AXIS Capital Holdings Limited

Financial Condition Report
For the year ended December 31, 2019

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AXIS CAPITAL HOLDINGS LIMITED
FINANCIAL CONDITION REPORT
For the year ended December 31, 2019
(In thousands of U.S. dollars)

1. COMPANY HISTORY

AXIS Capital Holdings Limited ("AXIS Capital") is a Bermuda-based holding company for the AXIS group of companies, collective (the "Company"). AXIS Capital was incorporated on December 9, 2002, under the laws of Bermuda. Through its subsidiaries and branches with operations in Bermuda, the United States ("U.S."), Europe, Singapore, Canada and the Middle East, AXIS Capital provides a broad range of specialty lines insurance and treaty reinsurance solutions on a worldwide basis under two distinct global underwriting platforms, AXIS Insurance and AXIS Re.

2. BUSINESS AND PERFORMANCE

2.1. Name of Insurance Group

AXIS Capital Holdings Limited

2.2. Name and Contact Details of Approved Group Supervisor

Name: The Bermuda Monetary Authority
Jurisdiction: Bermuda
Address: BMA House
43 Victoria Street, Hamilton, Bermuda
Phone number: 441-295-5278

2.3. Name and Contact Details of Approved Group Auditor

Organisation: Deloitte Ltd.
Address: Corner House
20 Parliament Street, Hamilton, Bermuda
Phone number: 441-292-1500

2.4. Ownership Details

(In thousands of U.S. dollars)

The following table sets forth information as of March 17, 2020 regarding beneficial ownership of our common shares for each person or group known to us to be the beneficial owner of more than 5% of our common shares[(1)]:

Owner Name	**Number of Common Shares**	**Ownership Percentage**
Pzena Investment Management, LLC [(2)]	5,383,049	6.4%
The Vanguard Group (3)	8,431,435	10.0%
T. Rowe Price Associates, Inc.[(4)]	9,725,625	11.5%

(1) Unless otherwise indicated, the number of common shares beneficially owned and percent of outstanding common shares are based on 84,298,000 common shares outstanding as of March 17, 2020. Beneficial ownership is determined in accordance with the rules of the SEC and includes sole or shared voting or investment power with respect to such shares. Except as indicated in the footnotes to the table, based on information provided by the persons named in the table, such persons have sole voting and investment power with respect to all common shares shown as beneficially owned by them. Our bye-laws reduce the total voting power of any shareholder owning 9.5% or more of our common shares to less than 9.5% of the voting power of our capital stock, but only in the event that a U.S. Shareholder, as defined in our bye-laws, owning 9.5% or more of our common shares is first determined to exist.

(2) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 5 to the Schedule 13G/A filed on January 27, 2020 by Pzena Investment Management, LLC (“Pzena”), 320 Park Avenue, 8th Floor, New York, NY 10022, and includes common shares beneficially owned as of December 31, 2019. Pzena has sole voting power over 4,875,992 common shares and sole dispositive power over 5,383,049 common shares.

(3) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 6 to Schedule 13G/A filed on February 12, 2020 by The Vanguard Group (“Vanguard”), 100 Vanguard Blvd., Malvern, PA 19355, and includes common shares beneficially owned as of December 31, 2019. Vanguard has sole voting power over 44,547 common shares and sole dispositive power over 8,385,312 common shares. Vanguard has shared voting power over 12,153 common shares and shared dispositive power over 46,123 common shares.

(4) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 2 to Schedule 13G/A filed on February 14, 2020 by T. Rowe Price Associates, Inc. (“T. Rowe Price”), 100 E. Pratt Street, Baltimore, MD 21202, and includes common shares beneficially owned as of December 31, 2019. T. Rowe Price has sole voting power over 3,234,645 common shares and sole dispositive power over 9,725,625 common shares.

2.5. Group Structure

See Appendix 1 - Organizational Chart

(In thousands of U.S. dollars)

2.6. Insurance Business Written

The following table provides gross premiums written and net earned premiums by line of business:

Year ended December 31	2019		2018	
	Gross Premiums Written	Net Earned Premium	Gross Premiums Written	Net Earned Premium
Insurance Segment:				
Property	$ 943,760	$ 633,550	$ 1,192,807	$ 796,945
Marine	411,309	281,764	367,047	300,944
Terrorism	60,120	47,345	61,663	49,150
Aviation	74,670	55,028	89,673	74,203
Credit and political risk	154,999	91,698	190,433	102,825
Professional lines	1,177,274	661,250	1,115,213	570,241
Liability	699,876	264,667	553,461	229,373
Accident and health	144,103	144,499	210,502	207,777
Discontinued lines - Novae	9,820	10,283	16,793	31,148
Total Insurance	**3,675,931**	**2,190,084**	**3,797,592**	**2,362,606**
Reinsurance Segment:				
Catastrophe	718,514	267,591	536,243	250,016
Property	304,166	311,625	342,789	317,038
Professional lines	261,072	206,328	268,181	220,687
Credit and surety	269,733	208,717	329,126	250,276
Motor	334,887	398,565	499,727	438,693
Liability	546,479	373,664	438,767	363,292
Agriculture	224,961	188,925	226,246	176,435
Engineering	57,028	63,899	60,358	67,932
Marine and other	74,781	59,209	44,741	35,570
Accident and health	432,670	319,619	365,660	299,813
Discontinued lines - Novae	(1,364)	(1,048)	635	9,137
Total Reinsurance	**3,222,927**	**2,397,094**	**3,112,473**	**2,428,889**
Total	**$ 6,898,858**	**$ 4,587,178**	**$ 6,910,065**	**$ 4,791,495**

The following table provides gross premiums written by geographical location of our subsidiaries as follows:

	Gross Premiums Written	
Year ended December 31,	**2019**	**2018**
Bermuda	$ 738,258	$ 606,452
Ireland	1,679,646	1,805,882
United States	3,090,547	2,811,537
Lloyd's of London	1,390,407	1,686,194
Total	**$ 6,898,858**	**$ 6,910,065**

(In thousands of U.S. dollars)

2.7. Investment Performance

The following table provides a breakdown of the Company's investments:

As at December 31,		2019		2018
Fixed maturities, available for sale, at fair value	$	12,468,205	$	11,435,347
Equity securities, at fair value		474,207		381,633
Mortgage loans, held for investments, at fair value		432,748		298,650
Other investments, at fair value		770,923		787,787
Equity method investments		117,821		108,103
Short-term investments, at fair value		38,471		144,040
Total Investments	**$**	**14,302,375**	**$**	**13,155,560**

The following table provides a breakdown of fixed maturities and equity securities by asset type:

As at December 31,		2019		2018
Fixed Maturities:				
U.S. government and agency	$	2,112,881	$	1,515,697
Non-U.S. government		576,592		493,016
Corporate debt		4,930,254		4,876,921
Agency RMBS(1)		1,592,584		1,643,308
CMBS(2)		1,365,052		1,092,530
Non-Agency RMBS		84,922		40,687
ABS(3)		1,598,693		1,637,603
Municipals(4)		207,227		135,585
Total Fixed Maturities	**$**	**12,468,205**	**$**	**11,435,347**
Equity Securities:				
Common stocks	$	193	$	527
Exchange-traded funds		297,325		236,839
Bond mutual funds		176,689		144,267
Total Equity Securities	**$**	**474,207**	**$**	**381,633**

(1) Residential mortgage-backed securities ("RMBS") originated by U.S. government-sponsored agencies.
(2) Commercial mortgage-backed securities ("CMBS").
(3) Asset-backed securities ("ABS") include debt tranched securities collateralized primarily by auto loans, student loans, credit card receivables and collateralized loan obligations ("CLOs").
(4) Municipals include bonds issued by states, municipalities and political subdivisions.

At December 31, 2019, our fixed maturities had a weighted average credit rating of AA- , a book yield of 2.8% and an average duration of 3.2 years.

(In thousands of U.S. dollars)

The following table provides a breakdown of other investments by asset type:

As at December 31,	2019	2018
Long/short equity funds	$ 31,248	$ 26,779
Multi-strategy funds	136,542	167,819
Direct lending funds	277,395	274,478
Private equity funds	80,412	64,566
Real estate funds	130,112	84,202
CLO-Equities	14,328	21,271
Other privately held investments	36,934	44,518
Overseas deposits	63,952	104,154
Total Other Investments	**$ 770,923**	**$ 787,787**

The investment strategies for the above funds are as follows:

- *Long/short equity funds*: Seek to achieve attractive returns primarily by executing an equity trading strategy involving long and short investments in publicly-traded equities.
- *Multi-strategy funds*: Seek to achieve above-market returns by pursuing multiple investment strategies to diversify risks and reduce volatility. This category includes funds of hedge funds which invest in a large pool of hedge funds across a diversified range of hedge fund strategies.
- *Direct lending funds*: Seek to achieve attractive risk-adjusted returns, including current income generation, by investing in funds which provide financing directly to borrowers.
- *Private equity funds*: Seek to achieve attractive risk-adjusted returns by investing in private transactions over the course of several years.
- *Real estate funds*: Seek to achieve attractive risk-adjusted returns by making and managing investments in real estate and real estate securities and businesses.

Overseas deposits include investments in private funds in which the underlying investments are primarily U.S. government, non-U.S. government and corporate debt securities. The funds do not trade on an exchange.

The table following table provides annualized return on investments (excluding investment expenses) by asset class:

Year ended December 31,	2019	2018
Cash and cash equivalent	2.0%	1.7%
Fixed maturities	6.5%	0.6%
Equity securities	16.6%	(8.7)%
Other investments	7.6%	5.4%
Equity method investments	8.7%	0.9%
Mortgage loans, held for investments	3.9%	4.0%
Short-term investments	12.8%	7.0%

(In thousands of U.S. dollars)

2.8. Material Income and Expenses

The Company's main revenue source is premiums. The Company purchases reinsurance to reduce exposure to significant losses. Gross premiums written decreased by $11 million or 0.2% in 2019 compared to 2018 with a decrease in the insurance segment, partially offset by an increase in the reinsurance segment. The decrease in the insurance segment's gross premiums written was primarily attributable to decreases in property, accident and health, and credit and political risk lines, partially offset by increases in liability, professional lines, and marine lines. The increase in the reinsurance segment's gross premiums written was primarily attributable to increases in catastrophe, liability, accident and health, and marine and other lines, partially offset by decreases in motor, credit & surety, and property lines.

Net premiums earned decreased by $204 million or 4% in 2019 compared to 2018 from decreases in both the insurance and reinsurance segments. The decrease in the insurance segment was primarily attributable to decreases in property, accident and health, discontinued lines - Novae, marine, and aviation lines, partially offset by increases in professional lines, and liability lines. The decrease in the reinsurance segment was primarily attributable to decreases in credit & surety, motor lines, partially offset by increases in marine and other, accident and health lines.

The Company's most significant expense is claims incurred on premiums earned. Other significant expenses are costs incurred to acquire business and general and administrative expenses. The Company's combined ratio increased in 2019 to 102.6% from 99.9% in 2018. The increased combined ratio in 2019 was mostly due to increased acquisition costs and general and administrative expenses. The increased acquisition cost ratio was principally related to an increase in the insurance segment, largely associated with the acquisition of Novae. The increase in general and administrative expense ratio was mainly driven by a decrease in net premiums earned, an increase in information technology costs and professional fees, partially offset by an increase in fees associated with arrangements with strategic capital partners.

The following table provides the Company's more significant expenses:

	2019			2018		
Year ended December 31,		**Amount**	**% of Net Earned Premiums**		**Amount**	**% of Net Earned Premiums**
Incurred losses	$	3,044,798	66.4%	$	3,190,287	66.6%
Acquisition costs		1,024,582	22.3%		968,835	20.2%
General and administrative expenses		634,831	13.9%		627,389	13.1%
Underwriting expenses/combined ratio	**$**	**4,704,211**	**102.6%**	**$**	**4,786,511**	**99.9%**

3. GOVERNANCE STRUCTURE

3.1. Board and Senior Executives

3.1.1. Board and Senior Executives Roles and Responsibilities

Board of Directors

Name	Board Position
Albert A. Benchimol	Chief Executive Officer, President and Director
Michael A. Butt	Chairman of the Board of Directors
W. Marston Becker	Independent Director
Charles A. Davis	Independent Director
Anne Melissa Dowling	Independent Director
Christopher V. Greetham	Independent Director
Elanor R. Hardwick	Independent Director
Thomas C. Ramey	Independent Director
Henry B. Smith	Independent Director
Barbara A. Yastine	Independent Director
Wilhelm Zeller	Independent Director
Lizabeth H. Zlatkus	Independent Director

Senior Executives

Name	Position
Albert A. Benchimol	Chief Executive Officer, President and Director
Steve Arora	Chief Executive Officer, AXIS Reinsurance
Conrad D. Brooks	General Counsel
Eric Gesick	Group Chief Underwriting Officer
Noreen McMullan	Chief Human Resource Officer
David Phillips	Chief Investment Officer
Linda Ventresca	Chief Strategy Officer
Peter Vogt	Chief Financial Officer
Peter W. Wilson	Chief Executive Officer, AXIS Insurance
Ben Rubin	Global Head of Risk Funding, AXIS Capital
Keith Schlosser	Global Chief Information Officer, AXIS Capital

Role of Board, Management and Employees

The Company's business is conducted by its employees, managers and officers under the management of the Chief Executive Officer ("CEO") and the oversight of the Board. The Board is elected by the shareholders to oversee the actions and results of management and to advance the shareholders' interests in maximizing value over the long-term.

Director Responsibilities

Directors shall exercise their business judgment to act in ways they reasonably believe to reflect the best interests of the Company and its shareholders. The Board is ultimately responsible for maintaining the integrity of the Company. The Board is also responsible for:

- Overseeing the operations and results of business;
- Evaluating and approving sound business strategies;
- Selecting and evaluating the CEO;

- Planning for succession with regard to directors and management;
- Assessing major risk factors and reviewing policies to manage and mitigate risk; and
- Assuring the Company’s business is conducted on an ethical basis in compliance with applicable laws, rules and regulations.

In discharging their responsibilities, directors are entitled to rely on the integrity of management, outside advisors and outside auditors.

The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

Duties of Non-Management Directors

Non-management directors must meet at regularly scheduled executive sessions without management present. In addition, if the non-management directors include any directors who are not "independent", the independent directors alone shall hold at least one meeting per year. If the Chairman is an employee of the Company or is otherwise not independent, the independent directors shall elect or reaffirm by majority vote a "Lead Independent Director", as discussed in more detail below. The Lead Independent Director, or the Chairman, if the Chairman is independent, shall lead the executive sessions. Non-management and independent directors may meet at other times as determined by the Lead Independent Director or a majority of non-management or independent directors. The Lead Independent Director shall provide notice of all such meetings to all of the directors.

These meetings will address such topics as determined by the Lead Independent Director or other non-management or independent directors. These executive sessions also shall serve as a forum for the annual evaluation of the performance of the CEO, the annual review of the CEO’s plan for management succession and the annual evaluation of the performance of the Board.

The Chairman and the CEO will be briefed on the substance of the issues addressed at these meetings, as appropriate.

Lead Independent Director

In addition to the duties of all Board members, which shall not be limited or diminished by the Lead Independent Director’s role, the specific responsibilities of a Lead Independent Director shall include: (i) presiding at executive sessions of the non-management and independent directors as well as all meetings at which the Chairman is not present; (ii) providing input on meeting agendas and information that is sent to the Board; (iii) assisting in scheduling Board meetings; (iv) acting as a liaison between the independent directors and the Chairman; (v) recommending, as appropriate, that the Board of Directors retain consultants who will report directly to the Board of Directors; and (vi) if requested by major shareholders, consulting and communicating with such shareholders on an as-requested basis.

The Lead Independent Director shall be elected by a vote of the independent directors for a term of office of three (3) years or until his or her successor shall be duly appointed.

Compliance with Company Policies

All directors must comply with the Code of Business Conduct and all other Company policies, including the Insider Trading Policy and the Corporate Disclosure Policy.

Board Committees

Committees shall be established by the Board to facilitate and assist in the execution of the Board's responsibilities. The Board may establish and maintain committees as appropriate under the circumstances.

Standing Committees

The Board shall have, at all times, an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, a Finance Committee and a Risk Committee.
All members of these committees, with the exception of the Finance Committee and Risk Committee, shall be independent directors under the independence requirements of the New York Stock Exchange and other requirements set forth in applicable laws, rules and regulations. If a director ceases to be independent under these standards while serving on one of these committees, he or she should promptly resign.

The Board will appoint committee members with the assistance of the Corporate Governance and Nominating Committee. Committee members may be periodically rotated as appropriate. The Board should give consideration toward appointing the Lead Independent Director as the Chair of the Corporate Governance and Nominating Committee and Executive Committee.

Each committee shall have a written charter that sets forth the purpose, duties and responsibilities of each committee as well as the qualifications of each committee member. Each charter will require an annual self-evaluation of the committee's performance and the adequacy of the committee's charter.

The roles and responsibilities of the Committees are as follows:

Executive Committee
The Executive Committee may exercise the authority of the Board when the entire Board is not available to meet,except in cases where the action of the entire Board is required by our memorandum of association, our bye-laws or applicable law.

Audit Committee
The Audit Committee has general responsibility for the oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditor's qualifications and independence and the performance of our internal audit functions and independent auditors. The Committee appoints, retains and determines the compensation for our independent auditors, pre-approves fees and services of the independent auditors and reviews the scope and results of their audit. The Audit Committee has been established in accordance with Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each member of the Audit Committee is a non-management director and is independent as defined in the listing standards of the NYSE, our Corporate Governance Guidelines and under the Exchange Act. Our Board has determined that Mr. Ramey qualifies as an audit committee financial expert pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Compensation Committee
The Compensation Committee establishes compensation for our Chief Executive Officer and certain other executives in light of our established corporate performance goals and makes recommendations to our Board with respect to overall officer, management and employee compensation policies, incentive compensation plans, equity-based plans and director compensation. Each member of this Committee is a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act and is independent as defined in the listing standards of the NYSE.

Corporate Governance and Nominating Committee.
The Corporate Governance and Nominating Committee takes a leadership role in shaping our corporate governance by identifying and proposing qualified director nominees, overseeing the purpose, structure and composition of our Board committees, overseeing the annual evaluation of the Board and its committees and periodically reviewing our Code of Business Conduct and Corporate Governance Guidelines. The Committee also oversees our corporate citizenship initiatives. Each member of this Committee is a non-management director and is independent as defined in the listing standards of the NYSE.

Finance Committee
The Finance Committee oversees the investment and treasury function of the Company, including the investment of funds and financing facilities. It also is responsible for establishing our investment policies and guidelines, reviewing the selection of investment managers, evaluating the performance of investment managers, monitoring the need for additional financing and ensuring compliance with outstanding debt facility covenants.

Risk Committee
The Risk Committee assists the Board in its oversight of risks to which the Company is exposed and monitors our compliance with our aggregate risk standards and risk appetite. The Risk Committee also reviews compensation practices to determine whether our policies and plans are consistent with the Company's risk framework and do not encourage excessive risk taking.

3.1.2. Remuneration Policy and Practices

Director Compensation

The form and amount of director compensation shall be determined by the Board upon the recommendation of the Compensation Committee in consultation with senior management. In doing so, the Board and the Compensation Committee shall be guided by the following principles:

- Director compensation should be comparable to companies of similar size, complexity and industry;
- Director compensation should align the interests of directors with those of the shareholders;
- The structure of director compensation should be transparent; and
- Compensation for committee service may vary depending upon required time commitment and nature of duties and responsibilities, so long as the additional compensation is of the same form available to all directors.

Employee directors are not paid additional compensation for their service as directors.

Independence Concerns

In determining the form and amount of director compensation and director independence, it must be considered that directors' independence may be jeopardized if director compensation exceeds what is customary. Similar concerns are raised if substantial charitable contributions are made to an organization with which the director is affiliated, or if the Company provides other types of indirect compensation to a director (including, for example, entering into a consulting contract with a director or an organization with which the director is affiliated).

Review

Senior management shall periodically review director compensation. Any modifications to director compensation suggested by senior management will be proposed to the Compensation Committee and, if appropriate, the full Board.

The Compensation Committee, in consultation with senior management, shall conduct an annual review of director compensation, as well as an annual review of the principles for determining compensation form and amount.

Executive Compensation

We are a specialty insurer and global reinsurer that provides our clients and distribution partners with a broad range of risk transfer products and services and meaningful capacity, backed by excellent financial strength. Accordingly, it is critical that we recruit, retain and motivate the best talent in the highly competitive global marketplace. To achieve these goals, we have designed our executive compensation programs to retain and reward leaders who create long-term value for our shareholders. The combination of fixed and variable compensation that we pay to our Named Executive Officers ("NEO")(1) is structured to reward above-median performance with above-median levels of compensation and conversely, to provide below-median compensation for below-median performance. A large portion of our NEOs' compensation is variable, or performance-based, and consists of annual incentive awards and long-term equity awards, while the fixed component of their compensation is designed to reflect their significant level of responsibility and overall contributions to our success. In addition to leading the Company's day-to-day underwriting, investing, financial oversight and operating activities, our NEOs manage and lead a team of senior professionals that we believe is among the strongest teams in our industry. The successful management of our operations serves to maintain our capital and drive long-term shareholder returns. The primary consideration for our compensation decisions continues to be the assessment of our overall financial performance based on: (i) certain short-term and long-term financial metrics and (ii) both business unit and individual performance.

(1) The term "Named Executive Officers" refers to Albert Benchimol, Steve Arora, David Phillips, Peter Vogt and Peter Wilson who were executive officers of the Company in 2019.

Risk Management and Compensation

In line with the Company's requirements for managing compensation risk, the Compensation Committee seeks to ensure that our executive compensation program does not encourage executives to take risks that are inconsistent with the long-term success of the Company.

Compensation Committee Consultant

Our Compensation Committee has sole authority to select, retain and terminate any consultants or advisors used to provide independent advice to the Compensation Committee and evaluate executive compensation, including sole authority to approve the fees and any other retention terms for any such consultant or advisor.

3.1.3. Supplementary Pension or Early Retirement Schemes

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

For eligible U.S. employees, the Company provides a non-qualified deferred compensation plan that enables employees to make contributions to the plan that are in excess of those permitted under the Company's 401(k) Plan. In addition, employees are permitted to make additional contributions from any bonus received and to benefit from discretionary employer contribution to the Plan. All of our NEOs participate in our AXIS 401(k) Plan and some of our NEOs participate in the U.S. Supplemental Plan.

In 2016, the Company established the AXIS Executive Restricted Stock Unit Retirement Plan (the "Plan") to reward certain eligible long-term employees of the Company for their dedicated service. The Plan was implemented in 2017. Subject to certain conditions being met, eligible employees will not forfeit all of their outstanding share-settled restricted stock units or cash-settled restricted stock units on or following their retirement. Absent the Plan, outstanding restricted stock units are generally forfeited upon termination of employment.

3.1.4. Material Transactions with Shareholder Controllers, Board or Senior Executives

In 2019, the Company paid $180 million of dividends to common and preferred shareholders.

A member of the Company's Board of Directors, Mr. Charles Davis, is the Chief Executive Officer of Stone Point Capital, LLC ("Stone Point"). In the ordinary course of business, the Company engages SKY Harbor Capital Management, LLC, an affiliate of Stone Point, to provide asset management services for certain short duration high yield debt portfolios. For the year ended December 31, 2019, total fees paid to SKY Harbor Capital Management, LLC, were $3 million.

In addition, the Company has invested $52 million in the Freedom Consumer Credit Fund, LLC - Series B. The manager of this fund is Freedom Financial Asset Management, LLC ("Freedom") which is an indirect subsidiary of Pantheon Partners, LLC ("Pantheon"). Investment funds managed by Stone Point own approximately 14.5% of Pantheon. For the year ended December 31, 2019, fees paid to Freedom were $3 million.

At December 31, 2019, the Company has committed to invest $71 million in Stone Point's private equity fund, Trident VIII L.P. ("Trident VIII"), For the year ended December 31, 2019, the Company has not paid any fees to Stone Point in relation to Trident VIII.

The Company's Chairman, Mr. Butt received consulting fees for the year ended December 31, 2019 of $0.4 million pursuant to the terms of a consulting agreement by and between Mr. Butt and the Company dated May 3, 2012, as amended, most recently on July 18, 2019 to extend the term of the agreement to December 31, 2020.

3.2 Fitness and Propriety Requirements

3.2.1. Fit and Proper Process for Assessing Board and Senior Executives

Board of Directors

In order for the Board to satisfy its oversight responsibilities effectively, the Board seeks members who combine the highest standards of integrity with significant accomplishment in their chosen field of endeavor. The Corporate Governance and Nominating Committee is responsible for recommending qualified candidates for directorships to be filled by the Board or by our shareholders. Directors are expected to bring a diversity of experiences, skills and perspectives to our Board. The Committee considers qualities of intelligence, honesty, perceptiveness, good judgment, high ethics and standards, integrity and fairness to be of paramount importance. It also examines experience, knowledge and skills in business judgment, leadership, strategic planning, general management practices and crisis response. In addition, the Committee looks for candidates with financial expertise and a willingness and ability to commit the time required to fully discharge their responsibilities to the Board. The Committee evaluates candidates on the basis of their qualifications and not on the basis of the manner in which they were submitted for consideration.

Although we do not have a formal policy with regard to the consideration of diversity in identifying directornominees, the Committee views diversity as an essential element for our Board's composition and effectiveness.Attributes such as race, gender, age, ethnicity and national origin are considered in the identification andevaluation of our director candidates that will be additive to our overall Board's diversity.

Chief Executive Officer

The Board shall be responsible for selecting the CEO. CEO selection should be guided by the following principles:

- The CEO of AXIS should uphold the highest standards of integrity;
- The CEO of AXIS should uphold the highest standards of professional performance; and
- The CEO of AXIS should be capable of successfully directing the Company's operations and results.

The Compensation Committee will conduct an annual performance review of the CEO. This evaluation should be based on the above principles, in addition to an objective assessment of the Company's business performance and the accomplishment of long-term strategic goals. The full Board will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company, both in the long- and short-term.

All Employees

All of AXIS' employees, directors and officers are required to comply with the AXIS Capital business ethics policies which include Code of Business Conduct, Whistleblower Policy and Insider Trading Policy. AXIS requires that all employees, directors and officers conduct business with integrity and comply with all applicable laws and regulations. The AXIS Business Ethics Policies set forth the standards of business conduct consistent with AXIS' core values of professionalism and integrity. To reinforce familiarity and understanding of the guiding principles of these policies, each year, all employees, officers and directors are required to acknowledge their acceptance and certify their compliance with each of the policies.

As part of the recruitment process, a candidate will be assessed to determine whether he or she is fit for the particular role; specifically with reference to competency and capability.

AXIS will consider information about a person's competency and capability for a position, which includes the following:

- the responsibilities of the position;
- the person's demonstrated capacity to successfully undertake the responsibilities of the position and the establishment/ maintenance of an effective control regime;
- the person's knowledge of the business and responsibilities of the position; and
- any professional qualifications, formal and informal training.

Also, as part of the recruitment process, a candidate will be assessed to determine whether he or she meets AXIS's standards for probity; specifically with reference to honesty, integrity, fairness, ethical behaviour and financial soundness.

AXIS will consider a candidate's record as a good indicator of character, as well as other information indicative of honesty, integrity, fairness and ethical behaviour.

3.2.2. Qualifications, Skills and Expertise of Board and Senior Executives

Directors

Albert A. Benchimol
Albert A. Benchimol was appointed President and Chief Executive Officer of AXIS Capital Holdings Limited in May 2012 and has served as a director since January 2012. Mr. Benchimol joined the Company as Executive Vice President and Chief Financial Officer in January 2011. He formerly served as Executive Vice President and Chief Financial Officer of PartnerRe Ltd. from April 2000 through September 2010, and Chief Executive Officer of PartnerRe Ltd.'s Capital Markets Group business unit from June 2007 through September 2010. Prior to joining PartnerRe, Mr. Benchimol was Senior Vice President and Treasurer at Reliance Group Holdings, Inc. for 11 years and was previously with the Bank of Montreal from 1982 to 1989. In January 2019, Mr. Benchimol assumed the role as Chair of the Association of Bermuda Insurers and Reinsurers after serving as Vice-Chair from 2017 through 2018, and in February 2019, he was appointed as an External Member of the Council of Lloyd's.

Michael A. Butt
Michael A. Butt has served as Chairman of the Board or a director since September 2002. Mr. Butt has over 50 years of insurance industry experience. From 1982 to 1986, Mr. Butt was the Chairman of Sedgwick Limited and Vice Chairman of the Sedgwick Group plc. From 1987 to 1992, Mr. Butt served as Chairman and Chief Executive Officer of Eagle Star Holdings plc and Eagle Star Insurance Company. From 1993 to 1998, Mr. Butt was Chief Executive Officer and President of Mid Ocean Limited. From 1998 to August 2002, Mr. Butt was a director of XL Capital Ltd. Mr. Butt also is a former director of the Farmers Insurance Group, BAT Industries and Instituto Nazionale delle Assicuranzioni. Mr. Butt also was the Chairman of the Association of Bermuda Insurers and Reinsurers from January 2008 through December 2009. In 2011, Mr. Butt was appointed as an Officer of the Order of the British Empire to commemorate his distinguished contributions toward the building of the Bermuda reinsurance industry and in 2019 was named by the International Insurance Society as its 2019 Insurance Hall of Fame Laureate.

W. Marston Becker
W. Marston Becker joined our Board in June 2020. Mr. Becker has over 35 years of insurance industry experience. From 2014 until April 2020, Mr. Becker served as Chairman of QBE Insurance Group. From 2006 to 2013, he served as Chairman and Chief Executive Officer of Alterra Capital Holdings Limited, serving as a director from 2004 to 2013. He also served on the board of Selective Insurance Group, Inc. from 2006 until 2011. From 2002 to 2005, Mr. Becker was Chairman and Chief Executive Officer of Trenwick Group, Ltd. From 2002 until 2008, Mr. Becker was Chairman and Chief Executive Officer of the run-off for LaSalle Re Holdings Limited. He was non-executive Chairman of Hales & Company, a boutique insurance industry investment bank and private equity investor specializing in the insurance brokerage industry, from 2001 to 2004. Mr. Becker also served as Chairman and Chief Executive Officer of Orion Capital Corporation from 1996 to 2000 and was President and Chief Executive Officer of McDonough Caperton Insurance Group, Inc. from 1987 to 1994, previously serving in other executive positions since 1978. He currently serves as a director of Encova Mutual Insurance Company, Amynta Group, Source One Financial, Dorado Insurance and the Mountain Companies. He is an advisory board member of the American Securities Fund and Cohesive Capital. Mr. Becker is a certified public accountant and an admitted attorney in West Virginia. He holds both a BS and JD from the West Virginia University.

Charles A. Davis

Charles A. Davis has served as a director since our inception. Since June 2005, Mr. Davis has been a member and the Chief Executive Officer of Stone Point Capital LLC ("Stone Point"). From 1998 until May 2005, he was with MMC Capital, Inc., a subsidiary of Marsh & McLennan Companies, Inc., serving as the Chief Executive Officer from 1999 to 2005 and Chairman from 2002 to 2005. He also served as a Vice Chairman of Marsh & McLennan Companies, Inc. from 1999 to November 2004. Prior to joining MMC Capital in 1998, Mr. Davis spent 23 years at Goldman, Sachs & Co., where, among other positions, he served as head of Investment Banking Services worldwide, head of the Financial Services Industry Group, a General Partner, a Senior Director and a Limited Partner. Mr. Davis also is a director of The Hershey Company and The Progressive Corporation.

Anne Melissa Dowling

Anne Melissa Dowling joined our Board in January 2020. She previously served as Director of Insurance for the State of Illinois from 2015 to 2017 and as Deputy Commissioner of Insurance for the State of Connecticut from 2011 to 2015. Ms. Dowling previously held executive management roles in the areas of investments, treasury, strategic planning, marketing and governance at Massachusetts Mutual Financial Group, Connecticut Mutual Life Insurance Company, Travelers Insurance Company and at Aetna Life & Casualty where she began her career in 1982. She currently serves on the boards of Prosperity Life Group and Insurance Capital Group and as an advisory board member for Carpe Data. She is a former director of Spectranetics Corporation and a former advisory board member of Life Epigenetics. Ms. Dowling received an M.B.A. from Columbia Business School and a B.A. from Amherst College. She holds the Chartered Financial Analyst (CFA) designation.

Christopher V. Greetham

Christopher V. Greetham has served as a director since October 2006. From 1996 to 2006, he served as Chief Investment Officer of XL Capital Ltd. From 1982 to 1996, Mr. Greetham was Chief Financial Officer of OIL Insurance Ltd. and President of OIL Investment Corporation Ltd. Between 1975 and 1982, Mr. Greetham served as an investment analyst and a portfolio manager at Bankers Trust Company.

Elanor R. Hardwick

Elanor R. Hardwick has served as a director since November 2018. Ms. Hardwick serves as Chief Digital Officer of UBS, leading the bank's innovation and digitization activities across all business lines and functions globally. From 2016 to 2018, Ms. Hardwick served as Head of Innovation of Deutsche Bank, leading innovation across business lines and functions globally and supporting the company's digital strategy development. Previously, she was Chief Executive Officer of Credit Benchmark Ltd., a FinTech start-up and provider of credit risk data, leading the company from its foundation in 2012. Prior to that, Ms. Hardwick held a succession of senior leadership positions at Thomson Reuters, including Global Head of Strategy, Investment and Advisory; Global Head of Professional Publishing; and Head of Strategy for Europe and Asia. Ms. Hardwick has also worked at Morgan Stanley International, Booz-Allen & Hamilton and the United Kingdom's Department of Trade and Industry. She earned an M.B.A. from Harvard Business School and an M.A. from the University of Cambridge.

Thomas C. Ramey

Thomas C. Ramey was elected as a director in July 2009. Mr. Ramey was Chairman and President of Liberty International, a wholly owned subsidiary of Liberty Mutual Group, from 1997 to 2009. He also served as Executive Vice President of Liberty Mutual Group from 1995 through 2009. Prior to joining Liberty, he was President and Chief Executive Officer of American International Healthcare, a subsidiary of AIG, and founder and President of an international healthcare trading company. He is currently a trustee of the Brookings Institution. Mr. Ramey was formerly a Director of The Warranty Group, the International Insurance Society, the Coalition of Services Industries and Chairman of the International Fund for Animal Welfare. He was also formerly a member of the Chongqing, China Mayor's International Advisory Council.

Henry B. Smith

Henry B. Smith has served as a director since May 2004. Mr. Smith served as the Chief Executive Officer and President of W.P. Stewart & Co., Ltd. from May 2005 to March 2006. Mr. Smith is the former Chief Executive Officer of the Bank of Bermuda Limited, a position he held from March 1997 until March 2004. He joined the Bank of Bermuda in 1973 as a management trainee and held various senior positions within the Bank of Bermuda, including Executive Vice President and Chief Operations Officer, Executive Vice President, Europe and Senior Vice President and General Manager, Retail Banking.

Barbara A. Yastine

Barbara A. Yastine has served as a director since July 2018. Ms. Yastine previously served as Chair, President and Chief Executive Officer of Ally Bank from March 2012 to September 2015, and as Chief Administrative Officer of Ally Financial, overseeing the risk, compliance, legal and technology areas, and Chair of Ally Bank, from May 2010 to March 2012. Prior to joining Ally Financial, she served as a Principal of Southgate Alternative Investments, a start-up diversified alternative asset manager, beginning in June 2007. She served as Chief Financial Officer for investment bank Credit Suisse First Boston from October 2002 to August 2004. From 1987 through 2002, Ms. Yastine worked at Citigroup and its predecessor companies. Ms. Yastine also served as a director and Co-Chief Executive Officer of Lebenthal Holdings, LLC from September 2015 to June 2016. Ms. Yastine currently serves as a member of the Board of Directors of Primerica Inc. and Zions Bancorporation and is a former director of First Data Corporation. She received a B.A. in Journalism and an M.B.A. from New York University.

Wilhelm Zeller

Wilhelm Zeller was elected as a director in July 2009. From 1996 to June 2009, Mr. Zeller served as the Chairman of the Executive Board of Hannover Re. Prior to joining Hannover Re, he was a member of the Executive Board of Cologne Re from 1977 through 1995. In 1995, he was also a member of the Executive Council of General Re Corporation, the new principal shareholder of Cologne Re. From 1970 through 1977, Mr. Zeller served as the head of the Casualty Department and International Department Non-Life at Zurich Insurance Company. A NACD board leadership fellow, he currently is a corporate director and consultant, serving as a director of EIS Group Ltd. and Willis Towers Watson.

Lizabeth H. Zlatkus

Lizabeth H. Zlatkus was appointed as a director in March 2019. Until her retirement from The Hartford Financial Services Group, Ms. Zlatkus held many senior leadership positions during her tenure from 1983 to 2011 including Chief Financial Officer and Chief Risk Officer of the firm and Co-President of Hartford Life Insurance Companies. She also served as Executive Vice President of two of The Hartford's largest divisions, the international operations and the group life and disability divisions. Ms. Zlatkus currently serves as a director on the boards of Boston Private Financial Holdings, Inc. and SE2 and sits on the Pennsylvania State University Business School Board, where she also served as Chair from 2012 to 2015. She is also Vice Chair of The Connecticut Science Center Trustee Board, serving on its executive committee since 2012. Additionally, Ms. Zlatkus was formerly a director of Legal & General Group, Plc, Computer Sciences Corporation and Indivior, PLC. She also previously served as Regulatory Chair for the North American Chief Risk Officers Council, as a member on the Hewlett Packard Financial Services Board of Advisors, as a member of the LOMA Board of Directors and as Trustee of the Connecticut Women's Hall of Fame.

Chief and Senior Executives

Albert A. Benchimol

See bio above.

Steve Arora

Steve Arora joined AXIS in January 2018 as CEO of its reinsurance business. Mr. Arora came to AXIS from Swiss Re where he spent 18 years in a variety of senior positions, most recently as Head of Casualty Reinsurance and as a member of the Reinsurance Executive Committee. He has held positions in New York, Munich, London, Tokyo and Zurich, and his expertise crosses Finance, Risk Management, Underwriting, and General Management. In his most recent role at Swiss Re, Mr. Arora led a 250 person organization that spanned the Company's global network of offices. Previously he served as President and Managing Director of Swiss Re Japan, where he had oversight of the Company's entire Japanese platform. Mr. Arora held multiple positions at GE Insurance Solutions prior to its acquisition by Swiss Re.

Conrad D. Brooks

Conrad D. Brooks is General Counsel of AXIS Capital, where he has global oversight of legal, compliance and regulatory operations across all AXIS offices. Prior to his appointment to the role in January 2017, he served for nearly a decade as the Company's Corporate Counsel. Mr. Brooks joined AXIS from McKenna Long & Aldridge LLP (now Dentons), where he was a partner and served as practice team leader in the firm's corporate and securities practice. A former officer in the United States Navy, Mr. Brooks graduated magna cum laude from the Georgia State University College of Law. He received his Bachelor of Science degree from the University of Illinois and earned a Master of Business Administration (Finance) from Old Dominion University.

Eric Gesick

Eric Gesick was appointed Group Chief Underwriting Officer in January 2018. From January 2015 through 2017, he was AXIS Chief Risk and Actuarial Officer. Prior to that, Mr. Gesick led the Company's actuarial function and oversaw all pricing and reserving activities. Mr. Gesick has more than 20 years of experience in the insurance and reinsurance industry in the U.S., Bermuda and European markets, including actuarial, underwriting and operational roles. Prior to joining AXIS in October 2012, he served as Chief Actuarial Officer for PartnerRe. Mr. Gesick is a Fellow of the Casualty Actuarial Society and a member of the Academy of Actuaries. He also holds the Chartered Financial Analyst (CFA) professional designation.

Noreen McMullan

Noreen McMullan joined AXIS Capital as Chief Human Resources Officer in September 2014 and is responsible for Human Resources strategy and the delivery of human resources services worldwide. Ms. McMullan has over 26 years of leadership experience in corporate human resources for the financial services industry. Before joining AXIS, she served as Executive Vice President and Chief Human Resources Officer for FirstKey Holdings, a diversified specialty finance company. Prior to FirstKey, she led human resources at Bank of America’s Legacy Asset Services Group. Additionally, Ms. McMullan spent 13 years at Morgan Stanley in several different capacities, including Human Resources Lead for the C-level executives and their organizations, Chief Operations Officer for Global Human Resources and Head of Human Resources and Chief Administrative Officer for a Morgan Stanley subsidiary. Previously, she was with Citigroup from 1988 to 1998.

David Phillips

David Phillips joined AXIS Capital as Chief Investment Officer in April 2014. With more than 20 years of experience in investments, Mr. Phillips previously served as Head of Investments for PartnerRe where he had management and asset allocation responsibilities for public fixed income, public equities, private equities, and alternative fixed income. Prior to PartnerRe, he was the Director of Research and a Portfolio Manager at Oppenheimer Capital, an institutional money manager based in New York City. Mr. Phillips is a CFA charter holder and received an MBA from the Wharton School of the University of Pennsylvania and a BA from Princeton University.

Linda Ventresca

Linda Ventresca is responsible for guiding the development of AXIS Capital’s strategic priorities and for driving the delivery of those priorities across the organization. She also leads the Company’s enterprise-wide transformation program, positioning AXIS to capitalize on the changes reshaping the insurance marketplace, and the Company's Corporate Development and Corporate Communications teams report in to her. Ms. Ventresca, who joined AXIS in January 2003, has held numerous leadership roles within the organization including Head of Corporate Development and Head of Investor Relations. Prior to joining AXIS, Ms. Ventresca was an investment associate at MMC Capital, Inc., where she worked extensively with AXIS as a portfolio company of the Trident II fund. Previously, she had been a member of the Financial Institutions Investment Banking Groups at Donaldson, Lufkin & Jenrette and UBS Securities, LLC. Ms. Ventresca holds an M.B.A. from Columbia Business School and a B.S.E. in Bioengineering from the University of Pennsylvania.

Peter Vogt

Peter Vogt was appointed Chief Financial Officer of AXIS Capital in January 2018. He previously served as the Company’s Deputy Chief Financial Officer and was also Chief Operating Officer of AXIS Insurance from 2013 to June 2017. Mr. Vogt joined AXIS in 2010 as CFO and COO of the Company’s Accident and Health business unit. Prior to AXIS, Mr. Vogt served as CFO of Penn Mutual Life Insurance Company. He also held the CFO role at CIGNA’s Group Insurance business. Mr. Vogt started his career at Hartford Life Insurance Company where, over nearly 14 years, he held a series of actuarial roles and eventually led sales, marketing and product development for its corporate retirement business. Mr. Vogt holds a BBA in Actuarial Science from Temple University and is a fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Peter W. Wilson
Peter Wilson was appointed Chief Executive Officer of AXIS Insurance in April 2014. He joined AXIS in May 2013 as President of U.S. Insurance. Prior to joining the Company, Mr. Wilson served as President and Chief Operating Officer for CNA Specialty, a unit of CNA Financial Corporation, which is focused on professional and management liability, healthcare, surety and other specialized insurance products and services. During his more than 20-year tenure with CNA Financial Corporation, Mr. Wilson served in a number of leadership positions and had management responsibility for a diverse group of business units operating both in the U.S. and internationally. Prior to CNA, he served as an Executive Vice President at AIG, where he managed AIG's commercial public D&O business in the U.S.

Ben Rubin
Ben Rubin is Global Head of Risk Funding at AXIS Capital. He is responsible for evaluating the efficacy, cost and responsiveness of risk transfer throughout the firm, as well as managing and developing relationships with third-party capital providers in support of AXIS Capital's global specialist underwriting operations. Mr. Rubin joined AXIS from Bank of America Merrill Lynch, where he served as a Director in the Investment Banking unit in New York. During his tenure there, his diverse experiences encompassed capital markets, mergers and acquisitions, private equity and insurance-linked securities. Mr. Rubin earned his bachelor degree in History from Cornell University and his Master of Business Administration from Columbia Business School.

Keith Schlosser
Keith Schlosser is Global Chief Information Officer at AXIS Capital, where he leads the Company's global information technology and data strategy. Mr. Schlosser is also responsible for driving change throughout the organization by delivering high-quality, future-oriented IT services in line with AXIS Capital's business strategy. Mr. Schlosser has more than 30 years of insurance industry experience, spanning roles in information technology, business solutions, marketing and sales. Prior to AXIS, he served as Chief Information Officer for Chubb's Overseas General Insurance division, where he spearheaded a number of growth, innovation, digital and change initiatives. Before that, he served as The Travelers Companies international division CIO. Mr. Schlosser was also a Vice President for marketing technology and web communications at AIG.

3.3. Risk Management and Solvency Self-Assessment

3.3.1. Risk Management Process and Procedures to Effectively Identify, Measure, Manage and Report on Risk Exposures

AXIS has an established Group-Wide Enterprise Risk Management ("ERM") framework which provides a structured and consistent approach to ensuring that risks are appropriately identified, measured, monitored and controlled with clear ownership and appropriate levels of oversight. This framework is implemented in a consistent manner across the AXIS Group.

The mission of the ERM framework is to promptly identify, measure, manage/control, report and monitor risks that affect the achievement of our strategic, operational and financial objectives. The key objectives of the framework are to:

- Protect our capital base and earnings by monitoring risks against our stated risk appetite and limits;
- Promote a sound risk management culture through disciplined and informed risk taking;
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for efficient capital deployment;
- Support our group-wide decision making process by providing reliable and timely risk information; and
- Safeguard our reputation.

Our ERM framework is constantly evolving and develops in response to changes in the Company's internal and external environment, and associated risk landscape, and our drive to maintain an ERM framework which supports the business meaningfully in meeting its objectives.

Risk Governance
At the heart of our ERM framework is a governance process with responsibilities for taking, managing, monitoring and reporting risks. We articulate roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer to our business and functional areas, thus embedding risk management throughout the business.

Risk governance is executed through a three lines of defence model, with business units ("first line") responsible for the identification, assessment, management, mitigation and monitoring of risks on a day-to-day basis; the Risk function ("second line") providing oversight and guidance on risk management across the business by supporting and challenging the first line in their identification, assessment, management and mitigation of risk; and Internal Audit ("third line") providing independent assurance on the effectiveness of governance, risk management, and internal controls (see below for further details on the Risk Management Organization").

To support our governance process, we rely on our documented policies, procedures and reporting. Our Risk Policies are a formal set of documents we use to specify our approach and risk mitigation/control philosophy for managing individual and aggregate risks. We also have procedures to approve exceptions and procedures for referring risk issues to senior management and the Board of Directors. Our qualitative and quantitative risk reporting framework provides transparency and early warning indicators to senior management with regard to our overall risk profile, adherence to risk appetite and associated limits, and improvement actions both at an operating entity and Group level. Various governance and control bodies coordinate to help ensure that objectives are being achieved, risks are identified and appropriately managed, and internal controls are in place and operating effectively.

The key elements of the governance framework, as it relates specifically to risk management, are described below.

Board of Directors' Level
The Risk Committee of the Board ("Risk Committee" or "Board Risk Committee") assists the Board of Directors in overseeing the integrity and effectiveness of our ERM framework, and ensuring that our risk assumption and risk mitigation activities are consistent with that framework. The Risk Committee reviews, approves and monitors our overall risk strategy, risk appetite and key risk limits and receives regular reports from the Group Risk function ("Group Risk") to ensure any significant risk issues are being addressed by management. The Risk Committee further reviews, with management and Internal Audit, the Group's general policies and procedures and satisfies itself that effective systems of risk management and controls are established and maintained. Among its other responsibilities, the Risk Committee also reviews and approves our annual Own Risk and Solvency Assessment ("ORSA") report, also referred to as the Group Solvency Self-Assessment ("GSSA") report. The Risk Committee assesses the independence and objectivity of our Group Risk function, approves its terms of reference and reviews its ongoing activities.

Following a recommendation by the Chief Executive Officer, the Risk Committee also conducts a review and provides a recommendation to the Board of Directors regarding the appointment and/or removal of the Chief Risk Officer. The Risk Committee meets with the Chief Risk Officer in separate executive session on a regular basis.

The Finance Committee of our Board oversees the Group's investment of funds and adequacy of financing facilities. This includes approval of the Group's strategic asset allocation plan. The Audit Committee of our Board, which is supported by our internal audit function, is responsible for overseeing internal controls and compliance procedures, and also reviews with management and the Chairman of the Risk Committee the Group's guidelines and policies regarding risk assessment and risk management.

Group Executive Level
Our management Executive Committee formulates our business objectives and risk strategy within the overall risk appetite set by our Board. It allocates capital resources and sets limits across the Group, with the objective of balancing return and risk. While the management Executive Committee is responsible overall for risk management, it has delegated some authority to the executive level Risk Management Committee ("RMC"), consisting of the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Chief Executive Officers of each segment, Chief Risk Officer, Chief Actuary and General Counsel.

The RMC is responsible for overseeing the integrity and effectiveness of the Group's ERM framework, and ensuring that the Group's risk assumption and risk mitigation activities are consistent with that framework, including a review of the annual business plan relative to our risk limits. In addition to the RMC there is an established framework of separate yet complementary management committees and subcommittees, focusing on particular aspects of ERM including the following:

Management Committees

- The Business Council oversees underwriting strategy and performance, establishes return targets, and manages risk/ exposure constraints across each line of business, in line with the Company's strategic goals.

- The Product Boards for each major line of business aim to develop a coherent strategy for portfolio management, set underwriting guidelines and risk appetite, and leverage expertise across the multiple geographies that we operate in. The boards also oversee exposure management frameworks and view of risk.

- The Investment & Finance Committee oversees the Group's investment activities by, among other things, monitoring market risks, the performance of our investment managers and the Group's asset-liability management, liquidity positions and investment policies and guidelines. The Investment & Finance Committee also prepares the Group's strategic asset allocation and presents it to the Finance Committee of the Board for approval.

- The Capital Management Committee oversees the integrity and effectiveness of the Company's Capital Management Policy, including the capital management policies of the Company's legal entities and branches, and oversees the availability of capital within the Group.

- The Group Reserve Committee ensures appropriate oversight and challenge of the Group and Segment Reserves, led by the Group Chief Reserving Actuary.

RMC Sub-Committees

- The Reinsurance Security Committee ("RSC") sets out the financial security requirements of our reinsurance counterparties and approves our counterparties, as needed.

- The Internal Model Committee oversees the Group's Internal Model framework, including the key model assumptions, methodology and validation framework.

- The Operational Risk Committee oversees the Group's Operational Risk framework for the identification, management, mitigation and measurement of operational risk and facilitates the embedding of effective operational risk management practices throughout the Group.

- The Emerging Risks Working Group oversees the processes for identifying, assessing and monitoring current and potential emerging risks.

Risk Management Organization

As a general principle, management in each of our business units is responsible in the first instance for both the risks and returns of its decisions. Management is the 'owner' of risk management processes and is responsible for managing our business within defined risk limits.

Our Chief Risk Officer reports to the Chief Financial Officer and the Chairman of the Board Risk Committee, leads our independent Group Risk function, and is responsible for oversight and implementation of the Group's ERM framework as well as providing guidance and support for risk management practices. Group Risk is responsible for developing methods and processes for identifying, measuring, managing and reporting risk. This forms the basis for informing the Risk Committee and RMC of the Group's risk profile. Group Risk develops our risk management framework and oversees the adherence to this framework at the Group and operating entity level. Our Chief Risk Officer regularly reports risk matters to the Chief Financial Officer, management Executive Committee, RMC, Risk Committee and the Group Board.

Internal Audit, an independent, objective function, reports to the Audit Committee of the Board on the effectiveness of our risk management framework. This includes assurance that key business risks have been adequately identified and managed appropriately and that our system of internal control is operating effectively. Internal Audit also provides independent assurance around the validation of our internal capital model and coordinates risk-based audits, compliance reviews, and other specific initiatives to evaluate and address risk within targeted areas of our business.

Our risk governance structure is further complemented by our Legal Department which seeks to mitigate legal and regulatory compliance risks with support from other departments. This includes ensuring that significant developments in law and regulation are reviewed and that we react appropriately to impending legislative and regulatory changes and applicable court rulings.

Risk Appetite and Limit Framework
Our integrated ERM framework considers material risks that arise from operating our business. Large risks that might accumulate and have the potential to produce substantial losses are subject to our group-wide risk appetite and limit framework. Our risk appetite, as authorized by our Board of Directors, represents the amount of risk that we are willing to accept within the constraints imposed by our capital resources as well as the expectations of our stakeholders as to the type of risk we hold within our business. At an annual aggregated level, we also monitor and manage the potential financial loss from the accumulation of risk exposure in any one year.

Specific risk limits are defined and translated into a consistent framework across our identified risk categories and across our operating entities, and are intended to limit the impact of individual risk types or accumulations of risk. Individual limits are established through an iterative process to ensure that the overall framework complies with our group-wide requirements on capital adequacy and risk accumulation.

We monitor risk through, for example, risk dashboards and limit consumption reports. These are intended to allow us to detect potential deviations from our internal risk limits at an early stage.

3.3.2. Implementation of Risk Management and Solvency Self-Assessment Systems and Integration into Strategic Planning, Organizational and Decision Making Process

Our management Executive Committee formulates our business objectives and risk strategy within the overall risk appetite set by our Board. It allocates capital resources and sets limits across the Group, with the objective of balancing return and risk.

An important component of our risk management framework is the solvency self-assessment process (the ORSA or GSSA process), which consolidates data and information from a number of underlying business processes to enable a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements.

The purpose of this process is to support short-term decision making and longer-term strategic management and ensure the Company has sufficient capital at all times in line with the Company's risk appetite and solvency targets (see section 3.3.3 for a description of the Company's Target Capital Range concept).

The ORSA is a continuous and dynamic process which is incorporated into the quarterly risk reporting cycle by the CRO and Risk Function to the Risk Management Committee and the Board Risk Committee. An important aspect of the process is the forward-looking assessment of any changes to the risk profile and capital requirements introduced by prospective business plans or major strategic initiatives. The risk analysis performed includes a review of the impact on the prospective risk exposures relative to risk appetite and risk limits, capital and solvency requirement projections relative to solvency targets, and associated management actions to mitigate excess risk exposures and finance any additional solvency requirements. The results of the ORSA are reported to the Board Risk Committee and support the Board's approval of prospective business plans and strategic initiatives.

3.3.3. Relationship between Solvency Self-Assessment, Solvency Needs and Capital and Risk Management Systems

As described above, the ORSA process provides a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements. An important characteristic of the process is that it establishes a link between our risk management framework, including risk appetite, risk limits and the risk assessment process, and the Company's capital management framework, including the process for calculating capital requirements and determining solvency needs. This is embedded in the Company's capital management strategy through our Target Capital Range ("TCR") concept.

The TCR defines the preferred level of capital needed to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including regulatory, rating agency, and our "own view" of risk capital requirements:

- *Regulatory capital requirements:* The Bermuda Monetary Authority ("BMA") specifies the minimum amount and type of capital that each of the regulated entities must hold in support of their liabilities. We target to hold, in addition to the minimum capital required to comply with the solvency requirements, an adequate buffer to ensure that we will continue to meet the minimum requirements, even after a stress event.
- *Rating agency capital requirements:* Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. The assessment of capital adequacy is usually an integral part of the rating agency process. Meeting rating agency capital requirements and maintaining strong credit ratings are strategic business objectives of the AXIS Group.
- *Internal risk capital:* We use our internal capital model to assess the capital consumption of our business, measuring and monitoring the potential aggregation of risk at extreme return periods.

The TCR identifies the point at which management needs to consider raising capital, amending our business plan or executing capital management activities well before capital approaches the minimum requirements ("early warning indicator"). This allows us to take appropriate measures to ensure the continued strength and appropriateness of our capital and solvency positions, and also enables us to take advantage of opportunities as they arise. Such measures are performed as and when required and include traditional capital management tools (e.g. dividends, share buy-backs, issuance of shares or debt) or through changes to our risk exposure (e.g. recalibration of our investment portfolio or changes to our reinsurance purchasing strategy).

The TCR also considers an amount of capital beyond which capital could be considered "excess". Where we do not find sufficiently attractive opportunities and returns for our excess capital, we may return capital back to our shareholders through share repurchases and/ or dividends. In doing so, we seek to maintain an appropriate balance between higher returns for our shareholders and the security provided by a sound capital position.

Any material changes to the Company's risk profile are monitored through the Risk Appetite and Limit framework, with management actions implemented where necessary, and reflected in the Company's capital requirements appropriately, as per the TCR framework. Deviations from the target ranges will trigger necessary management actions to ensure the Company remains within its solvency targets. The Risk Committee and RMC meet quarterly and review the Group's latest risk and capital positions relative to its risk limits and TCR.

3.3.4. Solvency Self-Assessment Approval Process

The Board has ultimate oversight responsibility for oversight over the effectiveness of the Company's ERM framework including the solvency self-assessment (or ORSA) process. The results of the ORSA process are formally documented in an annual report and presented to the Board Risk Committee for approval. The production of the ORSA report is coordinated by Group Risk with input from a number of business functions, including underwriting, finance, investments, actuarial, treasury and risk funding. Before being submitted to the Board Risk Committee for approval the report goes through a number of reviews and iterations based on feedback provided from business functions and the members of the Executive Committee through the Risk Management Committee.

The report is generally prepared with a year-end reference date, allowing a clean cut off period and includes a forward-looking assessment of the short to medium term risk profile changes and associated capital requirements and solvency needs. This ensures that the ORSA acts as a year-end report which allows management to review the collective implications of the various decisions made through the course of the year and take a strategic, forward-looking view of future risks and capital needs.

The typical content of the ORSA report includes the following:

- *Business Overview and Strategy:* outline of the Group’s business plans, highlighting any changes in business mix and ceded strategy.
- *Risk Profile:* an overview of the Company’s prior year and prospective risk profile as per our own view of risk, defined through quantitative and qualitative assessments of the Company’s most material risk exposures.
- *Capital Requirement and Solvency Assessment:* a summary of the Company’s assessment of regulatory and own capital requirements, along with corresponding financial resources available to meet regulatory and other solvency coverage targets.
- *Stress and Scenario Testing:* a summary of the results of the stress, scenario and reverse stress testing performed to increase our understanding of the Company’s risk profile and ability to withstand potential adverse scenarios.
- *Forward-Looking Assessment:* a high level overview and assessment of the Group’s long-term prospective risk profile and corresponding capital requirements.

3.4. Internal Controls

3.4.1. Internal Control Systems

Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels.

The AXIS internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992, and updated in 2013.

The AXIS internal controls are documented and maintained in a central risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

The internal control framework includes the following five interrelated components:

- *Control Environment:* The primary responsibility of the Board of Directors is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to help broaden the perspective of executive management. The Board has established the Audit Committee to facilitate and assist in the execution of its responsibilities. In terms of internal control oversight, it is the responsibility of the Audit Committee to review and periodically discuss with the Board the adequacy and effectiveness of the Company’s internal control structure. There are several oversight committees such as the RMC which help set the management tone in terms of the control environment. AXIS operates with a three lines of defense model.
- *Risk Assessment:* The Internal Controls policy lists the risks ('Risk universe') to which the Company is exposed which the Risk Committee of the Board and RMC annually evaluate. Separate risk policies are defined for key risks within the universe which affirm the Company's approach, appetite and risk mitigation/control philosophy for managing each risk. Risk assessments are regularly conducted by the business (overseen by Group Risk) across the risk universe for the Company. The assessments take into consideration the control environment and the results of control activities as well as other factors e.g. external environment, management of the risk in relation to defined risk appetite and operational issues encountered in the management of the risk. The results of the assessments support upwards reporting and messaging to the Board.
- *Control Activities:* Each risk within the risk universe identifies an individual Risk Owner, normally a member of the AXIS Group Executive Committee, having appropriate experience and knowledge of the risk. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. Activities include, but are not limited to, reconciliations, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.

- *Information and Communication:* In terms of communication, AXIS has clear reporting and communication lines in place. Role profiles make clear each individual's role, their reporting lines and functional terms of reference set out responsibilities by function. Clear organizational and structure charts are also maintained. There is an escalation policy in place to ensure matters are reported upwards as required by employees. The AXIS Whistle-blower Policy also provides various lines of communication for reporting violations and concerns.
- *Monitoring:* The effectiveness of the internal control framework is independently validated via regular internal audit reviews which are conducted on a rotational basis with findings reported to the Audit Committee. There are also Management Initiated Audits ("MIAs") done on claims and underwriting transactions which are reported to the Management Audit Committee. There are various monitoring activities performed by the second line of defence, Group Risk and Legal/Compliance.

The internal control framework is regularly reviewed and updated and annually assessed by the external auditors. The Internal Audit department also validates that the COSO 2013 framework is present and functioning as part of its annual internal audit plan.

3.4.2. Compliance Function

Legal and Compliance, with the support of other departments, seeks, among other things, to ensure that laws and regulations are observed, to react appropriately to all impending legislative changes or new court rulings, and to provide legally appropriate solutions for transactions and business processes.

Some of our key controls are:

- *Qualified and Experienced Legal Staff:* Employ and properly utilize qualified attorneys, paralegals and regulatory, finance and other professionals throughout the Company to monitor regulatory requirements and ensure compliance. Engage external counsel consultants and other external advisors, when required, to complement the internal staff efforts.
- *Monitoring Regulatory Landscape / Engagement with Regulators:* In addition to ongoing monitoring of new and changing regulation within each jurisdiction, there is also regular engagement with regulators, ensuring that regulatory and compliance matters are appropriately reported and discussed.
- *Financial Disclosure Controls:* The Fair Disclosure Policy and Corporate Disclosure Policy govern the reporting and public disclosure of material information relating to the Group.
- *Legal Review of Third Party Contracts:* All material written arrangements with third parties, including technology contractors, investment managers, reinsurers, property managers and brokers, among others, are reviewed by the legal department in order to identify with management potential issues that could impact the Company. Legal staff actively manage all non-policy related demands, claims or litigation matters that could result in an adverse financial, reputational or other impact to the Company.
- *Business Conduct Standards:* The legal department works to ensure compliance of applicable laws, rules and ethics standards by (1) the developing and implementing policies, procedures and guidelines, such as a Code of Business Conduct, compliance manuals and legal memoranda; (2) providing training to the Company on compliance; and (3) working with staff to interpret and apply applicable laws, rules and standards as we conduct our business.
- *Management Initiated Audits:* Underwriting and claim MIA's review for any potential compliance issues.
- *Sanctions Compliance:* AXIS works to ensure compliance with all applicable sanctions regimes. AXIS has a group Sanctions Policy and Guidelines which sets forth requirements and standards to be followed to avoid any violation of applicable sanctions by any AXIS entity or employee. In addition, we have developed a Bermuda specific addendum to the group Sanctions Policy which describes Bermuda specific requirements applicable to Bermuda entities. AXIS uses the Accuity sanctions screening tool to check for sanctions prior to binding any business or paying a claim.

3.5. Internal Audit Function

Internal Audit, an independent and objective function, reports to the Audit Committee of the Board on the effectiveness of our risk management framework. The Chief Audit Executive has a direct reporting line to the Chair of the Audit Committee to ensure independence. To ensure independence the performance evaluation of the Chief Audit Executive is done by the Chair of the Audit Committee in conjunction with Group General Counsel. The audit plan and any changes thereto is approved by the Audit Committee. The Internal Audit function has unfettered access to all records, systems, properties and AXIS personnel enshrined in the Group internal audit charter.

Internal Audit provides assurance that key business risks have been adequately identified and managed appropriately and that our system of internal control is properly designed and operating effectively. Internal audit also coordinates risk-based audits, compliance reviews and other specific initiatives to evaluate and address risk within targeted areas of our business.

Internal Audit is staffed with audit professionals with experience in the insurance industry and varied skill sets such as financial reporting, risk management, actuarial science, IT, operations, etc. Subject matter experts are used through a co-sourcing arrangement when the need arises.

3.6. Actuarial Function

The main purpose of the Actuarial function is to effectively support the Company's reserving framework and governance, including principles, policies, standards of practice, processes and controls and reporting.

The Actuarial function has the following duties and responsibilities:

- calculation and recommendation of the technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions;
- peer reviewing and signing off on work product and recommendations that relate to governance and control function responsibilities. This includes the peer reviewing of pricing and planning loss ratios as necessary;
- ensuring the sufficiency and quality of the data used in the calculation of technical provisions;
- ensuring the sufficiency of processes and controls supporting the AXIS reserving framework and maintaining comprehensive documentation for all aspects of this framework;
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modeling underlying the calculation of the capital requirements;
- establishing and maintaining a reserving platform, infrastructure and reporting capabilities to support U.S. GAAP, local statutory and management needs; and
- ensuring that the reserving framework is applied effectively in the Company.

The Actuarial function is independent from other functions within the AXIS Group.

3.7. Outsourcing

AXIS Capital has policies in place with respect to contractors, consulting services and outsourcing activities. These policies apply to all entities operating within the AXIS Group and include, but are not limited to, the following components:

Engagement

- Vetting of all independent contractors including, but not limited to, financial strength, commitment to the service being provided, physical and legal existence.
- Use of competitive bidding process for the more significant engagements.
- Completion of risk review for services deemed material.

Governance and monitoring

- Annual performance and risk management assessment for material vendors as reviewed by the Group Vendor Management Office with escalation provisions.
- Relationship management with employees including communication, personal time off and organisational hierarchies.

Internal Audit undertakes independent reviews of the outsourced operation on a regular basis to provide independent assurance that the outsourcing process in being implemented in line with the Company policy.

Intra-Group Outsourcing

AXIS' operating companies are party to a Central Administrative Services and Support Agreement whereby in the normal course of business they provide each other various services including, but not limited to: internal audit, human resources, information technology, claims management and risk management.

3.8. Other Material Information

Not applicable.

4. RISK PROFILE

4.1. - 4.3. Material Risks, Measurement and Mitigation Methods

Our risk landscape comprises strategic, insurance, credit, market, operational, liquidity and other risks that arise as a result of doing business. We provide definitions of these risk categories in the following sections as well as our related risk management. Across these risk categories, we identify and evaluate emerging threats and opportunities through a framework that includes the assessment of potential surprise factors that could affect known loss potentials.

Our risk landscape is reviewed on a regular basis to ensure that it remains up-to date based on the evolving risk profile of the Company. In addition, we undertake ongoing risk assessments across all enterprise risks, the output of which is captured in our risk register which is reviewed and reported through our governance structure.

Strategic Risk

Strategic risks are risks that affect or are created by an organization's business strategy and strategic objectives. Our review of strategic risks is a broad one not only evaluating internal and external challenges that might cause our chosen strategy to fail but also evaluating major risks that could affect our long-term positioning and performance. We believe it is imperative that, when we develop a strategy, we think about the risks associated with it and also what business risks are minimized by following that particular strategy. We also view strategic risk as not only the negative impact of risk but also the sub-optimization of gain. Fundamentally, we believe that if we figure out both the value protection and the value creation part of risk we are set up for success.

A strategy function was formed as part of our enterprise-wide transformation to ensure that prioritization and coordination of enterprise-wide resource is being done efficiently and effectively to drive targeted strategic outcomes. No less than on a quarterly basis, the Executive Committee of AXIS meets and receives holistic information about execution against strategy and makes decisions to adjust and/or advance strategy. In addition, strategies employed throughout our business units in support of the broader enterprise strategy are reviewed in the context of a broader governance structure including the Business Council, business unit leadership and is ultimately approved by our Board of Directors.

Insurance Risk

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to us through the underwriting process.

Since our inception in 2001, we have expanded our international presence, with underwriting offices in Bermuda, the U.S., Europe, Singapore, Canada and the Middle East. Our disciplined underwriting approach coupled with a group-wide peer review process has enabled us to manage this growth in a controlled and consistent manner.

A key component of the Group's underwriting risk governance is our peer review processes which allow for a collaborative review of risk and pricing and ensures that underwriting is within established protocols and guidelines. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis and ensuring alignment to the Group's risk appetite. Limits are set on underwriting capacity, and cascade authority to individuals based on their specific roles and expertise.

We also have significant audit coverage across our business units, including Management Initiated Audits ("MIAs"). MIAs are audits of underwriting and claims files performed by teams independent of those who originated the transactions, the purpose of which is to test the robustness of our underwriting, claims and operating processes and to recognize any early indicators of future trends in our operational risk environment.

Reinsurance Purchasing

Another key component of our mitigation of insurance risk is the purchase of reinsurance on both a treaty (covering a portfolio of risks) and facultative (single risk) basis, on both short and long tail lines of business.

For treaty reinsurance, we purchase both proportional and non-proportional cover. Under proportional reinsurance, we cede an agreed proportion of the premiums and the losses and loss adjustment expenses on the policies we underwrite. We primarily use proportional reinsurance on our liability, professional lines, and cyber portfolios, as well as on select property portfolios, whereby we protect against higher loss frequency rather than specific events. We also purchase proportional reinsurance on our assumed property catastrophe reinsurance portfolio, casualty, and credit and bond portfolios, which includes cessions to our Strategic Capital Partners. We also use non-proportional reinsurance, whereby losses up to a certain amount (i.e. our retention) are borne by us. By using non-proportional reinsurance, we can limit our liability with a retention, which reflects our willingness and ability to bear risk, and therefore in line with our risk appetite. We primarily purchase the following forms of non-proportional reinsurance:

- *Excess of loss per risk:* the reinsurer indemnifies us for loss amounts of all individual policies effected, defined in the treaty terms and conditions. Per risk treaties are an effective means of risk mitigation against large single losses (e.g. a large fire claim).
- *Catastrophe excess of loss:* provides aggregate loss cover for our insurance portfolio against the accumulation of losses incurred from a single event (e.g. windstorm).

We have a centralized Risk Funding department, which coordinates external treaty reinsurance purchasing across the Group and is overseen by our Reinsurance Purchasing Group ("RPG"), in conjunction with the Reinsurance Security Committee ("RSC"). The RPG, which includes among others, our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and business unit leadership, approves each treaty placement, and aims to ensure that appropriate diversification exists within our counterparty panels. The RSC sets out the financial security requirements of our reinsurance counterparties and approves reinsurance counterparties, as needed.

Facultative reinsurance is case by case risk transfer which we may also use to complement treaty reinsurance by covering additional risks above and beyond what is already covered in treaties. Facultative reinsurance is monitored by the Risk Funding department.

Natural Peril Catastrophe Risk

Natural catastrophes such as hurricanes and windstorms, earthquakes, storms, tornados and floods represent a challenge for risk management due to their accumulation potential and occurrence volatility. In managing natural catastrophe risk, our internal risk limit framework aims to limit both the loss of capital due to a single event and the loss of capital that would occur from multiple (but perhaps smaller events) in any year. Within this framework, we have an established risk limit for single event, single zone probable maximum loss ("PML") within defined zones and at various return periods. For example, at the 1-in-250 year return period, we are not willing to expose more than 20% of our prior quarter-end common-equity from a single event within a single zone.

The table below shows our mean PML estimates for certain defined single zones which correspond to peak industry catastrophe exposures at January 1, 2020 and 2019:

At January 1, (in millions of U.S. dollars)		**2020**			**2019**		
Single zone/ single event	**Perils**	**50 Year Return Period**	**100 Year Return Period**	**250 Year Return Period**	**50 Year Return Period**	**100 Year Return Period**	**250 Year Return Period**
Southeast	U.S. Hurricane	**$ 262**	**$ 310**	**$ 428**	$ 383	$ 441	$ 620
Northeast	U.S. Hurricane	**53**	**145**	**236**	52	156	290
Mid-Atlantic	U.S. Hurricane	**120**	**214**	**349**	133	315	449
Gulf of Mexico	U.S. Hurricane	**202**	**249**	**283**	258	316	394
California	Earthquake	**176**	**249**	**292**	253	369	468
Europe	Windstorm	**195**	**238**	**316**	231	301	376
Japan	Earthquake	**138**	**247**	**414**	147	227	359
Japan	Windstorm	**114**	**195**	**256**	60	109	158

The return period refers to the frequency with which losses of a given amount or greater are expected to occur. A zone is a geographic area in which the insurance risks are considered to be correlated to a single catastrophic event. Estimated losses from a modeled event are grouped into a single zone, as shown above, based on where the majority of the total estimated industry loss is expected to occur. In managing zonal concentrations, we aim to ensure that the geography of single events is suitably captured, but distinct enough that they track specific types of events. For example, our definition of Southeast wind encompasses five states, including Florida, while our definition of Gulf Wind encompasses four states, including Texas.

Our PMLs take into account the fact that an event may trigger claims in a number of lines of business. For instance, our U.S. hurricane modeling includes the estimated pre-tax impact to our financial results arising from our catastrophe, property, engineering, energy, marine and aviation lines of business. Our PMLs include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and a property's susceptibility to damage, and the cost of rebuilding the property. Loss estimates for non-U.S. zones will be subject to foreign exchange rates, although we may mitigate this currency variability from a book value perspective.

As indicated in the table above, our modeled single occurrence 1-in-100 year return period PML for a Southeast U.S. hurricane, net of reinsurance, is approximately $0.3 billion. According to our modeling, there is a one percent chance that on an annual basis, our losses incurred from a Southeast hurricane event could be in excess of $0.3 billion. Conversely, there is a 99% chance that on an annual basis, the loss from a Southeast hurricane will fall below $0.3 billion.

We have developed our PML estimates using multiple commercially available vendor models, including AIR Worldwide ("AIR") and Risk Management Solutions ("RMS"), which we also use for pricing catastrophe risk. These models cover the major peril regions where we face potential exposure. We combine the outputs of catastrophe models with our estimate of non-modeled perils and other factors which we believe, from our experience, provides us with a more complete view of natural peril catastrophe risk.

Our PML estimates are based on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from those expressed above. We aim to reduce the potential for model error in a number of ways, the most important of which is by ensuring that management's judgment supplements the model outputs. We also perform ongoing model validation both within our business units and at a group level including through our catastrophe model validation unit. These validation procedures include sensitivity testing of models to understand their key variables and, where possible, back testing the model outputs to actual results.

Our estimated net losses from peak zone catastrophes may change from period to period as a result of several factors, which include but are not limited to, updates to vendor catastrophe models, changes in our own modeling, changes in our underwriting portfolios, changes to our reinsurance purchasing strategy and changes in foreign exchange rates. Several of the aforementioned factors, including our ongoing actions to reduce underwriting volatility, drove the changes to our natural catastrophe PMLs during 2019.

Man-made Catastrophe Risk

In line with our management of natural peril catastrophe exposures, we also take a similarly focused and analytical approach to our management of man-made catastrophes. Man-made catastrophes, which include such risks as train collisions, airplane crashes, or terrorism, are harder to model in terms of assumptions regarding intensity and frequency. For these risks we couple the vendor models (where available) with our bespoke modeling and underwriting judgment and expertise. This allows us to take advantage of business opportunities relating to man-made catastrophe exposures particularly where we can measure and limit the risk sufficiently as well as obtain risk-adequate pricing.

As an example of our approach, our assessment of terrorism risk is based on a mixture of qualitative and quantitative data (e.g. for estimating property damage, business interruption, mortality and morbidity subsequent to an attack of a predefined magnitude), which we use to control, limit and manage our aggregate terrorism exposure. We use commercially available vendor modeling and bespoke modeling tools to measure accumulations around potential terrorism accumulation zones on a deterministic and probabilistic basis. We supplement the results of our modeling with underwriting judgment.

Reserving Risk

The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, medical and long-term care costs, and economic factors such as inflation can have an impact on the ultimate cost to settle our claim liabilities.

We calculate the reserves for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated, and the application of our Group reserving policy and standards of practice ensures a reliable and consistent procedure. Our loss reserving process demands data quality and reliability and requires a quantitative and qualitative review of both our overall reserves and individual large claims. Within a structured control framework, claims information is communicated on a regular basis throughout our organization, including to senior management, to provide an increased awareness regarding the losses that have taken place throughout the insurance markets. The detailed and analytical reserving approach that follows is designed to absorb and understand the latest information on our reported and unreported claims, to recognize the resultant exposure as quickly as possible, and to make appropriate and realistic provisions in our financial statements. We have well established processes for determining carried reserves, which we ensure are applied consistently over time.

Reserving for long-tail lines of business represents a significant component of reserving risk. When loss trends prove to be higher than those underlying our reserving assumptions, the risk is greater because of a stacking-up effect: we carry reserves to cover claims arising from several years of underwriting activity and these reserves are likely to be adversely affected by unfavorable loss trends. We manage and mitigate reserving risk on long-tail business in a variety of ways. First, the long-tail business we write is part of a well-balanced and diversified global portfolio of business. In 2019, our long-tail net premiums written (namely liability and motor business) represented 22% of our total premiums written and long-tail net loss reserves represented 35% of total net reserves. We also purchase reinsurance on liability business to reduce our net positions. Secondly, we follow a disciplined underwriting process that utilizes available information, including industry trends.

Claims Handling Risk

In accepting risk, we are committing to the payment of claims and therefore these risks must be understood and controlled. We have claims teams located throughout our main business units. Our claim teams include a diverse group of experienced professionals, including claims adjusters and attorneys. We also use approved external service providers, such as independent adjusters and appraisers, surveyors, accountants, investigators and specialist attorneys, as appropriate.

We maintain claims handling guidelines and claims reporting control and escalation procedures in all of our claims units. Large claims matters are reviewed during weekly claims meetings. The minutes from each meeting are circulated to our underwriters, senior management and others involved in the reserving process. To maintain communication between underwriting and claims teams, claims personnel regularly report at underwriting meetings and frequently attend client meetings.

We foster a strong culture of review among our claims teams. This includes MIAs, whereby senior claims handlers audit a sample of claim files. The process is designed to ensure consistency between the claims units and to develop Group-wide best practices.

When we receive notice of a claim, regardless of size, it is recorded within our underwriting and claims systems. To assist with the reporting of significant claims, we have also developed a standard format and procedure to produce "flash reports" for significant events and potential losses, regardless of whether we have exposure. Our process for flash reporting allows a direct notification to be communicated to underwriters and senior management worldwide. Similarly, for natural peril catastrophes, we have developed a catastrophe database, along with catastrophe coding in certain systems, that allows for the gathering blending and reporting of loss information as it develops from early modeled results to fully adjusted and paid losses.

Credit Risk

Credit risk represents the risk of incurring financial loss due to the diminished creditworthiness (eroding credit rating and, ultimately, default) of our third-party counterparties. We distinguish between various forms of credit exposure; the risk of issuer default from instruments in which we invest or trade, such as corporate bonds; counterparty exposure in a direct contractual relationship, such as reinsurance; the credit risk related to our receivables, including those from brokers and other intermediaries; and the risk we assume through our (re)insurance contracts, such as our credit and political risk and trade credit and bond lines of business.

Credit Risk Aggregation

We monitor and manage the aggregation of credit risk on a Group-wide basis allowing us to consider exposure management strategies for individual companies, countries, regions, sectors and any other relevant inter-dependencies. Our credit exposures are aggregated based on the origin of risk. Credit risk aggregation is managed through minimizing overlaps in underwriting, financing and investing activities. As part of our credit aggregation framework, we assign aggregate credit limits by country and for any individual counterparty. These limits are based and adjusted on a variety of factors including the prevailing economic environment and the nature of the underlying credit exposures.

Our credit aggregation measurement and reporting process is facilitated by our credit risk exposure database, which contains relevant information on counterparty details and credit risk exposures. The database is accessible by management throughout the Group, thus providing transparency to allow for the implementation of active exposure management strategies. We also license third-party tools to provide credit risk assessments. We monitor all our credit aggregations and, where appropriate, adjust our internal risk limits and/or have taken specific actions to reduce our risk exposures.

Credit Risk relating to Investing Activities

Within our fixed maturity investment portfolio, which represents approximately $12 billion or 49% of our total assets, we are exposed to potential losses arising from the diminished creditworthiness of issuers of bonds as well as third party counterparties such as custodians. We limit such credit risk through diversification, issuer exposure limitation graded by ratings and, with respect to custodians, through contractual and other legal remedies. Excluding U.S. Treasury and Agency securities, we limit our concentration of credit risk to any single corporate issuer to 2% or less of our investment grade fixed maturities portfolio for securities rated A- or above and 1% or less of our investment grade fixed maturities portfolio for securities rated below A-.

We also have credit risk relating to our cash and cash equivalents. In order to mitigate concentration and operational risks related to cash and cash equivalents, we limit the maximum amount of cash that can be deposited with a single counterparty and additionally limit acceptable counterparties based on current rating, outlook and other relevant factors.

Credit Risk relating to Reinsurance Recoverable Assets

Within our reinsurance purchasing activities, we are exposed to the credit risk of a reinsurer failing to meet its obligations under our reinsurance contracts. To help mitigate this, all of our reinsurance purchasing is subject to financial security requirements specified by our RSC. The RSC maintains a list of approved reinsurers, reviews credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty limits for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors. Generally, the RSC requires reinsurers who do not meet specified requirements to provide collateral. We monitor counterparty credit quality and exposures, with special monitoring of those cases that merit close attention.

Credit Risk relating to Receivables

Our largest credit risk exposure to receivables is from brokers and other intermediaries; the risk arises where they collect premiums from customers to be paid to us or we pay claims to them for onward settlement. We have policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

Credit Risk relating to our Underwriting Portfolio

In our insurance segment, we provide credit insurance primarily for lenders (financial institutions) seeking to mitigate the risk of non-payment from their borrowers. This product has complemented our more traditional political risk insurance business. For the credit insurance contracts, it is necessary for the buyer of the insurance, most often a bank, to hold an insured asset, most often an underlying loan, in order to claim compensation under the insurance contract. The vast majority of the credit insurance provided is for single-name illiquid risks, primarily in the form of senior secured bank loans that can be individually analyzed and underwritten. As part of this underwriting process, an evaluation of creditworthiness and reputation of the obligor is critical and forms the cornerstone of the underwriting process. We generally require that our clients retain a share of each transaction that we insure. A key element to our underwriting analysis is the assessment of recovery in the event of default and, accordingly, the strength of the collateral and the enforceability of rights to the collateral are paramount. We avoid insurance for structured finance products defined by pools of risks and insurance for synthetic products that would expose us to mark-to-market losses. We also seek to avoid terms in our credit insurance contracts which introduce liquidity risk, most notably, in the form of a collateralization requirement upon a ratings downgrade. We also provide protection against sovereign default or sovereign actions that result in impairment of cross-border investments for banks and corporations. Our contracts generally include conditions precedent to our liability relating to the enforceability of the insured transaction and restricting amendments to the transaction documentation, obligations on the insured to prevent and minimize losses, subrogation rights (including rights to have the insured asset transferred to us) and waiting periods. Under most of our policies, a loss payment is made in the event the debtor failed to pay our client when payment is due subject to a waiting period of up to 180 days.

In our reinsurance segment, we provide reinsurance of credit and bond insurers exposed to the risks of financial loss arising from non-payment of trade receivables covered by a policy (credit insurance) or non-performance (bonding). Our credit insurance exposures are concentrated primarily within developed economies, while our surety bond exposures are concentrated primarily within Latin American and developed economies. We also provide coverage to the mortgage industry through insurance and reinsurance of mortgage insurance companies and U.S. Government Sponsored Entity credit risk sharing transactions. We focus on credit risk transfer from Freddie Mac and Fannie Mae, in the single-family, fixed rate, conforming mortgage space. We provide this cover on a proportional and non-proportional basis globally through AXIS Reinsurance Company, AXIS Specialty Bermuda and AXIS Managing Agency. Our exposure to mortgage risk is monitored and managed through robust underwriting within defined parameters for mortgage credit quality and concentration, continuous monitoring of the housing market, as well as limits on our PML resulting from a severe economic downturn in the housing market.

Market Risk

Market risk is the risk that our financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign exchange rates. Fluctuations in market rates primarily affect our investment portfolio.

Through asset and liability management, we aim to ensure that market risks influence the economic value of our investments and that of our loss reserves and other liabilities in the same way, thus mitigating the effect of market fluctuations. For example, we reflect important features of our liabilities, such as maturity patterns and currency structures, on the assets side of the balance sheet by acquiring investments with similar characteristics.

We supplement our asset-liability management with various internal policies and limits. As part of our strategic asset allocation process, different asset strategies are simulated and stressed in order to evaluate the "optimal" portfolio (given return objectives and risk constraints). In our investment department, we centralize the management of asset classes to control aggregation of risk, and provide a consistent approach to constructing portfolios as well as the selection process of external asset managers. We have limits on the concentration of investments by single issuers and certain asset classes, and we limit the level of illiquid investments (refer to Liquidity Risk below). Further, our investment guidelines do not permit the use of leverage in any of our fixed maturity portfolios.

We stress test our investment portfolios using historical and hypothetical scenarios to analyze the impact of unusual market conditions and to ensure potential investment losses remain within our risk appetite. At an annual aggregated level, we manage the total risk exposure to our investment portfolio so that the ‘total return’ investment loss in any one year is unlikely to exceed a defined percentage of our common equity at a defined return period.

We mitigate foreign currency risk by seeking to match our estimated (re)insurance liabilities payable in foreign currencies with assets, including cash and investments that are also denominated in such currencies. Where necessary, we use derivative financial instruments for economic hedging purposes. For example, in certain circumstances, we use forward contracts and currency options, to economically hedge portions of our un-matched foreign currency exposures.

Operational Risk

Operational risk represents the risk of financial loss as a result of inadequate processes, system failures, human error or external events.

Group Risk is responsible for coordinating and overseeing a Group-wide framework for operational risk management. As part of this, we maintain an operational loss-event database which helps us better monitor and analyze potential operational risk, identify any trends, and, where necessary, put in place improvement actions to avoid occurrence or recurrence of operational loss events. A group-wide Operational Risk Committee is also in place with oversight responsibility over the effectiveness of operational risk management practices throughout the Group.

We manage transaction type operational risks through the application of process controls throughout our business. In testing these controls, we supplement the work of our internal audit team, with regular underwriting and claim MIAs (as discussed above).

We have specific processes and systems in place to focus on high priority operational matters such as information security, managing business continuity, and third party vendor risk:

- Major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, represent a significant operational risk to us. Our Business Continuity Management framework strives to protect critical business functions from these effects to enable us to carry out our core tasks in time and at the quality required. During 2019, we continued to review our Business Continuity Planning procedures through cyclical planned tests.
- We have developed a number of Information Technology ("IT") platforms, applications and security controls to support our business activities worldwide. Dedicated security standards are in place for our IT systems to ensure the proper use, availability and protection of our information assets.
- Our use of third party vendors exposes us to a number of increased operational risks, including the risk of security breaches, fraud, non-compliance with laws and regulations or internal guidelines and inadequate service. We manage material third party vendor risk, by, among other things, performing a thorough risk assessment on potential large vendors, reviewing a vendor’s financial stability, ability to provide ongoing service and business continuity planning.

Liquidity Risk

Liquidity risk is the risk that we may not have sufficient financial resources to meet our obligations when they fall due, or would have to incur excessive costs to do so. As a (re)insurer, our core business generates liquidity primarily through premium, investment income, and the maturity/sale of investments. Our exposure to liquidity risk stems mainly from the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group. To manage these risks, we have a range of liquidity policies and measures in place:

- We maintain cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows, as well as those that could result from a range of potential stress events. We place internal limits on the maximum percentage of cash and investments which may be in an illiquid form as well as on minimum percentage of our asset portfolio invested in unrestricted cash and liquid investment grade fixed income securities
- We maintain committed borrowing facilities, as well as access to diverse funding sources to cover contingencies. Funding sources include asset sales, external debt issuances and lines of credit.

4.4. Investment of Assets in Accordance with Prudent Person Principle

AXIS has in place an Investment Risk Policy which sets out our approach to management of risk, including roles & responsibilities and principles of risk management. The Investment Risk Policy includes a clearly defined risk management strategy which is consistent with the Company's overall business strategy to ensure that there is a coordinated and integrated approach to risk management and a common risk language that is understood across the business.

Assets are invested in accordance with the Investment Risk Policy and the Company's Amended and Restated Statement of Investment Policy and Objectives, which minimizes investment risk by implementing a sound risk governance framework and the application of effective systems and controls to ensure that AXIS only invests in assets where it can properly identify, measure, monitor, manage, control and report the risks and appropriately take these into account in the assessment of its overall solvency needs. The Company's Amended and Restated Statement of Investment Policy and Objectives aims to ensure all the assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio of assets.

The risk management framework around investment of assets includes the governance, controls and procedures designed to ensure:

- The prudent investment of capital and cash flow from underwriting;
- The investment portfolios meet the liquidity needs that arise from potential claims;
- Asset cash flows are closely matched to anticipated liability cash flows;
- Assets and liabilities are reasonably matched by currency in order to protect against the economic impact of foreign exchange rate movements;
- The investment portfolios accommodate the regulatory requirements and investment limitations imposed upon AXIS' operating entities and subsidiaries;
- Effective monitoring of adherence with investment policies and guidelines; and
- Effective monitoring of compliance with the Investment, Liquidity, and Foreign Exchange risk limits.

4.5. Stress Testing and Sensitivity Analysis to Assess Material Risks, including Methods and Assumptions Used and Outcomes

We use stress testing as a means to assess the capital adequacy of the Group under adverse financial market and underwriting conditions. Scenario analysis also helps us sense check the outputs and capital calculations from our internal capital model and more generally improves our understanding of the Group's risk profile. A number of stress and scenario tests are used to understand the Group's risk profile and capital and solvency position under stressed conditions, including 'What-if' stress scenarios - these are defined as events that have a remote probability of occurrence but, if realized, could negatively impact the Group's available financial resources. Insurance and market risk 'shock' scenarios are used to assess the impact on the Group's solvency ratios.

As part of our annual self-assessment process, we also perform a reverse stress test to consider the scenarios and circumstances that could potentially render our business model unviable. Establishing that point is subjective, and it may not necessarily be the point of technical insolvency, but rather the point when crystallising risks cause the market to lose confidence in AXIS. For the purpose of this analysis, we considered this to be the point at which the Group breaches its regulatory Minimum Solvency Margin ("MSM"). In addition to the intervention and action by the regulator, a loss of this magnitude would likely result in multiple rating downgrades and a substantial reduction in the AXIS share price, which may make it potentially difficult for the Group to write any new business. The actual level of loss leading to these circumstances may be significantly higher or lower. For the reverse stress test we extract a sample of simulations from our internal capital model that would cause a breach in the MSM and undertake analysis of these events including the modelled probability of such an event.

The stress testing program is undertaken annually or more frequently if deemed necessary. The outcome of the stress tests is reported each year in the ORSA report which is presented to the RMC and Board Risk Committee.

4.6. Other Material Information

Not applicable.

5. Solvency Valuation

The AXIS Target Capital Range defines the preferred level of capital needed by the Group to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including our "own view" of risk from our internal capital model and regulatory and rating agency capital requirements.

Our general purpose consolidated financial statements are prepared in accordance with U.S. GAAP and include the accounts of AXIS Capital, its wholly-owned subsidiaries, and variable interest entities (“VIEs”) in which the Company is considered to be the primary beneficiary.

The BMA, our group supervisor, implemented an Economic Balance Sheet ("EBS") framework that is used as the basis to determine our Enhanced Capital Requirement ("ECR"). The EBS framework uses U.S. GAAP valuations as a starting point. Assets and liabilities, other than technical provisions, are valued at fair value, in line with U.S. GAAP. Where U.S. GAAP principles do not require an economic value, a hierarchy of high level principles approach governing the valuation of these assets and liabilities is used.

(In thousands of U.S. dollars)

5.1. Valuation Bases for Assets under the BMA's EBS Framework

The following table provides the Company's assets on both U.S. GAAP and EBS bases:

	U.S. GAAP		EBS		
As at December 31	**2019**	**2018**	**2019**	**2018**	**Adjustment Type**
Cash and cash equivalents	$ 1,576,457	1,830,020	$ 1,576,457	1,830,020	N/A
Fixed maturities and short-term investments	12,506,676	11,579,387	12,683,365	11,723,654	Presentation
Equity securities	474,207	381,633	297,518	237,366	Presentation
Mortgage loans	432,748	298,650	432,748	298,650	N/A
Other investments	770,923	787,787	770,923	787,787	N/A
Equity method investments	117,821	108,103	117,821	108,103	N/A
Total Cash and Investments	**15,878,832**	**14,985,580**	**15,878,832**	**14,985,580**	
Accrued interest receivable	78,085	80,335	78,085	80,335	N/A
Insurance and reinsurance balances receivable	3,071,390	3,007,296	827,455	846,033	Presentation and valuation
Reinsurance recoverable on paid and unpaid losses	4,205,551	3,781,902	327,795	280,233	Presentation and valuation
Deferred acquisition costs	492,119	566,622	—	—	Valuation
Prepaid reinsurance premiums	1,101,889	1,013,573	—	—	Presentation and valuation
Goodwill	102,003	102,003	—	—	Valuation
Intangible assets	230,550	241,568	—	—	Valuation
Value of business acquired	8,992	35,714	—	—	Valuation
Other assets	434,643	317,973	286,290	168,040	Valuation
Total Assets	**$ 25,604,054**	**24,132,566**	**$ 17,398,457**	**16,360,221**	

The more significant differences between U.S. GAAP and EBS valuation and presentation bases are as follows:

- Technical provisions (premium and claim liabilities) valued under an EBS approach are presented net of recoverables;
- Insurance and reinsurance balances receivable that are not contractually due as at the balance sheet date (deferred to a date subsequent to the balance sheet date) are included within technical provisions under the EBS framework; and
- Under the EBS framework deferred acquisition costs, goodwill and value of business acquired is valued at nil and other intangible assets can only be recognised if they can be sold separately and the value of the asset can be reliably measured.

The majority of the Company's assets consist of cash and invested assets valued at fair value as follows:

Cash and Cash Equivalents

Cash equivalents include money-market funds, fixed interest deposits and reverse repurchase agreements with a maturity of under 90 days when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

Fixed Maturities

At each valuation date, we use the market approach valuation technique to estimate the fair value of the Company's fixed maturities portfolio, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, when available, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. Where prices are unavailable from pricing services, we obtain non-binding quotes from broker-dealers who are active in the corresponding markets. Fixed maturities also include investments in bond mutual funds that have daily liquidity, with redemption based on the Net Asset Values ("NAVs") of the funds.

Short-Term Investments

Short-term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. These securities are typically not actively traded due to their approaching maturity and, as such, their amortized cost approximates fair value.

Equity Securities

Equity securities are comprised of common stocks and exchange-traded funds. The fair values of common stock and exchange-traded funds are based on unadjusted quoted market prices in active markets.

Other Investments

Investment Funds

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are estimated using NAVs as advised by external fund managers or third party administrators. For these funds, NAVs are based on the manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents and in accordance with U.S. GAAP.

If there is a reporting lag between the current period end and reporting date of the latest available fund valuation for any hedge fund, we estimate fair values by starting with the most recent fund valuation and adjusting for return estimates as well as any subscriptions, redemptions and distributions that took place during the current period. Return estimates are obtained from the relevant fund managers therefore we do not typically have a reporting lag in fair value measurements of these funds. Historically, our valuation estimates incorporating these return estimates have not significantly diverged from the subsequently received NAVs.

For direct lending funds, private equity funds, real estate funds and two of our hedge funds, valuation statements are typically released on a reporting lag therefore we estimate the fair value of these funds by starting with the most recent fund valuations and adjusting for capital calls, redemptions, drawdowns and distributions. Return estimates are not available from the relevant fund managers for these funds therefore we typically have a reporting lag in fair value measurements of these funds. In 2019, funds reported on a lag represented 68% (2018: 61%) of our total other investments balance.

We often do not have access to financial information relating to the underlying securities held within the funds, therefore management is unable to corroborate the fair values placed on the securities underlying the asset valuations provided by fund managers or fund administrators. In order to assess the reasonableness of the NAVs, we perform a number of monitoring procedures on a quarterly basis to assess the quality of the information provided by fund managers and funds administrators. These procedures include, but are not limited to, regular review and discussion of each fund's performance with its manager, regular evaluation of fund performance against applicable benchmarks and the backtesting of our fair value estimates against subsequently received NAVs. Backtesting involves comparing our previously reported fair values for each fund against NAVs per audited financial statements (for year-end values) and final NAVs from fund managers and fund administrators (for interim values).

(In thousands of U.S. dollars)

CLO-Equities
The fair values of indirect investments in CLO-Equities are estimated using an income approach valuation technique, specifically an externally developed discounted cash flow model due to the lack of observable and relevant trades in secondary markets.

Other Privately Held Investments
Other privately held investments include convertible preferred shares, common shares, convertible notes and notes payable. These securities are initially valued at cost, which approximates fair value. In subsequent measurement periods, the fair values of these investments are generally determined using financial statements obtained from each investee company. In order to assess the reasonableness of the information received from each investee company, the Company maintains an understanding of current market conditions, historical results, and emerging trends that may impact the results of operations, financial condition or liquidity of investee companies. In addition, the Company engages in regular communication with management at the investee companies. In 2018, the fair values of some of these investments were determined using an internally developed discounted cash flow model.

Insurance and Reinsurance Balances Receivable

Under the EBS framework insurance and reinsurance balances receivable are valued in line with U.S. GAAP with the exception that any balance owing in more than one year shall be discounted. Furthermore, insurance and reinsurance balances receivable that are not contractually due as at the balance sheet date (deferred to a date subsequent to the balance sheet date) are included within technical provisions under the EBS framework.

5.2. Valuation Bases for Liabilities under the BMA's EBS Framework

The following table provides the Company's liabilities on both U.S. GAAP and EBS bases:

	U.S. GAAP		EBS		
As at December 31	**2019**	**2018**	**2019**	**2018**	**Adjustment Type**
Reserve for losses and loss expenses	$ 12,752,081	12,280,769	$ 8,565,734	8,256,727	Presentation and valuation
Unearned premiums/premium liability	3,626,246	3,635,758	(501,049)	(358,887)	Presentation and valuation
Risk margin	—	—	702,136	647,519	Valuation
Technical Provisions	**16,378,327**	**15,916,527**	**8,766,821**	**8,545,359**	
Insurance and reinsurance balances payable	1,349,082	1,338,991	1,342,729	1,264,991	Presentation and valuation
Senior notes and notes payable	1,808,157	1,341,961	506,440	1,001,558	Valuation
Other liabilities	524,480	505,016	494,021	549,696	Presentation
Total Liabilities	**$ 20,060,046**	**19,102,495**	**$ 11,110,011**	**11,361,604**	

The more significant differences between U.S. GAAP and EBS valuation and presentation bases are as follows:

- Technical provisions valued under an EBS approach are presented net of recoverables;
- The measurement of technical provisions, inclusive of a risk margin, under the EBS framework as compared to U.S. GAAP reserves; and
- Insurance and reinsurance balances receivable that are not contractually due at the balance sheet date (deferred to a date subsequent to the balance sheet date) are included within technical provisions under the EBS framework.

Technical Provisions

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty contained inherent in the underlying cash flows which is calculated using a cost of capital approach and a risk-free discount rate term structure. The discount rates term structures are prescribed by the BMA for each reporting period.

The loss and loss expense provision is calculated for both gross and ceded loss reserves. The actuarial central estimate indication which is calculated as part of the reserving process is used as the best estimate for the loss and loss expense provision and is then adjusted as follows:

- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of events not in data ("ENID");
- Other adjustments related to consideration for investment and other expenses, etc.; and
- Discounting of cash flows, performed at individual currency level.

The best estimate for the premium provision is calculated by using U.S. GAAP net unearned premium reserves as a starting point and then performing a series of adjustments:

- Adjusting for bound but not incepted business as at the balance sheet date;
- Applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows;
- Discounting the cash flows performed at individual currency level; and
- Deducting insurance and reinsurance balances receivable that are not contractually due or deferred as at the balance sheet date.

Insurance and Reinsurance Balances Payable

Under the EBS framework insurance and reinsurance balances payable are valued in line with U.S. GAAP with the exception that any balance owing in more than one year shall be discounted.

Senior Notes and Notes Payable

The fair values of senior notes are based on prices obtained from a third party pricing service and are determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes.

5.3. Balances Recoverable from Reinsurance Arrangements

Technical provisions valued under an EBS approach are presented net of recoverables. Recoverables from reinsurance contracts are valued based on principles similar to the gross best estimate bases and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics.

5.4. Valuation Bases for Other Liabilities

Other liabilities are mostly comprised of accounts payable, accruals, tax liabilities and payables for investments purchased that are valued in line with U.S. GAAP.

5.5. Other Material Information

Not applicable.

(In thousands of U.S. dollars)

6. CAPITAL MANAGEMENT

6.1. Eligible Capital

6.1.1. Capital Management Policy and Processes to Determine Capital Needs for Business Planning, How Capital is Managed and Material Changes

Our overall capital and solvency objective is to manage our capital to ensure we can deliver on our strategic objectives, which require an appropriate level of security to our clients, a strong competitive position and superior return on equity. In managing capital we seek to:

- maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support new business growth and satisfy the requirements of our regulators and other stakeholders giving both our customers and shareholders assurance of our financial strength;
- optimize our overall debt to equity structure to enhance our returns to shareholders, subject to our capital risk appetite and balancing the requirements of the range of stakeholders;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets products;
- allocate capital rigorously across the Group, to drive value adding growth through optimizing risk and return; and
- assess dividend capacity against earnings and financial position.

We manage our capital in accordance with our Target Capital Range ("TCR") concept. The TCR defines the preferred level of capital needed to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including regulatory, rating agency and our "own view" of risk capital requirements (see section 3.3.3).

An integral part of our capital management framework is the ORSA (or GSSA) process. As stated in section 3.3.2, the ORSA process consolidates data and information from a number of underlying business processes to enable a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements. An important aspect of the process is the forward-looking assessment of any changes to the risk profile and capital requirements introduced by prospective business plans or major strategic initiatives. The risk analysis performed includes impact on prospective risk exposures relative to risk appetite and risk limits, capital and solvency requirement projections relative to solvency targets, and associated management actions to mitigate excess risk exposures and finance any additional solvency requirements. The results of the ORSA are reported to the Board Risk Committee and support the Board's approval of prospective business plans and strategic initiatives.

The ORSA is a continuous and dynamic process which is incorporated into the quarterly risk reporting cycle by the CRO and Risk Function to the Risk Management Committee and the Board Risk Committee. Any material changes to the Company's risk profile are reflected in the Company's capital requirements appropriately, as per the TCR framework. Deviations from the target ranges will trigger necessary management actions to ensure the Company remains within its solvency targets. The Group Capital Management Committee is responsible for approving and overseeing the implementation of any capital management actions.

6.1.2 - 3. Eligible Capital by Tier used to Meet the Enhanced Capital Requirement and Minimum Solvency Margin

The BMA acts as our Group Supervisor. We are consequently subject to the Insurance (Group Supervision) Rules 2011, as amended, and other related regulations.

The following table provides the Company's regulatory capital requirements:

As at December 31		2019		2018
Minimum solvency margin ("MSM")	$	2,610,350	$	2,188,791
Enhanced capital requirement ("ECR")	$	3,120,029	$	2,993,256

(In thousands of U.S. dollars)

The following table provides the Company's eligible capital by tier to meet the Minimum Solvency Margin ("MSM") and Enhanced Capital Requirement ("ECR") requirements in accordance with Eligible Capital Rules:

As at December 31	2019		2018	
	MSM	ECR	MSM	ECR
Tier 1	$ 3,796,642	3,796,642	$ 3,704,554	3,704,554
Tier 2	949,160	1,526,749	883,019	883,019
Tier 3	—	888,828	—	346,684
Total Eligible Capital	**$ 4,745,802**	**6,212,219**	**$ 4,587,573**	**4,934,257**

The majority of the Group's capital and surplus, as determined under the BMA's EBS framework, is comprised of Tier 1 capital, the highest quality of capital. Tier 1 capital is mainly comprised of common shareholders' equity, including non-distributed retained earnings, as adjusted for asset encumbrances. Tier 2 capital is comprised of our preferred shares, our junior subordinated notes as well as common shareholders' equity following adjustment for asset encumbrances. Tier 3 capital is comprised of our senior unsecured notes issued on December 6, 2017 with a $350 million aggregate principal maturing on December 6, 2027, our senior unsecured notes issued on March 13, 2014 with a $250 million aggregate principal maturing on April 1, 2045 and our senior unsecured notes issued on June 19, 2019 with a $300 million aggregate principal maturing on July 15, 2029.

6.1.4. Eligible Capital subject to Transitional Arrangements

Not applicable.

6.1.5. Factors Affecting Encumbrances on Availability and Transferability of Capital to meet Enhanced Capital Requirement

In order to support the Company's obligations in regulatory jurisdictions where it operates as a non-admitted carrier, the Company provides collateral in the form of assets held in trust and, to a lesser extent, letters of credit.

In addition, the Company operates in the Lloyd’s market through its corporate members, AXIS Corporate Capital UK Limited and AXIS Corporate Capital UK II Limited, which provide 70% and 30%, respectively of Syndicate 1686's capital support. AXIS Corporate Capital UK II Limited is the sole corporate member of Syndicate 2007. Lloyd’s sets capital requirements for corporate members annually through the application of a capital model that is based on regulatory rules pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of business of Insurance and Reinsurance (Solvency II) ("Solvency II").

The capital provided to support underwriting, or Funds at Lloyd’s ("FAL"), may be satisfied by cash, certain investments and letters of credit provided by approved banks.

At December 31, 2019 collateral held in trust for third-party agreements of $1,856 million included $365 million (2018: $403 million) of fixed maturities and equity securities, and cash of $16 million (2018: $39 million) held on deposit to support the underwriting activities of Syndicate 2007, and also included $169 million (2018: $nil) of fixed maturities and equity securities, and cash of $181 million (2018: $154 million) held on deposit to support the underwriting activities of Syndicate 1686.

The Company's restricted investments and cash primarily consist of high-quality fixed maturity and short-term investment securities. The fair value of the Company's restricted investments and cash primarily relates to these items, as noted in the table below.

(In thousands of U.S. dollars)

As at December 31	2019	2018
Collateral in Trust for inter-company agreements	$ 1,580,689	$ 2,121,522
Collateral for secured letter of credit facility	473,187	470,051
Funds at Lloyd's	1,314,345	1,307,945
Collateral in Trust for third party agreements	1,856,327	1,510,416
Securities on deposit with regulatory authorities	76,229	64,360
Total Restricted Investments	**$ 5,300,777**	**$ 5,474,294**

6.1.6. Approved Ancillary Capital Instruments

Our approved ancillary capital as at December 31, 2019 is comprised of our senior unsecured notes issued on December 6, 2017 with a $350 million aggregate principal maturing on December 6, 2027, our senior unsecured notes issued on March 13, 2014 with a $250 million aggregate principal maturing on April 1, 2045 and our senior unsecured notes issued on June 19, 2019 with a $300 million aggregate principal maturing on July 15, 2029 ,all of which were approved by the BMA as Tier 3 ancillary capital.

6.1.7. Differences in U.S. GAAP Shareholders' Equity and EBS Statutory Capital and Surplus

Refer to sections 5.1 and 5.2 for a discussion on the differences between our assets and liabilities as valued and presented under U.S. GAAP compared to an EBS framework. Our statutory surplus also includes approved ancillary capital instruments (refer to section 6.1.6).

6.2. Regulatory Capital Requirements

We were compliant with the MSM and ECR requirements at the end of the reporting period.

6.3. Approved Internal Capital Model

Not applicable - we have not applied to have an internal capital model approved to determine regulatory capital requirements.

7. SUBSEQUENT EVENTS

On June 1, 2020, AXIS Specialty Finance LLC, a 100% owned finance subsidiary, repaid $500 million aggregate principal amount of 5.875% Senior Notes.

Recent Developments Related to COVID-19

On March 11, 2020, COVID-19, a novel coronavirus outbreak, was declared a pandemic by the World Health Organization. The COVID-19 crisis has upended the marketplace and society on a global scale, and its impact has been felt within the insurance and reinsurance industry and at AXIS Capital.

COVID-19, and its related impacts, are an emerging and evolving risk to which we are exposed from an underwriting, investments, capital and liquidity, operations and employee welfare perspective. We have implemented a global response strategy to help manage and mitigate these risks.

Our team is tracking the situation closely, including stress and scenario testing on existing underwriting and investment exposures, taking into consideration the possible severity and duration of the outbreak. A range of economic impacts and external pressures across individual product lines are being considered.

Reserving

For the three months ended March 31, 2020 we incurred estimated pre-tax catastrophe and weather-related losses, net of reinstatement premiums, of $235 million attributable to the COVID-19 pandemic. This estimate was primarily associated with property related coverages, but also included event cancellation and accident and health coverages and considered a global shelter in place order that remains in effect until July 31, 2020.

The estimate of net reserves for losses and loss expenses related to the COVID-19 pandemic was subject to significant uncertainty. This uncertainty was driven by the inherent difficulty in making assumptions around the impact of the COVID-19 pandemic due to the lack of comparable events, the ongoing nature of the event, and its far-reaching impacts to world-wide economies and the health of the global population. While we believe the estimate of net reserves for losses and loss expenses is adequate for losses and loss adjustment expenses that have been incurred at March 31, 2020 based on current facts and circumstances, we will continue to monitor the appropriateness of our assumptions as new information comes to light and will adjust the estimate of net reserves for losses and loss adjustment expenses, as appropriate.

At March 31, 2020, the estimated reserves for losses and loss expenses did not include an estimate of potential losses arising from the indirect impacts of COVID-19, such as the associated financial downturn. Product lines that may be affected by such indirect impacts include professional lines and credit lines. We expect that it may take several quarters, or potentially several years, for the full impact of COVID-19 on these lines of business to fully emerge. Any such losses will be recognized in the period in which they are incurred.

Actual losses for this event may ultimately differ materially from current estimates.

Underwriting

As our industry and society continues to navigate the challenges brought on by COVID-19, we are closely monitoring cash receipts from our customers and reinsurers, giving due consideration to related directives issued by certain government agencies. At March 31, 2020, we considered the potential financial impact of COVID-19 when determining allowances for expected credit losses for insurance and reinsurance premium balances receivable and reinsurance recoverable balances on unpaid losses. Based on facts and circumstances at that time, we did not adjust allowances for expected credit losses at March 31, 2020. We will continue to monitor the appropriateness of allowances for expected credit losses as new information comes to light. Adjustments to allowances for expected credit losses in subsequent periods could be material.

Our underwriters are reassessing our risk appetite in light of the COVID-19 pandemic, in particular as it relates to exposure to communicable diseases, viruses, pathogens and other similar risks. We are taking appropriate steps to mitigate exposure to these types of risks, including increasing pricing and adding policy terms and conditions, including exclusions. During the remainder of 2020, premium volume may be adversely impacted due to the disruption to both society and the insurance and reinsurance marketplace on a global scale. Adjustments to premiums in subsequent periods could be material.

Capital and Liquidity

Following two debt issuances in 2019 that raised $725 million at favorable rates, we redeemed our Series D preferred shares of $225 million in January 2020 and we will repay unsecured senior notes of $500 million in June 2020. After June 2020, no long-term debt will mature until the end of 2027. In addition, our common share repurchase plan expired in 2017 and has not been renewed. We continue to have capital above the levelrequired by our group regulator, the Bermuda Monetary Authority.

We have a prudently constructed fixed maturity portfolio of $12 billion, with an average credit rating of AA-, which closely matches the duration of our liabilities.

We recently identified expense savings of approximately $50 million to be realized in 2020 based on the specific impacts of the COVID-19 pandemic on our business. The expense savings include deferring non-critical hires, delaying certain projects, and a reduction in travel and entertainment costs, given remote working.

We expect cash flows generated from operations, combined with liquidity provided by our investment portfolio, will be sufficient to cover cash outflows and other contractual commitments that become due within one year after the date that the financial statements are issued. We are committed to helping individuals, businesses, and organizations rebuild in times of crisis and to deliver on our promises to our customers, partners in distribution, and our communities. We are reviewing each claim on an individual basis and where our policies provide coverage, we are already making payments to help our insureds overcome financial setbacks.

AXIS CAPITAL HOLDINGS LIMITED
DECLARATION ON FINANCIAL CONDITION REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

We declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the AXIS Group in all material respects.

Albert A. Benchimol	Peter Vogt
Chief Executive Officer and President	Chief Financial Officer
AXIS Capital Holdings Limited	AXIS Capital Holdings Limited

APPENDIX 1 - ORGANIZATION CHART