

AXIS

AXIS Milestones

November '04
Moody's rating
approved A3

November '04
\$500 million
Senior Notes
offering closed

April '04
\$642 million
secondary
offering

October '03
Expansion into
Continental
Europe
commenced

July '03
\$544 million
IPO on NYSE

March '03
A.M. Best rating
upgraded to 'A'

2004

2003

December '04
Shareholders'
Equity in
excess of
\$3.2 billion

November '04
Approval to open
Representative
Office in Singapore

March '04
\$750 million
credit facility
closed

July '03
London &
Zurich
branches
established

February '03
Financial
Insurance
Solutions renewal
rights & team



Annual Report 2004

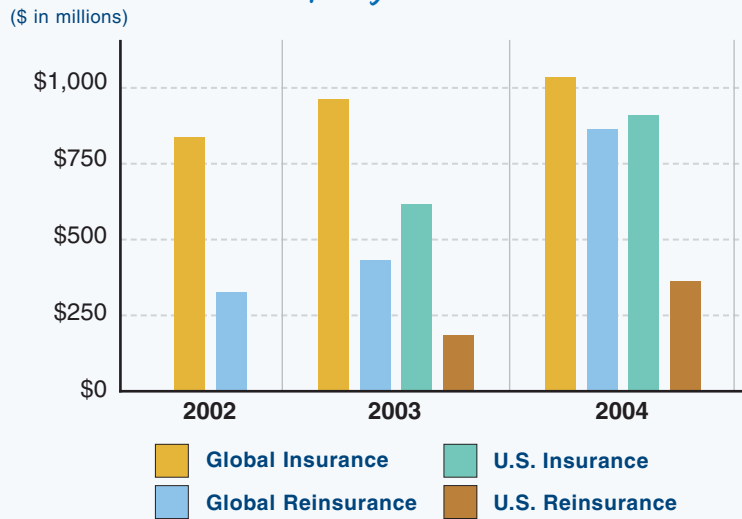
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AXIS Capital Holdings Limited

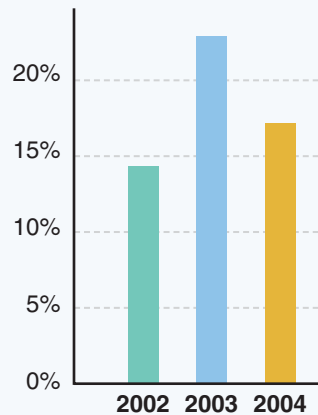
*Gross Premiums Written
by Segment*



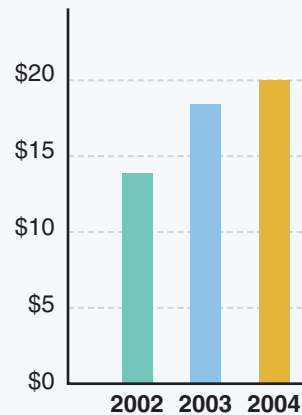
Shareholders' Equity



*Return on Average
Shareholders' Equity*



*Diluted Book Value
per Share*



Financial Highlights

FOR THE YEARS ENDED DECEMBER 31

(EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS,
EXCEPT SHARE AND PER SHARE DATA)

	2004	2003	2002
Gross premiums written	\$ 3,012.3	\$ 2,273.6	\$ 1,108.0
Net premiums written	2,423.7	1,908.4	1,018.3
Net premiums earned	2,028.4	1,436.2	536.9
Net investment income	152.1	74.0	71.3
Net realized gains	13.6	22.6	26.1
Total revenues	2,205.4	1,557.8	633.6
Net income	\$ 495.0	\$ 532.4	\$ 265.1
Per share amounts			
Basic earnings	\$ 3.24	\$ 3.69	\$ 1.96
Diluted earnings	2.98	3.42	1.91
Basic book value	21.20	18.48	14.19
Diluted book value (1)	\$ 19.85	\$ 17.48	\$ 13.96
Operating ratios			
Loss ratio	61.4%	51.1%	42.7%
Expense ratio	23.0%	22.5%	27.7%
Combined ratio	84.4%	73.6%	70.4%
Total assets	\$ 9,038.3	\$ 5,172.3	\$ 2,948.3
Shareholders' equity	3,238.1	2,817.1	1,961.0
Return on average shareholders' equity	16.3%	22.3%	14.7%

Notes:

(1) See page 26 for notes on non-GAAP financial measures.

Evolving AXIS

AXIS Capital is the Bermuda-based holding company of the AXIS Group of Companies. AXIS Capital was capitalized with approximately \$1.7 billion in November 2001 to address the need for quality capacity in the global insurance and reinsurance marketplace following the tragedy of September 11th. In July 2003, AXIS Capital went public, marking the first major step in its goal of increasing its financial flexibility.

By 2004, AXIS Capital had substantially established itself in both the global insurance and reinsurance marketplaces with meaningful presences in Bermuda, Europe and the United States. In 2004, AXIS Capital focused on strong organic growth by maximizing the opportunities available to AXIS Capital in its fully established global network.

Leading AXIS

Executive Management Team

Michael A. Butt	Karl Mayr
John R. Charman	Michael E. Morrill
Andrew Cook	John J. Murray
William A. Fischer	Robert J. Newhouse, Jr.
Jack Gressier	Dennis B. Reding
Tim Hennessy	Carol S. Rivers
Lorraine S. Mariano	F. Marshall Turner

JOHN CHARMAN: "WE HAVE NOW ACHIEVED SUBSTANTIAL MARKET SHARE IN BOTH OF OUR GLOBAL INSURANCE AND REINSURANCE BUSINESSES AND ARE POISED TO MOVE TO THE NEXT STAGE OF OUR EVOLUTION AS A LEADING, HIGH-QUALITY GLOBAL SPECIALTY INSURER AND REINSURER."



Introducing 2005

AXIS Insurance



AXIS Re

date: november 8 2004

Pembroke, Bermuda

AXIS Capital Announces Strategic
Realignment of Organizational Structure

PRESS RELEASE

AXIS CAPITAL ANNOUNCES STRATEGIC REALIGNMENT OF ORGANIZATIONAL STRUCTURE

AXIS Capital Holdings Limited ("AXIS Capital") (NYSE: AXS) today announced that it will realign its organizational structure to enhance the brand and operations of its insurance businesses and its reinsurance businesses globally. Effective January 1, 2005, the Company will implement two distinct global underwriting platforms – **AXIS Insurance** and **AXIS Re**.

In conjunction with the creation of these two global platforms, AXIS Capital announced new and expanded roles for current members of senior management and the creation of separate global underwriting committees for AXIS Insurance and AXIS Re to enhance coordination of the activities of AXIS Insurance and AXIS Re globally.

AXIS Insurance

Dennis Reding, currently CEO of U.S. Insurance, will assume the role of Chairman of AXIS Insurance and will be succeeded as CEO of U.S. Insurance by Marshall Turner, currently President of U.S. Insurance. Jack Gressier, CEO of Global Insurance, will assume the additional role of Deputy Chairman of AXIS Insurance. Both Mr. Gressier and Mr. Turner will report to Mr. Reding and work with him to coordinate the activities of AXIS Insurance globally.

AXIS Re

John Charman, AXIS Capital's CEO and President, will assume the additional role of Chairman of AXIS Re.

The three leaders of AXIS Capital's current reinsurance operating units, William Fischer, Karl Mayr and Michael Morrill, will report to Mr. Charman and work with him to coordinate the activities of AXIS Re globally.

Michael Butt, AXIS Capital's Chairman of the Board, will join John Charman on the global underwriting committees for both AXIS Insurance and AXIS Re.

John Charman, AXIS Capital's CEO and President, said, "Our current organizational structure is based on the chronological build-out and development of each of our five operating units. At this stage in our evolution as a Company, we believe it is in the best interests of our employees, clients and shareholders to realign our organizational structure in a way that better integrates the infrastructure and skill sets embedded in each and every one of our operating units."

Mr. Charman continued, "Through this strategic reorganization, we expect to create a stronger brand for each of our global insurance and global reinsurance businesses and to continue to maximize operational efficiencies within them. Having founded AXIS to be a modernizing influence on the industry, I look forward to working with my colleagues to make AXIS Insurance and AXIS Re successful global forces."



AXIS CAPITAL HOLDINGS LIMITED
CHAIRMAN'S REPORT

Richard H. Smith



Dear Shareholders,

This report marks our third full year since inception and, again, we have been able to deliver results beyond our original expectations. 2004 represented another year during which AXIS Capital continued to build and strengthen its global franchise value and we intend to continue to do so. 2004 also marked a year during which the global insurance and reinsurance marketplace faced substantial challenges in the form of widespread losses due to natural disasters and vigorous regulatory scrutiny of long-standing business practices.

Against this backdrop, AXIS Capital delivered another outstanding year with growth in fully diluted book value per share of 13.5% and advanced our vision to be a transformational model for the insurance and reinsurance industry. A key factor behind these achievements is peer review of the highest quality that John Charman and our team have embedded into their daily activities. I can't emphasize enough how this critically and substantially supports our efforts to create value and allows our management to stay meaningfully connected to our global underwriting businesses.

AXIS Capital strives every day to enhance this internal transparency in its underwriting and reporting activities alike. It is only with this internal transparency that we can achieve transparency for our various external audiences, that we can ultimately protect our financial strength for clients and that we can grow book value for shareholders.

Since AXIS Capital's inception, we have grown this global business prudently and profitably and delivered exceptional service to clients in the process. This is no small feat.

As the industry goes through the next phase of the cycle, we are confident that AXIS Capital will continue to build upon the strength of the last three years, to deliver long-term value to shareholders and to deliver outstanding service to clients 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. Great businesses depend on the talents of many people. It is our objective to invest in and create the opportunity for personal enhancement for all AXIS employees. To create a culture that combines individual skills into a cohesive high-energy, demanding environment where each depends on others for our overall success.

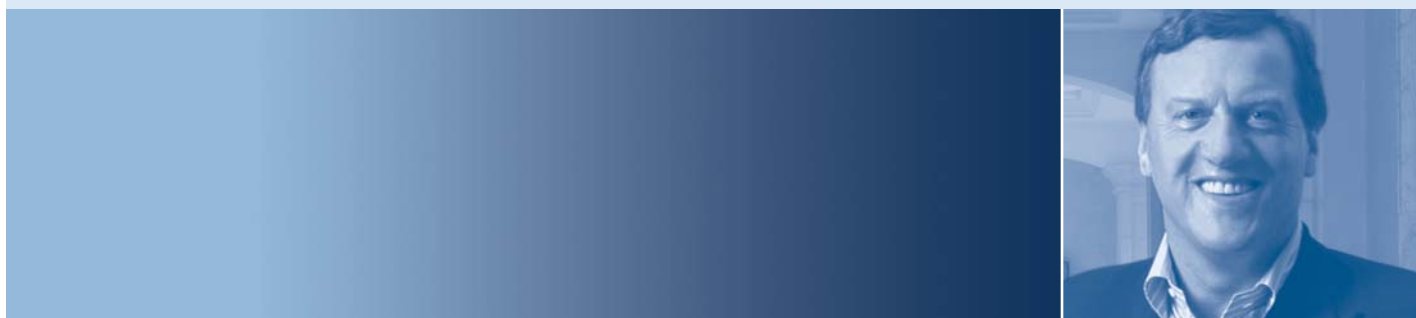
I would like to thank Andy Rush, one of our founding directors, for his invaluable contribution during his tenure on our Board.

I would also like to extend my gratitude to Jürgen Grupe, previously Chairman of Aon Re Europe, and Henry Smith, previously CEO of Bank of Bermuda Limited, two gentlemen of outstanding reputation in the global financial services industry who joined our Board during the year. I look forward to continuing to work with them and the rest of the Board in 2005 and beyond.



Michael A. Butt
Chairman of the Board





AXIS CAPITAL HOLDINGS LIMITED

CHIEF EXECUTIVE OFFICER'S OVERVIEW OF OPERATIONS

A large, stylized, light blue signature or graphic element.

IN LAST YEAR'S INAUGURAL LETTER TO SHAREHOLDERS, I SHARED WITH YOU AXIS CAPITAL'S VISION TO CREATE A TRULY TRANSFORMATIONAL MODEL FOR THE INSURANCE AND REINSURANCE INDUSTRY. A MODEL ALIGNING EXTRAORDINARY INDUSTRY TALENT WITH SUBSTANTIAL, UNENCUMBERED CAPITAL AND HARNESSING OUR HIGH QUALITY UNDERWRITING APTITUDE TO A GLOBAL, STATE-OF-THE-ART TRADING PLATFORM. A MODEL FOCUSED ON ULTIMATE PROFITABILITY FOR SHAREHOLDERS.

WITH THIS VISION, WE ACHIEVED OUR PRIMARY OBJECTIVES FOR 2004: TO FOCUS ON STRONG ORGANIC GROWTH AND TO SEEK TO MAXIMIZE THE OPPORTUNITIES AVAILABLE TO US IN OUR FULLY ESTABLISHED GLOBAL NETWORK. THROUGHOUT THE YEAR, THE RESILIENCE OF OUR STRATEGIES WERE MANIFEST IN OUR STRONG FINANCIAL PERFORMANCE IN THE FACE OF WIDESPREAD AND UNPRECEDENTED INDUSTRY LOSSES. AS DETAILED ON PAGE 3, WE DELIVERED TO OUR SHAREHOLDERS A RETURN ON AVERAGE EQUITY OF 16.3% FOR THE YEAR AND INCREASED FULLY DILUTED BOOK VALUE PER SHARE BY 13.5%. THIS STRONG FINANCIAL PERFORMANCE IS THE DIRECT RESULT OF BOTH OUR COLLABORATIVE APPROACH TO UNDERWRITING, INCLUDING PARTICIPATION AT THE MOST SENIOR LEVELS, AND OUR STRATEGY OF GLOBAL DIVERSIFICATION BY PRODUCT AND GEOGRAPHY.

THE FOLLOWING ADDITIONAL HIGHLIGHTS OF AXIS CAPITAL'S 2004 FINANCIAL ACHIEVEMENTS CONFIRM OUR EXECUTION CAPABILITIES:

- GROSS PREMIUMS WRITTEN INCREASED 32% TO MORE THAN \$3 BILLION
- NET PREMIUMS EARNED GREW 41% TO \$2 BILLION
- TOTAL CASH AND INVESTMENTS INCREASED 51% TO \$6 BILLION



- TOTAL PRE-TAX INVESTMENT INCOME ROSE 72% TO \$166 million
- CASH FLOW FROM OPERATIONS INCREASED 19% TO \$1.6 billion
- TOTAL ASSETS INCREASED 75% TO \$9 billion

OUR GLOBAL FRANCHISE CONTINUES TO BE 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 GEOGRAPHIES AND PRODUCT LINES. IT IS BECAUSE OF THESE VITAL CHARACTERISTICS THAT ALL OF OUR OPERATING UNITS ARE BENEFITING – AND EXPECT TO CONTINUE TO BENEFIT – FROM THE FLIGHT OF QUALITY TO QUALITY THAT PERSISTS GLOBALLY.

Our Portfolio of Risks

SINCE OUR INCEPTION, WE HAVE CONSTRUCTED A HIGH-QUALITY, SUSTAINABLE AND BALANCED PORTFOLIO OF CLIENTS. THE POLICIES THAT THEY BUY ARE ABSOLUTELY NECESSARY TO OIL THE WHEELS OF THE GLOBAL ECONOMY. WE ARE IN A BUSINESS WHERE OUR STRONG CAPITAL AND INDIVIDUAL SKILL SETS ARE NEEDED. OUR PORTFOLIO IS ALSO DISTINGUISHED BY BROAD DIVERSIFICATION BY PRODUCT AND GEOGRAPHY AND BY THE NATURE OF THE 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 HAVE NOT AND WE WILL NOT COMMIT SIGNIFICANT CAPITAL AND RESOURCES TO UNDERWRITING LINES OF BUSINESS THAT CANNOT PROVIDE STRONG INDICATIONS OF PROFITABILITY WITHIN A REASONABLE TIME FRAME.

Positioning for the Future

WE HAVE NOW ACHIEVED SUBSTANTIAL MARKET SHARE IN BOTH OF OUR GLOBAL INSURANCE AND REINSURANCE BUSINESSES AND ARE POISED TO MOVE TO THE NEXT STAGE OF OUR EVOLUTION AS A LEADING, HIGH-QUALITY GLOBAL SPECIALTY INSURER AND REINSURER. THIS ENTAILS FURTHER CONSOLIDATION OF OUR ORGANIZATIONAL STRUCTURE, WHICH IS CURRENTLY BASED UPON THE CHRONOLOGICAL BUILD-OUT AND DEVELOPMENT OF EACH OF OUR OPERATING UNITS. EACH OF THESE OPERATING UNITS HAS NOW REACHED A POINT WHERE ITS INFRASTRUCTURE AND SKILL SETS CLEARLY LEND TO THE ESTABLISHMENT OF A MORE INTEGRATED GLOBAL INSURANCE BUSINESS AND A MORE INTEGRATED GLOBAL REINSURANCE BUSINESS.

EFFECTIVE JANUARY 1, 2005, WE HAVE CREATED TWO DISTINCT GLOBAL UNDERWRITING PLATFORMS - AXIS INSURANCE AND AXIS RE. EACH OF THESE PLATFORMS IS DISTINGUISHED BY A CENTRAL, FOCUSED GLOBAL UNDERWRITING COMMITTEE THAT WILL DRIVE THE UNDERWRITING ACTIVITIES OF THESE GLOBAL BUSINESSES AS WE ENTER THE NEXT PHASE OF OUR DEVELOPMENT. WE EXPECT THAT THIS REALIGNMENT WILL SUPPORT ACHIEVEMENT OF OUR NEAR AND LONG-TERM OBJECTIVES, WHICH INCLUDE:

- LEVERAGING THE STRENGTHS AND SIZE OF EACH OF THE INSURANCE AND REINSURANCE "BUSINESSES" TO CREATE A STRONGER BRAND AND AN EVEN MORE RECOGNIZABLE POSITION IN THEIR RESPECTIVE GLOBAL MARKETS;
- ENHANCING THE COORDINATION, COOPERATION AND CONNECTABILITY OF KEY EXECUTIVES AS WE STRENGTHEN OUR BRANDS IN THE GLOBAL MARKETPLACE; AND



- OPERATIONALLY INTEGRATING OUR INSURANCE AND REINSURANCE "BUSINESSES" TO MAXIMIZE EFFICIENCIES AND CAPITALIZE ON ECONOMIES OF SCALE, WHILE SIMULTANEOUSLY BUILDING A CLEAR LINK TO OUR CENTRALLY SUPPLIED SUPPORT SERVICES.

2004 Operating Highlights

OUR 2004 OPERATING HIGHLIGHTS INCLUDE THESE NOTABLE ACHIEVEMENTS:

- WE SUCCESSFULLY INTEGRATED ALL U.S. OPERATIONS INTO OUR GLOBAL UNDERWRITING ACCOUNTING SYSTEM AND COMPLETED THE ROLL-OUT OF OUR PROPRIETARY, WEB-BASED SUBMISSION TRACKING AND REVIEW SYSTEM TO OUR U.S. INSURANCE OPERATIONS AND OUR WORLDWIDE REINSURANCE OPERATIONS.
- WE INTEGRATED A TALENTED AND HIGHLY REGARDED UNDERWRITING TEAM IN ZURICH AND, THROUGH THEIR IMPORTANT LOCAL KNOWLEDGE AND RELATIONSHIPS, HAVE ACHIEVED SUBSTANTIAL PENETRATION OF THE CONTINENTAL EUROPEAN REINSURANCE MARKETPLACE EARLY IN 2004 AND 2005.
- WE CONTINUED TO DEVELOP OUR OPERATING PLATFORM TO RELEASE OURSELVES FROM HEAVY INFRASTRUCTURE AND HIGH COSTS BY EMPLOYING TECHNOLOGY-DRIVEN, PROPRIETARY CORE UNDERWRITING AND CLAIMS APPLICATIONS AND BY AUTOMATING OR OUTSOURCING NON-CORE PROCESSING AND ADMINISTRATION SERVICES.
- OUR SERVICE-ORIENTED GLOBAL CLAIMS TEAM ENSURED THAT AXIS CAPITAL WAS ABLE TO MEET THE NEEDS OF ALL OF ITS CLIENTS IN A TIMELY, EFFICIENT AND PROFESSIONAL MANNER AND TO DETERMINE WITH A

HIGH DEGREE OF CONFIDENCE OUR ULTIMATE NET LOSSES RELATED TO THE SIGNIFICANT AND UNPRECEDENTED CATASTROPHIC ACTIVITY OF 2004.

- WE MADE GREAT STRIDES IN IMPROVING BOTH CLAIMS HANDLING AND CLAIMS AUDITS IN BOTH EUROPE AND THE U.S. AS 2004 SAW AXIS CAPITAL EXECUTE ITS FIRST CLAIMS SERVICE AGREEMENTS WITH THREE KEY CLAIMS AUDIT PARTNERS.
- WE TOOK STEPS TO ENHANCE OUR FINANCIAL FLEXIBILITY BY COMPLETING A \$500 MILLION SENIOR NOTE OFFERING AND OBTAINING AUTHORIZATION FROM OUR BOARD OF DIRECTORS FOR A \$350 MILLION SHARE REPURCHASE PROGRAM, WHICH WAS UTILIZED IN FEBRUARY 2005.

An Industry Transforming

THE VARIOUS INVESTIGATIONS INITIATED BY THE NEW YORK ATTORNEY GENERAL AND OTHER REGULATORS INTO COMPENSATION ARRANGEMENTS BETWEEN INSURANCE BROKERS AND INSURANCE COMPANIES HAVE CALLED INTO QUESTION THE BUSINESS PRACTICES OF BOTH BROKERAGE FIRMS AND RISK-BEARING ENTITIES, WHOSE ENTIRE BUSINESS PURPOSE IS TO MAINTAIN THEIR CUSTOMERS' TRUST. IN THE CASE OF CERTAIN BROKERAGE FIRMS, CONFIDENCE IN THE ADVICE AND SERVICES PROVIDED BY THEM AS FIDUCIARIES HAS BEEN SEVERELY SHAKEN. THE FINANCIAL SECURITY OF INSURERS AND REINSURERS, THEIR WILLINGNESS TO RESPOND AND THEIR ETHICAL OPERATING PROCEDURES HAVE ALSO BEEN SERIOUSLY QUESTIONED.



AT AXIS CAPITAL, WE HAVE BEEN DISMAYED BY THE FINDINGS OF THIS INDUSTRY-WIDE INVESTIGATION AND DO

NOT IN ANY WAY CONDONE THIS TYPE OF ALLEGED BEHAVIOR. MY COLLEAGUES AND I CAME TO AXIS CAPITAL KNOWING THAT THE APPALLING TRAGEDY OF SEPTEMBER 11TH HAD USHERED IN A TRANSFORMATIONAL PERIOD WHEN THE INDUSTRY WAS CONFRONTED WITH THE CONSEQUENCES OF INADEQUATE MONITORING OF RISK AGGREGATION. WHILE SUCH INDUSTRY ISSUES, INCLUDING LEGACY ISSUES, HAD TO DATE BEEN ONES OF POOR MANAGEMENT AND UNDERWRITING, WE ARE NOW ENTERING A CHALLENGING PERIOD WHEREBY BOTH MANAGEMENT AND THE BALANCE OF PURE INDUSTRY ECONOMICS AND REGULATION ARE BEING SEVERELY TESTED. THE QUESTIONING IS LIKELY TO PERSIST. SOLUTIONS MUST BE FOUND.

I BELIEVE THE FUTURE WELL-BEING OF THE INDUSTRY LIES IN ERADICATING ALL POTENTIAL CONFLICTS OF INTEREST, NOT MERELY DISCLOSING THEM. WE AT AXIS CAPITAL HAVE DELIBERATELY CHOSEN TO OUTSOURCE THE ACQUISITION OF OUR PORTFOLIO OF BUSINESS TO THE BROKER DISTRIBUTION NETWORK, AND THE VAST MAJORITY OF OUR BUSINESS IS, AND WILL CONTINUE TO BE, DRIVEN THROUGH THIS CHANNEL. WE BELIEVE THE BROKER NETWORK HAS THE APPROPRIATE INFORMATION, EXPERTISE AND INFRASTRUCTURE NOT ONLY TO PROVIDE QUALITY ADVICE TO ITS CLIENTS BUT ALSO TO PROVIDE CRITICAL SERVICE TO ITS CLIENTS AND THE INSURANCE AND REINSURANCE INDUSTRY OVERALL. IN ORDER TO HELP ACHIEVE THE ELIMINATION OF POTENTIAL CONFLICT AND APPROPRIATE COMPENSATION FOR BROKERS, WE BELIEVE THAT BROKERAGE FIRMS SHOULD, OVER TIME, SOLELY RECEIVE COMMISSIONS FROM THEIR CLIENTS. THERE SHOULD BE A CESSATION OF THE CURRENT PRACTICE OF COMMINGLING OF EARNINGS.

AXIS CAPITAL is well-positioned against this backdrop of fundamental change. As I write this letter, our internal investigation, led by our outside counsel, to examine the issues raised by the New York Attorney General and other regulators is continuing. To date, the investigation has uncovered no evidence indicating that we have engaged in bid rigging, fictitious or inflated quotes, conditioning direct insurance on the placement or reinsurance or related matters. We continue to believe that our practices and ethics are of the highest standards.

By offering the highest standards of client service and superior financial strength to our clients, we are poised to trade forward strongly in a fundamentally different marketplace, one which is more dynamic, more demanding and more transparent.

Outlook for 2005

Generally, I would characterize today's insurance and reinsurance marketplace as erratic. In some instances, the market seems to be uncontrolled and, in others, economically rational. This behavior is not inconsistent with my belief that the peaks and valleys of the current cycle would be dampened relative to cycles of the past. Although the market is seeing some softening, I am not anticipating anything like the soft market of cycles past.

Overall, we remain satisfied with the health of the reinsurance marketplace. The unprecedented claims burden from natural catastrophes this year has



CONTRIBUTED TO A GREATER DEGREE OF RISK AWARENESS AND APPRECIATION FOR COVER FOR LOSSES FROM NATURAL PERILS, PARTICULARLY IN THE U.S. IT HAS ALSO LED TO PRICES FOR THESE COVERS REMAINING REASONABLY STABLE IN THE RENEWAL SEASON THAT IS COMING TO AN END AS I WRITE THIS. THE CASUALTY REINSURANCE MARKETPLACE STANDS FIRM AS EVIDENCED BY OUR EXPERIENCE DURING THE MOST RECENT RENEWAL SEASON WITH SEVERAL INSURANCE CLIENTS OPTING TO RETAIN EXPOSURE.

MEANWHILE, OUR INSURANCE BUSINESSES REMAIN SUBSTANTIALLY AFFECTED BY COMPETITION ARISING FROM THE CONTINUING FUNDAMENTAL ISSUE OF POOR AND INEXPERIENCED UNDERWRITERS AT OTHER COMPANIES WHO ARE DISCONNECTED AND LACKING LEADERSHIP FROM SENIOR MANAGEMENT. IN CONTRAST, AT AXIS CAPITAL, OUR FUNDAMENTALS ARE STRONG AND FOCUSED. OUR SENIOR MANAGEMENT IS DEEPLY EMBEDDED IN THE BUSINESS AND WE WORK HARDER RISK BY RISK, DAY BY DAY, TO CARVE OUT INDIVIDUAL PROFITABLE OPPORTUNITIES FOR OURSELVES.

THIS IS NOT TO SAY THAT OPPORTUNITIES ATTRACTIVE TO A FRANCHISE LIKE OURS DO NOT EXIST. RATHER, WE ARE DRIVING THE UNDERWRITING MACHINE HARDER THAN EVER AND, IN THE ABSENCE OF ATTRACTIVE OPPORTUNITIES, WE DO NOT AND WILL NOT SACRIFICE PROFITABILITY FOR GROWTH.

WE HAVE ENTERED 2005 PREPARED TO CONSOLIDATE OUR POSITION IN THE MARKETPLACE WHILE CONTINUING TO BUILD BOOK VALUE. I BELIEVE WE CAN ACHIEVE THIS THROUGH OUR CONTINUED FOCUS ON HIGH-QUALITY

UNDERWRITING IN CONJUNCTION WITH THE IMPORTANT VALUE DRIVERS WE PUT IN PLACE AT THE END OF 2004. GOING FORWARD, THE STRATEGIC REORGANIZATION OF OUR BUSINESSES INTO THE DUAL GLOBAL UNDERWRITING PLATFORMS OF AXIS INSURANCE AND AXIS RE IS THE IMPORTANT OPERATIONAL DRIVER AND THE CAPITAL MANAGEMENT TOOLS WE HAVE PUT IN PLACE COMPRISE THE KEY FINANCIAL DRIVER.

BUILDING UPON THE SOLID FOUNDATION WE HAVE LAID SINCE OUR INCEPTION, 2005 WILL EMPHASIZE STABILITY IN THE OVERALL QUALITY AND COMPOSITION OF OUR PORTFOLIO, AS WELL AS ORGANIZATIONAL STABILITY. ALL OF US AT AXIS CAPITAL REMAIN DEDICATED TO CREATING AND SUSTAINING A STRATEGICALLY IMPORTANT AND HIGHLY PROFITABLE COMPANY.

LET ME BEGIN OUR SECOND FULL YEAR AS A PUBLIC COMPANY WITH MY SINCERE THANKS TO OUR SHAREHOLDERS, CUSTOMERS AND BROKERS WHO CONTINUE TO PROVIDE STRONG SUPPORT AND ENCOURAGEMENT. WE LOOK FORWARD TO A LONG AND MUTUALLY SUCCESSFUL FUTURE.



JOHN CHARMAN
CHIEF EXECUTIVE OFFICER
PRESIDENT





AXIS INSURANCE

Dennis B Redding
President

Fred Marshall Turner II

AXIS Insurance

AXIS Insurance consists of highly qualified underwriters with specialized market knowledge and expertise. It offers specialty insurance products to a variety of niche markets globally through two major operating units – AXIS Global Insurance and AXIS U.S. Insurance.

Distinct principally by regulatory environment and distribution, these units are structured to encourage innovation by allowing cross-fertilization of underwriting expertise globally, provide immediate access to decision-makers, and enable producers to deliver expeditious, high-quality value solutions to clients.

AXIS Global Insurance accesses a broad spectrum of global specialty lines, predominantly through the London broker network. These specialty products are often complex or significant in size, thereby necessitating deep and long-standing client knowledge and partnership. The principal lines of business written in this unit include specialty risks such as: terrorism, marine and aviation war, professional lines and political risk; onshore and offshore energy; aviation and aerospace; and property and marine.

AXIS U.S. Insurance accesses specialty lines of business in the United States through a variety of channels. Many property and casualty insurance products for non-standard and complex risks are offered through wholesale brokers. These include: catastrophe-exposed property, products liability, general liability, commercial umbrella, professional liability and other coverages tailored for unique exposures. The unit also writes risks that are unique and difficult to place in the standard market, but must remain with an admitted insurance company for marketing and regulatory purposes. In addition, AXIS U.S. Insurance's underwriting businesses write some specialty program insurance for well-defined niche markets.



2004 Financial Highlights

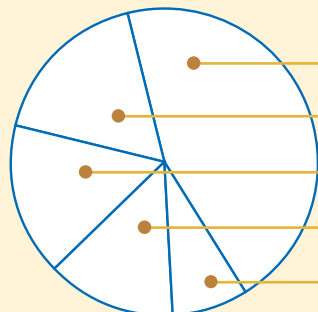
(\$ in millions)

	Global Insurance	U.S. Insurance
Gross Premiums Written	\$ 1,095.3	\$ 824.2
Net Premiums Written	933.2	430.1
Net Premiums Earned	796.6	349.3
Underwriting Profit	195.1	32.3
Loss Ratio	56.7%	67.2%
Expense Ratio	20.1%	23.6%
Combined Ratio	76.8%	90.8%

Global Insurance

Gross Premiums Written for year ended 12/31/04

(Expressed in millions of United States dollars)

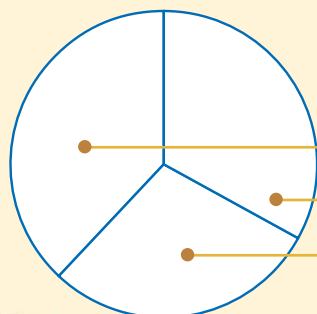


Total Global Insurance	100.0%	\$1,095.3
Specialty Risks	45.0%	\$492.7
Onshore/Offshore Energy	17.3%	\$189.6
Aviation and Aerospace	16.1%	\$175.8
Property	13.6%	\$149.5
Marine	8.0%	\$87.7

U.S. Insurance

Gross Premiums Written for year ended 12/31/04

(Expressed in millions of United States dollars)



Total U.S. Insurance	100.0%	\$824.2
Property	38.0%	\$313.3
Professional Lines	33.0%	\$272.2
Liability	29.0%	\$238.7

date: february 14 2005

Pembroke, Bermuda

**AXIS Capital to Repurchase \$350 Million
of Common Shares**

PRESS RELEASE

AXIS CAPITAL TO REPURCHASE \$350 MILLION OF COMMON SHARES OWNED BY INITIAL INVESTORS

AXIS Capital Holdings Limited ("AXIS Capital") (NYSE: AXS) today announced that the Company has agreed to repurchase \$350 million of its common shares, or 12,783,094 common shares, owned by initial investors at the formation of the Company. These repurchases will be made pursuant to the Company's share repurchase program using existing cash on hand and are expected to close on February 16, 2005.

The Company agreed to repurchase \$300 million of its common shares owned by Blackstone Capital Partners III and related entities and \$50 million of its common shares owned by DLJ Merchant Banking Partners III and related entities. The average purchase price agreed was \$27.38 per common share, representing a 3.9% discount to the last reported closing price for common shares on February 11, 2005.

In December 2004, AXIS Capital's Board of Directors authorized the repurchase of up to \$350 million of the Company's common shares. Following these repurchases from initial investors, the Company will exhaust the currently authorized share repurchase program.



**AXIS RE**

William A. Fischer

Michael E. Merrill

Kae L.

AXIS Re

AXIS Re provides treaty property and casualty reinsurance to insurance companies on a worldwide basis through its offices in Bermuda, New York and Zurich. In the fourth quarter of 2004, AXIS Re established a representative office in Singapore.

From its start as a worldwide reinsurer of natural and man-made catastrophe risks, AXIS Re now reinsures traditional and specialty property as well as casualty, motor, credit and other select risks globally. In a short time, AXIS Re has become a significant and influential force in the global reinsurance marketplace. We conduct business with many of the largest insurers in the world, in addition to an ever-increasing number of important regional and local companies, mainly in Europe and the United States. AXIS Re's market standing as a high quality lead underwriter has expanded considerably since AXIS Capital's inception, providing AXIS Re the critical capability to optimize its portfolio globally.

AXIS Re is organized on a geographical basis, principally reflecting the locations of the insurance companies purchasing reinsurance from AXIS Re. Our main operating units are AXIS Global Reinsurance, which includes AXIS Re Europe, and AXIS U.S. Reinsurance.

Many capacity-driven placements can be written through AXIS Global Reinsurance in Bermuda; however, given that the per risk market globally tends to be local in nature, AXIS Re has achieved the critical capability to service this business in both the U.S. and Continental Europe.

AXIS Re considers most policy structures, but emphasis is placed on excess of loss structures where terms and conditions can be influenced and capacity can be utilized most efficiently. AXIS Re's goal of maintaining sustainable and profitable relationships with its clients is built on the foundation of quality data, transparency in pricing, where possible, and candid, open dialogue.



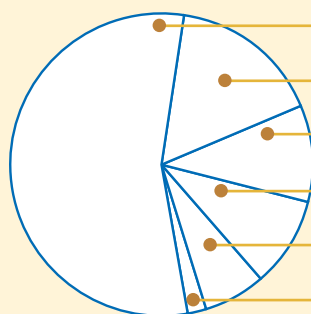
2004 Financial Highlights

\$ in millions	Global Reinsurance	U.S. Reinsurance
Gross Premiums Written	\$ 766.0	\$ 326.7
Net Premiums Written	737.9	322.5
Net Premiums Earned	640.9	241.7
Underwriting Profit (Loss)	167.7	(30.5)
Loss Ratio	54.7%	86.7%
Expense Ratio	19.3%	25.9%
Combined Ratio	74.0%	112.6%

Global Reinsurance

Gross Premiums Written for year ended 12/31/04

(Expressed in millions of United States dollars)

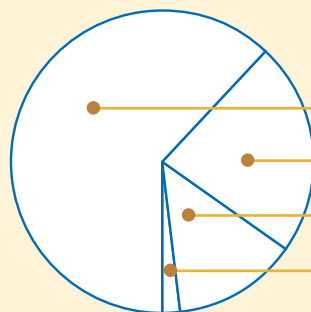


Total Global Reinsurance	100.0%	\$766.0
Catastrophe	55.3%	\$423.2
Property Pro Rata	16.2%	\$124.1
Property Per Risk	10.3%	\$79.2
Credit and Bond	9.6%	\$73.4
Motor and General Liability	6.6%	\$50.8
Other	2.0%	\$15.3

U.S. Reinsurance

Gross Premiums Written for year ended 12/31/04

(Expressed in millions of United States dollars)



Total U.S. Reinsurance	100.0%	\$326.7
Professional Lines	62.0%	\$202.4
Liability	22.8%	\$74.6
Property	13.3%	\$43.5
Marine and Aviation	1.9%	\$6.2

Non-GAAP Financial Measures

AXIS Capital has presented diluted book value per share, which is a non-GAAP financial measure. AXIS Capital has included this measure because it takes into account the effect of dilutive securities and, therefore, AXIS Capital believes that this is a better measure of calculating shareholder returns than book value per share.

Non-GAAP Financial Measure Reconciliation

As at December 31, 2004, 2003 and 2002

Expressed in thousands of U.S. dollars,
except share and per share amounts

	December 2004	December 2003	December 2002
Shareholders' equity	\$ 3,238,064	\$ 2,817,148	\$ 1,961,033
Shares outstanding	152,764,917	152,474,011	138,168,520
Book value per share	\$ 21.20	\$ 18.48	\$ 14.19
Diluted book value on an "as if converted basis"			
Shareholders' equity	\$ 3,238,064	\$ 2,817,148	\$ 1,961,033
add in:			
proceeds on exercise of options	94,724	62,630	58,323
proceeds on exercise of warrants	244,812	244,811	243,166
Adjusted shareholders' equity	3,577,600	3,124,589	2,262,522
As if converted diluted shares outstanding			
Shares outstanding	152,764,917	152,474,011	138,168,520
add in:			
vesting of restricted stock	2,182,700	1,884,696	—
exercise of opinions	5,694,181	4,695,512	4,475,512
exercise of warrants	19,619,152	19,690,692	19,453,304
Diluted shares outstanding	180,260,950	178,744,911	162,097,336
Diluted book value per share	\$ 19.85	\$ 17.48	\$ 13.96



ANNUAL REPORT ON FORM 10-K



New York Stock Exchange
Annual CEO Certification
(Section 303A.12(a))

As the Chief Executive Officer of AXIS Capital Holdings Limited, and as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, I hereby certify that as of the date hereof I am not aware of any violation by the Company of NYSE's Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b) and disclosed as an attachment hereto.



By: /s/ John R. Charman
Print Name: John R. Charman
Title: Chief Executive Officer
Date: June 4, 2004

DIRECTORY

Board of Directors

Michael A. Butt

Chairman, Board of Directors, Finance Committee, Executive Committee

John R. Charman

Chief Executive Officer, President, Executive Committee

Charles A. Davis

Corporate Governance Committee, Executive Committee
Chairman and CEO, MMC Capital, Inc.

W. Thomas Forrester

Audit Committee
Chief Financial Officer, The Progressive Corporation

Robert L. Friedman

Chairman, Audit Committee
Senior Managing Director, Blackstone Group, L.P.

Donald J. Greene

Chairman, Corporate Governance Committee
Compensation Committee
Retired named partner, LeBoeuf, Lamb, Greene & MacRae, L.L.P.

Jürgen Grupe

Compensation Committee
Retired Chairman, Aon Reinsurance Europe

Maurice A. Keane

Audit Committee
Retired Group CEO, The Bank of Ireland

Edward J. Kelly III

Finance Committee, Corporate Governance Committee
Chairman, President and CEO, Mercantile Bankshares Corporation

Robert J. Newhouse, Jr.

Chairman, Executive Committee

Scott A. Schoen

Chairman, Finance Committee, Executive Committee
Senior Managing Director, Thomas H. Lee Advisors, L.L.C.

Henry B. Smith

Finance Committee
Retired CEO, The Bank of Bermuda

Frank J. Tasco

Chairman, Compensation Committee, Audit Committee
Director, Travelers Property Casualty Corp.

Jeffrey C. Walker

Compensation Committee, Executive Committee
Managing Partner, J.P. Morgan Partners



Officers

John R. Charman

Chief Executive Officer & President

Michael A. Butt

Chairman, Board of Directors

Robert J. Newhouse, Jr.

Chairman, Executive Committee

Andrew Cook

Chief Financial Officer

John Murray

Chief Operations Officer

Clare E. Moran

Executive Vice President & Controller

Carol S. Rivers

General Counsel & Secretary

Roger Thompson

Chief Investment Officer

Corporate Headquarters

BERMUDA

AXIS Capital Holdings Limited • AXIS Specialty Limited

Overbay, 106 Pitts Bay Road, Pembroke, HM 08, Bermuda
tel. 441-296-2600 • fax. 441-296-3140 • web. www.axiscapital.com

U.S. Offices

ATLANTA

AXIS U.S. Insurance

11680 Great Oaks Way, Suite 500, Alpharetta, GA 30022-2457, 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

HARTFORD

Glastonbury Corporate Center,
628 Hebron Avenue, Bldg. 2, Glastonbury, CT 06033, U.S.A.
tel. 860-734-0700 • fax. 860-734-0725

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

AXIS U.S. Reinsurance

430 Park Avenue, 4th Floor, New York, NY 10022, U.S.A.
tel. 212-500-7600 • fax. 212-500-7569

European Offices

DUBLIN

AXIS Specialty Europe Limited • AXIS Re Limited

Mount Herbert Court, 34 Upper Mount Street, Dublin 2, Ireland
tel. 353-1-632-5900 • fax. 353-1-632-5901

LONDON

8th Floor, 2 Minster Court, Mincing Lane, London, EC3R 7AS, England
tel. 44-207-877-3800 • fax. 44-207-877-3951

ZURICH

Brandschenkestrasse 90, CH-8002, Zurich, Switzerland
tel. 41-44-567-0000 • fax. 41-44-567-0100

Asian Office

SINGAPORE

Level 31, Six Battery Road, Singapore 049909
tel. 65-6550-9841/65-6550-9842 • fax. 65-6225-9060



Shareholder Information

Investor Relations

Linda Ventresca

Overbay, 106 Pitts Bay Road, Pembroke, HM 08, Bermuda
tel. 441-297-9513 • fax. 441-296-3140
email. investorrelations@axiscapital.com

Transfer Agent

The Bank of New York

Shareholder Relations
P.O. Box 11258, Church Street Station, New York, NY 10286-1258
tel. 800-524-4458 (U.S. Shareholders)
tel. 610-312-5303 (Non-U.S. Shareholders)
fax. 212-815-2777 • web. www.stockbny.com

Auditor

Deloitte and Touche
Corner House, 20 Church Street, Hamilton HM 12, Bermuda
tel. 441-292-1500 • fax. 441-292-0961

Corporate Counsel

Conyers Dill & Pearman

1 Par-la-Ville Road, Pembroke, HM 08, Bermuda
tel. 441-292-1422 • fax. 441-296-3140 • web. www.cdp.bm

Skadden, Arps, Slate, Meagher & Flom LLP

4 Times Square, New York, NY 10036
tel. 212-735-3000 • fax. 212-735-2000 • web. www.skadden.com

Annual General Meeting Date:

May 5, 2005

Chesney House, 2nd Floor
96 Pitts Bay Road, Pembroke, HM 08, Bermuda

web.www.axiscapital.com



AXIS Milestones

November '04
Moody's rating
approved A3

November '04
\$500 million
Senior Notes
offering closed

April '04
\$642 million
secondary
offering

October '03
Expansion into
Continental
Europe
commenced

July '03
\$544 million
IPO on NYSE

March '03
A.M. Best rating
upgraded to 'A'

2004

2003

December '04
Shareholders'
Equity in
excess of
\$3.2 billion

November '04
Approval to open
Representative
Office in Singapore

March '04
\$750 million
credit facility
closed

July '03
London &
Zurich
branches
established

February '03
Financial
Insurance
Solutions renewal
rights & team



AXIS Capital Holdings Limited
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