



**AXIS Capital Holdings Limited**

**Financial Condition Report  
For the year ended December 31, 2022**

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**AXIS CAPITAL HOLDINGS LIMITED**  
**FINANCIAL CONDITION REPORT**

For the year ended December 31, 2022

*(In thousands of U.S. dollars)*

## 1. COMPANY HISTORY

AXIS Capital Holdings Limited ("AXIS Capital") is a Bermuda-based holding company for the AXIS group of companies, collectively (the "Company"). AXIS Capital was incorporated on December 9, 2002, under the laws of Bermuda. The Company is a global specialty underwriter and provider of insurance and reinsurance solutions. The Company's principal operating subsidiaries are located in Bermuda, the United States ("U.S."), Europe, Singapore and Canada.

## 2. BUSINESS AND PERFORMANCE

### 2.1. Name of Insurance Group

AXIS Capital Holdings Limited

### 2.2. Name and Contact Details of Approved Group Supervisor

Name: The Bermuda Monetary Authority  
Jurisdiction: Bermuda  
Address: BMA House  
43 Victoria Street, Hamilton, Bermuda  
Phone number: 441-295-5278

### 2.3. Name and Contact Details of Approved Group Auditor

Organisation: Deloitte Ltd.  
Address: Corner House  
20 Parliament Street, Hamilton, Bermuda  
Phone number: 441-292-1500

### 2.4. Ownership Details

The following table sets forth information as of March 10, 2023 regarding beneficial ownership of our common shares for each person or group known to us to be the beneficial owner of more than 5% of our common shares<sup>(1)</sup>:

Owner Name	Number of Common Shares	Ownership Percentage
T. Rowe Price Investment Management, Inc. (2)	10,193,257	12.0 %
The Vanguard Group, Inc. (3)	8,281,280	9.7 %
Pzena Investment Management, LLC (4)	5,543,905	6.5 %
T-VIII PubOpps LP (5)	6,777,806	8.0 %

(1) Unless otherwise indicated, the number of common shares beneficially owned and percentage of outstanding common shares are based on 85,182,723 common shares outstanding as of March 10, 2023. Beneficial ownership is determined in accordance with the rules of the SEC and includes sole or shared voting or investment power with respect to such shares. Except as indicated in the footnotes to the table, based on information provided by the persons named in the table, such persons have sole voting and investment power with respect to all common shares shown as beneficially owned by them. Our by-laws reduce the total voting power of any shareholder owning 9.5% or more of our common shares to less than 9.5% of the voting power of our capital stock, but only in the event that a U.S. Shareholder, as defined in our bye-laws, owning 9.5% or more of our common shares is first determined to exist.

(2) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 1 to Schedule 13G/A filed on February 14, 2023 by T. Rowe Price Investment Management, Inc., 100 E. Pratt Street, Baltimore, MD 21202, and includes common shares beneficially owned as of December 31, 2022. T. Rowe Price has sole voting power over 3,772,205 common shares and sole dispositive power over 10,193,257 common shares.

(3) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 9 to Schedule 13G/A filed on February 9, 2023 by The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355, and includes common shares beneficially owned as of December 31, 2022. Vanguard has sole dispositive power over 8,281,280 common shares. Vanguard has shared voting power over 48,177 common shares and shared dispositive power over 124,585 common shares.

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- (4) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 8 to Schedule 13G/A filed on January 24, 2023 by Pzena Investment Management, LLC, 320 Park Avenue, 8th Floor, New York, NY 10022, and includes common shares beneficially owned as of December 31, 2022. Pzena has sole voting power over 4,951,774 common shares and sole dispositive power over 5,543,905 common shares.
- (5) The number of common shares beneficially owned and the information set forth below is based solely on information contained in Amendment No. 1 to Schedule 13D filed on August 28, 2020 by T-VIII PubOpps LP (“T8”), T-VIII PubOpps GP LLC (“T8 GP”), Trident VIII, L.P. (“Trident VIII”), Trident Capital VIII, L.P. (“Trident VIII GP”) and Stone Point Capital LLC (“Stone Point”) (collectively, the “Stone Point Reporting Persons”), 20 Horseneck Lane, Greenwich, CT 06830 and includes common shares beneficially owned as of July 24, 2020. The Stone Point Reporting Persons have shared voting power over 6,777,806 common shares. T8, T8 GP, Trident VIII and Trident VIII GP each have shared dispositive power over 6,777,806 common shares.

## 2.5. Group Structure

See Appendix 1 - Organizational Chart

## 2.6. Insurance Business Written

The following table provides gross premiums written and net earned premiums by segment and line of business:

Year ended December 31	2022		2021	
	Gross Premiums Written	Net Earned Premiums	Gross Premiums Written	Net Earned Premiums
<b>Insurance Segment:</b>				
Professional lines	\$ 1,322,966	\$ 817,924	\$ 1,290,767	\$ 646,390
Property	1,357,489	755,986	1,192,981	711,297
Liability	1,138,645	459,775	930,999	354,787
Cyber	644,746	309,004	525,349	252,077
Marine and aviation	652,687	479,499	580,635	439,050
Accident and health	258,399	209,548	178,899	151,133
Credit and political risk	210,649	102,419	163,602	96,605
<b>Total Insurance</b>	<b>5,585,581</b>	<b>3,134,155</b>	<b>4,863,232</b>	<b>2,651,339</b>
<b>Reinsurance Segment:</b>				
Liability	719,831	484,681	722,931	431,596
Accident and health	411,891	368,747	398,641	361,196
Professional lines	400,807	250,911	353,671	220,448
Credit and surety	298,565	192,926	208,108	158,549
Motor	239,794	205,774	279,966	247,099
Agriculture	128,012	122,289	86,128	82,743
Marine and aviation	93,371	78,504	73,968	58,775
<u>Run-off lines</u>				
Catastrophe	222,810	156,232	492,397	238,775
Property	103,492	135,480	213,406	231,092
Engineering	10,441	30,627	(6,464)	28,238
<u>Total run-off lines</u>	<u>336,743</u>	<u>322,339</u>	<u>699,339</u>	<u>498,105</u>
<b>Total Reinsurance</b>	<b>2,629,014</b>	<b>2,026,171</b>	<b>2,822,752</b>	<b>2,058,511</b>
<b>Total</b>	<b>\$ 8,214,595</b>	<b>\$ 5,160,326</b>	<b>\$ 7,685,984</b>	<b>\$ 4,709,850</b>

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The following table provides gross premiums written by geographical location of our subsidiaries as follows:

Year ended December 31,	Gross Premiums Written	
	2022	2021
U.S.	\$ 4,342,707	\$ 4,002,748
Ireland	1,931,815	1,667,496
Lloyd's of London	1,567,458	1,473,047
Bermuda	372,615	542,693
<b>Total</b>	<b>\$ 8,214,595</b>	<b>\$ 7,685,984</b>

## 2.7. Investment Performance

The following table provides a breakdown of the Company's investments:

As at December 31,	2022	2021
Fixed maturities, at fair value	\$ 12,001,637	\$ 12,758,233
Equity securities, at fair value	485,253	655,675
Mortgage loans, held for investments, at fair value	627,437	594,088
Other investments, at fair value	996,751	947,982
Equity method investments	148,288	146,293
Short-term investments, at fair value	70,310	31,063
<b>Total Investments</b>	<b>\$ 14,329,676</b>	<b>\$ 15,133,334</b>

The following table provides a breakdown of fixed maturities and equity securities by asset type, at fair value:

As at December 31,	2022	2021
<b>Fixed Maturities:</b>		
U.S. government and agency	\$ 2,639,330	\$ 2,682,448
Non-U.S. government	562,029	795,178
Corporate debt	4,329,328	4,532,884
Agency RMBS <sup>(1)</sup>	1,202,785	1,074,589
CMBS <sup>(2)</sup>	947,778	1,248,191
Non-Agency RMBS	133,534	186,164
ABS <sup>(3)</sup>	2,030,498	2,029,941
Municipals <sup>(4)</sup>	156,355	208,838
<b>Total Fixed Maturities</b>	<b>\$ 12,001,637</b>	<b>\$ 12,758,233</b>
<b>Equity Securities:</b>		
Common stocks	\$ 7,473	\$ 1,364
Preferred Stocks	72	179
Exchange-traded funds	269,806	336,815
Bond mutual funds	207,902	317,317
<b>Total Equity Securities</b>	<b>\$ 485,253</b>	<b>\$ 655,675</b>

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- (1) Residential mortgage-backed securities ("RMBS") originated by U.S. government-sponsored agencies.
- (2) Commercial mortgage-backed securities ("CMBS").
- (3) Asset-backed securities ("ABS") include debt tranches collateralized primarily by auto loans, student loans, credit card receivables and collateralized loan obligations ("CLOs").
- (4) Municipals include bonds issued by states, municipalities and political subdivisions.

At December 31, 2022, our fixed maturities had a weighted average credit rating of AA- , a book yield of 3.5% and an average duration of 3.0 years.

The following table provides a breakdown of other investments by asset type, at fair value:

As at December 31,	2022	2021
Long/short equity funds	\$ —	\$ 3,476
Multi-strategy funds	32,616	56,012
Direct lending funds	258,626	289,867
Private equity funds	265,836	249,974
Real estate funds	298,499	238,222
CLO-Equities	5,016	5,910
Other privately held investments	136,158	104,521
<b>Total Other Investments</b>	<b>\$ 996,751</b>	<b>\$ 947,982</b>

The investment strategies for the above funds are as follows:

- *Long/short equity funds*: Seek to achieve attractive returns primarily by executing an equity trading strategy involving long and short investments in publicly-traded equity securities.
- *Multi-strategy funds*: Seek to achieve above-market returns by pursuing multiple investment strategies to diversify risks and reduce volatility. This category includes funds of hedge funds which invest in a large pool of hedge funds across a diversified range of hedge fund strategies.
- *Direct lending funds*: Seek to achieve attractive risk-adjusted returns, including current income generation, by investing in funds which provide financing directly to borrowers.
- *Private equity funds*: Seek to achieve attractive risk-adjusted returns by investing in private transactions over the course of several years.
- *Real estate funds*: Seek to achieve attractive risk-adjusted returns by making and managing investments in real estate and real estate securities and businesses.

The following table provides the annualized returns on investments (excluding investment expenses) by asset class:

Year ended December 31,	2022	2021
Cash and cash equivalents	1.3%	0.3%
Fixed maturities	(7.5)%	(0.4)%
Equity securities	(22.3)%	8.1%
Other investments	5.9%	21.3%
Equity method investments	1.3%	24.6%
Mortgage loans, held for investments	3.7%	2.8%
Short-term investments	5.6%	0.5%

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**2.8. Material Income and Expenses**

The Company's main revenue source is premiums. The Company purchases reinsurance to reduce exposure to significant losses. Gross premiums written increased by \$529 million or 7% in 2022 compared to 2021 with a \$722 million increase in the insurance segment partially offset by a \$194 million reduction in the reinsurance segment.

In the insurance segment, there were increases in all lines of business. The increases in liability, property, marine and aviation lines, and professional lines were due to favorable rate changes and new business. The increase in cyber lines was due to favorable rate changes. The increases in accident and health, and credit and political risk were due to new business.

In the reinsurance segment, the decrease was primarily attributable to catastrophe, property, motor, and liability lines, partially offset by increases in credit and surety, professional lines, agriculture, marine and aviation, engineering, and accident and health lines.

The decreases in catastrophe and property lines were largely driven by non-renewals and decreased line sizes associated with repositioning the portfolio during the six months ended June 2022, together with the exit from these lines of business in June 2022. The decrease in catastrophe lines was also due to a lower level of reinstatement premiums related to catastrophe losses in 2022, compared to 2021.

The decrease in motor lines was largely driven by non-renewals and decreased line sizes associated with repositioning the portfolio. In addition, the decrease in motor lines was attributable to the impact of foreign exchange rate movements, and the timing of the renewal of a significant contract, partially offset by a lower level of negative premium adjustments in 2022, compared to 2021 due to significant adjustments attributable to the COVID-19 pandemic recognized in 2021.

The decrease in liability lines was due to a lower level of premium adjustments associated with favorable market conditions in 2022, compared to 2021, largely offset by an increase in renewals due to favorable market conditions, and new business. The increases in credit and surety, agriculture, professional lines, and accident and health lines were driven by new business. The increases in credit and surety, and accident and health lines were also due to premium adjustments related to significant contracts.

The increase in professional lines was also due to a higher level of premium adjustments associated with favorable market conditions in 2022, compared to 2021. In addition, an increase in renewals associated with favorable market conditions and increased line sizes on several contracts contributed to the increase in professional lines in 2022, compared to 2021. The increase in engineering lines was due to premium adjustments related to a significant contract. The increase in marine and aviation lines was attributable to new business and premium adjustments.

In the insurance segment, net premiums earned in 2022 increased by \$483 million, or 18% compared to 2021. The increase was primarily driven by increases in gross premiums earned in liability, professional lines, cyber, property, accident and health, and marine and aviation lines, partially offset by increases in ceded premiums earned in liability, property, cyber, and professional lines.

In the reinsurance segment, net premiums earned in 2022 decreased by \$32 million, or 2%, compared to 2021. The decrease was primarily driven by decreases in gross premiums earned in catastrophe, property, and motor lines, together with increases in ceded premiums earned in professional lines, motor, and credit and surety lines. These decreases were partially offset by increases in gross premiums earned in liability, professional lines, credit and surety, agriculture, and marine and aviation lines and decreases in ceded premiums earned in catastrophe lines.



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The Company's most significant expense is net losses and loss expenses on net premiums earned. Other significant expenses are costs incurred to acquire business and general and administrative expenses. The Company's combined ratio decreased in 2022 to 95.8% from 97.5% in 2021. The decreased combined ratio in 2022 was due to reduced net losses and loss expenses and general and administrative expenses ratios, partly offset by an increased acquisition cost ratio. The reduced loss ratio was due to reduced catastrophe and weather-related loss ratio contributing 7.8% to the incurred loss ratio in 2022 compared to 9.5% in 2021, partly offset by reduced favourable prior year reserve development in 2022 and an increased current accident year loss ratio (excluding catastrophe and weather-related losses).

The following table provides the Company's more significant expenses:

Year ended December 31,	2022		2021	
	Amount	% of Net Earned Premiums	Amount	% of Net Earned Premiums
Net losses and loss expenses	\$ 3,242,410	62.8%	\$ 3,008,783	63.9%
Acquisition costs	1,022,017	19.8%	921,834	19.6%
General and administrative expenses	680,343	13.2%	663,304	14.0%
<b>Underwriting expenses/combined ratio</b>	<b>\$ 4,944,770</b>	<b>95.8%</b>	<b>\$ 4,593,921</b>	<b>97.5%</b>

### 3. GOVERNANCE STRUCTURE

#### 3.1. Board and Senior Executives

##### 3.1.1. Board and Senior Executives Roles and Responsibilities

#### Board of Directors

Name	Board Position
Albert A. Benchimol	Chief Executive Officer, President and Director (until May 4, 2023)
Vincent C. Tizzio	Chief Executive Officer, President and Director (effective May 4, 2023)
Henry B. Smith	Chair of the Board of Directors
W. Marston Becker	Independent Director
Charles A. Davis	Independent Director
Anne Melissa Dowling	Independent Director
Elanor R. Hardwick	Independent Director
Michael Millegan	Independent Director
Thomas C. Ramey	Independent Director
Axel Theis	Independent Director
Barbara A. Yastine	Independent Director
Lizabeth H. Zlatkus	Independent Director

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**Senior Executives**

<b>Name</b>	<b>Position</b>
Albert A. Benchimol	Chief Executive Officer, President and Director (until May 4, 2023)
Vincent C. Tizzio	Chief Executive Officer, President and Director (effective May 4, 2023)
Conrad D. Brooks	General Counsel
Peter Vogt	Chief Financial Officer
Daniel Draper	Group Chief Underwriting Officer
David Phillips	Chief Investment Officer

**Role of Board, Management and Employees**

The Company's business is conducted by its employees, managers and officers under the management of the Chief Executive Officer ("CEO") and the oversight of the Board. The Board is elected by the shareholders to oversee the actions and results of management and to advance the shareholders' interests in maximizing value over the long-term.

**Director Responsibilities**

The Board is ultimately responsible for maintaining the integrity of the Company. The Board is also responsible for:

- Evaluating and approving sound business strategies in order to deliver sustainable long-term value for stakeholders;
- Selecting, evaluating and determining compensation for the Chief Executive Officer;
- Establishing appropriate corporate governance structures;
- Ensuring the integrity of financial statements;
- Assessing major risk factors and reviewing policies to manage and mitigate risk; and
- Assuring the Company's business is conducted on an ethical basis in compliance with applicable laws, rules and regulations.

In discharging their responsibilities, directors shall exercise their business judgment to act in ways they reasonably believe to reflect the best interests of the Company and its shareholders. Directors are entitled to rely on the integrity of management, outside advisors and outside auditors.

The proceedings and deliberations of the Board and its committees are confidential. Directors shall maintain the confidentiality of information received in connection with their service as a director.

**Duties of Non-Management Directors**

Non-management directors must meet at regularly scheduled executive sessions without management present. In addition, if the non-management directors include any directors who are not "independent", the independent directors alone shall hold at least one meeting per year. Under the Company's Corporate Governance Guidelines, the Company is not required to have a "Lead Independent Director" because Mr. Smith qualifies as an independent chair.

**Compliance with Company Policies**

The Company shall maintain policies including a Corporate Disclosure Policy, Insider Trading Policy and a Code of Business Conduct and Whistleblower Policy, the latter two of which shall address the procedures for reporting potential and actual violations relating to any law, rule, regulation or Company policy. All directors are required to comply with the Company's policies.

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**Board Committees**

Committees shall be established by the Board to facilitate and assist in the execution of the Board's responsibilities. The Board may establish and maintain committees as appropriate under the circumstances.

***Standing Committees***

The Board shall have, at all times, an Audit Committee, a Human Capital and Compensation Committee, a Corporate Governance, Nominating and Social Responsibility Committee, a Finance Committee and a Risk Committee.

All current members of these committees qualify as independent directors under the independence requirements of the New York Stock Exchange and other requirements set forth in applicable laws, rules and regulations.

The Board will appoint committee members with the assistance of the Corporate Governance, Nominating and Social Responsibility Committee. Committee members may be periodically rotated as appropriate, with a general expectation that each committee chair serves a term to be established at the time that such chair is appointed. Directors will be polled from time to time as to their preference for committee service.

Each committee shall have a written charter that sets forth the purpose, duties and responsibilities of each committee as well as the qualifications of each committee member. Each charter will require an annual self-evaluation of the committee's performance and the adequacy of the committee's charter.

The roles and responsibilities of the Committees are as follows:

***Executive Committee***

The Executive Committee may exercise the authority of the Board when a quorum of the Board is not available, except in cases where the action of the entire Board is required by our memorandum of association, our bye-laws or applicable law.

***Audit Committee***

The Audit Committee has general responsibility for the oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditor's qualifications and independence and the performance of our internal audit functions and independent auditors. The Committee appoints, retains and determines the compensation for our independent auditors, pre-approves the fees and services of the independent auditors and reviews the scope and results of their audit. The Audit Committee has been established in accordance with Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each member of the Audit Committee is a non-management director and is independent based on the listing standards of the NYSE and our Corporate Governance Guidelines. Our Board has determined that each of Messrs. Ramey and Theis and Ms. Yastine and Zlatkus qualify as an audit committee financial expert pursuant to the rules and regulations of the SEC.

***Human Capital and Compensation Committee***

The Human Capital and Compensation Committee recommends compensation for our Chief Executive Officer to the Board, and it approves compensation to certain other executives in light of our established corporate performance goals and reviews and approves overall officer, management and employee compensation policies, incentive compensation plans, equity-based plans and director compensation. In addition, the Human Capital and Compensation Committee has primary oversight of the Company's human capital management efforts, including DEI, human rights, talent development and employee engagement (as delegated by the Corporate Governance, Nominating and Social Responsibility Committee). Each member of this Committee is a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act and is independent as defined in the listing standards of the NYSE and in accordance with our Corporate Governance Guidelines.

***Corporate Governance, Nominating and Social Responsibility Committee***

The Corporate Governance, Nominating and Social Responsibility Committee takes a leadership role in shaping our corporate governance by identifying and proposing qualified director nominees, overseeing the purpose, structure and composition of our Board committees and periodically reviewing our Code of Business Conduct and Corporate Governance Guidelines. The Committee also establishes and oversees our Board and committee evaluation process which occurs annually. Additionally, the

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Committee oversees our ESG and sustainability initiatives which are considered to be an essential part of our governance and are discussed in further detail in our proxy statement. The Committee delegates oversight of human capital management, a component of the Company's ESG program, to the Company's Human Capital and Compensation Committee. Each member of this Committee is a non-management director and is independent as defined in the listing standards of the NYSE and in accordance with our Corporate Governance Guidelines.

*Finance Committee*

The Finance Committee oversees the investment and treasury functions of the Company, including the investment of funds and financing facilities. Its responsibilities include: approving our investment policies and guidelines, reviewing the performance of the investment portfolio, monitoring the need for additional financing and ensuring compliance with outstanding debt facility covenants and making recommendations to the Board concerning the Company's dividend policy.

*Risk Committee*

The Risk Committee assists the Board in its oversight of risks to which the Company is exposed and monitors compliance with our aggregate risk standards and risk appetite. The Risk Committee also reviews compensation practices to determine whether our policies and plans are consistent with the Company's risk framework and do not encourage excessive risk taking.

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### **3.1.2. Remuneration Policy and Practices**

#### **Director Compensation**

The form and amount of director compensation shall be determined by the Board upon the recommendation of the Human Capital and Compensation Committee. In doing so, the Board and the Human Capital and Compensation Committee shall be guided by the following principles:

- Director compensation should be comparable to companies of similar size, complexity and industry;
- Director compensation should align the interests of directors with those of the shareholders;
- The structure of director compensation should be transparent; and
- Compensation for committee service may vary depending upon required time commitment and nature of duties and responsibilities, so long as the additional compensation is of the same form available to all directors.

Employee directors are not paid additional compensation for their service as directors.

#### **Independence Concerns**

In determining the form and amount of director compensation and director independence, it must be considered that directors' independence may be jeopardized if director compensation exceeds what is customary. Similar concerns are raised if substantial charitable contributions are made to an organization with which the director is affiliated, or if the Company provides other types of indirect compensation to a director (including, for example, entering into a consulting contract with a director or an organization with which the director is affiliated).

#### **Review**

The Human Capital and Compensation Committee shall conduct an annual review of director compensation, as well as an annual review of the principles for determining compensation form and amount.

#### **Executive Compensation**

We are a global specialty underwriter and provider of insurance and reinsurance solutions. As the global specialty marketplace is highly competitive, it is critical that we recruit, retain and motivate top talent. To achieve this goal, we have designed our executive compensation programs to retain and reward leaders who create long-term value for our shareholders. The combination of fixed and variable compensation that we pay to our Named Executive Officers ("NEO") is structured to reward above-median performance with above-median levels of compensation and conversely, to provide below-median compensation for below-median performance. A large portion of our NEOs' compensation is variable, or performance-based, and consists of annual incentive awards and long-term equity awards, while the fixed component of their compensation is designed to reflect their significant level of responsibility. The primary consideration for our compensation decisions continues to be the assessment of Company performance based on: (i) certain short-term and long-term financial metrics; and (ii) both business unit and individual performance.

- (1) The term "Named Executive Officers" refers to Albert Benchimol, Peter Vogt, Vincent Tizzio, David Phillips, Conrad Brooks, Steve Arora and Peter Wilson who were executive officers of the Company in 2022. Mr. Arora served as CEO of Reinsurance through June 30, 2022, and he served in a transitional role from July 1, 2022 through December 31, 2022. Mr. Wilson served as CEO of Insurance through May 31, 2022, and he served in a transitional role from June 1, 2022 through December 31, 2022.

#### **Risk Management and Compensation**

In line with the Company's requirements for managing compensation risk, the Human Capital and Compensation Committee seeks to ensure that our executive compensation program does not encourage executives to take risks that are inconsistent with the long-term success of the Company.

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### **Human Capital and Compensation Committee Consultant**

Our Human Capital and Compensation Committee has sole authority to select, retain and terminate any consultants or advisors used to provide independent advice to the Human Capital and Compensation Committee and evaluate executive compensation, including sole authority to approve the fees and any other retention terms for any such consultant or advisor.

#### **3.1.3. Supplementary Pension or Early Retirement Schemes**

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

For eligible U.S. employees, the Company provides a non-qualified deferred compensation plan that enables employees to make contributions to the plan that are in excess of those permitted under the Company's 401(k) Plan. In addition, employees are permitted to make additional contributions from any bonus received and to benefit from discretionary employer contribution to the Plan. Each of our NEOs participate in our AXIS 401(k) Plan and some of our NEOs also participate in the U.S. Supplemental Plan.

In 2016, the Company established the AXIS Executive Restricted Stock Unit Retirement Plan (the "Plan") to reward certain eligible long-term employees of the Company for their dedicated service. The Plan was implemented in 2017. Subject to certain conditions being met, eligible employees do not forfeit all of their outstanding share-settled restricted stock units, share-settled performance restricted stock units or cash-settled restricted stock units on or following their retirement. Absent the Plan, outstanding restricted stock units are generally forfeited upon termination of employment.

#### **3.1.4. Material Transactions with Shareholder Controllers, Board or Senior Executives**

In 2022, the Company paid \$180 million of dividends to common and preferred shareholders.

We have established procedures for reviewing transactions between us and any director, executive officer or holder of five percent or more of our voting securities, or an immediate family member of any such person. These procedures help us evaluate whether any such related person transaction could impair the independence of a director or present a conflict of interest on the part of a director or executive officer. With the assistance of the Company's General Counsel, our Corporate Governance, Nominating and Social Responsibility Committee, a committee comprised of independent directors, is required to consider and approve all transactions in which AXIS participates, a related person may have a direct or indirect material interest in the transaction and the aggregate amount involved may exceed \$120,000. When reviewing transactions, the Corporate Governance, Nominating and Social Responsibility Committee considers any factors it deems relevant, including (i) whether the transaction is in the ordinary course of business of the Company, (ii) whether the transaction is on terms no less favorable than terms available to an unaffiliated third party, (iii) the related party's interest in the transaction, (iv) the approximate dollar value of the transaction, (v) the purpose of the transaction, (vi) the disclosure obligations of the Company, (vii) the conflict of interest provisions of our Code of Business Conduct, and (viii) any other information that may be considered material.

Related persons include any of our directors, director nominees or executive officers, certain of our shareholders and their respective immediate family members. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with our interests.

Our Code of Business Conduct requires all directors, officers and employees who may have either a potential or apparent conflict of interest to promptly disclose such conflict to our General Counsel. We seek affirmative confirmation of compliance with our Code of Business Conduct from our directors, officers and employees annually. Additionally, each year, our directors and executive officers complete questionnaires that require the identification of any arrangements or transactions in which they or their family members have an interest. Further, directors are requested to disclose any new conflicts of interest at each quarterly board meeting, and they would be expected to recuse themselves from any matters involving a potential conflict.

The following is a summary of transactions between the Company and affiliates of Stone Point, a private equity firm that specializes in the insurance and financial services industry, including owning several specialized investment managers. Charles A. Davis, a member of the Company's Board of Directors, is the Chief Executive Officer of Stone Point.

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In the ordinary course of business, the Company engages SKY Harbor Capital Management, LLC, a portfolio company of investment funds managed by Stone Point, to manage certain of our high yield debt portfolios representing approximately 9% of our total investments. In 2022, we paid \$2.46 million to SKY Harbor Capital Management, LLC in fees relating to these portfolios.

We have an investment of \$39 million in the Freedom Consumer Credit Fund, LLC Series B, the manager of which is Freedom Financial Asset Management, LLC, an indirect subsidiary of Pantheon Partners, LLC (“Pantheon”). Investment funds managed by Stone Point own approximately 14.5% of Pantheon. During 2022, fees paid to Freedom Financial Asset Management, LLC totaled \$1.7 million.

We have a \$82 million investment in Stone Point’s private equity fund, Trident VIII L.P. and co-investments of \$26 million. In 2022, we paid and accrued \$2.2 million in fees to Stone Point in connection with our investment in Trident VIII L.P. We pay no fees to Stone Point in connection with our co- investments.

We have a \$9 million investment in Stone Point's private equity fund, Trident IX L.P. ("Trident IX"). In 2022, fees paid to Stone Point in relation to Trident IX were \$700,000.

We have \$24 million of co-investments alongside Gordon Brothers, a majority-owned portfolio company of Stone Point's Trident VII funds that participates in distressed corporate restructurings. In 2022, we paid \$140,000 in aggregate fees to Gordon Brothers with respect to these co- investments.

We have a \$40 million investment in Rialto Real Estate IV-Property and co-investments of \$17 million with Rialto Real Estate Fund IV-Property, a fund managed by a portfolio company of Stone Point’s private equity fund, Trident VII L.P. In 2022, we paid Rialto Capital Management \$2.4 million in fees in connection with these investments.

We have a \$18 million investment in Stone Point Credit Corporation. In 2022, \$400,000 in fees were paid relating to this investment. In addition, we have a \$17 million investment in Stone Point Credit Corporation bonds. In 2022, AXIS earned \$600,000 in interest fees in connection with this transaction. The coupon rate on the bonds is 5.83%.

We have a \$6 million investment in a syndicated accounts receivable loan for which Sound Point Capital, an affiliate of certain principals of Stone Point, is the lead originator. We pay no fees to Sound Point Capital in connection with our investment.

## **3.2 Fitness and Propriety Requirements**

### **3.2.1. Fit and Proper Process for Assessing Board and Senior Executives**

#### **Board of Directors**

For the Board to satisfy its oversight responsibilities effectively, the Board seeks members who combine the highest standards of integrity with significant accomplishment in their chosen fields. The Corporate Governance, Nominating and Social Responsibility Committee is responsible for recommending qualified candidates for directorships to be filled by the Board or by our shareholders. Directors are expected to bring a diversity of experiences, skills and perspectives to our Board. The Committee considers qualities of intelligence, honesty, perceptiveness, good judgment, high ethics and standards, integrity and fairness to be of paramount importance. It also examines experience, diversity, knowledge and skills in business judgment, leadership, strategic planning, general management practices and crisis response. In addition, the Committee looks for candidates with financial expertise and a willingness and ability to commit the time required to fully discharge their responsibilities to the Board. The Committee evaluates candidates on their qualifications and not based of the manner in which they were submitted for consideration.

The Committee views diversity as an essential element of our Board’s composition and effectiveness. Attributes that will be additive to our overall Board’s diversity, such as race, gender identity, age, sexual orientation, ethnicity and national origin are considered in the identification and evaluation of our director candidates.

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**Chief Executive Officer**

The Board shall be responsible for selecting the CEO. CEO selection should be guided by the following principles:

- The CEO of AXIS should uphold the highest standards of integrity;
- The CEO of AXIS should demonstrate strong leadership with respect to strategy, personnel and stakeholder engagement; and
- The CEO of AXIS should be capable of successfully directing the Company's operations and results.

The Human Capital and Compensation Committee will conduct an annual performance review of the CEO. This evaluation should be based on the above principles, in addition to an objective assessment of the Company's business performance and the accomplishment of short-, medium- and long-term strategic goals. The full Board will review the Human Capital and Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company, both in the long- and short-term.

**All Employees**

All of AXIS' employees, directors and officers are required to comply with the AXIS Capital business ethics policies which include Code of Business Conduct, Whistleblower Policy and Insider Trading Policy. AXIS requires that all employees, directors and officers conduct business with integrity and comply with all applicable laws and regulations. The AXIS Business Ethics Policies set forth the standards of business conduct consistent with AXIS' core values of professionalism and integrity. To reinforce familiarity and understanding of the guiding principles of these policies, each year, all employees, officers and directors are required to acknowledge their acceptance and certify their compliance with each of the policies.

As part of the recruitment process, a candidate will be assessed to determine whether he or she is fit for the particular role; specifically with reference to competency and capability.

AXIS will consider information about a person's competency and capability for a position, which includes the following:

- the responsibilities of the position;
- the person's demonstrated capacity to successfully undertake the responsibilities of the position and the establishment/maintenance of an effective control regime;
- the person's knowledge of the business and responsibilities of the position; and
- any professional qualifications, formal and informal training.

Also, as part of the recruitment process, a candidate will be assessed to determine whether he or she meets AXIS's standards for probity; specifically with reference to honesty, integrity, fairness, ethical behaviour and financial soundness.

AXIS will consider a candidate's record as a good indicator of character, as well as other information indicative of honesty, integrity, fairness and ethical behaviour.



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**3.2.2. Qualifications, Skills and Expertise of Board and Senior Executives**

**Directors**

***Albert A. Benchimol (until May 4, 2023)***

Albert A. Benchimol was appointed President and Chief Executive Officer of AXIS Capital Holdings Limited in May 2012 and has served as director since January 2012. Mr. Benchimol joined the Company as Executive Vice President and Chief Financial Officer in January 2011. He formerly served as Executive Vice President and Chief Financial Officer of PartnerRe Ltd. from April 2000 through September 2010, and Chief Executive Officer of PartnerRe Ltd.'s Capital Markets Group business unit from June 2007 through September 2010. Prior to joining PartnerRe, Mr. Benchimol was Senior Vice President and Treasurer at Reliance Group Holdings, Inc. for 11 years and was previously with the Bank of Montreal from 1982 to 1989. He sits on the Insurance Development Forum Steering Committee and is an officer of the Association of Bermuda Insurers and Reinsurers (ABIR). Mr. Benchimol has served in a leadership role in a number of additional industry organizations, including ABIR (Chair, 2019 - 2020 and Vice-Chair, 2017-2018), the Council of Lloyd's (External Member, 2019 - 2020), and the St. John's University Maurice R. Greenberg School of Risk Management, Insurance and Actuarial Science (Board of Overseers, 2017-2022).

***Vincent C. Tizzio (effective May 4, 2023)***

Vincent C. Tizzio was appointed AXIS President and CEO in May 2023. He joined AXIS in January 2022 as Senior Advisor – Insurance Market Strategy and was appointed CEO Specialty Insurance and Reinsurance in June 2022. Prior to joining AXIS, Mr. Tizzio served as Executive Vice President and Head of Global Specialty at The Hartford where he led a multi-billion dollar business focused on delivering a broad array of specialty products through wholesale and retail channels. Previously, he had served for seven years as President and CEO of Navigators Management Company, leading the organization until its acquisition by The Hartford in 2019. Prior to this, Mr. Tizzio worked at Zurich Financial Services and AIG, serving in progressive senior leadership roles within both companies.

***Henry B. Smith***

Henry B. Smith has served as a director since May 2004 and as Chair since September 2020. Mr. Smith served as the Chief Executive Officer and President of W.P. Stewart & Co., Ltd. from May 2005 to March 2006. Mr. Smith is the former Chief Executive Officer of the Bank of Bermuda Limited, a position he held from March 1997 until March 2004. He joined the Bank of Bermuda in 1973 as a management trainee and held various senior positions within the Bank of Bermuda, including Executive Vice President and Chief Operations Officer, Executive Vice President, Europe and Senior Vice President and General Manager, Retail Banking.

***W. Marston Becker***

W. Marston Becker joined our Board in June 2020. Mr. Becker has over 35 years of insurance industry experience. From 2014 until April 2020, Mr. Becker served as Chairman of QBE Insurance Group. From 2006 to 2013, he served as Chairman and Chief Executive Officer of Alterra Capital Holdings Limited, serving as a director from 2004 to 2013. He also served on the board of Selective Insurance Group, Inc. from 2006 until 2011. From 2002 to 2005, Mr. Becker was Chairman and Chief Executive Officer of Trenwick Group, Ltd. From 2002 until 2008, Mr. Becker was Chairman and Chief Executive Officer of the run-off for LaSalle Re Holdings Limited. He was non-executive Chairman of Hales & Company, a boutique insurance industry investment bank and private equity investor specializing in the insurance brokerage industry, from 2001 to 2004. Mr. Becker also served as Chairman and Chief Executive Officer of Orion Capital Corporation from 1996 to 2000 and was President and Chief Executive Officer of McDonough Caperton Insurance Group, Inc. from 1987 to 1994, previously serving in other executive positions since 1978. He currently serves as a director of Encova Mutual Insurance Company, Amynta Group and the Mountain Companies and Chairman of MVB Financial Corp. He is an advisory board member of the American Securities Fund, Cohesive Capital and Madison Dearborn Partners. Mr. Becker is a certified public accountant and an admitted attorney in West Virginia. He holds both a BS and JD from the West Virginia University.

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***Charles A. Davis***

Charles A. Davis has served as a director since our inception. Since June 2005, Mr. Davis has been a member and the Chief Executive Officer of Stone Point Capital LLC (“Stone Point”). From 1998 until May 2005, he was with MMC Capital, Inc., a subsidiary of Marsh & McLennan Companies, Inc., serving as the Chief Executive Officer from 1999 to 2005 and Chairman from 2002 to 2005. He also served as a Vice Chairman of Marsh & McLennan Companies, Inc. from 1999 to November 2004. Prior to joining MMC Capital in 1998, Mr. Davis spent 23 years at Goldman, Sachs & Co., where, among other positions, he served as head of Investment Banking Services worldwide, head of the Financial Services Industry Group, a General Partner, a Senior Director and a Limited Partner. Mr. Davis previously served as a director of The Hershey Company from 2007 to May 2021. He is currently on the Board of The Progressive Corporation.

***Anne Melissa Dowling***

Anne Melissa Dowling joined our Board in January 2020. She previously served as Director of Insurance for the State of Illinois from 2015 to 2017 and as Deputy (and Acting) Commissioner of Insurance for the State of Connecticut from 2011 to 2015. Ms. Dowling previously held executive management roles in the areas of investments, treasury, strategic planning, marketing and governance at Massachusetts Mutual Financial Group, Connecticut Mutual Life Insurance Company, Travelers Insurance Company and at Aetna Life & Casualty where she began her career in 1982. She currently serves on the boards of Prosperity Group Holdings, Keystone Agency Advisors and Insurance Capital Group and as a senior advisory board member for Bain Capital Insurance. She is a former director of Spectranetics Corporation (SPNC) and a former advisory board member of Carpe Data. Ms. Dowling received an M.B.A. from Columbia Business School and a B.A. from Amherst College. She holds the Chartered Financial Analyst (CFA) designation.

***Elanor R. Hardwick***

Elanor R. Hardwick has served as a director since November 2018. From 2018 to June 2020, Ms. Hardwick served as Chief Digital Officer of UBS, leading the bank's innovation and digitization activities across all business lines and functions globally. From 2016 to 2018, Ms. Hardwick served as Head of Innovation of Deutsche Bank. Previously, she was Chief Executive Officer of Credit Benchmark Ltd., a FinTech start-up and provider of credit risk data, leading the company from its foundation in 2012. Prior to that, Ms. Hardwick held a succession of senior leadership positions at Thomson Reuters, including Global Head of Strategy, Investment and Advisory; Global Head of Professional Publishing; and Head of Strategy for Europe and Asia. Ms. Hardwick has also worked at Morgan Stanley International, Booz-Allen & Hamilton and the United Kingdom's Department of Trade and Industry. Since July 2020, Ms. Hardwick has served as a director of Alpha Bank and since April 2022, has served as a member of the supervisory counsel of Luminor Holding AS. She currently serves as an External Member of the Audit Committee of the University of Cambridge. Ms. Hardwick earned an M.B.A. from Harvard Business School and an M.A. from the University of Cambridge.

***Michael Millegan***

Mr. Millegan joined our Board in April 2021 and is founder and Chief Executive Officer of Millegan Advisory Group-3 LLC, a strategic advisory firm for early-stage companies. Formerly with Verizon, Mr. Millegan held various executive leadership and management roles at Verizon over the course of his 33-year tenure in the areas of digital technology and platforms, cybersecurity, supply chain management, sales, marketing and operations including serving as President of Verizon Global Wholesale Group, Area President of Verizon Midwest Region and Senior Vice President of Verizon Enterprise Operations. He currently serves as a director on the Boards of Portland General Electric Company and Wireless Telecom Group, Inc. and previously served as a director of CoreSite Realty Corporation from February 2021 until December 2021. Mr. Millegan holds a B.A. from Angelo State University and M.B.A. from Angelo State University.

***Thomas C. Ramey***

Thomas C. Ramey was elected as a director in July 2009. Mr. Ramey was Chairman and President of Liberty International, a wholly owned subsidiary of Liberty Mutual Group, from 1997 to 2009. He also served as Executive Vice President of Liberty Mutual Group from 1995 through 2009. Prior to joining Liberty, he was President and Chief Executive Officer of American International Healthcare, a subsidiary of AIG, and founder and President of an international healthcare trading company. He is currently a trustee of the Brookings Institution. Mr. Ramey was formerly a Director of The Warranty Group, the International Insurance Society, the Coalition of Services Industries and Chairman of the International Fund for Animal Welfare. He was also formerly a member of the Chongqing, China Mayor's International Advisory Council.

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***Axel Theis***

Dr. Theis joined our Board in April 2021. Formerly with Allianz SE, Dr. Theis held various management roles during his 33-year career with Allianz SE leading (re)insurance and asset management businesses of significant scale across the European and global markets. He served as a member of the Allianz Board of Management from 2015 to 2020; Chief Executive Officer of Allianz Global Corporate & Specialty SE from 2006 to 2014; and Chief Executive Officer of Allianz Global Risks Ruckversicherungs from 2004 to 2006. He also served on Allianz's U.K. subsidiary board as Chairman from 2015 to 2018, as a member of the U.S. and Irish subsidiaries of Allianz from 2015 to 2018 and as Chairman of Allianz' French credit insurance company, Euler Hermes, from 2015 to 2019. Dr. Theis holds a Ph.D. from the Eberhard Karls Universität Tübingen.

***Barbara A. Yastine***

Barbara A. Yastine has served as a director since July 2018. Ms. Yastine previously served as Chair, President and Chief Executive Officer of Ally Bank from March 2012 to September 2015, and as Chief Administrative Officer of Ally Financial, overseeing the risk, compliance, legal and technology areas, and Chair of Ally Bank, from May 2010 to March 2012. Prior to joining Ally Financial, she served as a Principal of Southgate Alternative Investments, a start-up diversified alternative asset manager, beginning in June 2007. She served as Chief Financial Officer for investment bank Credit Suisse First Boston from October 2002 to August 2004. From 1987 through 2002, Ms. Yastine worked at Citigroup and its predecessor companies. Ms. Yastine also served as a director and Co-Chief Executive Officer of Lebenthal Holdings, LLC from September 2015 to June 2016. Ms. Yastine currently serves as a member of the Board of Directors of Primerica Inc., Zions Bancorporation, Alkami Technology Inc. and is a former director of First Data Corporation. She received a B.A. in Journalism and an M.B.A. from New York University.

***Lizabeth H. Zlatkus***

Lizabeth H. Zlatkus was appointed as a director in March 2019. Until her retirement from The Hartford Financial Services Group, Ms. Zlatkus held many senior leadership positions during her tenure from 1983 to 2011 including Chief Financial Officer and Chief Risk Officer of the firm and Co-President of Hartford Life Insurance Companies. She also served as Executive Vice President of two of The Hartford's largest divisions, the international operations and the group life and disability divisions. Ms. Zlatkus currently serves as a director on the board of Pathward Financial, Inc. (formerly known as Meta Financial Group, Inc.). She is also Chair of The Connecticut Science Center Trustee Board, serving on its executive committee since 2012. Additionally, Ms. Zlatkus was formerly a director of Boston Private Financial Holdings, Inc., Legal & General Group, Plc, Computer Sciences Corporation, Indivior, PLC and Zinnia (formerly known as SE2). She also previously served as Regulatory Chair for the North American Chief Risk Officers Council, as a member on the Hewlett Packard Financial Services Board of Advisors, as a member of the LOMA Board of Directors, as Trustee of the Connecticut Women's Hall of Fame, and as a member of the Pennsylvania State University Business School Board, where she served as Chair from 2012 – 2015.

**Chief and Senior Executives**

***Albert A. Benchimol***

See bio above.

***Vincent C. Tizzio***

See bio above.

***Peter Vogt***

Peter Vogt was appointed Chief Financial Officer of AXIS Capital in January 2018. He previously served as the Company's Deputy CFO from July 1, 2017 until his appointment as CFO in January 2018 and as the Chief Operating Officer of AXIS Insurance from 2013 to June 2017. Mr. Vogt joined AXIS in 2010 as CFO and COO of the Company's Accident & Health business unit. Prior to AXIS, Mr. Vogt served as CFO of Penn Mutual Life Insurance Company. He also held the CFO role at CIGNA's Group Insurance business. Mr. Vogt started his career at Hartford Life Insurance Company where, over nearly 14 years, he held a series of actuarial roles and eventually led sales, marketing and product development for its corporate retirement business. Mr. Vogt holds a BBA in Actuarial Science from Temple University and is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

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***Conrad D. Brooks***

Conrad D. Brooks is General Counsel of AXIS Capital. Prior to his appointment to the role in January 2017, he served for nearly a decade as the company's Corporate Counsel. Mr. Brooks joined AXIS from McKenna Long & Aldridge LLP (now Dentons), where he was a partner and served as practice team leader in the firm's corporate and securities practice. A former officer in the United States Navy, Mr. Brooks received his BS from the University of Illinois, his JD from Georgia State University College of Law and his MBA (Finance) from Old Dominion University.

***David Phillips***

David Phillips joined AXIS Capital as Chief Investment Officer in April 2014. With over 25 years of experience in investments, Mr. Phillips previously served as Head of Investments for PartnerRe. Prior to PartnerRe, he was the Director of Research and a Portfolio Manager at Oppenheimer Capital, an institutional money manager based in New York City. Mr. Phillips is a CFA® charterholder and received an MBA from the Wharton School of the University of Pennsylvania and an AB from Princeton University.

***Daniel Draper***

Dan Draper was appointed Group Chief Underwriting Officer in September 2022. He had previously served for more than two years as Group Head of Underwriting at AXIS. Prior to that, he had been Group Chief Risk and Actuarial Officer at VIBE. Before joining VIBE, Mr. Draper spent eight years with AXIS, holding a number of leadership roles that included Group Chief Actuary, Chief Risk Analytics Officer, and Insurance Segment Chief Risk Officer. Before that, he held managerial positions at the Financial Services Authority, XL Capital, and Ernst & Young. Mr. Draper received a Masters in Engineering from the University of Bath and is a Fellow of the Institute and Faculty of Actuaries.

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### **3.3. Risk Management and Solvency Self-Assessment**

#### **3.3.1. Risk Management Process and Procedures to Effectively Identify, Measure, Manage and Report on Risk Exposures**

AXIS has an established Group-Wide Enterprise Risk Management ("ERM") framework with a mission to promptly identify, assess, manage, monitor, and report risks that affect the achievement of our strategic, operational and financial objectives. The key objectives of the framework are to:

- Protect our capital base and earnings by monitoring risks against our stated risk appetite and limits;
- Promote a sound risk management culture through disciplined and informed risk taking;
- Enhance value creation and contribute to an optimal risk-return profile by providing the basis for efficient capital deployment;
- Support our group-wide decision making process by providing reliable and timely risk information; and
- Safeguard our reputation.

The risk management framework applies to all lines of business and corporate functions across our Company.

#### **Risk Governance**

At the heart of our risk management framework is a governance process with responsibilities for identifying, assessing, managing, monitoring, and reporting risks. We articulate roles and responsibilities for risk management throughout the organization, from the Board of Directors and the Chief Executive Officer to our business and corporate functions, thus embedding risk management throughout the Company.

Risk governance is executed through a three lines of defence model, with the business units ("first line") responsible for the identification, assessment, management, mitigation and monitoring of risks on a day-to-day basis; the Group Risk function ("second line") providing oversight and guidance on risk management across the business by supporting and challenging the first line in their identification, assessment, management and mitigation of risk; and Internal Audit ("third line") providing independent assurance on the effectiveness of governance, risk management, and internal controls (see below for further details on the Risk Management Organization).

Our risk policies are a formal set of documents we use to specify our approach and risk mitigation/control philosophy for managing individual and aggregate risks. Our qualitative and quantitative risk reporting framework provides transparency and early warning indicators to senior management with regard to our overall risk profile, adherence to risk appetite and limits and management actions at an operating entity and Group level.

Various governance and control bodies coordinate to help ensure that objectives are being achieved, risks are identified, and appropriately managed, and internal controls are in place and operating effectively.

The key elements of the governance framework, as it relates specifically to risk management, are described below.

#### ***Board of Directors' Level***

The Risk Committee of the Board of Directors ("Risk Committee") assists the directors in overseeing the integrity and effectiveness of our ERM framework and ensuring that our risk mitigation activities are consistent with that framework. The Risk Committee reviews, approves, monitors our overall risk strategy, risk appetite, and key risk limits, and receives regular reports from the Group Risk function to ensure any significant risk issues are being addressed by management. The Risk Committee further reviews, with management and Internal Audit, the Group's risk policies and satisfies itself that effective systems of risk management and controls are established and maintained. Among its other responsibilities, the Risk Committee

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also reviews and approves our annual Own Risk and Solvency Assessment ("ORSA") report. The Risk Committee assesses the independence and objectivity of our Group Risk function, approves its terms of reference, and reviews its ongoing activities.

The Risk Committee also conducts a review and provides a recommendation to the Board of Directors regarding the appointment and/or removal of the Chief Risk Officer. The Risk Committee meets with the Chief Risk Officer in separate executive sessions on a regular basis.

The Finance Committee of the Board of Directors oversees the Group's investment of funds and adequacy of financing facilities. This includes approval of the Group's strategic asset allocation plan. The Audit Committee of the Board of Directors, which is supported by Internal Audit, is responsible for overseeing internal controls and compliance procedures, and also reviews with management and the Chairman of the Risk Committee, the Group's policies regarding risk assessment and risk management.

### ***Group Executive Level***

The Executive Committee formulates our business objectives and risk strategy within the overall risk appetite set by the Board of Directors. It allocates capital resources and sets limits across the Group, with the objective of balancing return and risk. While the Executive Committee is responsible overall for risk management, it has delegated some authority to the executive level Risk Management Committee ("RMC") consisting of the Chief Executive Officer, Chief Financial Officer, Chief Underwriting Officer, Chief Risk Officer, Group Chief Actuary and General Counsel & Corporate Secretary.

The RMC is responsible for overseeing the integrity and effectiveness of the Group's ERM framework and ensuring that the Group's risk assumption and risk mitigation activities are consistent with that framework, including a review of the annual business plan relative to our risk limits. In addition to the RMC there is an established framework of separate yet complementary management committees and subcommittees, focusing on particular aspects of ERM including the following:

#### ***Management Committees***

- The Business Council oversees underwriting strategy and performance, establishes return targets, and manages risk/exposure constraints across each line of business, consistent with the Company's strategic goals.
- The Product Board for each major line of business aim to develop a coherent strategy for portfolio management, set underwriting guidelines and risk appetite, and leverage expertise across the multiple geographies where we operate. The Product Boards also oversee exposure management frameworks and view of risk.
- The Investment & Finance Committee oversees the Group's investment activities which includes monitoring market risks, the performance of our investment managers and the Group's asset-liability management, liquidity positions and investment policies and guidelines. The Investment & Finance Committee also prepares the Group's strategic asset allocation and presents it to the Finance Committee of the Board of Directors for approval.
- The Capital Management Committee oversees the integrity and effectiveness of the Company's Capital Management Policy, including the capital management policies of the Company's legal entities and branches, and oversees the availability of capital within the Group.
- The Group Reserving Committee ensures appropriate oversight and challenge of the Group and Segment loss reserves.

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RMC Sub-Committees

- The Natural Catastrophe Committee oversees the Group's natural catastrophe risk management framework, including the validation of modeling and accumulation practices.
- The Non-Natural Catastrophe Committee oversees the Group's non-natural catastrophe risk management framework, including the validation of modeling and accumulation practices.
- The Reinsurance Security Committee ("RSC") sets out the financial security requirements of our reinsurance counterparties and approves our counterparties, as needed.
- The Internal Model Committee oversees the Group's internal model framework, including the key model assumptions, methodology and validation framework.
- The Operational Risk Committee oversees the Group's operational risk framework for identifying, assessing, managing, monitoring, and reporting of operational risk and facilitates the embedding of effective operational risk management practices throughout the Group.
- The Emerging Risks Working Group oversees the processes for identifying, assessing, managing, monitoring, and reporting current and potential emerging risks.
- The Climate Change Working Group focuses specifically on climate-related risks and oversees the implementation of our climate risk management framework.

**Risk Management Organization**

As a general principle, management in each of the lines of business and corporate functions is responsible in the first instance for the risks and returns of its decisions. Management is the 'owner' of risk management processes and is responsible for managing our business within defined risk limits.

The Chief Risk Officer reports to the Chief Financial Officer and the Chairman of the Risk Committee, leads our independent Group Risk function, and is responsible for oversight and implementation of the Group's ERM framework, as well as providing guidance and support for risk management practices. Group Risk is responsible for developing methods and processes for identifying, assessing, managing, monitoring, and reporting risk. This forms the basis for informing the Risk Committee and RMC of the Group's risk profile. Group Risk develops our risk management framework and oversees the adherence to this framework at the Group and operating entity level. Our Chief Risk Officer regularly reports risk matters to the Chief Financial Officer, Executive Committee, RMC, and the Risk Committee.

Internal Audit, an independent, objective function, reports to the Audit Committee of the Board of Directors on the effectiveness of our risk management framework. This includes assurance that key business risks have been adequately identified and managed appropriately and that our system of internal control is operating effectively. Internal Audit also provides independent assurance around the validation of our internal capital model and coordinates risk-based audits, compliance reviews and other specific initiatives to evaluate and address risk within targeted areas of our business.

Our risk governance structure is further complemented by our legal team which seeks to mitigate legal and regulatory compliance risks with support from other teams. This includes ensuring that significant developments in law and regulation are observed and that we react appropriately to impending legislative and regulatory changes and applicable court rulings.

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#### **Risk Appetite and Limit Framework**

Our integrated risk management framework considers material risks that arise from our operations. Material risks that might accumulate and have the potential to produce substantial losses are subject to our group-wide risk appetite and limit framework. Our risk appetite, as authorized by the Board of Directors, represents the amount of risk that we are willing to accept in pursuit of our strategic objectives, within the constraints imposed by our capital resources as well as the expectations of our stakeholders as to the type of risk we hold within our business. At an annual aggregated level, we also monitor and manage the potential financial loss from the accumulation of risk exposure in any one year.

Specific risk limits are defined and translated into a consistent framework across our identified risk categories and across our operating entities and are intended to limit the impact of individual risk types or accumulations of risk. Individual limits are established through an iterative process to ensure that the overall framework complies with our group-wide requirements on capital adequacy and risk accumulation.

We monitor risk through, for example, risk dashboards and limit consumption reports. These are intended to allow us to detect potential deviations from our internal risk limits at an early stage.

#### **3.3.2. Implementation of Risk Management and Solvency Self-Assessment Systems and Integration into Strategic Planning, Organizational and Decision Making Process**

Our management Executive Committee formulates our business objectives and risk strategy within the overall risk appetite set by our Board. It allocates capital resources and sets limits across the Group, with the objective of balancing return and risk.

An important component of our risk management framework is the solvency self-assessment process (the ORSA or GSSA process), which consolidates data and information from a number of underlying business processes to enable a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements.

The purpose of this process is to support short-term decision making and longer-term strategic management and ensure the Company has sufficient capital at all times in line with the Company's risk appetite and solvency targets (see section 3.3.3 for a description of the Company's Target Capital Range concept).

The ORSA is a dynamic process which is incorporated into the Company's ERM Framework and Risk Management cycle which provide a continuous assessment of all material risks the Company is exposed to, with quarterly reporting to the RMC and Risk Committee on material changes to the risk profile and associated capital requirements. An important aspect of the process is the forward-looking assessment of any changes to the risk profile and capital requirements introduced by prospective business plans or major strategic initiatives. The risk analysis performed includes a review of the impact on the prospective risk exposures relative to risk appetite and risk limits, capital and solvency requirement projections relative to solvency targets, and associated management actions to mitigate excess risk exposures and finance any additional solvency requirements. The results of the ORSA are reported to the Risk Committee and support the Board's approval of prospective business plans and strategic initiatives.

ORSA triggers are defined and monitored to identify events with the potential to materially impact the most recent ORSA results, for example, changes to the risk profile or capital.



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### 3.3.3. Relationship between Solvency Self-Assessment, Solvency Needs and Capital and Risk Management Systems

As described above, the ORSA process provides a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements. An important characteristic of the process is that it establishes a link between our risk management framework, including risk appetite, risk limits and the risk assessment process, and the Company's capital management framework, including the process for calculating capital requirements and determining solvency needs. This is embedded in the Company's capital management strategy through our Target Capital Range ("TCR") concept.

The TCR defines the preferred level of capital needed to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including our "own view" of risk from our internal capital model and regulatory and rating agency capital requirements:

- *Internal risk capital:* We use our internal capital model to assess the capital consumption of our business, measuring and monitoring the potential aggregation of risk at extreme return periods.
- *Regulatory capital requirements:* The Bermuda Monetary Authority ("BMA") specifies the minimum amount and type of capital that each of the regulated entities must hold in support of their liabilities. We target to hold, in addition to the minimum capital required to comply with the solvency requirements, an adequate buffer to ensure that we will continue to meet the minimum requirements, even after a stress event.
- *Rating agency capital requirements:* Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. The assessment of capital adequacy is usually an integral part of the rating agency process. Meeting rating agency capital requirements and maintaining strong credit ratings are strategic business objectives of the Company.

The TCR identifies the point at which management needs to consider raising capital, amending our business plan or executing capital management activities well before capital approaches the minimum requirements ("early warning indicator"). This allows us to take appropriate measures to ensure the continued strength and appropriateness of our capital and solvency positions and enables us to take advantage of opportunities as they arise. Such measures are performed as and when required and include traditional capital management tools (e.g. dividends, share buy-backs, issuance of shares or debt) or through changes to our risk exposure (e.g. recalibration of our investment portfolio or changes to our reinsurance purchasing strategy).

The TCR also considers an amount of capital beyond which capital could be considered "excess". Where we do not find sufficiently attractive opportunities and returns for our excess capital, we may return capital to our shareholders through share repurchases and/ or dividends. In doing so, we seek to maintain an appropriate balance between higher returns for our shareholders and the security provided by a sound capital position.

Any material changes to the Company's risk profile are monitored through the Risk Appetite and Limit framework, with management actions implemented where necessary, and reflected in the Company's capital requirements appropriately, as per the TCR framework. Deviations from the target ranges will trigger necessary management actions to ensure the Company remains within its solvency targets. The Risk Committee and RMC meet quarterly and review the Group's latest risk and capital positions relative to its risk limits and TCR.

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### **3.3.4. Solvency Self-Assessment Approval Process**

The Board has ultimate responsibility for oversight of the effectiveness of the Company's ERM framework including the solvency self-assessment (ORSA or GSSA) process. The results of the ORSA process are formally documented in an annual report and presented to the Risk Committee for approval. The production of the ORSA report is coordinated by the Group Risk function with input from a number of business functions, including underwriting, finance, investments, actuarial, treasury and risk funding. Before being submitted to the Risk Committee for approval, the report goes through a number of reviews and iterations based on feedback provided from business functions and members of the Executive Committee through the Risk Management Committee.

The report is generally prepared with a year-end reference date, allowing a clean cut off period and includes a forward-looking assessment of the short to medium term risk profile changes and associated capital requirements and solvency needs. This ensures that the ORSA acts as a year-end report which allows management to review the collective implications of the various decisions made through the course of the year and take a strategic, forward-looking view of future risks and capital needs.

## **3.4. Internal Controls**

### **3.4.1. Internal Control Systems**

Internal control is defined as the processes, policies, guidelines, and standards of practice in place to mitigate and manage risk to acceptable levels.

The AXIS internal control framework is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992, and updated in 2013.

The AXIS internal controls are documented and maintained in a central risk and control repository, and individual control owners certify each quarter to the adequate design and continued operating effectiveness of their respective controls.

The internal control framework includes the following five interrelated components:

- *Control Environment:* The primary responsibility of the Board of Directors is to provide effective governance over the Company's affairs for the benefit of its shareholders, and to help broaden the perspective of executive management. The Board has established the Audit Committee to facilitate and assist in the execution of its responsibilities. In terms of internal control oversight, it is the responsibility of the Audit Committee to review and periodically discuss with the Board the adequacy and effectiveness of the Company's internal control structure. There are several oversight committees such as the RMC which help set the management tone in terms of the control environment. AXIS operates with a three lines of defense model.
- *Risk Assessment:* The Internal Controls policy lists the risks ('Risk universe') to which the Company is exposed which the Risk Committee of the Board and RMC annually evaluate. Separate risk policies are defined for key risks within the universe which affirm the Company's approach, appetite and risk mitigation/control philosophy for managing each risk. Risk assessments are regularly conducted by the business (overseen by Group Risk) across the risk universe for the Company. The assessments take into consideration the control environment and the results of control activities as well as other factors e.g. external environment, management of the risk in relation to defined risk appetite and operational issues encountered in the management of the risk. The results of the assessments support upwards reporting and messaging to the Board.
- *Control Activities:* Each risk within the risk universe identifies an individual Risk Owner, normally a member of the AXIS Group Executive Committee, having appropriate experience and knowledge of the risk. The Risk Owner is responsible for designing and implementing an adequate and efficient control environment to manage their respective risks. Activities include, but are not limited to, reconciliations, documented roles and responsibilities, clear authority limits, peer reviews, appropriate segregation of duties and metrics reporting.

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- *Information and Communication:* In terms of communication, AXIS has clear reporting and communication lines in place. Role profiles make clear each individual's role, their reporting lines and functional terms of reference set out responsibilities by function. Clear organizational and structure charts are also maintained. There is an escalation policy in place to ensure matters are reported upwards as required by employees. The AXIS Whistle-blower Policy also provides various lines of communication for reporting violations and concerns.
- *Monitoring:* The effectiveness of the internal control framework is independently validated via regular internal audit reviews which are conducted on a rotational basis with findings reported to the Audit Committee. There are also Management Initiated Audits ("MIAs") done on claims and underwriting transactions which are reported to the Management Audit Committee. There are various monitoring activities performed by the second line of defence, Group Risk and Legal/Compliance.

The internal control framework is regularly reviewed and updated and annually assessed by the external auditors. The Internal Audit department also validates that the COSO 2013 framework is present and functioning as part of its annual internal audit plan.

### **3.4.2. Compliance Function**

Legal and Compliance, with the support of other departments, seeks to, among other things, ensure that laws and regulations are observed, react appropriately to all impending legislative changes or new court rulings, and provide legally appropriate solutions for transactions and business processes.

Some of our key controls are described below:

- *Qualified and Experienced Legal Staff:* Employ and properly utilize qualified attorneys, paralegals and regulatory, finance and other professionals throughout the Company to monitor regulatory requirements and ensure compliance. Engage external counsel consultants and other external advisors, when required, to complement internal staff efforts.
- *Monitoring Regulatory Landscape / Engagement with Regulators:* In addition to ongoing monitoring of new and changing regulation within each jurisdiction, there is also regular engagement with regulators, ensuring that regulatory and compliance matters are appropriately reported and discussed.
- *Financial Disclosure Controls:* The AXIS Fair Disclosure Policy and Corporate Disclosure Policy govern the reporting and public disclosure of material information relating to the Group.
- *Legal Review of Third Party Contracts:* All material written arrangements with third parties, including technology contractors, investment managers, reinsurers, property managers and brokers, among others, are reviewed by the legal department in order to identify with management potential issues that could impact the Company. Legal staff actively manage all non-policy related matters that could result in an adverse financial, reputational or impact to the Company.
- *Business Conduct Standards:* The legal department works to ensure compliance of applicable laws, rules and ethics standards by (1) developing and implementing policies, procedures and guidelines, such as a corporate policies, compliance manuals and legal memoranda; (2) providing training to the Company on compliance; and (3) working with staff to interpret and apply applicable laws, rules and standards as we conduct our business.
- *Management Initiated Audits:* Underwriting and claim MIA's review for any potential compliance issues.
- *Sanctions Compliance:* AXIS works to ensure compliance with all applicable sanctions regimes. AXIS has a group Sanctions Policy and Guidelines which sets forth requirements and standards to be followed to avoid any violation of applicable sanctions by any AXIS entity or employee. AXIS uses sanction screening tools to mitigate the risk of binding business or paying claims that is prohibited under applicable sanction regimes.

### **3.5. Internal Audit Function**

Internal Audit, an independent and objective function, reports to the Audit Committee of the Board on the effectiveness of our risk management framework. The Chief Audit Executive has a direct reporting line to the Chair of the Audit Committee to ensure independence. To ensure independence the performance evaluation of the Chief Audit Executive is done by the Chair of

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the Audit Committee in conjunction with Group General Counsel. The audit plan and any changes thereto is approved by the Audit Committee. The Internal Audit function has unfettered access to all records, systems, properties and AXIS personnel enshrined in the Group internal audit charter.

Internal Audit provides assurance that key business risks have been adequately identified and managed appropriately and that our system of internal control is properly designed and operating effectively. Internal audit also coordinates risk-based audits, compliance reviews and other specific initiatives to evaluate and address risk within targeted areas of our business.

Internal Audit is staffed with audit professionals with experience in the insurance industry and varied skill sets such as financial reporting, risk management, actuarial science, IT, operations, etc. Subject matter experts are used when the need arises.

### **3.6. Actuarial Function**

The main purpose of the Actuarial function is to effectively support the Company's reserving framework and governance, including principles, policies, standards of practice, processes and controls and reporting.

The Actuarial function has the following duties and responsibilities:

- calculation and recommendation of the technical provisions;
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions;
- peer reviewing and signing off on work product and recommendations that relate to governance and control function responsibilities. This includes the peer reviewing of pricing and planning loss ratios as necessary;
- ensuring the sufficiency and quality of the data used in the calculation of technical provisions;
- ensuring the sufficiency of processes and controls supporting the AXIS reserving framework and maintaining comprehensive documentation for all aspects of this framework;
- contributing to the effective implementation of the risk management system, in particular with respect to the risk modeling underlying the calculation of the capital requirements;
- establishing and maintaining a reserving platform, infrastructure and reporting capabilities to support U.S. GAAP, local statutory and management needs; and
- ensuring that the reserving framework is applied effectively in the Company.

The Actuarial function is independent from other functions within the AXIS Group.

### **3.7. Outsourcing**

AXIS Capital has policies in place with respect to contractors, consulting services and outsourcing activities. These policies apply to all entities operating within the AXIS Group and include, but are not limited to, the following components:

#### **Engagement**

- Vetting of all independent contractors including, but not limited to, financial strength, commitment to the service being provided, physical and legal existence.
- Use of competitive bidding process for the more significant engagements.
- Completion of risk review for services deemed material.

#### **Governance and monitoring**

- Annual performance and risk management assessment for material vendors as reviewed by the Group Vendor Management Office with escalation provisions.
- Relationship management with employees including communication, personal time off and organisational hierarchies.

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Internal Audit undertakes independent reviews of the outsourced operation on a regular basis to provide independent assurance that the outsourcing process is being implemented in line with the Company policy.

### **Intra-Group Outsourcing**

AXIS' operating companies are party to a Central Administrative Services and Support Agreement whereby in the normal course of business they provide each other various services including, but not limited to: internal audit, human resources, information technology, claims management and risk management.

### **3.8. Other Material Information**

Not applicable.

## **4. RISK PROFILE**

### **4.1. - 4.3. Material Risks, Measurement and Mitigation Methods**

Our risk landscape comprises insurance, strategic, market, liquidity, credit, and operational risks that arise as a result of undertaking our business activities. We provide definitions of these risk categories as well as descriptions of management of these risks below. Across these risk categories, we identify and evaluate emerging threats and opportunities through a framework that includes the assessment of potential surprise factors that could affect exposures.

Our risk landscape is reviewed on a regular basis to ensure that it remains up-to-date based on the evolving risk profile of the Company. In addition, we undertake ongoing risk assessments across all enterprise risks, the output of which is captured in our risk register which is reviewed and reported through our governance structure.

### **Insurance Risk**

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance and reinsurance liabilities transferred to us through the underwriting process.

Since our inception in 2001, we have expanded our international presence, with underwriting offices in Bermuda, the U.S., Europe, Singapore, and Canada. Our disciplined underwriting approach coupled with a peer review process has enabled us to manage this growth in a controlled and consistent manner.

A key component of the Group's underwriting risk governance is our peer review processes which allow for a collaborative review of risk and pricing and ensures that underwriting is within established guidelines and procedures. Underwriting guidelines are in place to provide a framework for consistent pricing and risk analysis and ensuring alignment to the Group's risk appetite. Limits are set on underwriting capacity, and cascade authority to individuals based on their specific roles and expertise.

We also have significant audit coverage across our lines of business, including Management Initiated Audits ("MIAs"). MIAs are audits of underwriting and claims files performed by teams independent of those who originated the transactions, the purpose of which is to test the robustness of our underwriting and claims processes and to recognize any early indicators of future trends in our operational risk environment.

### **Reinsurance Purchasing**

Another key component of our mitigation of insurance risk is the purchase of reinsurance to protect our short and long tail lines of business on a treaty (covering a portfolio of risks) and facultative (single risk) basis.

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For treaty reinsurance, we purchase proportional and non-proportional cover.

Under proportional reinsurance, we cede an agreed percentage of the premiums and the losses and loss expenses on the policies we underwrite. We primarily use proportional reinsurance on our liability, professional lines and cyber portfolios, as well as on select property portfolios, where we protect against higher loss frequency rather than specific events. We also purchase proportional reinsurance on our assumed property catastrophe reinsurance portfolio, casualty, and credit and surety portfolios, which includes cessions to our Strategic Capital Partners. In addition, we use non-proportional reinsurance, whereby losses up to a certain amount (i.e., our retention) are borne by us. By using non-proportional reinsurance, we can limit our liability with a retention, which reflects our willingness and ability to bear risk, and is therefore in line with our risk appetite. We primarily purchase the following forms of non-proportional reinsurance:

- *Excess of loss per risk*: the reinsurer indemnifies us for loss amounts of all individual policies effected, defined in the treaty terms and conditions. Per risk treaties are an effective means of risk mitigation against large single losses (e.g. a large fire claim).
- *Catastrophe excess of loss*: provides aggregate loss cover for our insurance portfolio against the accumulation of losses incurred from a single event (e.g. windstorm).

We have a centralized Risk Funding department, which coordinates external treaty reinsurance purchasing (including retrocession) across the Group and a separate AXIS ILS (Insurance Linked Securities) team, which coordinates the sourcing and structuring of third-party capital to support AXIS underwriting. Risk funding and AXIS ILS are overseen by our Reinsurance Purchasing Group ("RPG"). The RPG, which includes, among others, our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Underwriting Officer and representatives from the business leadership team, approves each treaty placement, and aims to ensure that appropriate diversification exists within our approved counterparty panels.

Facultative reinsurance is case by case risk transfer. In certain circumstances, we use facultative reinsurance to complement treaty reinsurance by covering additional risks above and beyond what is already covered by treaties. Facultative reinsurance is monitored by the risk funding team.

#### **Natural Peril Catastrophe Risk**

Natural catastrophes such as hurricanes, windstorms, earthquakes, floods, tornados, hail and fire represent a challenge for risk management due to their accumulation potential and occurrence volatility. In managing natural catastrophe risk, our internal risk limit framework aims to limit the loss of capital due to a single event and the loss of capital that would occur from multiple (but perhaps smaller events) in any year. Within this framework, we have an established risk limit for single event, single zone probable maximum loss ("PML") within defined zones and at various return periods. For example, at the 1-in-250-year return period, we are not willing to expose more than 10% of common equity to a single event within a single zone.

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The table below shows our net PML to a single natural peril catastrophe event within certain defined single zones which correspond to peak industry catastrophe exposures at January 1, 2023 and 2022:

Estimated Net Exposure (in millions of U.S. dollars)		2023			2022		
		50 Year Return Period	100 Year Return Period	250 Year Return Period	50 Year Return Period	100 Year Return Period	250 Year Return Period
Territory	Perils						
Southeast	U.S. Hurricane	\$ 74	\$ 96	\$ 125	\$ 131	\$ 186	\$ 262
Northeast	U.S. Hurricane	11	35	72	39	115	238
Mid-Atlantic	U.S. Hurricane	26	59	99	71	193	362
Gulf of Mexico	U.S. Hurricane	67	86	121	119	164	234
California	Earthquake	65	98	144	123	240	327
Europe	Windstorm	39	57	77	90	124	165
Japan	Earthquake	50	115	195	82	204	318
Japan	Windstorm	39	106	146	75	144	166

The return period refers to the frequency with which losses of a given amount or greater are expected to occur. A zone is a geographic area in which the insurance risks are considered to be correlated to a single catastrophic event. Estimated losses from a modeled event are grouped into a single zone, as shown above, based on where the majority of the total estimated industry loss is expected to occur. In managing zonal concentrations, we aim to ensure that the geography of single events is suitably captured, but distinct enough that they track specific types of events. For example, our definition of Southeast wind encompasses five states, including Florida, while our definition of Gulf Wind encompasses four states, including Texas.

Our PMLs take into account the fact that an event may trigger claims in a number of lines of business. For instance, our U.S. hurricane modeling includes the estimated pre-tax impact to our financial results arising from our catastrophe, property, engineering, energy, marine and aviation lines of business. Our PMLs include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and a property's susceptibility to damage, and the cost of rebuilding the property. Loss estimates for non-U.S. zones will be subject to foreign exchange rates, although we may mitigate this currency variability from a book value perspective.

As indicated in the table above, our modeled single occurrence 1-in-100 year return period PML for a Southeast U.S. hurricane, net of reinsurance, is approximately \$96 million. According to our modeling, there is a one percent chance that on an annual basis, losses incurred from a Southeast hurricane event could be in excess of \$96 million. Conversely, there is a 99% chance that on an annual basis, the loss from a Southeast hurricane will fall below \$96 million.

PMLs are based on results of stochastic models that consider a wide range of possible events, their losses and probabilities. It is important to consider that an actual event does not necessarily resemble one of the stochastic events and the specific characteristics of an actual event can lead to substantial differences between actual and modeled loss.

We have developed our PML estimates by combining judgment and experience with the outputs from the catastrophe model, commercially available from Verisk Analytics, Inc., which we also use for pricing catastrophe risk. This model covers the major peril regions where we face potential exposure. Additionally, we have included our estimate of non-modeled perils and other factors which we believe provides us with a more complete view of catastrophe risk.

Our PML estimates are based on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from those expressed above. We aim to reduce the potential for model error in a number of ways, the most important of which is by ensuring that management's judgment supplements the model outputs. We also perform ongoing model validation at the line of business and

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at a group level including through our catastrophe model validation team. These validation procedures include sensitivity testing of models to understand their key variables and, where possible, back testing the model outputs to actual results.

Estimated net losses from peak zone catastrophes may change from period to period as a result of several factors, which include but are not limited to, updates to vendor catastrophe models, changes to our internal modeling, underwriting portfolios, reinsurance purchasing strategy and foreign exchange rates.

### **Man-made Catastrophe Risk**

Consistent with our management of natural peril catastrophe exposures, we take a similarly focused and analytical approach to the management of man-made catastrophes. Man-made catastrophes, which include such risks as train collisions, airplane crashes or terrorism, and other intentionally destructive acts, including cyber-attacks, are harder to model in terms of assumptions regarding intensity and frequency. For these risks we couple the vendor models, where available, with our bespoke modeling and underwriting judgment and expertise. This allows us to take advantage of business opportunities related to man-made catastrophe exposures particularly where we can measure and limit the risk sufficiently as well as obtain risk-adequate pricing.

As an example of our approach, our assessment of terrorism risk is based on a mixture of qualitative and quantitative data (e.g., for estimating property damage, business interruption, mortality and morbidity subsequent to an attack of a predefined magnitude), which we use to limit and manage our aggregate terrorism exposure. We use commercially available vendor modeling and bespoke modeling tools to measure accumulations around potential terrorism accumulation zones on a deterministic and probabilistic basis. We supplement the results of our modeling with underwriting judgment.

### **Reserving Risk**

The estimation of reserves for losses and loss expenses ("loss reserves") is subject to uncertainty as the settlement of claims that arise before the balance sheet date is dependent on future events and developments. There are many factors that would cause loss reserves to increase or decrease, which include, but are not limited to emerging claims and coverage issues, changes in the legislative, regulatory, social and economic environment and unexpected changes in loss inflation. The estimation of loss reserves could also be adversely affected by the failure of our loss limitation strategy and/or the failure of models used to support key decisions.

We calculate loss reserves in accordance with actuarial best practice based on substantiated methodologies and assumptions. In addition, we have well established processes in place for determining loss reserves, which we ensure are consistently applied. Our loss reserving process demands data quality and reliability and requires a quantitative and qualitative review of overall reserves and individual large claims. Within a structured control framework, claims information is communicated on a regular basis throughout our organization, including to senior management, to provide an increased awareness of losses that have occurred throughout the insurance markets. The detailed and analytical reserving approach that follows is designed to absorb and understand the latest information on reported and unreported claims, to recognize the resultant exposure as quickly as possible, and to record appropriate loss reserves in our consolidated financial statements.

Reserving for long-tail lines of business represents a significant component of reserving risk. When loss trends prove to be higher than those underlying our reserving assumptions, the risk is greater because of a stacking-up effect: loss reserves recorded in our consolidated financial statements cover claims arising from several years of underwriting activity and these reserves are likely to be adversely affected by unfavorable loss trends. We manage and mitigate reserving risk on long-tail business in a variety of ways. First, the long-tail business we write is part of a well-balanced and diversified global portfolio of business. In 2022, long-tail net premiums written (namely liability and motor business) represented 22% of total net premiums written and long-tail net loss reserves represented 35% of total net loss reserves. We also purchase reinsurance on liability business to manage our net positions. Second, we follow a disciplined underwriting process that utilizes available information, including industry trends.



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**Claims Handling Risk**

In accepting risk, we are committing to the payment of claims and therefore these risks must be understood and controlled. We have claims teams embedded in our main lines of business. Our claim teams include a diverse group of experienced professionals, including claims adjusters and attorneys. We also use approved external service providers, such as independent adjusters and appraisers, surveyors, accountants, investigators, and specialist attorneys, as appropriate.

We maintain claims handling guidelines which include details on claims reporting controls and claims reporting escalation procedures in all our claims teams. Large claims matters are reviewed during weekly claims meetings. The minutes from each meeting are circulated to our underwriters, senior management and others involved in the reserving process. To maintain communication between underwriting and claims teams, claims personnel regularly report at underwriting meetings and frequently attend client meetings.

We foster a strong culture of review among our claims teams. This includes MIAs, whereby senior claims handlers audit a sample of claim files. The process is designed to ensure consistency between the claims teams and to develop Group-wide best practices.

When we receive notice of a claim, regardless of size, it is recorded in our claims and underwriting systems. In addition, we procedure alerts regarding significant events and potential losses, regardless of whether we have exposure. These alerts allow a direct notification to be communicated to underwriters and senior management worldwide. Similarly, for natural peril catastrophes, we have developed a catastrophe database, along with catastrophe coding in certain systems, that allows for the gathering, analyzing, and reporting of loss information as it develops from early modeled results to fully adjusted and paid losses.

**Strategic Risk**

Strategic risks affect or are created by an organization's business strategy and strategic objectives. Our review of strategic risk evaluates not only internal and external challenges that might cause our chosen strategy to fail but also evaluates major risks that could affect our long-term performance and position. We believe it is imperative that we consider the business risks associated with, and mitigated by, each strategy. We also view strategic risk not only as the negative impact of risk but also the sub-optimization of gain. Fundamentally, we believe that we are set up for success if we analyze both value protection and value creation.

Environmental, Social and Governance (ESG) and sustainability have become major topics that encompass a wide range of issues, including climate change and other environmental risks. In line with our strategy, we have put in place a number of measures in order to identify, assess and manage potential exposure to climate risks for example physical, transition and liability risks.

A strategy function was formed as part of our enterprise-wide transformation to ensure that the prioritization and coordination of enterprise-wide resources is done efficiently and effectively to drive targeted strategic outcomes. On no less than a quarterly basis, the Executive Committee meets and receives holistic information about execution against strategy and makes decisions to adjust and/or advance strategy. In addition, strategies employed throughout our business in support of the broader enterprise strategy are reviewed in the context of a broader governance structure by the Business Council and business leadership, and are ultimately approved by the Board of Directors.

**Market Risk**

Market risk is the risk that our financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign currency exchange rates. Fluctuations in market prices or rates primarily affect our investment portfolio.

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Through asset and liability management, we aim to ensure that market risks influence the economic value of our investments and our loss reserves and other liabilities in the same way, thus mitigating the effect of market fluctuations. For example, we reflect important features of our liabilities, such as maturity patterns and currency structures, on the assets side of the balance sheet by acquiring investments with similar characteristics.

We supplement our asset-liability management with various internal policies and limits. As part of our strategic asset allocation process, different asset strategies are simulated and stressed in order to evaluate the 'optimal' portfolio, given return objectives and risk constraints. Our investments team manages asset classes to control aggregation of risk and provide a consistent approach to constructing portfolios and the selection process of external asset managers. We have limits on the concentration of investments by single issuers and certain asset classes, and we limit the level of illiquid investments (refer to 'Liquidity Risk' below).

We stress test our investment portfolios using historical and hypothetical scenarios to analyze the impact of unusual market conditions and to ensure potential investment losses remain within our risk appetite. At an annual aggregated level, we manage the total risk exposure to our investment portfolio so that the 'total return' investment loss in any one year is unlikely to exceed a defined percentage of our common equity at a defined return period.

We mitigate foreign currency risk by seeking to match our estimated insurance and reinsurance liabilities payable in foreign currencies with assets, including cash and investments that are denominated in the same currencies. Where necessary, we use derivative financial instruments for economic hedging purposes. For example, in certain circumstances, we use forward contracts to economically hedge portions of our un-matched foreign currency exposures.

### **Liquidity Risk**

Liquidity risk is the risk that we may not have sufficient financial resources to meet our obligations when they are due or would have to incur excessive costs to do so. As an insurer and reinsurer, our core business generates liquidity primarily through premiums, investment income, and the maturity/sale of investments. Our exposure to liquidity risk stems mainly from the need to pay claims on potential extreme loss events and regulatory constraints that limit the flow of funds within the Group. To manage these risks, we have a range of liquidity policies and procedures in place which are described below:

- We maintain cash and cash equivalents and a high quality, liquid investment portfolio to meet expected outflows, as well as those that could result from a range of potential stress events. We place limits on the maximum percentage of cash and investments which may be in an illiquid form as well as on the minimum percentage of unrestricted cash and liquid investment grade fixed income securities.
- We maintain committed borrowing facilities, as well as access to diverse funding sources to cover contingencies. Funding sources include liquid cash and invested assets, external debt issuances and lines of credit.

### **Credit Risk**

Credit risk represents the risk of incurring financial loss due to the diminished creditworthiness (reduced financial strength and, ultimately, possibly default) of our third-party counterparties. We distinguish between: various forms of credit exposure; the risk of issuer default from instruments in which we invest, such as corporate bonds; counterparty exposure in a direct contractual relationship, such as reinsurance; the credit risk related to our premiums receivable, including those from brokers and other intermediaries; and the risk we assume through our insurance contracts, such as our credit and political risk, and credit and surety lines of business.

#### ***Credit Risk Aggregation***

We monitor and manage the aggregation of credit risk on a group-wide basis, allowing us to consider exposure management strategies for individual companies, countries, regions, sectors, and any other relevant inter-dependencies. Our credit exposures are aggregated based on the origin of risk. Credit risk aggregation is managed through minimizing overlaps in underwriting,

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financing, and investing activities. As part of our credit aggregation framework, we assign aggregate credit limits by country and by single counterparty (or parent of affiliated counterparties). These limits are based and adjusted on a variety of factors including the prevailing economic environment and the nature of the underlying credit exposures.

Our credit aggregation measurement and reporting process is facilitated by our credit risk exposure database, which contains relevant information on counterparty details and credit risk exposures. The database is accessible by management throughout the Group, thus providing transparency to allow for the implementation of active exposure management strategies. We also license third-party tools to provide credit risk assessments. We monitor all our credit aggregations and, where appropriate, adjust our internal risk limits and/or take specific actions to reduce our risk exposures.

***Credit Risk relating to Cash and Investments***

In order to mitigate concentration and operational risks related to cash and cash equivalents, we limit the maximum amount of cash that can be deposited with a single counterparty and limit acceptable counterparties based on current rating, outlook, and other relevant factors.

Our fixed maturity investment portfolio, which represents approximately \$12.0 billion or 44% of our total assets, is exposed to potential losses arising from the diminished creditworthiness of issuers of bonds. Our investment portfolio is managed by external investment managers in accordance with our investment guidelines. We limit credit risk through diversification and issuer exposure limits graded by ratings and, with respect to custodians, through contractual and other legal remedies. Excluding government and agency securities, we limit our concentration of credit risk to any single corporate issuer to less than 2% of our investment grade fixed maturities portfolio for securities rated A- or above and less than 1% of our investment grade fixed maturities portfolio for securities rated below A-.

***Credit Risk relating to Reinsurance Recoverable Assets***

We are exposed to the credit risk of a reinsurer failing to meet its obligations under our reinsurance contracts. To help mitigate this, our purchases of reinsurance are subject to financial security requirements specified by our Reinsurance Security Committee ("RSC"). The RSC maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty limits for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors. Generally, the RSC requires reinsurers who do not meet specified requirements to provide collateral.

***Credit Risk relating to Premium Receivables***

The diversity of our client base limits credit risk associated with premium receivables. In addition, for insurance contracts we have contractual rights to cancel coverage for non-payment of premiums, and for reinsurance contracts we have contractual rights to offset premium receivables against corresponding payments for losses and loss expenses.

Brokers and other intermediaries collect premiums from customers on our behalf. We have procedures in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

These contractual rights contribute to the mitigation of credit risk, together with the monitoring of aged premium receivable balances. In light of these mitigating factors and considering that a significant portion of premium receivables are not currently due based on the terms of the underlying contracts, we do not utilize specific credit quality indicators to monitor our premium receivable balances.

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***Credit Risk relating to our Underwriting Portfolio***

In the insurance segment, we provide credit insurance primarily for lenders (financial institutions) and commodity traders seeking to mitigate the risk of non-payment from their borrowers and trading counterparties. This product complements our traditional political risk insurance business. For the credit insurance contracts, it is necessary for the buyer of the insurance, most often a bank or commodity trader, to hold an insured asset, most often an underlying loan, or sale and purchase contract in order to claim compensation under the insurance contract. The majority of the credit insurance provided is for single-name illiquid risks, primarily in the form of senior secured bank loans but also unsecured payment obligations in the case of shorter term trade credit, that can be individually analyzed and underwritten. As part of the underwriting process, an evaluation of creditworthiness and reputation of the obligor is critical. We generally require our clients to retain a share of each transaction that we insure. A key element to our underwriting analysis is the assessment of recovery in the event of default and, accordingly, the strength of the collateral and the enforceability of rights to the collateral are paramount.

Generally, we do not underwrite insurance for structured finance products that would expose us to mark-to-market losses. In addition, our credit insurance contracts typically do not include terms which would introduce liquidity risk, most notably in the form of a collateralization requirement upon a ratings downgrade.

We also provide protection against sovereign default or sovereign actions that result in impairment of cross-border investments for banks and corporations. Our contracts generally include conditions precedent to our liability relating to the enforceability of the insured transaction and restricting amendments to the transaction documentation, obligations on the insured to prevent and minimize losses, subrogation rights, including rights to have the insured asset transferred to us, and waiting periods. Under most of our policies, a loss payment is made in the event the debtor failed to pay our client when payment is due subject to a waiting period of up to 180 days.

In the reinsurance segment, we provide reinsurance of credit and surety bond insurers exposed to the risks of financial loss arising from non-payment of trade receivables covered by a policy (credit insurance) or non-performance of obligations (surety). Our credit insurance exposures are concentrated primarily within developed economies, while our surety bond exposures are concentrated primarily in Latin America and developed economies. We also provide coverage to the mortgage industry through insurance and reinsurance of mortgage insurance companies and U.S. government-sponsored entity credit risk sharing transactions. We focus on credit risk transfer from Federal Home Loan Mortgage Corporation and Federal National Mortgage Association, in the single-family, fixed rate, conforming mortgage space. We provide this cover globally on a proportional and non-proportional basis. Our exposure to mortgage risk is monitored and managed through robust underwriting within defined parameters for mortgage credit quality and concentration, continuous monitoring of the housing market, as well as limits on our PML resulting from a severe economic downturn in the housing market.

**Operational Risk**

Operational risk represents the risk of loss as a result of inadequate processes, system failures, human error or external events, including but not limited to direct or indirect financial loss, reputational damage, customer dissatisfaction and legal and regulatory penalties.

Group Risk is responsible for coordinating and overseeing a group-wide framework for operational risk management. As part of this oversight, we maintain an operational loss-event database which helps us monitor and analyze potential operational risk issues, identify any trends, and, where necessary, put in place improvement actions to avoid occurrence or recurrence of operational loss events.

We manage transaction type operational risks through the application of process controls throughout our business. In testing these controls, we supplement the work of our internal audit team with regular underwriting and claim MIAs, as discussed above.

We have specific processes and systems in place to focus on high priority operational matters, such as information security, managing business resilience, and third party vendor risk which are described below:

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- Major failures and disasters which could cause a severe disruption to working environments, facilities, and personnel, represent a significant operational risk to us. Our Business Continuity Management framework strives to protect critical business services and the functions which support these business services from these effects to enable us to carry out our core tasks in time and at the quality required.
- We have developed a number of Information Technology ("IT") platforms, applications and security controls to support our business activities worldwide. Dedicated security standards are in place for our IT systems to ensure the proper use, availability and protection of our information assets.
- The risk of cyber attacks could be exacerbated by geopolitical tensions, including hostile actions taken by nation-states and terrorist organizations. As part of our ERM Framework, we identify risks relating to applications, security and cyber as well as infrastructure risk and associated risk drivers (triggers). AXIS continuously monitors threat events, and has recently implemented an Endpoint Detection & Response security system to assist our Security Operational team in dealing with any Cyber threats to our business.
- Our use of third party vendors exposes us to a number of increased operational risks, including the risk of security breaches, fraud, non-compliance with laws and regulations or internal guidelines and inadequate service. We manage material third party vendor risk, by, among other things, performing a thorough risk assessment on potential large vendors, reviewing a vendor's financial stability, ability to provide ongoing service and business resilience planning.

#### **4.4. Investment of Assets in Accordance with Prudent Person Principle**

The Company has Market Risk and Liquidity Risk Policies which set out approach to management of risk, including roles & responsibilities and principles of risk management. The Market Risk and Liquidity Risk Policies include a clearly defined risk management strategy which is consistent with the Company's overall business strategy to ensure that there is a coordinated and integrated approach to risk management and a common risk language that is understood across the business.

Assets are invested in accordance with the Market Risk and Liquidity Risk Policies and the Company's Amended and Restated Statement of Investment Policy and Objectives, which minimizes investment risk by implementing a sound risk governance framework and the application of effective systems and controls to ensure that AXIS only invests in assets where it can properly identify, measure, monitor, manage, control and report the risks and appropriately take these into account in the assessment of its overall solvency needs. The Company's Amended and Restated Statement of Investment Policy and Objectives aims to ensure all the assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio of assets.

The risk management framework around investment of assets includes the governance, controls and procedures designed to ensure:

- The prudent investment of capital and cash flow from underwriting;
- The investment portfolios meet the liquidity needs that arise from potential claims;
- Asset cash flows are closely matched to anticipated liability cash flows;
- Assets and liabilities are reasonably matched by currency in order to protect against the economic impact of foreign exchange rate movements;
- The investment portfolios accommodate the regulatory requirements and investment limitations imposed upon AXIS' operating entities and subsidiaries;
- Effective monitoring of adherence with investment policies and guidelines; and
- Effective monitoring of compliance with the Investment, Liquidity, and Foreign Exchange risk limits.

#### **4.5. Stress Testing and Sensitivity Analysis to Assess Material Risks, including Methods and Assumptions Used and Outcomes**

Stress and scenario testing forms part of our solvency self-assessment (ORSA or GSSA) process and allows us to better understand our business by assessing the Company's ability to meet solvency and liquidity requirements in stressed conditions.

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A stress test aims to assess the impact of single events by evaluating a number of statistically defined possibilities. Scenario testing focuses on assessing the simultaneous impact on the business of a wide scale event or series of events. Stress and scenario tests are complemented by reverse stress testing which is designed to help us understand what could cause the business model to become unviable in the short to mid-term.

The selection of the stress and scenario tests ensures coverage of all material risks, including emerging risks and topical areas of Board and/ or regulatory focus. The selected tests are reviewed and approved annually by the Risk Committee. The Group Risk function coordinates the stress and scenario testing exercise in conjunction with other key functions, with results presented to the Risk Committee and included in the annual ORSA report.

The output from the tests includes, as a minimum, the following:

- a detailed description of the stress/ scenario
- the impact on the Company's solvency
- the assumptions and any limitations of the approach used to calculate the impact
- management actions (where applicable).

#### **4.6. Other Material Information**

Not applicable.

#### **5. Solvency Valuation**

The AXIS Target Capital Range defines the preferred level of capital needed by the Group to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including our "own view" of risk from our internal capital model and regulatory and rating agency capital requirements.

Our general purpose consolidated financial statements are prepared in accordance with U.S. GAAP and include the accounts of AXIS Capital and its wholly-owned subsidiaries.

The BMA, our group supervisor, implemented an Economic Balance Sheet ("EBS") framework that is used as the basis to determine our Enhanced Capital Requirement ("ECR"). The EBS framework uses U.S. GAAP valuations as a starting point. Assets and liabilities, other than technical provisions, are valued at fair value, in line with U.S. GAAP. Where U.S. GAAP principles do not require an economic value, a hierarchy of high level principles approach governing the valuation of these assets and liabilities is used.

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**5.1. Valuation Bases for Assets under the BMA's EBS Framework**

The following table provides the Company's assets on both U.S. GAAP and EBS bases:

As at December 31	U.S. GAAP		EBS		Adjustment Type
	2022	2021	2022	2021	
Cash and cash equivalents	\$ 1,174,653	\$ 1,317,690	\$ 1,174,653	\$ 1,317,690	N/A
Fixed maturities and short-term investments	12,095,555	12,790,279	12,279,849	13,106,613	Presentation and valuation
Equity securities	485,253	655,675	277,351	338,358	Presentation
Mortgage loans	627,437	594,088	627,437	594,088	N/A
Other investments	996,751	947,982	996,751	947,982	N/A
Equity method investments	148,288	146,293	148,288	146,293	N/A
<b>Total Cash and Investments</b>	<b>15,527,937</b>	<b>16,452,007</b>	<b>15,504,329</b>	<b>16,451,024</b>	
Accrued interest receivable	94,418	64,350	94,418	64,350	N/A
Insurance and reinsurance balances receivable	2,733,464	2,622,676	498,455	528,615	Presentation and valuation
Reinsurance recoverable on paid and unpaid losses	6,370,848	5,659,826	539,676	642,215	Presentation and valuation
Deferred acquisition costs	473,569	465,593	—	—	Valuation
Prepaid reinsurance premiums	1,550,370	1,377,358	—	—	Presentation and valuation
Goodwill	100,801	100,801	—	—	Valuation
Intangible assets	197,800	208,717	—	—	Valuation
Other assets	546,604	417,642	445,412	452,983	Valuation
<b>Total Assets</b>	<b>\$ 27,595,811</b>	<b>\$ 27,368,970</b>	<b>\$ 17,082,290</b>	<b>\$ 18,139,187</b>	

The more significant differences between U.S. GAAP and EBS valuation and presentation bases are as follows:

- Technical provisions (premium and claim liabilities) valued under an EBS approach are presented net of recoverables;
- Insurance and reinsurance balances receivable that are not contractually due as at the balance sheet date (deferred to a date subsequent to the balance sheet date) are included within technical provisions (premium liabilities) under the EBS framework; and
- Under the EBS framework deferred acquisition costs and goodwill are valued at nil and other intangible assets can only be recognised if they can be sold separately and the value of the asset can be reliably measured.

The majority of the Company's assets consist of cash and invested assets valued at fair value under the BMA's EBS framework as follows:

**Cash and Cash Equivalents**

Cash equivalents include money-market funds, fixed interest deposits and reverse repurchase agreements with a maturity of under 90 days when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

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**Fixed Maturities**

At each valuation date, the Company uses the market approach valuation technique to estimate the fair value of its fixed maturities portfolio, where possible. The market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of “pricing matrix models” using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, where available, and the Company maintains a vendor hierarchy by asset type based on historical pricing experience and vendor expertise. Where prices are unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers who are active in the corresponding markets. Fixed maturities also include investments in bond mutual funds that have daily liquidity.

**Short-Term Investments**

Short-term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. These securities are typically not actively traded due to their approaching maturity, therefore their amortized cost approximates fair value.

**Equity Securities**

Equity securities include common stocks, preferred stocks and exchange-traded funds. The fair values of common stock, preferred stocks and exchange-traded funds are based on unadjusted quoted market prices in active markets.

**Other Investments**

***Investment Funds***

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are estimated using net asset valuations ("NAVs") as advised by external fund managers or third-party administrators. For these funds, NAVs are based on the manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents and in accordance with U.S. GAAP.

For hedge funds, direct lending funds, private equity funds and real estate funds, valuation statements are typically released on a reporting lag therefore, the Company estimates the fair value of these funds by starting with the most recent fund valuations and adjusting for capital calls, redemptions, drawdowns and distributions. Return estimates are not available from the relevant fund managers for these funds, therefore the Company typically has a reporting lag in its fair value measurements of these funds.

The Company often does not have access to financial information relating to the underlying securities held within the funds. Therefore, management is unable to corroborate the fair values placed on the securities underlying the asset valuations provided by fund managers or fund administrators. In order to assess the reasonableness of the NAVs, the Company performs a number of monitoring procedures on a quarterly basis, to assess the quality of the information provided by fund managers and fund administrators. These procedures include, but are not limited to, regular review and discussion of each fund's performance with its manager, regular evaluation of fund performance against applicable benchmarks and the backtesting of the Company's fair value estimates against subsequently received NAVs. Backtesting involves comparing the Company's previously reported fair values for each fund against NAVs per audited financial statements (for year-end values) and final NAVs from fund managers and fund administrators (for interim values).



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***CLO-Equities***

The fair value of the Company's indirect investment in CLO-Equities is estimated using an income approach valuation technique, specifically an externally developed discounted cash flow model due to the lack of observable and relevant trades in secondary markets.

***Other Privately Held Investments***

Other privately held investments include convertible preferred shares, preferred shares, common shares, convertible notes, investments in limited partnerships and a variable yield security. These investments are initially valued at cost, which approximates fair value. In subsequent measurement periods, the fair value of these investments is derived from one or a combination of valuation methodologies which consider factors including recent capital raises by the investee companies, comparable precedent transaction multiples, comparable publicly traded multiples, third-party valuations, discounted cash-flow models, and other techniques that consider the industry and development stage for each investee company. The fair value of the variable yield security is determined using an externally developed discounted cash flow model. In order to assess the reasonableness of the information received from investee companies, the Company maintains an understanding of current market conditions, historical results, and emerging trends that may impact the results of operations, financial condition or liquidity of these companies. In addition, the Company engages in regular communication with management at investee companies.

**Insurance and Reinsurance Balances Receivable**

Under the EBS framework insurance and reinsurance balances receivable are valued in line with U.S. GAAP with the exception that any balance owing in more than one year shall be discounted. Furthermore, insurance and reinsurance balances receivable that are not contractually due as at the balance sheet date or deferred to a date subsequent to the balance sheet date are included within technical provisions (premium liabilities) under the EBS framework.

**5.2. Valuation Bases for Liabilities under the BMA's EBS Framework**

The following table provides the Company's liabilities on both U.S. GAAP and EBS bases:

As at December 31	U.S. GAAP		EBS		Adjustment Type
	2022	2021	2022	2021	
Reserve for losses and loss expenses	\$ 15,168,863	\$ 14,653,094	\$ 8,276,758	\$ 9,343,598	Presentation and valuation
Unearned premiums/premium liability	4,361,447	4,090,676	(377,134)	(220,259)	Presentation and valuation
Risk margin	—	—	655,185	808,641	Valuation
<b>Technical Provisions</b>	<b>19,530,310</b>	<b>18,743,770</b>	<b>8,554,809</b>	<b>9,931,980</b>	
Insurance and reinsurance balances payable	1,522,764	1,324,620	1,484,756	1,311,539	Presentation
Debt and FHLB advances	1,393,702	1,310,975	81,388	—	Valuation
Other liabilities	509,125	578,949	459,042	508,631	Presentation and valuation
<b>Total Liabilities</b>	<b>\$ 22,955,901</b>	<b>\$ 21,958,314</b>	<b>\$ 10,579,995</b>	<b>\$ 11,752,150</b>	

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The more significant differences between U.S. GAAP and EBS valuation and presentation bases are as follows:

- Technical provisions valued under an EBS approach are presented net of recoverables;
- Technical provisions under the EBS framework include a risk margin;
- Insurance and reinsurance balances receivable that are not contractually due at the balance sheet date or deferred to a date subsequent to the balance sheet date are included within technical provisions (premium liabilities) under the EBS framework; and
- Subject to certain restrictions, the Company's Senior Notes and Junior Subordinated Notes are included in the Company's statutory economic capital and surplus under the BMA's Insurance (eligible capital) rules.

### **Technical Provisions**

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a standard discount rate term structure with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows, which is calculated using a cost of capital approach and a standard discount rate term structure. The discount rates term structures are prescribed by the BMA for each reporting period.

The loss and loss expense provision is calculated for both gross and ceded loss reserves. The actuarial central estimate indication, which is calculated as part of the reserving process, is used as the best estimate for the loss and loss expense provision and is then adjusted as follows:

- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of events not in data ("ENID");
- Other adjustments related to consideration for investment and other expenses, etc.; and
- Discounting of cash flows, performed at individual currency level.

The best estimate for the premium provision is calculated by using U.S. GAAP net unearned premium reserves as a starting point and then performing a series of adjustments:

- Adjusting for bound but not incepted business as at the balance sheet date;
- Applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows;
- Discounting the cash flows performed at individual currency level; and
- Reducing the premium liabilities by the amount of insurance and reinsurance balances receivable that are not contractually due or deferred as at the balance sheet date.

### **Insurance and Reinsurance Balances Payable**

Under the EBS framework insurance and reinsurance balances payable are valued in line with U.S. GAAP with the exception that any balance owing in more than one year shall be discounted.

### **5.3. Balances Recoverable from Reinsurance Arrangements**

Technical provisions valued under an EBS approach are presented net of recoverables. Recoverables from reinsurance contracts are valued based on principles similar to the gross best estimate bases and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims.

The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics.

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**5.4. Valuation Bases for Other Liabilities**

Other liabilities are mostly comprised of accounts payable, accruals and payables for investments purchased that are valued in line with U.S. GAAP. Deferred tax liabilities are valued on the basis of the difference between the values ascribed to assets and liabilities recognised on an EBS basis and the values of those assets and liabilities recognised and valued for tax purposes.

**5.5. Other Material Information**

Not applicable.

**6. CAPITAL MANAGEMENT**

**6.1. Eligible Capital**

**6.1.1. Capital Management Policy and Processes to Determine Capital Needs for Business Planning, How Capital is Managed and Material Changes**

Our overall capital and solvency objective is to manage our capital to ensure we can deliver on our strategic objectives, which require an appropriate level of security to our clients, a strong competitive position and superior return on equity. In managing capital we seek to:

- maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support new business growth and satisfy the requirements of our regulators and other stakeholders giving both our customers and shareholders assurance of our financial strength;
- optimize our overall debt to equity structure to enhance our returns to shareholders, subject to our capital risk appetite and balancing the requirements of the range of stakeholders;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets products;
- allocate capital rigorously across the Group, to drive value adding growth through optimizing risk and return; and
- assess dividend capacity against earnings and financial position.

We manage our capital in accordance with our Target Capital Range ("TCR") concept. The TCR defines the preferred level of capital needed to absorb shock losses and still satisfy our minimum solvency targets in relation to key capital benchmarks including our "own view" of risk from our internal capital model and regulatory and rating agency capital requirements (see section 3.3.3).

An integral part of our capital management framework is the ORSA (or GSSA) process. As stated in section 3.3.2, the ORSA process consolidates data and information from a number of underlying business processes to enable a comprehensive assessment of the Company's solvency position based on its current, prospective and stressed risk profile and associated capital requirements. An important aspect of the process is the forward-looking assessment of any changes to the risk profile and capital requirements introduced by prospective business plans or major strategic initiatives. The risk analysis performed includes impact on prospective risk exposures relative to risk appetite and risk limits, capital and solvency requirement projections relative to solvency targets, and associated management actions to mitigate excess risk exposures and finance any additional solvency requirements. The results of the ORSA are reported to the Risk Committee and support the Board's approval of prospective business plans and strategic initiatives.

The ORSA is a continuous and dynamic process which is incorporated into the quarterly risk reporting cycle by the CRO and Risk Function, and presented to the RMC and the Risk Committee. Any material changes to the Company's risk profile are reflected in the Company's capital requirements appropriately, as per the TCR framework. Deviations from the target ranges will trigger necessary management actions to ensure the Company remains within its solvency targets. The Group Capital Management Committee is responsible for approving and overseeing the implementation of any capital management actions.

**AXIS CAPITAL HOLDINGS LIMITED**  
**FINANCIAL CONDITION REPORT**

For the year ended December 31, 2022

*(In thousands of U.S. dollars)*

**6.1.2 - 3. Eligible Capital by Tier used to Meet the Enhanced Capital Requirement and Minimum Solvency Margin**

The BMA acts as our Group Supervisor and we are subject to the Insurance (Group Supervision) Rules 2011, as amended, and other related regulations.

The following table provides the Company's regulatory capital requirements:

As at December 31	2022		2021	
Minimum solvency margin ("MSM")	\$	2,316,238	\$	2,413,198
Enhanced capital requirement ("ECR")	\$	3,411,540	\$	3,646,771

The following table provides the Company's eligible capital by tier to meet the Minimum Solvency Margin ("MSM") and Enhanced Capital Requirement ("ECR") requirements in accordance with Eligible Capital Rules:

As at December 31	2022		2021	
	MSM	ECR	MSM	ECR
Tier 1	\$ 3,920,550	\$ 3,920,550	\$ 4,037,925	\$ 4,037,925
Tier 2	980,138	1,680,823	1,009,481	1,458,643
Tier 3	—	891,343	—	890,469
<b>Total Eligible Capital</b>	<b>\$ 4,900,688</b>	<b>\$ 6,492,716</b>	<b>\$ 5,047,406</b>	<b>\$ 6,387,037</b>

The majority of the Group's capital and surplus, as determined under the BMA's EBS framework and Insurance (eligible capital) rules, is comprised of Tier 1 capital, the highest quality of capital. Tier 1 capital is mainly comprised of common shareholders' equity, including non-distributed retained earnings, as adjusted for asset encumbrances. Tier 2 capital is comprised of our preferred shares, our junior subordinated notes issued on December 10, 2019 with a \$425 million aggregate principal maturing on January 15, 2040 as well as common shareholders' equity following adjustment for asset encumbrances. Tier 3 capital is comprised of our senior unsecured notes issued on December 6, 2017 with a \$350 million aggregate principal maturing on December 6, 2027, our senior unsecured notes issued on March 13, 2014 with a \$250 million aggregate principal maturing on April 1, 2045 and our senior unsecured notes issued on June 19, 2019 with a \$300 million aggregate principal maturing on July 15, 2029.

**6.1.4. Eligible Capital subject to Transitional Arrangements**

All of the Group's senior unsecured notes are subject to transitional arrangements under the BMA's Eligible Capital Rules, therefore being eligible until 2026.

**6.1.5. Factors Affecting Encumbrances on Availability and Transferability of Capital to meet Enhanced Capital Requirement**

In order to support the Company's obligations in regulatory jurisdictions where it operates as a non-admitted carrier, the Company provides collateral in the form of assets held in trust and, to a lesser extent, letters of credit.

In addition, the Company operates in the Lloyd's market through its corporate members, AXIS Corporate Capital UK Limited and AXIS Corporate Capital UK II Limited, which provide 70% and 30%, respectively of Syndicate 1686's capital support. Lloyd's sets capital requirements for corporate members annually through the application of a capital model that is based on regulatory rules pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of business of Insurance and Reinsurance (Solvency II) ("Solvency II").

The capital provided to support underwriting, or Funds at Lloyd's ("FAL"), may be satisfied by cash, certain investments and letters of credit provided by approved banks.

**AXIS CAPITAL HOLDINGS LIMITED**  
**FINANCIAL CONDITION REPORT**

For the year ended December 31, 2022

*(In thousands of U.S. dollars)*

At December 31, 2022 collateral held in trust for third-party agreements of \$2,491 million (2021: \$2,413 million) included \$539 million (2021: \$507 million) of fixed maturities and cash of \$217 million (2021: \$326 million) held on deposit to support the underwriting activities of Syndicate 1686.

The Company's restricted investments and cash primarily consist of high-quality fixed maturity and short-term investment securities. The table below provides the fair values of the Company's restricted investments and cash:

<b>As at December 31</b>	<b>2022</b>	<b>2021</b>
Collateral in Trust for inter-company agreements	\$ 790,449	\$ 886,903
Collateral for secured letter of credit facility	424,624	402,478
Funds at Lloyd's	748,573	936,862
Collateral in Trust for third party agreements	2,491,317	2,412,882
Securities on deposit with regulatory authorities	731,660	729,072
<b>Total Restricted Investments</b>	<b>\$ 5,186,623</b>	<b>\$ 5,368,197</b>

#### 6.1.6. Approved Ancillary Capital Instruments

Our approved ancillary capital as at December 31, 2022 is comprised of senior unsecured notes issued on December 6, 2017 with a \$350 million aggregate principal maturing on December 6, 2027, senior unsecured notes issued on March 13, 2014 with a \$250 million aggregate principal maturing on April 1, 2045 and senior unsecured notes issued on June 19, 2019 with a \$300 million aggregate principal maturing on July 15, 2029, all of which were approved by the BMA as Tier 3 ancillary capital as well as junior subordinated notes issued on December 10, 2019 with a \$425 million aggregate principal maturing on January 15, 2040 which were approved by the BMA as Tier 2 ancillary capital.

#### 6.1.7. Differences in U.S. GAAP Shareholders' Equity and EBS Statutory Capital and Surplus

Refer to sections 5.1 and 5.2 for a discussion on the differences between our assets and liabilities as valued and presented under U.S. GAAP compared to an EBS framework. Our statutory surplus also includes approved ancillary capital instruments (refer to section 6.1.6).

#### 6.2. Regulatory Capital Requirements

We were compliant with the MSM and ECR requirements at the end of the reporting period.

#### 6.3. Approved Internal Capital Model

Not applicable - we have not applied to have an internal capital model approved to determine regulatory capital requirements.

### 7. SUBSEQUENT EVENTS

Not applicable

**AXIS CAPITAL HOLDINGS LIMITED**  
**DECLARATION ON FINANCIAL CONDITION REPORT**  
FOR THE YEAR ENDED DECEMBER 31, 2022

We declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the AXIS Group in all material respects.



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Vincent C. Tizzio  
Chief Executive Officer and President  
AXIS Capital Holdings Limited



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Peter Vogt  
Chief Financial Officer  
AXIS Capital Holdings Limited

# APPENDIX 1 - ORGANIZATION CHART

## AXIS CAPITAL HOLDINGS LIMITED

- All Subsidiaries are wholly owned unless otherwise noted
- Equity investment ownership interests excluded
- <sup>1</sup> One share owned by AXIS Specialty Holdings Ireland Limited
- <sup>2</sup> Managing Agent for AXIS Syndicate 1686
- <sup>3</sup> For YOA2019 onwards, AXIS Corporate Capital UK Limited and AXIS Corporate Capital UK II Limited will share capacity on Syndicate 1686 with 70/30 split, respectively.
- (L) – in liquidation

