Annual Report
2003

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# Financial Highlights

For the year ended December 31, 2003

(Expressed in thousands of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Premiums Written</td>
<td>2,273,645</td>
<td>1,108,003</td>
</tr>
<tr>
<td>Net Premiums Earned</td>
<td>1,436,230</td>
<td>536,850</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>73,961</td>
<td>71,287</td>
</tr>
<tr>
<td>Net Realized Gains</td>
<td>22,567</td>
<td>26,070</td>
</tr>
<tr>
<td>Net Losses and Loss Expenses</td>
<td>734,019</td>
<td>229,265</td>
</tr>
<tr>
<td>Acquisition Costs</td>
<td>229,712</td>
<td>103,703</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>94,589</td>
<td>46,521</td>
</tr>
<tr>
<td>Net Income</td>
<td>532,350</td>
<td>265,119</td>
</tr>
<tr>
<td>Basic Earnings per Share</td>
<td>$3.69</td>
<td>$1.96</td>
</tr>
<tr>
<td>Diluted Earnings per Share</td>
<td>$3.42</td>
<td>$1.91</td>
</tr>
<tr>
<td>Net Loss and Loss Expense Ratio</td>
<td>51.1%</td>
<td>42.7%</td>
</tr>
<tr>
<td>Acquisition Cost Ratio</td>
<td>16.0%</td>
<td>19.3%</td>
</tr>
<tr>
<td>General and Administrative Expense Ratio</td>
<td>6.6%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Combined Ratio</td>
<td>73.7%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Book Value per Share</td>
<td>$18.48</td>
<td>$14.19</td>
</tr>
<tr>
<td>Return on Shareholders’ Equity</td>
<td>22.3%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>
## Segmental Financial Highlights

for the year ended December 31, 2003

(Expressed in thousands of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>Global Insurance</th>
<th>Global Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the years ended December 31</strong></td>
<td><strong>2003</strong></td>
<td><strong>2002</strong></td>
</tr>
<tr>
<td>Gross Premiums Written</td>
<td>980,661</td>
<td>793,759</td>
</tr>
<tr>
<td>Net Premiums Earned</td>
<td>763,339</td>
<td>314,613</td>
</tr>
<tr>
<td>Other Insurance Related Income (loss)</td>
<td>24,467</td>
<td>(639)</td>
</tr>
<tr>
<td>Net Loss and Loss Expenses</td>
<td>387,953</td>
<td>137,848</td>
</tr>
<tr>
<td>Acquisition Costs</td>
<td>115,359</td>
<td>56,683</td>
</tr>
<tr>
<td>Underwriting Profit</td>
<td>284,494</td>
<td>119,443</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>U.S. Insurance</th>
<th>U.S Reinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the years ended December 31</strong></td>
<td><strong>2003</strong></td>
<td><strong>2002</strong></td>
</tr>
<tr>
<td>Gross Premiums Written</td>
<td>625,898</td>
<td>-</td>
</tr>
<tr>
<td>Net Premiums Earned</td>
<td>168,252</td>
<td>-</td>
</tr>
<tr>
<td>Net Loss and Loss Expenses</td>
<td>108,497</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition Costs</td>
<td>21,130</td>
<td>-</td>
</tr>
<tr>
<td>Underwriting Profit</td>
<td>38,625</td>
<td>-</td>
</tr>
</tbody>
</table>
We now have offices in
Bermuda
Dublin
London
United States
Zurich
For AXIS Capital, 2003 was a year of perpetual motion and steady growth. During the first quarter, we began the build-out of our U.S. Insurance and U.S. Reinsurance segments. In early March, we were upgraded by A.M. Best to an “A” rating to stand beside the “A” awarded by S&P at the end of 2002.

By mid-year, AXS, a new symbol on the New York Stock Exchange, signaled the launch of AXIS Capital’s IPO. At the same time, AXIS Capital was establishing branches in both London and Zurich.

Our expansion into Continental Europe represents a strategic opportunity for growth. Our recruitment of an exceptional team of underwriting experts, known for their excellent long-standing relationships, positions AXIS Capital as a major force in the European market.

The flight of quality to quality continues to be a fact of life in our industry; a fact that accrues greatly to the advantage of AXIS Capital. Our emphasis on disciplined underwriting, a controlled infrastructure, management accountability and transparency have created a transformational model for the insurance and reinsurance industries. This model has earned AXIS Capital worldwide respect.

We are profoundly grateful to all who have made these accomplishments possible: our team-mates, clients and, most especially, our shareholders.
PRESS RELEASE

AXIS ANNOUNCES FORMATION OF HOLDING COMPANY

Pembroke, Bermuda, January 9, 2003

AXIS announced today the formation of AXIS Capital Holdings Limited "AXIS Capital".

AXIS Capital is a newly formed Bermuda company that became the holding company for AXIS Specialty Limited and its subsidiaries on December 31, 2002. AXIS Specialty Limited continues to operate as a Bermuda domiciled Class IV insurance and reinsurance company.

John Charman, President and CEO of AXIS Capital, said, “The formation of the holding company is an important part of the continuing development of our capital infrastructure and gives us additional flexibility to accomplish our ongoing operational goals.”

Balance Sheet Highlights

As of December 31
(Expressed in thousands of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>5,172,273</td>
<td>2,948,228</td>
</tr>
<tr>
<td>Invested Assets</td>
<td>4,023,652</td>
<td>2,362,411</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>2,817,148</td>
<td>1,961,033</td>
</tr>
<tr>
<td>Loss Reserves</td>
<td>992,846</td>
<td>215,934</td>
</tr>
</tbody>
</table>
Dear Shareholders,

This report marks a year during which we became a public company and the second year since our formation. During this time, our industry has undergone a belated and fundamental change. In my 40 years in the business, I have not seen such a rapid and remarkable change. The deferred recognition of past problems, balance sheet impairment and continuing low interest rates have rightly refocused the industry on pure underwriting profit.

As a result, our company has been able to capitalize on the opportunity and fill the vacuums created at an even faster rate than we anticipated when we began. We have created a franchise in two years that would, at other times, have taken six years or more. As we are in a “renewable” business, this franchise will give us a sustainable competitive advantage.

The flight of quality to quality continues. In some areas, it is actually accelerating. Historically meaningful participants in insurance and reinsurance markets worldwide continue to retrench and, in some cases, exit as they recognize capital impairment and scramble to focus their cultures on achieving underwriting profitability. Against this backdrop, AXIS president John Charman has carefully and successfully recruited underwriting talent of the highest quality. These are individuals who share his vision for a new age insurance and reinsurance business.

Michael Butt
Pembroke, Bermuda
Annual meeting of the
Board of Directors

Current Board of Directors 2003

Our Newest
Board Member
W. Thomas Forrester

AXIS Capital
Board of Directors

(standing, left to right)
Robert L. Friedman, Edward J. Kelly III, Frank J. Tasco,
Charles A. Davis, Jeffrey C. Walker, Maurice A. Keane,
Donald J. Greene, Scott A. Schoen and Andrew H. Rush

(sitting, left to right)
Michael A. Butt, Robert J. Newhouse, Jr. and
John R. Charman
The emphasis on management accountability and transparency in financial reporting is forcing a new reality for the industry. This accrues to our benefit by differentiating us in our shareholders’ minds and providing solid security to our clients. We have been committed since our inception to upholding the highest standards of corporate governance. We will continue to emphasize this commitment throughout the organization.

I am happy to report that we strengthened our Board of Directors in 2003 by adding a new member with deep industry knowledge and experience. Tom Forrester has a diverse management background spanning finance, operations and marketing. I welcome him to our Board and look forward to working with him in 2004 and beyond.

During this, my first full year as Chairman of the Board, I was extremely pleased to see the enthusiastic reception of AXIS Capital in the public market as it executed its original listing on the New York Stock Exchange. I am confident that our company will continue to build upon the strength of the last two years and deliver long-term value to our shareholders as a leading global specialty insurance and reinsurance company.

Our excellent results could not have been achieved without the exceptional commitment and dedication of our staff and the continued strong support of our producers, clients and shareholders and I would like to thank them.

Michael A. Butt
Chairman of the Board
AXIS Capital Holdings Limited is the Bermuda-based holding company for the AXIS Capital Group.
AXIS Capital achieved significant advances in 2003. We met all of our business plan targets and laid a strong foundation for the 2004 trading year. As detailed in our Annual Report on Form 10-K, we more than doubled our gross premiums written to over $2.2 billion, achieved 100% growth in net income and delivered our shareholders a return on average equity of 22.3% for the year. Our stated target is a return on average equity of 15% over the insurance cycle. In light of this target, we were very pleased with our return in 2003. To achieve these results, we built on the strong and broad-ranging leadership positions we had previously established in our Global Insurance and Global Reinsurance segments. We expanded our business model in the U.S. marketplace very deliberately with the establishment and development of our U.S. Insurance and U.S. Reinsurance segments. Our initial public offering in July represented an important milestone for AXIS Capital, a company dedicated to delivering long-term strategic value to its shareholders.

In creating AXIS Capital, our vision was - and continues to be - to create a transformational model for the insurance and reinsurance industry. One focused on ultimate profitability. We align extraordinary talent with substantial, unencumbered capital and harness our high-quality underwriting aptitude to a global, state-of-the-art trading platform.
The $1m-a-day company

AXIS: Shareholder equity breaks the million barrier

By Lilla Zuill

AXIS Capital yesterday released its third quarter earnings report showing that the company had made $147 million during the three-month period.

Net management also pointed to what the company had amassed for investors over the relatively long life with shareholders' equity totalling $2.5 billion as of September 30, 2003.

The company, which is now staffed by as many as 280 employees in Bermuda and on both sides of the Atlantic, said it had been using this kind of approach since 1995 but that technology developments in the last two years had brought it to a stage of being a viable working relationship.

Early this year it also went public, with its initial public offering (IPO) on the New York Stock Exchange.

The company's healthy level of earnings, which broke down to $147 million, was on a par with its €1 billion in earnings, 90 cents per share, reported during the same period of 2002.

Yesterday, AXIS CFO Andrew Cook told The Royal Gazette that the $147 million increase in net income from the third quarter of last year was a significant gain.

By Lilla Zuill

Bermuda-based AXIS Capital yesterday reported its net income in the third quarter had shot up to $147 million.

The company's healthy level of earnings, which broke down to $147 million, was on a par with its €1 billion in earnings, 90 cents per share, reported during the same period of 2002.

Yesterday, AXIS CFO Andrew Cook told The Royal Gazette that the $147 million increase in net income from the third quarter of last year was a significant gain.

He said that the company's expenses should also be taken into consideration when looking at the growth in earnings.

AXIS was the first of a wave of companies to set up on the island after a void in capacity following the September 11 terrorist attacks.

It opened its doors nearly two years ago - on November 25, 2001 - and in the interim has established a strong Bermuda presence as well as operations on both sides of the Atlantic.

Further this year it also went public, with its initial public offering (IPO) on the New York Stock Exchange.

Mr. Cook said that AXIS US insurance and reinsurance operations - with offices now established in New York, Connecticut, Atlanta, Chicago and Los Angeles - had come online in the last year and the company's results now reflected the earnings of those units.

That would not have been the case last year, as the premium written last year would not have been earned until this year.
We have differentiated ourselves from the mediocrity, heavy infrastructure and high costs associated with many international insurance and reinsurance businesses. Consequently, AXIS Capital thrives as a proactive business with its underwriting talent focused on individual transactions and senior management deeply embedded in the company’s day-to-day underwriting operations. Our infrastructure and culture both support and promote a collaborative approach to underwriting. No underwriter is ever isolated in committing our capital to a transaction.

In over the slightly more than two years since AXIS Capital’s inception, our global franchise has become extremely well-positioned. It is defined by its financial strength, superior client service capabilities and its ability to write a breadth of high-quality specialty commercial property and casualty business across geography and products. Because of these characteristics, we are benefiting and believe we will continue to benefit in all of our operating segments from the flight of quality to quality that persists globally.

Our Portfolio of Risks

Since our inception, we have constructed a high-quality, sustainable, balanced portfolio of risks. This portfolio is distinguished by its broad diversification by product and geography and by the nature of the type of business we choose to underwrite. The portfolio we underwrite is designed to provide us, our clients, our producers and our shareholders with assurance that the balance sheet we produce is real. We do not and will not commit our capital and resources to underwriting lines of business that cannot provide strong indications of profitability within a reasonable time frame.
PRESS RELEASE

AXIS ANNOUNCES SHEFFIELD RECEIVES “A” (EXCELLENT) RATING FROM A.M. BEST

Pembroke, Bermuda, May 8, 2003

AXIS Capital Holdings Limited announced today that its subsidiary Sheffield Insurance Corporation has received an “A” (Excellent) rating from A.M. Best Company, Inc.

John Charman, President and CEO, said, “The rating of Sheffield is a natural extension of our global underwriting strategy and our planned, controlled expansion.”
Operating Highlights of 2003

Our operating highlights include these notable achievements:

• During the first quarter, we completed the acquisition of shell companies in the U.S. as a first step in the build-out of our U.S. Insurance and U.S. Reinsurance segments. These will contribute meaningfully to our growth and profitability in 2004 and beyond.

• We substantially integrated all U.S. operations into our global underwriting system and initiated the roll-out of our proprietary, web-based submission system to our U.S. operations.

• We completed a renewal rights transaction with Kemper and recruited a high quality team from Kemper to address the significant opportunity in the U.S. professional lines marketplace.

• We established our London and Zurich branches and recruited a talented underwriting team with important local knowledge and relationships to address the significant and unique opportunity in the Continental European reinsurance marketplace.

• We continued to focus on cash flow throughout the company, as evidenced by our strong operating cash flow for the year of $1.3 billion.

Outlook for 2004

Few anticipated the truly transformational period for the industry that was ushered in by an extended period of senseless underwriting throughout the last decade, the investment losses of the late 90s and the tragedy at the World Trade Center. Many looked to 2003 as a likely inflection point for the underwriting profitability of the last few years. At this point, we expect the continued deterioration of the balance sheets of legacy players to
Senior Management

John R. Charman

Michael A. Butt

Robert J. Newhouse, Jr.

Jack Gressier
Global Insurance

William Fischer
Global Reinsurance

Dr. Karl Mayr
European Reinsurance

Michael Morrill
U.S. Reinsurance

Dennis B. Reding
U.S. Insurance

Andrew Cook
Chief Financial Officer

Glenn Gardner
Chief Technology Officer

Tim Hennessy
Finance Director, Europe

Lorraine S. Mariano
Chief Human Resources Officer

John Murray
Chief Operations Officer

Carol S. Rivers
General Counsel & Secretary

Richard Strachan
Chief Claims Officer
contribute to the duration of the hard market. We remain confident of the premium value of a strong balance sheet for our global clients.

Building upon the solid foundation we have laid, 2004 will emphasize strong and focused growth, disciplined global risk management and capital deployment as well as organizational stability. We will seek to maximize the opportunities that present themselves to our now fully established global network. We will focus on strong organic growth and continue to address new opportunities by identifying quickly those that suit our business model. We will recruit, as necessary, the best underwriting talent to capitalize on these opportunities.

All of us at AXIS Capital are dedicated to creating and sustaining a strategically important and highly profitable company. In this, our first annual report as a public company, I invite you to read the letters from the leaders of our four major business segments. I have come to know and respect these individuals over my many years as an underwriter. I am delighted to stand side-by-side with them and the teams we have assembled, driving value for our fellow shareholders on a daily basis.

Let me begin the new year with sincere thanks to our shareholders, customers and brokers who continue to provide enthusiastic support and encouragement. As we at AXIS Capital continue to successfully execute our long-term strategy, we look forward to a long and mutually successful future.

John Charman
Chief Executive Officer
President
For AXIS Global Insurance, 2003 was a year of consolidating and reinforcing the excellent foundation constructed in 2001 and 2002. First, we created a solid premium base defined by strong product and broad geographic diversity. Second, we strengthened many strategic, long-term relationships with high-quality international clients and within the global broking community.

Whatever business we had not been able to access in 2002, we pursued relentlessly throughout 2003. Once again, our strong relationships and vast experience and knowledge of the market positioned us well against the competition. The energy and enthusiasm of our outstanding team, our exercise of extreme prejudice within the risk selection process and the efficiency of our technological platform have further strengthened the AXIS franchise. A franchise that has become synonymous with decisive service and value of the highest quality.

The year finished as it began, with the specialty market strong in most areas in which we participate. Pricing in some areas, however, softened slightly, particularly in classes that experienced benign loss activity. Energy, aviation, war, terrorism and the property classes fall into this category.

Jack Gressier
Global Insurance Staff from the Dublin Office

Global Insurance
Dublin and London Offices
Political risk business saw increased activity as flows of foreign direct investment picked up globally. The most disappointing markets were space and marine hull. Although rates continued to increase in these areas, they were not at a level that would have enticed us to participate in a meaningful way. We did see an improvement in marine liability and cargo and specie business. We expect these, along with professional lines, to be strong areas for growth in 2004. The price softening we saw at year’s end, although trying, was not terminal, particularly since deductibles remained at historic highs and terms and conditions, including cash flow, remained tighter than they have been in years.

While operating in a generally favorable marketplace, the Global Insurance team continued to re-engineer its participation in many risks, carving out positions that maximize price for the risk we accept, securing the optimum share and, thus, ensuring the most efficient use of our capital. Our teamwork and communication will continue to position us well in 2004 as we anticipate the market being unnecessarily weak in some areas. We expect that many legacy players will continue to be challenged by past sins.

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**Dublin Office Team Photo**  
*(standing, left to right)*  
Erica Delaney, Hayley Frake, Gordon McFadden, John Murray, Sally Wurthmann, Adrian Ryan, Madeleine D’Costa, Fintan Mullarkey, Susan Rogan and Tim Hennessy  

**Dublin Office**  
*(top row 24, 24A, 25)* - Adrian Ryan, Fintan Mullarkey and Gordon McFadden, Hayley Frake  
*(middle row 25A)* - Sally Wurthmann and Richard Housley  

**London Office**  
*(bottom row 26, 27, 28)* - Rupert Cousins, Patricia Richmond, Jonathan Marshall and Nicholas Flynn
We are stunned by the disconnect that appears to exist between the management of many insurers and their front-line underwriters. Despite this weakness, we expect to see the inexorable flight to quality continue. As the reinsurance markets remain firm, we expect sub-standard players to be squeezed out of the market.

Meanwhile, we have the talent and the desire to capitalize on what we have created thus far and we remain firmly committed to the pursuit of stability, diversity and profitability within our business. Finally, I would like to thank every member of the Global Insurance team for absolutely outstanding performance throughout 2003.

Jack Gressier  
Chief Executive Officer & President  
Global Insurance

Global Insurance Gross Premiums for year ended 12/31/03  
(Expressed in thousands of United States dollars)
AXIS ANNOUNCES OPENING OF LONDON BRANCH UNDERWRITING OFFICE

Pembroke, Bermuda, JUNE 17, 2003

AXIS Capital Holdings Limited announced today that it has received regulatory approval for the establishment of a London branch of its European insurance subsidiary AXIS Specialty Europe Limited (“AXIS Europe”).

AXIS Europe is licensed and domiciled in Ireland and able to provide insurance business throughout the European Union. The company carries the AXIS group rating of “A” (Excellent) from A.M. Best and “A” (Strong) from Standard & Poor’s. John Gressier will be the London Branch Manager with Jonathan Battle the Deputy Branch Manager. The branch will operate from premises at No 2 Minster Court, Mincing Lane, London.

John Charman, President and CEO, said, “The addition of a London underwriting presence enhances the AXIS franchise built up over the last eighteen months and gives us a key presence in each of the significant insurance marketplaces globally. The branch will complement our Irish head office and will assist us with servicing the London broker community.”

London Office

(left picture)
Richard Fricker, Luan Nott and Gemma Oakes

(right picture)
John Andrews and Rupert Cousins
Global Insurance, Bermuda Team

(standing, left to right)
Hillary Williams, Tsehay Lambert, Terry Wood and Richard Bullen

(sitting, left to right)
Nicola Swain, Rory MacGregor and Jennifer Lapsley

London Office
(film strip from top to bottom)
Michael Dempsey, Jennifer Marquis, Brian Jiggins

(film strip 4) - Nik Bracey
(film strip 2) - James Pullen
Stockerhof
Dreikönigstrasse 37a
CH-8002, Zurich
Switzerland
AXIS CAPITAL ANNOUNCES THE APPOINTMENT OF DR. KARL MAYR AS PRESIDENT AND CEO OF AXIS RE EUROPE

Pembroke, Bermuda, July 21, 2003

AXIS Capital Holdings Limited (“AXIS Capital”) today announced the appointment of Dr. Karl Mayr as President and CEO of AXIS Re Europe (“AXIS Re”).

Dr. Mayr will lead the AXIS Re underwriting team in developing and servicing our European reinsurance clients. This operation is subject to final regulatory approval and will be based in Continental Europe.

John Charman, AXIS Capital President and CEO said, “We are delighted that Karl has agreed to lead AXIS Re in Europe. This extraordinarily important market is undergoing both fundamental changes as well as a substantial re-alignment of strategic business partnerships. We will deliver to European clients a highly rated unencumbered balance sheet uniquely coupled with sustainable, dependable and proven underwriting skills. Michael Butt will also serve as Chairman of AXIS Re and we will be making further announcements as we put our senior European reinsurance management team in place this autumn.”
European Reinsurance Staff

(top image, left to right)
Jacqueline Schoenmann, Karl Mayr, Sara Vollenweider, Andrew Bisset
Jasmin Bonser, Colm Lyons and Bruno Félix

(bottom image, left to right)
Stefan Habereder, Marc Maupoux, Michael Kaeppner, Christoph Virchow and Stephan Knipper
AXIS
Capital Holdings Limited
106 Pitts Bay Road
Pembroke, HM 08
Bermuda
Global Reinsurance

Global Reinsurance continued to successfully expand its portfolio in 2003 through a combination of better penetration of its existing global client base and adding new customer relationships in Europe. Significant shifts in the dynamics of the traditional European reinsurance marketplace, including a sea change in the previously closed relationships between client and carrier, led us to quickly establish a strong underwriting presence in Zurich. This strategic expansion into Continental Europe represents a unique opportunity to achieve significant quality growth and product diversity in this segment. Our new team’s outstanding reputations, local knowledge and excellent long-standing client and broker relationships are of critical value as we quickly establish ourselves as a major force in Continental Europe.

The dominant part of our portfolio continues to be property catastrophe business. During 2003, we broadened our property mix by taking selected positions on property per risk treaties. In addition, we diversified our catastrophe book by substantially increasing our underwriting of excess workers’ compensation, life and accident and health covers.

William Fischer
Global Reinsurance Team - Bermuda

(standing, left to right)
Timothy Tetlow, Alex Smith, Dave Wolfe and Conan Ward

(sitting, left to right)
Christian Dunleavy, Sherry Chadwick and Andrew Bubniak
This diversification will continue as we globalize our infrastructure and our franchise. Specifically, we expect our Zurich operation to build within Europe a more highly diversified account than is underwritten in Bermuda where we are primarily a severity-driven business.

During 2004, we will continue to focus on coordinating our global efforts to maximize client and portfolio penetration, profitability and cross-selling opportunities. We will also continue to enhance our customer service capabilities and refine and improve our active management of risk across our product lines. Our longer-term strategy calls for us to establish a presence in the Asian region in order to better promote our franchise and brand name as well as service our existing clients locally.

While 2003 was an active year for natural catastrophes, none were severe and those that did occur had a modest impact on our financials. We are “exposure-driven” underwriters and, as such, this type of experience has little impact on our pricing methodologies. We believe the majority of our clients understand and appreciate a disciplined approach to underwriting, which gives them confidence in our consistency of approach as well as long term viability as a counter-party. This valuable client support gives us confidence in the sustainability of the current market terms and conditions and reinforces our ability to deliver long-term real value to our shareholders.

William Fischer
Chief Executive Officer &
President
Global Reinsurance

Global Reinsurance
Gross Premiums for year ended 12/31/03
(Expressed in thousands of United States dollars)
Following the recruitment of a skilled and proven underwriting team in November 2002, we moved quickly to obtain all necessary regulatory approvals and complete all remaining operational items. We launched the new U.S. Insurance segment of AXIS just four months later, in March of 2003.

Initially, opportunities were greatest in four business areas addressed by our four initial business units. Three were in the excess and surplus (E&S) market and one was in the more traditional standard market. Our E&S business units focused on commercial property, primary liability and umbrella and excess liability business produced by wholesale brokers. Our retail unit focused on large commercial property business. The E&S market has become a very favorable market for us, allowing us freedom of rate and form and access to a large producer base through our wholesale distribution partners.

Although our launch was later in the first quarter than originally anticipated, we exceeded our business plan for the year due to the experience and strong relationships of our underwriting team. These strengths, coupled with strong group financial ratings from A.M. Best and S&P and a favorable marketplace, drove this success and will continue to benefit us in 2004.
U.S. Insurance Leadership Team

New York Office
Early in 2003, we identified the professional lines market as a new area of opportunity for U.S. Insurance. This market was undergoing significant changes in terms and conditions as well as pricing. In February, we recruited an exceptionally skilled underwriting team who shared the same underwriting discipline and approach to the business as the existing U.S. team, and completed a renewal rights transaction for Directors & Officers and related products business. Due to the strength of this team and their broker and client relationships, we were able to retain more business than initially anticipated, and both new and renewal business writing was strong throughout 2003. This fifth unit within U.S. Insurance is now fully integrated.

By mid-year, we had formed a sixth business unit, Custom Accounts, to expand into a segment of the property market generally characterized by smaller accounts not accessed by existing distribution sources and leverage our existing underwriting expertise and catastrophe management skills. This proved to be a successful initiative, with controlled growth and specialized accounts.

continued on page 39

Leadership Team Photo
(standing, left to right)
Timothy B. Chesson, F. Marshall Turner II, Dennis B. Reding, John A. Kuhn
(seated, left to right)
Michael P. Flaherty, Alan J. Rodrigues, Thomas A. Steidinger and Carlton Maner

Atlanta (Alpharetta, GA) Office
(top row 16) - Douglas J. Krumrey
(middle row 18, 19) - Jim Pratte, Vivienne Ferguson

Los Angeles Office
(middle row 20A) - John Montgomery, Connie May-Bavis and Martin J. Maslanka

Chicago Office
(bottom row 21, 22) - Gregory W. Springer, Marc H. Nance

New York Office
Edward N. Talarico, Michael A. Wright (standing), Christine Santiago and Nancy J. Usic
AXIS LAUNCHES NEW CORPORATE WEBSITE

Pembroke, Bermuda, July 1, 2003

AXIS Capital Holdings Limited (NYSE: AXS) announced today that it has launched a new corporate website. Starting today, information about AXIS, its people and products can be found by visiting www.axiscapital.com on the Internet.

Visitors to the Company’s old website will be automatically redirected to the new homepage.
In the third quarter, we expanded this unit by attracting underwriting expertise in the specialty inland marine business, particularly for large-builders risk accounts.

We have just completed a further expansion of our professional lines business by recruiting an experienced team of underwriters who have strong customer relationships and proven track records in selective classes within the errors and omissions market. This unit complements our existing business and brings talent that promises to make this a significant business unit in the future.

The cornerstones of our strategy are four-fold: One, to target business where conditions are such that we believe it can consistently produce an underwriting profit. Two, to remain committed to underwriting discipline, including our strong peer review process. Three, to keep expenses under control and our infrastructure limited. And four, to stay close to our chosen markets and production sources. In our initial year, we implemented the aforementioned strategy, laying the foundation for future success. With an excellent management team, strong experienced underwriters and continuing favorable market conditions, we expect 2004 to be another successful year.

Dennis B. Reding
Chief Executive Officer
U.S. Insurance

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**U.S. Insurance**

Gross Premiums for year ended 12/31/03
(Expressed in thousands of United States dollars)
U.S. Reinsurance enjoyed a favorable year in 2003. Total capital in the U.S. rose to more than $500 million. This unencumbered capital, together with ‘A’ ratings from both A.M. Best and S&P, enabled us to offer excellent financial strength to our clients. U.S. Reinsurance's speed to market, a result of our flat management structure, allowed our underwriters to respond quickly and professionally to our customers’ requests. Our continued development and market acceptance as a lead enabled us to develop our portfolio. Today, there is more evidence than ever that clients reward service, financially secure capacity and increased line size.

While we continue to consider all types of reinsurance structures, we prefer excess-of-loss covers. We are very careful in setting our attachment points and seek to avoid contracts with anticipated frequency of loss.

During 2003, professional liability was the largest line of business in our portfolio. U.S. Reinsurance offers a complete range of professional liability reinsurance products, including directors and officers, medical malpractice, lawyers, architects and engineers and employment practices liability. In a market characterized by historically high losses resulting in diminished capacity, we have been able to capitalize on increased opportunities presented by a complete re-underwriting of the underlying product.

Michael Morrill
New York Office

(standing, left to right)
James B. Ruden, Steven W. Komis and Michael Fokken

(sitting, left to right)
Michael Orlich, Halina Herc and Christopher A. Donelan
The general casualty reinsurance market improved during 2003, but not to the degree we had anticipated or feel comfortable with. Significant unrestrained competition and capacity slowed positive trends in terms and conditions and, thus, the attractiveness of this class. The good news is that the trend is now positive and we expect to see improvements during 2004 that will allow us to write more business in this class. One notable exception has been casualty-clash reinsurance where clients have placed emphasis on market quality, expertise and creativity.

We are developing a portfolio of property proportional and per risk excess-of-loss reinsurance. We currently reinsure specialty companies and specialty divisions of mid to large-sized regional and national carriers. We also provide carefully selected facultative reinsurance through semi-automatic binding agreements. We expect this area to grow during 2004 as we better leverage our Global Reinsurance property relationships.

The marine and general aviation portfolio is focused on excess-of-loss, with an emphasis on severity-driven layers, although proportional treaty business is considered as well.

### U.S. Reinsurance

**Gross Premiums for year ended 12/31/03**

(Expressed in thousands of United States dollars)

- Professional Lines: 132,148
- Liability: 46,035
- Property: 19,535
- Marine & Aviation: 6,430
AXIS INITIAL PUBLIC OFFERING PRICED AT $22.00 PER SHARE

Pembroke, Bermuda, July 1, 2003

AXIS Capital Holdings Limited (NYSE: AXS) announced today that its initial public offering of 21.5 million common shares, including 13.4 million common shares offered by the Company and 8.1 million common shares offered by its selling shareholders, has been priced at $22.00 per share.

The shares, representing approximately 15 percent of the Company’s equity, are scheduled to begin trading today on the New York Stock Exchange under the symbol “AXS”.

Clare Moran, Andrew Cook, Linda Ventresca and John Charman
Lines of business covered under the marine segment include - but are not limited to - hull, cargo and marine liability. Our general aviation treaty products include - but are not limited to - aircraft hull and liability coverage.

In all lines, our strategy stresses underwriting discipline to achieve a profitable portfolio. We control our aggregate exposures real-time and maintain a diverse spread of risk across both product lines and geographic zones. We emphasize excess-of-loss business as that is an area where we can influence terms and conditions and use our capacity most effectively. We seek to leverage the efficient global platform and operations of the AXIS group. This platform, together with the group’s underwriting discipline and broad access to the broker distribution network, will continue to benefit us as we seek to create a major business in the world’s largest reinsurance market. U.S. Reinsurance provides the service, quality and security that cedants demand today, tomorrow and in the future.

Michael E. Morrill
Chief Executive Officer & President
U.S. Reinsurance
AXIS Capital Shares Rise on Public Offering

Shares of AXIS Capital Holdings rose 16 percent after it raised $473 million in this year's biggest initial public offering by an insurance company.

AXIS Capital, based in Bermuda, sold 21.5 million shares at $22, more than the company's expected price range. The stock rose to $25.55.
Most of what AXIS accomplished in 2003 is covered in detail in the 10-K included in this report. As you read the 10-K, keep in mind these fundamental points, which we have focused on since our inception:

- The financial strength of AXIS, demonstrated by our capital and surplus in excess of $2.8 billion and our ratings from both A.M. Best and Standard & Poor’s;

- A capital base unencumbered by legacy exposures or reinsurance recoverable balances;

- A conservative investment portfolio focused on high quality investments and capital preservation;

- A disciplined focus on cash flow;

- And possibly most important, a commitment to open and transparent financial reporting.

In 2001, we were presented with an exceptional opportunity to develop AXIS from a greenfield site. We have taken advantage of that opportunity to build advanced analytical and reporting capabilities. Underlying our management and financial reporting is a single underwriting database that we utilize across our entire operation.

Andrew Cook
The Royal Gazette July 2nd, 2003

‘Milestone’ day for Bermuda, Axis

By Mairi Mallon

The listing of Axis Specialty yesterday confirmed Bermuda as the world centre for insurance and reinsurance said Michael Burt, chairman of the company.

Yesterday Axis started trading on the New York Stock Exchange under the ticker symbol AXS, raising $473 million and trading at the top end of the scale at $23 and moving up 16 percent to $25.50 during the day.

Mr. Burt said: “It is a milestone in the history of the Island in establishing itself as the centre for global insurance and reinsurance. In the ten years since the catastrophic insurance companies were formed (in the wake of Hurricane Andrew), the ability to build lasting businesses based in Bermuda has increased the world’s buyers who now view Bermuda as the highest quality market available.

The public flotation of Axis today yesterday transformed the position of Bermuda as the world centre for reinsurance and reinsurance.

The company is the latest in a line of Bermuda-based start-ups to float on the exchange – Ensign Specialty

Planned: The men at the helm of Bermuda’s newest insurance company, Axis, will today celebrate raising $473 million by ringing the stock exchange bell. From left, John Charnam, president and CEO; Michael Burt, chairman; Peter J. Newhouse, Jr., chairman of the executive committee; and Andrew Cook, executive vice president and chief financial officer.

Continued on Page 29
This system allows us to analyze key information on a real-time basis and enables us to be consistent throughout our organization in accounting policies, forecasting and financial reporting procedures and fulfillment of our disclosure requirements.

On July 1, 2003, AXIS Capital listed on the New York Stock Exchange under the symbol AXS. This event ushered in a new era of maturity for us, with respect to both our financial flexibility and our reporting responsibilities under the rules and regulations of the NYSE and the SEC. We have always prided ourselves on our transparent financial reporting, but this event clearly opened our reporting to a new audience. In today's uncertain climate, we want to assure you, our shareholders and clients, that we are presenting our financial statements in accordance with generally accepted accounting principles, as openly and transparently as possible. We encourage you to access not only our required disclosures but also our supplemental disclosures in the Investor Information section of our website, www.axiscapital.com.

The U.S. fixed income market resembled a roller coaster ride for most of 2003, making the investment arena very challenging. During this unstable period, we remained committed to our investment strategy, which seeks to preserve principal and maintain liquidity while attempting to maximize investment returns through a high quality, diversified portfolio. From the outset, we have adhered strictly to investment guidelines that ensure we can reach these strategic investment goals.

We ended the year with an investment portfolio that boasted an overall credit quality of AA+, a duration of 3.0 years and that generated a total return of 3.50%. We believe that our portfolio offers several advantages. We have the necessary cash available to satisfy our clients’ loss requirements.
AXIS enjoys income boom after IPO

By Lilla Zoill

AXIS Capital Holdings yesterday reported a more than four-fold increase in net income with $117.8 million posted in the second quarter compared to $31.1 million in the same period last year.

The stellar results followed the company’s initial public offering (IPO) on the New York Stock Exchange earlier this summer.

AXIS president and CEO John Charman said: “We are delighted to have produced such a strong set of financial results for our first reporting period as a public company.

“These results clearly demonstrate the differentiating AXIS franchise that has been built over the last 18 months.

“All four of our underwriting segments are now fully operational, each has top quality ratings, excellent staff and well capitalised platforms from which we can not only sustain our profitability but, more importantly, from which we can generate future growth.”

Going public and seeing profit levels jump comes on the heels of the company’s metamorphosis from a small start-up after the September 11 tragedy to one with staff now numbering in the hundreds and offices in Bermuda and several other key markets.

Last year the company expanded its horizons to the east and west of Bermuda with its establishment of US operations and a Dublin office from which to write business in the European market.

At the same time as branching out to different parts of the world, AXIS also diversified its book of business with acquisition of the renewal rights to Directors & Officers and related product lines from Kemper’s Financial Services Group.

Alongside this growth, the company – on a consolidated basis – wrote $551.5 million in gross premiums during the quarter, a solid increase over the same period the year before when AXIS recorded $260.7 million in gross premiums written.

Credit Quality of Investment Portfolio

as at 12/31/03

<table>
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<tr>
<th>Credit Quality</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>AAA</td>
<td>77.8%</td>
</tr>
<tr>
<td>BBB</td>
<td>6.9%</td>
</tr>
<tr>
<td>AA</td>
<td>3.9%</td>
</tr>
<tr>
<td>A</td>
<td>11.4%</td>
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</tbody>
</table>
Our relatively short duration will allow us to re-balance the portfolio in response to the impacts of external economic factors or, if necessary, hold our investments to maturity, effectively preserving capital.

As a Bermuda-based entity, it is important that we provide our clients with the necessary statutory support. With this in mind, we renewed and increased the size of our revolving credit facility to $550 million. Not only does this give us the ability to issue letters of credit to our clients, it also provides additional liquidity should that need arise.

It would be imprudent to say that we are ahead of the curve with respect to determining our loss reserves, but, within our industry, there is certainly much debate concerning the efficacy of internal loss reserving. Since our inception, we have used independent external actuaries to assist us in the reserving process. Each and every quarter, we have established reserves as discussed with and recommended by our external actuaries. We believe that our reserving process allows us to establish reserves in the most timely and conservative manner possible.

In conclusion, we measure our success by our ability to deploy our capital effectively. To this end, we have generated a return on average equity of 22.3% for the year ended December 31, 2003 and have seen our capital base increase by $856 million over the same period. With this kind of success comes a need to effectively manage our capital base. We have taken the first step in this long-term process by declaring a quarterly dividend.

Andrew Cook
Chief Financial Officer
NEW KIDS ON THE BLOCK

Insurance Day, September 9, 2003

For most of what is commonly dubbed the Bermudian "class of 2002," irrespective of whether they actually came into being in late 2001, January 1, 2004 will mark the first fully fledged round of renewals. In contrast to the early days of their "old money" counterparts, set up in 1993, many of the key players are building their positions in the insurance sector as well as the reinsurance sector.

Similarly, many have been quick off the mark both in terms of extending their reach into the European markets and of developing their involvement in the casualty sector a trend that has become increasingly apparent as the Bermudian second-quarter and first-half results have been published. This in part reflects the fact that rates in the property catastrophe market, which has been a mainstay for reinsurers in Bermuda for a decade, appear to be levelling off, while casualty prices continue to harden.

The first quarter of this year saw AXIS become the first of the post-9/11 Bermudian re/insurers to pass the $2 billion milestone in terms of total consolidated shareholders' funds (SHF) a result that also made it the fourth-largest player on Bermuda, as measured by size of capital base. Following its initial public offering (IPO) in July, the shares became listed on the New York Stock Exchange.

July also saw the announcement that Dr Karl Mayr, then the chairman of the board of directors at GE Frankona Re in Munich, had been appointed to lead AXIS Re in Europe as president and chief executive of the European reinsurance subsidiary.

Commenting as the European move was announced, AXIS Capital president and CEO John Charman said: "This extraordinarily important market is undergoing both fundamental changes as well as a substantial re-alignment of strategic business partnerships. We will deliver to European clients a highly rated, unencumbered balance-sheet uniquely coupled with sustainable, dependable and proven underwriting skills."
“Extraordinary by intellect, by character, by sensitivity and by dedication.”

John Charman
Corporate and Group Finance - Bermuda

(standing, left to right)
Angela Fleming, Michelle Ingham, Marisa Pacheco,
Clare Moran, Jamie Steeves, Karl Wilson, Neera Dunleavy,
Michael Moore, Chanell Darrell, Roger Thompson, Ginette Chambray
and Shalimar Williams

(sitting, left to right)
Rob Marcotte, Carol Rivers, Ruth Smith, Grant Foster
and Beverly Santos-Ivo
AXIS CAPITAL HIRES UNDERWRITERS FOR UNIT

The American Banker, October 7, 2003

AXIS Capital Holdings Ltd. in Pembroke, Bermuda, said Monday that it has hired two senior underwriting executives for AXIS Re Europe, its newly formed underwriting branch in Zurich.

Stephan Knipper was appointed the executive vice president underwriting, with responsibility for the liability and credit and bond lines of business. He also is to act as deputy to Karl Mayr, the president and CEO of AXIS Re Europe.

Bruno Félix was appointed the senior vice president underwriting, with responsibility for the motor line of business. He also is to be the marketing officer for France and Belgium.

(top) Stephan Knipper
(bottom) Bruno Félix
Abandoning the old ways

John Charman, chief executive of Bermudian insurer AXIS Specialty, believes high costs and bad management are needlessly hampering the insurance industry. He explains to Kim Moore how his company is different.

For John Charman, chief executive of Bermudian insurer AXIS Specialty, the opportunity to run an insurance company after September 11 was more than a chance to capitalise on the lack of capacity in the market. He also saw it as a chance to draw on his own experience of the industry and create a company with a fundamentally different structure.

AXIS’s goal is to be a top 10 player in the global insurance and reinsurance markets. It quickly established operations in the three largest insurance markets: Bermuda, the US and Europe. It also floated on the New York Stock Exchange in July 2003, raising net proceeds of $316m. AXIS is now the fifth-largest insurer on Bermuda, measured by shareholders’ funds at September 30 2003.

It is well on its way to achieving top 10 status. It now writes a diverse portfolio of speciality insurance and reinsurance globally. But true to his word, the structure Charman has implemented at the company is very different from that of other similarly-sized insurers and reinsurers.

One of the industry’s biggest problems, Charman believes, is that companies have grown through mergers and acquisitions instead of organically. Many have struggled to combine the infrastructures of different operations. They have also struggled to cope with historical liabilities from business they have acquired.

“The industry continues to be overwhelmed by Dickensian infrastructures that are burdened by excessive costs, people and legacy systems,” he says.

A good way of motivating staff to write profitable business is to make them shareholders in the company, says Charman. All employees at AXIS are encouraged to buy shares in the firm. So far, staff members have invested $16 million of their own money in AXIS.

If employees’ own money is at stake, they are more likely to stay focused on writing profitable business, he argues. “We stick together like glue and if we make a mistake we all fall over together.”

John R. Charman
President, Chief Executive Officer
Board of Directors

**Michael A. Butt**
Chairman Board of Directors
Finance Committee
Executive Committee

**John R. Charman**
Chief Executive Officer
President
Executive Committee

**Charles A. Davis**
Executive Committee
Corporate Governance Committee
Chairman and CEO, MMC Capital, Inc.

**W. Thomas Forrester**
Audit Committee
Chief Financial Officer
The Progressive Corporation

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

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

**Maurice A. Keane**
Audit Committee
Retired Group CEO, the Bank of Ireland
Edward J. Kelly
Finance Committee
Corporate Governance Committee
President, CEO and Director
Mercantile Bankshares Corporation

Robert J. Newhouse, Jr.
Chairman, Executive Committee

Andrew H. Rush
Finance Committee
Compensation Committee
Managing Director, Credit Suisse First Boston in the Private Equity Group

Scott A. Schoen
Chairman, Finance Committee
Executive Committee
Managing Director
Thomas H. Lee Advisors, L.L.C

Frank J. Tasco
Chairman, Compensation Committee
Audit Committee
Director
Travelers Property Casualty Corp.

Jeffrey C. Walker
Compensation Committee
Executive Committee
<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>John R. Charman</td>
<td>Chief Executive Officer &amp; President</td>
</tr>
<tr>
<td>Michael A. Butt</td>
<td>Chairman, Board of Directors</td>
</tr>
<tr>
<td>Robert J. Newhouse, Jr.</td>
<td>Chairman, Executive Committee</td>
</tr>
<tr>
<td>Andrew Cook</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>John Murray</td>
<td>Chief Operations Officer</td>
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<tr>
<td>Clare E. Moran</td>
<td>Executive Vice President &amp; Controller</td>
</tr>
<tr>
<td>Carol S. Rivers</td>
<td>General Counsel &amp; Secretary</td>
</tr>
<tr>
<td>Roger Thompson</td>
<td>Executive Vice President &amp; Treasurer</td>
</tr>
</tbody>
</table>
AXIS Group of Companies
Executive Management Team

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

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