

AXIS CAPITAL HOLDINGS LTD
Form 10-Q
May 03, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

Commission file number 001-31721

AXIS CAPITAL HOLDINGS LIMITED

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation or organization)

98-0395986

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

92 Pitts Bay Road, Pembroke, Bermuda HM 08

(Address of principal executive offices and zip code)

(441) 496-2600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value \$0.0125 per share	AXS	New York Stock Exchange
5.50% Series D preferred shares	AXS PRD	New York Stock Exchange
	AXS PRE	New York Stock Exchange

Edgar Filing: AXIS CAPITAL HOLDINGS LTD - Form 10-Q

Depository Shares, each representing a 1/100th interest in a 5.50%

Series E preferred share

At April 26 2019, there were 83,935,148 Common Shares, \$0.0125 par value per share, of the registrant outstanding.

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
INDEX TO FORM 10-Q

	Page
PART I	
<u>Financial Information</u>	<u>3</u>
Item 1. <u>Consolidated Financial Statements</u>	<u>5</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>46</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>84</u>
Item 4. <u>Controls and Procedures</u>	<u>84</u>
PART II	
<u>Other Information</u>	<u>85</u>
Item 1. <u>Legal Proceedings</u>	<u>85</u>
Item 1A. <u>Risk Factors</u>	<u>85</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>85</u>
Item 5. <u>Other Information</u>	<u>86</u>
Item 6. <u>Exhibits</u>	<u>86</u>
<u>Signatures</u>	<u>87</u>

Table of Contents

PART I FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts included in this report, including statements regarding our estimates, beliefs, expectations, intentions, strategies or projections are "forward-looking statements". We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as "may", "should", "could", "anticipate", "estimate", "expect", "plan", "believe", "predict", "potential" and "intend" or similar expressions. These forward-looking statements are not historical facts, and are based upon current expectations, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond management's control. Forward-looking statements contained in this report may include, but are not limited to, information regarding our estimates of losses related to catastrophes and other large losses, measurements of potential losses in the fair market value of our investment portfolio and derivative contracts, our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the outcome of our strategic initiatives, our expectations regarding estimated synergies and the success of the integration of acquired entities, our expectations regarding the estimated benefits and synergies related to the Company's transformation program, our expectations regarding pricing and other market conditions, our growth prospects, and valuations of the potential impact of movements in interest rates, equity securities prices, credit spreads and foreign currency rates.

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

- the cyclical nature of the insurance and reinsurance business leading to periods with excess underwriting capacity and unfavorable premium rates,
- the occurrence and magnitude of natural and man-made disasters,
- the impact of global climate change on our business, including the possibility that we do not adequately assess or reserve for the increased frequency and severity of natural catastrophes,
- losses from war, terrorism and political unrest or other unanticipated losses,
- actual claims exceeding our loss reserves,
- general economic, capital and credit market conditions,
- the failure of any of the loss limitation methods we employ,
- the effects of emerging claims, coverage and regulatory issues, including uncertainty related to coverage definitions, limits, terms and conditions,
- our inability to purchase reinsurance or collect amounts due to us,
- the breach by third parties in our program business of their obligations to us,
- difficulties with technology and/or data security,
- the failure of our policyholders and intermediaries to pay premiums,
- the failure of our cedants to adequately evaluate risks,
- inability to obtain additional capital on favorable terms, or at all,
- the loss of one or more key executives,
- a decline in our ratings with rating agencies,
- loss of business provided to us by our major brokers and credit risk due to our reliance on brokers,
- changes in accounting policies or practices,
- the use of industry catastrophe models and changes to these models,
- changes in governmental regulations and potential government intervention in our

industry,
failure to comply with certain laws and regulations relating to sanctions and foreign corrupt practices,
increased competition,

3

Table of Contents

changes in the political environment of certain countries in which we operate or underwrite business including the United Kingdom's expected withdrawal from the European Union, fluctuations in interest rates, credit spreads, equity securities' prices and/or currency values, the failure to successfully integrate acquired businesses or realize the expected synergies resulting from such acquisitions, the failure to realize the expected benefits or synergies relating to the Company's transformation initiative, changes in tax laws, and the other factors including but not limited to those described under Item 1A, 'Risk Factors' and Item 7, 'Management's Discussion and Analysis of Financial Condition and Results of Operations' included in our most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC"), as those factors may be updated from time to time in our periodic and other filings with the SEC, which are accessible on the SEC's website at www.sec.gov.

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

Website and Social Media Disclosure

We use our website (www.axiscapital.com) and our corporate Twitter (@AXIS_Capital) and LinkedIn (AXIS Capital) accounts as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about AXIS Capital when you enroll your e-mail address by visiting the "E-mail Alerts" in the Investor Information section of our website (www.axiscapital.com). The contents of our website and social media channels are not, however, a part of this Quarterly Report on Form 10-Q.

Table of Contents

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Balance Sheets at March 31, 2019 (Unaudited) and December 31, 2018	<u>6</u>
Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018 (Unaudited)	<u>7</u>
Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018 (Unaudited)	<u>8</u>
Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2019 and 2018 (Unaudited)	<u>9</u>
Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 (Unaudited)	<u>9</u>
Notes to Consolidated Financial Statements (Unaudited)	<u>10</u>
Note 1 - Basis of Presentation and Significant Accounting Policies	<u>10</u>
Note 2 - Segment Information	<u>12</u>
Note 3 - Investments	<u>14</u>
Note 4 - Fair Value Measurements	<u>23</u>
Note 5 - Derivative Instruments	<u>33</u>
Note 6 - Reserve for Losses and Loss Expenses	<u>36</u>
Note 7 - Earnings Per Common Share	<u>39</u>
Note 8 - Share-Based Compensation	<u>40</u>
Note 9 - Shareholders' Equity	<u>41</u>
Note 10 - Debt and Financing Arrangements	<u>42</u>
Note 11 - Commitments and Contingencies	<u>42</u>
Note 12 - Leases	<u>42</u>
Note 13 - Transaction and Reorganization Expenses	<u>44</u>
Note 14 - Other Comprehensive Income (Loss)	<u>44</u>
Note 15 - Subsequent Events	<u>45</u>

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019 (UNAUDITED) AND DECEMBER 31, 2018

	2019	2018
	(in thousands)	
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (Amortized cost 2019: \$11,834,207; 2018: \$11,616,312)	\$11,874,518	\$11,435,347
Equity securities, at fair value (Cost 2019: \$376,493; 2018: \$365,905)	418,863	381,633
Mortgage loans, held for investment, at fair value	313,421	298,650
Other investments, at fair value	795,331	787,787
Equity method investments	110,322	108,103
Short-term investments, at fair value	41,853	144,040
Total investments	13,554,308	13,155,560
Cash and cash equivalents	1,151,182	1,232,814
Restricted cash and cash equivalents	455,076	597,206
Accrued interest receivable	78,594	80,335
Insurance and reinsurance premium balances receivable	3,667,923	3,007,296
Reinsurance recoverable on unpaid losses	3,555,341	3,501,669
Reinsurance recoverable on paid losses	321,798	280,233
Deferred acquisition costs	703,028	566,622
Prepaid reinsurance premiums	1,271,303	1,013,573
Receivable for investments sold	10,888	32,627
Goodwill	102,003	102,003
Intangible assets	238,763	241,568
Value of business acquired	22,610	35,714
Operating lease right-of-use assets	143,887	—
Other assets	280,878	285,346
Total assets	\$25,557,582	\$24,132,566
Liabilities		
Reserve for losses and loss expenses	\$12,275,771	\$12,280,769
Unearned premiums	4,535,163	3,635,758
Insurance and reinsurance balances payable	1,440,942	1,338,991
Senior notes	1,342,345	1,341,961
Payable for investments purchased	159,544	111,838
Operating lease liabilities	144,298	—
Other liabilities	359,363	393,178
Total liabilities	20,257,426	19,102,495
Shareholders' equity		
Preferred shares	775,000	775,000
Common shares (shares issued 2019: 176,580; 2018: 176,580 shares outstanding 2019: 83,934; 2018: 83,586)	2,206	2,206
Additional paid-in capital	2,296,639	2,308,583
Accumulated other comprehensive income (loss)	29,096	(177,110)
Retained earnings	5,976,603	5,912,812

Edgar Filing: AXIS CAPITAL HOLDINGS LTD - Form 10-Q

Treasury shares, at cost (2019: 92,646; 2018: 92,994 shares)	(3,779,388)	(3,791,420)
Total shareholders' equity	5,300,156	5,030,071
Total liabilities and shareholders' equity	\$25,557,582	\$24,132,566

See accompanying notes to Consolidated Financial Statements.

6

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	Three months ended 2019		2018	
	(in thousands, except for per share amounts)			
Revenues				
Net premiums earned	\$ 1,134,212		\$ 1,167,402	
Net investment income	107,303		100,999	
Other insurance related income	6,929		6,606	
Net investment gains (losses):				
Other-than-temporary impairment ("OTTI") losses	(4,036)	(414)
Other realized and unrealized investment gains (losses)	16,803		(14,416)
Total net investment gains (losses)	12,767		(14,830)
Total revenues	1,261,211		1,260,177	
Expenses				
Net losses and loss expenses	664,028		661,345	
Acquisition costs	260,418		229,260	
General and administrative expenses	175,091		169,837	
Foreign exchange losses	7,056		37,860	
Interest expense and financing costs	15,895		16,763	
Transaction and reorganization expenses	14,820		13,054	
Amortization of value of business acquired	13,104		57,110	
Amortization of intangible assets	3,003		2,782	
Total expenses	1,153,415		1,188,011	
Income before income taxes and interest in income of equity method investments				
	107,796		72,166	
Income tax (expense) benefit	(1,234)	1,036	
Interest in income of equity method investments	2,219		—	
Net income	108,781		73,202	
Preferred share dividends	10,656		10,656	
Net income available to common shareholders	\$ 98,125		\$ 62,546	

Per share data

Earnings per common share:

Earnings per common share	\$	1.17	\$	0.75
---------------------------	----	------	----	------

Earnings per diluted common share	\$	1.16	\$	0.75
-----------------------------------	----	------	----	------

Weighted average common shares outstanding	83,725	83,322
--	--------	--------

Weighted average diluted common shares outstanding	84,272	83,721
--	--------	--------

See accompanying notes to Consolidated Financial Statements.

7

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	Three months ended	
	2019	2018
	(in thousands)	
Net income	\$108,781	\$73,202
Other comprehensive income (loss), net of tax:		
Available for sale investments:		
Unrealized investment gains (losses) arising during the period	190,173	(112,191)
Adjustment for reclassification of net realized investment (gains) losses and OTTI losses recognized in net income	13,370	785
Unrealized investment gains (losses) arising during the period, net of reclassification adjustment	203,543	(111,406)
Foreign currency translation adjustment	2,662	1,270
Total other comprehensive income (loss), net of tax	206,205	(110,136)
Comprehensive income (loss)	\$314,986	\$(36,934)

See accompanying notes to Consolidated Financial Statements.

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	2019	2018
	(in thousands)	
Preferred shares		
Balance at beginning and end of period	\$ 775,000	\$ 775,000
Common shares (par value)		
Balance at beginning and end of period	2,206	2,206
Additional paid-in capital		
Balance at beginning of period	2,308,583	2,299,166
Treasury shares reissued	(19,302)	(19,272)
Share-based compensation expense	7,358	9,603
Balance at end of period	2,296,639	2,289,497
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(177,110)	92,382
Unrealized gains (losses) on available for sale investments, net of tax:		
Balance at beginning of period	(168,365)	89,962
Cumulative effect of adoption of ASU No. 2018-02	—	2,142
Cumulative effect of adoption of ASU No. 2016-01, net of taxes	—	(69,604)
Unrealized gains (losses) arising during the period, net of reclassification adjustment	203,543	(111,406)
Balance at end of period	35,178	(88,906)
Cumulative foreign currency translation adjustments, net of tax:		
Balance at beginning of period	(8,745)	2,420
Foreign currency translation adjustment	2,663	1,270
Balance at end of period	(6,082)	3,690
Balance at end of period	29,096	(85,216)
Retained earnings		
Balance at beginning of period	5,912,812	5,979,666
Cumulative effect of adoption of ASU No. 2018-02	—	(2,142)
Cumulative effect of adoption of ASU No. 2016-01, net of taxes	—	69,604
Net income	108,781	73,202
Preferred share dividends	(10,656)	(10,656)
Common share dividends	(34,334)	(33,380)
Balance at end of period	5,976,603	6,076,294
Treasury shares, at cost		
Balance at beginning of period	(3,791,420)	(3,807,156)
Shares repurchased	(9,003)	(7,163)
Shares reissued	21,035	20,933
Balance at end of period	(3,779,388)	(3,793,386)
Total shareholders' equity	\$ 5,300,156	\$ 5,264,395

AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	Three months ended	
	2019	2018
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 108,781	\$ 73,202
Adjustments to reconcile net income to net cash used in operating activities:		
Net investment (gains) losses	(12,767)	8,909
Net realized and unrealized gains on other investments	(6,528)	(12,950)
Amortization of fixed maturities	5,832	9,895
Interest in income of equity method investments	(2,219)	—
Amortization of value of business acquired	13,104	57,110
Other amortization and depreciation	23,742	11,287
Share-based compensation expense, net of cash payments	(3,679)	(1,481)
Changes in:		
Accrued interest receivable	1,544	3,350
Reinsurance recoverable balances on unpaid and paid losses	(98,425)	(113,656)
Deferred acquisition costs	(136,906)	(253,369)
Prepaid reinsurance premiums	(260,567)	(218,772)
Reserve for losses and loss expenses	4,829	184,511
Unearned premiums	903,253	1,056,045
Insurance and reinsurance balances, net	(559,150)	(854,993)
Other items	(38,536)	(36,973)
Net cash used in operating activities	(57,692)	(87,885)
Cash flows from investing activities:		
Purchases of:		
Fixed maturities	(2,425,086)	(2,474,418)
Equity securities	(23,503)	(42,522)
Mortgage loans	(14,965)	(59,838)
Other investments	(70,039)	(31,755)
Short-term investments	(85,045)	(57,688)
Proceeds from the sale of:		
Fixed maturities	1,978,928	2,442,673
Equity securities	14,875	194,970
Other investments	67,865	44,493
Short-term investments	185,445	46,719
Proceeds from redemption of fixed maturities	278,150	319,526
Proceeds from redemption of short-term investments	2,413	16,022
Proceeds from the repayment of mortgage loans	243	20,237
Purchase of other assets	(12,051)	—
Net cash provided by (used in) investing activities	(102,770)	418,419

Edgar Filing: AXIS CAPITAL HOLDINGS LTD - Form 10-Q

Cash flows from financing activities:		
Taxes paid on withholding shares	(9,003) (7,163)
Dividends paid - common shares	(36,260) (35,273)
Dividends paid - preferred shares	(10,656) (10,656)
Net cash used in financing activities	(55,919) (53,092)
Effect of exchange rate changes on foreign currency cash, cash equivalents, and restricted cash		
	(7,381) 3,354
Increase (decrease) in cash, cash equivalents, and restricted cash	(223,762) 280,796
Cash, cash equivalents, and restricted cash - beginning of period	1,830,020	1,363,786
Cash, cash equivalents, and restricted cash - end of period	\$1,606,258	\$1,644,582
Supplemental disclosures of cash flow information:		
Income taxes paid	\$1,321	\$4,412
Interest paid	\$—	\$10,306

Supplemental disclosures of cash flow information: In 2018, total consideration paid for an agreement for the Reinsurance to Close ("RITC") of the 2015 and prior years of account of Syndicate 2007 was \$819 million of which \$600 million was settled by way of a transfer of securities and was treated as a non-cash activity in the consolidated statement of cash flows (refer to Note 6 'Reserve for Losses and Loss Expenses').

See accompanying notes to Consolidated Financial Statements.

Table of Contents

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited Consolidated Financial Statements (the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the U.S. Securities and Exchange Commission's ("SEC") instructions to Form 10-Q and Article 10 of Regulation S-X and include AXIS Capital Holdings Limited ("AXIS Capital") and its subsidiaries (the "Company"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with the financial statements and related notes included in AXIS Capital's Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position and results of operations for the periods presented.

The results of operations for any interim period are not necessarily indicative of the results for a full year. All inter-company accounts and transactions have been eliminated.

To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year's presentation. These reclassifications did not impact results of operations, financial condition or liquidity.

Tabular dollar and share amounts are in thousands, except per share amounts. All amounts are reported in U.S. dollars.

Significant Accounting Policies

There was no notable change to the Company's significant accounting policies subsequent to its Annual Report on Form 10-K for the year ended December 31, 2018.

New Accounting Standards Adopted in 2019

Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, "Leases (Topic 842)", which provides a new comprehensive model for lease accounting. Topic 842 requires a lessee to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The adoption of this standard resulted in the recognition of lease liabilities and right-of-use assets of \$144 million in the Company's consolidated balance sheet at March 31, 2019, related to office property and equipment leases.

In addition, the Company adopted ASU 2018-11, "Leases (Topic 842) - Targeted Improvements", which provides an additional (and optional) transition method to adopt the new lease guidance. Under the alternative transition method, the Company's reporting for the comparative periods presented in its financial statements will be in accordance with the pre-effective date lease accounting requirements (Topic 840).

The Company also elected the package of practical expedients permitted under the transition guidance of Topic 842, which were elected as a package and applied consistently to all leases. At the adoption date, the package of practical expedients permitted the Company not to reassess the following:

1. whether any expired or existing contracts are or contain leases;
2. the lease classification for any expired or existing leases; and
3. initial direct costs for any existing leases.

In addition to electing the package of practical expedients, the Company made an accounting policy election to account for non-lease components separately from lease components. As a result, the non-lease components associated with the Company's leases are not included in the lease liabilities and right-of-use assets in the Company's consolidated balance at March 31, 2019.

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Further, the Company made an accounting policy election not to record office property and equipment leases with an initial term of 12 months or less (short-term) in the Company's consolidated balance sheets. For the three months ended March 31, 2019, the Company recognized expense for short-term leases of \$0.6 million in the Company's consolidated statements of operations. The adoption of this guidance did not impact the Company's retained earnings, results of operations, or liquidity.

Premium Amortization on Purchased Callable Debt Securities

Effective January 1, 2019, the Company adopted ASU 2017-08 "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20) - Premium Amortization on Purchased Callable Debt Securities" which shortens the amortization period for certain purchased callable debt securities held at a premium. The adoption of this guidance did not impact the Company's results of operations, financial condition or liquidity.

Changes to Disclosures on Fair Value Measurement

Effective January 1, 2019, the Company adopted ASU 2018-13 "Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" which aims to improve the effectiveness of fair value measurement disclosures. The adoption of this guidance did not impact the Company's results of operations, financial condition or liquidity.

Recently Issued Accounting Standards Not Yet Adopted

Measurement of Credit Losses on Financial Instrument

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments" which replaces the "incurred loss" impairment methodology with an approach based on "expected losses" to estimate credit losses on certain types of financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance requires financial assets to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the cost of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses. The guidance also provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. This guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on its results of operations, financial condition and liquidity.

Table of Contents

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

2. SEGMENT INFORMATION

AXIS Capital's underwriting operations are organized around its global underwriting platforms, AXIS Insurance and AXIS Re. The Company has determined that it has two reportable segments, insurance and reinsurance. The Company does not allocate its assets by segment, with the exception of goodwill and intangible assets, as it evaluates the underwriting results of each segment separately from the results of its investment portfolio.

Insurance

The Company's insurance segment offers specialty insurance products to a variety of niche markets on a worldwide basis. The product lines in this segment are property, marine, terrorism, aviation, credit and political risk, professional lines, liability, accident and health, and discontinued lines - Novae.

Reinsurance

The Company's reinsurance segment provides treaty reinsurance to insurance companies on a worldwide basis. The product lines in this segment are catastrophe, property, professional lines, credit and surety, motor, liability, agriculture, engineering, marine and other, accident and health, and discontinued lines - Novae.

Table of ContentsAXIS CAPITAL HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. SEGMENT INFORMATION (CONTINUED)

The following tables present the underwriting results of the Company's reportable segments, as well as the carrying values of allocated goodwill and intangible assets:

Three months ended and at March 31,	2019			2018		
	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total
Gross premiums written	\$851,096	\$1,732,130	\$2,583,226	\$880,848	\$1,781,947	\$2,662,795
Net premiums written	529,239	1,247,820	1,777,059	547,893	1,437,978	1,985,871
Net premiums earned	556,762	577,450	1,134,212	580,059	587,343	1,167,402
Other insurance related income	1,742	5,187	6,929	620	5,986	6,606