

Initiated 2026-10-16 · Price \$99.62 (as of 2026-10-16 close, stockanalysis.com) · Mkt cap \$7.27bn · Financials / specialty P&C insurance and reinsurance · Model: verified

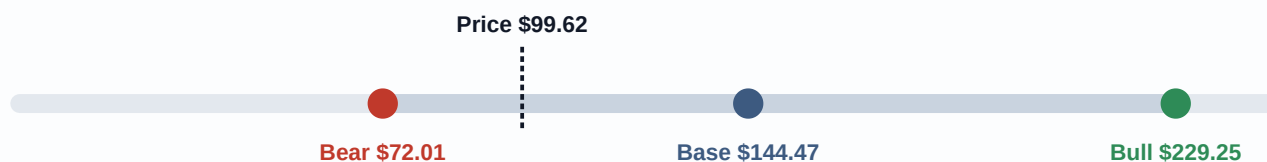
Rating: Buy — Conviction: High

AXIS has turned into a specialty insurer that earns mid-to-high-teens returns on equity. Operating ROACE was 18.1% in 2025 and 15.9% in H1 2026, and diluted book per share has grown 15 quarters in a row. Yet the stock trades at ~1.2x book and ~7.7x forward earnings, as if the 2023 reserve charge were about to repeat. The softening market (property rates -17% at AXIS in Q2) is real and will compress margins. Even so, a ~93% combined ratio plus a 4.2% portfolio yield still clears a full cost of equity, and that is worth more than today's price.

Conviction tests (3a-v-c): T1 pass (Base +25.2% at +1pp, +72.1% at -1pp) · T2 pass (residual income +44.2%, justified P/BV +45.8%) · T3 pass · T4 pass (no pending deal, ruling or contract event; Q3 results on 2026-10-28 are routine)

The rule gives High. My own read is Medium: the soft market is only two quarters old, and the Base case holds the combined ratio at 93% while property rates fall by double digits.

MODEL VALUE RANGE VS PRICE



Business overview

AXIS writes specialty insurance (74% of 2025 gross premiums written of \$9.64bn) and reinsurance (26%) from Bermuda, the US, London/Lloyd's and Europe. Insurance covers property, casualty (liability, professional, cyber), marine and aviation, A&H, and credit and political risk. A growing set of "new and expanded" lines, plus a small-business channel (ACS), added ~13 points of Q2 insurance growth. Reinsurance is now mostly casualty and specialty treaty, with property-cat in run-off, and it cedes heavily to third-party capital partners. Earnings come down to three things: the insurance combined ratio, earned-premium growth net of growing cessions, and investment income on ~\$17.8bn of cash and investments.

Competition

The players that matter in AXIS's core lines are Arch (specialty insurance plus reinsurance), W. R. Berkley (US specialty and E&S casualty), Everest (insurance and reinsurance) and Lloyd's syndicates in property and marine. Competition is showing up through price. Marsh's Q2 2026 index had US property rates -13% (-20% on large cat-exposed programs), the eighth straight quarter of global declines. US casualty was still +7%. AXIS's own figures were property -17% (E&S property -22%), liability +7% and cyber -7% (Q2 call, July 2026). AXIS's response has been to cede more: the property cession rate rose from 30% to 37%, and reinsurance GWP fell 25% in Q2. That protects margin but caps earned-premium growth. The closest listed comparable, Arch, trades at 1.45x book and 10.2x forward earnings (stockanalysis, 2026-10-16).

Bull case

1. **Specialty growth keeps compounding** — the new and expanded lines and ACS grow faster than core lines shrink. Insurance GWP rose 15% in Q2. Plays out if casualty rates stay positive and new teams hit plan. *Model: npe_growth*
2. **Underwriting discipline holds near 90%** — G&A falls to the 11% target, the ex-cat accident-year ratio stays near 88%, and short-tail reserve releases continue. FY2025's 89.8% was not a one-off. Plays out if cat activity is normal and casualty reserves stay clean. *Model: combined_ratio*
3. **Investment income rises** — the fixed-maturity book yield (4.8%) is still below market yield (5.1%), so reinvestment lifts the yield toward 4.5%. Plays out if the 10Y stays near 5%. *Model: investment_yield*

Bear case

1. **The soft market bites** — double-digit property rate cuts, a shrinking reinsurance book and new capacity push written premium flat to down. The combined ratio moves to 96–97% before pricing turns. Plays out if Q3/Q4 rate declines widen and casualty rates slow below loss trend. *Model: npe_growth, combined_ratio*
2. **Casualty reserves repeat 2023** — AXIS took \$412mm of adverse development in FY2023. Excess casualty pricing is "behind trend" (CEO, Q2 call), and Q2's releases came only from short-tail lines. Plays out if long-tail development turns adverse. *Model: combined_ratio*
3. **Yields fall** — Fed cuts and weak alternatives take the portfolio yield to ~3.8%. Plays out in a cutting cycle. *Model: investment_yield*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/B (price ÷ diluted book per share)	1.23x on \$80.67 (6/30); 1.20x aggregator basis	Diluted BVPS \$46.95 (2022) → \$54.06 → \$65.27 → \$77.20 (2025); historical P/B n/a (unverified)	ACGL 1.45x · EG 0.96x · RNR 1.30x · WRB 2.92x	Q2 2026 8-K; Q4 2023/2025 releases; stockanalysis 2026-10-16
P/E (forward, consensus)	7.71x	n/a (unverified)	ACGL 10.20x · EG 6.98x · RNR 8.00x · WRB 15.68x	stockanalysis 2026-10-16
Operating ROACE (company definition)	15.9% (H1 2026, annualized)	18.6% (2024), 18.1% (2025)	ROE (aggregator TTM): ACGL 19.9% · EG 12.6% · RNR 21.5% · WRB 20.2%	Q2 2026 8-K; Q4 2025 release; stockanalysis
Combined ratio	91.5% (H1 2026)	95.8% (2022), 99.9% (2023), 92.3% (2024), 89.8% (2025)	n/a	Company releases

Model-implied value range (from `model-summary.json`; insurer, residual income and justified P/BV, midpoints): Bear \$72.01 · Base \$144.47 · Bull \$229.25 per share, i.e. implied returns of -27.7% / +45.0% / +130.1% vs \$99.62. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits much closer to the Bear case than to Base: the market is pricing something like a 95%+ combined ratio for several years, or a reserve event. Re-rating: today's multiple on the model's own basis is 1.27x FY0 common book (\$78.68 per share). Base justified P/B (\$145.29) embeds 1.85x (+46%). Residual income (\$143.65) embeds 1.83x. The methods agree within 2%, so the upside is one re-rating, toward ACGL's 1.45x and beyond, earned by a ~15% ROE against a 9.4% cost of equity. A tail sensitivity gives \$42.61 (-57%). Its drivers: NPE 0%, -5%, -5%, 0%, +1%; combined ratio 97%, 100%, 100%, 98%, 97%; yield 3.5%; other expense \$160mm; CoE 11.0%; terminal growth 1.5%.

Balance sheet: debt \$1,317.5mm (senior plus junior subordinated notes) and \$550mm preferred against \$5,953mm common equity at 6/30. Debt/(debt + common book) is 18.5% at FY0. Coverage is ~21.5x pre-tax plus interest over interest, on a placeholder coupon. Liquidity: cash \$780mm. Nearest material maturity: n/a (unverified); tranche terms were not retrieved. Ratings: S&P A+ and AM Best A (financial strength, operating subsidiaries, FY2025 10-K).

Model note: built and LibreOffice-verified (2,846 formula cells matched). FY2022–25 historicals come from the Q4 2023 8-K and the Q4 2025 release. EDGAR XBRL endpoints returned empty through the fetch tool, so the filing releases were the fallback. Unverified inputs: none. Assumptions without basis: none. No scenario CHECKs. Pre-tax FY0 is GAAP, but drivers run on an operating basis: other_expense

excludes gains and FX and includes ~\$37mm pre-tax equivalent of preferred dividends. Diluted shares (73.8mm) are derived from 6/30 common equity ÷ diluted BVPS. The debt coupon (4.5%) and maturity (2030) are placeholders for the credit display only, with no value effect. Base Y1 EPS of \$12.79 is within ~1% of the ~\$12.92 implied by the 7.71x forward P/E. There is no company guidance. AOCI is not modeled.

RELATIVE VALUE VS PEERS

Metric	AXS	ACGL	EG	RNR	WRB	Peer median	vs median
P/E (TTM)	7.1x	7.9x	8.1x	6.0x	15.5x	8.0x	-12%
P/E (forward)	7.7x	10.2x	7.0x	8.0x	15.7x	9.1x	-15%
PEG	3.2x	2.9x	0.6x	1.0x	2.9x	2.0x	+65%
P/B	1.2x	1.4x	1.0x	1.3x	2.9x	1.4x	-13%
Dividend yield	1.8%	n/a	2.1%	0.5%	2.5%	2.1%	-0.3pp

P/E (TTM)

Company	P/E (TTM)
WRB	15.5x
EG	8.1x
ACGL	7.9x
AXS	7.1x
RNR	6.0x

P/E (forward)

Company	P/E (forward)
WRB	15.7x
ACGL	10.2x
RNR	8.0x
AXS	7.7x
EG	7.0x

PEG

Company	PEG
AXS	3.2x
WRB	2.9x
ACGL	2.9x
RNR	1.0x
EG	0.6x

P/B

Company	P/B
WRB	2.9x
ACGL	1.4x
RNR	1.3x
AXS	1.2x
EG	1.0x

Dividend yield

Company	Dividend yield
WRB	2.5%
EG	2.1%
AXS	1.8%
RNR	0.5%

As of 2026-10-16. One source and one definition for every company: aggregator TTM and consensus-forward P/E; P/B on the source's book value per share. Not the model's own basis (common book ex-preferred over 73.8mm diluted shares; see the report's valuation table). Quotes are 2026-10-16 closing prices (4:00 PM ET) as shown on each page. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-16.

Notes. The source's PEG figures, based on its analyst growth estimates. ACGL pays no common dividend (source shows n/a). Omitted: EV-based multiples are not meaningful for insurers.

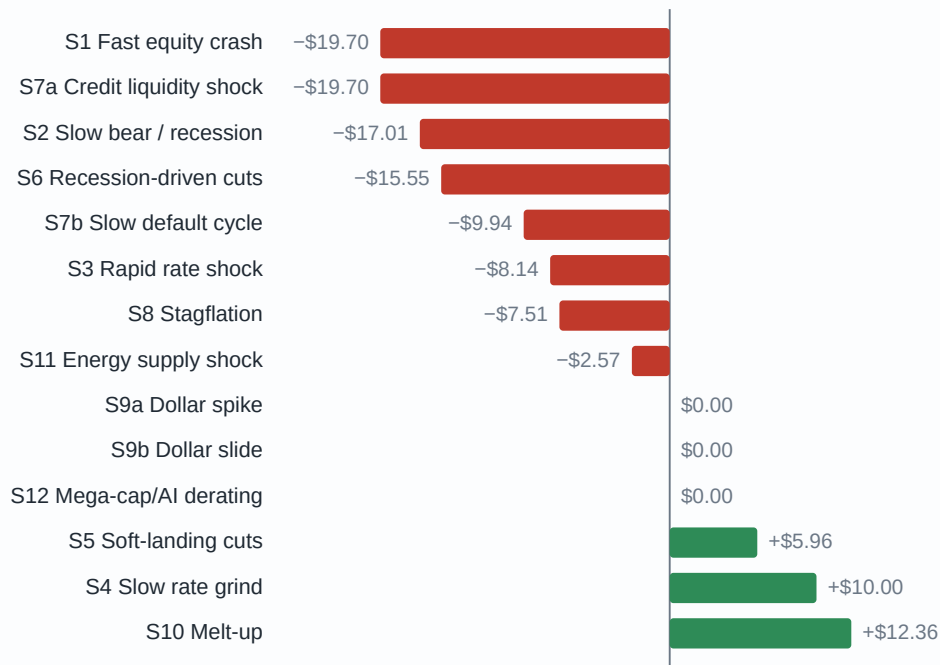
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Risk-premium spike (cost of equity +1pp); small equity/alternatives book; no operating channel	Med	–\$19.70
S2 Slow bear / recession	–	Exposures shrink; credit & political risk, surety and A&H losses rise; yields fall. ~23% of Base – Bear (\$72.46), because recession is transitory while the bear case is a multi-year soft market plus reserve strengthening, and P&C claims are not recession-driven	Med	–\$17.01
S3 Rapid rate shock	±	Higher reinvestment yields vs a higher cost of equity; AOCI mark not modeled	Med	–\$8.14
S4 Slow rate grind	+	Portfolio reinvests higher over years; modest cost-of-equity drag	Med	+\$10.00
S5 Soft-landing cuts	±	Lower yields vs a lower cost of equity	Low	+\$5.96
S6 Recession-driven cuts	–	Yields fall, the insured base shrinks, credit lines lose	Med	–\$15.55
S7a Credit liquidity shock	–	Risk-off; bond marks (AOCI, not modeled) proxied in the cost of equity	Med	–\$19.70
S7b Slow default cycle	–	Credit & political risk, surety reinsurance and D&O losses; portfolio credit losses	Med	–\$9.94
S8 Stagflation	–	Social and loss-cost inflation on casualty outruns pricing; higher yields only partly offset	Med	–\$7.51
S9a Dollar spike	0	No material effect, not modeled; non-USD reserves broadly matched by assets	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled	—	\$0.00
S10 Melt-up	+	Lower cost of equity	Med	+\$12.36
S11 Energy supply shock	–	Marine, energy and political-violence/war losses (H1 2026 Middle East conflict losses \$46mm)	Low	–\$2.57
S12 Mega-cap/AI derating	0	No material effect, not modeled; no tech exposure of size, low beta	—	\$0.00

No scenario moves Base value by more than ~14%, so nothing is labelled High. **Currently active/on watch per the playbook:** `state.md` lists S3 as partially active; the macro log for 2026-10-15 shows its pace legs back below threshold (10Y 5.10%). S8, S10 and S11 are on watch. S3, S8 and S10 are Med here, and S11 Low.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: not applicable at Buy. Conviction would firm if the Q3/Q4 insurance ex-cat accident-year ratio holds at or below ~85% while property rates keep falling. **Downgrades if:**

- Long-tail prior-year development turns adverse in any quarter, or the combined ratio exceeds 95% for two quarters excluding major cats; or
- Insurance NPW growth turns negative, or buybacks stop with no cat event to explain it; or
- The price rises toward ~1.8x book with results unchanged.

Watch items

- **W1:** Insurance current-AY ex-cat combined ratio (Q2 84.5%) and long-tail prior-year development (Q2 releases were short-tail only) — Q3 2026 release and call, 2026-10-28/29. *Model: combined_ratio*
- **W2:** Property and casualty rate change (Q2 property -17%, liability +7%) and insurance NPW growth (Q2 +6%) — Q3 2026 call. *Model: npe_growth, combined_ratio*
- **W3:** Net investment income run-rate (Q2 \$181.6mm) and book yield (4.8%) — Q3 2026 release. *Model: investment_yield*
- **W4:** Buyback pace against the \$263mm remaining authorization — Q3 2026 release. *Model: none*

Sources

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- Daily macro log (10Y, S3 status), `logs/macro-2026-10.md`, 2026-10-15 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.