

AXIS Capital Holdings Limited



Overview of AXIS Natural Peril Catastrophe Risk Measurement and Management

August 3, 2011



Cautionary Note on Forward Looking Statements

Statements in this presentation that are not historical facts, including statements regarding our estimates, beliefs, expectations, intentions, strategies or projections, may be “forward-looking statements” within the meaning of the U.S. federal securities laws, including the Private Securities Litigation Reform Act of 1995. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may,” “should,” “could,” “anticipate,” “estimate,” “expect,” “plan,” “believe,” “predict,” “potential,” “intend” or similar expressions. Our expectations are not guarantees and are based on currently available competitive, financial and economic data along with our operating plans. Forward-looking statements contained in this presentation include, but are not limited to, information regarding our estimated probable maximum losses from certain natural peril catastrophes.

Forward-looking statements only reflect our expectations and are not guarantees of performance. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. We believe that these factors include, but are not limited to, the following:

- the occurrence and magnitude of natural and man-made disasters,
- actual claims exceeding our loss reserves,
- general economic, capital and credit market conditions,
- the failure of any of the loss limitation methods we employ,
- the effects of emerging claims, coverage and regulatory issues,
- the failure of our cedants to adequately evaluate risks,
- Inability to obtain additional capital on favorable terms, or at all;
- the loss of one or more key executives,
- a decline in our ratings with rating agencies,
- loss of business provided to us by our major brokers,
- changes in accounting policies or practices,
- the use of industry models and changes to these models;
- changes in governmental regulations,
- increased competition,
- changes in the political environment of certain countries in which we operate or underwrite business, and
- fluctuations in interest rates, credit spreads, equity prices and/or currency values.

We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This report is for informational purposes only. It should be read in conjunction with the documents that we file with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934.



Risk Management at AXIS

- ④ The objectives of risk management at AXIS are: to control risk accumulation, to inform management and other stakeholders of the capital needed to cover exceptional losses, and to improve the risk/return profile or minimize the amount of capital required to cover the risks in the portfolio.
- ④ AXIS' integrated risk management framework considers all material risks in our business either from investments, underwriting or in our operations across the world. As part of this, for natural peril catastrophe risk, we consider both the loss of capital in a year due to a single large event as well as the loss of capital that would occur from multiple (but potentially smaller) events in aggregate.
 - For natural peril catastrophe risk, we have an established risk tolerance for the 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 25% of our prior quarter-end common-equity from a single event within a single zone. See page 4 of this presentation for an overview of PML methodology.
 - At an annual aggregated level, we manage our total risk exposure so that the potential financial loss from all risks (including, but not limited to, natural peril and other catastrophe events) in any one year is unlikely to exceed a defined percentage of our total capital at different return periods.
- ④ Our executive management and Board receive regular reports on our group-wide total natural peril exposures by peril and zone, both on an event basis and an annual aggregate basis, to ensure active monitoring of our risk positions.



Probable Maximum Loss at AXIS

- 🌐 Our natural peril catastrophe risk management framework includes, but is not limited to, tolerance levels for PML from a single event within a defined zone. In most cases a zone is a country of loss, but in the U.S., we have four distinct zones to define U.S. Wind and three distinct zones to define U.S. Earthquake. See page 6 of this presentation for a discussion of U.S. Hurricane zonal aggregates.
- 🌐 The PML is our estimated maximum loss to a particular event for a given return period.
 - 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 financial statement point of view.

Modelling a Portfolio of Natural Catastrophe Risks

- ① AXIS utilizes multiple commercially available vendor models, including AIR and RMS, in its catastrophe risk and accumulation management.
 - We weight the use of these vendor models, which varies by peril and region, based on our own management judgment and expertise.
- ① At AXIS, we do not base our risk management and underwriting decisions on standard catastrophe models alone. We supplement model outputs with historical loss information and underwriter judgment, as catastrophe models do not offer a complete view of catastrophe risk:
 - Not every type of risk and peril can be reliably modeled, particularly secondary perils.
 - We understand that, historically, modeled industry PMLs have often failed to adequately reflect actual industry catastrophe losses.
- ① 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 catastrophe risk.
- ① As part of our model risk management, we continually perform model validation both within our business units and through our catastrophe model validation unit. These validation procedures include sensitivity testing of models to understand key variables and, where possible, back testing of model outputs to actual results.

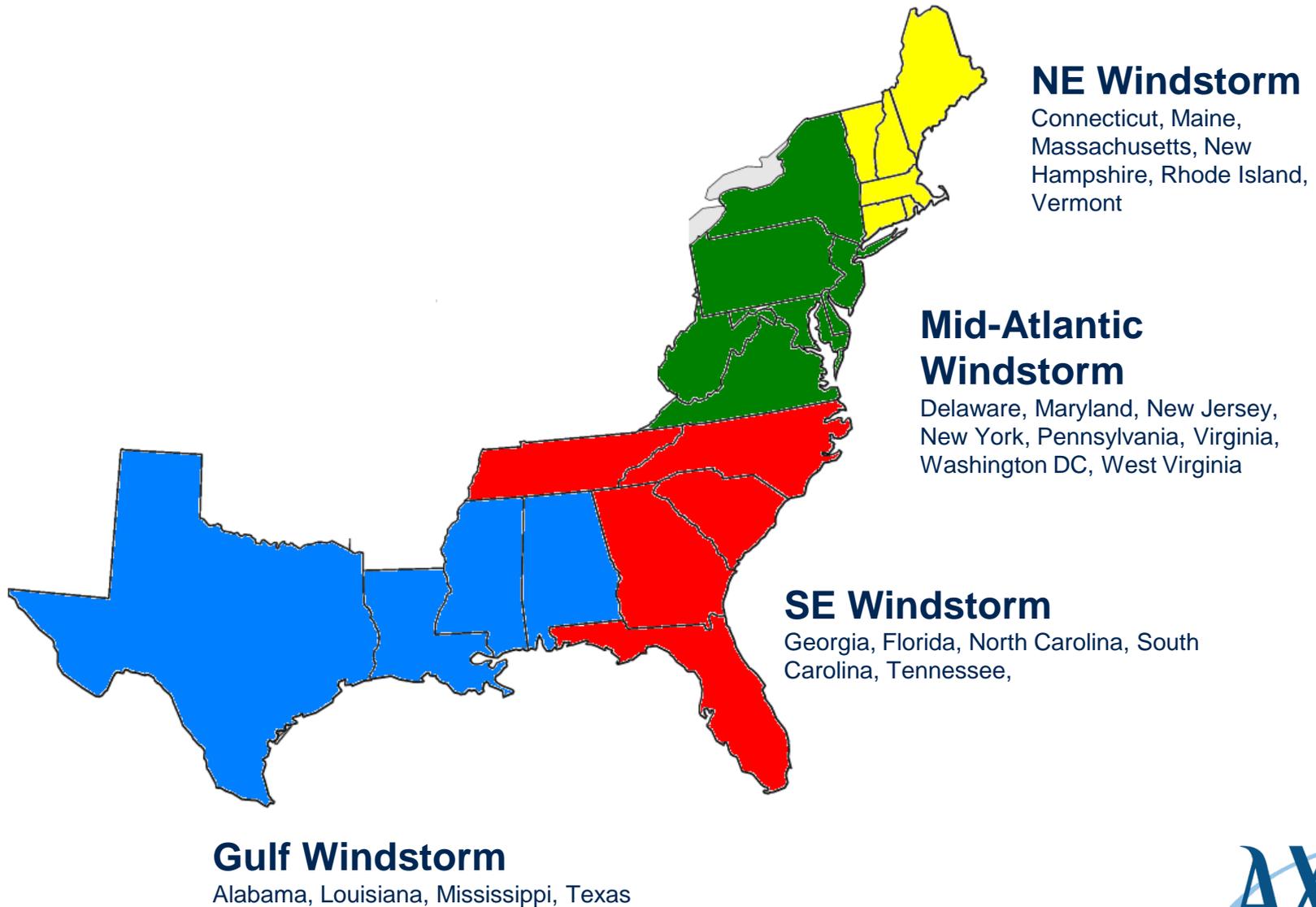


AXIS Approach to Zonal Aggregates

- ④ A zone is a geographic area in which the insurance risks are considered to be correlated to a single catastrophic event.
- ④ There is no uniform definition for zones in the U.S. and our definitions may differ from those used by other companies, third party catastrophe model vendors, rating agencies, and other external parties, which makes any direct comparisons of limited use.
- ④ Our definitions for U.S. hurricane single zones are illustrated on page 7.
 - We believe our zonal definitions help 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.
 - If we used narrower geographies within our zonal definitions (see page 8), our PMLs within a particular zone would be lower.
- ④ Aggregate country-wide losses from a single modeled event are reported in the single zone which has the majority of the estimated industry loss.
 - As hurricanes have no respect for state or zonal boundaries, we believe this is a considered approach to managing this risk.
 - If only the modeled losses which fell into a zone were strictly accumulated, our modeling suggests that our PMLs could be approximately 10-20% lower depending on the type of event and zone.



AXIS Definition of U.S. Wind Zones



NE Windstorm

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Mid-Atlantic Windstorm

Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia, Washington DC, West Virginia

SE Windstorm

Georgia, Florida, North Carolina, South Carolina, Tennessee,

Gulf Windstorm

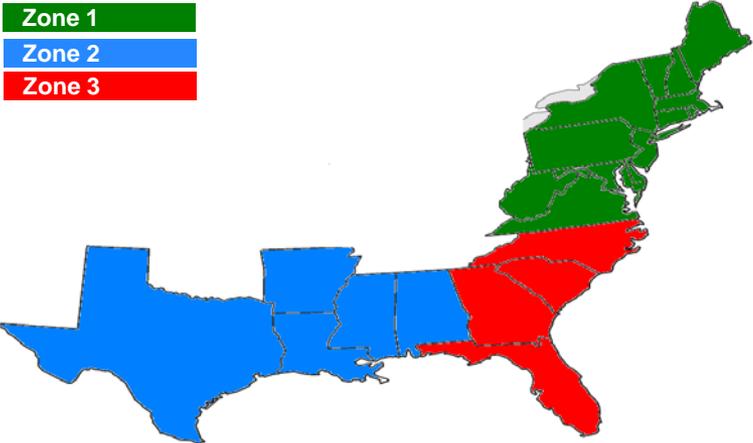
Alabama, Louisiana, Mississippi, Texas



Other Views of U.S. Wind Zones

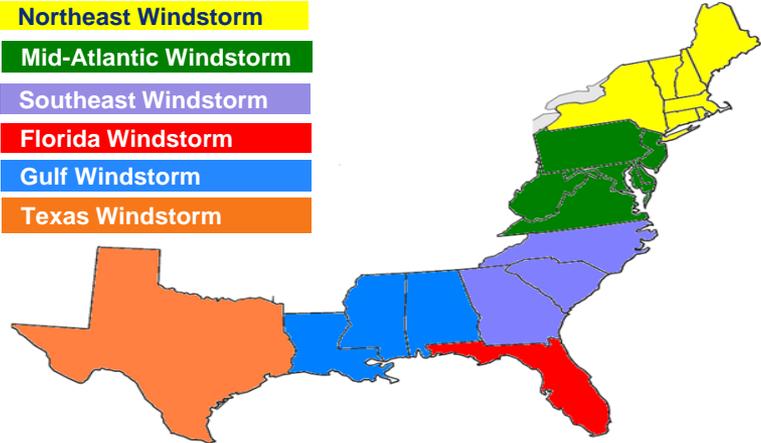
Standard & Poor's

- Zone 1
- Zone 2
- Zone 3



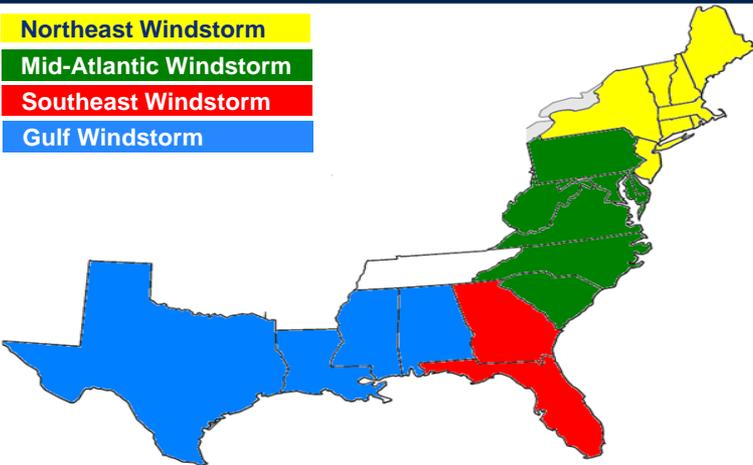
RMS

- Northeast Windstorm
- Mid-Atlantic Windstorm
- Southeast Windstorm
- Florida Windstorm
- Gulf Windstorm
- Texas Windstorm



Moody's

- Northeast Windstorm
- Mid-Atlantic Windstorm
- Southeast Windstorm
- Gulf Windstorm



AIR

- Northeast Windstorm
- Mid-Atlantic Windstorm
- Southeast Windstorm
- Florida Windstorm
- Gulf Windstorm
- Texas Windstorm

