

Results for the six months ended 30 June 2014

Tuesday, 22 July 2014

beazley

Disclaimer notice

Certain statements in the presentation, are or may constitute “forward looking statements”. Such forward looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed by such forward looking statements. The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. There is no intention, nor is any duty or obligation assumed to supplement, amend, update or revise any of the information contained in this presentation.

Contents

	Pages
Overview	4-5
Business update	6
Financials	
Performance	7-8
Investments	9-10
Reserves	11-12
Financial Commentary	13
<i>In Focus: Specialty Lines and the US</i>	14-20
The Outlook	21-23
Appendix	25-34

Overview

beazley

Overview – strong results in a competitive market

- Profit before income tax of \$132.9m (2013 profit: \$82.3m)
- Gross written premiums increased 1% to \$1,077.7m (2013: \$1,066.7m)
- Combined ratio 90% (2013: 89%)
- Rate change on renewal business -1% (2013: 1%)
- Prior year reserve releases of \$72.9m (2013: \$60.8m)
- Investment return of \$46.8m (2013: \$0.3m)
- Annualised return on equity of 17% (2013: 12%)
- Interim dividend up 7% to 3.1p

Business update

- Continue to achieve rate increases in specialty lines
- Rates on short tail lines of business under pressure
- More profitable opportunities in small business lines
- Continued expansion in the US
- Continue to attract good people
 - Property
 - Terrorism
 - Surety reinsurance
 - Senior Investment Officer

Financials

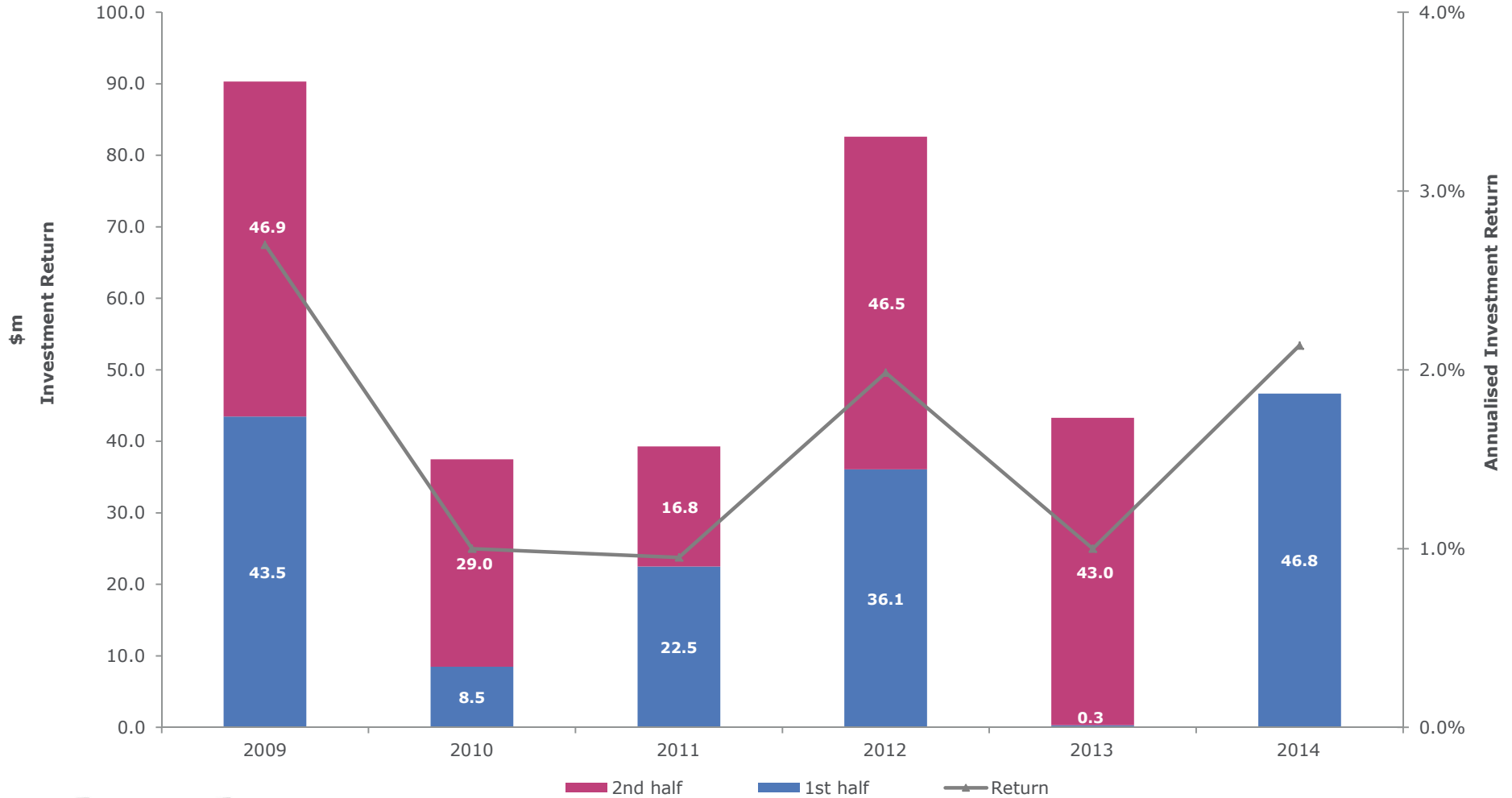
beazley

Six months financial performance

	6 months ended 30 June 2014	6 months ended 30 June 2013	% increase
Gross written premiums (\$m)	1,077.7	1,066.7	1%
Net written premiums (\$m)*	889.2	758.0	17%
Net earned premiums (\$m)	804.5	758.8	6%
Profit before tax (\$m)	132.9	82.3	61%
Earnings per share (pence)	13.5	9.3	
Dividend per share (pence)	3.1	2.9	
Net assets per share (pence)	146.0	152.0	
Net tangible assets per share (pence)	135.4	138.0	

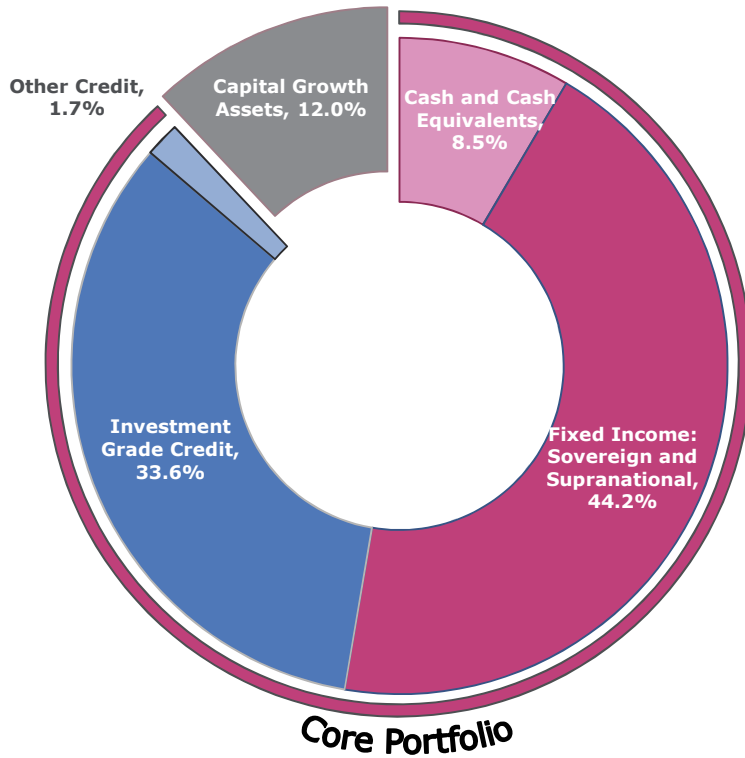
* 2014 net written premiums includes \$120m benefit from timing of proportional written premiums ceded to reinsurers compared to 2013. Underlying growth in net written premiums is 2%. The timing difference has no impact on net earned premium in the period and will not impact full year net written premiums.

On track to deliver a 2% return in 2014

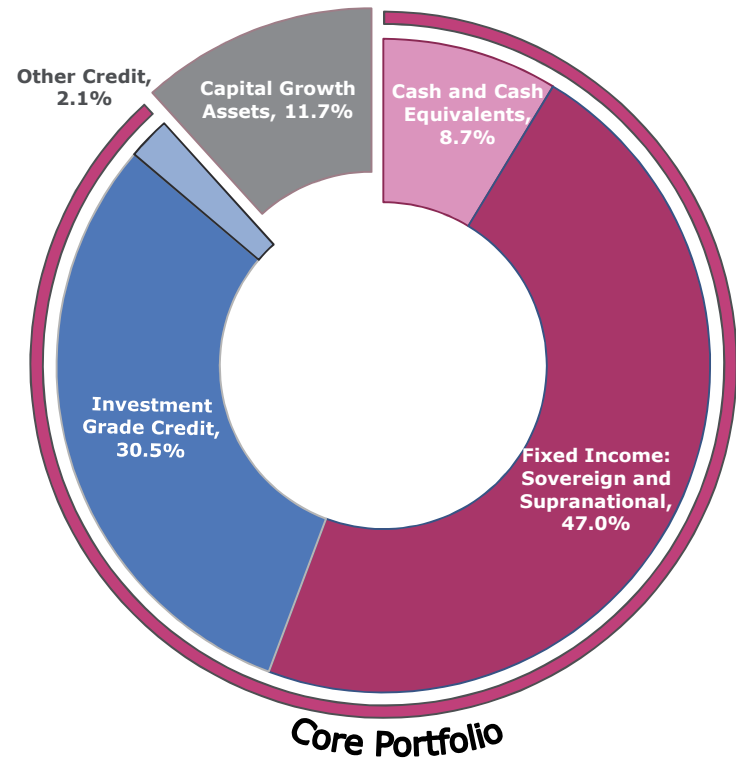


No material changes to the portfolio

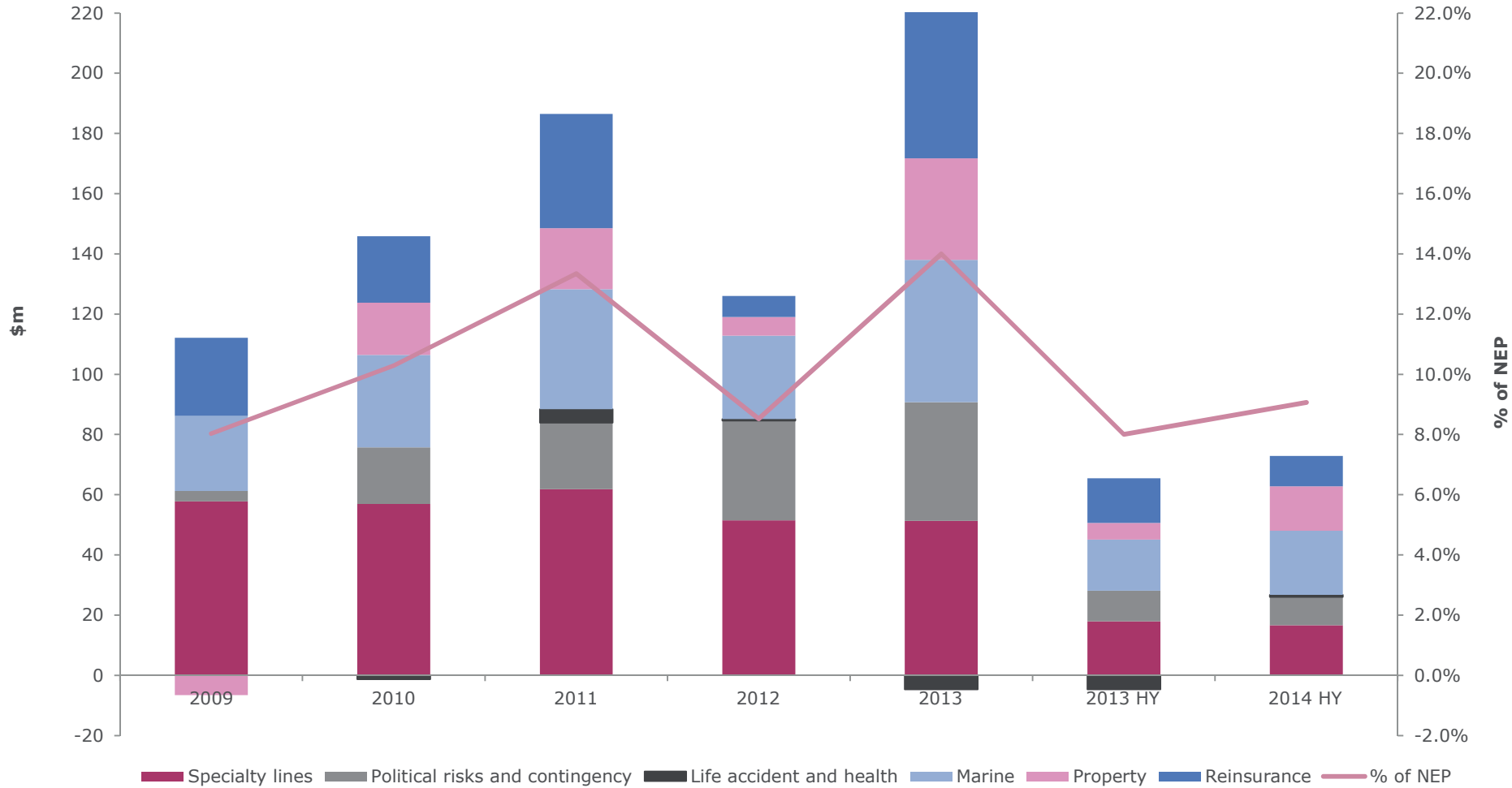
June-14



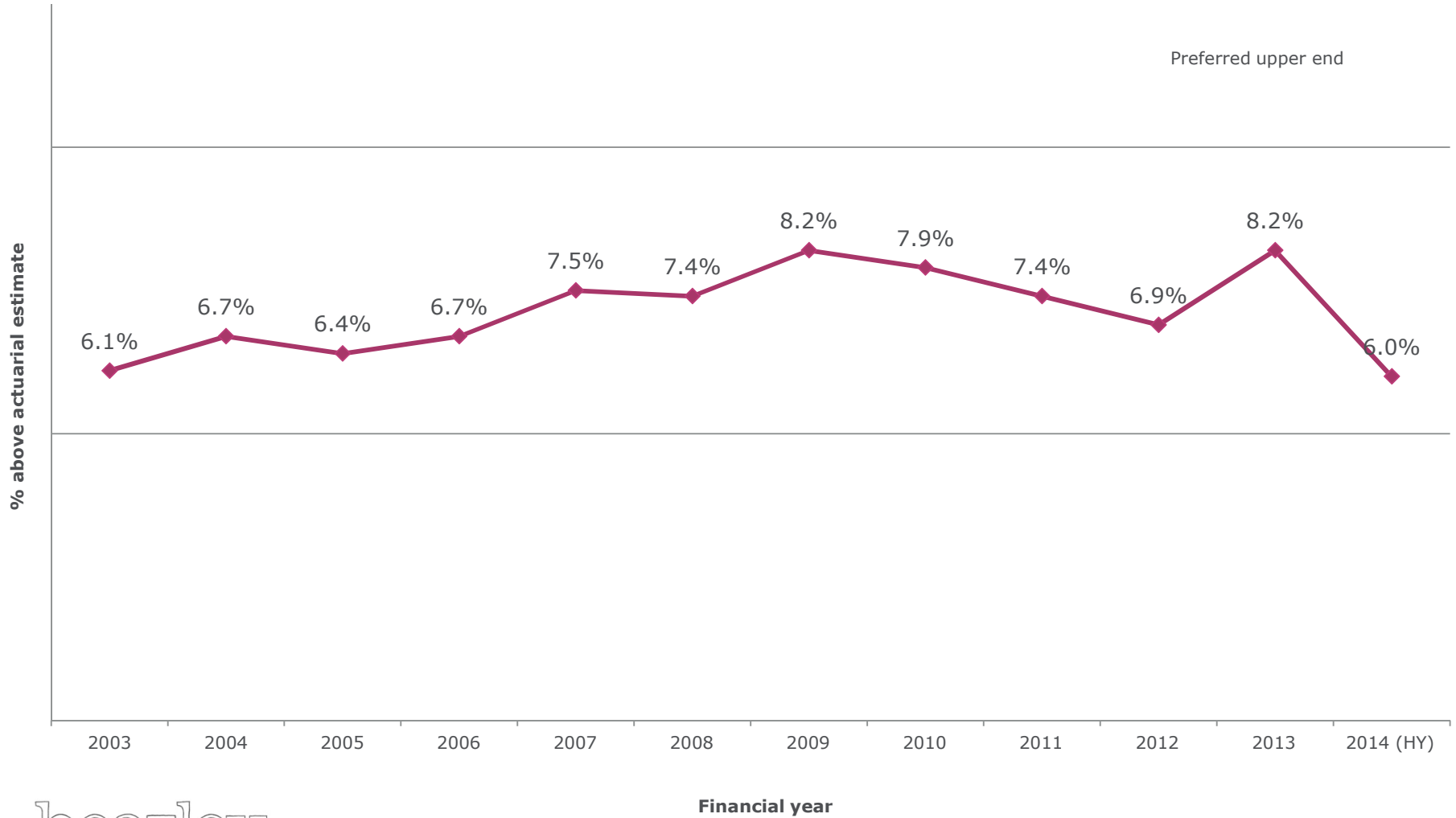
Dec-13



Prior year reserve releases remain stable



Whole account reserve strength within our target range



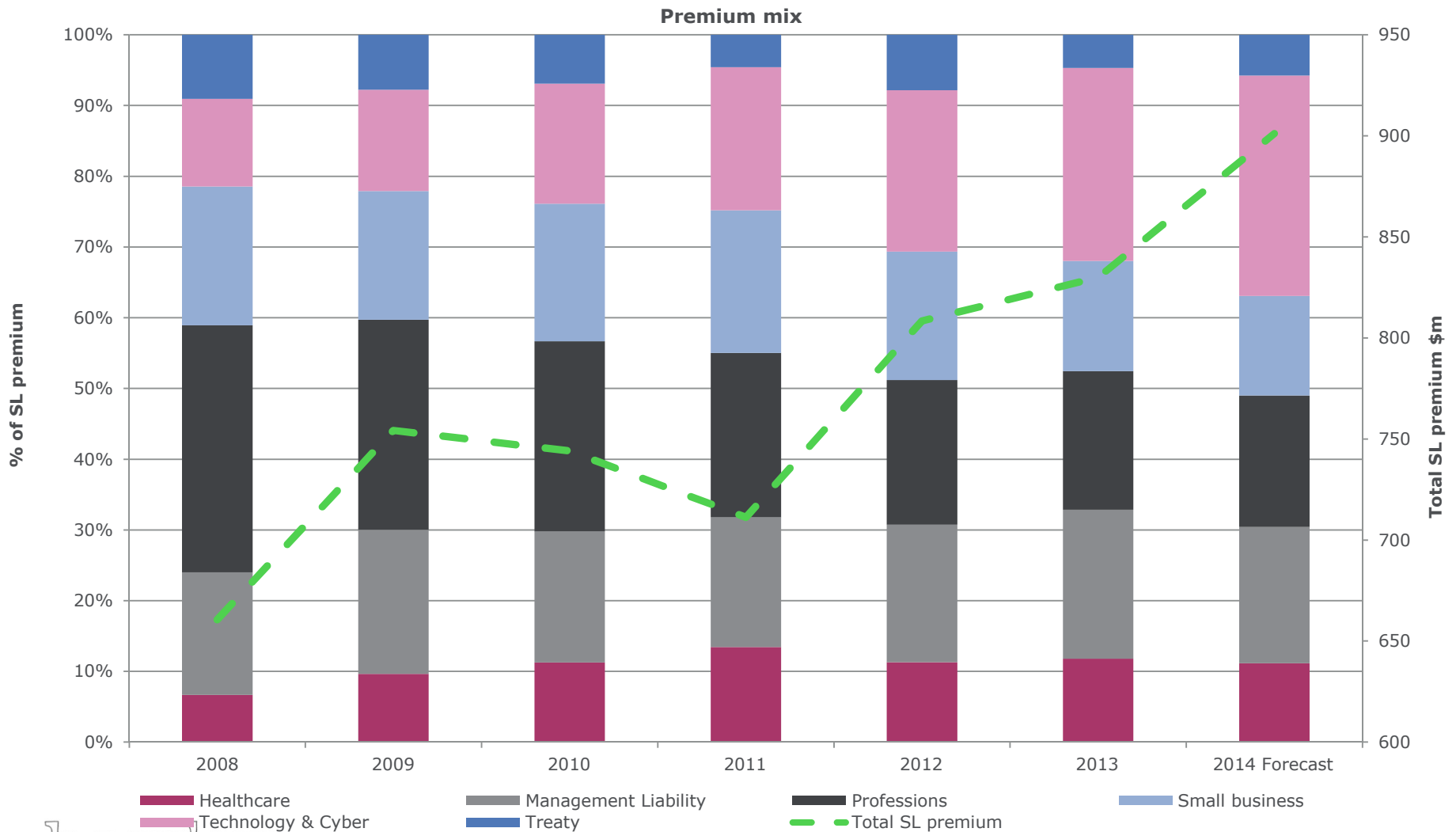
Financial commentary

- Robust surplus capital position – revised disclosure at year end
- Restructuring of investment management on track – completion 30 September 2014
- SII on track for 1 January 2016 go live

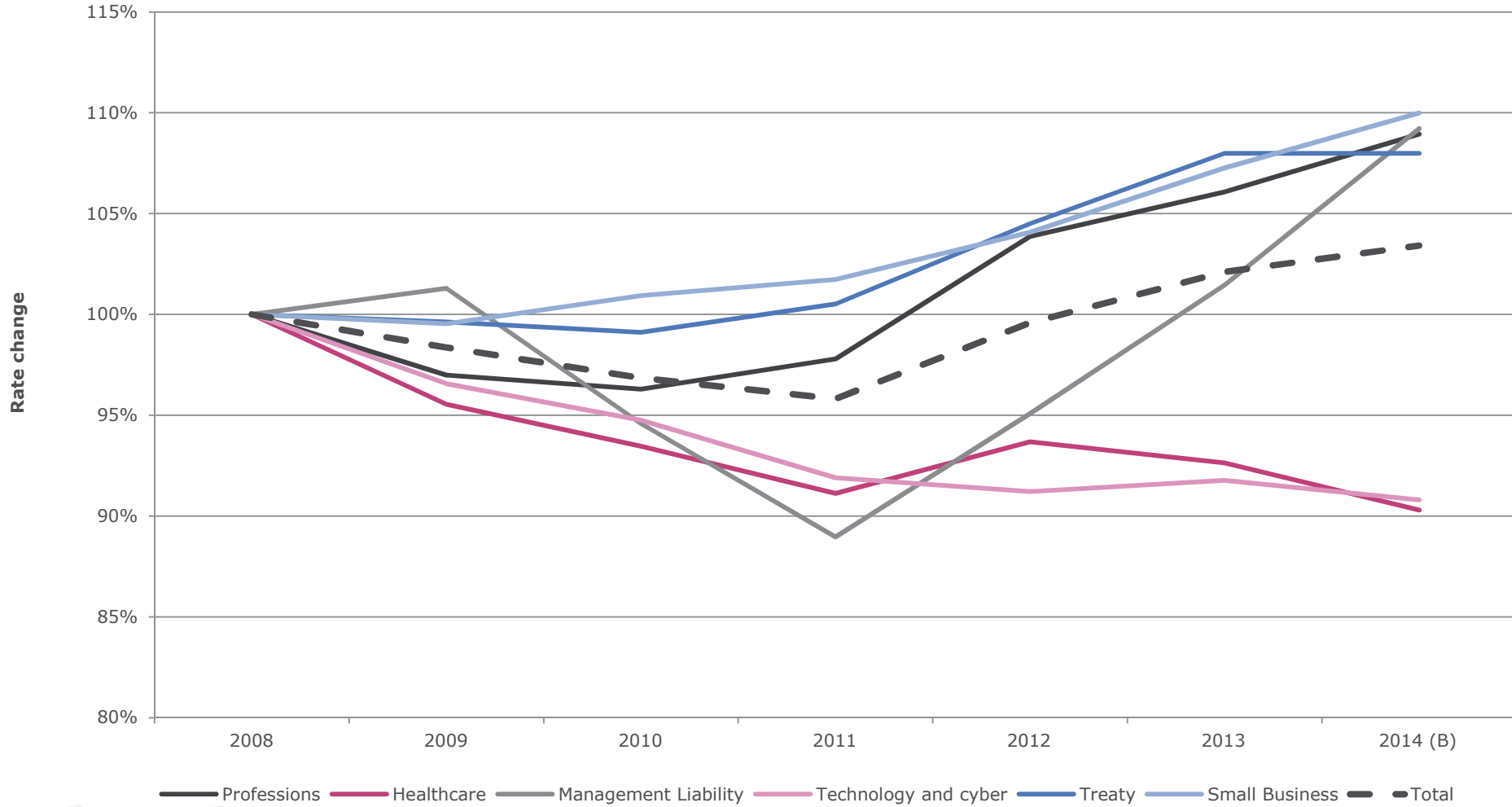
In Focus – Specialty Lines and the US

beazley

Specialty Lines portfolio since 2008



2008 to 2014 rate change by product



Specialty Lines – business update

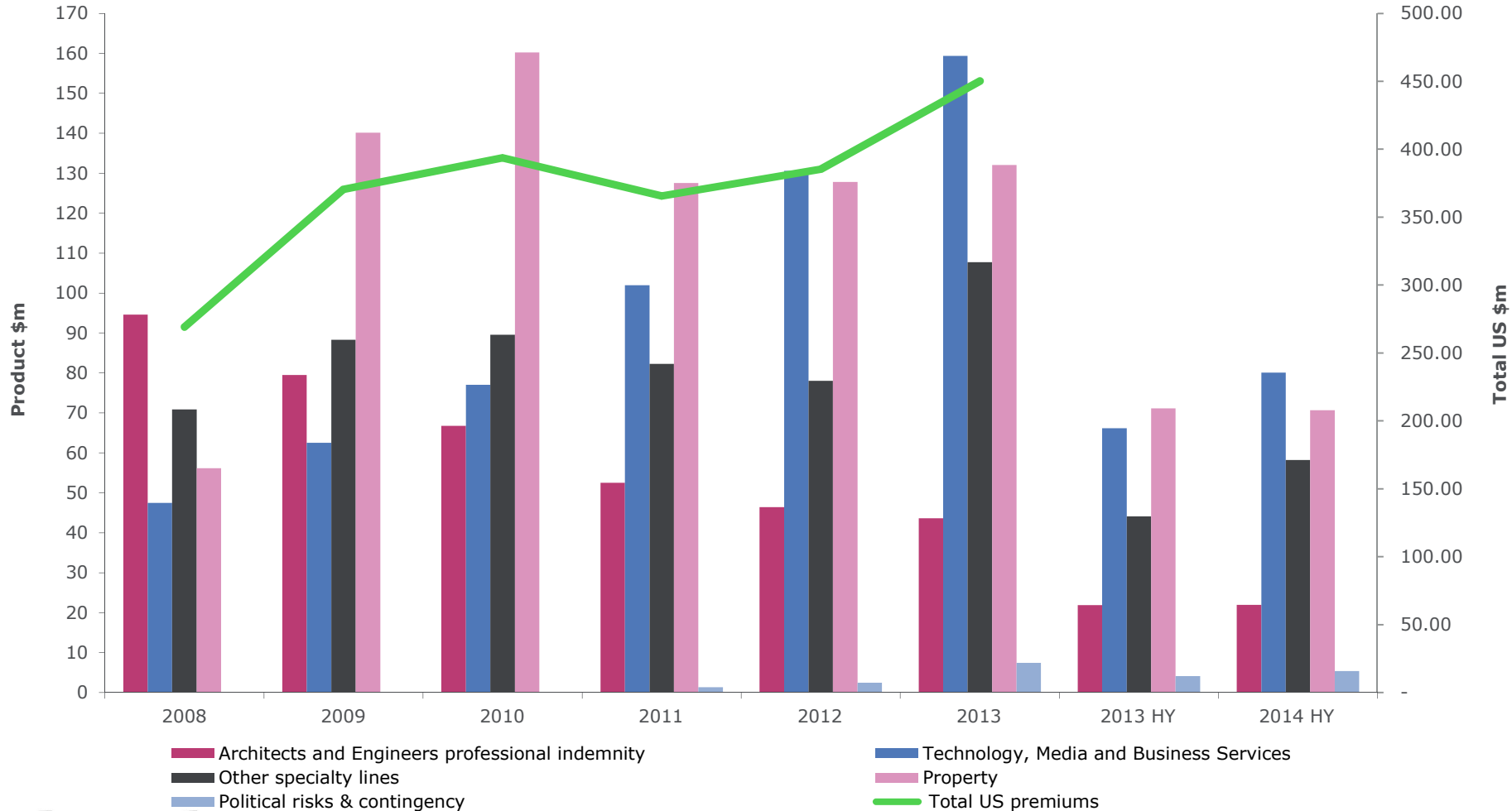
- Continue to achieve positive rate increase
- Positive about US economy
- Growth in US
- Focus on growth areas and new business
 - Cyber
 - Environmental
 - Miscellaneous medical
 - Crime
- Opening loss ratio for 2014 reverting to pre-recession levels
- Leveraging the different strengths of our Lloyd's & US platforms

Priorities for the US in 2014 - 15

- Distribution
 - Coordination
 - Concentration
 - Definition
- Product development
 - Differentiation
 - Prioritisation
 - Project management
 - Full life cycle cost recognition
- Underwriting process
 - Standardisation and simplification
 - Leverage the system
 - Invest in automation
- Footprint
 - 6 key hubs
 - Core products in each hub
 - Dovetail with distribution strategy

US originated business for HY 2014 \$238.2 (2013: \$208.1)

GWP by Product



US footprint – 2010 - 2015

San Francisco (CA)	2010	2015
Underwriters	11	16
Products	3	8

Minneapolis (MN)	2010	2015
Underwriters	0	2
Products	0	1

Boston (MA)	2010	2015
Underwriters	9	4
Products	2	3

Chicago (IL)	2010	2015
Underwriters	19	21
Products	7	8

Farmington (CT)	2010	2015
Underwriters	7	4
Products	4	2

Los Angeles (CA)	2010	2015
Underwriters	2	6
Products	1	6

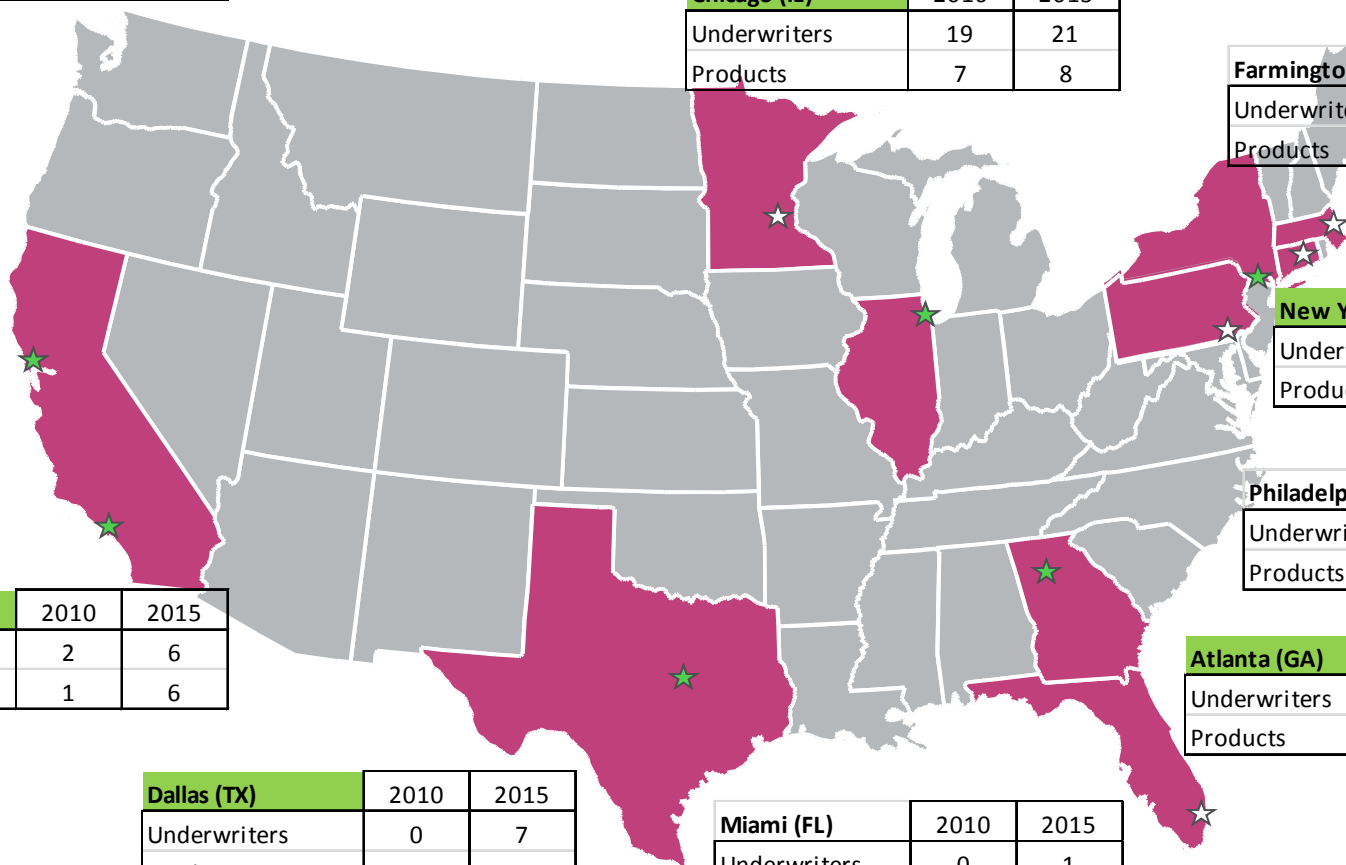
New York (NY)	2010	2015
Underwriters	15	21
Products	5	8

Philadelphia (PA)	2010	2015
Underwriters	10	13
Products	4	6

Dallas (TX)	2010	2015
Underwriters	0	7
Products	0	6

Atlanta (GA)	2010	2015
Underwriters	11	20
Products	3	9

Miami (FL)	2010	2015
Underwriters	0	1
Products	0	1



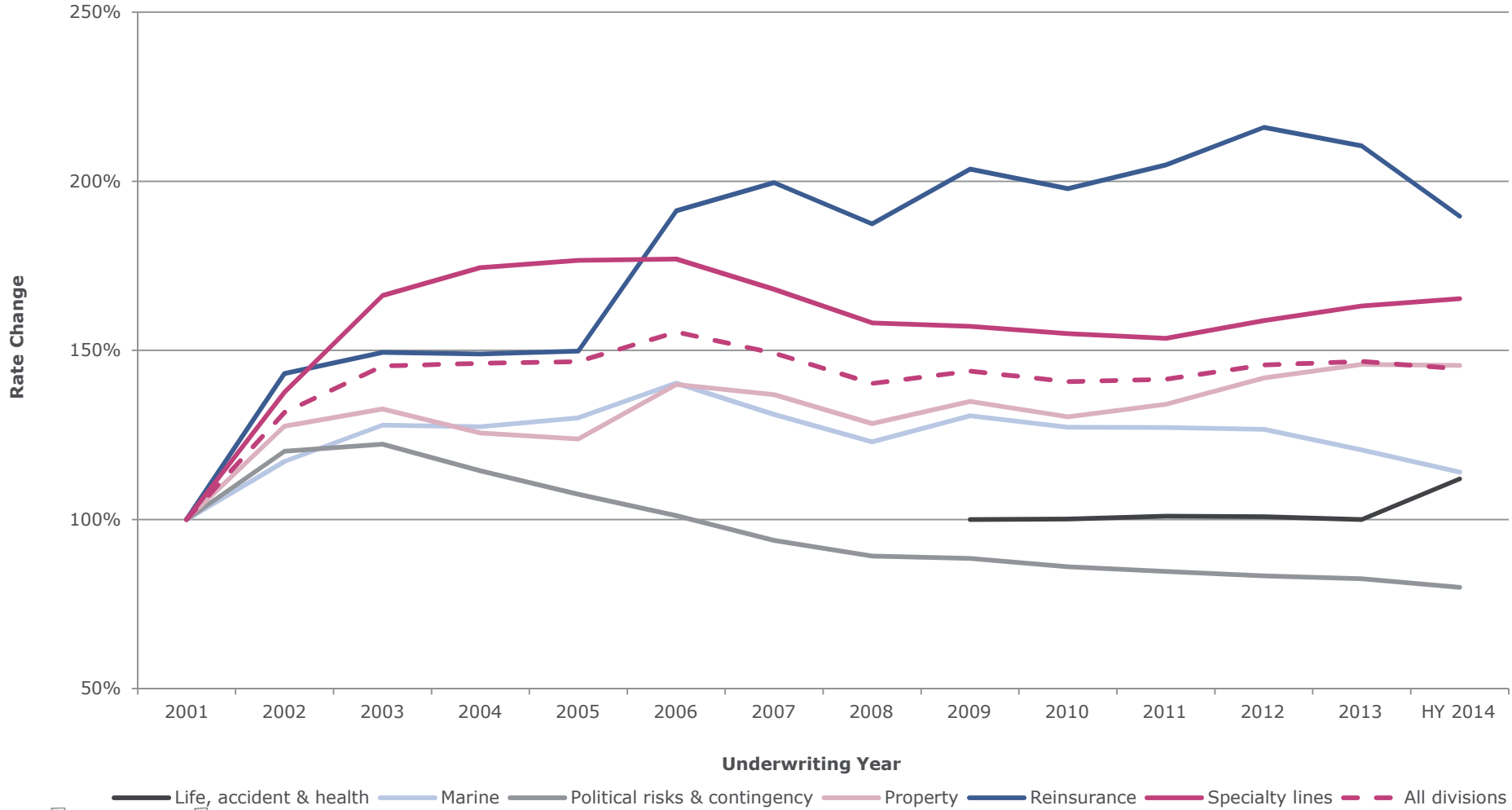
Total	2010	2015
Underwriters	84	115
Av. Products Per Office	2.6	5.3



* Excludes Homeworkers

The Outlook

Cumulative rate change since 2001



Outlook

- Competition remains intense
 - Growth in premium and profit will be challenging in the current environment
 - Rate pressure, particularly on short tail catastrophe exposed lines
 - We see more attractive opportunities in small business lines
- Continued focus on growth from US operations which are 10 years old this year
- We are expecting to achieve moderate growth in 2014
- Continuing focus on profitable, disciplined underwriting across a diverse portfolio.

Any questions?

beazley

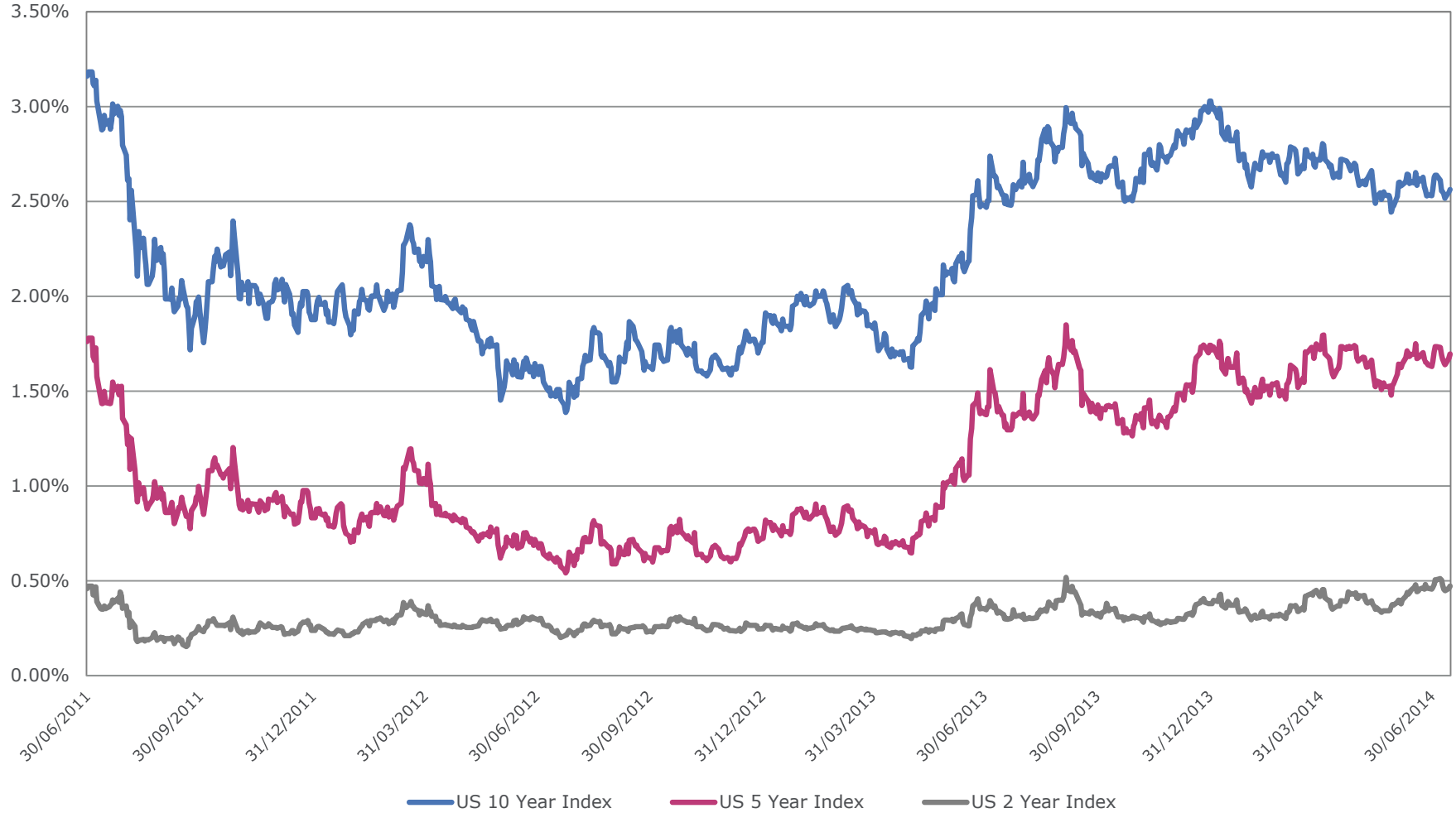


Appendix

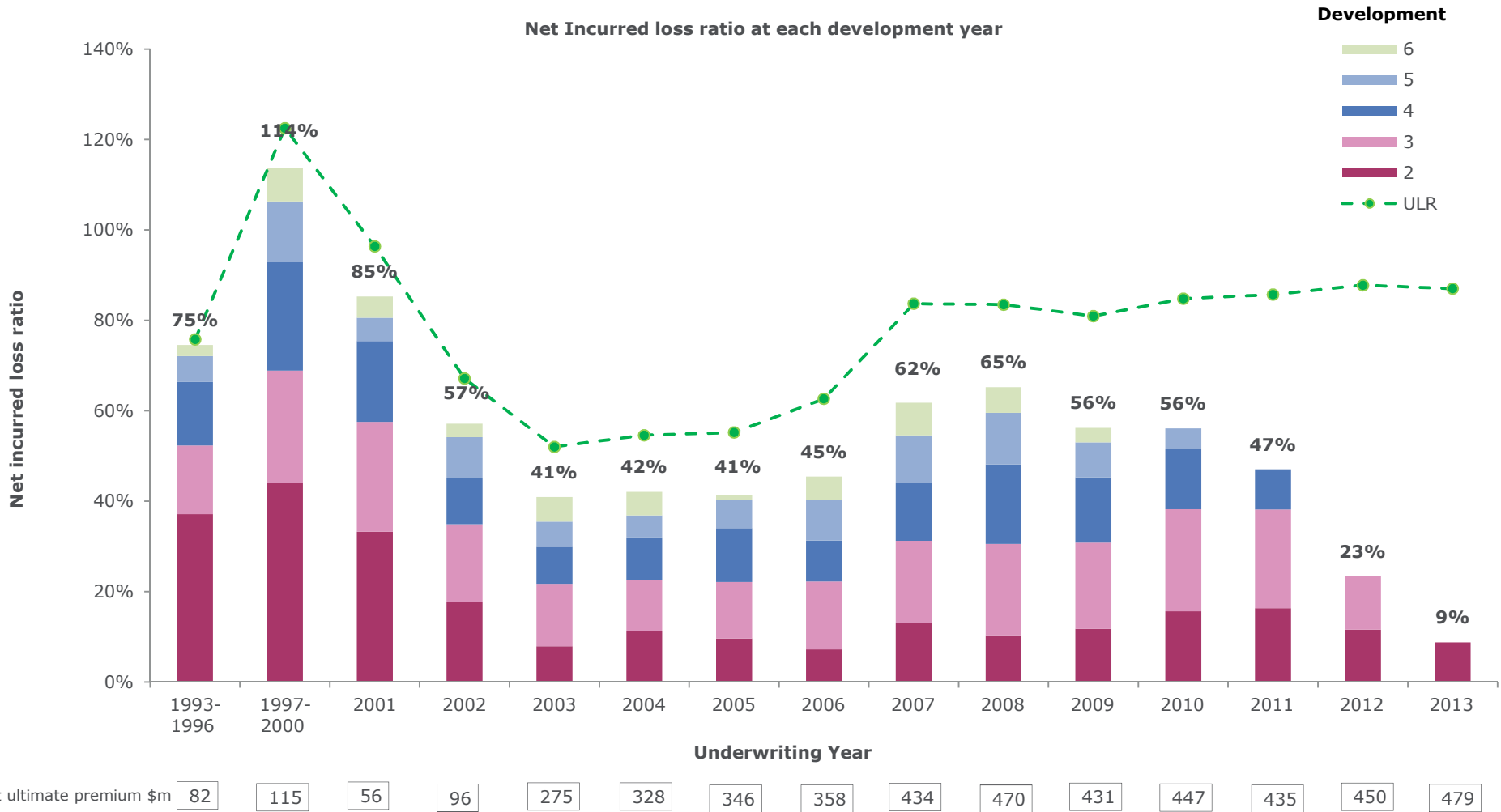
beazley

US interest rates

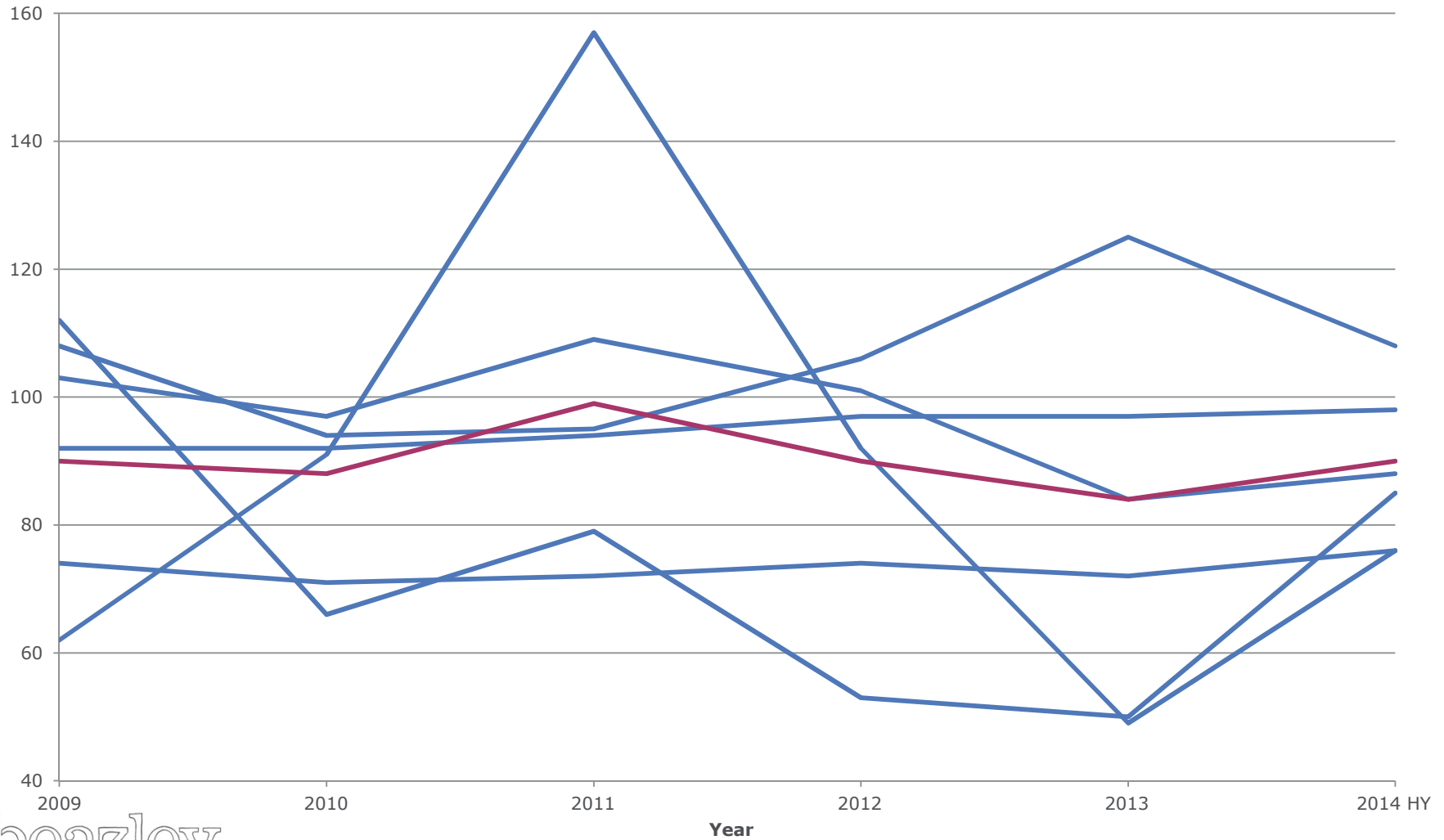
US Government Bond Yields



Specialty lines incurred claims remain in line with expectations



Diversified portfolio achieves consistent combined ratio through market cycles



Life, accident & health

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	81.5	56.4	
Net premiums written (\$m)	62.9	39.0	• Significant rate increase
Net earned premiums (\$m)	42.9	45.4	• Improved claims and combined ratios
Claims ratio	62%	76%	
Rate change on renewals	12%	(1%)	
Percentage of business led	77%	78%	

Marine

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	196.7	197.1	
Net premiums written (\$m)	163.1	165.2	<ul style="list-style-type: none"> • Combined ratio of 76% (2013: 79%)
Net earned premiums (\$m)	143.9	131.5	<ul style="list-style-type: none"> • Prior year reserve releases of \$21.3m (2013: \$17.0m)
Claims ratio	36%	43%	
Rate change on renewals	(5%)	(2%)	<ul style="list-style-type: none"> • Rate reduction of -5%
Percentage of business led	42%	44%	

Political risks and contingency

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	60.4	63.3	
Net premiums written (\$m)	47.7	46.0	<ul style="list-style-type: none"> Reduction in gross premium driven by increased rate pressure
Net earned premiums (\$m)	42.8	46.3	
Claims ratio	35%	33%	<ul style="list-style-type: none"> Combined ratio of 85% (2013: 76%)
Rate change on renewals	(3%)	(1%)	<ul style="list-style-type: none"> Prior year reserve releases of \$9.4m (2013: \$10.2m)
Percentage of business led	74%	74%	

Property

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	190.7	199.0	
Net premiums written (\$m)	151.8	130.1	• Prior year releases of \$14.8m (2013: \$5.5m)
Net earned premiums (\$m)	145.9	150.2	• Combined ratio of 88% (2013: 91%)
Claims ratio	47%	52%	
Rate change on renewals	-	3%	
Percentage of business led	69%	71%	

Reinsurance

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	163.1	170.3	
Net premiums written (\$m)	124.8	121.1	<ul style="list-style-type: none"> • Significant downward pressure on rates
Net earned premiums (\$m)	80.1	70.8	<ul style="list-style-type: none"> • Prior year reserve releases of \$10.1m (2013: \$14.9m)
Claims ratio	45%	24%	
Rate change on renewals	(10%)	(1%)	
Percentage of business led	43%	41%	

Specialty lines

6 months ended 30 June

	2014	2013	
Gross premiums written (\$m)	385.3	380.6	
Net premiums written (\$m)	338.9	256.6	<ul style="list-style-type: none"> • 1% growth in gross premiums written
Net earned premiums (\$m)	348.9	314.6	<ul style="list-style-type: none"> • 1% rate increase on renewal business
Claims ratio	61%	62%	
Rate change on renewals	1%	4%	<ul style="list-style-type: none"> • Prior year reserve releases of \$16.6m (2013: \$17.9m)
Percentage of business led	95%	95%	