said its combined ratio for the quarter stood at 81.5 percent, an improvement over the 82.4 percent recorded during the second quarter last year.

On the investment side, the company said in the first six months of the year realized \$54.2 million compared with \$43.3 million in the first half of 2002.

Revenues for the period stood at \$377.3 million in contrast to \$117.21 million during the same quarter of 2002 and expenses coming in at \$296.42 million and \$87.2 million for the second quarter period of 2003 and 2002 respectively.

Bermuda-based AXIS said it is a provider of specialty lines insurance and treaty reinsurance, with shareholders' equity in excess of \$2.2 billion.



**Credit Quality of Investment Portfolio**  
as at 12/31/03



Our relatively short duration will allow us to re-balance the portfolio in response to the impacts of external economic factors or, if necessary, hold our investments to maturity, effectively preserving capital.

As a Bermuda-based entity, it is important that we provide our clients with the necessary statutory support. With this in mind, we renewed and increased the size of our revolving credit facility to \$550 million. Not only does this give us the ability to issue letters of credit to our clients, it also provides additional liquidity should that need arise.

It would be imprudent to say that we are ahead of the curve with respect to determining our loss reserves, but, within our industry, there is certainly much debate concerning the efficacy of internal loss reserving. Since our inception, we have used independent external actuaries to assist us in the reserving process. Each and every quarter, we have established reserves as discussed with and recommended by our external actuaries. We believe that our reserving process allows us to establish reserves in the most timely and conservative manner possible.

In conclusion, we measure our success by our ability to deploy our capital effectively. To this end, we have generated a return on average equity of 22.3% for the year ended December 31, 2003 and have seen our capital base increase by \$856 million over the same period. With this kind of success comes a need to effectively manage our capital base. We have taken the first step in this long-term process by declaring a quarterly dividend.



Andrew Cook  
Chief Financial Officer



date: september 9 2003

Insurance Day Magazine  
**AXIS pass \$2 billion  
 milestone after first quarter**

SEPTEMBER 2003

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## PRESS RELEASE

### NEW KIDS ON THE BLOCK

Insurance Day, September 9, 2003

For most of what is commonly dubbed the Bermudian "class of 2002," irrespective of whether they actually came into being in late 2001, January 1, 2004 will mark the first fully fledged round of renewals. In contrast to the early days of their "old money" counterparts, set up in 1993, many of the key players are building their positions in the insurance sector as well as the reinsurance sector.

Similarly, many have been quick off the mark both in terms of extending their reach into the European markets and of developing their involvement in the casualty sector a trend that has become increasingly apparent as the Bermudian second-quarter and first-half results have been published. This in part reflects the fact that rates in the property catastrophe market, which has been a mainstay for reinsurers in Bermuda for a decade, appear to be levelling off, while casualty prices continue to harden.

The first quarter of this year saw AXIS become the first of the post-9/11 Bermudian re/insurers to pass the \$2 billion milestone in terms of total consolidated shareholders' funds (SHF) a result that also made it the fourth-largest player on Bermuda, as measured by size of capital base. Following its initial public offering (IPO) in July, the shares became listed on the New York Stock Exchange.

July also saw the announcement that Dr Karl Mayr, then the chairman of the board of directors at GE Frankona Re in Munich, had been appointed to lead AXIS Re in Europe as president and chief executive of the European reinsurance subsidiary.

Commenting as the European move was announced, AXIS Capital president and CEO John Charman said: "This extraordinarily important market is undergoing both fundamental changes as well as a substantial re-alignment of strategic business partnerships. We will deliver to European clients a highly rated, unencumbered balance-sheet uniquely coupled with sustainable, dependable and proven underwriting skills."



Bermudian Business  
October/November 2003



## The Father of Bermuda Reinsurance

How Bob Newhouse helped build the world's risk capital  
BY JESSIE CRONIN Photograph by Art Sauter

There was no time for the quiet life of a man who had spent his entire career in the insurance industry. He was too busy building the world's risk capital. For the past 30 years, Bob Newhouse, Jr. has been the driving force behind the growth of Bermuda reinsurance. He has built a reputation as a man who is not only a visionary but also a man who is willing to take risks. He has been a pioneer in the industry, and his work has been instrumental in the success of many of the world's leading reinsurance companies.

Bob Newhouse, Jr. is a man who has spent his entire career in the insurance industry. He has been a pioneer in the industry, and his work has been instrumental in the success of many of the world's leading reinsurance companies.

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...the fact that the insurance industry is a very competitive one. It is a business where the margins are thin, and the competition is fierce. Bob Newhouse, Jr. has been a pioneer in the industry, and his work has been instrumental in the success of many of the world's leading reinsurance companies.

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"Extraordinary by intellect,  
by character, by sensitivity  
and by dedication."

John Charman

Patty and Robert Newhouse, Jr.

OCTOBER 2003

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## Corporate and Group Finance - Bermuda

*(standing, left to right)*

Angela Fleming, Michelle Ingham, Marisa Pacheco,  
Clare Moran, Jamie Steeves, Karl Wilson, Neera Dunleavy,  
Michael Moore, Chanell Darrell, Roger Thompson, Ginette Chambray  
and Shalimar Williams

*(sitting, left to right)*

Rob Marcotte, Carol Rivers, Ruth Smith, Grant Foster  
and Beverly Santos-Ivo





date: october 7 2003

The American Banker  
Underwriters hired for newly  
formed Zurich branch

OCTOBER 2003

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## PRESS RELEASE

### AXIS CAPITAL HIRES UNDERWRITERS FOR UNIT

The American Banker, October 7, 2003

AXIS Capital Holdings Ltd. in Pembroke, Bermuda, said Monday that it has hired two senior underwriting executives for AXIS Re Europe, its newly formed underwriting branch in Zurich.

Stephan Knipper was appointed the executive vice president underwriting, with responsibility for the liability and credit and bond lines of business. He also is to act as deputy to Karl Mayr, the president and CEO of AXIS Re Europe.

Bruno Félix was appointed the senior vice president underwriting, with responsibility for the motor line of business. He also is to be the marketing officer for France and Belgium.



(top) Stephan Knipper

(bottom) Bruno Félix

FEBRUARY 2004

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INSURANCE DAILY

Axis press

The financial magazine for the global insurance market

www.reactionsnet.com

## Reactions

Volume 24 Issue 2

February 2004

## Abandoning the old ways

by Kim Moore

John Charman, chief executive of Bermudian insurer AXIS Specialty, believes high costs and bad management are needlessly hampering the insurance industry. He explains to Kim Moore how his company is different.

For John Charman, chief executive of Bermudian insurer AXIS Specialty, the opportunity to run an insurance company after September 11 was more than a chance to capitalise on the lack of capacity in the market. He also saw it as a chance to draw on his own experience of the industry and create a company with a fundamentally different structure.

AXIS's goal is to be a top 10 player in the global insurance and reinsurance markets. It quickly established operations in the three

largest insurance markets: Bermuda, the US and Europe. It also floated on the New York Stock Exchange in July 2003, raising net proceeds of \$316m. AXIS is now the fifth-largest insurer on Bermuda, measured by shareholders' funds at September 30 2003.

It is well on its way to achieving top 10 status. It now writes a diverse portfolio of specialty insurance and reinsurance globally. But true to his word, the structure Charman has implemented at the company is very different from that of other similarly-sized insurers and reinsurers.

One of the industry's biggest problems, Charman believes, is that companies have grown through mergers and acquisitions instead of organically. Many have struggled to combine the infrastructures

of different operations. They have also struggled to cope with historical liabilities from business they have acquired. "The industry continues to be overwhelmed by Dickensian infrastructures that are burdened by excessive costs, people and legacy systems," he says.

A good way of motivating staff to write profitable business is to make them shareholders in the company, says Charman. All employees at AXIS are encouraged to buy shares in the firm. So far, staff members have invested \$16 million of their own money in AXIS.

If employees' own money is at stake, they are more likely to stay focused on writing profitable business, he argues. "We stick together like glue and if we make a mistake we all fall over together."



**John R. Charman**  
President, Chief Executive Officer









## Board of Directors

DIRECTORS

NAME Michael A. Butt  
 TITLE Chairman Board of Directors  
Finance Committee  
Executive Committee

NAME John R. Charman  
 TITLE Chief Executive Officer  
President  
Executive Committee

NAME Charles A. Davis  
 TITLE Executive Committee  
Corporate Governance Committee  
Chairman and CEO, MMC Capital, Inc.

NAME W. Thomas Forrester  
 TITLE Audit Committee  
Chief Financial Officer  
The Progressive Corporation

NAME Robert L. Friedman  
 TITLE Chairman, Audit Committee  
Senior Managing Director  
Blackstone Group, L.P.

NAME Donald J. Greene  
 TITLE Chairman  
Corporate Governance Committee  
Executive Committee  
Compensation Committee  
Retired named partner, LeBoeuf, Lamb,  
Greene & MacRae, L.L.P.

NAME Maurice A. Keane  
 TITLE Audit Committee  
Retired Group CEO, the Bank of Ireland

## DIRECTORS

## Board of Directors cont.

NAME Edward J. Kelly III  
 TITLE Finance Committee  
Corporate Governance Committee  
President, CEO and Director  
Mercantile Bankshares Corporation

NAME Robert J. Newhouse, Jr.  
 TITLE Chairman, Executive Committee

NAME Andrew H. Rush  
 TITLE Finance Committee  
Compensation Committee  
Managing Director, Credit Suisse First  
Boston in the Private Equity Group

NAME Scott A. Schoen  
 TITLE Chairman, Finance Committee  
Executive Committee  
Managing Director  
Thomas H. Lee Advisors, L.L.C

NAME Frank J. Tasco  
 TITLE Chairman, Compensation Committee  
Audit Committee  
Director  
Travelers Property Casualty Corp.

NAME Jeffrey C. Walker  
 TITLE Compensation Committee  
Executive Committee  
Managing Partner, J.P. Morgan Partners,  
J.P. Morgan Chase & Co.





## Officers

### *AXIS Capital Holdings Limited*

NAME John R. Charman  
TITLE Chief Executive Officer & President

NAME Michael A. Butt  
TITLE Chairman, Board of Directors

NAME Robert J. Newhouse, Jr.  
TITLE Chairman, Executive Committee

NAME Andrew Cook  
TITLE Chief Financial Officer

NAME John Murray  
TITLE Chief Operations Officer

NAME Clare E. Moran  
TITLE Executive Vice President & Controller

NAME Carol S. Rivers  
TITLE General Counsel & Secretary

NAME Roger Thompson  
TITLE Executive Vice President & Treasurer

OFFICERS

AXIS



## AXIS Group of Companies

### Executive Management Team

NAME Michael A. Butt

NAME John R. Charman

NAME Andrew Cook

NAME William Fischer

NAME Jack Gressier

NAME Tim Hennessy

NAME Lorraine S. Mariano

NAME Michael E. Morrill

NAME John Murray

NAME Robert J. Newhouse, Jr.

NAME Dennis B. Reding

NAME Carol S. Rivers

OFFICERS

# AXIS



## *Bermuda & U.S. Offices*

### **BERMUDA**

#### **AXIS Capital Holdings Limited**

Overbay, 106 Pitts Bay Road, Pembroke, HM 08, Bermuda  
tel. 441.296.2600 • fax. 441.296.3140 • web. [www.axiscapital.com](http://www.axiscapital.com)

### **NEW YORK**

#### **AXIS Reinsurance Company**

430 Park Avenue, 15th Floor, New York, NY 10022, U.S.A.  
tel. 212.715.3500 • fax. 212.715.3555

### **CONNECTICUT**

#### **AXIS Specialty Insurance Company**

Glastonbury Corporate Center,  
628 Hebron Avenue, Bldg. 2, Glastonbury, CT 06033, U.S.A.  
tel. 860.734.0700 • fax. 860.734.0725

### **ATLANTA**

11680 Great Oaks Way, Suite 500, Alpharetta, GA 30022, U.S.A.  
tel. 678.746.9400 • fax. 678.746.9444

### **CHICAGO**

303 West Madison Street, Suite 500, Chicago, IL 60606, U.S.A.  
tel. 312.977.0700 • fax. 312.977.0401

### **LOS ANGELES**

725 South Figueroa Street, Suite 4000, Los Angeles, CA 90017, U.S.A.  
tel. 213.452.4700 • fax. 213.452.4701

### **NEW YORK**

135 East 57th Street, 24th Floor, New York, NY 10022, U.S.A.  
tel. 212.940.3300 • fax. 212.940.3341

## *European Offices*

### **DUBLIN**

#### **AXIS Specialty Europe Limited • AXIS Re Limited**

Regus, Alexandra House, The Sweepstakes, Ballsbridge, Dublin 4, Ireland  
tel. 353.1.664.1654 • fax. 353.1.664.1862

### **LONDON**

8th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7AS, England  
tel. 44.207.877.3800 • fax. 44.207.877.3840

### **ZURICH**

Stockerhof, Dreikönigstrasse 31a, CH-8002, Zurich, Switzerland  
tel. 41.1.208.3770 • fax. 41.1.208.3630



NOTES:

