

AXIS CAPITAL HOLDINGS LTD

Form 10-Q

May 04, 2015

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, 2015

OR

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

Commission file number 001-31721

AXIS CAPITAL HOLDINGS LIMITED

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation or organization)

98-0395986

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

92 Pitts Bay Road, Pembroke, Bermuda HM 08

(Address of principal executive offices and zip code)

(441) 496-2600

(Registrant's telephone number, including area code)

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

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

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

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

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

As of April 24, 2015, there were 100,928,728 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>4</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>64</u>
Item 4. <u>Controls and Procedures</u>	<u>64</u>
PART II	
<u>Other Information</u>	<u>65</u>
Item 1. <u>Legal Proceedings</u>	<u>65</u>
Item 1A. <u>Risk Factors</u>	<u>65</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>65</u>
Item 6. <u>Exhibits</u>	<u>66</u>
<u>Signatures</u>	<u>67</u>

Table of Contents

PART I FINANCIAL INFORMATION

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

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

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

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

Table of Contents

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Balance Sheets at March 31, 2015 (Unaudited) and December 31, 2014	<u>5</u>
Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014 (Unaudited)	<u>6</u>
Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014 (Unaudited)	<u>7</u>
Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2015 and 2014 (Unaudited)	<u>8</u>
Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (Unaudited)	<u>9</u>
Notes to Consolidated Financial Statements (Unaudited)	<u>10</u>
Note 1 - Basis of Presentation and Accounting Policies	<u>10</u>
Note 2 - Segment Information	<u>11</u>
Note 3 - Investments	<u>12</u>
Note 4 - Fair Value Measurements	<u>19</u>
Note 5 - Derivative Instruments	<u>27</u>
Note 6 - Reserve for Losses and Loss Expenses	<u>30</u>
Note 7 - Share-Based Compensation	<u>31</u>
Note 8 - Earnings Per Common Share	<u>33</u>
Note 9 - Shareholders' Equity	<u>33</u>
Note 10 - Noncontrolling Interests	<u>34</u>
Note 11 - Debt and Financing Arrangements	<u>34</u>
Note 12 - Commitments and Contingencies	<u>34</u>
Note 13 - Other Comprehensive Income	<u>36</u>
Note 14 - Subsequent Events	<u>36</u>

Table of Contents

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

	2015	2014
	(in thousands)	
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (Amortized cost 2015: \$12,012,633; 2014: \$12,185,973)	\$ 12,012,894	\$ 12,129,273
Equity securities, available for sale, at fair value (Cost 2015: \$572,317; 2014: \$531,648)	601,329	567,707
Other investments, at fair value	939,006	965,465
Short-term investments, at fair value and amortized cost	38,373	107,534
Total investments	13,591,602	13,769,979
Cash and cash equivalents	996,596	921,830
Restricted cash and cash equivalents	273,496	287,865
Accrued interest receivable	79,706	83,070
Insurance and reinsurance premium balances receivable	2,241,875	1,808,620
Reinsurance recoverable on unpaid and paid losses	1,921,311	1,926,145
Deferred acquisition costs	616,966	466,987
Prepaid reinsurance premiums	357,042	351,441
Receivable for investments sold	13,432	169
Goodwill and intangible assets	88,508	88,960
Other assets	278,285	250,670
Total assets	\$ 20,458,819	\$ 19,955,736
Liabilities		
Reserve for losses and loss expenses	\$ 9,443,222	\$ 9,596,797
Unearned premiums	3,293,952	2,735,376
Insurance and reinsurance balances payable	266,789	249,186
Senior notes	991,045	990,790
Payable for investments purchased	196,526	188,176
Other liabilities	221,050	315,471
Total liabilities	14,412,584	14,075,796
Shareholders' equity		
Preferred shares	627,843	627,843
Common shares (2015: 176,190; 2014: 175,478 shares issued and 2015: 100,219; 2014: 99,426 shares outstanding)	2,200	2,191
Additional paid-in capital	2,287,065	2,285,016
Accumulated other comprehensive loss	(17,070)	(45,574)
Retained earnings	5,842,239	5,715,504
Treasury shares, at cost (2015: 75,971; 2014: 76,052 shares)	(2,765,114)	(2,763,859)
Total shareholders' equity attributable to AXIS Capital	5,977,163	5,821,121
Noncontrolling interests	69,072	58,819
Total shareholders' equity	6,046,235	5,879,940

Total liabilities and shareholders' equity	\$20,458,819	\$19,955,736
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See accompanying notes to Consolidated Financial Statements.

5

Table of Contents

AXIS CAPITAL HOLDINGS LIMITED
 CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

	Three months ended	
	2015	2014
	(in thousands, except for per share amounts)	
Revenues		
Net premiums earned	\$906,222	\$945,949
Net investment income	92,110	82,744
Other insurance related income	7,676	3,082
Net realized investment gains (losses):		
Other-than-temporary impairment (OTTI) losses	(17,568)	(786)
Other realized investment gains (losses)	(24,985)	11,406
Total net realized investment gains (losses)	(42,553)	10,620
Total revenues	963,455	1,042,395
Expenses		