

AXIS CAPITAL HOLDINGS LTD

Form 10-Q

July 29, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-31721

AXIS CAPITAL HOLDINGS LIMITED

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation or organization)

98-0395986

(I.R.S. Employer Identification No.)

92 Pitts Bay Road, Pembroke, Bermuda HM 08

(Address of principal executive offices and zip code)

(441) 496-2600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 22, 2015, there were 100,638,757 Common Shares, \$0.0125 par value per share, of the registrant outstanding.

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PART I FINANCIAL INFORMATION

This quarterly report contains forward-looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Forward-looking statements contained in this report may include information regarding our estimates of losses related to catastrophes and other large losses, measurements of potential losses in the fair value of our investment portfolio and derivative contracts, our expectations regarding pricing and other market conditions, our growth prospects, and valuations of the potential impact of movements in interest rates, equity prices, credit spreads and foreign currency rates. Forward-looking statements only reflect our expectations and are not guarantees of performance.

These statements involve risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. We believe that these factors include, but are not limited to, the following:

- the occurrence and magnitude of natural and man-made disasters,
- actual claims exceeding our loss reserves,
- general economic, capital and credit market conditions,
- the failure of any of the loss limitation methods we employ,
- the effects of emerging claims, coverage and regulatory issues, including uncertainty related to coverage definitions, limits, terms and conditions,
- the failure of our cedants to adequately evaluate risks,
- inability to obtain additional capital on favorable terms, or at all,
- the loss of one or more key executives,
- a decline in our ratings with rating agencies,
- loss of business provided to us by our major brokers,
- changes in accounting policies or practices,
- the use of industry catastrophe models and changes to these models,
- changes in governmental regulations,
- increased competition,
- changes in the political environment of certain countries in which we operate or underwrite business,
 - fluctuations in interest rates, credit spreads, equity prices and/or currency values,
- the failure to complete our amalgamation with PartnerRe Ltd., and
- the other matters set forth under Item 1A, ‘Risk Factors’ and Item 7, ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’ included in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2015 (UNAUDITED) AND DECEMBER 31, 2014

	2015	2014
	(in thousands)	
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (Amortized cost 2015: \$12,093,366; 2014: \$12,185,973)	\$ 12,005,736	\$ 12,129,273
Equity securities, available for sale, at fair value (Cost 2015: \$618,869; 2014: \$531,648)	659,181	567,707
Mortgage loans, held for investment, at amortized cost and fair value	79,606	—
Other investments, at fair value	853,101	965,465
Short-term investments, at amortized cost and fair value	30,618	107,534
Total investments	13,628,242	13,769,979
Cash and cash equivalents	989,395	921,830
Restricted cash and cash equivalents	190,664	287,865
Accrued interest receivable	78,409	83,070
Insurance and reinsurance premium balances receivable	2,394,037	1,808,620
Reinsurance recoverable on unpaid and paid losses	2,063,087	1,926,145
Deferred acquisition costs	594,863	466,987
Prepaid reinsurance premiums	387,639	351,441
Receivable for investments sold	1,304	169
Goodwill and intangible assets	101,053	88,960
Other assets	276,182	250,670
Total assets	\$ 20,704,875	\$ 19,955,736
Liabilities		
Reserve for losses and loss expenses	\$ 9,693,440	\$ 9,596,797
Unearned premiums	3,324,578	2,735,376
Insurance and reinsurance balances payable	296,794	249,186
Senior notes	991,302	990,790
Payable for investments purchased	213,142	188,176
Other liabilities	237,061	315,471
Total liabilities	14,756,317	14,075,796
Shareholders' equity		
Preferred shares	627,843	627,843
Common shares (2015: 176,206; 2014: 175,478 shares issued and 2015: 100,284; 2014: 99,426 shares outstanding)	2,201	2,191
Additional paid-in capital	2,285,772	2,285,016
Accumulated other comprehensive loss	(78,067)	(45,574)
Retained earnings	5,875,147	5,715,504
Treasury shares, at cost (2015: 75,922; 2014: 76,052 shares)	(2,764,338)	(2,763,859)
Total shareholders' equity attributable to AXIS Capital	5,948,558	5,821,121
Noncontrolling interests	—	58,819

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Total shareholders' equity	5,948,558	5,879,940
Total liabilities and shareholders' equity	\$20,704,875	\$19,955,736

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	Three months ended		Six months ended	
	2015	2014	2015	2014
	(in thousands, except for per share amounts)			
Revenues				
Net premiums earned	\$941,211	\$1,000,400	\$1,845,264	\$1,946,349
Net investment income	88,544	114,867	180,651	197,610
Other insurance related income	3,486	1,683	11,162	4,766
Net realized investment gains (losses):				
Other-than-temporary impairment (OTTI) losses	(12,893)	(1,905)	(30,461)	(2,690)
Other realized investment gains (losses)	1,783	35,166	(23,201)	46,572
Total net realized investment gains (losses)	(11,110)	33,261	(53,662)	43,882
Total revenues	1,022,131	1,150,211	1,983,415	2,192,607
Expenses				
Net losses and loss expenses	580,153	565,829	1,092,481	1,110,036
Acquisition costs	183,263	191,862	354,805	363,899
General and administrative expenses	148,482	151,081	311,723	303,810
Foreign exchange losses (gains)	22,108	9,705	(41,112)	13,939
Interest expense and financing costs	12,939	19,975	25,196	36,569
Total expenses	946,945	938,452	1,743,093	1,828,253
Income before income taxes	75,186	211,759	240,322	364,354
Income tax expense	1,815	9,500	1,125	13,625
Net income	73,371	202,259	239,197	350,729
Amounts attributable to noncontrolling interests	—	1,573	—	2,795
Net income attributable to AXIS Capital	73,371	200,686	239,197	347,934
Preferred share dividends	10,022	10,022	20,044	20,044
Net income available to common shareholders	\$63,349	\$190,664	\$219,153	\$327,890
Per share data				
Net income per common share:				
Basic net income	\$0.63	\$1.81	\$2.19	\$3.06
Diluted net income	\$0.63	\$1.79	\$2.17	\$3.03
Weighted average number of common shares outstanding - basic	100,274	105,118	100,093	107,075
Weighted average number of common shares outstanding - diluted	101,160	106,289	101,151	108,329
Cash dividends declared per common share	\$0.29	\$0.27	\$0.58	\$0.54

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	Three months ended		Six months ended	
	2015	2014	2015	2014
	(in thousands)			
Net income	\$73,371	\$202,259	\$239,197	\$350,729
Other comprehensive income (loss), net of tax:				
Available for sale investments:				
Unrealized gains (losses) arising during the period	(72,041)	120,550	(77,228)	191,933
Adjustment for reclassification of net realized investment gains (losses) and OTTI losses recognized in net income	8,857	(33,929)	53,960	(43,543)
Unrealized gains (losses) arising during the period, net of reclassification adjustment	(63,184)	86,621	(23,268)	148,390
Foreign currency translation adjustment	2,188	3,790	(9,225)	6,449
Total other comprehensive income (loss), net of tax	(60,996)	90,411	(32,493)	154,839
Comprehensive income	12,375	292,670	206,704	505,568
Amounts attributable to noncontrolling interests	—	(1,573)	—	(2,795)
Comprehensive income attributable to AXIS Capital	\$12,375	\$291,097	\$206,704	\$502,773

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	(in thousands)	
Preferred shares		
Balance at beginning and end of period	\$627,843	\$627,843
Common shares (par value)		
Balance at beginning of period	2,191	2,174
Shares issued	10	15
Balance at end of period	2,201	2,189
Additional paid-in capital		
Balance at beginning of period	2,285,016	2,240,125
Shares issued - common shares	2,605	2,549
Cost of treasury shares reissued	(17,451)	(11,524)
Stock options exercised	560	2,134
Share-based compensation expense	15,042	27,800
Balance at end of period	2,285,772	2,261,084
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(45,574)	117,825
Unrealized gains (losses) on available for sale investments, net of tax:		
Balance at beginning of period	(28,192)	124,945
Unrealized gains (losses) arising during the period, net of reclassification adjustment	(23,268)	148,390
Non-credit portion of OTTI losses	—	—
Balance at end of period	(51,460)	273,335
Cumulative foreign currency translation adjustments, net of tax:		
Balance at beginning of period	(17,382)	(7,120)
Foreign currency translation adjustments	(9,225)	6,449
Balance at end of period	(26,607)	(671)
Balance at end of period	(78,067)	272,664
Retained earnings		
Balance at beginning of period	5,715,504	5,062,706
Net income	239,197	350,729
Amounts attributable to noncontrolling interests	—	(2,795)
Preferred share dividends	(20,044)	(20,044)
Common share dividends	(59,510)	(59,397)
Balance at end of period	5,875,147	5,331,199
Treasury shares, at cost		
Balance at beginning of period	(2,763,859)	(2,232,711)
Shares repurchased for treasury	(17,930)	(318,082)
Cost of treasury shares reissued	17,451	11,524
Balance at end of period	(2,764,338)	(2,539,269)

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Total shareholders' equity attributable to AXIS Capital	5,948,558	5,955,710
Noncontrolling interests	—	52,795
Total shareholders' equity	\$5,948,558	\$6,008,505

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	(in thousands)	
Cash flows from operating activities:		
Net income	\$239,197	\$350,729
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized investment losses (gains)	53,662	(43,882)
Net realized and unrealized gains on other investments	(45,037)	(49,252)
Amortization of fixed maturities	54,356	56,122
Other amortization and depreciation	10,265	10,919
Share-based compensation expense, net of cash payments	14,463	27,763
Changes in:		
Accrued interest receivable	5,071	5,929
Reinsurance recoverable balances	(140,911)	(20,663)
Deferred acquisition costs	(128,010)	(167,095)
Prepaid reinsurance premiums	(34,247)	(5,590)
Reserve for loss and loss expenses	147,463	217,924
Unearned premiums	589,438	721,870
Insurance and reinsurance balances, net	(561,146)	(696,877)
Other items	(88,952)	(15,654)
Net cash provided by operating activities	115,612	392,243
Cash flows from investing activities:		
Purchases of:		
Fixed maturities	(5,454,612)	(6,581,006)
Equity securities	(96,170)	(209,381)
Mortgage loans	(79,606)	—
Other investments	(54,482)	(37,512)
Short-term investments	(30,745)	(463,051)
Proceeds from the sale of:		
Fixed maturities	4,660,534	5,784,439
Equity securities	2,115	197,354
Other investments	211,883	88,080
Short-term investments	100,461	391,966
Proceeds from redemption of fixed maturities	782,367	532,445
Proceeds from redemption of short-term investments	6,987	16,503
Purchase of other assets	(12,093)	(16,039)
Change in restricted cash and cash equivalents	97,201	(80,827)
Impact of the deconsolidation of a variable interest entity	(71,649)	—
Net cash provided by (used in) investing activities	62,191	(377,029)
Cash flows from financing activities:		
Dividends paid - common shares	(59,170)	(60,903)

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Repurchase of common shares	(25,951)	(318,082)
Dividends paid - preferred shares	(20,044)	(20,044)
Proceeds from issuance of common shares	3,175	4,698
Net proceeds from issuance of senior notes	—	494,344
Net cash provided by (used in) financing activities	(101,990)	100,013
Effect of exchange rate changes on foreign currency cash and cash equivalents	(8,248)	5,473
Increase in cash and cash equivalents	67,565	120,700
Cash and cash equivalents - beginning of period	921,830	923,326
Cash and cash equivalents - end of period	\$989,395	\$1,044,026

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements include the accounts of AXIS Capital Holdings Limited (“AXIS Capital”) and its subsidiaries (herein referred to as “we,” “us,” “our,” or the “Company”).

The consolidated balance sheet at June 30, 2015 and the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the periods ended June 30, 2015 and 2014 have not been audited. The balance sheet at December 31, 2014 is derived from our audited financial statements.

These financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) for interim financial information and with the Securities and Exchange Commission's (“SEC”) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of our financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All inter-company accounts and transactions have been eliminated.

The following information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014. Tabular dollar and share amounts are in thousands, except per share amounts. All amounts are reported in U.S. dollars.

Significant Accounting Policies

There were no notable changes in our significant accounting policies subsequent to our Annual Report on Form 10-K for the year ended December 31, 2014, with the exception of the addition to our accounting policy for mortgage loans held-for-investment noted below.

Mortgage Loans Held-For-Investment

Mortgage loans held-for-investment are stated at amortized cost calculated as the unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to the amortization of premiums and accretion of discounts.

New Accounting Standards Adopted in 2015

Consolidation

During the second quarter of 2015, the Company early adopted the Accounting Standards Update (“ASU”) 2015-02, “Amendments to the Consolidation Analysis” issued by the Financial Accounting Standards Board (the “FASB”). The adoption of this amended accounting guidance resulted in the Company concluding that it no longer had a variable interest in AXIS Ventures Reinsurance Limited (“Ventures Re”) and therefore it was no longer required to consolidate

the results of operations and the financial position of Ventures Re in its Consolidated Financial Statements. The Company adopted this revised accounting guidance using the modified retrospective approach and ceased to consolidate Ventures Re effective as of January 1, 2015. There was no impact from the adoption of ASU 2015-02 on the Company's cumulative retained earnings. Refer to Note 11 to the Consolidated Financial Statements "Noncontrolling Interests" for more information.

The new consolidation guidance did not have an impact on any other investments currently held by the Company.

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AXIS CAPITAL HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards Not Yet Adopted

Disclosures About Short-Duration Contracts

In May 2015, the FASB issued new guidance making targeted improvements to existing disclosure requirements for short-duration contracts. The guidance requires insurance entities to disclose additional information about the liability for unpaid claims and claim adjustment expenses. The guidance is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The guidance will be applied retrospectively. As the new guidance is disclosure-related only, the adoption of this guidance is not expected to impact our results of operations, financial condition or liquidity.

Investments Measured Using The Net Asset Value Per Share ("NAV") Practical Expedient

In May 2015, the FASB issued new guidance eliminating the requirement to categorize investments measured using the NAV practical expedient in the fair value hierarchy table. This guidance is effective for reporting periods beginning after December 15, 2015, with early adoption permitted. The guidance will be applied retrospectively. As the new guidance is disclosure-related only, the adoption of this guidance is not expected to impact our results of operations, financial condition or liquidity.

2. SEGMENT INFORMATION

Our underwriting operations are organized around our global underwriting platforms, AXIS Insurance and AXIS Re. Therefore we have determined that we have two reportable segments, insurance and reinsurance. We do not allocate our assets by segment, with the exception of goodwill and intangible assets, as we evaluate the underwriting results of each segment separately from the results of our investment portfolio.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. SEGMENT INFORMATION (CONTINUED)

The following tables summarize the underwriting results of our reportable segments, as well as the carrying values of allocated goodwill and intangible assets:

Three months ended and at June 30,	2015			2014				
	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total		
Gross premiums written	\$761,126	\$427,287	\$1,188,413	\$754,110	\$477,169	\$1,231,279		
Net premiums written	534,263	412,281	946,544	541,097	459,065	1,000,162		
Net premiums earned	452,322	488,889	941,211	457,670	542,730	1,000,400		
Other insurance related income	269	3,217	3,486	—	1,683	1,683		
Net losses and loss expenses	(297,534)	(282,619)	(580,153)	(290,466)	(275,363)	(565,829)		
Acquisition costs	(66,920)	(116,343)	(183,263)	(71,039)	(120,823)	(191,862)		
General and administrative expenses	(88,420)	(36,013)	(124,433)	(83,512)	(34,299)	(117,811)		
Underwriting income (loss)	\$(283)	\$57,131	56,848	\$12,653	\$113,928	126,581		
Corporate expenses			(24,049)			(33,270)		
Net investment income			88,544			114,867		
Net realized investment gains (losses)			(11,110)			33,261		
Foreign exchange losses			(22,108)			(9,705)		
Interest expense and financing costs			(12,939)			(19,975)		
Income before income taxes			\$75,186			\$211,759		
Net loss and loss expense ratio	65.8	% 57.8	% 61.6	% 63.5	% 50.7	% 56.6	%	
Acquisition cost ratio	14.8	% 23.8	% 19.5	% 15.5	% 22.3	% 19.2	%	
General and administrative expense ratio	19.5	% 7.4	% 15.8	% 18.2	% 6.3	% 15.0	%	
Combined ratio	100.1	% 89.0	% 96.9	% 97.2	% 79.3	% 90.8	%	
Goodwill and intangible assets	\$101,053	\$—	\$101,053	\$90,025	\$—	\$90,025		

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AXIS CAPITAL HOLDINGS LIMITED
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. SEGMENT INFORMATION (CONTINUED)

Six months ended and at June 30,	2015			2014			
	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total	
Gross premiums written	\$1,363,850	\$1,503,495	\$2,867,345	\$1,355,831	\$1,696,847	\$3,052,678	
Net premiums written	971,004	1,431,086	2,402,090	997,789	1,666,957	2,664,746	
Net premiums earned	899,789	945,475	1,845,264	906,884	1,039,465	1,946,349	
Other insurance related income	269	10,893	11,162	—	4,766	4,766	
Net losses and loss expenses	(583,307)	(509,174)	(1,092,481)	(569,889)	(540,147)	(1,110,036)	
Acquisition costs	(131,375)	(223,430)	(354,805)	(136,096)	(227,803)	(363,899)	
General and administrative expenses	(176,109)	(75,393)	(251,502)	(171,459)	(70,375)	(241,834)	
Underwriting income	\$9,267	\$148,371	157,638	\$29,440	\$205,906	235,346	
Corporate expenses			(60,221)			(61,976)	
Net investment income			180,651			197,610	
Net realized investment gains (losses)			(53,662)			43,882	
Foreign exchange (losses) gains			41,112			(13,939)	
Interest expense and financing costs			(25,196)			(36,569)	
Income before income taxes			\$240,322			\$364,354	
Net loss and loss expense ratio	64.8	% 53.9	% 59.2	% 62.8	% 52.0	% 57.0	%
Acquisition cost ratio	14.6	% 23.6	% 19.2	% 15.0	% 21.9	% 18.7	%
General and administrative expense ratio	19.6	% 8.0	% 16.9	% 19.0	% 6.7	% 15.6	%
Combined ratio	99.0	% 85.5	% 95.3	% 96.8	% 80.6	% 91.3	%
Goodwill and intangible assets	\$101,053	\$—	\$101,053	\$90,025	\$—	\$90,025	

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. GOODWILL AND INTANGIBLES

On April 1, 2015, the Company announced that it completed the acquisition of Ternian Insurance Group LLC ("Ternian"), a leading provider of voluntary, limited benefit affordable health plans and other employee benefits coverage for hourly and part-time workers and their families. The Company recognized intangible assets of \$13 million associated with this acquisition.

The following table shows an analysis of goodwill and intangible assets:

	Goodwill	Intangible assets with an indefinite life	Intangible assets with a finite life	Total
Net balance at December 31, 2014	\$47,148	\$26,036	\$15,776	\$88,960
Acquisition of Ternian	—	—	13,330	13,330
Amortization	n/a	n/a	(1,280)	(1,280)
Foreign currency translation adjustment	—	—	43	43
Net balance at June 30, 2015	\$47,148	\$26,036	\$27,869	\$101,053
Gross balance at June 30, 2015	\$42,237	\$26,036	\$48,926	\$117,199
Accumulated amortization	n/a	n/a	(26,863)	(26,863)
Foreign currency translation adjustment	4,911	—	5,806	10,717
Net balance at June 30, 2015	\$47,148	\$26,036	\$27,869	\$101,053

n/a – not applicable

We estimate that the amortization expense for our total intangible assets with a finite life for the next six months will be approximately \$2 million and annual amortization expense for 2016 through 2018 will be approximately \$3 million and 2019 through 2020 will be approximately \$2 million each year. The estimated remaining useful lives of these assets range from four to twenty-four years.

Intangible assets with an indefinite life consist primarily of U.S. state licenses that provide a legal right to transact business indefinitely.

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. INVESTMENTS

a) Fixed Maturities and Equities

The amortized cost or cost and fair values of our fixed maturities and equities were as follows:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit OTTI in AOCI ⁽⁵⁾
At June 30, 2015					
Fixed maturities					
U.S. government and agency	\$1,699,826	\$3,731	\$(20,448)	\$1,683,109	\$—
Non-U.S. government	958,293	6,242	(64,000)	900,535	—
Corporate debt	4,444,087	32,273	(72,408)	4,403,952	—
Agency RMBS ⁽¹⁾	2,114,217	30,038	(9,279)	2,134,976	—
CMBS ⁽²⁾	1,093,612	9,814	(3,856)	1,099,570	—
Non-Agency RMBS	99,590	2,667	(983)	101,274	(839)
ABS ⁽³⁾	1,429,667	3,372	(5,978)	1,427,061	—
Municipals ⁽⁴⁾	254,074	3,405	(2,220)	255,259	—
Total fixed maturities	\$12,093,366	\$91,542	\$(179,172)	\$12,005,736	\$(839)
Equity securities					
Exchange-traded funds	495,590	44,153	(3,763)	535,980	—
Bond mutual funds	123,279	—	(78)	123,201	—
Total equity securities	\$618,869	\$44,153	\$(3,841)	\$659,181	—
At December 31, 2014					
Fixed maturities					
U.S. government and agency	\$1,645,068	\$3,337	\$(28,328)	\$1,620,077	\$—
Non-U.S. government	1,080,601	7,383	(54,441)	1,033,543	—
Corporate debt	4,386,432	40,972	(66,280)	4,361,124	—
Agency RMBS ⁽¹⁾	2,241,581	40,762	(4,235)	2,278,108	—
CMBS ⁽²⁾	1,085,618	13,289	(2,019)	1,096,888	—
Non-Agency RMBS	71,236	2,765	(915)	73,086	(889)
ABS ⁽³⁾	1,475,026	2,748	(16,188)	1,461,586	—
Municipals ⁽⁴⁾	200,411	5,282	(832)	204,861	—
Total fixed maturities	\$12,185,973	\$116,538	\$(173,238)	\$12,129,273	\$(889)
Equity securities					
Exchange-traded funds	416,063	43,583	(4,756)	454,890	—
Bond mutual funds	115,585	—	(2,768)	112,817	—
Total equity securities	\$531,648	\$43,583	\$(7,524)	\$567,707	—

(1) Residential mortgage-backed securities (RMBS) originated by U.S. agencies.

(2) Commercial mortgage-backed securities (CMBS).

(3)

Asset-backed securities (ABS) include debt tranching securities collateralized primarily by auto loans, student loans, credit cards, and other asset types. This asset class also includes collateralized loan obligations (CLOs) and collateralized debt obligations (CDOs).

- (4) Municipals include bonds issued by states, municipalities and political subdivisions.

- (5) Represents the non-credit component of the other-than-temporary impairment (OTTI) losses, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

In the normal course of investing activities, we actively manage allocations to non-controlling tranches of structured securities (variable interests) issued by VIEs. These structured securities include RMBS, CMBS and ABS and are included in the above table. Additionally, within our other investments portfolio, we also invest in limited partnerships (hedge funds) and CLO equity tranching

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. INVESTMENTS (CONTINUED)

securities, which are all variable interests issued by VIEs (see Note 4(c)). For these variable interests, we do not have the power to direct the activities that are most significant to the economic performance of the VIEs and accordingly we are not the primary beneficiary for any of these VIEs. Our maximum exposure to loss on these interests is limited to the amount of our investment. We have not provided financial or other support with respect to these structured securities other than our original investment.

Contractual Maturities

The contractual maturities of fixed maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value	% of Total Fair Value	
At June 30, 2015				
Maturity				
Due in one year or less	\$553,743	\$543,896	4.5	%
Due after one year through five years	4,407,166	4,373,414	36.4	%
Due after five years through ten years	2,069,297	2,005,587	16.7	%
Due after ten years	326,074	319,958	2.7	%
	7,356,280	7,242,855	60.3	%
Agency RMBS	2,114,217	2,134,976	17.8	%
CMBS	1,093,612	1,099,570	9.2	%
Non-Agency RMBS	99,590	101,274	0.8	%
ABS	1,429,667	1,427,061	11.9	%
Total	\$12,093,366	\$12,005,736	100.0	%
At December 31, 2014				
Maturity				
Due in one year or less	\$424,077	\$423,265	3.5	%
Due after one year through five years	4,925,780	4,892,411	40.3	%
Due after five years through ten years	1,755,248	1,695,641	14.0	%
Due after ten years	207,407	208,288	1.7	%
	7,312,512	7,219,605	59.5	%
Agency RMBS	2,241,581	2,278,108	18.8	%
CMBS	1,085,618	1,096,888	9.0	%
Non-Agency RMBS	71,236	73,086	0.6	%
ABS	1,475,026	1,461,586	12.1	%
Total	\$12,185,973	\$12,129,273	100.0	%

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. INVESTMENTS (CONTINUED)

Gross Unrealized Losses

The following table summarizes fixed maturities and equities in an unrealized loss position and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	12 months or greater		Less than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At June 30, 2015						
Fixed maturities						
U.S. government and agency	\$128,916	\$(6,688)	\$881,631	\$(13,760)	\$1,010,547	\$(20,448)
Non-U.S. government	163,690	(46,219)	298,542	(17,781)	462,232	(64,000)
Corporate debt	229,078	(19,633)	2,326,826	(52,775)	2,555,904	(72,408)
Agency RMBS	65,726	(1,740)	763,509	(7,539)	829,235	(9,279)
CMBS	64,037	(784)	297,266	(3,072)	361,303	(3,856)
Non-Agency RMBS	4,963	(600)	44,753	(383)	49,716	(983)
ABS	495,889	(5,090)	336,672	(888)	832,561	(5,978)
Municipals	14,478	(405)	148,681	(1,815)	163,159	(2,220)
Total fixed maturities	\$1,166,777	\$(81,159)	\$5,097,880	\$(98,013)	\$6,264,657	\$(179,172)
Equity securities						
Exchange-traded funds	—	—	115,026	(3,763)	115,026	(3,763)
Bond mutual funds	—	—	16,692	(78)	16,692	(78)
Total equity securities	\$—	\$—	\$131,718	\$(3,841)	\$131,718	\$(3,841)
At December 31, 2014						
Fixed maturities						
U.S. government and agency	\$388,551	\$(24,319)	\$786,850	\$(4,009)	\$1,175,401	\$(28,328)
Non-U.S. government	143,602	(29,171)	435,670	(25,270)	579,272	(54,441)
Corporate debt	26,708	(2,221)	2,199,672	(64,059)	2,226,380	(66,280)
Agency RMBS	259,914	(3,084)	333,288	(1,151)	593,202	(4,235)
CMBS	68,624	(925)	256,225	(1,094)	324,849	(2,019)
Non-Agency RMBS	6,689	(613)	13,442	(302)	20,131	(915)
ABS	425,663	(10,325)	750,679	(5,863)	1,176,342	(16,188)
Municipals	34,462	(644)	25,284	(188)	59,746	(832)
Total fixed maturities	\$1,354,213	\$(71,302)				