

AXIS CAPITAL HOLDINGS LTD  
Form DEF 14A  
March 28, 2007  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**AXIS CAPITAL HOLDINGS LIMITED**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (4) Proposed maximum aggregate value of transaction:
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  - (3) Filing Party:
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**March 28, 2007**

Dear Shareholder:

You are cordially invited to attend the 2007 Annual General Meeting of Shareholders of AXIS Capital Holdings Limited ( **AXIS** ), to be held at our offices located at AXIS House, 92 Pitts Bay Road, Pembroke HM 08, Bermuda, on Friday, May 11, 2007 at 8:30 a.m. local time.

The attached Notice of Annual General Meeting of Shareholders and proxy statement describe the formal business to be transacted at the annual meeting. During the annual meeting, we will make available information relating to the operations of AXIS during the past year. Representatives from our independent registered public accounting firm, Deloitte & Touche, will be present to respond to appropriate questions from shareholders.

Please mark, date, sign and return your proxy card in the enclosed envelope by following the instructions on the proxy card at your earliest convenience. This will assure that your shares will be represented and voted at the meeting, even if you do not attend.

Sincerely,  
/s/ Michael A. Butt  
Michael A. Butt  
Chairman of the Board

**AXIS CAPITAL HOLDINGS LIMITED**

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**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 11, 2007**

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Notice is hereby given that the Annual General Meeting of Shareholders of AXIS Capital Holdings Limited will be held at our offices located at AXIS House, 92 Pitts Bay Road, Pembroke HM 08, Bermuda, on Friday, May 11, 2007 at 8:30 a.m. local time for the following purposes:

1. To elect four Class III Directors to hold office until 2010;
2. To approve the AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan;
3. To adopt amended and restated Bye-laws as described in the attached proxy statement;
4. To appoint Deloitte & Touche, Hamilton, Bermuda, to act as our independent registered public accounting firm for the fiscal year ending December 31, 2007 and to authorize the Board of Directors, acting through the Audit Committee, to set the fees for the independent registered public accounting firm; and
5. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only shareholders of record, as shown by the AXIS transfer books at the close of business on March 9, 2007, are entitled to notice of and to vote at the meeting.

Our financial statements for the year ended December 31, 2006 together with the report of our independent registered public accounting firm in respect of these financial statements will be presented at the meeting.

By Order of the Board of Directors,  
/s/ Richard T. Gieryn, Jr.  
Richard T. Gieryn, Jr.  
Corporate Secretary

Pembroke, Bermuda  
March 28, 2007

**PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY CARD IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. YOU MAY ALSO VOTE OVER THE INTERNET OR BY TELEPHONE BY FOLLOWING THE VOTING INSTRUCTIONS PRINTED ON THE ACCOMPANYING PROXY CARD.**



**AXIS CAPITAL HOLDINGS LIMITED**  
**92 PITTS BAY ROAD, PEMBROKE HM 08, BERMUDA**

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**PROXY STATEMENT**

**FOR**

**THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 11, 2007**

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March 28, 2007

We are furnishing this proxy statement to the shareholders of AXIS Capital Holdings Limited in connection with the solicitation of proxies by the Board of Directors of AXIS Capital Holdings Limited to be voted at the 2007 Annual General Meeting of Shareholders to be held at our offices located at AXIS House, 92 Pitts Bay Road, Pembroke HM 08, Bermuda, on Friday, May 11, 2007 at 8:30 a.m. local time, and at any postponements or adjournments of that meeting.

When used in this Proxy Statement, the terms we, us, our, the Company and AXIS Capital refer to AXIS Capital Holdings Limited.

The approximate date on which we are first sending this proxy statement and the accompanying proxy card is March 28, 2007.

When the accompanying proxy card is properly executed and returned, the proxies named on the proxy card will vote the common shares, par value U.S. \$0.0125 per share, of the Company that it represents as specified at the meeting on the following proposals:

- the election of the four nominees for the Class III Directors as identified in this proxy statement;
- the approval of the AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan;
- the approval of amended and restated Bye-laws to amend the director and officer indemnity provisions and to allow acquired shares of our capital stock to be held in treasury;
- the appointment of Deloitte & Touche, Hamilton, Bermuda, to act as our independent registered public accounting firm for the fiscal year ending December 31, 2007 and the authorization of our Board of Directors, acting through the Audit Committee, to set the fees for the independent registered public accounting firm; and
- such other business as may properly come before the meeting or any postponements or adjournments thereof.

Shareholders of record as of the close of business on March 9, 2007 are entitled to vote at the meeting. As of March 9, 2007, there were 153,715,446 outstanding common shares entitled to vote at the meeting. Except as set forth in our bye-laws, each common share entitles the holder of record to one vote. In accordance with our bye-laws, shareholders whose shares constitute 9.5% or more of the voting power of our common shares are entitled to less than one vote for each common share held by them, and we will notify them of their voting power prior to the meeting.

Election of the directors and approval of the other proposals requires the affirmative vote of a majority of the votes cast at the meeting by the holders of shares represented in person or by proxy at the meeting, provided that there is a quorum consisting of two or more persons present in person and

representing in person or by proxy shares representing more than fifty percent (50%) of the aggregate voting power of the Company. We will count common shares held by shareholders who are present in person or by proxy at the meeting and who elect to withhold authority to vote on any director nominee or who elect to abstain from voting on any proposal, as well as broker non-votes, towards the presence of a quorum but will not count those shares as a vote for any director or for any proposal. We will count common shares held by shareholders who have signed their proxy cards but have not specified how their shares are to be voted towards the presence of a quorum, and we will vote those shares for the election of directors and for any proposal.

Any shareholder giving a proxy has the power to revoke it prior to its exercise by sending notice of revocation to our Secretary in writing, by executing and delivering a subsequent proxy card or by voting in person at the meeting.

Our financial statements for the year ended December 31, 2006 together with the report of our independent registered public accounting firm in respect of these financial statements will be presented at the meeting.

#### **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Our Board of Directors is divided into three classes designated Class I, Class II and Class III. The term of office for each Class III director expires at the annual general meeting in 2007; the term of office for each Class II director expires at the annual general meeting in 2008; and the term of office for each Class I director expires at the annual general meeting in 2009. At each annual general meeting, the successors of the class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual general meeting to be held in the third year following the year of their election.

Four Class III directors are to be elected at the meeting to hold office until the annual general meeting in 2010. All of the nominees currently are directors. Our Corporate Governance and Nominating Committee recommended all of the nominees to our Board of Directors for election at the meeting. All nominees have consented to serve if elected. We do not expect that any of the nominees will become unavailable for election as a director, but if any nominee should become unavailable prior to the meeting, proxy cards authorizing the proxies to vote for the nominees will instead be voted for substitute nominees recommended by our Board of Directors.

#### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES.**

The table below sets forth the names, ages, class and positions of the nominees who are standing for election at the meeting:

<b>Name</b>	<b>Age</b>	<b>Class</b>	<b>Positions</b>
Geoffrey Bell	67	III	Director
Christopher V. Greetham	62	III	Director
Maurice A. Keane	65	III	Director
Henry B. Smith	58	III	Director

**Geoffrey Bell** has served as a director since September 2006. He is currently President of Geoffrey Bell and Company formed in 1982 as a consultant to major corporations and banks internationally providing advice on capital market transactions as well as undertaking economic, financial and country risk analysis. He is also the Founder and is a member of the Board of Directors of the Consultative Group of International Economic and Monetary Affairs known as the Group of 30.

**Christopher V. Greetham** has served as a director since October 2006. He retired from his position as Chief Investment Officer of XL Capital Ltd. in September 2006. From 1982 to 1996, Mr. Greetham was

Chief Financial Officer of OIL Insurance Ltd. and President of OIL Investment Corporation Ltd. Between 1975 and 1982, he served as an investment analyst and a portfolio manager at Bankers Trust Company.

**Maurice A. Keane** has served as a director since September 2002. He is also Chairman of the Board of AXIS Specialty Holdings Ireland Limited and a director of AXIS Specialty Europe Limited. Mr. Keane was formerly the Group Chief Executive Officer of the Bank of Ireland, a position he held from 1998 until his retirement in 2002. He was Deputy Group Chief Executive Officer from 1991 through 1997, having been a Managing Director since 1983. He is currently Chairman of University College Dublin Foundation Limited and BUPA Ireland Limited and a director of DCC plc.

**Henry B. Smith** has served on our Board of Directors since May 2004. Mr. Smith served as the Chief Executive Officer and President of W.P. Stewart & Co., Ltd. from May 2005 to March 2006. He has served as a director of W.P. Stewart & Co., Ltd. since June 1988. 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 Operation Officer, Executive Vice President, Europe and Senior Vice President and General Manager, Retail Banking. He is a director of the Bank of Bermuda and W.P. Stewart & Co., Ltd.

The table below sets forth the names, ages, class and positions of the directors who are not standing for election at the meeting:

Name	Age	Class	Position
Michael A. Butt	64	I	Chairman of the Board
John R. Charman	54	I	Chief Executive Officer, President and Director
Charles A. Davis	58	I	Director
Robert L. Friedman	64	II	Director
Donald J. Greene	73	II	Director
Jurgen Grupe	69	II	Director
Sir Andrew Large	64	I	Director
Frank J. Tasco	79	II	Director

**Michael A. Butt** has been Chairman of the Board since September 2002. Mr. Butt is also Chairman of the Board of AXIS Specialty Limited. Mr. Butt has over 40 years of insurance industry experience. From 1982 to 1986, Mr. Butt was the Chairman of Sedgwick Limited and Vice Chairman of the Sedgwick Group plc. From 1987 to 1992, Mr. Butt served as Chairman and Chief Executive Officer of Eagle Star Holdings plc and Eagle Star Insurance Company. From 1993 to 1998, Mr. Butt was Chief Executive Officer and President of Mid Ocean Limited. From 1998 to August 2002, Mr. Butt was a director of XL Capital Ltd. Mr. Butt is also a former director of the Farmers Insurance Group, BAT Industries and Istituto Nazionale delle Assicurazioni.

**John R. Charman** has been Chief Executive Officer and President and a director since our inception. Mr. Charman is also Chief Executive Officer and President of AXIS Specialty Limited. Mr. Charman has over 36 years of experience in the insurance industry and has been in a senior underwriting position since 1975. From 2000 to 2001, he served as deputy chairman of ACE INA Holdings and President of ACE International. Mr. Charman was also Chief Executive Officer at ACE Global Markets from 1998 to 2001. Prior to that, Mr. Charman was the Chief Executive Officer of Tarquin plc (a joint venture company among Insurance Partners, Harvard University and the Charman Group), the parent company of the Charman Underwriting Agencies at Lloyd's. He was also a deputy chairman of the Council of Lloyd's and a member of the Lloyd's Core Management Group and Lloyd's Market Board between 1995 and 1997. Mr. Charman has informed us that he intends to retire at the end of December 2008.





**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. 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 is also a director of Media General, Inc., Merchants Bancshares Corporation and The Progressive Corporation.

**Robert L. Friedman** has served as a director since our inception. Since 1999, Mr. Friedman has been a Senior Managing Director of The Blackstone Group, L.P., and since February 2003 he has also been that firm's Chief Administrative Officer and Chief Legal Officer. Prior to joining Blackstone, Mr. Friedman was a partner at Simpson Thacher & Bartlett for 25 years, where he served as a senior member of that law firm's mergers and acquisitions practice. Mr. Friedman currently serves as a director of Northwest Airlines, Inc. and TRW Automotive Holdings Corp.

**Donald J. Greene** has served as a director since our inception. Mr. Greene was a name partner of LeBoeuf, Lamb, Greene & MacRae LLP, where he practiced from 1964 until his retirement in 2001. Mr. Greene is also a director of Associated Electric & Gas Insurance Services Limited and of its wholly-owned Lloyd's syndicate management company, AEGIS Managing Agency Limited. He is a former director of Equitable Life Assurance Company. He was a founding director and former Chairman of the International Insurance Foundation and a former director of the International Insurance Council. He is a member of the board of overseers of the School of Risk Management of St. John's University (which school was formerly the College of Insurance) and a director of the Risk Foundation. In addition, he is an invested Commander of the Most Excellent Order of the British Empire by order of Her Majesty's Government for service to Lloyd's, the British insurance industry and the community of international insurance and law.

**Jurgen Grupe** has served on our Board of Directors since May 2004. He is also a director of AXIS Specialty Holdings Ireland Limited and AXIS Re Limited. From 1998 until 2002, Mr. Grupe was a director of Aon Reinsurance Worldwide and Chairman of the Board of Aon Reinsurance Europe. Prior to Aon's acquisition of Jauch & Hubener GmbH in 1997, he was a partner at Jauch & Hubener and Chairman of its reinsurance brokerage company.

**Sir Andrew Large** has served as a director since December 2006. He retired as Deputy Governor for Financial Stability at the Bank of England and member of the Bank's Monetary Policy Committee in 2006. Prior to his appointment to the Bank of England in September 2002, he was Deputy Chairman of the Board of Barclays Bank plc from May 1998 when he also chaired the Group of 30 Project on Clearing and Settlement. From 1992 to 1997, he chaired the Securities and Investments Board in the United Kingdom. He was an investment banker from 1970 through 1990 at Orion Bank and Swiss Bank Corporation of which he was a member of the Management Board from 1987 through 1989. He began his career at British Petroleum in 1964.

**Frank J. Tasco** has served as a director since our inception. Mr. Tasco retired in 1992 as Chairman of the Board and Chief Executive Officer of Marsh & McLennan Companies, Inc., a position he held since 1986. From December 1992 to December 1994, Mr. Tasco served as Chairman of Borden, Inc.

## CORPORATE GOVERNANCE

### Independence of Directors

Our Board of Directors consists of 12 directors, of which ten are non-management directors. The board has determined that all ten of our non-management directors are independent as defined in the listing standards of the New York Stock Exchange. The board has made this determination based primarily on a review of the responses of the directors to questions regarding employment and compensation history, family relationships and affiliations, and discussions with the directors. With respect to Mr. Charles A. Davis, the board reviewed his current relationship with Stone Point Capital, LLC and the amount of our common shares and warrants owned by entities that are managed by or affiliated with Stone Point. The board determined that neither this relationship nor the amount of common shares and warrants that may be deemed to be beneficially owned by Stone Point or its affiliates constituted a material relationship with us as defined in the listing standards of the New York Stock Exchange. With respect to Mr. Robert L. Friedman, the board reviewed his relationship with Blackstone Group, L.P. and various investments held by us that are managed by affiliates of Blackstone. The board determined that these transactions did not constitute a material relationship with us as defined in the listing standards of the New York Stock Exchange. For more details about these transactions and our share ownership, see [Certain Relationships and Related Transactions](#) and [Principal Shareholders](#) in this proxy statement.

### Meetings of the Board of Directors and its Committees

Pursuant to our Corporate Governance Guidelines, we expect directors to attend all meetings of our Board of Directors, all meetings of all committees of the board on which they serve and each annual general meeting of shareholders, absent exigent circumstances. Our Board of Directors met five times during the year ended December 31, 2006. No director attended fewer than 75% of the aggregate of the total number of meetings of the board and the total number of meetings of all committees of the board on which the director served. Eight of the ten directors then serving attended the 2006 annual general meeting of shareholders. Our non-management directors meet quarterly at executive sessions without management. They have selected Mr. Greene as the presiding director.

Our Board of Directors currently maintains Executive, Audit, Compensation, Corporate Governance and Nominating, and Finance Committees. Current copies of the charter for each of these committees, as well as our Corporate Governance Guidelines and Code of Business Conduct, are available on our website at [www.axiscapital.com](http://www.axiscapital.com) and are available, without charge, in print to any shareholder who requests them by contacting our Secretary at 92 Pitts Bay Road, Pembroke, Bermuda, HM 08.

*Executive Committee.* The Executive Committee is composed of Messrs. Butt, Charman and Davis and is chaired by Mr. Greene. This committee may exercise the authority of the Board of Directors when the entire Board of Directors is not available to meet, except in cases where the action of the entire Board of Directors is required by our memorandum of association, our bye-laws or applicable law. The Executive Committee did not meet during the year ended December 31, 2006.

*Audit Committee.* The Audit Committee is composed of Messrs. Greene, Keane and Smith, with Mr. Smith serving as Chairman. This committee has general responsibility for the oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditors' 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 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 Section 3(a)(58)(A) 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 as defined in the listing standards of the New York Stock Exchange and under the Exchange Act. Our Board of Directors has

determined that each of Messrs. Greene, Keane and Smith qualify as audit committee financial experts pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The Audit Committee met nine times during the year ended December 31, 2006.

*Compensation Committee.* The Compensation Committee is composed of Messrs. Greene, Greetham, Grupe and Smith and is chaired by Mr. Tasco. This committee establishes our Chief Executive Officer's and our other executive officers' compensation in light of our established corporate performance goals and makes recommendations to our Board of Directors with respect to overall officer, management and employee compensation policies, incentive compensation plans, equity-based plans and director compensation. Each member of this committee is a non-management director and is independent as defined in the listing standards of the New York Stock Exchange. The Compensation Committee met four times during the year ended December 31, 2006.

*Compensation Committee Process*

Under our Compensation Committee's charter, the Committee has the power and duty to set the Chief Executive Officer's annual compensation after evaluating his performance under corporate goals and objectives that the Compensation Committee sets each year. The Compensation Committee also has the authority to make recommendations to the Board regarding compensation programs and policies affecting other employees, including the other executive officers, and the form and amount of director compensation. The Compensation Committee is empowered to approve initial offers of employment, salary increases, bonuses and other incentive payments for our highest salary grade level employees, including our executive officers, and must approve all equity awards to our executive officers. The Compensation Committee is also responsible for the design of our incentive and equity compensation plans and any changes or amendments to those plans. The Compensation Committee is permitted to delegate any of its responsibilities to subcommittees in its discretion, but to date has not done so.

Our Compensation Committee generally receives proposals and information from our human resources department and from our Chief Executive Officer for their consideration regarding executive and director compensation. Our Chief Executive Officer makes recommendations regarding salary increases, annual cash incentives and equity awards for all of our executive officers other than himself. Our Compensation Committee receives input and recommendations from our chief human resources officer, in consultation with third-party consultants and senior management, as required, regarding director compensation. However, the Compensation Committee is responsible for recommendations to the Board regarding director compensation. The Committee also approves salary increases, incentive payments and equity awards for our executive officers.

Our Compensation Committee has sole authority to retain and terminate any consultants used to evaluate executive compensation, and may retain other advisors if and when it deems necessary. The Compensation Committee employs compensation consultants to assist in establishing compensation policies and programs, and considers reports prepared by compensation consultants engaged by management. The consultants prepare reports comparing our compensation programs to those of peer companies, to aid the Compensation Committee in ensuring the competitiveness and appropriateness of our compensation programs. During 2006, our human resources department engaged Mercer Human Resources Consulting on behalf of the Compensation Committee to provide an analysis of our executive compensation programs. In 2005, management engaged the firm of Pearl Meyer & Partners on behalf of the Compensation Committee to analyze our director compensation program. Pearl Meyer & Partners provided a report in January of 2006 that the Compensation Committee used in 2006 to determine adjustments to our director compensation program.

At the beginning of each calendar year, our Compensation Committee generally reviews the incentive plan results from the prior year, establishes the performance goals under the incentive plan for the current

year, approves the Compensation Committee's report for our proxy statement and conducts a self-assessment. Mid-year the Compensation Committee generally reviews the compensation consultant's report, if any, regarding our executive compensation program and generally reviews our compensation programs. In the fall of each year, the Compensation Committee reviews our director compensation program, approves any needed changes to the director compensation program, and conducts a preliminary assessment of our performance for the year. Our Compensation Committee generally meets at the end of each calendar year to make decisions regarding the salaries for the next calendar year, and to determine the equity awards and incentive cash payments that will be made at the beginning of the next calendar year, subject to final year-end results.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2006, none of our executive officers served as a member of the compensation committee or as a director of another entity, one of whose executive officers served on our Compensation Committee or as one of our directors.

*Corporate Governance and Nominating Committee.* The Corporate Governance and Nominating Committee is composed of Messrs. Bell, Davis and Friedman and is chaired by Mr. Greene. This committee takes a leadership role in shaping our corporate governance by identifying and proposing qualified director nominees, overseeing the purpose, structure and composition of the board committees, overseeing the annual evaluation of the Board of Directors and the committees and periodically reviewing our Code of Business Conduct and Corporate Governance Guidelines. Each member of this committee is a non-management director and is independent as defined in the listing standards of the New York Stock Exchange. The Corporate Governance and Nominating Committee met four times during the year ended December 31, 2006.

Consideration of Director Nominees

The Corporate Governance and Nominating Committee will consider candidates recommended by shareholders to be nominated to our Board of Directors for election at the annual general meeting of shareholders. A shareholder who wishes to submit a candidate for consideration must be a shareholder of record at the time that it submits a candidate for nomination and must be entitled to vote for the candidate at the meeting. A shareholder must give written notice of the submission to our Secretary not less than 90 days nor more than 120 days prior to the anniversary of the annual general meeting of shareholders for the preceding year. The notice must include:

- the name, age and business and residence addresses of the candidate,
- the principal occupation or employment of the candidate,
- the number of common shares or other securities of the Company beneficially owned by the candidate,
- all other information relating to the candidate that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act, and
- the candidate's written consent to be named in the proxy statement and to serve as a director if elected.

The notice must also include information on the shareholder submitting the nomination, including the shareholder's name and address as it appears on our books and the number of our common shares beneficially owned by the shareholder.

The Corporate Governance and Nominating Committee believes that directors should be persons who combine the highest standards of integrity and significant accomplishments in their chosen field of

endeavor. Directors should bring a diversity of experiences, skills and perspectives to our Board of Directors. 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, 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 the basis of their qualifications and not on the basis of the manner in which they were submitted for consideration.

*Finance Committee.* The Finance Committee is composed of Messrs. Bell, Friedman and Greetham and is chaired by Mr. Davis. This committee generally approves and monitors the investment of funds and financing facilities. It is also responsible for establishing our investment guidelines, approving the selection and terms of investment managers, evaluating the performance of investment managers, monitoring the need for additional financing and ensuring compliance with outstanding debt facility covenants. The Finance Committee met four times during the year ended December 31, 2006.

#### **Code of Business Conduct**

We have adopted a Code of Business Conduct that applies to all of our directors and employees, including our Chief Executive Officer and President, our Chief Financial Officer and our Controller. Copies of our Code of Business Conduct and our Corporate Governance Guidelines are available on our website at [www.axiscapital.com](http://www.axiscapital.com) and are available, without charge, in print to any shareholder who requests them by contacting our Secretary at 92 Pitts Bay Road, Pembroke, Bermuda, HM 08. We intend to disclose on our website any required amendment to, or waiver of, a provision of the Code of Business Conduct that applies to our Chief Executive Officer and President, our Chief Financial Officer or our Controller. In addition, waivers of the Code of Business Conduct for our directors and executive officers may be made only by our Board of Directors or the Corporate Governance and Nominating Committee and will be promptly disclosed to shareholders on our website in accordance with the listing standards of the New York Stock Exchange.

#### **Shareholder Communications with the Board of Directors**

Shareholders and other interested parties may send communications to our Board of Directors by sending written notice to our Secretary. The notice may specify whether the communication is directed to the entire board, to the non-management directors, to the presiding director of the non-management directors or to a particular board committee or other director. Our Secretary will handle routine inquiries and requests for information or will otherwise determine whether the communication is made for a valid purpose and is relevant to the Company and its business and, if he so determines, will forward the communication to the Chairman of the Board, to the non-management directors or to the appropriate committee chairman or director. At each meeting of our Board of Directors, our Secretary presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available to the directors on request.

**PRINCIPAL SHAREHOLDERS**

The following table sets forth information as of February 23, 2007 regarding beneficial ownership of our common shares by each of the following, in each case based on information provided to us by these individuals:

- each person or group known to us to be the beneficial owner of more than 5% of our common shares;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

	Number of Common Shares (1)	Percent of Outstanding Common Shares (1)
<b><u>Directors and Executive Officers</u></b>		
Geoffrey Bell	1,975	*
Michael A. Butt(2)	774,797	*
John R. Charman(3)	6,757,090	4.3 %
Charles A. Davis(4)		
Robert L. Friedman	7,000	*
Donald J. Greene(5)	93,941	*
Christopher V. Greetham	3,632	*
Jurgen Grupe		
Maurice A. Keane(6)	62,070	*
Henry B. Smith(7)	17,679	*
Frank J. Tasco(8)	81,981	*
William A. Fischer(9)	442,667	*
David B. Greenfield	55,200	*
John Gressier(10)	543,306	*
Sir Andrew Large		
Andrew Cook(11)	10,000	*
All directors and executive officers as a group (24 persons)(12)	10,958,415	6.9 %
<b><u>Other Shareholders</u></b>		
Trident II, L.P. and related entities(13)	24,801,949	14.7 %
FMR Corp.(14)	14,493,604	9.5 %
AXA Financial Inc and related entities(15)	13,755,222	9.2 %
Barclays Global Investors, NA(16)	11,876,887	7.8 %
Neuberger Berman Inc.(17)	8,711,403	5.7 %

\* Less than 1%

(1) Number of common shares beneficially owned and percentage ownership are based on common shares outstanding as of February 23, 2007, adjusted as required by rules promulgated by the SEC. 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. All outstanding warrants for common shares and options for common shares currently exercisable or exercisable within 60 days after February 23, 2007 are deemed to be outstanding and to be beneficially owned by the person holding such warrants or options for the purpose of computing the number of common shares beneficially



owned and the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. 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 bye-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.

(2) Includes 563,130 common shares held directly by Mr. Butt and options to acquire 211,667 common shares.

(3) Includes 502,064 common shares held directly by Mr. Charman, 1,804,908 common shares owned by Dragon Holdings Trust ( Dragon Trust ), 497,704 common shares owned by JR Charman Children s Settlement ( Children s Settlement ) and options to acquire 2,441,779 common shares. It also includes 1,132,978 common shares issuable upon exercise of warrants of the Company held by Dragon Trust and 377,657 common shares issuable upon exercise of warrants of the Company held by Children s Settlement. Does not include 300,000 series B preferred shares owned by Children s Settlement. Mr. Charman may be deemed to share voting and/or dispositive power with respect to the common shares and common shares issuable upon exercise of the warrants held by Dragon Trust and Children s Settlement, but he disclaims beneficial ownership of all such common shares. The trustee of Dragon Trust and of Children s Settlement is Codan Trust Company Limited ( Codan ) whose registered office is at Richmond House, 12 Par-La-Ville Road, Hamilton HM08, Bermuda. Any two directors or one director and one officer of Codan hold the power to exercise dispositive power over the common shares and common shares issuable upon the exercise of warrants of the Company held by Dragon Trust and Children s Settlement. Mr. Charman has a discretionary and contingent interest in the trust property of Dragon Trust. He also has the power to appoint and remove new or successor trustees. The Trustee has absolute discretion as to whether to make any distributions to him or not and there are other family beneficiaries. Mr. Charman s contingent interest is subject to him surviving to the end of the trust period, which is expected to be at least 80 years. Mr. Charman has no beneficial interest in the trust property of Children s Settlement, although he has the power to appoint new or successor trustees.

(4) Mr. Davis is a member and the Chief Executive Officer of Stone Point Capital LLC and one of the members of Stone Point LLC who participates in the management of Trident II, L.P. and Marsh and McLennan Capital Professional Fund, L.P. Mr. Davis may be deemed to share voting and dispositive power with respect to the common shares and common shares issuable upon exercise of the warrants of the Company that are, or may be deemed to be, beneficially owned by Trident II, L.P., Marsh & McLennan Capital Professional Fund, L.P. and Marsh & McLennan Employees Securities Company, L.P. Mr. Davis disclaims beneficial ownership of all such common shares, except to the extent of any pecuniary interest therein. See footnote 13 below.

(5) Includes 72,608 common shares held directly by Mr. Greene and options to acquire 21,333 common shares. Does not include 25,169 phantom shares issued in lieu of director s fees.

(6) Includes 40,737 common shares held directly by Mr. Keane and options to acquire 21,333 common shares.

(7) Includes 12,346 common shares held directly by Mr. Smith and options to acquire 5,333 common shares.

(8) Includes 60,648 common shares held directly by Mr. Tasco and options to acquire 21,333 common shares. Does not include 24,696 phantom shares issued in lieu of director s fees.



- (9) Includes 216,000 common shares held directly by Mr. Fischer and options to acquire 226,667 common shares.
- (10) Includes 336,639 common shares held directly by Mr. Gressier and options to acquire 206,667 common shares.
- (11) Mr. Cook's employment with the Company terminated on April 1, 2006.
- (12) Includes 5,461,000 common shares, warrants to acquire 1,510,635 common shares and options to acquire 3,986,780 common shares.
- (13) Based solely on information contained in Amendment No. 4 to the Schedule 13G filed on February 6, 2007 by Trident II, L.P. (Trident II), Trident Capital II, L.P. (Trident GP), Stone Point Capital LLC (Stone Point), Marsh & McLennan Capital Professional Fund, L.P. (Trident PF) and Marsh & McLennan Employees Securities Company, L.P. (Trident ESC) and includes common shares beneficially held as of December 31, 2006 by such entities. Trident II and Trident GP have shared voting and dispositive power over 24,801,949 common shares. Trident PF has shared voting and dispositive power over 693,970 common shares. Trident ESC has shared voting and dispositive power over 698,454 common shares. Stone Point has shared voting power over 25,495,919 common shares. The sole general partner of Trident II is Trident GP. Trident II is the direct beneficial owner of 7,883,637 common shares and 16,918,312 common shares issuable upon exercise of warrants of AXIS Capital. As the general partner, Trident GP holds voting and investment power with respect to the securities of AXIS Capital that are, or may be deemed to be, beneficially owned by Trident II. The manager of Trident II is Stone Point, and the members of Stone Point are Charles A. Davis, Meryl D. Hartzband, James D. Carey, Nicolas D. Zerbib and David J. Wermuth. The general partners of Trident GP are four single member limited liability companies that are owned by individuals who are members of Stone Point (Messrs. Davis, Carey and Wermuth and Ms. Hartzband). Each of the single member limited liability companies that is a general partner of Trident GP has disclaimed beneficial ownership of the common shares and warrants that are, or may be deemed to be, beneficially owned by Trident II. The sole general partner of Trident PF is a company controlled by the four individuals who are members of Stone Point. The sole general partner of Trident ESC is a company that is a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (MMC). Trident PF has agreed that it will not dispose of its holdings in AXIS prior to Trident II and to the extent that it elects to divest of its interest in AXIS Capital at the same time as Trident II, Trident PF will divest its holdings in AXIS Capital in parallel with Trident II. Trident ESC has agreed that it will divest its holdings in AXIS Capital in parallel with Trident II. As a result of this agreement, Trident II may be deemed to beneficially own 442,632 common shares directly held by Trident PF and Trident ESC and warrants to purchase 949,792 common shares held by Trident PF and Trident ESC, and Trident PF and Trident ESC may be deemed to beneficially own 7,883,637 common shares directly held by Trident II and warrants to purchase 16,918,312 common shares held by Trident II. Trident II disclaims beneficial ownership of all common shares and warrants beneficially owned by Trident PF and Trident ESC, and Trident PF and Trident ESC each disclaims beneficial ownership of all common shares and warrants beneficially owned by Trident II and each other. Stone Point has authority to execute documents on behalf of the general partner of Trident ESC pursuant to a limited power of attorney. The principal address for Trident II, Trident GP, Trident PF and Trident ESC is c/o Maples & Calder, Uglan House, Box 309, South Church Street, George Town, Grand Cayman, Cayman Islands. The principal address for Stone Point is 20 Horseneck Lane, Greenwich, Connecticut 06830.
- (14) Based solely on information contained in Amendment No. 2 to the Schedule 13G filed on February 14, 2007 by FMR Corp. (FMR) and Edward C. Johnson 3d. FMR has sole voting power over 839,354 common shares and sole dispositive power over 14,493,604 common shares. Fidelity Management & Research Company, a wholly owned subsidiary of FMR and a registered investment



adviser, is the beneficial owner of 13,884,123 of the common shares; Pyramis Global Advisors Trust Company, 53 State Street, Boston, Massachusetts, 02109, an indirect wholly-owned subsidiary of FMR Corp. and a bank, is the beneficial owner of 49,981 of the common shares. The Schedule 13G also indicates that each of Mr. Johnson and FMR has sole power to vote or to direct the voting of the 13,884,123 common shares beneficially owned by Fidelity Management & Research Company. Each of Mr. Johnson and FMR through its control of Pyramis Global Advisors Trust Company has sole power to vote or to direct the voting of the 49,981 common shares beneficially owned by Pyramis Global Advisors Trust Company. The address for FMR and Fidelity Management & Research Company is 82 Devonshire Street, Boston, Massachusetts 02109.

(15) Based solely on information contained in Amendment No. 2 to the Schedule 13G filed on February 13, 2007 by AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, AXA and AXA Financial, Inc. and includes common shares beneficially held as of December 31, 2006 by such entities. These entities have sole voting power over 11,806,852 common shares, shared voting power over 548,824 common shares, sole dispositive power over 13,754,831 common shares and shared dispositive power over 391 common shares. Alliance Capital Management L.P. is a subsidiary of AXA Financial, Inc. and is a registered investment adviser. The address for AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle is 26, rue Drouot, 750009 Paris, France; the address for AXA is 25, avenue Matignon, 75008 Paris, France; and the address for AXA Financial, Inc. is 1290 Avenue of the Americas, New York, New York 10104. AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle and AXA disclaim beneficial ownership of all of the common shares reported in the Schedule 13G.

(16) Based solely on information contained in the Schedule 13G filed on January 23, 2007 by Barclays Global Investors, NA. ( Barclays Global Investors ) and certain of its affiliates, and includes common shares beneficially held as of December 31, 2006. Barclays Global Investors and the other beneficial owners listed below, as a group, are the beneficial owners of an aggregate of 11,876,887 common shares. Barclays Global Investors holds sole voting power over 8,632,630 of the common shares and sole dispositive power over 9,399,508 common shares. Barclays Global Fund Advisors, a registered investment adviser, holds sole voting and dispositive power over 163,868 of the common shares. Barclays Global Investors, LTD, a bank, holds sole voting and dispositive power over 1,678,418 of the common shares. Barclays Global Investors Japan Trust and Banking Company LTD, a bank, holds sole voting and dispositive power over 143,917 of the common shares. Barclays Global Investors Japan LTD, a registered investment adviser, holds sole voting and dispositive power over 491,176 of the common shares. The address for Barclays Global Investors and Barclays Global Fund Advisors is 45 Fremont Street, San Francisco, California, 94105. The address for Barclays Global Investors, LTD is 1 Royal Mint Court, London, EC3N 4HH. The address for Barclays Global Investors Japan Trust and Banking Company LTD and Barclays Global Investors Japan LTD is Ebisu Prime Square Tower, 8<sup>th</sup> Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo, 150-0012, Japan.

(17) Based solely on information contained in Amendment No. 1 to the Schedule 13G filed on February 13, 2007 by Neuberger Berman Inc. and includes common shares beneficially held as of December 31, 2006. Neuberger Berman Inc. and the other beneficial owners listed below, as a group, are the beneficial owners of an aggregate of 8,711,403 common shares. Neuberger Berman Inc. has sole voting power over 5,575,028 common shares and shared dispositive power over 8,711,403 common shares. Neuberger Berman, LLC has sole voting power over 5,575,028 common shares and shared dispositive power over 8,711,403 common shares. Neuberger Berman Management, Inc. is deemed to beneficially own the common shares. Neuberger Berman Inc. is the 100% owner of Neuberger Berman, LLC and Neuberger Berman Management, Inc. The address for Neuberger

Berman Inc., Neuberger Berman, LLC and Neuberger Berman Management, Inc. is 605 Third Avenue, New York, New York 10158.

(18) Based solely on information contained in Amendment No. 1 to the Schedule 13G filed on February 14, 2007 by T. Rowe Price Associates, Inc. and includes common shares beneficially held as of December 31, 2006. This entity has sole voting power over 1,375,730 common shares and sole dispositive power over 7,257,354 common shares. T. Rowe Price Associates, Inc. is a registered investment adviser. The address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.

## EXECUTIVE OFFICERS

The table below sets forth certain information concerning our executive officers:

Name	Age	Positions
Michael A. Butt(1)	64	Chairman of the Board
John R. Charman(1)	54	Chief Executive Officer and President
David B. Greenfield	44	Chief Financial Officer
Dennis B. Reding	58	Chief Operating Officer
William A. Fischer	46	Chief Executive Officer and President, AXIS Re Bermuda
John Gressier	39	Chairman, AXIS Insurance
Karl Mayr	57	Chief Executive Officer and President, AXIS Re Europe
Michael E. Morrill	47	Chief Executive Officer and President, AXIS Re U.S.
F. Marshall Turner, II	49	President, AXIS Insurance
Brian W. Goshen	45	Chief Human Resources Officer
Richard T. Gieryn, Jr.	50	General Counsel
John J. Murray	46	Chief Operations Officer
Richard Strachan	39	Chief Claims Officer

(1) Biography available under Board of Directors.

**David B. Greenfield** joined AXIS Capital in August 2006. Prior to joining AXIS, Mr. Greenfield was a partner with KPMG LLP, which he joined in 1984, serving clients in the financial services industry. In addition, Mr. Greenfield was KPMG's Global Sector Chair for Insurance and a member of KPMG's Global Financial Services Leadership Team. Mr. Greenfield was the lead partner for several of KPMG's largest insurance clients. His leadership responsibilities at KPMG included international client development and management over teams of partners and staff globally.

**Dennis B. Reding** was appointed Chief Operating Officer of AXIS Capital in January 2007 and, prior to that appointment, served as Chairman of AXIS Insurance since January 2005. From January 2003 until December 2004, he was Chief Executive Officer of AXIS U.S. Insurance. He is also Chief Executive Officer and President of our subsidiaries, AXIS Specialty U.S. Holdings, Inc. and AXIS Specialty U.S. Services, Inc., and an Executive Vice President of our subsidiaries, AXIS Specialty Insurance Company, AXIS Reinsurance Company, AXIS Surplus Insurance Company and AXIS Insurance Company. Mr. Reding has 36 years of industry experience. Mr. Reding was President and Chief Executive Officer of Westchester Specialty Group from 1992 to 1998. He then served as President and Chief Executive Officer of ACE USA, Inc. from 1998 to 2001 and President of ACE INA Holdings, Inc. from 2001 to 2002. Mr. Reding was Chairman and Chief Executive Officer of Combined Specialty Group, Inc., an Aon subsidiary, in 2002.

**William A. Fischer has been Chief Executive Officer and President of AXIS Re Bermuda since our inception.** He is also Executive Vice President of our subsidiary, AXIS Specialty Limited. Mr. Fischer has 20 years of industry experience. Mr. Fischer began his career at Skandia America Reinsurance in 1987 as a treaty underwriter, where he served until November 1991. From November 1991 to October 1994, he served as Vice President of Treaty Property Underwriting at Transatlantic Reinsurance Company. Mr. Fischer then served as Executive Vice President with responsibilities for property, accident and health, and financial products at Everest Re Group, Ltd. from October 1994 to May 2001. He then served as a Senior Vice President of the Brokered Group of American Re, where he was responsible for all property business, until joining us in late 2001.

**John Gressier was appointed Chairman of AXIS Insurance in January 2007. Prior to that appointment,** he served as Deputy Chairman of AXIS Insurance since January 2005 and Chief Executive Officer and President of AXIS Global Insurance since April 2002. He is also Chairman of the Board of our subsidiary, AXIS Specialty Europe Limited, a director of our subsidiary, AXIS Specialty Holdings Ireland Limited, and Executive Vice President of our subsidiary, AXIS Specialty Limited. Mr. Gressier has over 20 years of experience in the insurance industry. Mr. Gressier served as an underwriter at Charman Underwriting Agencies from 1989 until ACE Limited acquired Charman in 1998. Mr. Gressier then served as Deputy Underwriter of Syndicates 488/2488, Director of ACE Global Markets Underwriting Limited and Director of Marine and Specialty Lines for Syndicate 2488. He was also a member of ACE Global Markets Executive Underwriting Committee. In February 2001, Mr. Gressier was appointed Joint Active Underwriter of Syndicate 2488 and director of the ACE Agency Board, where he served until joining us in 2002.

**Dr. Karl Mayr** has been Chief Executive Officer and President of AXIS Re Europe since August 2003. He is also Chairman of the Board of our subsidiary, AXIS Re Limited, and a director of our subsidiary, AXIS Specialty Holdings Ireland Limited. Mr. Mayr has 26 years of reinsurance experience. He joined Frankona Ruckversicherungs-AG in 1980, where he was appointed a member of the Board of Management in 1992. From 1988 to 1992, he held senior officer positions at the U.S. branch of Frankona in Kansas City, Missouri, which he led from 1990. After the acquisition of Frankona by ERC, he served on various boards of management in the German companies as well as a director on the boards of several European affiliates. From 2002 until July 2003, Mr. Mayr was Chief Executive Officer of GE Frankona Re.

**Michael E. Morrill** has been Chief Executive Officer and President of AXIS Re U.S. since August 2002. He is also a director and an Executive Vice President of our subsidiaries AXIS Specialty U.S. Holdings, Inc. and AXIS Specialty U.S. Services, Inc., Chairman, Chief Executive Officer and President of our subsidiary, AXIS Reinsurance Company, and an Executive Vice President of AXIS Specialty Insurance Company, AXIS Surplus Insurance Company and AXIS Insurance Company. Mr. Morrill has over 20 years of experience in the insurance and reinsurance industry. From 2001 to 2002, Mr. Morrill was the President and Chief Executive Officer of Gerling Global Reinsurance Corporation of America. From 1996 to 2001, he served as Chief Underwriting Officer for North America and Senior Vice President at Transatlantic Reinsurance Company. He has also held senior management and underwriting positions at Munich American Reinsurance Company, Cologne Reinsurance Company of America and Christiania General Insurance Company.

**F. Marshall Turner, II** was appointed President of AXIS Insurance in January 2007 and, prior to that appointment, served as the Chief Executive Officer of AXIS U.S. Insurance since January 2005 and the President of AXIS U.S. Insurance since January 2004. He is also a director and an Executive Vice President of our subsidiaries, AXIS Specialty U.S. Holdings, Inc. and AXIS Specialty U.S. Services, Inc., Chairman, Chief Executive Officer and President of our subsidiaries, AXIS Specialty Insurance Company and AXIS Insurance Company, Chairman and Executive Vice President of our subsidiary, AXIS Surplus Insurance Company, and a director and an Executive Vice President of our subsidiary, AXIS Reinsurance Company. He joined the Company in November 2002 as Executive Vice President and Chief Operating



Officer of AXIS U.S. Insurance. Prior to that, Mr. Turner was President of the Specialty Property & Casualty Group of Aon Corporation's Combined Specialty Group from February 2002. From 1996 to 2002, he served in various senior positions, including President, with the Westchester Specialty Group/ACE USA. Mr. Turner also served as Vice President, Specialty Property Director for Zurich American Insurance Group after holding several property/package underwriting and managerial positions with the Hartford Insurance Group, where he began his insurance career in 1980.

**Brian Goshen** has been the Chief Human Resources Officer since January 2006. Mr. Goshen has over 20 years of professional human resources experience. From March 2004 to January 2006, he served as a Vice President of Human Resources at Fifth Third Bank. From May 1996 to March 2004, he was a Managing Director with Marsh, Inc., a global insurance and brokerage and risk management company. While at Marsh, he served in various senior human resource positions, including the Head of Human Resources for North America and the Head of Human Resources for their Asia and Pacific operations. From February 1994 to June 1996, he was Vice President of Human Resources with the Hong Kong and Shanghai Banking Corporation. Mr. Goshen started his corporate career with Goldman Sachs following a period of service as a Personnel Officer with the United States Army.

**Richard T. Gieryn, Jr.** has been General Counsel since April 2006. He joined AXIS Capital from Combined Specialty Group, Inc. in January 2003 with over 20 years of experience in the insurance industry. Prior to AXIS Capital, Mr. Gieryn was General Counsel and Secretary at Combined Specialty Group, Inc from 2002 to January 2003. From 2001 to 2002 he was Executive Vice President and General Counsel at ACE INA, Holdings, Inc. Mr. Gieryn was Executive Vice President and General Counsel at ACE USA, Inc. from 1998 to 2002. He served in the same capacity at Westchester Specialty Group from 1996 to 1998. Mr. Gieryn began his career at Drew, Eckl & Farnham where he became an equity partner.

**John J. Murray** has been Chief Operations Officer since November 2001. He is also an Executive Vice President of Operations of our subsidiary, AXIS Specialty Limited. Mr. Murray, a chartered accountant, has 15 years of industry experience. From 1995 to 2000, he was the Head of Operations for ACE Global Markets Limited. He then served as a Finance Director of Newmarket Underwriting Limited during 2000 and 2001.

**Richard Strachan** has been Chief Claims Officer since April 2002. He is also a director of our subsidiaries, AXIS Re Limited and AXIS Specialty Europe Limited. Mr. Strachan has 21 years of experience in the insurance and reinsurance industry. From 1985 to 1997, he managed claims for Syndicates 488 and 2488 at both Charman Underwriting Agencies and Tarquin plc. From 1997 to 1999, Mr. Strachan served as a claims adjuster at ACE Global Markets. From 1999 to 2001, he served as claims team leader for ACE Global Markets.

## EXECUTIVE COMPENSATION

### Compensation Discussion And Analysis

#### *Objectives of AXIS's Executive Compensation Programs:*

At AXIS, our stated mission is to become the leading diversified global specialty insurance and reinsurance company as measured by quality, sustainability and profitability. We strive to achieve favorable results through disciplined underwriting, earning an overall return on equity of 15% or better over an underwriting cycle. In order to fulfill this mission, it is imperative that we hire and retain the best talent available in the global marketplace.

We have designed our executive compensation program with a goal of attracting, retaining and motivating superior talent globally and maximizing shareholder value in the long term. The overall combination of executive compensation and benefits that we pay our executive officers is designed to reward above median performance with above median levels of compensation as compared to our





competitive universe. Further, the programs are designed to provide enough of a mix between fixed and variable components of compensation that below-median performance can be appropriately addressed with commensurate reductions in levels of compensation.

Because of the unpredictable nature of our business, flexibility is of utmost importance in our compensation programs. Events that are out of our executive officers' control can have an extreme impact on our business results on an absolute basis from year to year, even when our executive officers outperform the leaders of similar businesses and achieve a result for our shareholders that is beneficial under the circumstances. In such cases, our compensation programs need to be designed to respond appropriately to the potentially volatile nature of our business, taking into account all of the circumstances, and provide competitive compensation to attract, reward, motivate and retain our executive officers. As a result, we seek to avoid incentive compensation that is overly formulaic.

Individual performance also plays a role in our decisions regarding executive officers' compensation, but, consistent with our emphasis on flexibility, we do not generally have structured individual goals for our executive officers. Instead, our Compensation Committee reviews the performance of the portion of our business for which the executive officer is responsible, reviews the individual performance of the executive officer in achieving the objectives for his or her business segment, considers the opinion of Mr. Charman, our Chief Executive Officer (except with regard to his own individual performance), considers the overall performance of the Company, and considers any other factors it deems relevant in evaluating the individual performance of our top executive officers.

Furthermore, our Chief Executive Officer's compensation program is designed to reflect our Chief Executive Officer's significant level of responsibility. At AXIS, our Chief Executive Officer coordinates our insurance and reinsurance businesses, which are separate leading global businesses that our Chief Executive Officer was instrumental in building into highly successful enterprises under his leadership. We believe that he has a higher level of risk management, marketing and client service responsibility than is often the case at comparable companies. Our Chief Executive Officer is responsible for the day-to-day coordination of both businesses from a risk-management perspective. At AXIS, the balance between the two lines of business provides diversification in our products and risks, which we believe ultimately serves to preserve our capital and drive long-term shareholder returns. Therefore, we have designed our Chief Executive Officer's compensation to reflect this situation, both to compensate him for the functions he performs, and to ensure that his compensation is connected to the successes attributable to his skills and responsibilities.

While AXIS gives careful consideration to each element of total compensation, we evaluate our competitive position with respect to our named executive officers on a total direct compensation basis, which consists of base salary, annual bonus and long-term incentives, because these are the most important elements of compensation, and also because other elements vary greatly from company to company and are difficult to compare. The Compensation Committee engages an outside consultant to periodically review the appropriateness of our executive compensation program so that the Committee can make adjustments as needed. The consultant provides AXIS with a competitive market perspective of total direct compensation based on an analysis of proxy disclosures of publicly-traded insurance companies that we consider to be our peers and/or competitors. In designing a competitive executive compensation program, we take into account the need to attract qualified executives in geographic areas where we operate that have a relatively higher cost of living, such as Bermuda, as well as the costs associated with relocating executives to those areas.

In May of 2006, Mercer Human Resource Consulting, an outside consulting firm, reviewed our 2005 executive compensation program and company performance. Mr. Charman's compensation was compared to that of chief executive officers at our peer companies. Because executive job functions at our peer companies vary, we compared our executive officers' compensation (other than Mr. Charman's) to that of

executive officers at the peer companies who have the most similar positions to those of our named executive officers. However, to address in part the variation in business structures and because consistent information regarding comparable officers at other companies is difficult to obtain, the consultant also compared our executive officers' compensation, other than Mr. Charman's, to that of the third through fifth highest-paid officers at the peer companies. Although our Chief Financial Officer was not a named executive officer in 2005, the consultant's analysis also included an analysis of our Chief Financial Officer's compensation.

The components of total compensation that were included in this analysis were:

- Salary
- Bonus
- Total Cash Compensation (salary plus bonus)
- Long-Term Incentives (which for AXIS consisted solely of restricted stock grants)
- Total Direct Compensation (consisting of total cash compensation plus long-term incentives)

The AXIS peer group consisted of:

- ACE Limited
- XL Capital Ltd
- Everest Re Group, Ltd.
- PartnerRe Ltd.
- Transatlantic Holdings, Inc.
- Arch Capital Group Ltd.
- Endurance Specialty Holdings Ltd.
- Platinum Underwriters Holdings, Ltd.
- RenaissanceRe Holdings Ltd.
- Montpelier Re Holdings Ltd.

Base salaries for our executive officers ranged from between the 50th and 75th percentile to the highest end of the range of the peer group. Overall, salaries for this group generally were positioned in the 75th percentile. Annual incentive payments as a percentage of base salary fell just above the median of the peer group. This, combined with base salaries, resulted in total cash compensation that was at or above the 75th percentile for all 2005 named executive officers. Long-term incentives as a percentage of base salary fell between the 25th and 75th percentiles. The combination of total direct compensation (base salary, annual incentive and long-term incentives) placed the AXIS executive officers above the 75th percentile of the peer group. Based on 2005 performance as measured by the percentage change in gross premiums written, net income or loss, total shareholder return and return on average equity, our performance was in the 75th percentile of the peer group. Therefore, we achieved our stated objective of paying above median total compensation for above median performance in 2005. As a result, we determined that our program did not need to be

adjusted in 2006, and we continued with the compensation structure that was used in prior years.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1.0 million paid to certain executive officers, although performance-based compensation arrangements may qualify for an exemption from the deduction limit if they satisfy various

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requirements under Section 162(m). For AXIS, this rule has limited effect because our company is headquartered in Bermuda and U.S. tax law only affects a portion of our income. Therefore, although we are aware of and consider the impact of this rule when developing and implementing our executive compensation programs, compliance with the requirements of Section 162(m) requires a somewhat formulaic approach, and we believe that flexibility is more important in our compensation programs. Therefore, this has not been a driving factor in the operation of any of our compensation programs.

*2006 Performance:*

Our performance in 2006, as led by Mr. Charman, President and Chief Executive Officer of AXIS, and our other executive officers, was extremely strong by any standard. For the year ended December 31, 2006:

- Net premiums written increased by 12.4%.
- Our combined ratio, which is the sum of our net loss and loss expense, acquisition cost, and general and administrative expense ratios, was 77.3%.
- Total shareholders' equity increased 25.6% from December 31, 2005 to \$4.4 billion.
- Return on average common shareholders' equity was 26.7%.
- Net income available to common shareholders for the year was \$925.8 million up from net income of \$90.1 million for 2005.

Immediately following the catastrophic hurricane season of 2005, under Mr. Charman's direct leadership, AXIS took proactive steps to adjust to anticipated changes in the marketplace. AXIS adjusted upwards its pricing models and was a market leader with respect to pricing adequacy in catastrophe exposed lines of business, not only in the reinsurance business but also in the insurance business. AXIS leadership accurately predicted that significant changes to catastrophe pricing models and rating agency capital adequacy requirements would occur and, in response, initiated a pricing strategy and an aggregate loss reduction program throughout the organization in advance of the overall market to address these changes and maximize expected returns.

Early in 2006, the overall market did not respond to the fundamental changes that we foresaw in the capital requirements for catastrophe-related business. However, we maintained underwriting discipline throughout the Company and declined to write business that had not been re-priced to take these changes into account. As the catastrophe models were updated and rating agencies applied more stringent capital requirements, the pricing in the market over the course of 2006 became significantly more attractive. As a result of the steps we took at the end of 2005 and into 2006, AXIS was well positioned and indeed did take advantage of more attractively priced business later in the fiscal year. The result was that we received significantly greater premium dollars for less exposure with regard to catastrophe exposed business. With respect to our peer group, AXIS performed at or above the median in the following categories for 2006:

- Our combined ratio was 77.3% compared to a median of 86.6%.
- Our return on average common shareholders' equity was 26.7% compared to a median of 21.8%.
- Our book value per share growth for 2006 was 28.9% compared to a median of 23.8%.
- Our annual growth in net premiums written was 12.4% compared to a median of (2.3)%.

This outstanding performance in 2006 was a primary driver of the Compensation Committee's decisions regarding annual incentives and equity grants.

*Elements of Compensation:*

Executive compensation at AXIS is primarily a combination of base salary, annual cash bonus paid under our annual incentive plan, long-term incentive awards made under our 2003 Long-Term Equity Compensation Plan, and supplemental retirement programs. We also provide general employee benefits and certain perquisites to our executive officers.

In 2003, we established basic guidelines as a starting point for determining the mix of salary, annual incentives and long-term equity incentives, with the assistance of Mercer, based on data for our peer companies. We initially sought a combination of one-third of the executive officers compensation in long-term equity awards and two-thirds in annual cash awards. However, as discussed above, flexibility is vital in our compensation program, and, as a result, we have varied from this combination so that it is no longer the baseline for our compensation decisions.

Compensation of our executive officers is governed in part by the employment agreements we have entered into with each of our executive officers. The terms and conditions of the employment agreements are described in detail under the narrative to the Summary Compensation Table and in the section entitled "Potential Payments Upon Termination or Change in Control" below. Because our employment agreements with Messrs. Charman and Butt were both scheduled to expire at the end of 2008, we decided to extend the term of Mr. Butt's employment agreement to increase the prospect for continuity in our most senior management. Therefore, in 2006, Mr. Butt's employment agreement was amended, and some elements of his compensation were increased, as noted below, in connection with the extension of his employment contract to reflect his increased commitment to AXIS.

*Base Salary:*

Base salaries are the most basic form of compensation and are integral to any employment arrangement. Our main consideration in determining base salaries is to remain competitive. We also seek to balance a logical salary structure within the Company globally with the demands of the market for executive talent. A competitive base salary allows us to attract individuals from other organizations, both within our industry and outside our industry. Paying our existing employees a competitive base salary that is updated to compete with market pressures helps retain key staff by minimizing their need or desire to leave us to increase their level of basic compensation. In addition, base salary helps our executive officers maintain a sufficient standard of living in the locations where we operate, and, accordingly, base salaries differ by geographic location.

AXIS has developed a salary grade structure utilizing the assistance of Mercer Human Resource Consulting. Each of our 14 salary grades has a minimum, midpoint and maximum salary that were established with a midpoint at the 60<sup>th</sup> to 65<sup>th</sup> percentile compared to similar positions at comparable companies. The ranges of permitted salaries for each grade were established utilizing approximately the top third of the salary range for our industry based on the data provided by the outside consulting firm. Our executive officers are generally in the highest salary grade because they have the highest level of responsibility among our employees, but their placement within the range of salaries in that grade is based on the individual's type of position, historical factors, geographic location, individual performance, and the Compensation Committee's determination of competitiveness and appropriate levels based on the Chief Executive Officer's recommendations.

Messrs. Charman and Butt are not graded, and their initial annual base salaries were established per their employment contracts at the time of hire based on then-current market conditions. The Compensation Committee bases salary adjustments for Messrs. Charman and Butt on the same factors used to determine the other executive officers' salaries within their pay grade. Mr. Charman's salary also reflects, in part, his substantial contribution to our company and his high level of responsibility as discussed above, and thus is higher than the salaries of our other executive officers.

Base salaries are generally reviewed annually at the end of each calendar year. We review external salary survey data to determine the total budget for salary increases company-wide. This total amount includes annual merit increases, increases due to promotions and any increases needed for market adjustments to remain competitive. A merit increase guideline is then expressed in terms of a percentage of current annual base salary for each geographic location. We intend the merit increase guidelines to ensure that our salaries remain competitive and reflect cost of living adjustments and average pay increases for the geographic location as reported in surveys.

The Chief Executive Officer recommends annual salary increases for our named executive officers (except for himself). The Compensation Committee reviews and approves those increases using the guidelines described above. The Compensation Committee reviews and evaluates the performance of the Chief Executive Officer and approves any changes to his base salary.

Following the procedures described above, in December 2005, the Compensation Committee determined not to increase base salaries for our executive officers for 2006 in part because their salaries were determined to be sufficiently competitive, but also to reflect the fact that our financial performance in 2005 was severely impacted by our net losses incurred due to hurricanes Katrina, Rita and Wilma. However, Mr. Butt received an increase in his base annual salary from \$750,000 to \$850,000 effective January 1, 2006, when his contract was extended, to reflect his increased commitment to AXIS. In September of 2006, when Mr. Gressier transferred to Bermuda, his annual base salary was adjusted from £500,000 (\$940,600, based on the exchange rate on September 8, 2006, his last day of work in the United Kingdom) to \$800,000, to take into account local market conditions and internal equity. Also, following the procedures described above, in December 2006, the Compensation Committee increased Mr. Greenfield's base annual salary for 2007 from \$475,000 to \$500,000 to make his salary more competitive.

*Annual Incentive Plan:*

Annual incentive compensation, which we refer to as the annual bonus, for our named executive officers is provided under our 2004 Annual Incentive Plan, which is described below in the narrative to the Summary Compensation Table. The annual incentive plan is a critical tool for rewarding the achievement of corporate goals while providing us with the flexibility to reduce or eliminate the incentive amount if those goals are not met. The annual incentive plan also provides a retention tool, as executive officers must generally remain with us through the date of payment to receive their annual incentive payment, which may be a significant portion of their overall compensation.

To further our goal of keeping the long-term best interests of shareholders at the forefront of decision-making for our staff and executive officers, the total bonus pool for the annual incentive plan is tied to our return on average shareholders' common equity, or ROACE. For 2006, the Compensation Committee determined that if AXIS achieved a designated minimum ROACE, the target bonus pool would be equal to 100% of the total target bonus amount for all employees. The Compensation Committee set the minimum ROACE performance target in early 2006. At that time, given the elements of uncertainty in the marketplace, the frequency and severity of catastrophic loss activity in 2005, the influx of capital into the insurance and reinsurance sectors following the activity and the predictions for similar storm activity in 2006, the Committee believed that achieving the minimum ROACE would be possible, but challenging. The Compensation Committee further determined that if AXIS were to achieve ROACE of at least 115% of the minimum ROACE performance target, designated as superior performance, the bonus pool would be 150% of the total target pool amount. Because flexibility is critical to our compensation program, in the event of performance below the target level or above the superior level, the Compensation Committee also retained the discretion to approve a downward or upward adjustment to any bonus pool amount.

In order to achieve a competitive total compensation package, in consultation with its outside consultant, AXIS in 2003 established the individual target annual bonuses expressed as a percentage of annual salary for each salary grade. Target amounts represent a starting point for the Compensation Committee to use in allocating bonuses among the executive officers, and are not guaranteed for executive officers even if AXIS meets its performance goals, except with regard to Messrs. Charman and Butt, whose employment agreement require that they receive the target bonus if performance targets are met. Our executive officers' target bonuses are generally 100% of their annual base salaries, except for Messrs. Charman and Butt. Mr. Charman's annual incentive target award is set under his employment contract at a minimum of 150% of his annual base salary. During 2006, in accordance with an increase in his overall compensation to reflect his increased commitment to AXIS, Mr. Butt's employment contract was amended to increase his minimum target annual bonus percentage to 125% of his annual base salary. These target bonus levels for Messrs. Charman and Butt were individually negotiated with the officers as part of their employment contracts.

Even if the bonus pool is fully funded, each individual executive officer's actual incentive award is subject to the discretion of the Compensation Committee. Each executive may receive no bonus for an unsatisfactory individual performance, may receive a bonus based on the level of pool funding if they meet expectations, or may receive a higher bonus at the discretion of the Compensation Committee, which would be taken from the total bonus pool available for other executive officers and employees.

In 2006, our ROACE was considerably higher than the superior performance level. The Compensation Committee consequently funded the total annual incentive plan pool at 186% of the target pool amount. Also, the Compensation Committee determined that each of the executive officers met expectations individually and contributed to the above-superior ROACE performance. Therefore, the Compensation Committee allocated to the named executive officers a portion of the annual incentive plan bonus pool equal to the executive officer's target percentage of annual salary, multiplied by 200% for above superior performance. In addition, the executive officers, including the named executive officers, received a portion of the amount of the bonus pool that exceeded 150% of the target pool amount, as a result of the ROACE exceeding superior performance. The Committee determined an amount for Mr. Greenfield in its discretion, based on his contributions for his partial year of employment for 2006.

*Long-Term Equity Plan:*

We provide long-term incentive compensation through equity awards under our 2003 Long-Term Equity Compensation Plan, or LTEP. Equity awards are an especially valuable tool in linking the personal interests of executive officers to those of our shareholders, because the amount the executive officers will ultimately receive under these awards is determined by our stock price. A higher stock price benefits our shareholders and increases the value of the executive officers' equity awards. In addition, the vesting requirement for our equity awards is a valuable retention tool that we consider very important in retaining our executive officers in a competitive industry. Furthermore, because other employers with whom we compete for executive talent grant equity as part of their compensation packages, we need to include this element as part of our executive officers' compensation in order to be competitive.

In 2003, with the help of our outside consultant, we established a target annual award of stock options and restricted stock for each executive. The targets were designed to provide an above median total compensation package for above median performance when compared to our industry peer group, when the equity awards are combined with base salary and annual incentive payments. In 2005, we modified the guidelines to discontinue the grants of stock options and increase the grants of restricted stock because we desired a more effective equity vehicle for rewarding executive performance and retaining valuable executive talent. We believe that the use of restricted stock provides executive officers with the motivation to meet or exceed individual goals and make decisions that add to longer-term shareholder value.

Under our equity award guidelines, the standard annual award for Mr. Charman would be 90,000 shares of restricted stock, the standard annual award for Mr. Butt would be 45,000 shares of restricted stock, and the standard annual awards for our other named executive officers would be 30,000 shares of restricted stock. These guidelines, however, only represent the starting point for determining an executive officer's actual award each year. At the end of each fiscal year, the Compensation Committee determines the actual awards to be made in its discretion, considering competitiveness, retention needs, Company and individual performance, and any other factors it deems relevant. The awards are granted in January of the next year.

At the end of 2005, the Compensation Committee determined that each of our named executive officers met expectations regarding individual performance. We were concerned about retention because the annual incentive amounts paid to executive officers for 2005 were below target level, and because there were a significant number of new entrants into our market, which created an even more competitive market for top talent. Consequently, the Compensation Committee granted the restricted stock awards shown in the Grant of Plan-Based Awards table below to each of our named executive officers at the beginning of 2006. Mr. Cook received a restricted stock award that was negotiated as part of his departure rather than receiving an award determined under the usual methodology, because he was transitioning out of his position at the time the equity awards were granted. In addition, Mr. Greenfield received a grant upon hire as part of his engagement package.

At the end of 2006, the Compensation Committee determined that equity awards at twice the standard level were appropriate because the Compensation Committee wanted to reward the executive officers for an exceptional year for AXIS, with an award at 150% of the standard level for Mr. Greenfield based on his contributions during his partial year of employment in 2006. The need for retention was also a significant consideration in the Compensation Committee's determination of the higher awards. These awards reflect 2006 performance but were granted early in 2007, and thus are not reflected on the Summary Compensation Table or the Grant of Plan-Based Awards table for the 2006 fiscal year.

*Deferred Compensation and Supplemental Retirement Plans:*

The AXIS Specialty U.S. Services, Inc. Supplemental Retirement Plan, referred to as the U.S. Supplemental Plan, is designed to permit eligible U.S.-based employees to accumulate additional retirement income through a nonqualified deferred compensation plan. The U.S. Supplemental Plan is described below under the Nonqualified Deferred Compensation table. We maintain this plan because U.S. tax law strictly limits the benefits that we are able to provide to U.S.-based executive officers under our tax-qualified plan, the AXIS 401(k) & Savings Plan. The U.S. Supplemental Plan is relatively inexpensive to provide in relation to the valuable benefits it provides to the participants that help us attract and retain key executive officers.

In January 2004, AXIS implemented supplemental retirement plans for Messrs. Charman and Butt. The plans are described more fully below under the Pension Plan table, but generally require us to make annual payments to Mr. Charman upon retirement for a period of twenty years and Mr. Butt upon retirement for a period of ten years. If the executive dies, is permanently disabled or a change of control of the Company occurs, the remaining benefits become fully vested and are payable in a lump sum. Payments and vesting are accelerated upon these events because these are circumstances where the executive and his family would likely need additional security. These plans were established to provide competitive retirement benefits for our most senior leaders and to increase retention.



*Severance Benefits:*

Although we do not maintain a general severance plan for our executive officers, each of our executive officers has rights upon termination of his employment under his employment agreement. The terms and conditions of the separation benefits and payments are described in detail in the section entitled Potential Payments Upon Termination or Change in Control. We provide these benefits in order to be competitive as an employer. We generally provide certain benefits upon an executive officer's death or disability in part because these are circumstances where the executive officer and his family would likely need additional security, and we wish to reward loyal service with benefits at the time they are most needed. We also provide various benefits in connection with a change in control, in part because a change in control situation often undermines our executive officers' job security, and it is to our benefit to encourage the executive officers to seek out beneficial business transactions and to remain with us through the closing of the transaction, even though their futures may be uncertain as a result.

We provide executive officers with benefits and severance payments if we terminate them without cause, and in some cases if they voluntarily leave under certain circumstances. These benefits add a level of security to the executive officer's position. We believe that they are needed to attract and retain talented executive officers in our industry. These provisions encourage individuals to move from more established firms in the industry to our firm, which has less history, and help attract individuals from outside of the industry to take a position in our industry, which is generally more volatile. In addition, we face significant competition within our industry for experienced leaders, and we believe that these benefits are needed to remain competitive as an employer. Furthermore, we provide these benefits in part so that we can obtain valuable agreements from the executive officers to assign to us certain intellectual property rights, not to compete with us for a certain period of time after leaving, not to solicit our employees or customers, and to maintain the confidentiality of our information. Moreover, providing termination payments allows us to obtain a release of claims from the executive officer upon their departure from AXIS, which we consider a valuable benefit to us.

In 2006, in connection with Mr. Cook's termination of employment, we entered into a separation agreement with him that included (i) the payments and benefits provided under his employment agreement, (ii) a customary general release, (iii) a renewal of his agreements to assign to us certain intellectual property rights, not to solicit our employees or customers, and to maintain the confidentiality of our information, and (iv) an agreement not to make disparaging statements about us. We also entered into a short-term consulting agreement with Mr. Cook to obtain his assistance with the transition of his duties for a period of time after his termination date while we searched for his replacement.

*Other Compensation:*

Because our business is global and we are headquartered in Bermuda, many of our executive officers are required to relocate or to maintain a second residence in order to work for us. To reduce the likelihood that this factor will prevent talented executive officers from joining AXIS, we provide reimbursements for a certain amount of personal travel for return trips home to executive officers who work away from their home countries, as well as in some cases housing and/or automobile allowances to help defray the cost of maintaining a second residence or working in multiple locations. We also provide certain other perquisites and benefits, as well as the general health plan and other benefits provided to all employees, which make us a competitive employer and do not represent a significant cost to us. These benefits also provide our executive officers with the security and convenience that allows them to focus their attention on carrying out their responsibilities to AXIS.

**Compensation Committee Report**

*The following report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on the review and discussions referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

**COMPENSATION COMMITTEE**

Frank J. Tasco, Chairman

Donald J. Greene

Jurgen Grupe

Henry B. Smith

**Summary Compensation Table**

The following table sets forth compensation earned by (i) each individual who served as a Chief Executive Officer of AXIS in 2006, (ii) each individual who served as a Chief Financial Officer of AXIS in 2006, and (iii) the other three most highly compensated executive officers for the year ended December 31, 2006. These individuals are referred to as the named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
John R. Charman <i>Chief Executive Officer, President and Director</i>	2006	\$ 1,250,000	\$ 1,989,700	\$ 3,127,342	\$ 382,187	\$ 2,812,500	\$ 618,000	\$ 695,322 (6)	\$ 10,875,051
Michael A. Butt <i>Chairman of the Board</i>	2006	\$ 850,000	\$ 1,127,450	\$ 1,394,888	\$ 161,695	\$ 1,593,750	\$ 430,000	\$ 375,139 (7)	\$ 5,932,922
David B. Greenfield (3) <i>Chief Financial Officer</i>	2006	\$ 199,135	\$ 316,050	\$ 40,436		\$ 356,250		\$ 19,923 (8)	\$ 931,794
John Gressier <i>Chairman, AXIS Insurance</i>	2006	\$ 873,207	(5) \$ 848,900	\$ 976,625	\$ 117,596	\$ 1,200,000		\$ 260,540 (9)	\$ 4,276,868
William A. Fischer <i>Chief Executive Officer and President, AXIS Re Bermuda</i>	2006	\$ 750,000	\$ 795,900	\$ 976,625	\$ 117,596	\$ 1,125,000		\$ 458,219 (10)	\$ 4,223,340
Andrew Cook (4) <i>Former Chief Financial Officer</i>	2006	\$ 118,125		\$ 1,641,327	\$ 24,180			\$ 745,203 (11)	\$ 2,528,835

(1) The assumptions made in the valuation of the stock awards are located in note 14 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

(2) The assumptions made in the valuation of the option awards are located in note 14 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

(3) Mr. Greenfield joined the Company on August 1, 2006.

(4) Mr. Cook's employment with the Company terminated on April 1, 2006. The amount shown in the Option Awards column for Mr. Cook includes the value of acceleration of option vesting in connection with his separation agreement. The amount shown in the Stock Awards column for Mr. Cook includes the value of acceleration of vesting for previous restricted stock awards in connection with his separation agreement.

(5) Mr. Gressier's annual base salary in effect through September 8, 2006, when he was based in the United Kingdom, was £500,000, which yielded actual salary payments of £344,872. This amount is converted to U.S. Dollars using the average of the daily rates of exchange from January 1, 2006 through and including September 29, 2006. The total amount shown is the sum of his salary while based in the United Kingdom, as converted to U.S. Dollars, plus \$246,154, his salary in U.S. dollars from and after September 11, 2006, when he was based in Bermuda and received an annual base salary of \$800,000.

(6) The amount for Mr. Charman includes reimbursement for the cost of personal travel between the U.S., Bermuda and the United Kingdom, as provided in his employment agreement, \$118,000 for club membership fees, payment for financial and tax planning services, \$180,000 in housing allowances, payment for a personal Internet account, \$25,777 in premiums we paid for term life insurance (£14,700 converted to U.S. dollars using an exchange rate of 1.7535), \$17,049 for Bermuda employee payroll taxes paid by the Company, company-paid premiums for additional medical coverage for Mr. Charman and his children in the United Kingdom (converted from British Pounds to U.S. Dollars based on the exchange rate on June 6, 2006, the date the premium was paid), \$12,547 in interest on unpaid dividends accrued for restricted stock, \$125,000 in Company contributions to the International retirement plan and \$180,987 reflecting the incremental cost to us for personal use of aircraft that we lease. The incremental cost to us for personal use of corporate aircraft is based on the variable operating costs, including fuel costs, hourly costs, landing fees, and other miscellaneous variable costs. Fixed costs that do not change based on usage, such as the

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lease costs for the aircraft, are not included. On certain occasions, an executive officer's family member or other guest may accompany the executive on a flight. The additional direct operation cost incurred in these situations is included.

(7) The amount for Mr. Butt includes reimbursement for car maintenance, license and insurance, club membership fees, payment for financial and tax planning services, reimbursement for the cost of personal travel between Bermuda and Europe, as provided in his service agreement, reimbursements for an executive physical, \$17,049 for Bermuda employee payroll taxes paid by the Company, \$180,000 in housing allowances, \$85,000 in Company contributions to the International retirement plan and \$47,647 reflecting the incremental cost to us for personal use of aircraft that we lease. The incremental cost to us for personal use of corporate aircraft is based on the variable operating costs, including fuel costs, hourly costs, landing fees, and other miscellaneous variable costs. Fixed costs that do not change based on usage, such as the lease costs for the aircraft, are not included. On certain occasions, an executive officer's family member or other guest may accompany the executive on a flight. The additional direct operation cost incurred in these situations is included.

(8) The amount for Mr. Greenfield includes \$19,913 in Company contributions under the AXIS 401(k) & Savings Plan.

(9) The amount for Mr. Gressier includes club membership fees, an automobile allowance, payment for personal income tax and planning services (which is converted from British Pounds to U.S. Dollars using an exchange rate of 1.907 and from Euros to U.S. Dollars using an exchange rate of 1.276), \$60,000 in housing allowances, \$47,707 for relocation costs (£24,351 converted to U.S. dollars using the rate of exchange on December 31, 2006), \$24,615 for Company contributions to the International retirement plan, \$67,166 for Company contributions to the United Kingdom retirement plan (£36,941, converted to U.S. dollars based on the average of the daily exchange rates from January 1, 2006 through and including September 23, 2006), and \$25,920 in additional cash payments we made to Mr. Gressier to compensate him for a limitation on Company contributions to the United Kingdom retirement plan imposed by United Kingdom law (£14,790, converted to U.S. dollars based on the average of the daily exchange rates from January 1, 2006 through and including March 31, 2006).

(10) The amount for Mr. Fischer includes an automobile allowance, club dues, payment for personal income tax and planning services, \$31,053 in reimbursements for home trips, as provided in his employment agreement, payment for a personal Internet account, \$204,000 in housing allowances, \$103,420 in tax gross-up payments related to his housing allowance, \$53,000 in Company contributions under the U.S. Supplemental Retirement Plan, \$17,049 for Bermuda employee payroll taxes paid by the Company, and \$22,000 in Company contributions to the AXIS 401(k) & Savings Plan.

(11) The amount for Mr. Cook includes an automobile allowance, club dues, payment for a personal Internet account, \$90,000 in housing allowances and a \$14,056 security deposit we paid for his housing in Bermuda that has not yet been refunded to us, although we are pursuing return of this security deposit, and \$11,813 for Company contributions to the International retirement plan. The amount for Mr. Cook also includes \$472,500 in severance paid pursuant to his separation agreement and \$25,000 for repatriation, as described in more detail under the section entitled "Potential Payments Upon Termination or Change in Control" below, and \$118,125 paid pursuant to the consulting agreement that he entered into with us upon his termination of employment in April 2006.

## Grants of Plan-Based Awards in 2006

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (2)
		Thresh-old (\$)	Target (\$)	Maxi-mum (\$)	Thresh-old (#)	Target (#)	Maxi-mum (#)				
John R. Charman	1/17/2006(1) N/A		\$ 1,875,000					150,000		\$ 4,696,500	
Michael A. Butt	1/17/2006(1) N/A		\$ 1,062,500					75,000		\$ 2,348,250	
David B. Greenfield	8/01/2006(1) N/A		\$ 237,500 (3)					10,000		\$ 291,300	
John Gressier	1/17/2006(1) N/A		\$ 800,000					50,000		\$ 1,565,500	
William A. Fischer	1/17/2006(1) N/A		\$ 750,000					50,000		\$ 1,565,500	
Andrew Cook	1/17/2006(1) N/A		\$ 472,500					24,000		\$ 751,440	

(1) Grant of restricted stock under the 2003 Long-Term Equity Compensation Plan.

(2) The assumptions made in the valuation of the awards are located in note 14 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

(3) Prorated 50% to reflect Mr. Greenfield's participation for two fiscal quarters during 2006.

## Employment Agreements with Executive Officers

*John R. Charman*

Under Mr. Charman's employment agreement, dated as of December 15, 2003, Mr. Charman serves as our Chief Executive Officer and President, a member of our Board of Directors and a member of the Executive Committee of our Board of Directors. Mr. Charman's term of service under this agreement continues until December 31, 2008, at which time he has indicated that he intends to retire. Under the employment agreement, Mr. Charman is entitled to an annual base salary of at least \$1,250,000, which was his annual salary during 2006, and an annual target incentive bonus opportunity of at least 150% of his base salary. Mr. Charman is entitled to participate in all incentive plans and all employee benefit plans in which our senior executives are eligible to participate.

Mr. Charman is also entitled to: (i) reimbursement for membership in two clubs in London or Bermuda; (ii) reimbursement of first-class air fare for up to 14 personal trips per year for Mr. Charman or members of his family between London and Bermuda, Bermuda and New York, London and New York, Bermuda and Newark, or London and Newark; (iii) financial and tax planning and tax return preparation up to \$10,000 per year; (iv) \$15,000 per month housing allowance for residence in Bermuda; (v) use of a luxury automobile; and (vi) any other fringe benefits provided to our senior executives generally. In addition to his Bermuda medical benefits, which are the same as we provide to all of our Bermuda employees, we also provide Mr. Charman with medical coverage for him and his children in the United Kingdom. These benefits are reflected in the All Other Compensation column of the Summary Compensation Table and the related footnote.

The employment agreement also entitles Mr. Charman to a supplemental executive retirement benefit, which has been established and is the subject of a separate written agreement that is described under the Pension Plans table, below. Mr. Charman's employment agreement provides for certain benefits

upon termination of his employment for various reasons, as described below in the section entitled *Potential Payments Upon Termination or Change in Control*.

*Michael A. Butt*

Mr. Butt serves as Chairman of our Board of Directors under a service agreement dated as of December 15, 2003, as amended January 1, 2006. Mr. Butt's term of service under this agreement continues until December 31, 2009. Under the service agreement, Mr. Butt is entitled to an annual base salary of at least \$850,000, which was his annual salary during 2006, and an annual target incentive bonus opportunity of no less than 125% of his base salary. Mr. Butt is entitled to participate in all incentive plans and all employee benefit plans in which our senior executives are eligible to participate.

Mr. Butt is also entitled to: (i) reimbursement for membership in two clubs in Bermuda; (ii) reimbursement of first-class air fare for up to four personal trips per year for Mr. Butt or members of his family between Bermuda and Europe; (iii) financial and tax planning and tax return preparation up to \$10,000 per year; and (iv) any other fringe benefits provided to our senior executives generally. These benefits are reflected in the *All Other Compensation* column of the Summary Compensation Table and the related footnote.

The service agreement also entitles Mr. Butt to a supplemental executive retirement benefit, which has been established and is the subject of a separate written agreement that is described under the Pension Plans table, below. Mr. Butt's employment agreement provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled *Potential Payments Upon Termination or Change in Control*.

*David B. Greenfield*

On September 8, 2006, we entered into an employment agreement with Mr. Greenfield, our current Executive Vice President and Chief Financial Officer. Mr. Greenfield's term of service under the agreement continues until September 8, 2009, and then renews each year for one-year terms unless either we or Mr. Greenfield provide written notice of termination at least six months prior to the end of the term. Under the employment agreement, Mr. Greenfield is entitled to an annual base salary of at least \$475,000 and an annual bonus payable at our discretion. The employment agreement entitles Mr. Greenfield to a minimum annual bonus of \$200,000 for 2006. In addition, the employment agreement required us to grant Mr. Greenfield 10,000 restricted shares of our common stock under our 2003 Long-Term Equity Compensation Plan, described below. These restricted shares are reflected in the Summary Compensation Table and the Grant of Plan-Based Awards Table above, and vest on the third anniversary of their date of grant.

Under the employment agreement, Mr. Greenfield is entitled to: (i) reimbursement on an after-tax basis for the cost of suitable accommodations and related expenses while Mr. Greenfield works in Bermuda; (ii) reimbursement for the use of an automobile, if necessary while he works in Bermuda; (iii) reimbursement for initiation fees and annual membership in one private club; (iv) up to \$10,000 per year in costs of annual tax return preparation and tax planning services; and (v) other employee benefits we provide to senior executives generally. These benefits are reflected in the *All Other Compensation* column of the Summary Compensation Table and the related footnote. Under the employment agreement, Mr. Greenfield assigned to us certain intellectual property rights to which he might otherwise be entitled.

Mr. Greenfield's employment agreement provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled *Potential Payments Upon Termination or Change in Control*.

*John Gressier*

Under Mr. Gressier's employment agreement, dated November 21, 2002, he served as Chief Executive Officer and President of AXIS Global Insurance beginning January 4, 2002, and now serves as our Chairman of AXIS Insurance. Mr. Gressier's employment was based in the United Kingdom for the first part of 2006. In September of 2006, Mr. Gressier transferred to Bermuda. Under the employment agreement, Mr. Gressier is entitled to an annual base salary of at least £250,000. Mr. Gressier's annual base salary rate in effect for 2006 was £500,000 (\$940,600, based on the exchange rate on September 8, 2006, his last day of work in the United Kingdom) for the portion of the year during which he worked in the United Kingdom, and \$800,000 for the portion of the year during which he worked in Bermuda. Mr. Gressier is also entitled to an annual bonus and equity awards at our discretion.

Under the employment agreement, Mr. Gressier is also entitled to employee benefits, including long-term disability insurance and private medical insurance, and participation in a pension program with a company contribution equal to 15% of base salary. In addition, although not required under Mr. Gressier's employment agreement, when Mr. Gressier transferred to Bermuda we paid his relocation expenses and began paying him a \$15,000 per month housing allowance and an automobile allowance, as well as providing him with up to four trips home per year for him and his family. Mr. Gressier also receives reimbursement for income tax and financial planning services. These benefits are reflected in the "All Other Compensation" column of the Summary Compensation Table and the related footnote. Under the employment agreement, Mr. Gressier assigned to us certain intellectual property rights to which he might otherwise be entitled.

Mr. Gressier's employment agreement provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled "Potential Payments Upon Termination or Change in Control."

*William A. Fischer*

Under Mr. Fischer's employment agreement, dated as of January 1, 2004, Mr. Fischer has agreed to serve as Chief Executive Officer and President of AXIS Global Reinsurance, which we now refer to as AXIS Re Bermuda, or in such other position as we mutually agree upon. Mr. Fischer's term of service under this agreement is automatically renewed each December 31 unless we or Mr. Fischer provide notice of termination of his employment at least six months prior to the end of the term. Mr. Fischer is entitled to an annual base salary of at least \$575,000 under the employment agreement, and received an annual base salary of \$750,000 during 2006.

Under the employment agreement, Mr. Fischer is also entitled to: (i) an annual bonus payable at our discretion; (ii) a housing allowance of up to \$18,000 per month; (iii) a \$900 per month automobile allowance; (iv) four return trips home for him and his family each calendar year; (v) reimbursement for membership in two private clubs; and (vi) costs of an accountant to prepare his personal tax returns in the United States. In addition, we reimburse Mr. Fischer for the cost of personal Internet service. These benefits are reflected in the "All Other Compensation" column of the Summary Compensation Table and the related footnote. Under the employment agreement, Mr. Fischer assigned to us certain intellectual property rights to which he might otherwise be entitled.

Mr. Fischer's employment agreement provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled "Potential Payments Upon Termination or Change in Control."

*Andrew Cook*

Under Mr. Cook's employment agreement, Mr. Cook served as our Chief Financial Officer. Mr. Cook terminated employment with us on April 1, 2006. Prior to his termination, Mr. Cook received an annual base salary of \$472,500 and an annual bonus payable at our discretion. We also granted Mr. Cook options and restricted shares and provided Mr. Cook with general employee benefits, a \$15,000 per month housing allowance, a \$900 per month automobile allowance, four annual return trips home for him and his family, reimbursement for membership in two private clubs, and reimbursement for an accountant to prepare tax returns in Canada or the United Kingdom. We also reimbursed Mr. Cook for the cost of personal Internet service. The above benefits are reflected in the "All Other Compensation" column of the Summary Compensation Table and the related footnote.

Upon his termination, we entered into a separation agreement with Mr. Cook that provided for the benefits described below in the section entitled "Potential Payments Upon Termination or Change in Control." The amounts in the Summary Compensation Table include his termination payments.

Upon Mr. Cook's termination of employment, we also entered into a consulting agreement with Mr. Cook, under which Mr. Cook acted as a finance advisor to assist us on finance matters through June 30, 2006. Mr. Cook received a total of \$118,135 for his services under the consulting agreement, which is included in the amount shown in the "All Other Compensation" column for Mr. Cook in the Summary Compensation Table above. Mr. Cook was not entitled to any other compensation for his consulting services. Under the consulting agreement, Mr. Cook assigned to us certain intellectual property rights to which he might otherwise be entitled, agreed to ongoing confidentiality provisions, and agreed to a non-competition restriction through August 1, 2006.

**2003 Long-Term Equity Compensation Plan**

Our Board of Directors has adopted and our shareholders have approved the AXIS Capital Holdings Limited 2003 Long-Term Equity Compensation Plan, or "LTEP". The LTEP provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, performance shares, performance unit awards and share purchase rights to our employees, directors and consultants. The Compensation Committee has broad authority to administer the plan, including the authority to select plan participants, determine when awards will be made, determine the type and amount of awards, determine the exercise price of options and stock appreciation rights, determine any limitations, restrictions or conditions applicable to each award, and determine the terms of any agreement or other document that evidences an award. During 2006, our executive officers received only restricted stock awards under this plan. However, pursuant to his separation agreement, Mr. Cook received accelerated vesting of his outstanding awards under this plan during 2006, which is included in the amounts shown in the "Stock Awards" and "Option Awards" columns of the Summary Compensation Table. We are currently proposing to adopt a new 2007 Long-Term Equity Compensation Plan that will be used in place of the LTEP for granting equity awards in the future, as described in Proposal 2, below.

*Restricted Stock*

Restricted stock awards represent a grant of shares of our common stock, subject to restrictions on transfer of the shares, any other restrictions the Compensation Committee imposes, and forfeiture of the shares if the participant terminates employment before the shares vest. The restricted stock we granted during 2006 vests (and the restrictions lapse) with respect to 100% of the shares on the third anniversary of the date of grant. Vesting is fully accelerated upon the retirement, death or permanent disability of the participant or a change in control, as described below in the section entitled "Potential Payments Upon Termination or Change in Control." Holders of restricted stock may be credited with regular dividends paid with respect to the underlying shares while they are unvested, and the dividends may accrue interest



until paid. In 2006, we credited restricted stockholders with dividends on unvested shares of restricted stock, and credited interest on those dividend amounts. The interest rate is based on the interest we receive from our corporate bank account, which for 2006 was 4.75% annual percentage yield. The dividends are held by the Company subject to forfeiture to the same extent as the shares to which they relate, and are paid when the restricted stock becomes vested.

### **Annual Incentive Plan**

We fund annual incentive payments, which we refer to as the annual bonus, under our 2004 Annual Incentive Plan to provide performance-based annual bonuses for our employees. The funding for the Annual Incentive Plan for 2006 is tied directly to our return on average shareholders common equity, or ROACE, which is equal to our net income for the year, divided by our average common shareholders equity for the year. If ROACE performance targets are met or exceeded, we fund a total annual incentive plan pool equal to or greater than the aggregate of all target bonuses. If the performance is below target, our Compensation Committee reviews our performance with respect to our peer group to determine the level of payments to be made (if any) under the plan in its discretion.

Once the pool is established, individual awards are based on a portion of the total pool amount available, adjusted for the employee's individual performance. The Chief Executive Officer determines the individual performance and the amount of annual incentive for each named executive officer, and makes a recommendation to the Compensation Committee. The Compensation Committee reviews the recommendations and determines the appropriate bonus amount, within the restrictions of the total pool, for the executive officers. The Compensation Committee also evaluates the Chief Executive Officer's performance in its discretion and determines his incentive award under the plan. All individual awards for executive officers are at the discretion of the Compensation Committee, except that Mr. Charman's and Mr. Butt's individual awards must at least equal the target bonus amount if the performance goals are satisfied, per their employment agreements. The individual awards may range from 0% of their individual target for individuals whose performance was unsatisfactory during the year, to 100% or more of their individual target for those who met expectations for the year, to an uncapped percentage of salary for those who exceeded expectations for the year as determined by the annual performance review process. However, the total payments made under the plan to all employees, including executive officers, cannot exceed the overall pool funding level established by the Compensation Committee. Each eligible employee that is granted an incentive payment and that is employed on the date incentives are paid receives his or her bonus in cash early in the following year.

At the beginning of 2006, the Compensation Committee established the performance metrics for the Annual Incentive Plan. For 2006, the Compensation Committee determined that if AXIS achieved a designated target ROACE, the total bonus pool paid under the Annual Incentive Plan would be equal to 100% of the total target bonus amount for all employees. If AXIS were to achieve ROACE of at least 115% of the ROACE performance target, designated as superior performance, we would fund the Annual Incentive Plan at 150% of the total target pool amount. In the event of performance below the target level or over the superior level, the Compensation Committee retained the discretion to approve an incentive pool amount appropriate in its judgment. In 2006, our ROACE was well above the superior performance level. The Compensation Committee consequently funded the total Annual Incentive Plan pool at 186% of the target pool amount.

We previously established individual target annual bonuses expressed as a percentage of annual salary for each executive officer based on salary grade, and in accordance with the employment agreement requirements for Messrs. Charman and Butt. The previously established targets continued to apply in 2006, as follows: Mr. Charman 150% of his base annual salary; Messrs. Greenfield, Gressier, Fischer, and Cook 100% of their respective base annual salaries. In addition, during 2006, Mr. Butt's target percentage was increased from 100% to 125%, as reflected in an amendment to his employment

agreement. At the end of the year, based on the level of Company performance, the Compensation Committee allocated to each of the named executive officers a portion of the Annual Incentive Plan bonus pool equal to the target percentage of annual salary, multiplied by 200%. In addition, the executive officers, including the named executive officers, received a portion of the amount of the bonus pool that exceeded 150% of the target pool amount, as a result of the ROACE exceeding superior performance. The Committee determined an amount for Mr. Greenfield in its discretion, based on his contributions during his partial year of employment for 2006.

#### **Retirement Benefits**

We maintain retirement plans for our employees, including executive officers, in Bermuda (an unregistered, international retirement plan), the United Kingdom, and the United States. Messrs. Charman, Butt and Cook participated in the AXIS Specialty Limited International Pension Plan, our International retirement plan, during 2006. Mr. Gressier participated in the United Kingdom plan for part of the year and the International plan for the remainder of the year, based on the portion of the year in which he worked in each location. Messrs. Greenfield and Fischer participated in the AXIS 401(k) & Savings Plan during 2006.

The International plan permits employees to make contributions to their own accounts in the plan, and requires us to contribute an amount equal to at least 10% of each participant's earnings each year, reduced by any amounts that we are required to contribute to another plan, although we may contribute more in our discretion. For 2006, we contributed an amount equal to 10% of base salary to the International plan. Our contributions to the International plan vest fully after the employee has been in the plan for two years. Benefits are paid after termination of employment or at age 65, by purchase of an annuity or other method permitted by law and selected by the employee.

The United Kingdom stakeholder pension plan permits employees to make contributions to their own accounts in the plan, and requires us to contribute an amount equal to 15% of each participant's pay each year. During the first three months of 2006, our 15% contribution could only be made on the first £105,000 of base salary due to legal limitations. For these months, we paid Mr. Gressier an additional cash payment in the amount that we would have contributed to the United Kingdom plan on his behalf if this limitation were not in effect. However, beginning in April of 2006, this limitation on salary taken into account under the United Kingdom plan was lifted, and contributions from April until Mr. Gressier's transfer in September were equal to 15% of the full amount of base salary. Benefits are always fully vested, are payable after age 50, and will generally be paid as an annuity although the employee can elect to take a partial lump sum.

In the United States, we maintain the AXIS 401(k) & Savings Plan, under which employees may contribute a portion of their earnings on a tax-deferred basis and we make matching contributions. We may also make profit sharing contributions on a discretionary basis. For 2006, we made matching contribution equal to 100% of each employee's contributions, subject to a maximum match of 4% of eligible earnings. We also made a profit sharing contribution equal to 6% of each participant's eligible earnings. For purposes of calculating the matching and profit sharing contributions, only the first \$220,000 of each executive officer's earnings was taken into account, due to limitations imposed by the Internal Revenue Code. Executive officers are always fully vested in our matching contributions, and vest in our profit sharing contributions 25% per year, with full vesting in the plan after four years of service. Benefits are distributable upon termination of employment or upon reaching age 59½.

In addition, we provide non-tax-qualified retirement programs as described in detail below under the Pension Benefits table and the Nonqualified Deferred Compensation table.

### **Additional Benefits**

We maintain an Executive Health Exam Program, under which we pay for a bi-annual physical examination for each of our executive officers. Executive officers are required to participate in this program. Each of our executive officers was required to have a physical exam between June 1, 2004 and May 31, 2006, and each executive must have a physical exam between June 1, 2006 and May 31, 2008. The exam is customized for each executive to meet his needs, and thus the value varies from executive to executive, but the cost of the exam is approximately \$2,000 on average. We pay the full cost of the physical examination, plus any travel-related expenses. We reimbursed Mr. Butt for a physical examination he received during 2006, which is included in the amount shown for Mr. Butt in the All Other Compensation column of the Summary Compensation Table above.

In addition, we provide Mr. Charman with an additional life insurance benefit that is not provided to our other executive officers or employees. This benefit is described below under the heading Potential Payments Upon Termination or Change in Control, and the premiums are included in the amounts shown in the All Other Compensation column of the Summary Compensation Table for Mr. Charman.

In 2005, our Compensation Committee adopted a formal practice permitting personal use of corporate aircraft by certain of our executive officers. We permit our Chairman to use corporate aircraft for up to 12 personal trips per year, and we allow our Chief Executive Officer 24 trips per year. A trip is defined as round-trip travel from Bermuda to the east coast of the United States, from Bermuda to Europe, or travel within Europe.

The Bermudan government imposes payroll taxes and social insurance taxes as a percentage of the employee's salary, a portion of which is the employer's responsibility and a portion of which may be charged to the employee. We pay the employee's share of these taxes for all of our employees, including executive officers. This amount is included in the All Other Compensation column of the Summary Compensation Table above for all of our executive officers who are subject to these taxes.

**Outstanding Equity Awards at 2006 Fiscal Year-End**

The following table sets forth information regarding all outstanding equity awards held by the named executive officers at December 31, 2006.

Name	Option Awards			Option Exercise Price (\$)	Option Expiration Date	Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) UnExercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)			Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)		
John R. Charman	2,025,112			\$ 12.50	9/30/2011	320,000	\$ 10,678,400		
	200,000			\$ 14.50	12/11/2012				
	86,666	43,334		\$ 29.62	1/01/2014				
	43,334	86,666		\$ 28.02	1/12/2015				
Michael A. Butt	80,000			\$ 12.65	9/29/2012	142,500	\$ 4,755,225		
	40,000			\$ 14.50	12/11/2012				
	36,666	18,334		\$ 29.62	1/01/2014				
	18,334	36,666		\$ 28.02	1/12/2015				
David B. Greenfield					10,000	\$ 333,700			
John Gressier	60,000			\$ 12.50	3/31/2012	100,000	\$ 3,337,000		
	80,000			\$ 14.50	12/11/2012				
	26,666	13,334		\$ 29.62	1/01/2014				
	13,334	26,666		\$ 28.02	1/12/2015				
William A. Fischer	80,000			\$ 12.50	10/14/2011	100,000	\$ 3,337,000		
	80,000			\$ 14.50	12/11/2012				
	26,666	13,334		\$ 29.62	1/01/2014				
	13,334	26,666		\$ 28.02	1/12/2015				
Andrew Cook				3/31/2012					

- (1) All options vest 1/3 on each anniversary of the date of grant.
- (2) All restricted stock grants vest in full on the third anniversary of the date of grant.
- (3) Based on the closing price of our common stock on December 29, 2006, which was \$33.37.

**Option Exercises and Stock Vested in 2006**

The following table sets forth information regarding all exercises of stock options by or vesting of restricted stock held by the named executive officers during the 2006 fiscal year.

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
John R. Charman				
Michael A. Butt				
David B. Greenfield				
John Gressier				
William A. Fischer				
Andrew Cook	180,000	\$ 2,453,120	74,000	\$ 2,212,600

**Pension Benefits**

The following table sets forth information regarding the defined benefit pension plans in which our named executive officers participated in 2006.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
John R. Charman	Supplemental Executive Retirement Agreement between us and Mr. Charman dated January 1, 2004	n/a	\$ 11,367,000	
Michael A. Butt	Supplemental Executive Retirement Agreement between us and Mr. Butt dated January 1, 2004, as amended May 12, 2006	n/a	\$ 2,119,000	
David B. Greenfield				
John Gressier				
William A. Fischer				
Andrew Cook				

In January 2004, we entered into supplemental retirement agreements, or SERPs, with Messrs. Charman and Butt. Mr. Butt's SERP was amended in 2006. The SERP for Mr. Charman requires us to make annual payments to Mr. Charman upon his retirement, or beginning January 1, 2009 even if he has not retired, for a period of 20 years. The SERP for Mr. Butt requires us to make annual payments to Mr. Butt upon his retirement, or beginning January 1, 2010 even if he has not retired, for a period of ten years.

Mr. Charman's payment amount for each of the 20 years of benefit payments is equal to \$750,000, adjusted each year with compound interest at an annual rate of 3% for each year after 2004, as reflected in the following table, and then offset by the annual benefits Mr. Charman is entitled to under the International retirement plan (described above in the narrative following the Summary Compensation Table) expressed as a 20 year certain annuity:

<b>Year of Payment</b>	<b>Pension Amount Before Offset for Mr. Charman</b>
2007	\$ 819,545
2008	\$ 844,132
2009	\$ 869,456
2010	\$ 895,539
2011	\$ 922,405
2012	\$ 950,078
2013	\$ 978,580
2014	\$ 1,007,937
2015	\$ 1,038,175
2016	\$ 1,069,321
2017	\$ 1,101,400
2018	\$ 1,134,442
2019	\$ 1,168,476
2020	\$ 1,203,530
2021	\$ 1,239,636
2022	\$ 1,276,825
2023	\$ 1,315,130

Mr. Butt's payment amount for each year he receives benefit payments is based on the following chart, but offset by the annual benefits Mr. Butt is entitled to under the International retirement plan (described above in the narrative following the Summary Compensation Table) expressed as a ten year certain annuity:

<b>Year of Payment</b>	<b>Pension Amount Before Offset for Mr. Butt</b>
2007	\$ 273,182
2008	\$ 281,377
2009	\$ 289,819
2010	\$ 398,513
2011	\$ 407,468
2012	\$ 416,693
2013	\$ 426,193
2014	\$ 435,979
2015	\$ 346,058
2016	\$ 356,440
2017	\$ 367,133
2018	\$ 378,147

The benefits for both Mr. Charman and Mr. Butt vest 50% on December 31, 2006, an additional 25% on December 31, 2007 and fully on December 31, 2008. However, either executive will also be fully vested if he terminates employment due to death or disability, or upon a change of control before December 31, 2008, as described below under Potential Payments Upon Termination of Change in Control. Any

remaining SERP benefits will be immediately paid in a lump sum upon the respective executive officer's death, disability or upon a change of control.

The present values shown in the Pension Benefits table above are calculated assuming a 5.75% discount rate, a 3% annual increase in total pension benefits for each executive, and payment of benefits beginning in 2009 for Mr. Charman and 2010 for Mr. Butt.

### Nonqualified Deferred Compensation

The following table sets forth information regarding our named executive officers' deferred compensation arrangements that are not tax qualified.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)(1)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)(2)
John R. Charman		\$ 125,000	\$ 24,755		\$ 632,014
Michael A. Butt		\$ 85,000	\$ 34,823		\$ 352,179
David B. Greenfield					
John Gressier		\$ 24,615	\$ 97		\$ 24,713
William A. Fischer		\$ 53,000	(3) \$ 14,105		\$ 221,140 (3)
Andrew Cook		\$ 11,813	\$ 8,435		\$ 193,984

(1) Amounts shown in this column are also included in the All Other Compensation column of the Summary Compensation Table.

(2) Amounts shown in this column are also included in the amounts reported in the All Other Compensation column of the Summary Compensation Table.

(3) Includes \$53,000 credited in February 2007 attributable to the 2006 fiscal year.

In the United States, we maintain the AXIS Specialty U.S. Services, Inc. Supplemental Retirement Plan. Messrs. Fischer and Greenfield participate in this plan. The U.S. Supplemental Plan is designed to permit eligible U.S.-based employees to accumulate additional retirement income through a non-qualified deferred compensation plan that enables them to make salary contributions in excess of those allowed under the AXIS 401(k) & Savings Plan, to make additional employee contributions from their bonus payments, and to receive discretionary employer contributions. Each year, we make a discretionary contribution to all participants in the U.S. Supplemental Plan expressed as a percentage of the employee's base salary that is above the IRS maximum under the AXIS 401(k) & Savings Plan. For 2006, we contributed 10% of each participating executive officer's base salary in excess of \$220,000 to this plan.

Each executive officer's own contributions under the U.S. Supplemental Plan are always fully vested. Participants vest in our contributions based on their years of service, at a rate of 25% a year with full vesting after four years of service is completed. Contributions are credited to an individual bookkeeping account for the executive officer, which is credited with earnings and losses as if the account were invested as elected by the participant among pre-approved investment funds. The executive officer's own contributions may be distributed on a date selected by the executive or upon termination of employment for any reason, either in a lump sum or in up to fifteen annual installments, as elected by the executive. Benefits will be paid immediately in a lump sum if the executive officer becomes disabled or terminates employment. Executive officers may take an earlier distribution in the event of a hardship.

### Potential Payments Upon Termination or Change in Control

This section describes payments that would be made to our named executive officers upon a change in control of the Company or following termination of employment. In the first part of this section, we

describe benefits under general plans that apply to any executive officer participating in those plans. We then describe specific benefits to which each named executive officer is entitled, along with estimated amounts of benefits assuming termination as of December 29, 2006 for specified reasons.

*2003 Long-Term Equity Compensation Plan*

We maintain a long-term incentive plan, or LTEP, as described above in the narrative to the Summary Compensation Table and the Grant of Plan-Based Awards Table. Under the LTEP, upon the occurrence of a change in control, executive officers receive the following benefits:

- (a) options and stock appreciation rights become immediately exercisable, and remain exercisable throughout their entire term, unless exercised, cashed out, or replaced;
- (b) restricted shares immediately vest; and
- (c) the target performance goals or payout opportunities attainable under all outstanding awards of restricted stock, performance units and performance shares are deemed to have been fully attained.

In addition, restricted shares and options granted under the LTEP generally vest fully upon an executive officer's retirement, death or disability. Upon termination of employment due to retirement, death or disability, an optionee has one year to exercise any vested options. Optionees generally have three months to exercise their options upon any other termination of employment other than termination for cause, in which case all options terminate immediately. Retirement is defined under the LTEP as termination of employment after attainment of age 60 and completion of ten years of service, or termination after attainment of age 60 if the Compensation Committee determines that the employee will be treated as retired. Disability is defined as in the employee health care plan maintained by the Company.

Under the LTEP, a change in control occurs if:

- (a) a person, company, government, or political subdivision, agency, or instrumentality of a government becomes the beneficial owner of 50% or more of the combined voting power of our outstanding voting securities, except for: (i) any acquisition directly from us, (ii) any acquisition by us, (iii) any acquisition by one of our employee benefit plans, or (iv) any acquisition that complies with clauses (i), (ii) and (iii) of paragraph (c) below;
- (b) our Board is no longer composed of a majority of individuals who were either members as of the date the LTEP was adopted, or whose election or nomination for election was approved by a majority of the directors then comprising the incumbent board;
- (c) a merger or similar transaction occurs between us and another person, company, government, or political subdivision, agency, or instrumentality of a government, unless, following the transaction, (i) substantially all of the beneficial owners of our voting securities immediately before the transaction beneficially own more than 50% of the combined voting power of the successor entity, in substantially the same proportions as their ownership of our voting securities immediately prior to the transaction; (ii) no person, company, government, or political subdivision, agency, or instrumentality of a government (excluding the successor entity) beneficially owns 50% or more of the shares of common stock or the combined voting power of the successor entity, except to the extent that such ownership existed with respect to us before the transaction; and (iii) at least a majority of the members of the board of directors of the successor entity were members of our incumbent board at the time of the execution of the initial agreement, or of the action of the board, pursuant to which the merger or other transaction occurs; or
- (d) our shareholders approve a complete liquidation or dissolution of AXIS Capital Holdings Limited, or the sale or other disposition of all or substantially all of our assets.



*U.S. Supplemental Retirement Plan*

Messrs. Fischer and Greenfield are entitled to their own contributions and the vested portion of our contributions under the U.S. Supplemental Retirement Plan (described above under the Nonqualified Deferred Compensation table) upon termination of their employment for any reason.

*Mr. Charman*

In addition to the benefits described above for all executive officers, Mr. Charman is entitled to additional benefits under his employment agreement upon termination of his employment. Upon termination for any reason, Mr. Charman is entitled to any annual, long-term or other incentive award earned but not yet paid.

If Mr. Charman's employment terminates as a result of his death, Mr. Charman's employment agreement automatically terminates, and his designated beneficiary or legal representatives are entitled to:

- (1) base salary through the end of the month in which he dies;
- (2) one year's base salary;
- (3) a separation bonus of at least (A) \$1,250,000 or (B) Mr. Charman's highest annual bonus for any of the three years immediately preceding his death; and
- (4) an extended exercise period up to one year for Mr. Charman's September 30, 2001 grant of 2,025,112 options.

Either Mr. Charman or we may terminate his employment agreement if Mr. Charman becomes disabled, by providing 15 days' prior written notice to the other party. Under the employment agreement, disability means Mr. Charman has been unable to substantially perform his duties due to physical or mental incapacity for 180 consecutive days. If Mr. Charman's employment ends because of disability, then Mr. Charman is entitled to the benefits listed above ((1) through (4)) that would be payable upon his death, plus continued coverage for one year under all employee benefit programs he was participating in immediately before the date of his termination, offset by any coverage provided to Mr. Charman in connection with subsequent employment.

If we terminate Mr. Charman's employment agreement for cause, or if Mr. Charman voluntarily terminates his employment agreement with us without good reason, Mr. Charman is entitled to receive continued eligibility for one year under all medical benefit programs he was participating in immediately prior to the date of his termination, at Mr. Charman's expense for the full cost of premiums for such coverage.

Under the employment agreement, cause means Mr. Charman is convicted of a felony involving moral turpitude or Mr. Charman is guilty of gross negligence or gross misconduct in performing his duties that results in material economic harm to us. We are required to give Mr. Charman written notice, after which he must be given 15 days to correct the failures, and Mr. Charman is entitled to a hearing and a unanimous vote of all disinterested members of the Board of Directors, before termination can become effective due to gross misconduct or gross negligence. Felonies involving moral turpitude would be determined based on Bermuda law, but would likely include crimes such as fraud that reflect negatively on Mr. Charman's honesty, integrity or personal values. Gross misconduct and gross negligence would be based on the facts of a particular event, but would be more than minor wrongful (or minor careless or neglectful) behavior.

Under the employment agreement, good reason means:

- (1) our assignment to Mr. Charman of duties materially inconsistent with his positions and responsibilities;

- (2) material reduction in Mr. Charman's authorities or responsibilities;
- (3) our removal of Mr. Charman from, or failure to elect Mr. Charman to, the positions of President and Chief Executive Officer, or our Board or Executive Committee, except in connection with a termination of his employment;
- (4) a reduction in Mr. Charman's base salary or target bonus opportunity;
- (5) following a change in control, our failure to pay Mr. Charman an annual bonus at least \$1,250,000 or, if higher, the largest annual bonus he received in the three years before the year in which the change in control occurs, or our failure to calculate Mr. Charman's bonus as favorably as the method used to calculate the most recent annual bonus paid before the change in control;
- (6) our failure to obtain the specific assumption of the employment agreement by any successor;
- (7) our material breach of any of our material obligations to Mr. Charman or members of his family; or
- (8) our requiring Mr. Charman to be based at any office or location other than his current locations.

If we terminate Mr. Charman's employment without cause or if Mr. Charman terminates his employment with good reason (other than in connection with a change in control as described below), then Mr. Charman is entitled to:

- (1) two years' base salary;
- (2) a separation bonus of at least two times (A) \$1,250,000 or (B) Mr. Charman's highest annual bonus for any of the three years immediately preceding his termination of employment;
- (3) an extended exercise period up to one year for Mr. Charman's September 30, 2001 grant of 2,025,112 options, and
- (4) continued coverage for one year under all employee benefit programs he was participating in immediately before the date of his termination, offset by any coverage provided to Mr. Charman in connection with subsequent employment.

If we terminate Mr. Charman's employment agreement without cause, or if Mr. Charman terminates his employment with good reason, in anticipation of, or within the 12-month period following, a change in control, Mr. Charman is entitled to:

- (1) two years' base salary;
- (2) a separation bonus of at least three times (A) \$1,250,000 or (B) Mr. Charman's highest annual bonus for any of the three years immediately preceding his termination of employment;
- (3) an extended exercise period up to one year for Mr. Charman's September 30, 2001 grant of 2,025,112 options; and
- (4) continued coverage for 24 months under all employee benefit programs he was participating in immediately before the date of his termination, offset by any coverage provided to Mr. Charman in connection with subsequent employment.

Under the employment agreement, a change in control would occur if (i) any person, company, government, or political subdivision, agency, or instrumentality of a government becomes a beneficial owner of 30% or more of our voting stock; (ii) the majority of the Board consists of individuals other than incumbent directors; (iii) we adopt a plan of liquidation; (iv) we dispose of all or substantially all of our assets or business in a merger or other business transaction unless our shareholders beneficially own, directly or indirectly, in substantially the same proportion, all of the voting stock or other ownership

interests of the entity or entities, if any, that succeed to our business; or (v) we combine with another entity and are the surviving entity but, immediately after the combination, our shareholders immediately prior to the combination hold, directly or indirectly, 50% or less of the voting stock of the combined entity. The incumbent directors are our directors as of November 20, 2001, and any individual whose election or nomination for election was supported by two-thirds of those incumbent directors.

Mr. Charman is also entitled to a full tax gross-up if any of his compensation and benefits is subject to the excise tax on golden parachute payments under the U.S. Internal Revenue Code or any interest and penalties associated with the excise tax. However, because Mr. Charman is not currently subject to U.S. taxes, this excise tax does not apply to him.

Any amount payable to Mr. Charman under his employment agreement upon his termination of employment for any reason must be paid in a lump sum with respect to 50% of the amount promptly following his termination, and with respect to the remaining 50%, with accrued interest, on the first anniversary of his termination date.

Mr. Charman is also subject to non-competition restrictions and provisions prohibiting solicitation of our employees and our customers, each for a period of one year after termination of the agreement, along with ongoing confidentiality and non-disparagement requirements.

Mr. Charman is also entitled to benefits under his SERP upon termination of employment. The benefits vest 50% on December 31, 2006, an additional 25% on December 31, 2007 and fully on December 31, 2008. However, Mr. Charman will also be fully vested if he terminates due to death or disability, or upon a change of control before December 31, 2008. For this purpose, disability is defined the same as under the LTEP and change of control is defined the same as in Mr. Charman's employment agreement, each of which is described above. The payment amount for each of the 20 years of benefit payments is equal to \$750,000, adjusted each year with compound interest at an annual rate of 3% for each year after 2004, and then offset by the annual benefits Mr. Charman is entitled to under the International retirement plan expressed as a 20-year certain annuity. Mr. Charman's remaining SERP benefits will be immediately paid in a lump sum upon his death, disability or upon a change of control.

We also provide Mr. Charman with a supplemental life insurance policy to pay a benefit of £5,000,000 (\$9,790,750 based upon the exchange rate on December 31, 2006) upon his death, in addition to the general life insurance coverage we provide to all of our employees. This additional life insurance benefit is insured by Lloyd's Underwriters and we pay all of the premiums for this coverage.

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The following table sets forth the termination and/or change in control benefits payable to Mr. Charman under the benefits applicable to all executive officers as well as under Mr. Charman's employment agreement and SERP, assuming termination of employment on December 29, 2006. With the exception of insured benefits, all payments will be made by us.

Executive Benefits and Payments upon Termination Compensation:	Executive	Executive	Executive	Death	Disability
	Termination for Voluntary Termination or Company Termination for Cause	Termination for Good Reason or Company Termination Without Cause (pre-CIC)	Termination for Without Cause (pre-CIC)	Control	Change in
Base Salary (\$1,250,000)		\$ 2,500,000	\$ 2,500,000	\$ 1,250,000	\$ 1,250,000
Separation Bonus (1)		\$ 6,000,000	\$ 9,000,000	\$ 3,000,000	\$ 3,000,000
Acceleration of Unvested Restricted Stock (2)		\$	\$ 10,678,400 (7)	\$ 10,678,400	\$ 10,678,400
Acceleration of Unvested Options (3)		\$	\$ 626,166 (7)	\$ 626,166	\$ 626,166
<b>Benefits and Perquisites:</b>					
Medical Benefits (4)		\$ 13,221	\$ 26,442		\$ 13,221
Life Insurance (4)		\$ 28,799	\$ 57,598 (6)	\$ 9,790,750 (8)	\$ 28,799 (6)(9)
Other Continued Benefits (5)		\$ 125,000	\$ 250,000		\$ 125,000
SERP Benefits			\$ 20,942,597 (7)	\$ 20,942,597	\$ 20,942,597

(1) Bonus calculations are based on the highest annual bonus paid to Mr. Charman for any of the three preceding years, which was the bonus paid in 2005 with respect to the 2004 fiscal year.

(2) Aggregate value of unvested restricted stock calculated at a price of \$33.37, the closing price of our common stock on December 29, 2006.

(3) Aggregate amount of the spread between the exercise price of unvested stock options and \$33.37, the closing price of our common stock on December 29, 2006.

(4) Value of continued coverage under medical and life plans assumes continuation of premiums paid by us as of December 31, 2006 for the maximum coverage period, and that benefits are not discontinued due to coverage by a subsequent employer.

(5) Consists of company contributions to the International retirement plan, assuming benefits are not discontinued due to coverage by a subsequent employer, and assuming an employer contribution each year equal to 10% of the base salary as in effect on December 29, 2006.

(6) Premium would be paid in British Pounds. Amount shown is converted to U.S. Dollars using the exchange rate on December 31, 2006.

(7) Payment of SERP benefits and acceleration of equity vesting is automatic upon a change of control as described above, so termination of employment is not a condition.

(8) £5,000,000, converted to U.S. dollars using the exchange rate on December 31, 2006. Represents death benefits under company-provided life insurance coverage.

(9) Assumes premium would not be waived due to disability.

*Mr. Butt*

In addition to the benefits described above for all executive officers, Mr. Butt is entitled to additional benefits under his service agreement upon termination of his service with us.

If Mr. Butt's service terminates as a result of death, Mr. Butt's service agreement automatically terminates, and his spouse, other beneficiary or legal representatives are entitled to:

- (1) base salary through the end of the month in which he dies;

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(2) a separation bonus of at least (A) \$850,000 or (B) Mr. Butt's highest annual bonus for any of the three years immediately preceding his death; and

(3) an extended exercise period for options granted upon commencement of Mr. Butt's service agreement, through one year after termination of his service due to death, but not beyond the maximum term of the option.

Either Mr. Butt or we may terminate his service agreement if Mr. Butt becomes disabled, by providing 15 days prior written notice to the other party. Under the service agreement, disability means Mr. Butt has been unable to substantially perform his duties due to physical or mental incapacity for 180 consecutive days. If Mr. Butt's employment ends because of disability, then Mr. Butt is entitled to the benefits listed above ((1) through (3)) that would be payable upon his death, plus a lump sum equal to one year's base salary and continued coverage for one year under all benefit programs he was participating in immediately prior to the date of his termination.

If we terminate Mr. Butt's service agreement for cause, or if Mr. Butt voluntarily terminates his service agreement with us without good reason, Mr. Butt is not entitled to any post-termination benefits under his service agreement.

Under the service agreement, cause means conviction of Mr. Butt for a felony involving moral turpitude, or Mr. Butt's gross negligence or gross misconduct in performing his duties that results in material economic harm to us. We must give Mr. Butt 15 days' notice, and give him an opportunity to cure the defects, before we can terminate him for gross negligence or gross misconduct. In addition, Mr. Butt is entitled to a hearing before our full Board of Directors and a unanimous vote of all disinterested members of the Board for the termination to take effect.

Good reason means:

- (i) our assignment to Mr. Butt of duties materially inconsistent with his positions and responsibilities;
- (ii) material reduction in Mr. Butt's authorities or responsibilities;
- (iii) our removal of Mr. Butt from, or failure to elect Mr. Butt to, the position of Chairman of the Board, except in connection with a termination of his employment;
- (iv) a reduction in Mr. Butt's base salary or target bonus opportunity;
- (v) following a change in control, our failure to pay Mr. Butt an annual bonus at least \$750,000, or, if higher, the largest annual bonus he received in the three years before the year in which the change in control occurs or our failure to calculate Mr. Butt's bonus in a manner as favorable to Mr. Butt as that used to calculate the most recent annual bonus paid prior to the change in control;
- (vi) our failure to obtain the specific assumption of the employment agreement by any successor;
- (vii) our material breach of any of our material obligations to Mr. Butt or members of his family; or
- (viii) our requiring Mr. Butt to be based at any office or location other than his current locations.

If we terminate Mr. Butt's employment without cause or if Mr. Butt terminates his employment with good reason (other than in connection with a change in control as described below), then Mr. Butt is entitled to:

- (1) two years' base salary;
- (2) a separation bonus of at least (A) \$850,000 or (B) Mr. Butt's highest annual bonus for any of the three years immediately preceding his termination;

(3) an extended exercise period for options granted upon commencement of Mr. Butt's service agreement, through one year after termination of his service, but not beyond the maximum term of the option; and

(4) continued coverage for 12 months under all benefit programs he was participating in immediately prior to the date of his termination, offset by any benefits received from subsequent employment.

The definition of change of control under Mr. Butt's service agreement is the same as the definition summarized above from Mr. Charman's employment agreement. If we terminate Mr. Butt's agreement without cause or if Mr. Butt terminates his employment with good reason in anticipation of, or within the 12-month period following, a change in control, Mr. Butt is entitled to:

(1) two years' base salary;

(2) a separation bonus of at least two times (A) \$850,000 or (B) Mr. Butt's highest annual bonus for any of the three years immediately preceding his termination;

(3) an extended exercise period for options granted upon commencement of Mr. Butt's service agreement, through one year after termination of his service, but not beyond the maximum term of the option; and

(4) continued coverage for 24 months under all benefit programs he was participating in immediately prior to the date of his termination, offset by any benefits received from subsequent employment.

Upon any termination of his employment, Mr. Butt is entitled to any earned but unpaid bonus accrued as of the date of his termination. Mr. Butt is also entitled to a full tax gross-up if any of his compensation and benefits is subject to the excise tax on golden parachute payments under the U.S. Internal Revenue Code or any interest and penalties associated with the excise tax. However, because Mr. Butt is not currently subject to U.S. taxes, this excise tax does not apply to him.

Any amount payable to Mr. Butt pursuant to his service agreement upon his termination of employment for any reason must be paid in a lump sum promptly following his termination. Mr. Butt is subject to non-competition provisions for a period of one year after termination of the service agreement, provisions prohibiting solicitation of our employees and customers for a period of one year after termination of the service agreement, and ongoing confidentiality and non-disparagement requirements.

Mr. Butt is also entitled to benefits under his SERP upon termination of employment. The benefits vest 50% on December 31, 2006, an additional 25% on December 31, 2007 and fully on December 31, 2008. However, Mr. Butt will also be fully vested if he terminates due to death or disability, or upon a change of control before December 31, 2008. For this purpose, disability is defined the same as under the LTEP and change of control is defined the same as in Mr. Butt's service agreement, each of which is described above. The benefit amounts under Mr. Butt's SERP are described above under the Pension Plans table. Mr. Butt's remaining SERP benefits will be immediately paid in a lump sum upon his death, disability or upon a change of control.

The following table sets forth the termination and/or change in control benefits payable to Mr. Butt under the benefits applicable to all executive officers as well as under Mr. Butt's employment agreement and SERP, assuming termination of employment on December 29, 2006. With the exception of insured benefits, all payments will be made by us.

Executive Benefits and Payments upon Termination	Executive Voluntary Termination or Company Termination for Cause	Executive Termination for Good Reason or Company Termination without Cause (pre-CIC)	Executive Termination for Good Reason or Company Termination Without Cause in Connection with Change in Control	Death	Disability
<b>Compensation:</b>					
Base Salary		\$ 1,700,000	\$ 1,700,000		\$ 850,000
Annual Bonus(1)		\$ 1,325,000	\$ 2,650,000	\$ 1,325,000	\$ 1,325,000
Acceleration of Unvested Restricted Stock(2)			\$ 4,755,225 (5)	\$ 4,755,225	\$ 4,755,225
Acceleration of Unvested Options(3)			\$ 264,916 (5)	\$ 264,916	\$ 264,916
<b>Benefits and Perquisites:</b>					
Medical Benefits(4)		\$ 10,315	\$ 20,631		\$ 10,315
Life Insurance(4)		\$ 1,120	\$ 2,241		\$ 1,120 (6)
Disability Insurance(4)		\$ 1,058	\$ 2,116		\$ 795 (6)(7)
SERP Benefits			\$ 2,660,451 (5)	\$ 2,660,451	\$ 2,660,451

(1) Bonus calculations are based on the highest annual bonus paid to Mr. Butt for any of the three preceding years, which was the bonus paid in 2005 with respect to the 2004 fiscal year.

(2) Aggregate value of unvested restricted stock calculated at a price of \$33.37, the closing price of our common stock on December 29, 2006.

(3) Aggregate amount of the spread between the exercise price of unvested stock options and \$33.37, the closing price of our common stock on December 29, 2006.

(4) Value of continued coverage under medical, life and disability plans assumes continuation of premiums paid by us as of December 31, 2006 for the maximum coverage period, and that benefits are not discontinued due to coverage by a subsequent employer.

(5) Payment of SERP benefits and acceleration of equity is automatic upon a change of control as described above, so termination of employment is not a condition.

(6) Assumes premium would not be waived due to disability.

(7) Long-term disability premiums only.

*Mr. Greenfield*

In addition to the benefits described above for all executive officers, Mr. Greenfield is entitled to additional benefits under his employment agreement upon termination of his employment. Mr. Greenfield's employment will automatically terminate upon his death, and we may terminate Mr. Greenfield's employment as a result of his disability if he is unable to work for 181 days in any 12-month period due to illness or injury. We may also terminate Mr. Greenfield's employment without cause upon 30 days' notice. Mr. Greenfield may terminate his employment upon at least six months' notice to us. In addition, Mr. Greenfield's employment may be terminated as a result of either party declining to extend the term of the agreement.

Under the employment agreement, we may terminate Mr. Greenfield's employment for cause upon Mr. Greenfield's:

(i) material breach of the terms of his employment;





- (ii) conviction for a felony or commission of any act which would rise to the level of a felony;
- (iii) commission of a lesser crime or offense that materially harms or could harm our business or reputation;
- (iv) willful violation of our specific directives;
- (v) commission of a dishonest or wrongful act involving fraud, misrepresentation, or moral turpitude causing us damage or potential damage;
- (vi) willful failure to perform a substantial part of his duties; or
- (vii) breach of fiduciary duty.

If we terminate his employment without cause or decline to extend the term of the agreement, or if, within the first 12 months after a change in control (defined substantially the same as in the LTEP), Mr. Greenfield provides us with notice of his intention to terminate his employment as a result of (i) a material harmful change in his position or duties, (ii) reduction in his compensation or a material breach by us of the employment agreement, or (iii) relocation, at our request, to a place more than 50 miles from his current place of employment, and in each case we do not make the necessary adjustments within 30 days, then Mr. Greenfield is entitled to:

- (a) continuation of his base salary and employee benefits for a period of 12 months after the date of termination;
- (b) any annual bonus that he would have been entitled to during such 12 month period if performance targets were exceeded; and
- (c) the immediate vesting of all of his equity awards.

During any period when Mr. Greenfield has given notice of voluntary termination or when either party has given notice of nonrenewal of the agreement, we may until the termination date limit Mr. Greenfield's duties, require him to not have any contact with our customers, clients or employees, exclude him from our premises and/or require him to resign. If we take any such action, Mr. Greenfield will nevertheless continue to be an employee and we will continue to pay him his base salary and afford him all employee benefits to which he is entitled until the date of termination.

Under the employment agreement, Mr. Greenfield is required to execute a general release and waiver of claims against us and to resign from all of his positions upon termination of his employment for any reason. Mr. Greenfield is subject to non-competition provisions for a period of six months after termination of employment, non-solicitation of our employees and customers for a period of 12 months after termination of employment and ongoing confidentiality requirements.

The following table sets forth the termination and/or change in control benefits payable to Mr. Greenfield under the benefits applicable to all executive officers as well as under Mr. Greenfield's employment agreement, assuming termination of employment on December 29, 2006. With the exception of insured benefits, all payments will be made by us.

Executive Benefits and Payments upon Termination	Executive Voluntary Termination or Company Termination for Cause	Executive Termination for Specified Reasons After Change in Control	Company Termination Without Cause or Non-Extension of Term	Death or Disability
<b>Compensation:</b>				
Base Salary		\$ 475,000	\$ 475,000	
Annual Bonus		\$ 237,500 (3)	\$ 237,500 (3)	
Acceleration of Unvested Restricted Stock(1)		\$ 333,700 (4)	\$ 333,700	\$ 333,700
<b>Benefits and Perquisites:</b>				
Medical, Dental and Vision Coverage(2)		\$ 10,555	\$ 10,555	
Life Insurance(2)		\$ 972	\$ 972	
Disability Insurance(2)		\$ 801	\$ 801	

(1) Aggregate value of unvested restricted stock calculated at a price of \$33.37, the closing price of our common stock on December 29, 2006.

(2) Value of continued coverage under medical, dental, vision, life and disability plans assumes continuation of premiums paid by us as of December 31, 2006 for the maximum coverage period. Amounts shown are annualized based on premiums paid from August through December, 2006.

(3) Represents target bonus for 2006, prorated 50% per our policy because Mr. Greenfield began employment on August 1, 2006.

(4) Acceleration of equity is automatic upon a change of control as described above, so termination of employment is not a condition.

*Mr. Gressier*

In addition to the benefits described above for all executive officers, under his employment agreement Mr. Gressier is entitled to six months notice if we terminate his employment without cause and not due to his disability or attainment of age 60. We may limit or discontinue Mr. Gressier's responsibilities during the notice period, but his termination may not take effect until the end of the required notice period. We may terminate Mr. Gressier with cause without advance notice. Mr. Gressier is not entitled to any other termination benefits under his employment agreement.

Under the employment agreement, cause includes Mr. Gressier's:

- (i) material breach of the employment agreement;
- (ii) grave misconduct, gross default or willful neglect in the discharge of his duties or in connection with our business,
- (iii) commission of any serious act of dishonesty or repeated acts of dishonesty,
- (iv) bankruptcy,
- (v) becoming of unsound mind,
- (vi) conviction of any indictable offense that affects his position with us, or
- (vii) disqualification from practicing a profession that is essential to the performance of his duties.

Grave misconduct, gross default and willful neglect would be determined under Irish law, but would most likely be more serious or intentional wrongful or neglectful conduct, as opposed to minor errors. Whether Mr. Gressier would be considered to have an unsound mind would also be determined under Irish law. There are no professions that would fall under item (vii) above.



Under the employment agreement, Mr. Gressier is required to resign from all of his positions upon termination of his employment for any reason. Mr. Gressier is also subject to non-competition provisions and provisions prohibiting the solicitation of our customers, suppliers and employees, in each case for a period of six months after termination of employment, as well as ongoing confidentiality requirements. The six-month period is reduced, however, by any notice period during which Mr. Gressier continues in employment but we restrict his employment activities.

If Mr. Gressier terminated employment on December 29, 2006 due to death or disability, or upon a change of control, the value of his accelerated restricted stock vesting would be \$3,337,000 and the value of his accelerated options would be \$192,666.

*Mr. Fischer*

In addition to the benefits described above for all executive officers, Mr. Fischer is entitled to additional benefits under his employment agreement upon termination of his employment. Mr. Fischer's employment will automatically terminate upon his death, and we may terminate Mr. Fischer's employment as a result of his disability if he is unable to work for 181 days in any 12 month period due to illness or injury, or for cause. We may also terminate Mr. Fischer's employment without cause upon 30 days' notice. Mr. Fischer may terminate his employment upon at least six months' notice to us. In addition, Mr. Fischer's employment may be terminated as a result either party declining to extend the term of the agreement.

Under the employment agreement, we may terminate Mr. Fischer's employment for cause upon his:

- (i) material breach of his employment agreement;
- (ii) willful misconduct or gross negligence in the performance of duties;
- (iii) willful conduct that can be demonstrated as harmful to us or our reputation; or
- (iv) conviction of a felony, an indictable offense or a crime involving moral turpitude.

If we terminate Mr. Fischer's employment without cause or if we decline to renew his employment agreement, he is entitled to continuation of his base salary and employee benefits for a period of 12 months after the date of termination. If, within the first 12 months after a change in control (defined substantially the same as in the LTEP), Mr. Fischer provides us with notice of his intention to terminate his employment as a result of (i) a material harmful change in his position or duties, (ii) reduction in his compensation or our material breach of the employment agreement, or (iii) relocation, at our request, to a place more than 50 miles from his current place of employment, and in each case we do not make the necessary adjustments within thirty days, then Mr. Fischer is entitled to continuation of his base salary and employee benefits for a period of 12 months after the date of termination and the bonus to which he would have been entitled as if all performance targets were met. If Mr. Fischer's employment is terminated for any reason, other than for cause or by Mr. Fischer without six months' notice, we will pay the costs of repatriating him and his family to the United States.

During any period when Mr. Fischer has given notice of voluntary termination, when we have given notice of termination without cause, or when either party has given notice of nonrenewal of the agreement, we may until the termination date limit Mr. Fischer's duties, require him to not have any contact with our customers, clients or employees, exclude him from our premises and/or require him to resign. If we take any such action, Mr. Fischer will nevertheless continue to be an employee, and we will continue to pay him his base salary and afford him all employee benefits to which he is entitled until the date of termination.

Under the employment agreement, Mr. Fischer is required to execute a general release and waiver of claims against us and to resign from all of his positions upon termination of his employment for any reason. Mr. Fischer is subject to non-competition provisions for a period of six months after termination of

employment, non-solicitation of our employees and customers for a period of six months after termination of employment and ongoing confidentiality requirements.

The following table sets forth the termination and/or change in control benefits payable to Mr. Fischer under the benefits applicable to all executive officers as well as under Mr. Fischer's employment agreement, assuming termination of employment on December 29, 2006. With the exception of insured benefits, all payments will be made by us.

Executive Benefits and Payments upon Termination	Executive Voluntary Termination with Six Months Notice	Company Termination for Cause	Executive Termination for Specified Reasons After Change in Control	Company Termination Without Cause or Declining to Renew Agreement	Death or Disability
<b>Compensation:</b>					
Base Salary			\$ 750,000	\$ 750,000	
Annual Bonus			\$ 750,000 (5)		
Acceleration of Unvested Restricted Stock(1)			\$ 3,337,000 (6)		\$ 3,337,000
Acceleration of Unvested Options(2)			\$ 192,666 (6)		\$ 192,666
<b>Benefits and Perquisites:</b>					
Medical Benefits(3)			\$ 13,289	\$ 13,289	
Life Insurance(3)			\$ 2,172	\$ 2,172	
Disability Insurance(3)			\$ 1,291	\$ 1,291	
Repatriation(4)	\$ 67,713		\$ 67,713	\$ 67,713	\$ 67,713

(1) Aggregate value of unvested restricted stock calculated at a price of \$33.37, the closing price of our common stock on December 29, 2006.

(2) Aggregate amount of the spread between the exercise price of unvested stock options and \$33.37, the closing price of our common stock on December 29, 2006.

(3) Value of continued coverage under medical, life and disability plans assumes continuation of premiums paid by us as of December 31, 2006 for the maximum coverage period.

(4) Estimated cost provided by our relocation company based on its assessment of Mr. Fischer's relocation requirements.

(5) Based on his target annual bonus.

(6) Acceleration of equity is automatic upon a change of control as described above, so termination of employment is not a condition.

*Mr. Cook*

In addition to the benefits described above for all executive officers, Mr. Cook was entitled to additional benefits under his employment agreement upon termination of his employment. We entered into a separation agreement with Mr. Cook by letter dated March 13, 2006. The separation agreement provided for termination of Mr. Cook's employment on April 1, 2006, and the following payments and benefits in satisfaction of any termination payments or benefits he otherwise would have been entitled to under his employment agreement or any of our other plans or policies other than the International Retirement Plan:

- (i) a lump sum payment equal to 12 months base salary;
- (ii) immediate vesting of specified equity awards, with options to remain exercisable for 90 days following the date of termination of employment;



- (iii) 12 months of group medical and dental coverage at our expense, under the plan provided for Bermuda employees; and
- (iv) an additional \$25,000 lump sum payment to cover moving Mr. Cook and his family back to Canada or the United Kingdom.

Because our life insurance and long-term disability coverages are bundled with our medical insurance coverage, Mr. Cook's continued coverage under our group medical and dental coverage resulted in continued coverage under our life insurance and long-term disability plans during the period of extended medical and dental coverage, which lasted through August of 2006. Upon termination of Mr. Cook's employment, we entered into a consulting agreement for Mr. Cook as described above in the narrative to the Summary Compensation Table and Grant of Plan-Based Awards Table.

Under the separation agreement, Mr. Cook executed a general release of claims that waives any claims he may have against us, and we executed a general release of claims that waives any claims we may have against Mr. Cook. Mr. Cook was subject to non-competition provisions and provisions prohibiting solicitation of our employees and customers for a period of six months after termination of employment, and is subject to ongoing confidentiality requirements. Mr. Cook also assigned to us certain intellectual property rights to which he might otherwise be entitled. Under the separation agreement, we and Mr. Cook also agreed in general to not make disparaging statements about one another.

The following table sets forth the termination benefits paid to or received by Mr. Cook under Mr. Cook's separation agreement. All payments were or will be made by us.

Type of Payment	Amount
Base Salary	\$ 472,500
Value of Accelerated Equity Vesting	\$ 2,262,734 (1)
Medical, Life and Long-Term Disability Benefits	\$ 8,558
Repatriation	\$ 25,000

(1) Reflects the sum of the aggregate value of 74,000 unvested shares of restricted stock that became vested on April 1, 2006, calculated at a price of \$29.90, the closing price of our common stock on March 31, 2006, and the aggregate amount of the spread between the exercise price of 26,667 unvested stock options that became exercisable on April 1, 2006 and \$29.90.



**DIRECTOR COMPENSATION**

The table below sets forth information regarding compensation paid to our non-employee directors in 2006.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$)(8)(9) (c)	Option Awards (\$)(9) (d)	Non-Equity Plan Compen- sation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compen- sation (\$) (g)	Total (\$) (h)
Geoffrey Bell	\$ 24,167						\$ 24,167
Charles A. Davis	\$ 82,000	\$ 65,000 (5)					\$ 147,000
W. Thomas Forrester (1)(6)	\$ 48,500		(1) (\$16,279 )				\$ 32,221
Robert L. Friedman	\$ 68,000	\$ 65,000 (5)					\$ 133,000
Donald J. Greene	\$ 93,000 (6)	\$ 65,000 (6)	\$ 23,506				\$ 181,506
Christopher V. Greetham	\$ 17,000						\$ 17,000
Jurgen Grupe	\$ 96,000 (2)	\$ 65,000 (5)					\$ 161,000
Maurice A. Keane	\$ 116,500 (3)(4)	\$ 65,000	\$ 23,506				\$ 205,006
Sir Andrew Large	\$ 7,167						\$ 7,167
Henry B. Smith	\$ 91,500 (4)	\$ 65,000	\$ 14,150				\$ 170,650
Frank J. Tasco	\$ 76,000 (6)	\$ 65,000 (6)	\$ 23,506			\$ 13,375 (7)	\$ 177,881
Edward Kelly (9)			(\$16,245 )				(\$16,245 )

(1) Mr. Forrester left the Board of Directors on May 12, 2006 when his term expired. He received a restricted stock grant valued at \$35,000 in January of 2006, which he elected to receive in phantom stock units under our 2003 Directors Deferred Compensation Plan, but which were unvested and were forfeited when Mr. Forrester left the Board.

(2) Cash payment for Mr. Grupe includes \$25,000 for serving on the Board of Directors of AXIS Specialty Holdings Ireland Limited ( 19,545, converted to U.S. Dollars using an exchange rate of .7818 Euros per Dollar).

(3) Cash payment for Mr. Keane includes \$38,000 for serving on the Board of Directors AXIS Specialty Holdings Ireland Limited.

(4) This amount was paid to Messrs. Keane and Smith in shares of common stock, instead of cash, pursuant to their elections for 2006. Mr. Keane received 3,678 fully vested shares of our common stock and Mr. Smith received 2,859 fully vested shares of our common stock.

(5) This amount was paid to Messrs. Davis, Friedman and Grupe in cash instead of restricted shares, pursuant to their elections for 2006.

(6) All cash and restricted shares for Messrs. Greene, Forrester and Tasco were converted to phantom stock units under our 2003 Directors Deferred Compensation Plan pursuant to their elections for 2006. Mr. Greene received 4,945 fully vested phantom stock units and Mr. Tasco received 4,428 fully vested phantom stock units as a result of their elections. Mr. Forrester received 1,591 fully vested phantom stock units and received 1,118 phantom stock units which he forfeited because they were not vested at the time he left the Board.

(7) Reflects reimbursement for the cost of spousal travel.

(8) The grant date fair values of the restricted stock awards made to the directors in 2006 were \$35,000 and \$30,000, for a total of \$65,000, as discussed in more detail in the narrative below. The assumptions made in the valuation of the stock awards are located in note 14 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

(9) Mr. Kelly resigned from the Board of Directors effective January 31, 2006, due to guidelines published by Institutional Shareholder Services recommending that Chief Executive Officers of publicly-traded companies serve on no more than two public boards outside of their own board.

(10) The aggregate number of stock and option awards outstanding for each of the directors at December 31, 2006 was as follows:

Name	Restricted Stock	Options	Phantom Stock Units
Geoffrey Bell			
Charles A. Davis			
W. Thomas Forrester			5,277
Robert L. Friedman			
Donald J. Greene		24,000	20,268
Christopher V. Greetham			
Jurgen Grupe			
Maurice A. Keane		24,000	
Sir Andrew Large			
Henry B. Smith		8,000	
Frank J. Tasco		24,000	20,311
Edward Kelly			

#### 2006 Directors Annual Compensation Program

Compensation for our directors generally consists of cash compensation in the form of retainers and fees and equity compensation in the form of restricted stock grants.

#### *Compensation Elections*

Prior to the commencement of each calendar year, directors may elect to receive:

- (i) common shares in lieu of the cash compensation that would otherwise be payable to them during that year; or
- (ii) cash in lieu of the equity compensation that would otherwise be payable to them during that year with the approval of the Compensation Committee.

For 2006, Messrs. Bell, Greetham and Large did not have an election in effect and received their compensation as provided under our standard director compensation program. Messrs. Davis, Friedman and Grupe elected to receive cash instead of the restricted stock grant to which they were entitled. Messrs. Keane and Smith elected to receive shares of restricted stock instead of the cash to which they were entitled. Messrs. Greene, Forrester and Tasco elected to receive their compensation in restricted stock instead of cash, but also elected to defer the restricted stock awards pursuant to our 2003 Directors Deferred Compensation Plan, described below.

#### *Cash Compensation*

Directors who are also employees do not receive compensation for their service as directors. Pursuant to the 2006 Directors Annual Compensation Program, the non-employee directors received an annual retainer of \$35,000 for service on the Board of Directors plus \$3,000 for each board meeting and presentation attended in 2006. On September 7, 2006, the Compensation Committee increased the annual retainer for directors from \$35,000 to \$50,000, which was applied retroactively to the beginning of 2006. The chairman of the Audit Committee receives an annual fee of \$10,000 and the chairmen of each other board committee and the presiding director of the non-management directors receive an annual fee of \$5,000. Non-employee directors also receive \$1,500 for each committee meeting attended. Non-employee directors who become directors after January 1 of any year are entitled to a pro-rated portion of any cash compensation and are not entitled to any equity compensation (or cash compensation in lieu thereof) until January 1 of the next year.

In addition to compensation received for service on our board, Mr. Keane receives an annual retainer of \$35,000 for services as Chairman of the Board of AXIS Specialty Holdings Ireland Limited and as a director of AXIS Specialty Europe Limited, plus \$1,000 for each meeting attended. Mr. Grupe also receives an annual retainer of \$25,000 for services as a director of AXIS Specialty Europe Limited and as a director of AXIS Re Limited.

#### *Equity Compensation*

In addition to the annual retainer, chairmen fees and meeting fees, pursuant to our director compensation program, prior to September 7, 2006, each non-employee director was entitled to an annual grant of restricted shares under the AXIS Capital Holdings Limited 2003 Directors Long-Term Equity Compensation Plan (described below), valued at \$35,000 based on the fair market value of the common shares on the tenth business day after January 1. On September 7, 2006, our Board of Directors, upon the recommendation of the Compensation Committee, amended the director compensation program to increase the annual award of restricted stock under the program to \$65,000 from \$35,000. Therefore, each non-employee director was entitled to an additional grant of restricted shares, valued at \$30,000 based on our share price on September 7, 2006. The original restricted shares granted at the beginning of the year vested on July 1, 2006, and the additional shares were fully vested immediately upon grant. Directors holding restricted stock were entitled to a credit for regular dividends paid with respect to the underlying shares while they were unvested, with the dividends accruing interest until paid.

Shares issued to our directors in lieu of fees and restricted stock grants made to our directors are made pursuant to the AXIS Capital Holdings Limited 2003 Directors Long-Term Equity Compensation Plan. The plan has been adopted by our Board of Directors and approved by our shareholders. The maximum number of common shares with respect to which awards may be granted under the plan is 1,200,000. The board has broad authority to administer the plan, including the authority to determine when awards will be made, the type and amount of awards, the exercise price of options, any limitations, restrictions or conditions applicable to each award, if any, and the terms of any instrument that evidences an award.

Options awarded under the Directors Long-Term Equity Compensation Plan are generally granted for a ten-year term, but may terminate earlier if the participant's service terminates prior to the end of the term. The exercise price of an option must be at least equal to the fair market value of the shares on the date the option is granted. No options were granted under the plan during 2006.

Holders of restricted stock may generally exercise full voting rights and may be credited with regular dividends paid with respect to the underlying shares while they are subject to restrictions. The shares generally become freely transferable upon vesting. Upon a change in control of the Company, or upon the director's termination due to retirement, death or permanent disability, all restricted stock awards become fully vested and the restrictions immediately lapse.

#### *Deferred Compensation Plan*

Each non-employee director may elect to participate in an unfunded nonqualified deferred compensation plan known as the AXIS Capital Holdings Limited 2003 Directors Deferred Compensation Plan, which has also been adopted by our Board of Directors and approved by our shareholders. The Directors Deferred Plan allows participating directors to elect (1) the amount, if any, of cash or stock received as fees for services to be deferred (expressed as a dollar amount, number of shares or percentage) and (2) the form in which payment is to be made (lump sum or three annual installments). Directors who choose to defer fees otherwise payable in shares are credited a number of phantom stock units equal in amount to the number of shares of stock deferred. When a cash dividend is paid on the stock, the portion of the participant's deferral account denominated in phantom share units is credited with additional phantom share units (or portions thereof). Directors who choose to defer fees otherwise payable in cash

are credited with interest on their cash deferral, compounded annually, at a rate that is 1% above the 12-month LIBOR rate for deposits of U.S. dollars reported on the first business day of the year. Amounts deferred are 100% vested at all times. Generally, benefits are paid upon termination of service as a director. The plan is administered by our Board of Directors. During 2006, Messrs. Greene and Tasco elected to receive their cash retainers and restricted stock awards in the form of phantom stock units under this plan. None of our directors have previously elected to defer cash under the plan, so currently there are no cash accounts accruing interest. Messrs. Tasco, Greene and Forrester hold phantom stock units under the plan. Mr. Forrester received one-third of his account under the Directors Deferred Compensation Plan during 2006 upon leaving the Board, with the remainder of his benefits to be paid in equal installments in 2007 and 2008.

### Equity Compensation Plan Information

The following table presents information concerning our equity compensation plans as of December 31, 2006.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (3)
Equity compensation plans approved by security holders	5,146,984	\$ 18.75	3,611,549
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>5,146,984</b>	<b>\$ 18.75</b>	<b>3,611,549</b>

(1) Includes stock options granted under the AXIS Capital Holdings Limited 2003 Long-Term Equity Compensation Plan and the AXIS Capital Holdings Limited 2003 Directors Long-Term Equity Compensation Plan.

(2) The weighted-average remaining term of all outstanding options, warrants and rights is 6.0 years.

(3) Includes common shares available for issuance (i) under the AXIS Capital Holdings Limited 2003 Long-Term Equity Compensation Plan pursuant to awards of stock options, stock appreciation rights, restricted stock, performance units and performance shares and share purchase rights and (ii) under the AXIS Capital Holdings Limited 2003 Directors Long-Term Equity Compensation Plan pursuant to awards of unrestricted stock, stock options, phantom stock units and restricted stock.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Mr. Davis, one of our directors, is the Chief Executive Officer of Stone Point Capital LLC. Until May 2005, Mr. Davis was the Chairman and Chief Executive Officer of MMC Capital, Inc., a subsidiary of Marsh and McLennan Companies, Inc., and a Vice Chairman of Marsh. AXIS Specialty Limited entered into an advisory agreement in November 2001 with MMC Capital. In connection with the sale of the private equity business of MMC Capital to Stone Point, the agreement was assigned to Stone Point. Under the agreement, which expired in November 2006, Stone Point from time to time provided advice and assistance to us in connection with transactions and other matters. The agreement had a term of five years, during which AXIS Specialty Limited paid an annual fee of \$1 million. During the year ended December 31, 2006, we incurred \$1 million of fees and expenses pursuant to this agreement.

Mr. Friedman, one of our directors, is a Senior Managing Director of the Blackstone Group, L.P., which is an affiliate of Blackstone Debt Advisors L.P. and Blackstone Alternative Asset Management, L.P. During the year ended December 31, 2006, we were invested in several collateralized loan obligations. The collateral manager for three of these investments was Blackstone Debt Advisors L.P., which as collateral manager is entitled to management fees payable by the collateralized obligations in the ordinary course of business. In addition, during the year ended December 31, 2006, we were invested in a hedge fund that is managed by Blackstone Alternative Asset Management L.P., which is entitled to management fees in the ordinary course of business. We paid an aggregate of \$2.8 million to the Blackstone Group and its affiliates in 2006.

We provide insurance in the ordinary course of business to various entities that are affiliated with some of our directors and/or principal shareholders. These transactions are negotiated on an arm's length basis.

**PROPOSAL NO. 2 APPROVAL OF THE AXIS CAPITAL HOLDINGS LIMITED  
2007 LONG-TERM EQUITY COMPENSATION PLAN**

The Compensation Committee and the Board of Directors have recommended the adoption of the AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan, or the 2007 Plan, described below. The 2007 Plan is intended to replace the 2003 Long-Term Equity Compensation Plan and the 2003 Directors Long-Term Equity Compensation Plan, or the 2003 Plans. The Compensation Committee and the Board of Directors adopted the 2007 Plan on March 8 and 9, 2007, respectively, subject to the approval of the shareholders. No awards may be granted under the 2007 Plan until after it has been approved by the shareholders. If the 2007 Plan is approved, our 2003 Plans will be terminated, and no additional option grants may be made under our 2003 Plans. However, all outstanding awards under our 2003 Plans will remain in effect.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ADOPTION OF THE 2007 PLAN.**

**Description of the 2007 Plan**

A copy of the 2007 Plan is attached to this proxy statement as Appendix A. The following description of the 2007 Plan is a summary and is qualified in its entirety by reference to the complete text of the 2007 Plan.

**Purpose.** The purpose of the 2007 Plan is to promote our interests and the interests of our shareholders by (i) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company and its affiliates and (ii) enabling such individuals to participate in our long-term growth and financial success.

**Types of Awards.** The 2007 Plan provides for the grant of options intended to qualify as incentive stock options, or ISOs, under Section 422 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, nonqualified stock options, or NSOs, stock appreciation rights, or SARs, restricted share awards, restricted stock units, or RSUs, performance units and other equity-based or equity-related awards.

**Plan Administration.** The 2007 Plan will be administered by the Compensation Committee of our Board of Directors or such other committee as our Board of Directors may designate to administer the 2007 Plan. Subject to the terms of the 2007 Plan and applicable law, the committee will have sole authority to administer the 2007 Plan, including, but not limited to, the authority to: (1) designate plan participants; (2) determine the type or types of awards to be granted to a participant; (3) determine the number of our common shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, awards; (4) determine the terms and conditions of awards; (5) determine the vesting schedules of awards and, if certain performance criteria must be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained; (6) determine whether, to what extent and under what circumstances awards may be settled or exercised in cash, our common shares, other securities, other awards or other property, or cancelled, forfeited or suspended and the method or methods by which awards may be settled, exercised, cancelled, forfeited or suspended; (7) determine whether, to what extent and under what circumstances cash, our common shares, other securities, other awards, other property and other amounts payable with respect to an award will be deferred either automatically or at the election of the holder thereof or of the committee; (8) interpret, administer, reconcile any inconsistency in, correct any default in and supply any omission in, the 2007 Plan and any instrument or agreement relating to, or award made under, the 2007 Plan; (9) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the 2007 Plan; (10) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards; (11) amend an outstanding award or grant a replacement award for an award previously granted under the 2007 Plan if, in its sole discretion, the committee determines that the tax consequences of such award to us or the

participant differ from those consequences that were expected to occur on the date the award was granted or that clarifications or interpretations of, or changes to, tax law or regulations permit awards to be granted that have more favorable tax consequences than initially anticipated; and (12) make any other determination and take any other action that the committee deems necessary or desirable for the administration of the 2007 Plan.

**Shares Available For Awards.** Subject to adjustment for changes in capitalization, the aggregate number of our common shares that may be delivered pursuant to awards granted under the 2007 Plan is 5,000,000, of which the maximum number of shares that may be delivered pursuant to ISOs granted under the 2007 Plan is 5,000,000. If, after the effective date of the 2007 Plan, an award granted under the 2007 Plan is forfeited, or otherwise expires, terminates or is cancelled without the delivery of shares, then the shares covered by the forfeited, expired, terminated or cancelled award will again be available to be delivered pursuant to awards under the 2007 Plan. If our common shares are surrendered or tendered to us in payment of the exercise price of an award or any taxes required to be withheld in respect of an award, such surrendered or tendered shares will again become available to be delivered pursuant to awards under the 2007 Plan, but in no event will the number of shares that may be delivered pursuant to ISOs granted under the 2007 Plan be increased.

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, stock split, reverse stock split, split-up or spin-off affecting our common shares, the committee will make adjustments and other substitutions to awards under the 2007 Plan in order to preserve the value of the awards. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of our shares or other similar corporate transactions, the committee, in its discretion, may make such adjustments and other substitutions to the 2007 Plan and awards under the 2007 Plan as it deems equitable or desirable in its sole discretion.

The committee may grant awards in assumption of, or in substitution for, outstanding awards previously granted by us or any of our affiliates or a company that we acquire or with which we combine, except that the 2007 Plan does not permit the repricing of options and SARs that we previously granted. Any shares issued by us through the assumption of or substitution for outstanding awards granted by a company that we acquire will not reduce the aggregate number of our common shares available for awards under the 2007 Plan, except that awards issued in substitution for ISOs will reduce the number of our common shares available for ISOs under the 2007 Plan.

**Eligible Participants.** Any of our or our affiliates' directors, officers, employees or consultants (including any prospective director, officer, employee or consultant) is eligible to participate in the 2007 Plan. As of March 9, 2007, the record date for our annual meeting, approximately 570 participants would be eligible to receive awards under the 2007 Plan. The closing price of our common stock on March 9, 2007 was \$34.07.

**Stock Options.** The committee may grant both ISOs and NSOs under the 2007 Plan. The exercise price for options cannot be less than the fair market value (as defined in the 2007 Plan) of our common shares on the grant date. In the case of ISOs granted to an employee who, at the time of the grant of such option, owns shares representing more than 10% of the voting power of all classes of our shares or the shares of any of our affiliates, the exercise price cannot be less than 110% of the fair market value of a common share on the grant date. All options granted under the 2007 Plan will be NSOs unless the applicable award agreement expressly states that the option is intended to be an ISO. All terms and conditions of all grants of ISOs will be subject to and comply with Section 422 of the Code and the regulations promulgated thereunder.

Subject to the applicable award agreement, options will vest and become exercisable with respect to one-third of the common shares subject to such options on each of the first three anniversaries of the grant date. Each option shall expire at the time or times, and on the other terms and conditions, set forth in the

applicable award agreement, except that no option may be exercisable after the tenth anniversary of the date the option is granted. The exercise price may be paid with cash (or its equivalent) or, in the sole discretion of the committee, with previously acquired common shares or through delivery of irrevocable instructions to a broker to sell the common shares otherwise deliverable upon the exercise of the option (provided that there is a public market for our common shares at such time), or a combination of any of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such shares so tendered to us as of the date of such tender is at least equal to such aggregate exercise price and the amount of any federal, state, local or foreign income or employment taxes required to be withheld.

**Stock Appreciation Rights.** The committee may grant SARs under the 2007 Plan, either alone or in tandem with, or in addition to, any other award permitted to be granted under the 2007 Plan. SARs granted in tandem with, or in addition to, an award may be granted either at the same time as the award or at a later time. The exercise price of each of our common shares covered by a SAR cannot be less than the fair market value of such share on the grant date. Upon exercise of a SAR, the holder will receive cash, our common shares, other securities, other awards, other property or a combination of any of the foregoing, as determined by the committee, equal in value to the excess over the exercise price, if any, of the fair market value of the common shares subject to the SAR at the exercise date. Subject to the provisions of the 2007 Plan and the applicable award agreement, the committee will determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR, except that no SAR may be exercisable after the tenth anniversary of the date the SAR is granted.

**Restricted Shares and Restricted Stock Units.** Subject to the provisions of the 2007 Plan, the committee may grant restricted shares and RSUs. Subject to the terms of the 2007 Plan and the applicable award agreement, restricted shares or RSUs will vest over a period that is not shorter than three years after the date of grant, except that restricted shares or RSUs that are subject to performance-based vesting criteria may vest over a period that is not shorter than one year after the date of grant. Restricted shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the 2007 Plan or the applicable award agreement, except that prior to vesting, restricted shares and RSUs may not be transferred by the participant. Upon the grant of a restricted share, a certificate will be issued and registered in the name of the participant and deposited by the participant, together with a stock power endorsed in blank, with us or a custodian designated by the committee or us. Upon the lapse of the restrictions applicable to such restricted share, we or the custodian, as applicable, will deliver such certificate to the participant or his or her legal representative.

An RSU will be granted with respect to one common share or have a value equal to the fair market value of one such share. Upon the lapse of restrictions applicable to an RSU, the RSU may be paid in cash, our common shares, other securities, other awards or other property, as determined by the committee, or in accordance with the applicable award agreement. The committee may, on such terms and conditions as it may determine, provide a participant who holds restricted shares or RSUs with dividends or dividend equivalents, payable in cash, our common shares, other securities, other awards or other property. Regular dividends may, as determined by the committee or specified in the applicable award agreement, be credited with interest from the date of the dividends through the date of payment.

**Performance Units.** Subject to the provisions of the 2007 Plan, the committee may grant performance units to participants. Performance units are awards with an initial value established by the committee at the time of the grant. In its discretion, the committee will set performance goals that, depending on the extent to which they are met during a specified performance period, will determine the number and/or value of performance units that will be paid out to the participant. The committee, in its sole discretion, may pay earned performance units in the form of cash, our common shares or any combination thereof that has an aggregate fair market value equal to the value of the earned performance



units at the close of the applicable performance period. The determination of the committee with respect to the form and timing of payout of performance units will be set forth in the applicable award agreement. The committee may, on such terms and conditions as it may determine, provide a participant who holds performance units with dividends or dividend equivalents, payable in cash, our common shares, other securities, other awards or other property.

**Other Stock-Based Awards.** Subject to the provisions of the 2007 Plan, the committee may grant to participants other equity-based or equity-related compensation awards, including vested common shares. The committee may determine the amounts and terms and conditions of any such awards.

**Amendment and Termination of the 2007 Plan.** Subject to any applicable law or government regulation, to any requirement that must be satisfied if the 2007 Plan is intended to be a shareholder approved plan for purposes of the rules of the NYSE or any successor exchange or quotation system on which our common shares may be listed or quoted, the 2007 Plan may be amended, modified or terminated by our Board of Directors without the approval of our shareholders, except that shareholder approval will be required for any amendment that would (i) increase the maximum number of our common shares available for awards under the 2007 Plan, (ii) increase the maximum number of our common shares that may be delivered pursuant to ISOs granted under the 2007 Plan or (iii) change the class of employees or other individuals eligible to participate in the 2007 Plan. No modification, amendment or termination of the 2007 Plan that would materially or adversely affect a participant will be effective without the consent of the affected participant, unless otherwise provided by the committee in the applicable award agreement.

The committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted, prospectively or retroactively. However, unless otherwise provided by the committee in the applicable award agreement or in the 2007 Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any participant to any award previously granted will not to that extent be effective without the consent of the affected participant.

The committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, awards in the event of any unusual or nonrecurring corporate event (including the occurrence of a change of control of the Company) affecting us, any of our affiliates or our financial statements or the financial statements of any of our affiliates, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law whenever the committee, in its discretion, determines that those adjustments are appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for exercise prior to the occurrence of such event and, in its discretion, the committee may provide for a cash payment to the holder of an award in consideration for the cancellation of such award or terminate an option or SAR having an exercise price equal to, or in excess of, the fair market value of a common share subject to such option or SAR without any payment or consideration.

**Change of Control.** The 2007 Plan provides that, unless otherwise provided in an award agreement or any other agreement between the applicable participant and the Company, in the event of a change of control of the Company, unless provision is made in connection with the change of control for assumption of, or substitution for, awards previously granted:

- any options and SARs outstanding as of the date the change of control is determined to have occurred will become fully exercisable and vested, as of immediately prior to the change of control;
- all performance units will be paid out as if the date of the change of control were the last day of the applicable performance period and target performance levels had been attained; and

- all other outstanding awards will automatically be deemed exercisable or vested and all restrictions and forfeiture provisions related thereto will lapse as of immediately prior to such change of control.

Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

- an acquisition by any individual, entity or group of beneficial ownership of 50% or more of the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors;
- a change in the composition of a majority of our Board of Directors that is not supported by a majority of the incumbent Board of Directors;
- the consummation of a reorganization, merger, share exchange, amalgamation, recapitalization, consolidation or similar transaction; or
- the approval by our shareholders of a plan of our complete liquidation or dissolution or the sale or disposition of all or substantially all of our assets.

**Term of the 2007 Plan.** No award may be granted under the 2007 Plan after the tenth anniversary of the date the 2007 Plan is approved by our shareholders.

**New Plan Benefits.** No awards have been granted under the 2007 Plan. The amounts and recipients of future awards under the 2007 Plan are not determinable as such awards will be granted at the sole discretion of the committee or other delegated persons.

**U.S. Tax Consequences.** This summary describes generally the U.S. tax consequences to a recipient of an award that is subject to U.S. federal income tax and is based on U.S. federal income tax laws currently in effect. The summary does not constitute tax advice and, among other things, does not address possible state, local, or foreign tax consequences and does not address all of the tax considerations that may be relevant to a particular holder. **Each participant should consult with, and rely on, his or her own tax advisor regarding all the possible tax consequences, based on his or her individual situation, of participating in the 2007 Plan.**

The grant of an option or a SAR is not intended to have immediate U.S. federal income tax consequences for the participant or for us. Upon exercising an option (other than an ISO), the participant will recognize ordinary income in an amount equal to the excess, if any, of the fair market value of the common shares on the date of exercise over the exercise price. In general, if applicable holding period requirements are satisfied, the participant will have no compensation income upon the exercise of an ISO (except that the alternative minimum tax may apply). Upon the exercise of a SAR, the participant must generally recognize ordinary income equal to the excess of the fair market value of the common shares subject to the SAR on the date of exercise over the aggregate exercise price of the SAR.

With respect to awards granted under the 2007 Plan involving common shares or other property that is restricted as to transferability and is subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income when the award vests or becomes transferable. With respect to other awards that may be settled in cash, in common shares, or other property that is either not restricted as to transferability or not subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income equal to the cash or fair market value of common shares or other property received.

The foregoing provides only a general description of the application of U.S. federal income tax laws to certain types of awards and U.S. taxable recipients under the 2007 Plan. Generally, our U.S. subsidiaries will obtain U.S. tax deductions in the period and in the amount the recipient is required to report as ordinary income, provided the compensation expense is attributable to the U.S. subsidiaries. With regard to award recipients not subject to U.S. tax and non-U.S. operations, the tax impact to the recipient and the non-U.S. operations will be dictated by local tax rules. Because of the variety of awards that may be made under the 2007 Plan and the complexities of the tax laws, participants should seek advice, based on their



particular circumstances, from an independent tax advisor about the consequences of participating in the 2007 Plan.

### **PROPOSAL NO. 3 ADOPTION OF AMENDED AND RESTATED BYE-LAWS**

Shareholders are being asked to consider and approve the adoption of our Amended and Restated Bye-laws. Under Section 13 of the Companies Act 1981 of Bermuda and Sections 43 and 93 of our current Bye-laws, our shareholders must approve any amendments to our Bye-laws by the vote of a majority of the votes cast at the Annual General Meeting. The Board has unanimously approved the Amended and Restated Bye-laws and recommends their approval and adoption by the shareholders.

The Board decided to review our Bye-laws in response to the December 2006 adoption in Bermuda of the Companies Amendment Act 2006, which amended the Companies Act 1981, Bermuda's primary corporate statute. The changes implemented by the Amendment Act include a provision that allows Bermuda companies to advance funds to officers and directors for the costs and expenses they incur in defending any civil or criminal proceedings against them, on the condition that the indemnified party repay the advance if any allegation of fraud or dishonesty ultimately is proved against them. Until very recently, Bermuda case law appeared to prohibit such advances, prior to final determination of a matter being made. Under the Amendment Act, a company now may indemnify its directors and officers not only from an eventual award against them, but for the cost of defending themselves. In the event that a case for fraud or dishonesty is proved, the directors or officers will be required to repay the funds provided for their defense. Our current Bye-laws permit us to indemnify our directors and officers in connection with their service to AXIS, provided that they are not found, in a final judgment or decree, to have committed fraud or dishonesty, but do not permit the advancement of costs or expenses. The Board has determined that the ability to advance the costs and expenses of defending a civil or criminal proceeding to directors and officers, with the condition that any amounts advanced be repaid if a case for fraud or dishonesty is proved, is important to ensure that our officers and directors are adequately protected from liability, which in turn helps us in attracting highly qualified personnel. As a result, Bye-law 30 of the proposed amended and restated Bye-laws has been revised to permit us to advance these costs and expenses, on the condition that any person to whom such amounts are advanced must repay the advance if any allegation of fraud or dishonesty is proved against him or her.

The Amendment Act also includes a provision that allows Bermuda companies, if permitted by their memorandum of association or bye-laws, to acquire their own shares, to be held as treasury shares in lieu of cancellation. Treasury shares generally represent shares that were once traded in the market but which have since been reacquired by the issuing company and are available for retirement or later reissuance. Treasury shares are considered to be issued but not outstanding, cannot be voted and accrue no dividends. Under the Amendment Act, companies continue to be able to purchase their own shares for cancellation so long as their constitutional documents so permit. Our Bye-laws currently permit us to purchase our shares, but do not permit us to hold the repurchased shares in treasury. The Board believes that having the ability to hold reacquired shares in treasury affords us valuable corporate finance flexibility under various circumstances, and is in our best interest. Consequently, the proposed amended and restated Bye-laws add a definition of Treasury Share, include a revised Bye-law 55(2) which clarifies that all rights attaching to such treasury shares are suspended and not exercised by us while held in treasury, and include a revised Bye-law 57(4) which would permit us either to cancel shares repurchased by us or hold them in treasury, in either case on terms determined by the Board.

The proposed revisions to our Bye-laws related to the advancement of expenses to indemnified parties and the ability to hold shares in treasury represent the only proposed changes to our Bye-laws. The full text of the proposed Amended and Restated Bye-laws is attached to this proxy statement as Appendix B.

### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS.**

## AUDIT COMMITTEE REPORT

*The following report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.*

The primary purpose of the Audit Committee is to assist our Board of Directors in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications, independence and performance and the performance of our internal audit function. The Audit Committee is solely responsible for the appointment, retention and compensation of our independent registered public accounting firm. It is not the responsibility of the Audit Committee to plan or conduct audits or to determine that our financial statements are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. This is the responsibility of management and the independent auditors, as appropriate.

In performing its duties, the Audit Committee:

- has reviewed our audited financial statements for the year ended December 31, 2006 and had discussions with management regarding the audited financial statements;
- has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61;
- has received the written disclosures and the letter from independent registered public accounting firm required by Independence Standards Board Standard No. 1; and
- has discussed with the independent registered public accounting firm their independence, the audited financial statements and other matters the Audit Committee deemed relevant and appropriate.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that our audited financial statements for the year ended December 31, 2006 be included in our Annual Report on Form 10-K for that year.

### AUDIT COMMITTEE

Henry B. Smith, Chairman  
Donald J. Greene  
Maurice A. Keane

**PROPOSAL NO. 4 APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee and our Board of Directors have recommended the appointment of Deloitte & Touche, Hamilton, Bermuda, as our independent registered public accounting firm for the fiscal year ending December 31, 2007 and the authorization of our Board of Directors, acting through the Audit Committee, to set the fees for the independent registered public accounting firm. Representatives of the firm are expected to be present at the Annual General Meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPOINTMENT OF DELOITTE & TOUCHE AS our INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND THE AUTHORIZATION OF OUR BOARD OF DIRECTORS, ACTING THROUGH THE AUDIT COMMITTEE, TO SET THE FEES FOR THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

**PRINCIPAL ACCOUNTANT FEES AND SERVICES****Audit and Non-Audit Fees**

Aggregate fees for professional services rendered for us by Deloitte & Touche for the fiscal years ended December 31, 2006 and 2005 are set forth below.

	Fiscal Year 2006	Fiscal Year 2005 (1)
Audit Fees	\$ 3,556,942	\$ 2,873,976
Audit-Related Fees	6,566	
Tax Fees	543,615	479,628
All Other Fees		
<b>Total</b>	<b>\$ 4,107,123</b>	<b>\$ 3,353,604</b>

(1) Fees in the Audit Fees and Audit-Related Fees categories in 2005 have been adjusted from prior year presentation to reflect an increase in Audit Fees and corresponding decrease in Audit-Related Fees due to the reclassification of fees related to the provision of comfort letters as Audit Fees, as well as additional amounts billed to us by Deloitte & Touche for services related to the 2005 fiscal year that were not billed at the time of last year's proxy filing. In addition, fees in the Tax Fees category in 2005 include an additional \$200,000 for U.S. tax compliance services not billed at the time of last year's proxy filing.

*Audit Fees* for the years ended December 31, 2006 and December 31, 2005 were for professional services rendered for the audit of our annual financial statements, for the review of the financial statements included in our quarterly reports on Form 10-Q, for services in connection with the audits for insurance statutory and regulatory purposes in the various jurisdictions in which we operate and for the provision of opinions and comfort letters relating to our filings with the Securities and Exchange Commission. The percentage of hours expended to audit our financial statements for the years ended December 31, 2006 and 2005 that were attributed to work performed by persons other than Deloitte & Touche's full time, permanent employees was less than 50%.

*Audit-Related Fees* for the year ended December 31, 2006 were for professional services rendered in connection with an insurance examination.

*Tax Fees* for the years ended December 31, 2006 and December 31, 2005 were for professional services rendered for tax return preparation, tax planning and compliance and tax consulting.

There were no fees in the *All Other Fees* category for the fiscal years ended December 31, 2006 and December 31, 2005.



### **Pre-Approval Policy**

On September 16, 2003, our Board of Directors adopted a policy regarding the procurement of audit services and non-audit services. The primary purpose of the policy is to ensure that we engage public accountants as external auditors to provide only audit and non-audit services that are compatible with maintaining independence. The policy requires that the Audit Committee pre-approve all audit and non-audit services for which our auditors are engaged. The Audit Committee may delegate the authority to grant pre-approvals to the Chairman of the Audit Committee or, in the event of his non-availability, to any other Audit Committee member. The Chairman of the Audit Committee or such other Audit Committee member must present to the Audit Committee at each scheduled meeting any pre-approvals that are granted. For the years ended December 31, 2006 and 2005, 100% of the audit fees were pre-approved. For the years ended December 31, 2006 and 2005, 100% of the audit related fees, 100% of the tax fees and 100% of the other fees were pre-approved.

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file with the SEC and the New York Stock Exchange reports on Forms 3, 4 and 5 concerning their ownership of the common shares and other equity securities of the Company. Under SEC rules, we must be furnished with copies of these reports.

Based on our review of these reports, we believe that all of our directors, executive officers and shareholders who are required to file reports filed all of such reports on a timely basis during the year ended December 31, 2006, except that: Form 3 filings for Messrs. Bell, Gieryn and Goshen were not timely filed and Form 4 filings for Messrs. Gieryn, Goshen, Greene, Keane, Smith and Tasco were not timely filed.

### **SHAREHOLDER PROPOSALS FOR 2008 ANNUAL MEETING**

Shareholder proposals intended for inclusion in the Proxy Statement for the 2008 Annual General Meeting of Shareholders pursuant to Rule 14a-8 under the Exchange Act should be sent to our Secretary at AXIS House, 92 Pitts Bay Road, Pembroke HM 08, Bermuda and must be received by November 29, 2007 and otherwise comply with the requirements of Rule 14a-8 in order to be considered for inclusion in the 2008 proxy materials. If the date of next year's annual general meeting is moved more than 30 days before or after the anniversary date of this year's annual general meeting, the deadline for inclusion of proposals in our proxy materials is instead a reasonable time before we begin to print and mail our proxy materials. In addition, if a holder of our common shares intends to present a proposal at the 2008 Annual General Meeting other than pursuant to Rule 14a-8 under the Exchange Act, and if the proposal is not received by our Secretary by February 11, 2008 or, if the date of next year's annual general meeting is moved more than 30 days before or after the anniversary date of this year's annual general meeting, a reasonable time before we mail our proxy materials for the 2008 Annual General Meeting of Shareholders, then the proxies designated by our Board of Directors for the 2008 Annual General Meeting of Shareholders may vote in their discretion on any such proposal any common shares for which they have been appointed proxies without mention of such matter in the proxy materials for such meeting.



Any shareholder entitled to vote at a meeting may submit candidates to be nominated for election as directors. A shareholder who wishes to submit a candidate for consideration must be a shareholder of record at the time that it submits a candidate for nomination and must be entitled to vote for the candidate at the meeting. A shareholder must give written notice of the submission to our Secretary not less than 90 days nor more than 120 days prior to the anniversary of the Annual General Meeting of Shareholders of the preceding year. The notice must include:

- (1) the name, age and business and residence addresses of the candidate,
- (2) the principal occupation or employment of the candidate,
- (3) the number of common shares or other securities of the Company beneficially owned by the candidate,
- (4) all other information relating to the candidate that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act and
- (5) the candidate's written consent to be named in the proxy statement and to serve as a director if elected.

The notice must also include information on the shareholder submitting the nomination, including the shareholder's name and address as it appears on our books and the number of our common shares beneficially owned by the shareholder.

#### **OTHER MATTERS**

We know of no specific matter to be brought before the meeting that is not referred to in this proxy statement. If any other matter properly comes before the meeting, including any shareholder proposal properly made, the proxy holders will vote the proxies in accordance with their best judgment on such matter.

We will bear the cost of this solicitation of proxies. We have engaged Morrow & Co., Inc. to assist us in the solicitation of proxies and the anticipated cost of such engagement is approximately \$7,500. Proxies also may be solicited by our directors, officers and employees and our subsidiaries without receiving additional compensation. The solicitation may be conducted by mail, telephone, telegram, telecopy, email, Internet and personal solicitation. Upon request, we will also reimburse brokers, banks and others who hold shares in their names, or in the names of nominees, for forwarding proxy materials to the beneficial owners.

**WE WILL FURNISH, WITHOUT CHARGE TO ANY SHAREHOLDER, A COPY OF OUR ANNUAL REPORT ON FORM 10-K THAT WE FILE WITH THE SECURITIES AND EXCHANGE COMMISSION. A COPY OF THE REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 MAY BE OBTAINED UPON WRITTEN REQUEST TO OUR SECRETARY AT AXIS HOUSE, 92 PITTS BAY ROAD, PEMBROKE HM 08, BERMUDA.**

**Appendix A**

**AXIS CAPITAL HOLDINGS LIMITED  
2007 LONG-TERM EQUITY COMPENSATION PLAN**

**SECTION 1. Purpose.** The purpose of this AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan is to promote the interests of AXIS Capital Holdings Limited, a company organized and existing under Bermuda law, and its stockholders by (a) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company (as defined below) and its Affiliates (as defined below) and (b) enabling such individuals to participate in the long-term growth and financial success of the Company.

**SECTION 2. Definitions.** As used herein, the following terms shall have the meanings set forth below:

*Affiliate* means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (b) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

*Award* means any award that is permitted under Section 6 and granted under the Plan.

*Award Agreement* means any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, require execution or acknowledgment by a Participant.

*Board* means the Board of Directors of the Company.

*Change of Control* shall (a) have the meaning set forth in an Award Agreement or (b) if there is no definition set forth in an Award Agreement, will be deemed to have occurred as of the first day any of the following events occurs:

(i) Any Person is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (the *Outstanding Company Voting Securities*); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, or (D) any acquisition by any entity pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) below;

(ii) Individuals who, as of the Effective Date, constitute the Board (hereinafter referred to as the *Incumbent Board*) cease for any reason to constitute at least a majority of the Board; *provided however*, that any individual becoming a director subsequent to the date herein whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, excluding any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization, merger, share exchange, amalgamation, recapitalization, consolidation or similar transaction by and among the Company and another Person, including, for this purpose, a transaction as a result of which another Person owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries (a *Business Combination*), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of

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the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent management personnel) of the Person resulting from such Business Combination or that, as a result of such Business Combination, owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries, in substantially the same proportions as their ownership of the Outstanding Company Voting Securities immediately prior to such Business Combination; (B) no Person (excluding any Person resulting from such Business Combination, or that, as a result of such Business Combination, owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries, or any employee benefit plan (or related trust) of the foregoing) beneficially owns, directly or indirectly, 50% or more of the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent management personnel) of the Person resulting from such Business Combination or that, as a result of such Business Combination, owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries, except to the extent that such ownership existed with respect to the Company prior to the Business Combination; and (C) at least a majority of the members of the board of directors (or equivalent management personnel) of the Person resulting from such Business Combination or that, as a result of such Business Combination, owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries, were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the board, pursuant to which such Business Combination is effected or approved; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the Company's assets.

*Code* means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

*Committee* means the Compensation Committee of the Board, or such other committee of the Board as may be designated by the Board to administer the Plan.

*Company* means AXIS Capital Holdings Limited and any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of AXIS Capital Holdings Limited.

*Disability* shall have the meaning ascribed to such term in the employee health care plan maintained by the Company, or if no such plan exists, at the discretion of the Committee.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, or any successor statute thereto.

*Exercise Price* means (a) in the case of Options, the price specified in the applicable Award Agreement as the price-per-Share at which Shares may be purchased pursuant to such Option or (b) in the case of SARs, the price specified in the applicable Award Agreement as the reference price-per-Share used to calculate the amount payable to the Participant.

*Fair Market Value* means (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to the Shares, as of any date, (i) the closing per share sales price of the Shares (A) as reported by the NYSE for such date or (B) if the Shares are listed on any other national stock exchange, as reported on the stock exchange composite tape for securities traded on such stock exchange for such date or, with respect to each of clauses (A) and (B), if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

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*Incentive Stock Option* means an option to purchase Shares from the Company that (a) is granted under Section 6(b) and (b) is intended to qualify for special Federal income tax treatment pursuant to Sections 421 and 422 of the Code, as now constituted or subsequently amended, or pursuant to a successor provision of the Code, and which is so designated in the applicable Award Agreement.

*IRS* means the Internal Revenue Service or any successor thereto and includes the staff thereof.

*NYSE* means the New York Stock Exchange or any successor thereto.

*Non-Employee Director* means a member of the Board who is neither (a) an employee of the Company nor (b) an employee of any Affiliate.

*Nonqualified Stock Option* means an option to purchase Shares from the Company that (a) is granted under Section 6(b) and (b) is not an Incentive Stock Option.

*Option* means an Incentive Stock Option or a Nonqualified Stock Option or both, as the context requires.

*Participant* means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or its Affiliates who is eligible for an Award under Section 5 and who is selected by the Committee to receive an Award under the Plan or who receives a Substitute Award pursuant to Section 4(c).

*Performance Criteria* means the criterion or criteria that the Committee shall select for purposes of establishing a Performance Goal for a Performance Period with respect to any Performance Unit under the Plan.

*Performance Goal* means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

*Performance Period* means the one or more periods of time as the Committee may select over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Unit.

*Performance Unit* means an Award under Section 6(e) that has a value set by the Committee (or that is determined by reference to a valuation formula specified by the Committee or the Fair Market Value of Shares), which value may be paid to the Participant by delivery of such property as the Committee shall determine, including without limitation, cash or Shares, or any combination thereof, upon achievement of such Performance Goals during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.

*Person* shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) thereof.

*Plan* means this AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan, as in effect from time to time.

*Restricted Share* means a Share delivered under the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

*Retirement* shall (a) have the meaning set forth in an Award Agreement or (b) if there is no definition set forth in an Award Agreement, means:

(i) for an employee, such employee's termination of employment with the Company and its Affiliates but only if either (A) such termination shall have occurred on or after the date on which he or she shall have attained age 60 and prior to such termination such employee shall have completed 5 years of continuous employment with the Company and its Affiliates or (B) the Committee by affirmative action determines such termination shall constitute a Retirement for purposes of the Plan; and

(ii) for a director, such director's termination of service with the Company and its Affiliates but only if either (A) such termination shall have occurred on or after the date on which he or she shall have attained age 60 and prior to such termination such director shall have completed 5 years of continuous employment with the Company and its Affiliates or (B) the Board by affirmative action determines such termination shall constitute a Retirement for purposes of the Plan.

Consultants shall not be eligible for Retirement hereunder.

*RSU* means a restricted stock unit Award that is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

*Rule 16b-3* means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act or any successor rule or regulation thereto as in effect from time to time.

*SAR* means a stock appreciation right Award that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the Exercise Price per Share of the SAR, subject to the terms of the applicable Award Agreement.

*SEC* means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

*Shares* means shares of common stock of the Company, par value \$0.0125 per share, or such other securities of the Company (a) into which such shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (b) as may be determined by the Committee pursuant to Section 4(b).

*Subsidiary* means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

*Substitute Awards* shall have the meaning specified in Section 4(c).

SECTION 3. *Administration.* (a) *Composition of Committee.* The Plan shall be administered by the Committee, which shall be composed of one or more directors, as determined by the Board; *provided* that, to the extent necessary to comply with the rules of the NYSE and Rule 16b-3 and any other applicable laws or rules, the Committee shall be composed of two or more directors, all of whom shall be Non-Employee Directors and all of whom shall (i) meet the independence requirements of the NYSE and (ii) qualify as Non-Employee Directors under Rule 16b-3.

(b) *Authority of Committee.* Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have sole and plenary authority to administer the Plan, including, but not limited to, the authority to (i) designate Participants, (ii) determine the type or types of Awards to be granted to a Participant, (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards, (iv) determine the terms and conditions of any Awards, (v) determine the vesting schedules of Awards and, if certain performance criteria must be attained in order for an Award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee, (viii) interpret, administer, reconcile any inconsistency in, correct

any default in and supply any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xi) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) *Committee Decisions.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) *Indemnification.* No member of the Board, the Committee or any employee of the Company (each such person, a Covered Person) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Covered Person shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Memorandum of Association or Bye-Laws. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company's Memorandum of Association or Bye-Laws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(e) *Delegation of Authority to Senior Officers.* The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more senior officers of the Company the authority to make grants of Awards to officers (other than officers subject to Section 16 of the Exchange Act), employees and consultants of the Company and its Affiliates (including any prospective officer, employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto; provided, however, that the cash settlement of Awards may only be permitted with the express written consent of the Committee.

(f) *Awards to Non-Employee Directors.* Notwithstanding anything to the contrary contained herein, the Board may, in its sole and plenary discretion, at any time and from time to time, grant Awards to Non-

Employee Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Committee herein.

SECTION 4. *Shares Available for Awards.* (a) *Shares Available.* Subject to adjustment as provided in Section 4(b), the aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be 5,000,000. The maximum number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan shall be 5,000,000. If, after the effective date of the Plan, any Award granted under the Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of Shares, then the Shares covered by such forfeited, expired, terminated or canceled Award shall again become available to be delivered pursuant to Awards under the Plan. If Shares issued upon exercise, vesting or settlement of an Award, or Shares owned by a Participant (which are not subject to any pledge or other security interest), are surrendered or tendered to the Company in payment of the Exercise Price of an Award or any taxes required to be withheld in respect of an Award, in each case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares shall again become available to be delivered pursuant to Awards under the Plan; *provided, however*, that in no event shall such Shares increase the number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan.

(b) *Adjustments for Changes in Capitalization and Similar Events.* (i) In the event of any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, split-up or spin-off, the Committee shall, in order to preserve the value of the Award and in the manner determined by the Committee, adjust any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (1) the aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan (including pursuant to Incentive Stock Options), as provided in Section 4(a) and (2) the maximum number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted to any Participant in any fiscal year of the Company and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price, if applicable, with respect to any Award.

(ii) In the event that the Committee determines that any reorganization, merger, consolidation, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee in its discretion to be appropriate or desirable, then the Committee may (A) in such manner as it may deem equitable or desirable, adjust any or all of (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (X) the aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan, as provided in Section 4(a) and (Y) the maximum number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted to any Participant in any fiscal year of the Company and (2) the terms of any outstanding Award, including (X) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (Y) the Exercise Price, if applicable, with respect to any Award, (B) if deemed appropriate or desirable by the Committee, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (C) if deemed appropriate or desirable

by the Committee, cancel and terminate any Option or SAR having a per Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

(c) *Substitute Awards.* Awards may, in the discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Affiliates or a company acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines (such Awards, Substitute Awards ). The number of Shares underlying any Substitute Awards shall be counted against the aggregate number of Shares available for Awards under the Plan; provided, however, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding awards previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall not be counted against the aggregate number of Shares available for Awards under the Plan; provided further, however, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding stock options intended to qualify for special tax treatment under Sections 421 and 422 of the Code that were previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall be counted against the aggregate number of Shares available for Incentive Stock Options under the Plan. Notwithstanding anything in this Section 4(c) to the contrary, Substitute Awards shall not be granted to the extent that such grant would result in an assumption of, or substitution for, an outstanding Option or SAR previously granted by the Company or any of its Affiliates, that would have the effect of reducing the Exercise Price of such outstanding Option or SAR.

(d) *Sources of Shares Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. *Eligibility.* Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

SECTION 6. *Awards.* (a) *Types of Awards.* Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares, (iv) RSUs, (v) Performance Units and (vi) other equity-based or equity-related Awards that the Committee determines are consistent with the purpose of the Plan and the interests of the Company. Awards may be granted in tandem with other Awards. No Incentive Stock Option (other than an Incentive Stock Option that may be assumed or issued by the Company in connection with a transaction to which Section 424(a) of the Code applies) may be granted to a person who is ineligible to receive an Incentive Stock Option under the Code.

(b) *Options.* (i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, whether the Option will be an Incentive Stock Option or a Nonqualified Stock Option and the conditions and limitations applicable to the vesting and exercise of the Option. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any regulations related thereto, as may be amended from time to time. All Options granted under the Plan shall be Nonqualified Stock Options unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; provided that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Nonqualified Stock Options.



(ii) *Exercise Price.* The Exercise Price of each Share covered by an Option shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the Option is granted); *provided, however,* that in the case of an Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the per Share Exercise Price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(iii) *Vesting and Exercise.* Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Committee in the applicable Award Agreement, an Option may only be exercised to the extent that it has already vested at the time of exercise. Except as otherwise specified by the Committee in the Award Agreement, Options shall become vested and exercisable with respect to one-third of the Shares subject to such Options on each of the first three anniversaries of the date of grant. An Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment pursuant to Section 6(b)(iv) for the Shares with respect to which the Award is exercised has been received by the Company. Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available for sale under the Option and, except as expressly set forth in Section 4(c), in the number of Shares that may be available for purposes of the Plan, by the number of Shares as to which the Option is exercised. The Committee may impose such conditions with respect to the exercise of Options, including, without limitation, any conditions relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(iv) *Payment.* (A) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Company, and the Participant has paid to the Company an amount equal to any Federal, state, local and foreign income and employment taxes required to be withheld. Such payments may be made in cash (or its equivalent) or, in the Committee's sole and plenary discretion, any other manner, including (1) by exchanging Shares owned by the Participant (which are not the subject of any pledge or other security interest) or (2) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver promptly to the Company an amount equal to the aggregate Exercise Price, or by a combination of the foregoing; *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender is at least equal to such aggregate Exercise Price and the amount of any Federal, state, local or foreign income or employment taxes required to be withheld.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(v) *Expiration.* Each Option shall expire at the time or times, and on the other terms and conditions, set forth in the applicable Award Agreement, except that no Option may be exercisable after the tenth anniversary of the date the Option is granted.

(c) *SARs.* (i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom SARs shall be granted, the number of Shares to be covered by each SAR, the Exercise Price thereof and the conditions and limitations applicable to the

exercise thereof. SARs may be granted in tandem with another Award, in addition to another Award or freestanding and unrelated to another Award. SARs granted in tandem with, or in addition to, an Award may be granted either at the same time as the Award or at a later time.

(ii) *Exercise Price.* The Exercise Price of each Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the SAR is granted).

(iii) *Exercise.* A SAR shall entitle the Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Exercise Price thereof. The Committee shall determine, in its sole and plenary discretion, whether a SAR shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(iv) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate or desirable.

(v) *Expiration.* Each SAR shall expire at the time or times, and on the other terms and conditions, set forth in the applicable Award Agreement, except that no SAR may be exercisable after the tenth anniversary of the date the SAR is granted.

(d) *Restricted Shares and RSUs.* (i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Restricted Shares and RSUs shall be granted, the number of Restricted Shares and RSUs to be granted to each Participant, the duration of the period during which, and the conditions, if any, under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company (the *Period of Restriction* ) and the other terms and conditions of such Awards. Subject to Section 3, no grant of Restricted Shares or RSUs shall become vested with respect to all the Restricted Shares or RSUs subject to such grant over a period that is shorter than three years after the date of grant; *provided* that Restricted Shares or RSUs that are subject to performance-based vesting criteria, may become vested with respect to all the Restricted Shares or RSUs covered by the applicable grant over a period that is not shorter than one year after the date of grant.

(ii) *Transfer Restrictions.* Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; *provided, however,* that prior to vesting, Restricted Shares and RSUs may not be transferred. Certificates issued in respect of Restricted Shares shall be registered in the name of the Participant and deposited by such Participant, together with a stock power endorsed in blank, with the Company or such other custodian as may be designated by the Committee or the Company, and shall be held by the Company or other custodian, as applicable, until such time as the restrictions applicable to such Restricted Shares lapse. Upon the lapse of the restrictions applicable to such Restricted Shares, the Company or other custodian, as applicable, shall deliver such certificates to the Participant or the Participant's legal representative.

(iii) *Payment/Lapse of Restrictions.* Each RSU shall be granted with respect to one Share or shall have a value equal to the Fair Market Value of one Share. RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement.

(iv) *Dividends and Other Distributions.* During the Period of Restriction, Participants holding Restricted Shares or RSUs granted hereunder may, as determined by the Committee or specified in the applicable Award Agreement, be paid or credited with (A) regular dividends paid with respect to the

Shares underlying the Restricted Shares while they are so held or (B) regular dividends paid with respect to the number of Shares equivalent to the number of RSUs while they are so held. Such dividends may, as determined by the Committee or specified in the applicable Award Agreement, be credited with interest from the date of the dividends through the date of payment. The Committee may also apply any restrictions to the dividends that the Committee deems appropriate and as are set forth in the Award Agreement.

(e) *Performance Units.* (i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Performance Units shall be granted and the terms and conditions thereof.

(ii) *Value of Performance Units.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met during a Performance Period, will determine the number and value of Performance Units that will be paid out to the Participant.

(iii) *Earning of Performance Units.* Subject to the provisions of the Plan, after the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive a payout of the number and value of Performance Units earned by the Participant over the Performance Period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding Performance Goals have been achieved.

(iv) *Form and Timing of Payment of Performance Units.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, may pay earned Performance Units in the form of cash or in Shares (or in a combination thereof) that has an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions in the applicable Award Agreement deemed appropriate by the Committee. The determination of the Committee with respect to the form and timing of payout of such Awards shall be set forth in the applicable Award Agreement.

(f) *Other Stock-Based Awards.* Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, fully-vested Shares) in such amounts and subject to such terms and conditions as the Committee shall determine.

(g) *Dividend Equivalents.* In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, without limitation, payment directly to the Participant, withholding of such amounts by the Company subject to vesting of the Award or reinvestment in additional Shares, Restricted Shares or other Awards.

SECTION 7. *Amendment and Termination.* (a) *Amendments to the Plan.* Subject to any applicable law or government regulation, to any requirement that must be satisfied if the Plan is intended to be a shareholder approved plan for purposes of the rules of the NYSE or any successor exchange or quotation system on which the Shares may be listed or quoted, the Plan may be amended, modified or terminated by the Board without the approval of the stockholders of the Company except that stockholder approval shall be required for any amendment that would (i) increase the maximum number of Shares for which Awards may be granted under the Plan or increase the maximum number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan; *provided, however,* that any adjustment under Section 4(b) shall not constitute an increase for purposes of this Section 7(a) or (ii) change the class of employees or other individuals eligible to participate in the Plan. No modification, amendment or termination of the Plan may, without the consent of the Participant to whom any Award shall theretofor

have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Committee in the applicable Award Agreement.

(b) *Amendments to Awards.* The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofor granted, prospectively or retroactively; provided, however, that, except as set forth in the Plan, unless otherwise provided by the Committee in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofor granted shall not to that extent be effective without the consent of the impaired Participant, holder or beneficiary.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4(b) or the occurrence of a Change of Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or SAR having a per Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

SECTION 8. *Change of Control.* Unless otherwise provided in the applicable Award Agreement or any other agreement between the applicable Participant and the Company, in the event of a Change of Control after the date of the adoption of the Plan, unless provision is made in connection with the Change of Control for (a) assumption of Awards previously granted or (b) substitution for such Awards of new awards covering stock of a successor corporation or its parent corporation (as defined in Section 424(e) of the Code) or subsidiary corporation (as defined in Section 424(f) of the Code) with appropriate adjustments as to the number and kinds of shares and the Exercise Prices, if applicable, (i) any outstanding Options or SARs then held by Participants that are unexercisable or otherwise unvested shall automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such Change of Control, (ii) all Performance Units shall be paid out as if the date of the Change of Control were the last day of the applicable Performance Period and target performance levels had been attained and (iii) all other outstanding Awards (including Restricted Shares and RSUs) then held by Participants that are unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be deemed exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control.

SECTION 9. *General Provisions.* (a) *Nontransferability.* During the Participant's lifetime, each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant's legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and

distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Board or the Committee may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability; *provided, however*, that Awards cannot be transferred for consideration; *provided further, however*, that Incentive Stock Options granted under the Plan shall not be transferable in any way that would violate Section 1.422-2(a)(2) of the Treasury Regulations. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) *No Rights to Awards.* No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) *Share Certificates.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, NYSE or any other stock exchange or quotation system upon which such Shares or other securities are then listed or reported and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding.* (i) *Authority to Withhold.* A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) *Alternative Ways to Satisfy Withholding Liability.* Without limiting the generality of clause (i) above, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares owned by the Participant (which are not subject to any pledge or other security interest and which have been owned by the Participant for at least six months) having a Fair Market Value equal to such withholding liability or, at the discretion of the Company, by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the Option or SAR, or the lapse of the restrictions on any other Awards (in the case of SARs and other Awards, if such SARs and other Awards are settled in Shares), a number of Shares having a Fair Market Value equal to such withholding liability.

(e) *Section 409A of the Code.* Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including any taxes arising under Section 409A of the Code), and the Company shall not have any obligation to indemnify or otherwise hold any participant harmless from any or all of such taxes. The Committee shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or to unilaterally modify any Award in a manner that (i) conforms with the requirements of Section 409A of the Code, (ii) voids any Participant election to the extent it would violate Section 409A of the Code and (iii) for any distribution event or election that could be expected to violate Section 409A of the Code, make the distribution only upon the earliest of the first to occur of a permissible distribution event within the meaning of Section 409A of the Code, or a distribution event that the participant elects in accordance with Section 409A of the Code. The

Committee shall have the sole discretion to interpret the requirements of the Code, including Section 409A, for purposes of the Plan and all Awards.

(f) *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including, but not limited to, the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.

(g) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares and other types of equity-based awards (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee or consultant of or to the Company or any Affiliate, nor shall it be construed as giving a Participant any rights to continued service on the Board. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any directorship or consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *No Rights as Stockholder.* No Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Shares, except as provided in the applicable Award Agreement, the Participant shall be entitled to the rights of a stockholder (including the right to vote and receive dividends) in respect of such Restricted Shares. Except as otherwise provided in Section 4(b), Section 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.

(j) *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of Bermuda, without giving effect to the conflict of laws provisions thereof.

(k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) *Other Laws.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole and plenary discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole and plenary

discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. Federal and any other applicable securities laws.

(m) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on one hand, and a Participant or any other Person, on the other hand. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or such Affiliate.

(n) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(o) *Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision.* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law (whether United States, United Kingdom or otherwise) may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the IRS or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or other applicable provision.

(p) *Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.* If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.

(q) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 10. *Term of the Plan.* (a) *Effective Date.* The Plan shall be effective as of the date of its adoption by the Board and approval by the Company's stockholders; *provided, however,* that no Incentive Stock Options may be granted under the Plan unless it is approved by the Company's stockholders within twelve (12) months before or after the date the Plan is adopted by the Board.

(b) *Expiration Date.* No Award shall be granted under the Plan after the tenth anniversary of the date the Plan is approved under Section 10(a). Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, nevertheless continue thereafter.

**Appendix B**

**BYE-LAWS  
OF  
AXIS CAPITAL HOLDINGS LIMITED**

**INTERPRETATION**

**I. Interpretation**

(1) In these Bye-laws the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively:

- (a) **Act** means the Companies Act 1981 as amended from time to time;
- (b) **Affiliate** means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with such person, provided that no Member of the Company shall be deemed an Affiliate of another Member solely by the reason of an investment in the Company. For the purposes of this definition, the term **control** shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise.
- (c) **Audit Committee** means the audit committee appointed by the Board in accordance with these Bye-laws, provided that in the event that the Board shall not have appointed an Audit Committee, the Board shall constitute the Audit Committee;
- (d) **Auditor** means any individual or partnership appointed to audit the accounts of the Company;
- (e) **Board** means the Board of Directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the Directors present at a meeting of Directors at which there is a quorum;
- (f) **Cause** means willful misconduct, fraud, gross negligence, embezzlement or any criminal conduct;
- (g) **Code** means the Internal Revenue Code of 1986, as amended, of the United States of America;
- (h) **Company** means the company for which these Bye-laws are approved and confirmed;
- (i) **Director** means a director of the Company;
- (j) **Member** means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;
- (k) **notice** means written notice as further defined in these Bye-laws unless otherwise specifically stated;
- (l) **Officer** means any person appointed by the Board to hold an office in the Company;
- (m) **Register of Directors and Officers** means the Register of Directors and Officers referred to in these Bye-laws;
- (n) **Register of Members** means the Register of Members referred to in these Bye-laws;

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- (o) **Resident Representative** means any person appointed to act as resident representative and includes any deputy or assistant resident representative;
  - (p) **Secretary** means the person appointed to perform any or all the duties of secretary of the Company and includes any deputy or assistant secretary; and
  - (q) **Treasury Share** means a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled.
- (2) In these Bye-laws, where not inconsistent with the context:
- (a) words denoting the plural number include the singular number and vice versa;
  - (b) words denoting the masculine gender include the feminine gender;
  - (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
  - (d) the word:
    - (i) **may** shall be construed as permissive;
    - (ii) **shall** shall be construed as imperative; and
  - (e) unless otherwise provided herein words or expressions defined in the Act shall bear the same meaning in these Bye-laws.
- (3) Expressions referring to writing or written shall, unless the contrary intention appears, include facsimile, printing, lithography, photography and other modes of representing words in a visible form.
- (4) Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

## **BOARD OF DIRECTORS**

### **2. Board of Directors**

The business of the Company shall be managed and conducted by the Board.

### **3. Management of Company**

- (1) In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting subject, nevertheless, to the provisions of any statute, to these Bye-laws and to such directions as may be prescribed by the Company in general meeting.
- (2) No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.
- (3) The Board may procure that the Company pays all expenses incurred in promoting and incorporating the Company.

### **4. Power to appoint managing director or chief executive officer**

The Board may from time to time appoint one or more Directors to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.



**5. Power to appoint manager**

The Board may appoint a person to act as manager of the Company's day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

**6. Power to authorise specific actions**

The Board may from time to time and at any time authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

**7. Power to appoint attorney**

The Board may from time to time and at any time by power of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company.

**8. Power to delegate to a committee**

The Board may delegate any of its powers to a committee appointed by the Board that may consist partly or entirely of non-Directors and every such committee shall conform to such directions as the Board shall impose on them. The meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board.

**9. Power to appoint and dismiss employees**

The Board may appoint, suspend or remove any officer, manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.

**10. Power to borrow and charge property**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

**11. Exercise of power to purchase shares of or discontinue the Company**

- (1) The Board may exercise all the powers of the Company to purchase and acquire all or any part of its own shares in accordance with the Act.
- (2) The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside Bermuda pursuant to Section 132G of the Act.

**12. Composition of Board of Directors**

(1) The Board shall consist of not less than nine (9) and not more than sixteen (16) Directors (as determined by resolution of the Board of Directors) or such number as the Members may from time to time determine.

(2) The Directors shall be elected by the Members, except in the case of casual vacancy, at the annual general meeting or a any special general meeting called for that purpose and shall be divided by the Board of Directors into three classes, designated Class I, Class II and Class III as follows. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors. Each Director shall serve for a term ending on the date of the third annual general meeting of shareholders next following the annual general meeting at which such Director was elected, PROVIDED, that Directors initially designated by the Board of Directors as Class III Directors shall serve for an initial term ending on the date of the first annual general meeting of Members next following the effectiveness of their designation as Class III Directors, Directors initially designated by the Board of Directors as Class II Directors shall serve for an initial term ending on the date of the second annual general meeting of Members next following the effectiveness of their designation as Class II Directors and Directors initially designated by the Board of Directors as Class I Directors shall serve for an initial term ending on the date of the third annual general meeting of Members next following the effectiveness of their designation as Class I Directors. Notwithstanding the foregoing, each Director shall hold office until such Director's successor shall have been duly elected and qualified or until they are removed from office by the Members pursuant to Bye-law 15 or their office is otherwise vacated. In the event of any change in the number of Directors, the Board of Directors shall apportion any newly created directorships among, or reduce the number of directorships in, such class or classes as shall equalize, as nearly as possible, the number of directors in each class. In no event will a decrease in the number of Directors shorten the term of any incumbent Director.

**13. Defects in appointment of Directors**

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

**14. Alternate Directors/Observers**

There shall be no alternate Directors and no Member or Director shall have a right to designate any person to attend meetings of the Board or Board committees as a non-voting observer.

**15. Removal of Directors**

(1) The Members may, at any annual general meeting convened and held in accordance with these Bye-laws, remove a Director only for Cause by the affirmative vote of Members holding at least a majority of the total combined voting power of all of the issued and outstanding shares of the Company after giving effect to any reduction in voting power required under Bye-laws 51 and 52; PROVIDED, that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served upon such Director not less than 14 days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for such Director's removal.

(2) A vacancy on the Board created by the removal of a Director under the provisions of Subparagraph (1) of this Bye-law may be filled by the Members at the meeting at which such Director is removed and, in the absence of such election or appointment, the Board may fill the vacancy. A Director

so elected shall hold office until the next annual general meeting or until such Director's office is otherwise vacated.

**16. Other vacancies on the Board**

(1) The Board shall have the power from time to time and at any time to appoint any person as a Director to fill a vacancy on the Board occurring as the result of the death, disability, disqualification or resignation of any Director or from an increase in the size of the Board of Directors pursuant to subparagraph (1) of Bye-law 12(1). The Board shall also have the power from time to time to fill any vacancy left unfilled at a general meeting.

(2) The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of summoning a general meeting of the Company or preserving the assets of the Company.

(3) The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) is or becomes disqualified, of unsound mind or dies;
- (d) resigns his or her office by notice in writing to the Company.

**17. Notice of meetings of the Board**

(1) The Chairman may, and the Chairman on the requisition of a majority of the Directors then in office shall, at any time, summon a meeting of the Board.

(2) Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally in person or by telephone or otherwise communicated or sent to such Director by post, telecopier, facsimile, email or other mode of representing words in a legible and non-transitory form at such Director's last known address or any other address given by such Director to the Company for this purpose.

**18. Quorum at meetings of the Board**

The quorum necessary for the transaction of business at a meeting of the Board shall be a majority of the Directors then in office present in person or represented by a duly authorized representative appointed in accordance with the Act, provided that at least two Directors are present in person.

**19. Meetings of the Board**

(1) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.

(2) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(3) A resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

#### **20. Unanimous written resolutions**

A resolution in writing signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution.

#### **21. Contracts and disclosure of Directors' interests**

(1) Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director, PROVIDED, that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.

(2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

(3) Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

#### **22. Remuneration of Directors**

The remuneration (if any) of the Directors shall be determined by the Board and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company or in connection with the business of the Company or their duties as Directors generally.

### **OFFICERS**

#### **23. Officers of the Company**

The Officers of the Company may consist of any of the following officers: a Chairman, a Deputy Chairman, a President, one or more Vice Presidents, a Secretary and such additional Officers as the Board may from time to time determine, all of whom shall be deemed to be Officers for the purposes of these Bye-laws.

#### **24. Appointment of Officers**

(1) The Board shall, as soon as possible after each annual general meeting, appoint a President and a Vice President or a Chairman and a Deputy Chairman who shall be Directors.

(2) The Secretary and additional Officers, if any, shall be appointed by the Board from time to time.

#### **25. Remuneration of Officers**

The Officers shall receive such remuneration as the Board may from time to time determine.

**26. Duties of Officers**

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

**27. Chairman of meetings**

Unless otherwise agreed by a majority of those attending and entitled to attend and vote thereat, the Chairman, if there be one, and if not the President shall act as chairman at all meetings of the Members and of the Board at which such person is present. In their absence, the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

**28 Register of Directors and Officers**

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

**MINUTES**

**29. Obligations of Board to keep minutes**

(1) The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

(2) Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

**INDEMNITY**

**30. Indemnification of Directors and Officers of the Company**

(1) The Directors, Secretary and other Officers (such term to include, for the purposes of Bye-laws 30 and 31, any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and their heirs, executors and administrators (the Indemnitees ), shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED, that this indemnity shall not extend to any matter in which any of said persons is found, in a final judgment or decree not subject to appeal, to have committed fraud or dishonesty.

(2) The Company may advance moneys to the Indemnitees or any of them for the costs, charges and expenses incurred by them in defending any civil or criminal proceedings against them, on condition that any person to whom such moneys are advanced shall repay the advance if any allegation of fraud or dishonesty is proved against such person.

**31. Waiver of claim by Member**

Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action, in the performance of his duties with or for the Company, PROVIDED, that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

**MEETINGS**

**32. Notice of annual general meeting**

The annual general meeting of the Company shall be held in each year at such time and place as the President or the Chairman, or any two Directors or any Director and the Secretary or the Board shall appoint. At least 20-days notice of such meeting shall be given to each Member stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

**33. Notice of special general meeting**

The Chairman or the President may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary, upon not less than five-days notice which shall state the date, time, place and the general nature of the business to be considered at the meeting.

**34. Accidental omission of notice of general meeting**

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

**35. Meeting called on requisition of Members**

Notwithstanding anything herein, the Board shall, on the requisition of Members holding at the date of the deposit of the requisition shares representing ten percent (10%) or more of the aggregate voting power of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of Section 74 of the Act shall apply.

**36. *Short notice***

A general meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (a) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (b) by a majority in number of the Members, which majority must hold 95% or more of the aggregate voting power of the Company and having the right to attend and vote thereat, in the case of a special general meeting.

**37. *Postponement* of meetings**

The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement



is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

**38. *Quorum* for general meeting**

At the commencement of any general meeting of the Company two or more persons present in person and representing in person or by proxy shares representing more than fifty percent (50%) of the aggregate voting power of the Company shall form a quorum for the transaction of business, PROVIDED, that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time. If within a reasonable period from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine.

**39. Adjournment of meetings**

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is adjourned to a specific date and time, fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Bye-laws.

**40. Attendance at meetings**

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

**41. Written resolutions**

(1) Subject to subparagraph (6) of this Bye-law, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

(2) A resolution in writing may be signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or any class thereof, in as many counterparts as may be necessary.

(3) For the purposes of this Bye-law, the date of the resolution is the date when the resolution is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

(4) A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favor of a resolution shall be construed accordingly.

(5) A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of Sections 81 and 82 of the Act.

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(6) This Bye-law shall not apply to:

- (a) a resolution passed pursuant to Section 89(5) of the Act; or
- (b) a resolution passed for the purpose of removing a Director before the expiration of his term of office under these Bye-laws.

**42. Attendance of Directors**

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

**43. Voting at meetings**

(1) Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes, in all cases as determined pursuant to Bye-laws 50-54, cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

(2) No Member shall be entitled to vote at any general meeting unless such Member has paid all the calls on all shares held by such Member.

**44. Voting on show of hands**

At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands, subject to any rights or restrictions for the time being lawfully attached to any class of shares, including the provisions of Bye-laws 50-54.

**45. Decision of chairman**

At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

**46. Demand for a poll**

(1) Notwithstanding the provisions of the immediately preceding two Bye-laws, at any general meeting of the Company, in respect of any question proposed for the consideration of the Members (whether before or on the declaration of the result of a show of hands as provided for in these Bye-laws), a poll may be demanded by any of the following persons:

- (a) the chairman of such meeting; or
- (b) at least three Members present in person or represented by proxy; or
- (c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or
- (d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such shares conferring such right.

(2) Where, in accordance with the provisions of subparagraph (1) of this Bye-law, a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person

present at such meeting shall have for each voting share of which such person is the holder or for which such person holds a proxy, the number of votes determined pursuant to Bye-laws 50-54 and such votes shall be counted in the manner set out in subparagraph (4) of this Bye-law or in the case of a general meeting at which one or more Members are present by telephone in such manner as the chairman of the meeting may direct. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.

(3) A poll demanded in accordance with the provisions of subparagraph (1) of this Bye-law, for the purpose of electing a chairman of the meeting or on a question of adjournment, shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place as the chairman of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

(4) Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

#### **47. Seniority of joint holders voting**

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

#### **48. Instrument of proxy**

(1) Every Member entitled to vote has the right to do so either in person or by one or more persons authorised by a proxy executed and delivered in accordance with these Bye-laws.

(2) A person so authorised as a proxy shall be entitled to exercise the same power on behalf of the grantor of the proxy as the grantor could exercise at a general meeting of the Company.

(3) The instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require shall be delivered at the registered office of the Company (or at such place or places as may be specified in the notice convening the meeting or in any notice of any postponement or adjournment or, in either case in any document sent therewith), prior to the holding of the relevant meeting or postponed or adjourned meeting at which the individual named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

(4) Instruments of proxy shall be in such form as the Board may approve (including written or electronic form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instruments of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any postponement or adjournment of the meeting as for the meeting to which it relates.

(5) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or unsoundness of mind of the principal, or revocation of the instrument of proxy or of the authority under which it was executed.

**49. *Representation of corporations at meetings***

A corporation which is a Member may, by written instrument, authorise such person as it thinks fit to act as its representative at any meeting of the Members and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

**VOTES OF MEMBERS**

**50. *General***

Subject to the provisions of Bye-laws 51-54 below, and subject to any rights and restrictions for the time being attached to any class or classes of shares, every Member shall have one vote for each share carrying the right to vote on the matter in question of which he is the holder. Notwithstanding any other provisions of these Bye-laws, all determinations in these Bye-laws that are made by or subject to a vote or approval of Members shall be based upon the voting power of such Members' shares as determined pursuant to Bye-laws 51-54.

**51. *Adjustment of voting power***

The voting power of all shares is hereby adjusted (and shall be automatically adjusted in the future) to the extent necessary so that there is no 9.5% U.S. Shareholder or 9.5% Direct Foreign Shareholder Group. The Board of Directors shall implement the foregoing in the manner provided herein; PROVIDED, that the foregoing provision and the remainder of this Bye-law 51 shall not apply in the event that one Member of the Company owns greater than 75% of the issued and outstanding shares of the Company.

(1) The Board shall from time to time, including prior to any time at which a vote of Members is taken, take all reasonable steps, including those specified in Bye-law 54, necessary to ascertain, through communications with Members or otherwise, whether there exists, or will exist at the time any vote of Members is taken, a Tentative 9.5% U.S. Shareholder or a Tentative 9.5% Direct Foreign Shareholder Group.

(a) In the event that a Tentative 9.5% U.S. Shareholder exists, the aggregate votes conferred by shares held by a Member and treated as Controlled Shares of that Tentative 9.5% U.S. Shareholder shall be reduced to the extent necessary such that the Controlled Shares of the Tentative 9.5% U.S. Shareholder will constitute less than 9.5% of the voting power of all shares. In applying the previous sentence where shares held by more than one Member are treated as Controlled Shares of such Tentative 9.5% U.S. Shareholder, the reduction in votes shall apply to such Members in descending order according to their respective Attribution Percentages, PROVIDED, that in the event of a tie, the reduction shall apply first to the Member whose shares are Controlled Shares of the Tentative 9.5% U.S. Shareholder by virtue of the Tentative 9.5% U.S. Shareholder's economic interest in (as opposed to voting control with respect to) such shares. The adjustments of voting power described in this Bye-law shall apply repeatedly until there is no 9.5% U.S. Shareholder. The Board of Directors may deviate from any of the principles described in this Bye-law and determine that shares held by a Member shall carry different voting rights as it determines appropriate (1) to avoid the existence of any 9.5% U.S. Shareholder or (2) to avoid adverse tax, legal or regulatory consequences to the Company, any subsidiary of the Company, or any other Member or its affiliates. For the avoidance of doubt, in applying the provisions of Bye-laws 51-54, a share may carry a fraction of a vote.

Attribution Percentage shall mean, with respect to a Member, the percentage of the Member's shares that are treated as Controlled Shares of a Tentative 9.5% Shareholder.

**Controlled Shares** in reference to any person means all shares of the Company directly, indirectly or constructively owned by such person as determined pursuant to Section 958 of the Code.

**9.5% U.S. Shareholder** means a United States person as defined in the Code (a U.S. Person ) whose Controlled Shares constitute nine and one-half percent (9.5%) or more of the voting power of all shares of the Company and who would be generally required to recognize income with respect to the Company under Section 951(a)(1) of the Code, if the Company were a controlled foreign corporation as defined in Section 957 of the Code and if the ownership threshold under Section 951(b) of the Code were 9.5%.

**Tentative 9.5% U.S. Shareholder** means a U.S. Person that, but for adjustments to the voting rights of shares pursuant to Bye-laws 51-52, would be a 9.5% U.S. Shareholder.

(b) Immediately after completing the adjustment of voting power provided for in Bye-law 51(1)(a), in the event that a Tentative 9.5% Direct Foreign Shareholder Group exists, the aggregate votes conferred by shares held by the Tentative 9.5% Direct Foreign Shareholder Group shall be reduced to less than 9.5% of the voting power of all shares.

(c) **9.5% Direct Foreign Shareholder Group** means a shareholder that is not a U.S. Person or a group of commonly controlled shareholders that are not U.S. Persons, in either case whose shares constitute nine and one-half percent (9.5%) or more of the voting power of all shares of the Company.

**Tentative 9.5% Direct Foreign Shareholder Group** means a shareholder that is not a U.S. Person or a group of commonly controlled shareholders that are not U.S. Persons that, but for adjustments to the voting rights of shares pursuant to Bye-laws 51-52, would be a 9.5% Direct Foreign Shareholder Group.

## **52. *Other adjustments of voting power***

In addition to the provisions of Bye-law 51, any shares shall not carry any right to vote to the extent that the Board of Directors determines, in its sole discretion, that it is necessary that such shares should not carry the right to vote in order to avoid adverse tax, legal or regulatory consequences to the Company, any subsidiary of the Company, or any other Member or its affiliates, PROVIDED, that no adjustment pursuant to this sentence shall cause any person to become a 9.5% U.S. Shareholder or a 9.5% Direct Foreign Shareholder Group.

## **53. *Notice***

Prior to any date on which Members shall vote on any matter, the Board of Directors shall (a) retain the services of an internationally recognized accounting firm or organization with comparable professional capabilities in order to assist the Company in applying the principles of Bye-laws 51-54, (b) obtain from such firm or organization a statement describing the information obtained and procedures followed and setting forth the determinations made with respect to Bye-laws 51-54 and (c) notify each Member of the voting power conferred by its shares determined in accordance with Bye-laws 51-54.

## **54. *Requirement to provide information and notice***

(1) The Directors shall have the authority to request from any holder of shares, and such holder of shares shall provide, such information as the Directors may reasonably request for the purpose of determining whether any holder's voting rights are to be adjusted. If such holder fails to respond to such a request, or submits incomplete or inaccurate information in response to such a request, the Directors may in their sole discretion determine that such holder's shares shall carry no voting rights in which case such shares shall not carry any voting rights until otherwise determined by the Directors in their absolute discretion.

(2) Any holder of shares shall give notice to the Company within ten days following the date that such holder acquires actual knowledge that it is the owner of Controlled Shares that constitute 9.5% or more of the voting power of all shares.

(3) Notwithstanding the foregoing, no Member shall be liable to any other Member or the Company for any losses or damages resulting from such Member's failure to respond to, or submission of incomplete or inaccurate information in response to, a request under subparagraph (1) of this Bye-law or from such Member's failure to give notice under subparagraph (2) of this Bye-law.

## SHARE CAPITAL AND SHARES

### 55. *Rights of shares*

(1) Subject to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the share capital of the Company shall consist of one class of common shares that carry voting rights. The holders of shares shall, subject to the provisions of these Bye-laws:

- (a) be entitled to such dividends as the Board may from time to time declare;
- (b) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (c) generally be entitled to enjoy all of the rights attaching to shares.

(2) All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

### 56. *Power to issue shares*

(1) Subject to any restrictions that are provided for in these Bye-laws from time to time and without prejudice to any special rights previously conferred on the holders of any existing shares or class or series of shares, the Board shall have power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class or series of shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may determine. Further, the Board may create and issue shares of a new class or series or of any existing class or series of shares and the Board may generally exercise the powers of the Company set out in sections 45(1)(b), (c), (d) and (e) of the Act, without the need of any approval of the Members as might otherwise be required by such sections of the Act. The Board may also issue options, warrants or other rights to purchase or acquire shares or, subject to Section 43 of the Act, securities convertible into or exchangeable for shares (including any employee benefit plan providing for the issue of shares or options or rights in respect thereof), at such times, for such consideration and on such terms and conditions as it may determine.

(2) The Board shall, in connection with the issue of any share, have the power to authorise the Company to pay such commission and brokerage as may be permitted by law.

(3) Except as authorised by the Board and permitted by applicable law, the Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of a purchase or subscription made or to be made by any person or

for any shares in the Company, but nothing in this Bye-law shall prohibit transactions mentioned in Sections 39A, 39B and 39C of the Act.

(4) The Company may from time to time do any one or more of the following things:

- (a) make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares;
- (b) accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;
- (c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others; and
- (d) issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding up.

**57. *Variation of rights, alteration of share capital and purchase of shares of the Company***

(1) Subject to the provisions of Sections 42 and 43 of the Act any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by resolution of the Members determine.

(2) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class in accordance with Section 47 (7) of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(3) The Company may from time to time by resolution of the Members change the currency denomination of, increase, alter or reduce its share capital in accordance with the provisions of Sections 45 and 46 of the Act. Where, on any alteration of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit including, without limiting the generality of the foregoing, the issue to Members, as appropriate, of fractions of shares and/or arranging for the sale or transfer of the fractions of shares of Members.

(4) The Company may from time to time purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

**58. *Registered holder of shares***

(1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

(2) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of

Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

**59. *Death of a joint holder***

Where two or more persons are registered as joint holders of a share or shares then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognize no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

**60. *Share certificates***

(1) Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

(2) The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom such shares have been allotted.

(3) If any such certificate shall be proved to the satisfaction of any Officer to have been worn out, lost, mislaid or destroyed the Officer may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

**61. *Calls on shares***

(1) The Board may from time to time make such calls as it thinks fit upon the Members in respect of any monies unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

(2) The Board may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

**62. *Forfeiture of shares***

(1) If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward to such Member a notice in the form, or as near thereto as circumstances admit, of Form A in the Schedule hereto.

(2) If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.

(3) A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.



**63. *Repurchase of shares***

If the Directors in their sole discretion determine that share ownership by any person may result in a non-de minimis adverse tax, legal or regulatory consequence to the Company, any subsidiary of the Company, or any other holder of shares or its Affiliates (including if such consequence arises as a result of any such U.S. Person owning Controlled Shares that constitute 9.5% or more of the value of the Company or the voting shares of the Company (but subject to the provisions of Bye-laws 50 - 54)), the Company will have the option but not the obligation to repurchase or assign to a third party the right to purchase the minimum number of shares held by such person which is necessary to eliminate such non-de minimis adverse tax, legal or regulatory consequence at a price determined in the good faith discretion of the Directors to represent such shares' fair market value; PROVIDED, that (a) if the shares are not traded on a securities exchange in or outside the United States, the fair market value per share shall be determined by the Directors without a minority discount but with an appropriate liquidity discount, such value and liquidity discount, if any, as determined by the Board of Directors, or (b) if the shares are traded on a securities exchange in or outside the United States, the fair market value per share shall be determined by the Directors based on the average of the last sales price per share or if there is none, the average of the bid and asked price per share, without a minority discount or a liquidity discount, in each case for the eight business days prior to the repurchase date. If a Member disagrees with the price so determined by the Board of Directors, the fair market value per share and the liquidity discount, if any, will be determined by an independent appraiser retained by the Company at its expense and reasonably acceptable to such Member.

**REGISTER OF MEMBERS**

**64. *Contents of Register of Members***

The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

**65. *Inspection of Register of Members***

The Register of Members shall be open to inspection at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given by advertisement in an appointed newspaper to that effect, be closed for any time or times not exceeding in the whole thirty days in each year.

**66. *Determination of record dates***

Notwithstanding any other provision of these Bye-laws, the Board may fix any date as the record date for:

- (a) determining the Members entitled to receive any dividend; and
- (b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

**TRANSFER OF SHARES**

**67. *Instrument of transfer***

(1) An instrument of transfer shall be in the form or as near thereto as circumstances admit of Form B in the Schedule hereto or in such other common form as the Board may accept. Such instrument of transfer shall be signed by or on behalf of the transferor and transferee provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The

transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(2) The Board may refuse to recognize any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

**68. *Restrictions on transfer***

(1) The Directors may decline to approve or register any transfer of shares if it appears to the Directors, in their sole and reasonable discretion, after taking into account, among other things, the limitation on voting rights contained in these Bye-laws, that any non-de minimis adverse tax, regulatory or legal consequence to the Company, any subsidiary of the Company, or any other holder of shares or its Affiliates would result from such transfer (including if such consequence arises as a result of any such U.S. Person owning Controlled Shares that constitute 9.5% or more of the value of the Company or the voting shares of the Company (but subject to the provisions of Bye-laws 50 through 54)). The Directors shall have the authority to request from any holder of shares, and such holder of shares shall provide, such information as the Directors may reasonably request for the purpose of determining whether any transfer should be permitted.

(2) Subject to any applicable requirements of the New York Stock Exchange, the Directors (a) may decline to approve or to register any transfer of any share if a written opinion from counsel acceptable to the Company shall not have been obtained to the effect that registration of such shares under the U.S. Securities Act of 1933, as amended, is not required and (b) shall decline to approve or to register any transfer of any share if the transferee shall not have been approved by applicable governmental authorities if such approval is required.

(3) If the Board refuses to register a transfer of any share the Secretary shall, within one month after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

(4) The registration of transfers may be suspended at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration shall not be suspended for more than 45 days in any year.

**69. *Transfers by joint holders***

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

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## **TRANSMISSION OF SHARES**

### **70. *Representative of deceased Member***

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognized by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 52 of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

### **71. *Registration on death or bankruptcy***

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favor of such nominee an instrument of transfer in the form, or as near thereto as circumstances admit, of Form C in the Schedule hereto. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

## **DIVIDENDS AND OTHER DISTRIBUTIONS**

### **72. *Declaration of dividends by the Board***

The Board may, subject to these Bye-laws and in accordance with Section 54 of the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets.

### **73. *Other distributions***

The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.

### **74. *Reserve fund***

The Board may from time to time before declaring a dividend set aside, out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalizing dividends or for any other special purpose.

### **75. *Deduction of Amounts due to the Company***

The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

## **CERTAIN SUBSIDIARIES**

### **76. *Voting of subsidiary shares***

**Notwithstanding any other provision of these Bye-laws to the contrary, if the Company is required or entitled to vote at a general meeting of any direct subsidiary of the Company, the Directors shall refer the**



subject matter of the vote, other than the appointment, removal and remuneration of auditors, the approval of financial statements and any reports thereon and the remuneration of directors, to the Members of the Company on a poll (subject to Bye-laws 50-54) and seek authority from the Members for the Company's corporate representative or proxy to vote in favor of the resolution proposed by the subsidiary. The Directors shall cause the Company's corporate representative or proxy to vote the Company's shares in the subsidiary pro rata to the votes received at the general meeting of the Company, with votes for or against the directing resolution being taken, respectively, as an instruction for the Company's corporate representative or proxy to vote the appropriate proportion of its shares for and the appropriate proportion of its shares against the resolution proposed by the subsidiary.

**77. *Bye-laws or articles of association of certain subsidiaries***

The Board in its discretion shall require that the Bye-laws or Articles of Association of each subsidiary of the Company, organized under the laws of a jurisdiction outside the United States of America, shall contain provisions substantially similar to Bye-law 76. The Company shall enter into agreements with each such subsidiary, as reasonably necessary, to effectuate or implement this Bye-law.

**CAPITALISATION**

**78. *Issue of bonus shares***

(1) The Board may resolve to capitalize any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

(2) The Company may capitalize any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

**ACCOUNTS AND FINANCIAL STATEMENTS**

**79. *Records of account***

The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) the assets and liabilities of the Company.

Such records of account shall be kept at the registered office of the Company or, subject to Section 83 (2) of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

**80. *Financial year end***

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

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**81. *Financial statements***

Subject to any rights to waive laying of accounts pursuant to Section 88 of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

**AUDIT**

**82. *Appointment of Auditor***

Subject to Section 88 of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor. Any Auditor appointed by the Members shall, prior to such appointment, have been appointed by the Audit Committee. Such Auditor may not be a Member and no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

**83. *Remuneration of Auditor***

The remuneration of the Auditor shall be fixed by the Audit Committee or in such manner as the Members may determine.

**84. *Vacation of office of Auditor***

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of disqualification, illness or other disability at a time when the Auditor's services are required, the Board shall, as soon as practicable, fill the vacancy thereby created.

**85. *Access to books of the Company***

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

**86. *Report of the Auditor***

- (1) Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to Section 88 of the Act, the accounts of the Company shall be audited at least once in every year.
- (2) The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting.
- (3) The generally accepted auditing standards referred to in subparagraph (2) of this Bye-law may be those of a country or jurisdiction other than Bermuda. If so, the financial statements and the report of the Auditor must disclose this fact and name such country or jurisdiction.

**NOTICES**

**87. *Notices to Members of the Company***

A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile, email or other mode of representing words in a legible and non-transitory form.



**88. *Notices to joint Members***

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

**89. *Service and delivery of notice***

Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

**SEAL OF THE COMPANY**

**90. *The seal***

The seal of the Company shall be in such form as the Board may from time to time determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

**91. *Manner in which seal is to be affixed***

The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for the purpose, PROVIDED, that any Director, Officer or Resident Representative may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

**WINDING-UP**

**92. *Winding-up/distribution by liquidator***

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members; PROVIDED THAT, each Member holding common shares of the Company shall receive at least the pro rata portion (based on its ownership of such shares) of any cash so distributed. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

**ALTERATION OF BYE-LAWS**

**93. *Alteration of Bye-laws***

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

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• Go to the website address listed above.

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• Use any touch tone telephone.

OR

• Mark, sign and date your proxy card.

• Have your proxy card ready.

• Have your proxy card ready.

• Detach your proxy card.

• Follow the simple instructions that appear on your computer screen.

• Follow the simple recorded instructions.

• Return your proxy card in the enclosed envelope.

DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY TELEPHONE OR INTERNET

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**AXIS CAPITAL HOLDINGS LIMITED**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints John J. Murray and Richard T. Gieryn, Jr., and each of them, as proxies of the undersigned, with full power of substitution, to vote all of the common shares of AXIS Capital Holdings Limited held in the name of the undersigned at the close of business on March 9, 2007 on all matters presented at the Annual General Meeting of Shareholders of AXIS Capital Holdings Limited to be held on May 11, 2007 in Pembroke, Bermuda, and at any postponement or adjournment thereof.

IF THIS PROXY IS PROPERLY EXECUTED AND RETURNED, THE SHARES THAT IT REPRESENTS WILL BE VOTED AS SPECIFIED. IF NO CHOICE IS SPECIFIED, THE SHARES WILL BE VOTED FOR PROPOSALS 1, 2, 3 and 4.

(Continued, and to be marked, signed and dated, on the other side)

To include any comments, please mark this box.

Axis Capital Holdings Limited

P.O. Box 11303

New York, NY 10203-0303

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Please mark, sign and date your proxy card and return it in the enclosed envelope.

PLEASE MARK YOUR VOTE AS INDICATED  
IN THIS EXAMPLE x

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1, 2, 3 and 4.**

	FOR all nominees	WITHHOLD AUTHORITY	EXCEPTIONS
1. To elect the following four nominees as Class III directors of AXIS Capital Holdings Limited:	o	o for all nominees	o
(01) Geoffrey Bell			
(02) Christopher V. Greetham			
(03) Maurice A. Keane			
(04) Henry B. Smith			

INSTRUCTIONS: To withhold authority to vote for any nominee listed, strike a line through that nominee's name and check the Exceptions box above.

2. To approve the AXIS Capital Holdings Limited 2007 Long-Term Equity Compensation Plan.	FOR	AGAINST	ABSTAIN
	o	o	o
3. To adopt amended and restated Bye-laws to amend the director and officer indemnity provisions and to allow acquired shares of AXIS Capital Holdings Limited capital stock to be held in treasury.	FOR	AGAINST	ABSTAIN
	o	o	o
4. To appoint Deloitte & Touche to act as the independent registered public accounting firm of AXIS Capital Holdings Limited for the fiscal year ending December 31, 2007 and to authorize the Board of Directors, acting through the Audit Committee, to set the fees for the independent registered public accounting firm.	FOR	AGAINST	ABSTAIN
	o	o	o

In their judgment, upon such other matters as may properly come before the meeting or any postponement or adjournment thereof.

DATE: \_\_\_\_\_, 2007

SIGNATURE(S)

IMPORTANT: Please sign exactly as your name(s) appear(s) hereon. If you are acting as attorney-in-fact, corporate officer or in another representative capacity, please indicate the capacity in which you are signing.