

# AXIS Capital

## Wachovia Nantucket Equity Conference 2008

David Greenfield, CFO

June 25, 2008





# Safe Harbor Disclosure

## *Cautionary Statement Regarding Forward-looking Statements*

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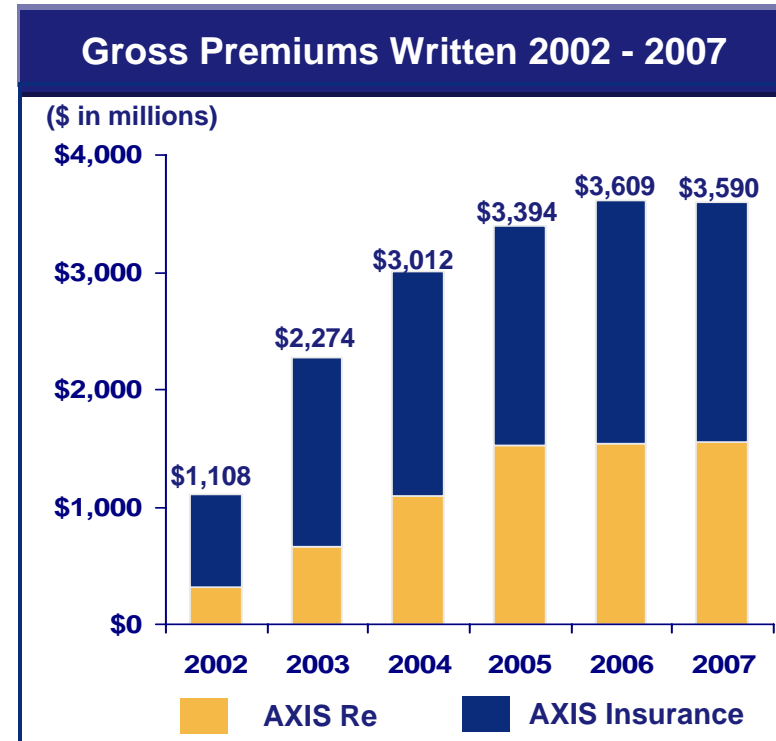
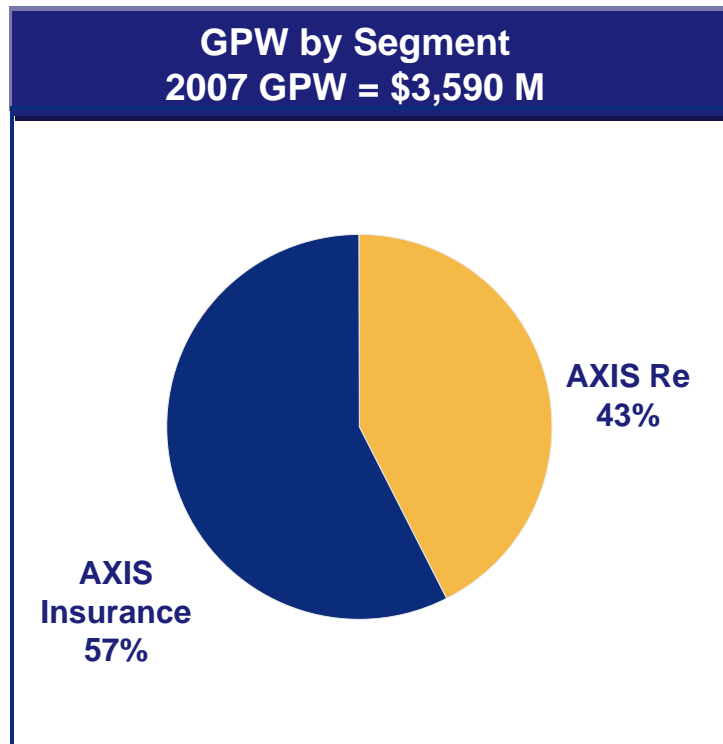


# Investment Highlights

- 🌐 **Well-diversified leader in the global wholesale P&C markets**
  - Established global insurance and reinsurance platforms
  - Well-diversified mix of specialty and niche businesses
  - Geographic diversification globally
- 🌐 **Disciplined and proven underwriter**
  - Proven steward of capital (generated profitability in every year since inception in 2001)
  - Conservative reserving practices
  - Well-managed exposure
  - Platform built to execute in all phases of (re)insurance cycle
- 🌐 **Strong balance sheet with solid financial performance**
  - Conservative balance sheet with total assets of \$15.6 billion and total capitalization of \$5.9 billion
  - High-quality, conservative investment portfolio
  - Ratings of A (S&P - positive), A2 (Moody's - stable) and A (AM Best - stable)
  - 18% compound annual growth in diluted book value and accumulated dividends since 2002
- 🌐 **Experienced management team with significant stock ownership**

# Global Specialty Insurer and Reinsurer

*Well-positioned to navigate all phases of (re)insurance cycle with established presence in both insurance and reinsurance markets globally*



# Diversified Strategic Footprint

*Selective diversification by product and geography with well-timed entry*

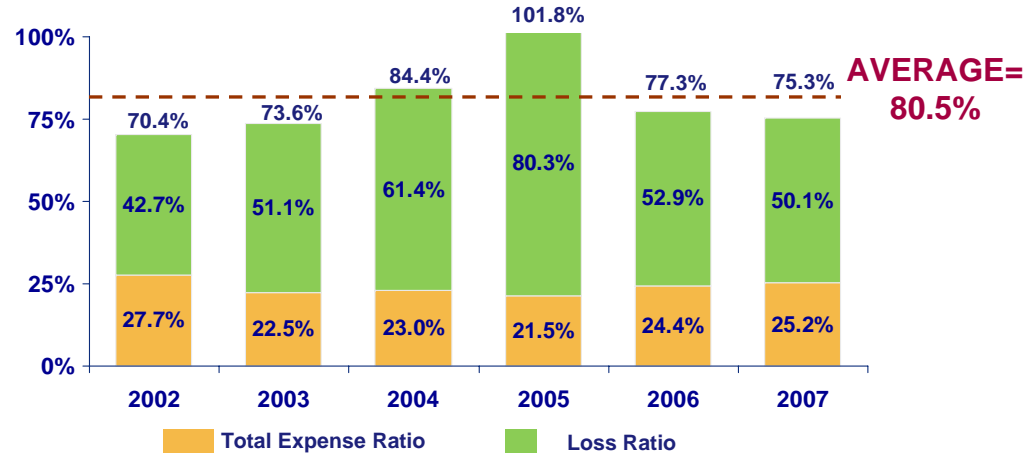
	2002 \$1.1Bn	2003 \$2.3Bn	2004 \$3.0Bn	2005 \$3.4Bn	2006 \$3.6Bn	2007 \$3.6Bn	2008
<b>AXIS Insurance</b>	<ul style="list-style-type: none"> <li>Bermuda London-market</li> <li>Worldwide specialty lines portfolio</li> </ul>	<ul style="list-style-type: none"> <li>U.S. excess &amp; surplus lines</li> <li>U.S. professional lines renewal rights (D&amp;O)</li> <li>Bermuda professional lines (D&amp;O)</li> <li>E&amp;O team</li> </ul>	<ul style="list-style-type: none"> <li>European professional lines</li> <li>Media Pro relationship established</li> </ul>			<ul style="list-style-type: none"> <li>Entry into media liability and small/middle-market professional lines business through acquisition of Media Pro</li> </ul>	<ul style="list-style-type: none"> <li>Australia branch</li> <li>Singapore branch pending</li> <li>Canada branch pending</li> </ul>

*Continued diversification at many levels within portfolio*

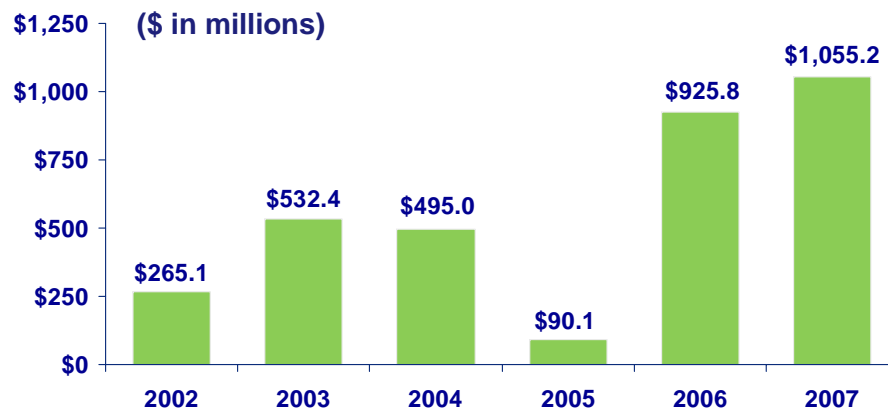
<b>AXIS Re</b>	<ul style="list-style-type: none"> <li>Property catastrophe reinsurance portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of U.S. casualty reinsurance portfolio</li> <li>Establishment of Continental European reinsurance presence in Zurich</li> </ul>	<ul style="list-style-type: none"> <li>Representative office in Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Entry into global engineering and construction reinsurance</li> </ul>		<ul style="list-style-type: none"> <li>Singapore branch pending</li> </ul>
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# Quality, Sustainability and Profitability

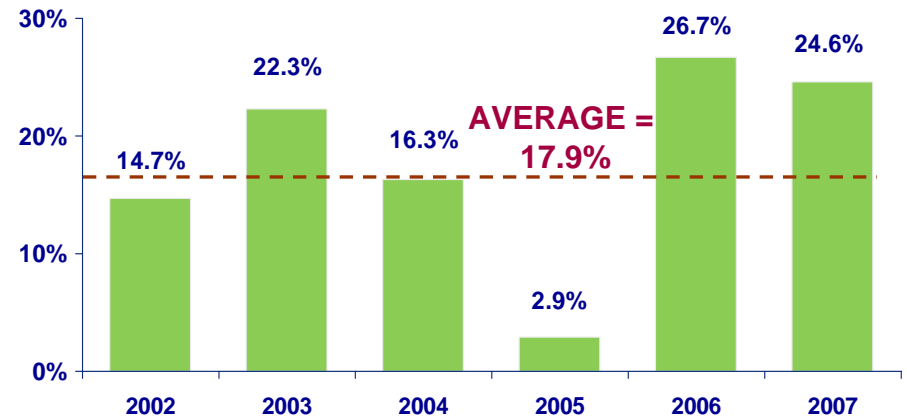
## Combined Ratio



## Net Income



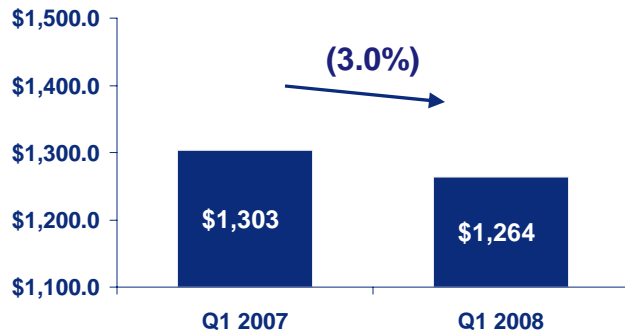
## Return on Average Common Equity



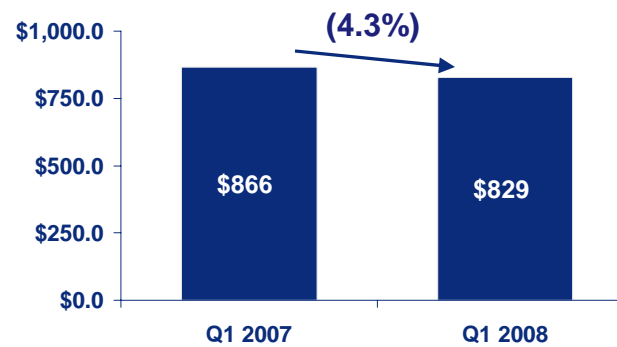
# Q1 2008 Results

(\$ in millions)

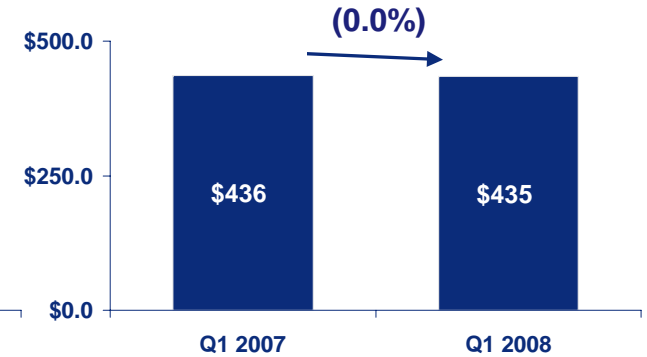
## Consolidated Gross Premiums Written



## AXIS Re Gross Premiums Written

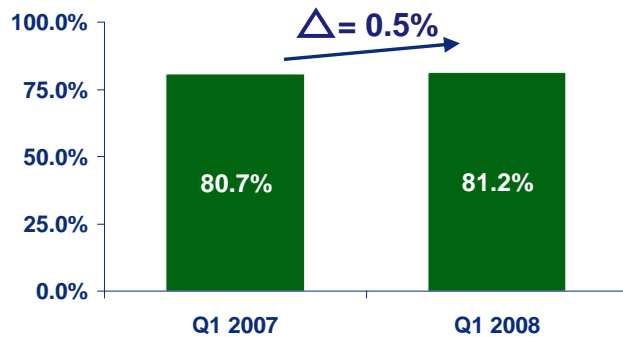


## AXIS Insurance Gross Premiums Written

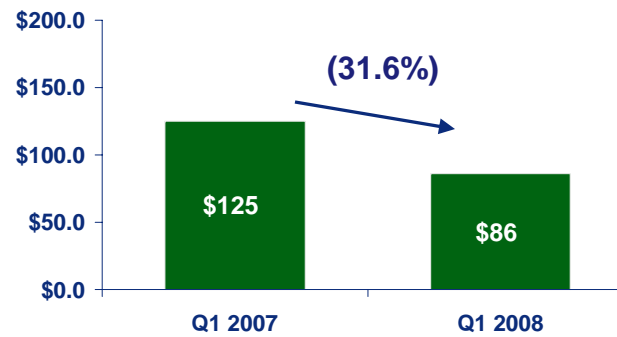


GPW decreased due to higher cedant retentions in AXIS Re and underwriting discipline against backdrop of competitive market conditions.

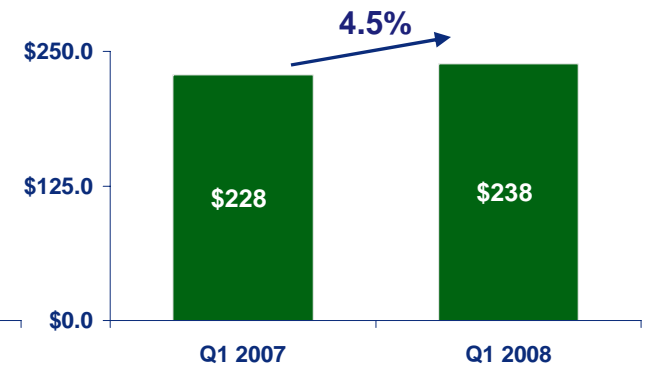
## Consolidated Combined Ratio



## Consolidated Net Investment Income



## Consolidated Net Income



Strong underwriting results and FX gains offset negative impact of financial markets turmoil on net investment income.



# AXIS Insurance – Strategic Global Presence

## North America

- Nationwide network of 10 offices in U.S.
- Office in Toronto
- Flexibility to write on admitted and non-admitted basis in all 50 states
- Top 15 E&S carrier in the U.S.
- Canada branch (pending)



## Bermuda

- Global capability with few exceptions
- Ability to transact with both Bermuda and London wholesale markets

## Europe

- London and Dublin
- Surplus-lines eligible in 43 states
- Freedom of Services permissions in all 27 EU countries
- Business written in 188 countries since inception

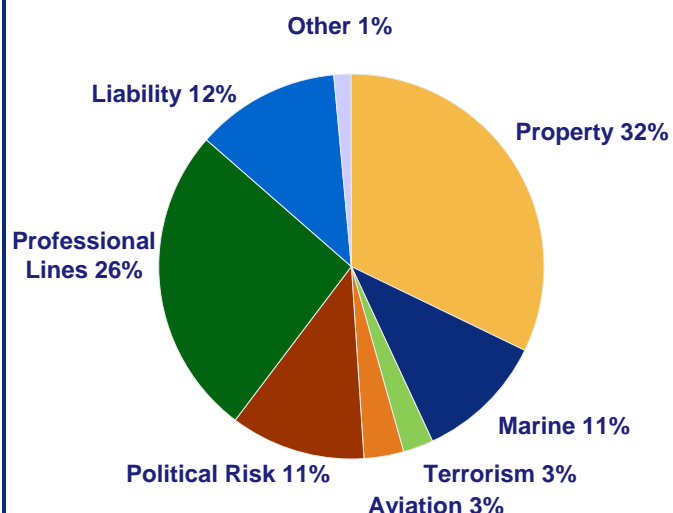
## Australasia

- Singapore branch (pending)
- Australia branch



# AXIS Insurance Overview

## 2007 GPW by Line of Business Total GPW = \$2,039 M



## 2007 Financial Highlights

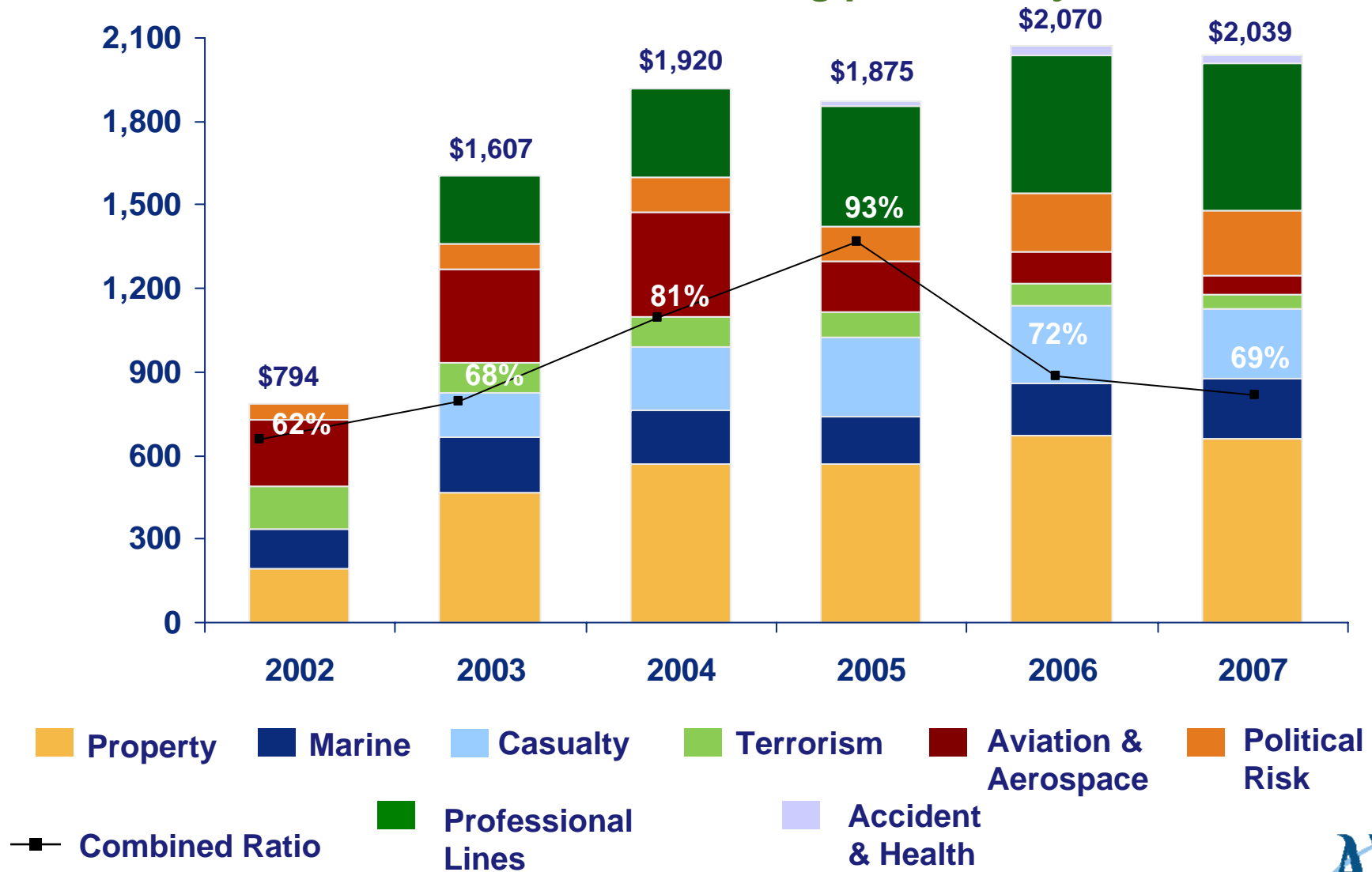
Net Premiums Earned	\$1,208 M
Underwriting Profit	374 M
Combined Ratio	69.2%

- Product lines coordinated on a global basis
- Specialty Lines division – both traditional P&C and specialty insurance products
- Professional Lines division – D&O, E&O and other professional lines products
- Capital Risk Solutions division – political risk, emerging market credit, aviation and terrorism products
- Select Markets division – specialty insurance products largely targeting small and middle market commercial clients

# AXIS Insurance Premium Since Inception

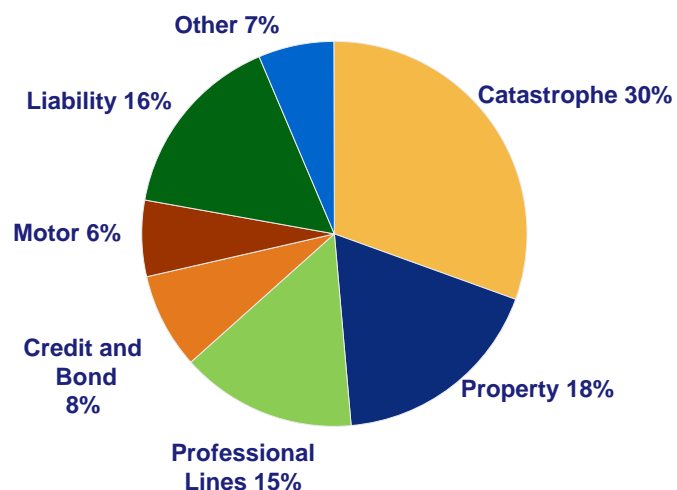
(\$ in millions)

*Focus on underwriting profitability*



# AXIS Re Overview

## 2007 GPW by Line of Business Total GPW = \$1,551 M



## 2007 Financial Highlights

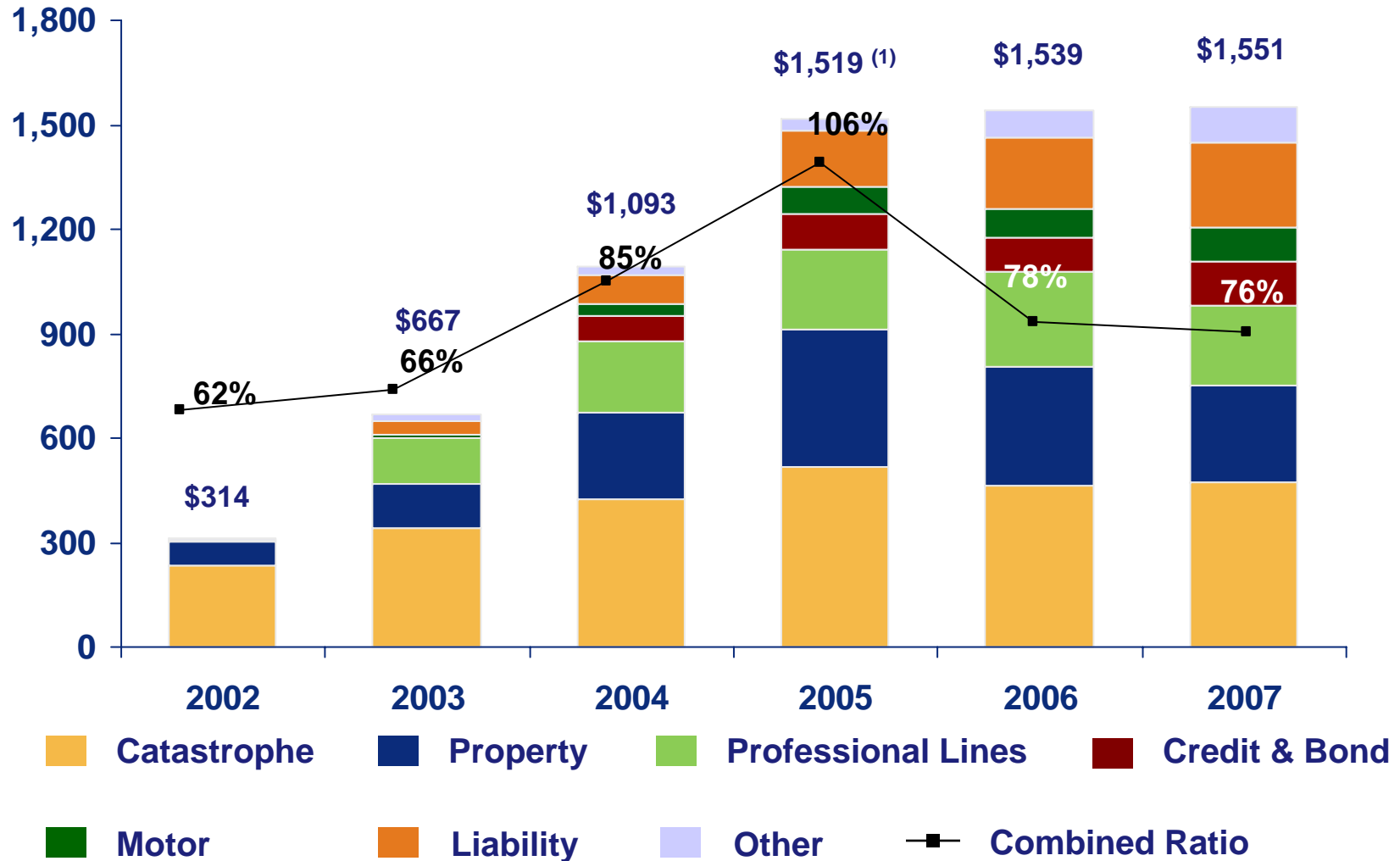
Net Premiums Earned	\$1,526 M
Underwriting Profit	364 M
Combined Ratio	76.3%

- Established presence in New York, Bermuda, Zurich and Singapore
- Global catastrophe reinsurance portfolio complemented by:
  - Targeted activity in specialist U.S. casualty reinsurance and
  - Balance of both traditional and specialist reinsurance in Continental Europe
- Primarily non-proportional business
- Sought-after lead market offering technical expertise and meaningful capacity
- Focus on targeted clients in specific market segments to limit capacity provided to a given segment

# AXIS Re Premium Since Inception

(\$ in millions)

*Focus on underwriting profitability*



(1) Includes KRW reinstatement premiums of \$88 million.





# Risk Management Strategies

## Selective Diversification

- Properly considered and controlled medium and long-term strategy
- Minimizes reliance on external protection (e.g. securitization of risks or reinsurance purchase)
- Diversification credit applied only within portfolios and portfolio risk-adequate pricing is mandated by business unit

## Defined Tolerance Levels

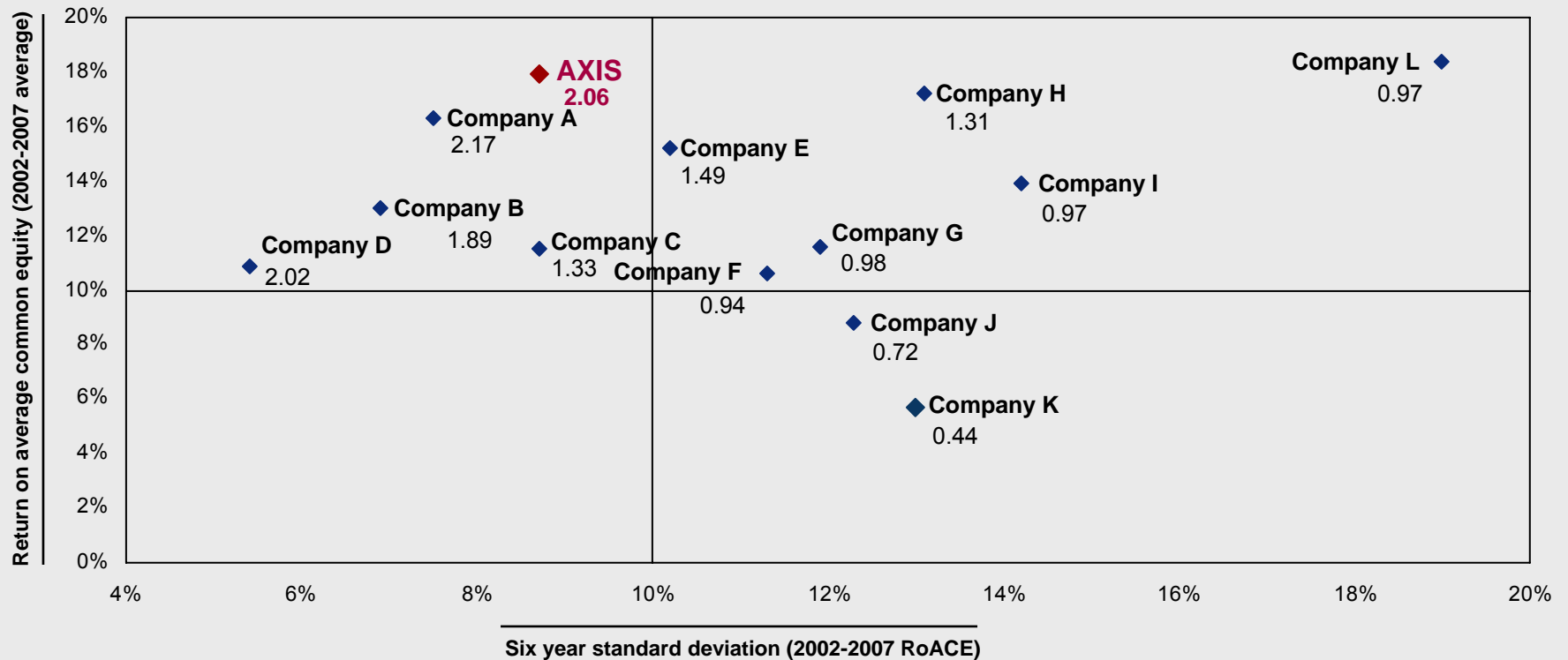
- Maximum limits and risk tolerances for potential shock losses
- Limit overall exposure to long-tail business
- Robust management of overlap between insurance and reinsurance businesses

## Strict Control Environment

- Rigorous, centralized peer review
- Controls designed to identify, assess and manage risk
- Limits expressed in ways that can be measured, monitored and peer-reviewed
- Strict budgeting and accumulation control

# Strong Risk Management

*Strong risk management has driven outstanding risk-return profile*



Note: Peer universe comprises Bermuda-based (re)insurers and U.S. reinsurers. Data label calculated as RoACE (2002-2007 average) / six year standard deviation

Source: Company filings

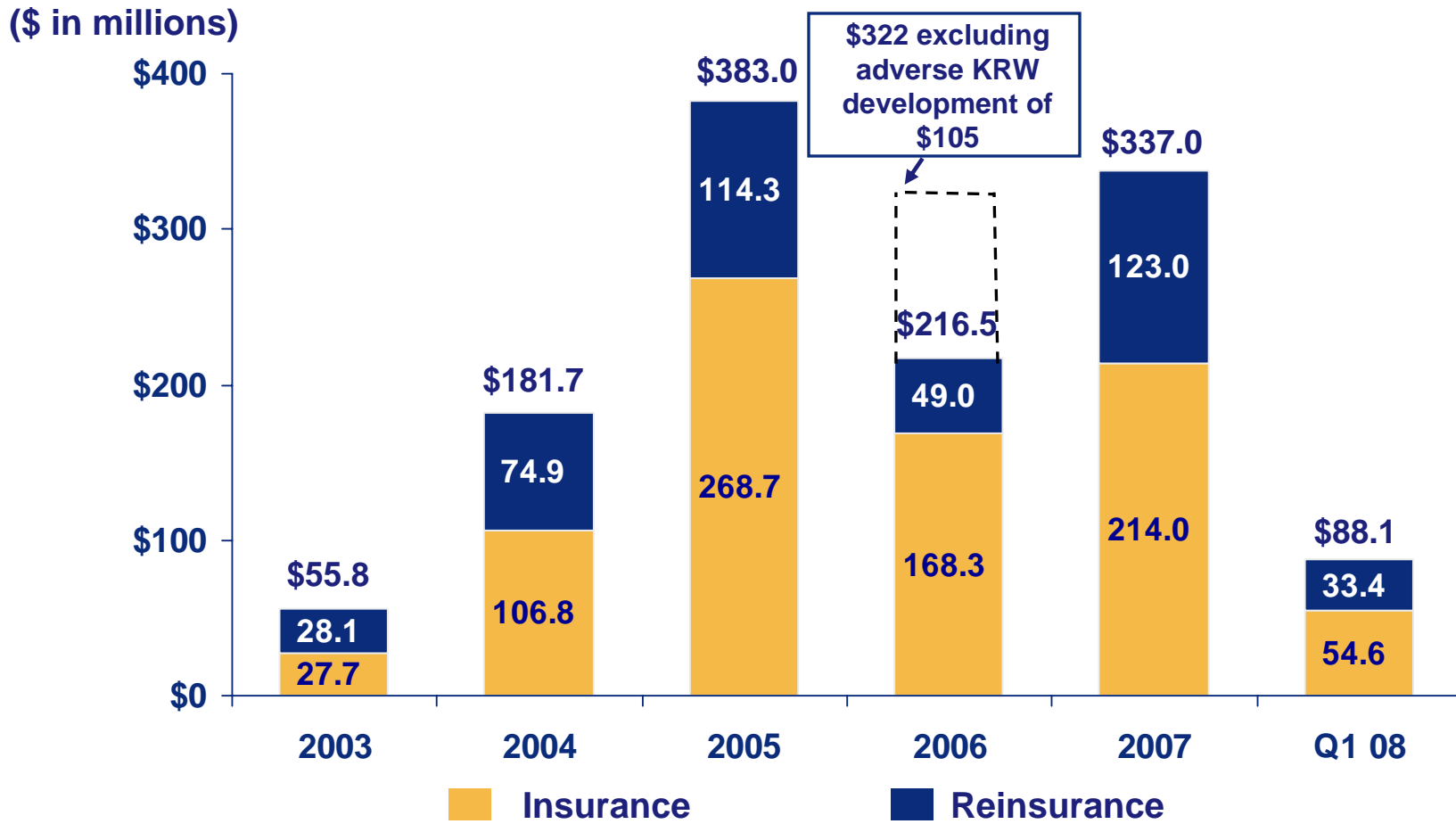


# Strong Balance Sheet

(\$ millions)	March 31,	December 31,		
	2008	2007	2006	2005
Total Cash and Invested Assets	\$10,655	\$10,311	\$9,653	\$7,703
Premiums Receivable	1,608	1,231	1,126	1,027
Reinsurance Recoverable	1,426	1,357	1,359	1,518
Other Assets	1,952	1,776	1,528	1,678
<b>Total Assets</b>	<b>\$15,640</b>	<b>\$14,675</b>	<b>\$13,665</b>	<b>\$11,926</b>
Loss & Loss Adjustment Expense Reserves	\$5,814	\$5,587	\$5,015	\$4,743
Unearned Premium	2,575	2,146	2,016	1,760
Long-Term Debt	499	499	499	499
Other Liabilities	1,381	1,284	1,723	1,411
<b>Total Liabilities</b>	<b>\$10,269</b>	<b>\$9,516</b>	<b>\$9,253</b>	<b>\$8,414</b>
<b>Total Shareholders' Equity</b>	<b>\$5,371</b>	<b>\$5,159</b>	<b>\$4,412</b>	<b>\$3,512</b>
<b>Gross Reserves / Equity Capital</b>	<b>108%</b>	<b>108%</b>	<b>114%</b>	<b>135%</b>
<b>Gross Reserves / Total Capital</b>	<b>99%</b>	<b>99%</b>	<b>102%</b>	<b>118%</b>
<b>Net Reserves / Equity Capital</b>	<b>82%</b>	<b>82%</b>	<b>83%</b>	<b>92%</b>
<b>Net Reserves/ Total Capital</b>	<b>75%</b>	<b>75%</b>	<b>74%</b>	<b>80%</b>
<b>Reinsurance Recoverables / Equity Capital</b>	<b>26%</b>	<b>26%</b>	<b>31%</b>	<b>43%</b>
<b>Reinsurance Recoverables / Total Capital</b>	<b>24%</b>	<b>24%</b>	<b>28%</b>	<b>38%</b>

# Favorable Reserve Development since Inception

*We mitigate reserve risk by limiting overall exposure to long-tail business, integrating third-party actuarial input into our prudent reserving practices and by utilizing institutional knowledge from participation in both insurance and reinsurance markets*



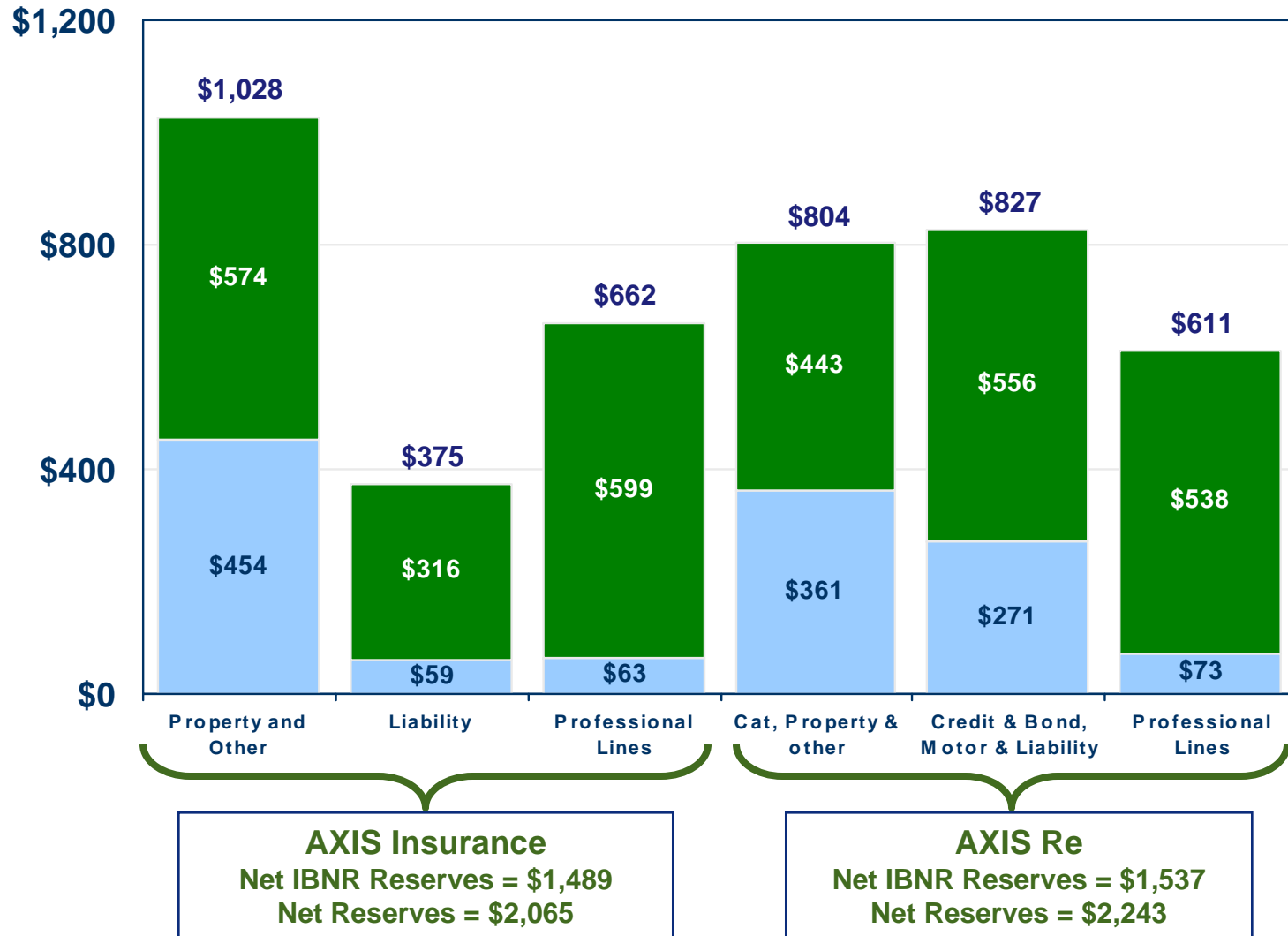
\$322 excluding adverse KRW development of \$105



# Strong Net Reserve Position

(\$ in millions)

■ Net Case Reserves ■ Net IBNR Reserve

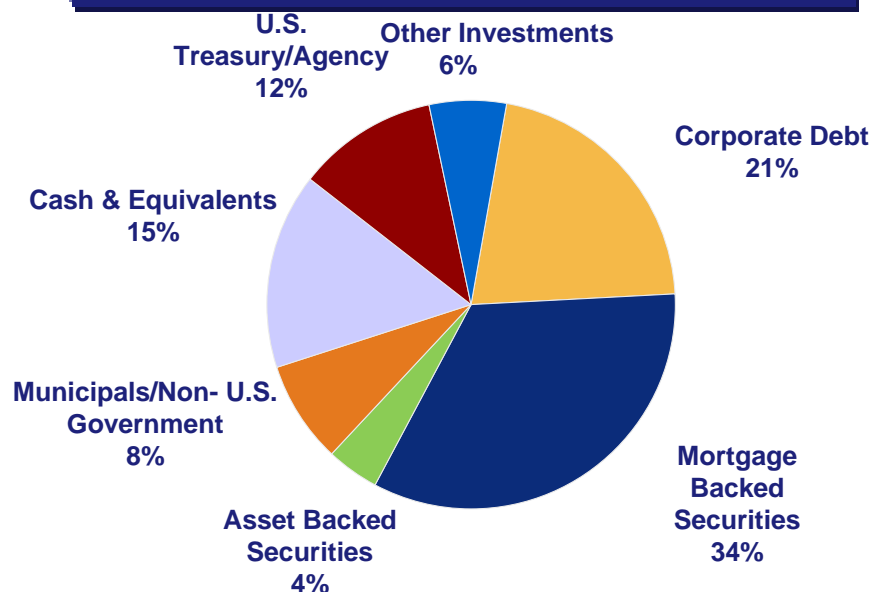


Note: Information as of December 31, 2007



# Conservative Investment Portfolio

**Total Cash & Investments  
\$10.7 Bn**



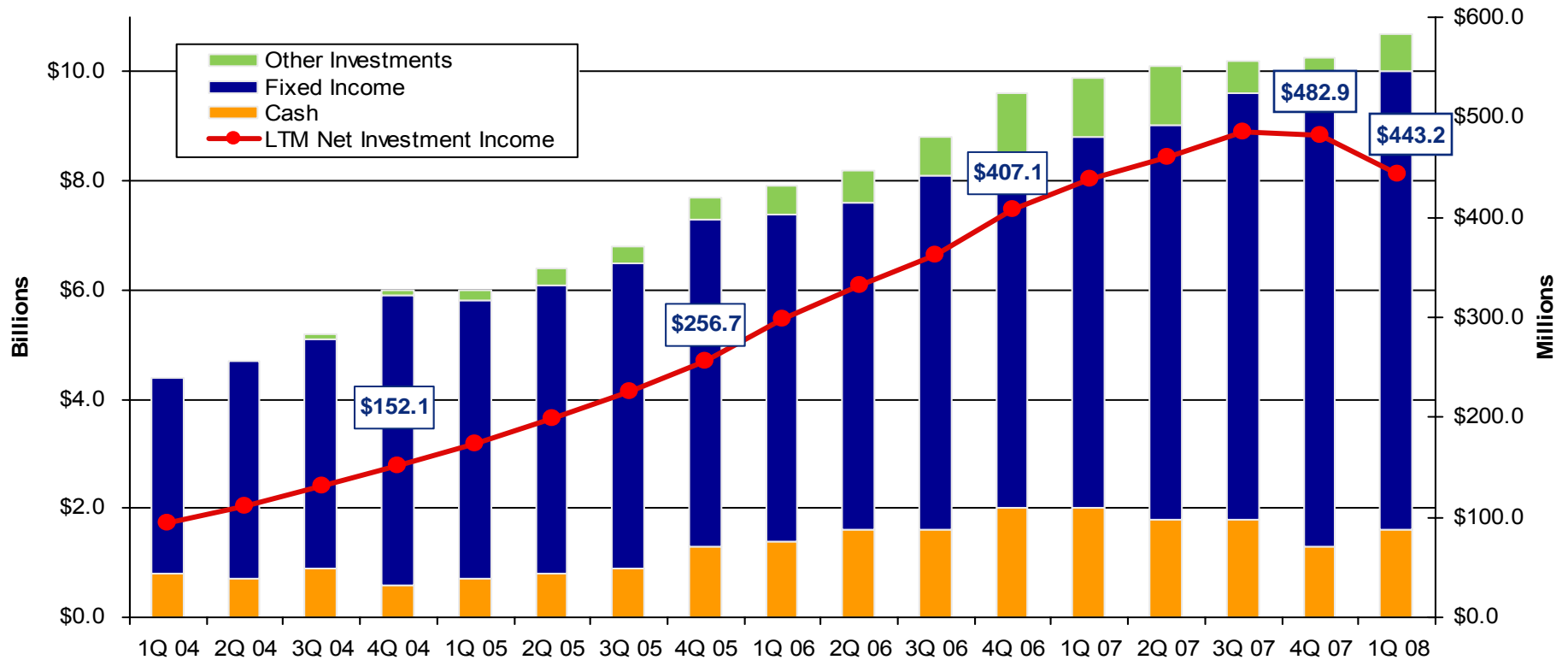
**Total Cash and Fixed Income (ex. Other)  
\$10.0 Bn**

Duration (years)	2.61
Average Credit Quality	AA+
Book Yield (Mar 31)	5.06%
Total Return (TTM)	6.30%

- 🌐 **Managers have a total return mandate**
- 🌐 **Emphasis on capital preservation**
- 🌐 **Short duration customized fixed income benchmarks**
- 🌐 **No non-investment grade holdings in fixed income portfolio**
- 🌐 **No exposure to lower-rated tranches of sub prime ABS**
- 🌐 **81.5% of investments are AA- or better**

# Investment Income Momentum

*Growth in investment income driven by strong operating cash flows and growth in invested assets*



**Earned Yield for Cash and Fixed Maturities**

3.3% 3.2% 3.5% 3.7% 3.8% 4.0% 4.3% 4.6% 5.1% 4.8% 4.8% 4.8% 4.9% 5.0% 5.0% 4.9% 4.9%

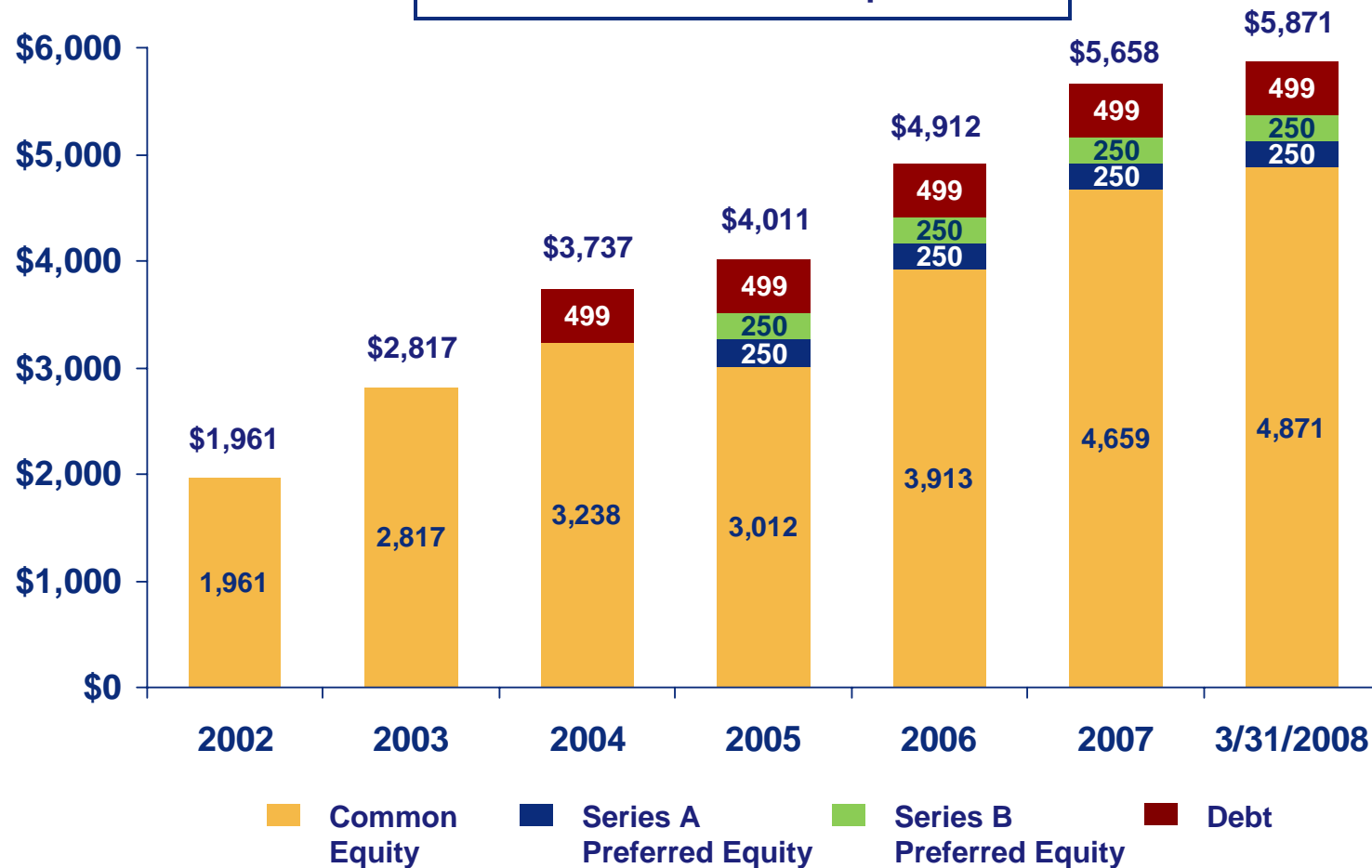
**Investment Income Other Investments (in millions)**

- - \$1 \$1 \$1 \$3 \$6 \$6 \$13 \$5 \$3 \$24 \$25 \$3 \$2 \$4 (\$36)

# Modest Financial Leverage = Financial Flexibility

(\$ in millions)

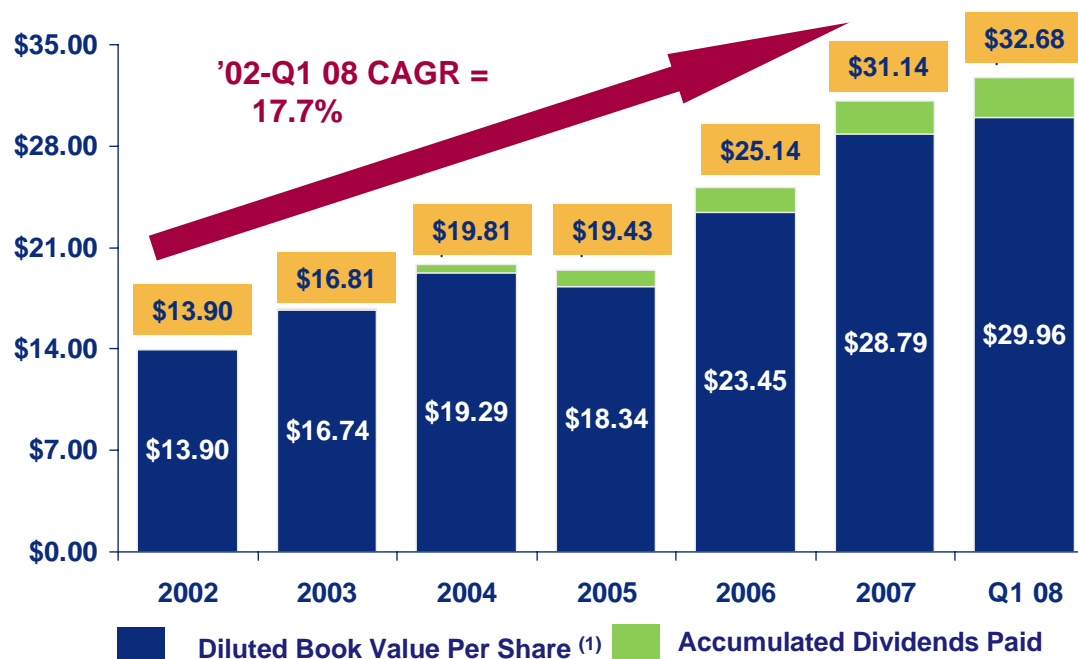
Capitalization Ratios	
Debt / Total Capital	8.5%
Debt + Preferred / Total Capital	17.0%



# Driving Shareholder Value Creation

- 2002 – Q1 08 Average ROACE = 18.0%
- Diluted book value per share plus accumulated dividends have grown at an annualized rate of 17.7% from 2002 through March 31, 2008

Diluted book value per share + Accumulated dividends



(1) Calculated using the treasury stock method.