



# Embracing Change. Delivering Results.

# Financial Strengths & Highlights

As of and for the year ended December 31,  
(\$ in millions, except per share amounts)

	2016	2015	2014	2013	2012
<b>Selected statement of operations data:</b>					
Gross premiums written	\$ 4,970.2	\$ 4,603.7	\$ 4,711.5	\$ 4,697.0	\$ 4,139.6
Net premiums written	3,753.0	3,674.7	3,907.0	3,928.2	3,337.5
Net premiums earned	3,705.6	3,686.4	3,871.0	3,707.1	3,415.5
Net investment income	353.3	305.3	342.8	409.3	381.0
Net realized investment gains (losses)	(60.5)	(138.5)	132.1	75.6	127.5
Net income available to common shareholders	465.5	601.6	770.7	683.9	495.0
<b>Per common share data:</b>					
Basic earnings per common share	\$ 5.13	\$ 6.10	\$ 7.38	\$ 6.02	\$ 4.05
Diluted earnings per common share	5.08	6.04	7.29	5.93	4.00
Book value per common share	59.54	55.32	52.23	47.40	44.75
Diluted book value per common share	58.27	54.08	50.63	45.80	42.97
Dividends declared per common share	1.43	1.22	1.10	1.02	0.97
<b>Operating ratios:</b>					
Net loss and loss expense ratio	59.5%	59.0%	56.5%	57.6%	61.4%
Expense ratio	36.4%	35.7%	35.1%	33.4%	34.8%
Combined ratio	95.9%	94.7%	91.6%	91.0%	96.2%

#### Selected balance sheet data:

Total assets	\$ 20,813.7	\$ 19,981.9	\$ 19,955.7	\$ 19,634.8	\$ 18,852.3
Senior notes	993.0	991.8	990.8	995.9	995.2
Preferred shares	1,126.1	627.8	627.8	627.8	502.8
Common equity	5,146.3	5,239.0	5,193.3	5,190.1	5,276.9
Total shareholders' equity attributable to AXIS Capital	6,272.4	5,866.9	5,821.1	5,818.0	5,779.8
Total capital*	7,265.4	6,858.7	6,811.9	6,813.8	6,775.0
Return on average common shareholders equity ("ROACE")	9.0%	11.5%	14.8%	13.1%	9.7%
Operating ROACE**	7.9%	7.7%	10.8%	12.1%	8.2%

Note \* Total capital represents the sum of total shareholders' equity attributable to AXIS Capital and senior notes. 2012 results include pre-tax net losses of \$331.3 million attributable to Superstorm Sandy. 2015 results include a termination fee received from PartnerRe of \$280 million to terminate the Agreement and Plan of Amalgamation with the company.

\*\* Non-GAAP operating income represents after-tax operational results without consideration of after-tax net realized investment gains (losses), foreign exchange gains (losses), termination fee received, reorganization and related expenses and losses on repurchase of preferred shares. Non-GAAP operating ROACE is calculated by dividing non-GAAP operating income for the year by the average common shareholders' equity determined by using the common shareholders' equity balances at the beginning and end of the year. The presentation of non-GAAP Operating ROACE is a non-GAAP financial measure within the meaning of Regulation G. See Non-GAAP Financial Measures in Item 7 of Part II of the AXIS Annual Report on Form 10-K for the year ended December 31, 2016, for a detailed discussion of the measures used by AXIS to evaluate its financial performance.

# Delivering Value to Shareholders

Key facts and figures as of December 31, 2016  
(\$ in billions)

## \$7.3

Total Capital

## \$20.8

Total Assets

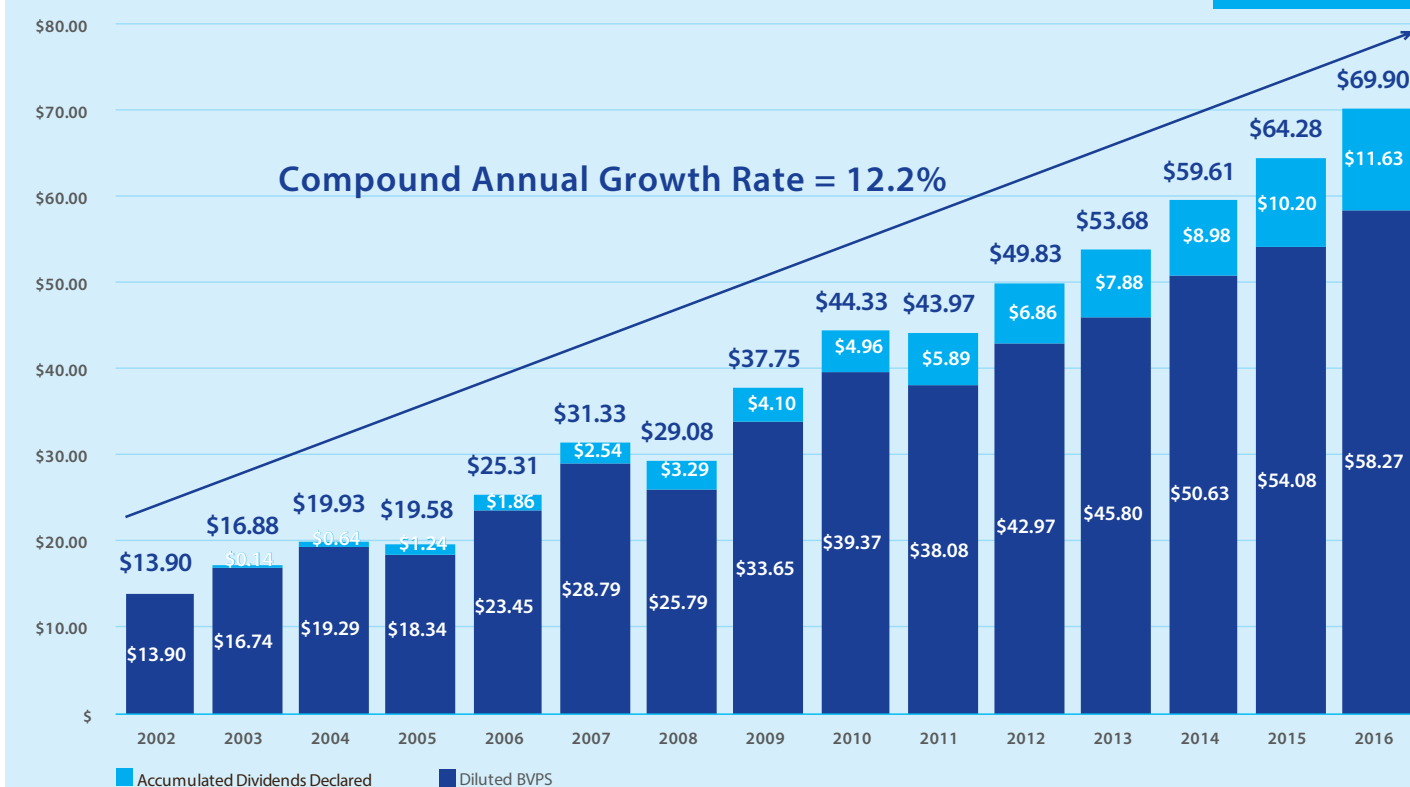
## \$14.7

Cash & Investments

AXIS' rating of A+ from both Standard & Poor's and A.M. Best reflects our exceptional level of financial strength and our long-term track record of outstanding operating performance, placing AXIS among a select group of companies in our industry.

## Shareholder Value Creation

Total Value Creation of  
**+10%**  
in 2016



Total value creation is defined as growth in diluted book value per share\* adjusted for dividends.

\* Diluted book value per share calculated using treasury stock method. 12/31/02 diluted BVPS is pro forma for AXIS Capital IPO.



# A Letter from the CEO

To our shareholders:

2016 was a good year for AXIS. We gained meaningful traction in pursuit of our strategic goals and recorded a series of gratifying achievements. In the face of a continuing difficult and evolving market environment – characterized by tough competition, relentless pricing pressures, an excess of capital and low interest rates – AXIS harnessed the forces of change and delivered positive results.

We leveraged our competitive advantage – having the sophistication of a world-class carrier and the agility of a mid-sized firm – to seize upon changes in the marketplace and create opportunities. Among the past year's achievements: We extended the reach of our core specialty insurance and reinsurance operations, expanding our business to new lines and geographies. We brought on new market leaders and teams. We sharpened our use of technology and improved our underwriting and portfolio construction through the greater use of data and analytics. We increased the efficiency of our operations, further focused our distribution management strategy, broadened our range of risk funding sources including third party capital partnerships, and enhanced our client service while growing our reputation as a leader in claims handling.

In doing so, we continued to build greater value in the company and reward our shareholders. I am pleased that our core operating performance strengthened as the underlying improvements we have put in place allowed us to absorb both higher industry cat losses and negative market conditions and still deliver for our clients, partners in distribution and our shareholders. In 2016, we continued to reduce our exposure to catastrophe risk and to lower the volatility of our overall results. In a year of noteworthy catastrophe events, AXIS experienced a lower-than-industry share of losses.

Through these initiatives and others, we are laying the foundation of a differentiated leader in global specialty risks, achieving intelligent growth in selected markets, optimizing our portfolios, matching risks with the right capital, and delivering solid and stable profitability.

In my letter to you last year, we discussed that we had walked away from a merger that no longer made economic sense because we were confident that we did not need such a transaction to continue to sustain and, in fact, grow our business. While our actions showed our discipline and resolve in creating value for our shareholders, we recognized that we had to demonstrate our ability to succeed on our own.

I believe that in 2016 the entire AXIS organization unquestionably delivered that success. The extensive work in reassessing our organization from top to bottom, in preparation for that merger, laid the foundation for a reinvigorated, more sharply focused company.

Whereas we ended 2015 on a note of optimism and determination, we ended 2016 with confidence and great enthusiasm for the future.

The past year has been one of driving results and demonstrating tangible business growth. Certainly, we have not yet achieved all we aim to accomplish and we are, in fact, just beginning to tap into our significant potential. We embarked on 2017 with the right plan, the financial strength and, most of all, the talented people and entrepreneurial spirit necessary to get us where we intend to go and seize upon the opportunities of today's marketplace.

## Delivering on Our Long-Term Strategy

The cornerstone of the year's success was a rigorous adherence to our strategic guidelines. These priorities were not new, but were consistent with the goals and strategic imperatives we first outlined several years ago:

- 1 To focus our efforts on the lines and markets where we have the relevance, expertise and scale to grow profitably.**

Committed to our hybrid strategy, AXIS has developed substantial platforms in both insurance and reinsurance, providing us with a broader set of opportunities, balance and diversification. Still, we do not intend to be all things to everyone. We are committed to being a leader in specialty risk, an area in which we already have depth of talent and experience, and have earned an outstanding reputation.

During the year, we built further upon this commitment. We increased our scale and market relevance in key sectors, both through organic growth and acquisition. For example, we announced the acquisition of Aviabel, a premier European specialty aviation insurer and reinsurer, and further extended our geographic reach by expanding our growing accident & health franchise into Dubai. We also set up for the launch of our Miami office to grow our insurance and reinsurance businesses in the Latin American market.

Just as we focused on businesses where we have built scale and command a solid marketplace position, we also pursued our strategy of focusing on channels of distribution where we have the greatest relevance. This included redirecting resources and

personnel into areas where we could see the greatest impact and drive long-term profitable growth. By deepening and strengthening our relationships with a core group of strategic distribution partners, we have seen significant growth in gross premiums written and improved efficiency metrics.

We also announced the launch of our first-ever integrated marketing and communications function to enhance our marketing efforts, increase our visibility in traditional and social media, elevate the AXIS brand, and raise our profile as a leader in specialty risk.

**The Operations section of this report provides additional detail related to these initiatives.**

### 2 To increase our investments in data and analytics.

The insurance industry continues to transform, including its shift from being less of an art and more of a science. No trend is more central to this transformation than the growing capture and utilization of data in new, insightful ways. For AXIS, this has translated into investments in systems and tools that yield a deeper understanding of the risks we choose to underwrite and the construction of a stronger, more balanced portfolio overall.

We also enlisted analytics to better serve our clients. For smaller accounts – an area of intentionally greater focus for our insurance segment – predictive analytics allowed us to increase retention of desirable accounts. Our team was able to better identify and focus on those submissions that had the greatest probability of success and also increase retention of desirable accounts by automatically renewing those with the best risk profiles. This freed our underwriters to concentrate on the most promising profitable growth opportunities.

While we are making important strides in this area, we are just beginning to skim the surface of what is possible as we continue to scale up these capabilities.

### 3 To broaden our risk-funding sources and develop vehicles that utilize the industry's abundant third party capital and turn it to our advantage.

Throughout the industry, the availability of large pools of capital from non-traditional industry participants, including hedge funds, pension funds and other asset managers seeking higher returns in our sector, has presented an ongoing challenge. It has driven down rates and severely pressured returns for traditional industry players.

Turning challenge into opportunity, AXIS conceptualized and launched innovative vehicles leveraging third party capital. An important component of our third party capital strategy was our investment in Harrington Re, a \$600 million specialty reinsurer

jointly sponsored by AXIS and The Blackstone Group (see sidebar). These partnerships allow us to do more for our clients and partners in distribution, share risk with knowledgeable long-term investors, and earn attractive fee income. For the full year we reported fee income of \$22 million – and we expect that this is just the beginning as we see fee income as a steady and growing source of attractive revenue for AXIS.

## “We gained meaningful traction in pursuit of our strategic goals.”

### 4 To improve the effectiveness and efficiency of our operating platforms and processes.

Across the Company, we continued to improve our operating platform, both enhancing client service and lowering expenses.

Our Future Insurance Platform aims to place all our disparate U.S. insurance systems, developed and acquired over time, onto one platform. A five-year, \$50 million investment, it is our largest-ever new infrastructure initiative; it will streamline workflow processes, improve data capture and speed new products to market at a considerable savings to current cost.

We continued to identify other cost reduction opportunities, which resulted in additional savings over the course of the year. In 2017, we expect that we will deliver on the promise we made two years ago to reduce expenses which will help offset other investments in our business and productivity.

### 5 To advance our commitment to talent, culture and our communities.

AXIS has an enviable reputation for the quality of our people, and we are increasing our investment in recruiting, developing and retaining our talent. In 2016, we attracted senior-level professionals across a wide range of specializations, from actuarial to underwriting and business development. We also introduced new talent development and retention initiatives, and conducted extensive research to help support our efforts to continue to foster a workplace environment that breeds success.

I am also proud to call attention to the positive impact of our employees in their communities. Through our “Day of Giving” and Matching Gifts programs, AXIS employees participated in a range of community-based philanthropic activities and donated thousands of volunteer hours to support local causes, and we promise to further increase our efforts in 2017.

## Financial Highlights – A Year of Profitable Growth

Despite market conditions, both of our business segments – insurance and reinsurance reported underwriting profits and year-over-year improvements. Our core operating performance strengthened as the improvements we have put in place allowed us to absorb both high industry cat losses and negative market conditions and still deliver for our clients, partners in distribution and our shareholders. Net income available to common shareholders was \$465.5 million, or \$5.08 per diluted common share, a decrease of 16% compared to \$6.04 in the previous year largely reflecting the 2015 termination fee from PartnerRe.

We were pleased to report non-GAAP operating income for the year of \$410 million, or \$4.48 per diluted common share, an increase of 11% compared to \$4.02 in 2015, and an improvement in non-GAAP operating ROACE to 7.9%. We ended the year with diluted book value per share of \$58.27. Adjusting for dividends, diluted book value per share grew 10% over the last 12 months. This rate of growth is satisfying considering the significant sell-off experienced in the bond markets in the weeks following the U.S. election, which impacted the value of our fixed income investments.

Gross premiums written increased by \$366 million, or 8% (10% on a constant currency basis), to \$5.0 billion with an increase of \$229 million, or 11% (14% on a constant currency basis) in our reinsurance segment and an increase of \$137 million, or 5% (6% on a constant currency basis), in our insurance segment.

Strong prior year development, notably from our reinsurance operations, contributed \$292 million to our bottom line. In 2016, AXIS continued to benefit from its disciplined underwriting and prudent reserving philosophy.

### Rewarding investments and prudent capital management

Our investment portfolio registered a strong performance, yielding a total return of 2.5% and placing AXIS among the top echelon of its peers. Our highly rated AA- fixed income assets, approximately 80% of our portfolio, maintained a relatively short duration of 3.5 years, which is well-matched to our liabilities and will enable us to take advantage of rising interest rates.

We adjusted our alternative investments, gradually reducing our hedge fund exposures, and increased our emphasis in intelligent less-liquid investments such as private equity, real estate and direct lending, which performed well.

I am particularly pleased with the timing of our \$550 million offering of 5.5% Series E Preferred Shares, in anticipation of the redemption of our outstanding 6.875% Series C Preferreds. By striking just before the U.S. election and the rise in interest rates, we saved millions in future interest payments and locked in significant new permanent capital at attractive rates.



## Matching the Right Risk to the Right Capital

In July 2016, AXIS announced the launch of Harrington Re Ltd. (“Harrington”), a newly formed, Bermuda-based reinsurance company jointly sponsored by AXIS and The Blackstone Group (“Blackstone”). Rated A- by A.M. Best, Harrington Re’s strategy is to combine a multi-line reinsurance portfolio with a diversified allocation to alternative investment strategies to earn attractive risk-adjusted returns. The Company plans to develop a portfolio that optimizes the risk-reward characteristics of both assets and liabilities, leveraging the respective strengths of AXIS and Blackstone while deploying a disciplined and fully integrated approach to both underwriting and investing.

A subsidiary of AXIS has been appointed Harrington Re’s exclusive liability manager, responsible for negotiating and sourcing reinsurance business for recommendation to the management of Harrington Re. Blackstone has been appointed Harrington Re’s exclusive investment manager, responsible for managing a multi-asset portfolio of Blackstone alternative investment strategies on behalf of the Company.

The creation of Harrington Re, Ltd. is a key initiative in AXIS’ alternative capital strategy, which is designed to match the right risk with the right capital. Harrington will expand the already broad product offering and capacity of AXIS across medium to long tail lines of business to better serve our clients and distribution partners.

In several short months, Harrington Re has already proven effective in generating significant value for all stakeholders, including investors, clients and distribution partners and represents an important case study of AXIS’ ability to embrace alternative capital to drive results. The Company’s launch caught the industry’s attention, eventually being recognized by *Insurance Day* as its “Transaction of the Year.”

# A Letter from the CEO

We continued our practice of managing our capital for the benefit of our shareholders. During the year, we increased our dividend by 9% and returned \$644 million to our shareholders through common dividends and share repurchases. In December, our Board authorized another \$1 billion repurchase program. Over the last five years, we returned to our shareholders in excess of 100% of aggregate operating income, including the termination fee earned from PartnerRe in 2015. We have been able to accomplish this, while we grew our overall business, by optimizing our portfolio and reducing volatility for enhanced capital efficiency, as well as more strategic use of reinsurance and third party capital.

## Challenges and Opportunities

Market conditions pose continuing challenges, and we are unafraid to meet them head-on. In past letters, I described some of these challenges, which persist. These include excess capacity driving brutal competition; regulatory burdens, compounded by dissimilar guidelines from one jurisdiction to another; the consolidation of brokers wielding increased market power; and increased disintermediation across the risk transfer chain.

I would particularly like to comment on a few rising concerns:

### A shift in the major market cycles.

Traditionally, our industry experienced identifiable and pronounced cycles of soft and hard markets, as large-scale events and economic developments made conditions easier or harder for conducting business profitably. In recent years, we have collectively lamented prevailing market softness and waited for conditions to turn. Although we may be bumping along the bottom in terms of rate decline, and in isolated pockets have begun to detect more favorable conditions, I believe the industry's traditional cyclical constructs may no longer be relevant.

Simply stated, there is too much capital looking to be deployed, too many new ways of bringing capital directly and quickly into the marketplace, and too many efficiency-driving technological innovations for market inefficiencies to last more than briefly. While I believe there may continue to be industry-wide mini-cycles, as well as cycles specific to individual business lines, traditional cyclical constructs with broad and dramatic impact are much less likely.

In such circumstances, leveraging data and analytics to inform smarter, more disciplined underwriting is becoming increasingly vital – and responding to signals from data on a much more fluid basis enables carriers to be smarter about risk.

AXIS' specialty orientation, as well as our unique combination of agility and global reach, provides a strategic advantage. With our ears close to the ground in selected sectors, we are positioned to discover market shifts early and seize upon opportunities. This, of course, requires vigilance and quick reaction.

### InsurTech offers the promise of significantly enhancing our ability to better serve our clients and make more informed decisions.

At every point along the value chain – underwriting, claims handling, distribution – technological innovation can fundamentally change and enhance or disrupt the way we do business. Already we are seeing that InsurTech has facilitated new and competing approaches to acquiring and retaining clients, particularly in the personal lines and life and in the accident and health categories. As a specialty (re)insurer, at AXIS we believe that our business is less prone to falling victim to some of these challenges. That said, as change is inevitable, we are carefully monitoring developments to ensure that we can anticipate and mitigate challenges that could impact AXIS and our clients.

There is a broader issue with InsurTech that has the potential to be of great value to the industry and our clients. At current industry loss ratios, some clients do not find adequate value in buying insurance. However, if the industry effectively leverages data, analytics and efficiency-enhancing technology, we can better serve our clients and enhance our profits even while we pay out a greater percentage of premiums back to our clients in claims payments. Greater perceived value should drive up demand for the industry and its leaders, including AXIS. We also recognize that technology has the potential to create new segments and as an agile, mid-sized global player, AXIS is well positioned to seize upon these opportunities.

### The looming talent shortage.

Over the next several years, an entire generation of skilled insurance professionals, from actuaries to underwriters, will retire. According to the U.S. Bureau of Labor and Statistics, the insurance industry will need to replace approximately 400,000 jobs over the next five years. As an industry, we must work together to better market our profession as we will soon need an influx of talent. All too often, however, we have relied on attracting new entrants “through the side door,” enticing bright prospects to our industry who had not initially imagined a career path in insurance.

At AXIS, we have been fortunate in our ability to attract top people. Our reputation as an excellent place to work has enabled us to draw exceptional talent and we have benefitted through the enthusiastic referral of our own employees. In 2016 alone, we saw a net gain of more than 100 new people as AXIS continued on its strong growth trajectory. As we look to the future, attracting and growing top talent will continue to be a key priority for our management team.

## Outlook

Despite marketplace challenges, I remain confident and optimistic as I also envision significant opportunity. AXIS is just beginning to see the results of years of investment and we are on a very

strong path forward. In 2016, as we affirmed our position as a stand-alone company, I sensed a palpable positive energy building within AXIS, resulting in a company fueled by excitement and momentum.

I am encouraged by the continued integration of our operations, as our people around the world increasingly collaborate. I see even further improvement in our service, which will be echoed in the satisfaction expressed by our clients and distribution partners. Increasingly, AXIS has become their first call to evaluate new opportunities and then their last call for final bids.

Rising interest rates can be expected to bring added benefits, enabling us to increase investment earnings. I am particularly heartened by a growing recognition among governments, as well as non-governmental agencies such as the World Bank and the U.N., that private industry is an appropriate partner for the transfer of risk. Rather than working in conflict with our industry, and relying on the taxpayer for support, they increasingly recognize that the transfer of risk, from insuring major catastrophes to addressing the micro-insurance needs of underdeveloped societies, can be better fulfilled through private enterprise. I believe our industry, and AXIS in particular, can play a pivotal role in properly structuring, underwriting and servicing risk and sharing it with the vast pool of available third party capital to ensure that we provide consumers and societies across the globe with the most comprehensive and efficient coverage possible to advance their economic development.

Of course, much remains for us to accomplish. But I am confident AXIS will continue to drive forward to new levels of achievement. I am grateful to all our people and business partners throughout the world, who have worked so hard to make this year's growth a reality, while helping us continue to build a strong foundation for the future.

I must also extend my gratitude to our retiring General Counsel Richard T. Gieryn, Jr. Rick has been an integral member of our leadership team, a great partner and a key figure in helping the Company grow from a start-up to a global player. I also want to thank Jay Nichols for his contributions to our company during his five years with AXIS. Under Jay's leadership, we strengthened our reinsurance business, increased the use of data and analytics in the construction of our reinsurance risk portfolios and established AXIS as a leading partner to third party capital. We wish both of them happiness and success in the next phase of their lives.

Finally, I am grateful to our shareholders for their continued support. I am pleased we served them well in 2016 and look forward to further gains in the years to come.

Sincerely,

**Albert Benchimol**  
President and Chief Executive Officer



**“At AXIS, we are continuing to manage our insurance and reinsurance activities to optimize outcomes under the current marketplace conditions, emphasizing service, responsiveness and claims management as our key differentiators.”**

**Linda Ventresca**  
EVP, Corporate Development Officer



# AXIS Insurance

In 2016, AXIS Insurance progressed on its pathway to being a global leader in specialty risks. Our results were assisted by a more favorable mix of business and improved portfolio construction, a tightened focus on our distribution strategy, and greater operational efficiency.

In 2016, gross premiums written increased from \$2.6 billion from \$2.7 billion and our combined ratio was 97.9% .

Our profits were impacted by higher weather-related losses in a year of greater catastrophe activity than in previous years, including the effects of Hurricane Matthew, earthquakes in Japan, and fires in Alberta. Across the industry, carriers experienced pressure from lines presenting challenges industry-wide and AXIS was not immune – this included commercial auto and large law firm risk in our professional lines segment. However, the outsize losses we experienced the year prior, which were concentrated in offshore energy, were tempered by the remedial actions we had implemented and, in totality, AXIS Insurance results are trending positively.

The year was highlighted by a number of core initiatives:

#### Increased Scale and Market Relevance

In 2016, AXIS Insurance made significant strides in growing its scale and relevance across its core businesses, while extending its physical footprint into targeted and emerging markets.

Reflecting our long term commitment to the aviation sector, we announced our agreement to acquire Aviabel, a Belgium-based aviation insurer and reinsurer. Through this acquisition, we will not only add a business that complements our existing portfolio, but will also expand our geographic reach into Brussels and Amsterdam.

Seizing upon untapped opportunities in the marketplace, AXIS Insurance introduced creative new products to address evolving areas of risk in core sectors. We entered the nursing home liability market by acquiring a book of business and

experienced underwriters specializing in aging services. This addition to our professional lines healthcare business, which already covers physician groups, hospitals and allied healthcare facilities, holds long-term growth potential driven by demographic trends and the increasing demand for assisted living and nursing care. Also in healthcare, AXIS Insurance displayed its creativity with the introduction of a first-of-its-kind product protecting hospitals against business interruption losses resulting from pandemics.

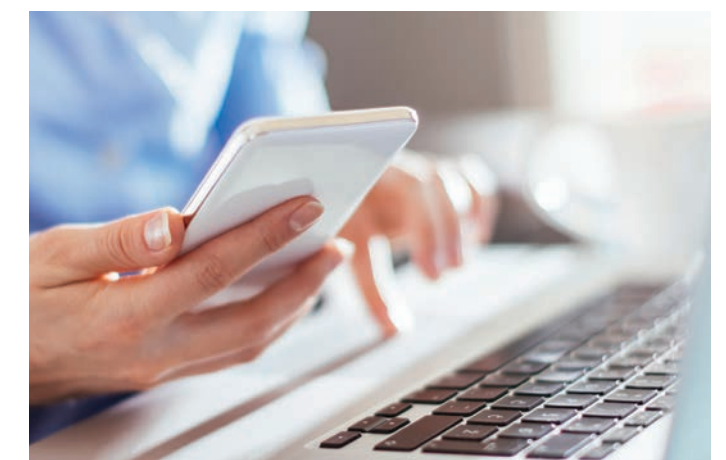
AXIS continued to grow its cyber risk business and offerings in 2016. This included partnering with a leading provider of cybersecurity ratings to make rating reports available to some of our policyholders at no additional premium. This will help our clients better manage their own cyber risks and reflects our dedication to continually enhancing client service.

#### Focused Distribution Strategy

Demonstrating focus and discipline, in the past year AXIS continued to redirect resources and personnel from underperforming businesses into sectors where we have strong market positions and the opportunity to lead. In 2016, this included redeploying talent and increasing our investment in the U.S. Wholesale/E&S market for property, primary casualty and excess casualty lines.

#### Enhanced Data & Analytics

In 2016, AXIS Insurance continued to optimize our portfolio and better process information. Using predictive analytics, a new submissions process was introduced that identifies those



**97.9%**  
Combined ratio

**\$2.7bn**  
Gross premiums written in 2016

## AXIS Insurance

submissions with the greatest likelihood of acceptance, saving our underwriters valuable time to concentrate on the best candidates. This has been particularly helpful in furthering our focus on smaller accounts, a key strategic opportunity.

Similarly, predictive analytics has enabled AXIS Insurance to optimize its renewals process. The Company also implemented property catastrophe scoring, a new analytic tool to measure our return on risk-adjusted capital to help shape our global property portfolio.

### “In 2016, AXIS Insurance progressed on its pathway to being a global leader in specialty risks.”

**Peter Wilson**  
Chief Executive Officer, AXIS Insurance

#### Enhanced Operating Efficiency and Platforms

The Company continued to make investments in its underlying operations in 2016. This included completing the second year of its Future Insurance Platform, a \$50 million, five-year multi-phase revamp of our U.S. insurance platform. Unifying all our operations onto a common system, it will vastly improve workflows and expand our teams' ability to capture and mine data, and greatly improve operating costs. To date, AXIS Insurance has deployed the new platform for our U.S. primary casualty business and we are readying our professional lines business, as well.

#### Expansion of our Lloyd's Platform

At Lloyd's, AXIS Syndicate 1686, which provides additional access to clients throughout the world, is approaching the end of its three-year introductory period. We earned high marks for meeting our mileposts and look forward to assuming full management of the Syndicate in 2017. Additionally, AXIS Insurance opened a new office in Miami to utilize the Syndicate as a way to capture opportunities in the Latin American market.

We look back on the past year as one of continuous improvement and we entered 2017 with significant momentum as AXIS Insurance continues on an exciting path forward.



#### ➤ CASE STUDY

### Building Strong and Lasting Client Relationships through Superior Claims Management

Since its inception, AXIS has stood apart from its competitors for the superior claims handling that it provides to its clients.

Effective and proactive claims management has always been a key component of our business strategy and client-centric philosophy. Unencumbered collaboration between AXIS' underwriting, distribution, claims personnel, clients and brokers ensures AXIS consistently stands by its partners' side in providing a more focused and tailored relationship-based service around the globe.

Recognizing that the claims experience can be as important as the outcome, we continually work together with our partners to ensure we understand their business needs and claim resolution objectives.

Our team brings the expertise, bench strength and sophistication to handle complex diversified risks that is typical of a large global (re)insurer. As a mid-sized firm we also demonstrate agility, creativity and responsiveness in our approach, and are expert at leading multi-carrier placement solutions.

A key strength as a mid-sized company is our ability to actively promote direct communication, transparency and accessibility at all levels within our company to ensure that our clients and brokers know whom to engage with to drive prompt, fair and equitable claim resolutions.

Within an insurance marketplace that is ever-evolving, a constant that holds true is the client-centric philosophy and superior claims management service that sits at the core of AXIS' business and that differentiates us in the marketplace.





# AXIS Re

AXIS Re had strong underwriting results in 2016, with excellent profitability, favorable growth, and success in pursuing our strategy and implementing new initiatives.

## Disciplined Risk Management

Overall, AXIS Re focused on several broad strategic themes: strengthening our relationships with core clients and introducing new products to promote growth; advancing our use of analytics to construct more profitable portfolios; and utilizing multiple sources of capital and distribution to match the right risk with the right capital.

Results were positively affected by our disciplined risk management and our ongoing efforts to optimize our portfolio. Although rates continued their decline across the industry, the pace of softening appeared to abate and resistance to further declines appeared in certain lines.

We continued to reduce the portfolio's volatility. As a consequence, catastrophe losses were relatively low for a market participant of our size, and well within our expectations. The Company also lowered volatility through the increased use of retrocessional reinsurance.

## Third Party Capital Partnerships

The year's key success was the launch of Harrington Re, a newly formed, Bermuda-based reinsurance company jointly sponsored by AXIS and The Blackstone Group, one of the world's leading investment firms. With \$600 million of investor capital and an A- financial strength rating from A.M. Best, Harrington Re's strategy is to combine a multi-line reinsurance portfolio with a diversified allocation to alternative investment strategies to earn attractive risk-adjusted returns. Harrington Re is an extension of AXIS' third party capital strategy whereby we complement our existing balance sheet with a broad range of third party capital to deliver enhanced capacity, innovation and tailored solutions to our clients and brokers. By year-end 2016, AXIS managed over \$1 billion in third party capital across a host of strategies and vehicles.

## Navigating Regulatory Change

During the year, AXIS Re entered the market for mortgage reinsurance in a measured fashion, as demand for capacity rose, spurred by new U.S. regulations and as government sponsored entities, such as Fannie Mae and Freddie Mac, sought to transfer more risk into the capital markets. To meet this opportunity, we brought in new specialty talent and leveraged the existing knowledge base of some of our underwriters into the mortgage reinsurance arena.

In response to regulatory developments, we experienced increased demand for motor and trade credit reinsurance, among other lines, driven by primary carriers seeking to utilize reinsurance to satisfy their regulatory capital requirements under Solvency II guidelines.

## Enhanced Data & Analytics

In data and analytics, we forged ahead on multiple fronts. In catastrophe analytics, we built a marginal scoring system that allows us to create customized portfolios. Our agriculture scoring tool, developed in 2015 and implemented in 2016, is more user-friendly than previous tools we employed and allows more robust decision-making for portfolio construction. And, our NCE (non-catastrophe exposure) management system, built by AXIS Re, has been rolled out as a common platform to gauge economic risk across the Company.



**88%**  
Combined ratio

**\$2.2bn**  
Gross premiums written in 2016



**Operating Efficiency and Collaboration**

One of the year's great successes was our progress in integrating AXIS Re across all our geographies and business lines. From our offices in Bermuda, New York, Zurich and Singapore, we now operate on a unified platform and with common tools to service clients with global needs. In 2016, AXIS Re continued to invest in talent acquisition, building upon an already strong team by adding key personnel to support multiple areas of our business.

As we enter 2017, we look forward to building upon the momentum of the past year to further unlock the potential of our business.



➤ CASE STUDY

## Leveraging Data & Analytics to Deliver Enhanced Results

While data-driven decision-making is not a new phenomenon to insurance, the big data revolution has shifted the landscape, providing carriers with access to data and analytics of unprecedented breadth and caliber.

As part of a larger enterprise-wide focus, AXIS Re has launched a multi-year initiative to explore how it can further leverage data and analytics to enhance the services that it provides to its clients. This includes incorporating resources from actuarial, modeling, underwriting and finance to create new analytics tools to help construct better risk portfolios – both for the Company and its clients.

As part of the effort, AXIS Re is both enhancing its own catastrophe modeling tools and replicating the process for non-catastrophe risks – including agricultural and economic risk. Each tool incorporates a robust database, a module of possible hazards, and a module of potential vulnerabilities, delivering insights that create an expansive view of probable risk outcomes. This enables the Company to determine a range of expectations and better gauge

the effects of each assumed liability for its own portfolio. Additionally, this predictive data analysis also helps clients better understand their own risks, while advancing a deeper dialogue between AXIS Re and its partners.

Early versions of the new analytics tools are already delivering results, just as our team looks for opportunities to further improve upon these models. With clients seeing the benefits of the enhanced offerings, AXIS Re is now introducing the new tools as a basic component within its total value proposition. This has also enabled AXIS Re to optimize the offerings it provides to its smaller clients who can now benefit from the same caliber of insights enjoyed by larger companies with greater resources.

In the year ahead, AXIS Re will work with business units across the enterprise to expand the Company's enhanced data and analytics capabilities to other AXIS products, including targeted professional lines. In short, 2016 was a year in which AXIS took key steps forward as it continues to further tap into the opportunities that big data brings to our business.



# AXIS Accident & Health

For AXIS Accident & Health (A&H), 2016 was a milestone year as we made significant progress in our efforts to build a leading franchise in the global market for specialty accident and health insurance and reinsurance.

## Emerging Market Growth

For the year, our reinsurance units, both in the U.S. and internationally, were especially strong as we continued to respond to the needs of the evolving marketplace. The reinsurance markets in the U.S. and the Middle East provided much of our growth. In response, we continued to build out our Middle East and North Africa (MENA) capability. After receiving our license in late 2015, we officially opened a representative office in the Dubai International Financial Centre, bringing onboard experienced business development professionals dedicated to promoting AXIS A&H in this market. Having local representatives will help drive growth of our reinsurance products. Demand for the benefits of healthcare coverage is driven by regulation, large expatriate populations and growing middle classes. This creates opportunities for a specialist health reinsurer such as AXIS A&H to support local insurers active in the segment.

We also brought in new actuarial talent to our offices in Dublin and Zurich, especially to service our growth in Europe and the Middle East. We now have a presence in AXIS' U.S. offices in New York, Chicago, Los Angeles, Dallas and Alpharetta, and internationally in Dublin, London, Paris, Barcelona, Madrid, Zurich, Singapore and Dubai.

## Expanding Market Access

Accident and health insurance remains an extremely popular consumer product. To expand our market reach, a key component of our strategy has been to forge exclusive partnerships and invest in specialty distributors, especially those that leverage emerging technology.

To increase our access to the U.S. specialty health insurance market, we launched a partnership with Pivot Health, a web-based direct-to-consumer platform that offers customized affordable health insurance products. Together, we are developing mobile applications to provide a range of healthcare customer support services. This is AXIS' first initiative leveraging technology-enabled, direct-to-consumer distribution.

## Navigating Regulatory Change

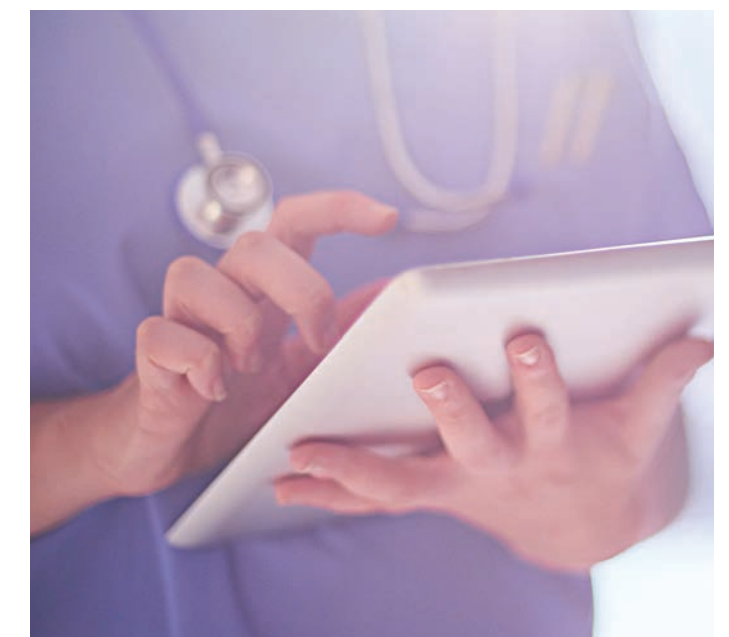
Not intended to satisfy the requirements of the Affordable Care Act, AXIS A&H's products provide supplemental coverage outside that domain. Nevertheless the U.S. election and the ultimate fate of the ACA legislation created uncertainties in our U.S. markets, as specificity around future mandated coverages appeared to be in question. We remain optimistic that our supplemental health products are well positioned for any regulatory change. In Europe, as Solvency II began to be implemented, we saw increased demand for life and health reinsurance products from carriers seeking to increase their regulatory capital through the purchase of reinsurance.

## \$430m

Gross premiums written in 2016

## +\$79m

Premiums written compared to 2015



## AXIS Accident & Health

AXIS A&H continues to project meaningful growth in the years ahead as economies improve, middle classes continue to expand, and as governments and employers around the world seek innovative ways to provide healthcare coverage to their citizens and workers. Our objective is to ensure that healthcare insurance products that meet clients needs remain sufficiently affordable and accessible.

We look ahead to a year of continued progress as we move closer to achieving our goal of establishing a leading global accident and health franchise.



### ➤ CASE STUDY

## Establishing Leadership in Dubai and MENA

In 2011, AXIS Accident & Health (A&H) concluded that the Middle East presented an exciting growth opportunity.

Across the region demand for health insurance from the local population as well as a large expatriate workforce was booming. Local governments – which had previously covered these costs – were in the process of transferring the responsibility of funding back to employers. In addition, an affluent upper class and a growing middle class also demanded customized global coverage.

This presented a significant opportunity for local carriers but one that was also daunting. Their portfolios grew imbalanced, heavy with medical liabilities, and carriers began absorbing losses in the immature, unregulated health insurance market. Thus emerged a deep need for reinsurance.

A new wave of regulations demanded more disciplined underwriting, and that carriers reach a certain level of profitability. As these factors converged, governments were mandating the purchase of insurance within an improving regulatory and pricing environment.

Leveraging our unique competitive advantage as an international specialty risk provider with the sophistication

of a global player and the agility of a mid-sized firm, AXIS A&H entered the marketplace. We offered a client-centric approach working closely with cedents to develop the proper products and pricing for their clients.

In 2013, AXIS A&H wrote its first treaty from its Dublin office. But it soon became clear that to be a credible, recognized reinsurer and stay current in this fast-moving market, the Company needed an in-market presence. The Dubai International Financial Centre (“DIFC”) was identified as an ideal location: it is an established hub for financial services companies, with a strong legal and regulatory framework.

An application for a representative office was granted in 2015, and AXIS Re SE DIFC Representative Office opened in 2016 with a small but highly experienced business development staff. Today it markets on behalf of the AXIS A&H underwriting team in Dublin throughout the Middle East and North Africa (MENA).

The launch of AXIS A&H in Dubai serves as a significant and exciting step as we further our efforts to expand the Company’s presence in the growing Middle East and North Africa marketplace.



# A Letter from the Chairman

The first half of 2016 unfolded broadly as we had expected, namely, with difficult macro-economic circumstances marked by slow growth globally and low prevailing interest rates. Within the insurance and reinsurance sectors, continued downward pressure on margins made trading conditions challenging.

Beginning in mid-year, AXIS and its peers faced the new challenge of gauging the impact of significant changes in the global political landscape. Specifically, these were the Brexit vote in the U.K. to leave the European Union, and then, later in the year, the results of the U.S. presidential election. Thus, the political and economic environment in many of our markets, and indeed globally, became substantially more fluid.

Against that backdrop, AXIS had a very good year. Despite the tough trading environment, management performed well in achieving their strategic objectives and embraced change, turning challenges into opportunities. The Company advanced several major projects, including the launch of Harrington Re with The Blackstone Group, a key element in our third party capital strategy. We moved towards completing our three-year project to create our independent managing agency at Lloyd's, and continued to expand our presence in important markets including our agreement to acquire specialty aviation insurer and reinsurer, Aviabel.

AXIS is recognized, in the markets where we operate, as being relevant and of the highest quality and integrity. This is a major positive differentiator in our trading relationships.

Overall, our financial performance was generally consistent with our projections, and I am pleased we were successful generating a return in excess of our cost of capital. In addition, we met many of our non-financial targets in a difficult market.

I am particularly pleased that we had strong total value creation of 10%, which we define as growth in diluted book value per share adjusted for dividends. This was a superior achievement compared with many others in our industry.

From a regulatory point of view, the macro-economic and political scene has become more complex, but I believe AXIS' regulatory structure, through its Bermuda domicile, puts the Company in a strong position. As a jurisdiction, Bermuda is extremely well positioned, and indeed is advantageous compared to many other competing venues.

The fact that Bermuda achieved mutual recognition under Solvency II, helps protect AXIS from the need to reorganize as Brexit proceeds. Further, our established presence at Lloyd's, as well in Ireland, will mean that we can continue to trade in the European community.

Looking forward, we anticipate continued growing complexity in the global regulatory environment, and are deeply concerned

about the effects of this trend. The dispersion of capital, and the failure to-date to achieve uniform global regulation, have resulted in an increasingly expensive cost of doing business. At times, it seems that the industry adds more people to handle regulation than to conduct business itself.

On the positive side, the likelihood of rising interest rates, particularly in the U.S., a trend that began in December, will be helpful; once again we will be able to earn money on our float. Although this improvement will be slow in its implementation, it will increase over time the return on our equity.

Finally, I would like to acknowledge and thank several exceptional individuals who retired from AXIS after many years of dedicated service. Richard T. Gieryn, Jr., who served as General Counsel since 2006 and was a key participant in the Company's growth from start-up to global leader, was a highly respected member of our leadership team and provided invaluable counsel to the Board during some of our Company's most difficult and demanding periods. I welcome Conrad D. Brooks to his new position, upon his promotion to General Counsel replacing Mr. Gieryn. Further, I must extend my appreciation to Jay Nichols for his leadership as CEO of AXIS Re. During Jay's five-year tenure with AXIS, our team made significant progress growing AXIS Re as a global reinsurance leader while establishing our company as a strategic partner to respected third party capital providers.

I also want to thank two directors who retired from our Board this past year after a decade of extraordinary service, Sir Andrew Large and Geoffrey Bell. Sir Andrew, former Deputy Governor of the Bank of England, was an outstanding chairman of our risk committee from its formation until his retirement. Mr. Bell, a world-renowned economist, was enormously helpful in our understanding and mitigation of macro-economic risks. Both men were invaluable directors and made tremendous contributions during their tenure.

I would like to thank all members of the AXIS staff, who worked so hard during this year of noteworthy achievement. And, I wish to thank our shareholders for their continued support.

Sincerely,

**Michael A. Butt**  
Chairman of the Board



➤ CASE STUDY

## Commitment to our Communities

At the center of AXIS' corporate ethos is the belief that (re)insurance companies play a pivotal role in the structure of society and in mitigating the risks that threaten it. This philosophy extends beyond the Company's functional role as a (re)insurance carrier to the impact that it makes on society as a responsible and compassionate corporate citizen.

AXIS pursues its philanthropic work with a grassroots approach, advancing charitable endeavors that are interwoven into the fabric of its local communities. In 2016, the Company donated thousands of volunteer hours from AXIS employees to support locally based partnerships and programs.

These efforts include AXIS' signature "Day of Giving" program, where each AXIS employee is granted a day of Company time to donate to the charity of their choice. Over the years the "Day of Giving" program has sparked a company tradition that extends across its offices

throughout the globe, where groups of employees gather together and volunteer at local organizations. The range of causes runs the gamut: packing school supplies for students in disadvantaged areas, supporting local agriculture exhibitions, camping out to aid homeless youth, volunteering at food banks and shelters, and supporting sports leagues in disadvantaged areas – to name just a few.

Complementing this hands-on effort, AXIS also conducts a Matching Gifts program through which employees can donate to qualified non-profit organizations of their choice.

As AXIS continues to grow, so does the scale and impact of its corporate philanthropy programs. In the year ahead, the Company has plans to expand these efforts and further empower its employees worldwide to help to enact positive change in their local communities.

# Global Presence

4  
Continents

30  
Offices

1,325  
Employees

## Bermuda

### Corporate Headquarters

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Fax 34.91.572.66.21

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## Zurich

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Fax 1.312.977.0401

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Fax 1.832.214.0903

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Fax 1.609.375.9170

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Fax 1.415.262.6881

### University of Illinois Urbana-Champaign

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## Asia

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Fax 65.6579.0659

# AXIS Directors and Executive Officers

## Directors

### Albert A. Benchimol

President and Chief Executive Officer, AXIS Capital

- Executive Committee
- Risk Committee

### Jane Boisseau

Former Partner and Co-Chair, Insurance Regulatory Department of Dewey & LeBoeuf LLP

- Audit Committee
- Compensation Committee
- Corporate Governance and Nominating Committee

### Michael A. Butt

Chairman of the Board, AXIS Capital

- Executive Committee

### Charles A. Davis

Chief Executive Officer, Stone Point Capital LLC

- Executive Committee
- Finance Committee, Chairperson

### Robert L. Friedman

Senior Advisor and Former Senior Managing Director, The Blackstone Group LP

- Finance Committee

### Christopher V. Greetham

Former Chief Investment Officer, XL Capital Ltd.

- Compensation Committee
- Finance Committee
- Risk Committee, Chairperson

### Maurice A. Keane

Former Group CEO, The Bank of Ireland

- Audit Committee
- Corporate Governance and Nominating Committee
- Risk Committee

### Cheryl-Ann Lister

Former Chairperson and CEO, Bermuda Monetary Authority

- Corporate Governance and Nominating Committee, Chairperson
- Risk Committee

### Thomas C. Ramey

Former Chairman and President, Liberty International, Liberty Mutual Group

- Audit Committee, Chairperson and Financial Expert
- Compensation Committee

### Henry B. Smith

Former CEO, W.P. Stewart & Co., Ltd and Bank of Bermuda Limited

- Audit Committee
- Compensation Committee, Chairperson
- Corporate Governance and Nominating Committee
- Executive Committee, Chairperson

### Alice Young

Former Special Counsel and Chairperson of Asia Pacific Practice, Kaye Scholer LLP

- Audit Committee
- Corporate Governance and Nominating Committee
- Risk Committee

### Wilhelm Zeller

Former Chairman of the Executive Board, Hannover Re

- Finance Committee
- Risk Committee

## Executive officers

### Albert A. Benchimol

President and Chief Executive Officer

### Christopher N. DiSipio

Chief Executive Officer  
AXIS Accident & Health

### Jan Ekberg

Interim Chief Executive Officer  
AXIS Re

### Joseph C. Henry

Executive Vice President and  
Chief Financial Officer

### Peter W. Wilson

Chief Executive Officer  
AXIS Insurance

# Shareholder Information

## Annual meeting

### Date:

May 4, 2017, at 8:30 a.m. AST

### Location:

AXIS House, 92 Pitts Bay Road  
Pembroke HM 08, Bermuda

## Independent registered public accounting firm

### Deloitte Ltd.

Corner House  
Church & Parliament Streets  
Hamilton HM FX, Bermuda

## Investor relations

For copies of AXIS Capital's Annual Report, Forms 10-K and 10-Q or other reports filed with or furnished to the Securities and Exchange Commission:

### Visit:

The Investor Information section of  
[www.axiscapital.com](http://www.axiscapital.com)

### Email:

Investor Relations Department  
of AXIS Capital at  
[investorrelations@axiscapital.com](mailto:investorrelations@axiscapital.com)

For other investor relations inquiries:

### Write to:

Director, Investor Relations  
AXIS Capital Holdings Limited  
AXIS House, 92 Pitts Bay Road  
Pembroke HM 08, Bermuda

### Call:

1.441.405.2727

### Email:

[investorrelations@axiscapital.com](mailto:investorrelations@axiscapital.com)

## Transfer agent and registrar

The Transfer Agent for AXIS Capital is  
Computershare.

For shareholder inquiries, please contact  
Computershare:

### By regular mail:

P.O. Box 30170  
College Station, TX 77842-3170

### By overnight delivery:

211 Quality Circle  
Suite 210  
College Station, TX 77845

### Call:

1.800.522.6645 (within the US)  
1.201.680.6578 (outside the US)  
Hearing Impaired #TDD  
1.800.952.9245

### Visit:

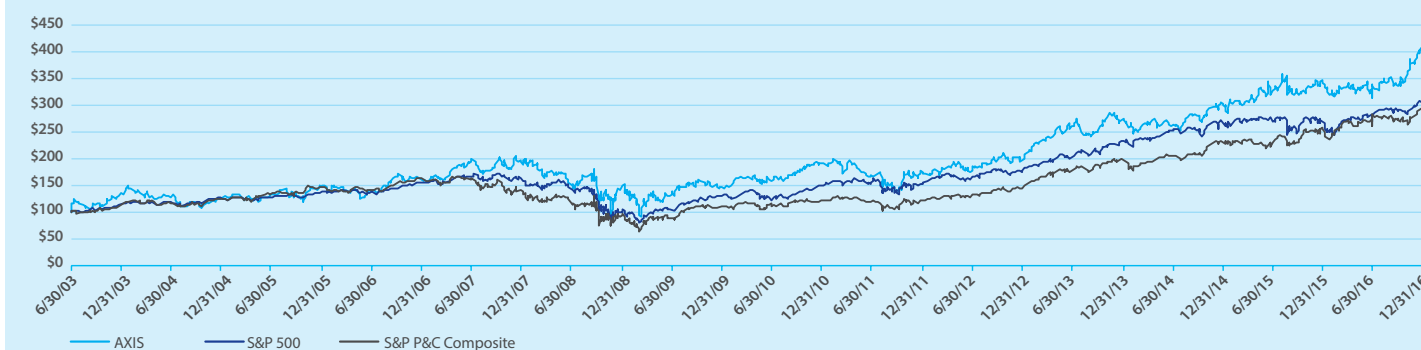
[www.computershare.com](http://www.computershare.com)

## Total Shareholder Return

307.0%  
AXS

203.5%  
S&P 500

194.7%  
S&P 500 P&C Composite



\* Data computed from June 30, 2003 to December 31, 2016.

\*\* Shown above is a graph comparing the yearly percentage change in the cumulative total shareholder return on our common shares (assuming reinvestment of dividends) from July 1, 2003, the date that our common shares began trading on the New York Stock Exchange, through December 31, 2016, as compared to the cumulative total return of the Standard & Poor's 500 Stock Index and the cumulative total return of the Standard & Poor's Property and Casualty Insurance Index. This graph assumes an investment of \$100 in July 2003. The company's total return is computed using the initial public offering price of \$22.00 per share.



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