

Results for the six months ended 30 June 2017

Friday, 21 July 2017

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Overview

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Overview – strong results

- Profit before income tax of \$158.7m (2016: \$150.2m)
- Gross premiums written increased by 2% to \$1,149.3m (2016: \$1,124.1m)
- Combined ratio 90% (2016: 90%)
- Rate change on renewal business -2% (2016: -2%)
- Prior year reserve releases of \$83.4m (2016: \$77.4m)
- Investment return of \$79.4m (2016: \$62.7m)
- Annualised return on equity of 18% (2016: 19%)
- Interim dividend up 6% to 3.7p

Business update

- Acquisition of Creechurch Underwriters to establish Beazley in Canada
- Growth of 9% in US based gross premiums written
- Europe
 - Obtained insurance licence to change Beazley Re dac to an insurance company (now Beazley Insurance dac);
 - Applying for branch offices in Germany, UK, France and Spain; and
 - Start writing business from the second half of September 2017
- Created the Political, Accident and Contingency (PAC) division and sold Australian accident and health renewal rights
- Data and Analytics strategic initiative fully established

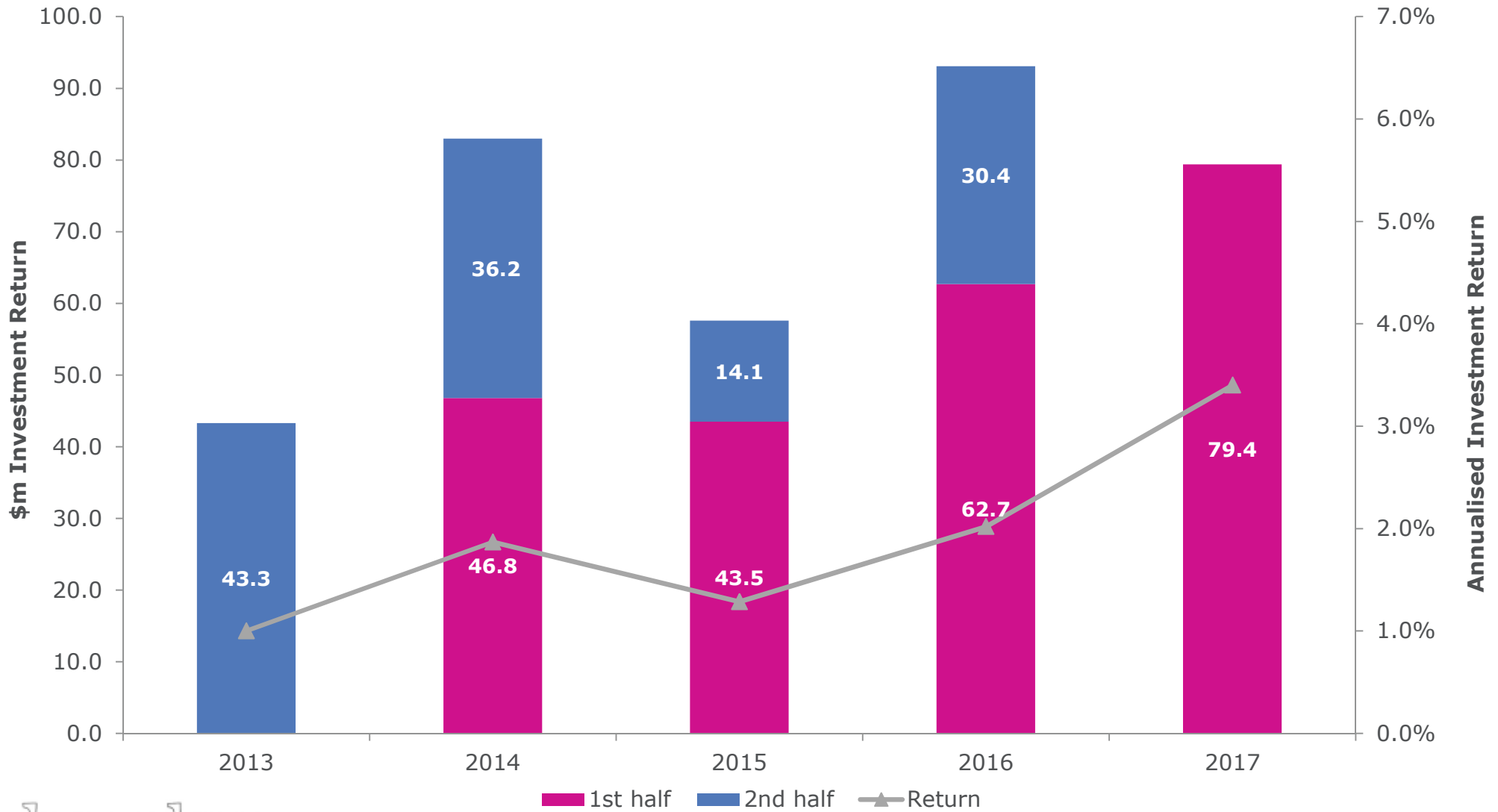
Financials

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Six months financial performance

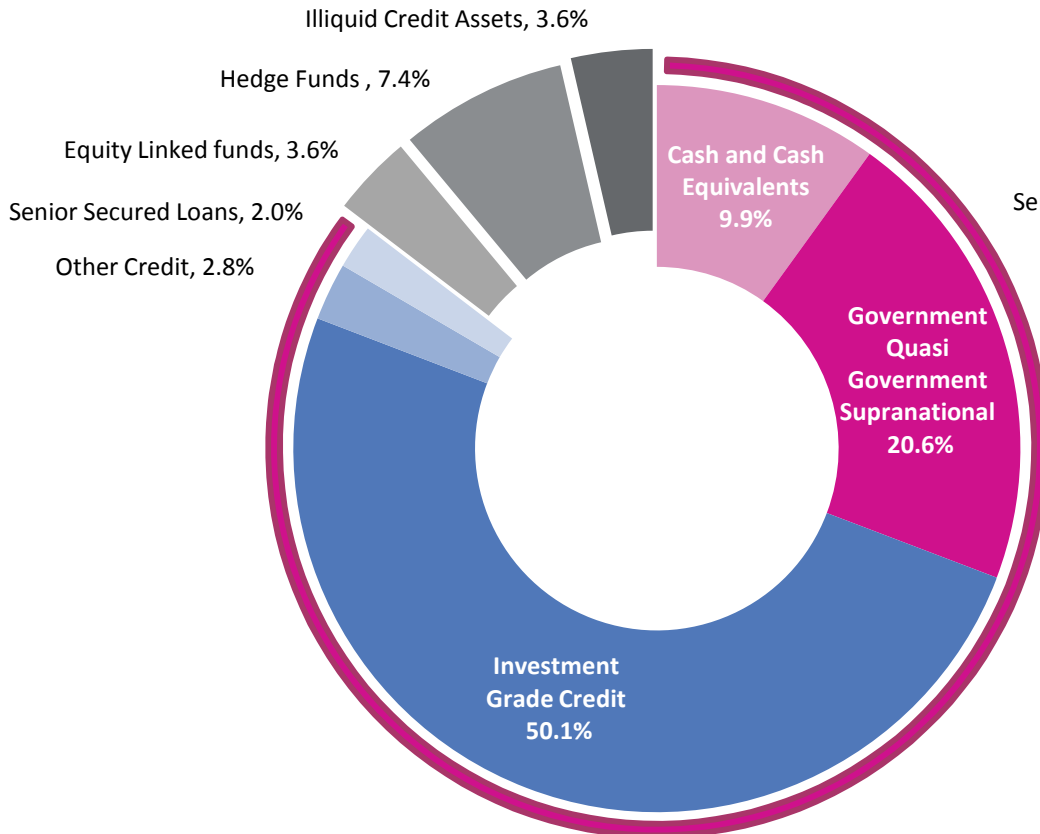
	6 months ended 30 June 2017	6 months ended 30 June 2016	% increase
Gross premiums written (\$m)	1,149.3	1,124.1	2%
Net premiums written (\$m)	936.4	930.4	1%
Net earned premiums (\$m)	886.7	861.4	3%
Profit before income tax (\$m)	158.7	150.2	6%
Earnings per share (pence)	20.2	17.3	
Dividend per share (pence)	3.7	3.5	
Net assets per share (pence)	226.0	199.3	
Net tangible assets per share (pence)	206.9	186.3	

Portfolio delivered an excellent 3.4% annualised return



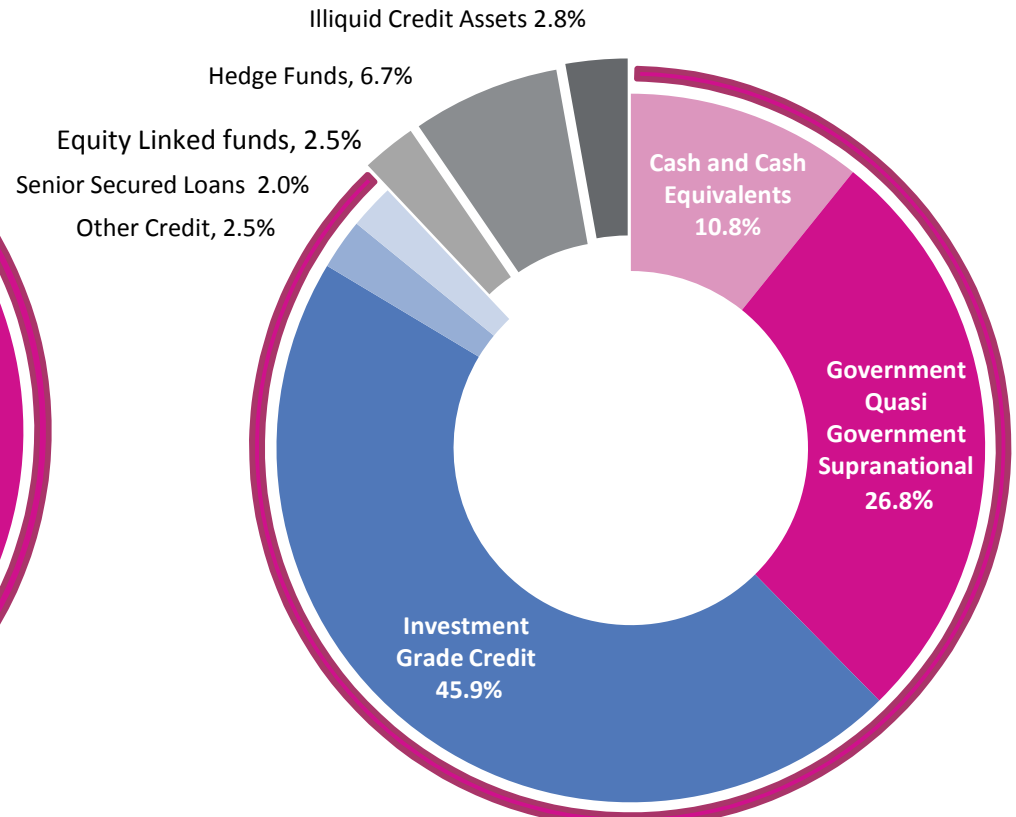
Minor changes to portfolio mix

30 June 2017



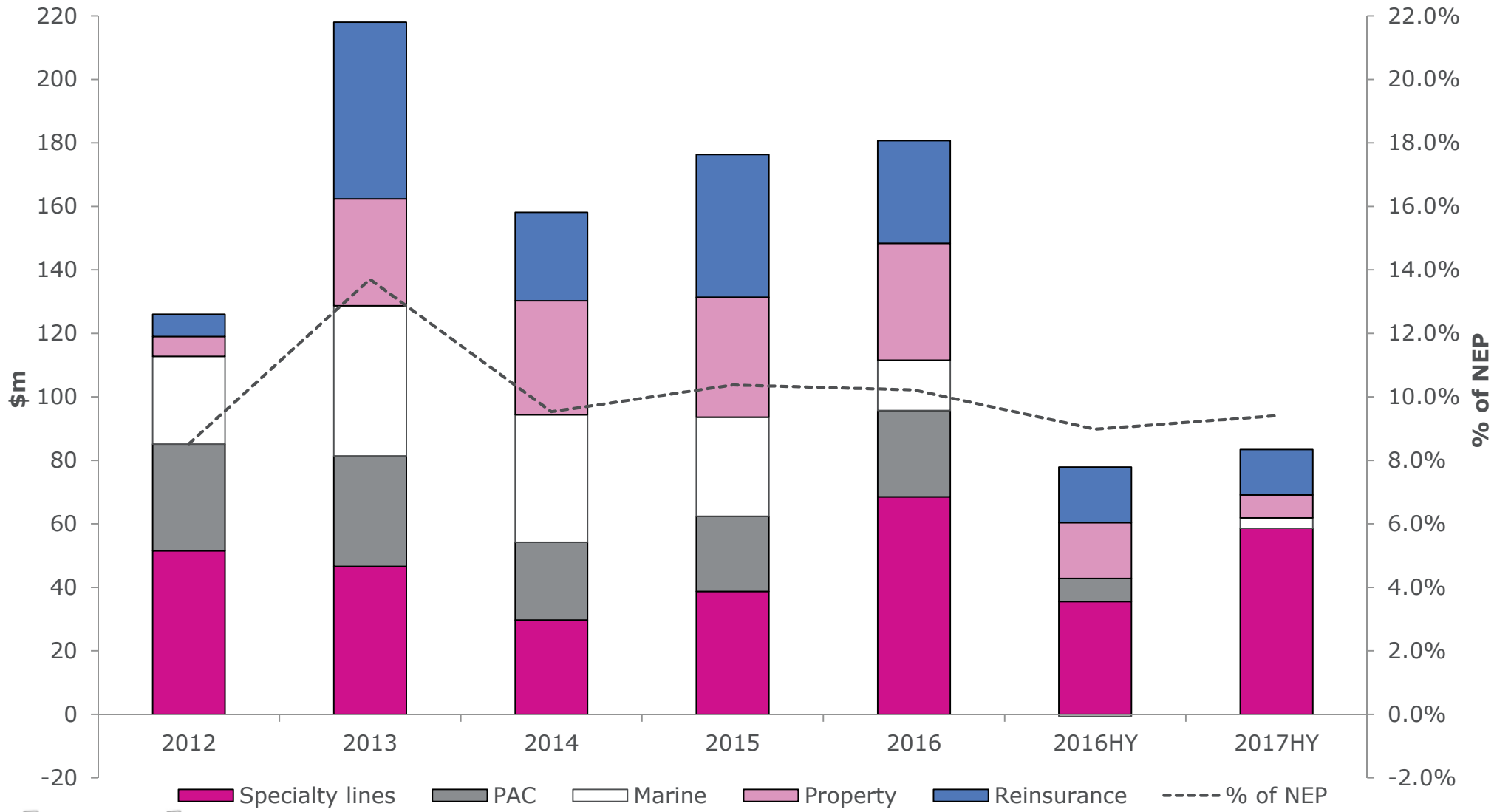
Core Portfolio

31 December 2016



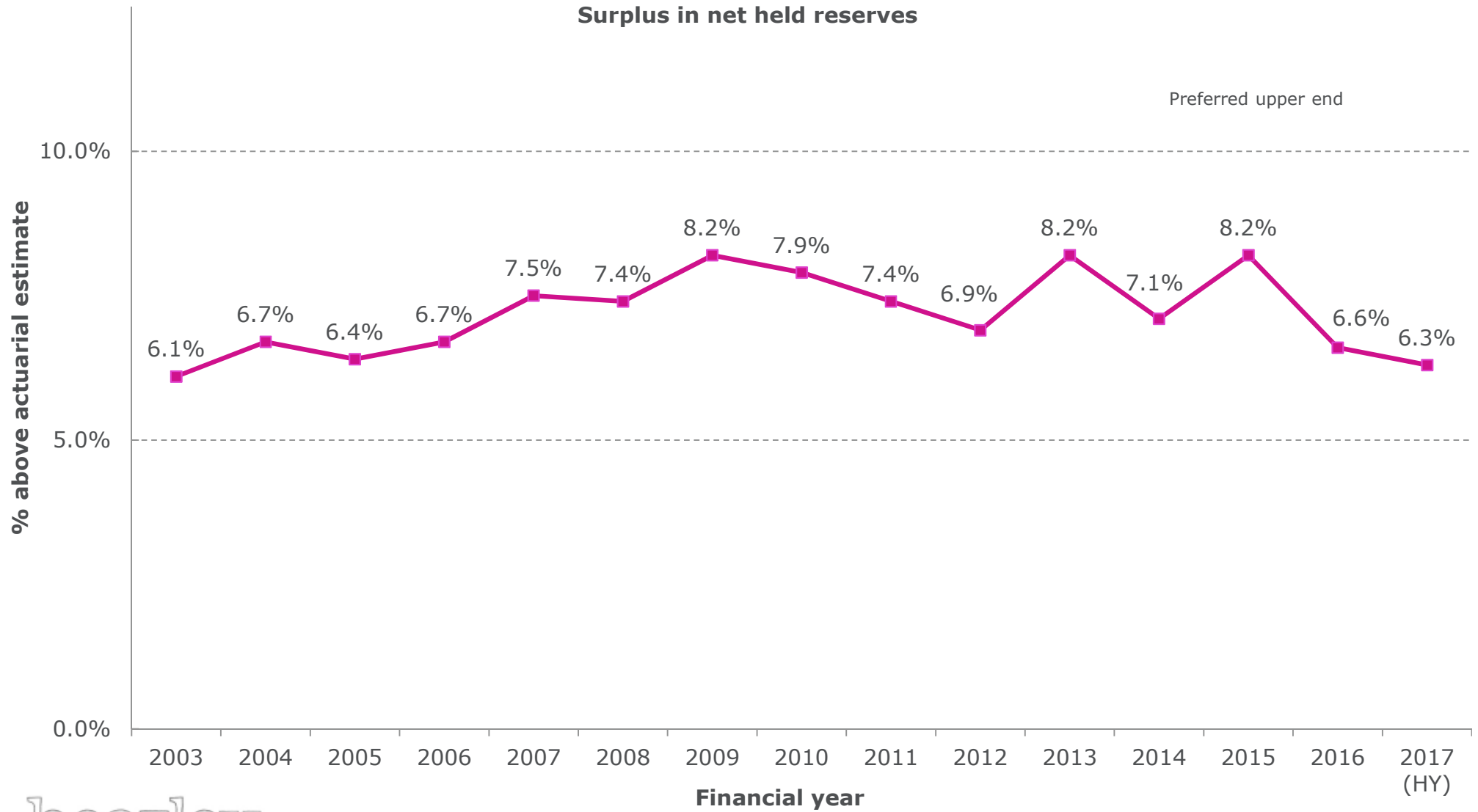
Core Portfolio

Stable prior year reserve releases



Whole account reserve strength within our target range

Surplus in net held reserves



Underwriting capital – remains in a strong position

- Group capital requirement:

	Projected 31 Dec 2017 \$m	Year ended 31 Dec 2016 \$m
Lloyd's economic capital requirement (ECR)	1,590.0	1,489.2
Capital for US insurance company	107.7	107.7
	1,697.7	1,596.9

- Expect to still be above the 15%-25% of ECR buffer at year end due to 2016 debt financing
- \$225m LOC facility has been renewed
- Confirm near double digit Lloyd's ECR growth (7% for 2018) envisaged in our 5 year plan
- Capital discipline remains a board focus
 - Strategy of growing regular dividend by 5%-10%
 - Return excess capital beyond business needs

In Focus

*Risk management and innovation at
Beazley*

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Role of the Chief Risk Officer at Beazley

Risk Assessment

- Supporting the board in setting risk appetite
- Monitoring the group's operation against risk appetite
- Assessing emerging and strategic risk

Risk Quantification

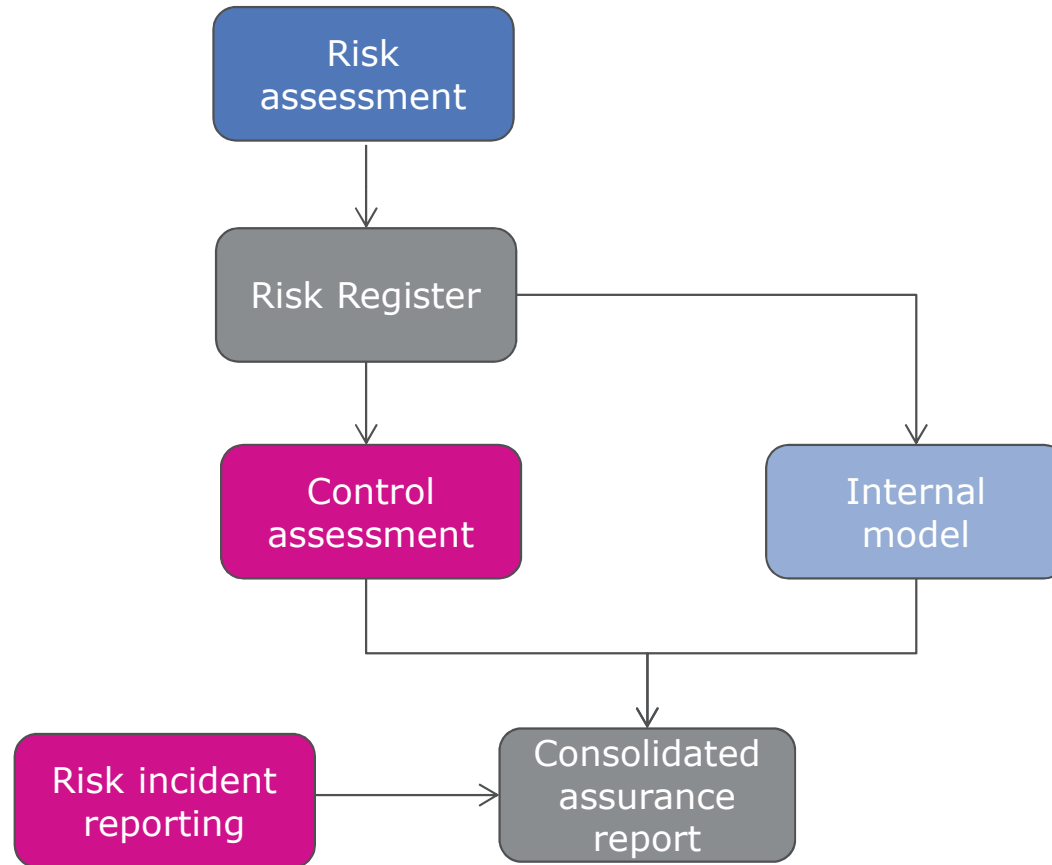
- Identifying capital requirements using the internal model
- Quantifying the value of business decisions

Enabling Opportunities

- Producing the Own Risk and Solvency Assessment (ORSA)
- Supporting and challenging executive colleagues

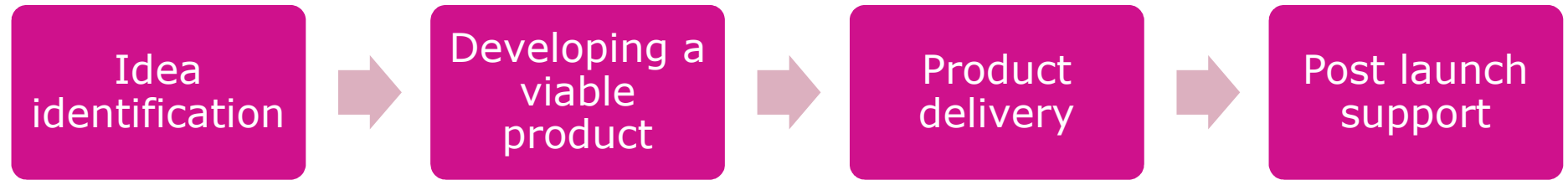


Risk management framework and the internal model



Innovation and Product Development

Four key steps:

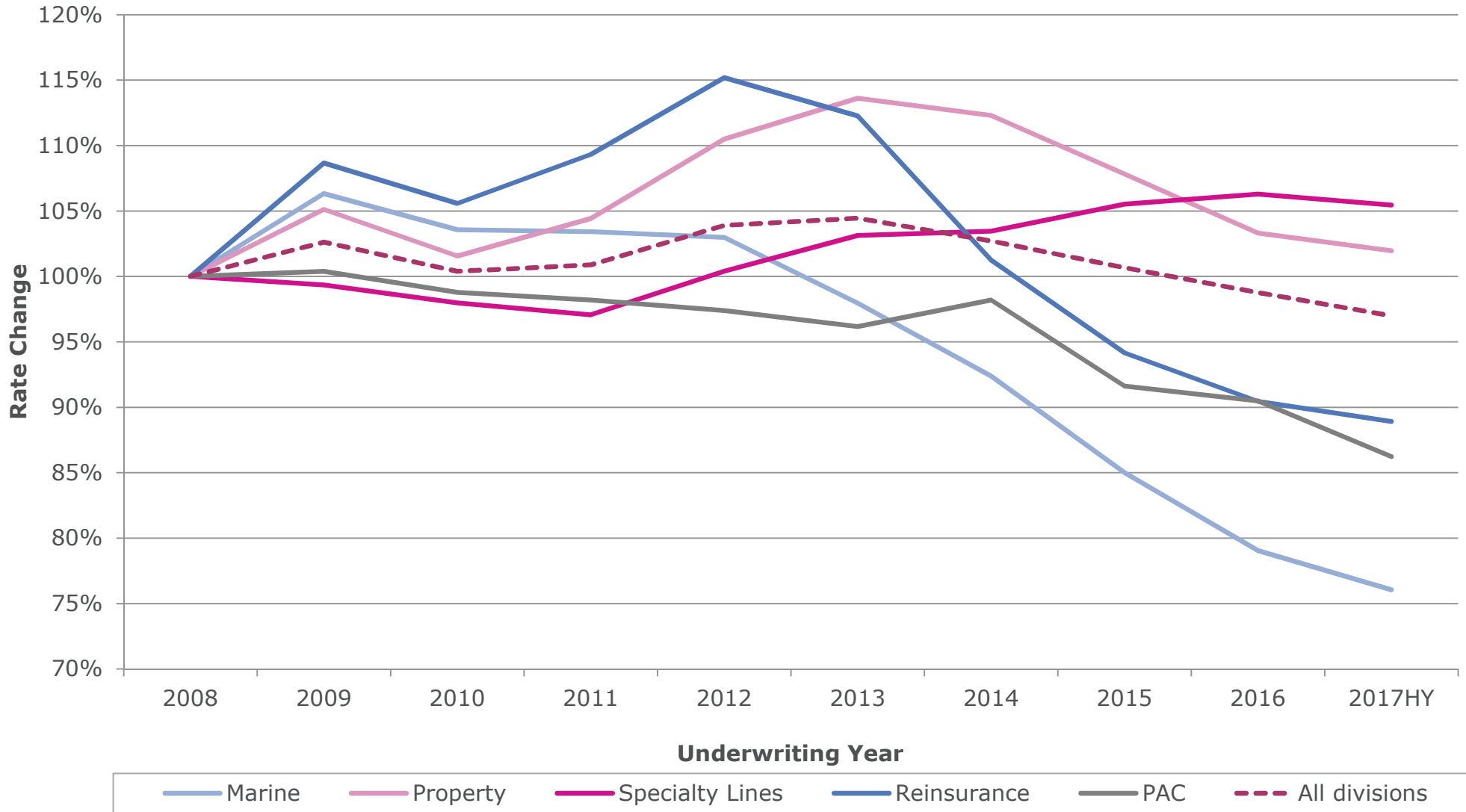


- The executive are currently monitoring 15 new products ideas:
 - 3 are at the “idea identification” stage
 - 5 are at the “developing a viable product” stage
 - 7 are at the “product delivery” stage
- 20% of employees actively contribute to the innovation intranet site - bHive
- 144 new ideas have been registered and 48 ideas have been delivered so far in 2017

The Outlook

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Cumulative rate change since 2008



Cyber insurance at Beazley

- Cyber remains our largest product currently
- Currently cyber insurance very US centric
- EU General Data Protection Regulation comes into force in Europe in May 2018
- By then, Beazley BBR response services will be available in the UK, France, Germany, Spain and Italy
- Recent cyber attacks not significant insured events:
 - affecting primarily non-US entities; and
 - low cost per incident below deductibles
- Cyber cover adapted to cover both large businesses (through Vector partnership with Munich Re) and SME businesses, through Beazley Breach Response

Outlook

- Competitive pressures remain:
 - Low catastrophe environment;
 - Challenge for achieving profitable growth; and
 - Continued focus on proven successful strategy
- Continued growth opportunities:
 - Aim for mid-single digit growth of premium for 2017
 - Focus on:
 - US;
 - Cyber; and
 - SL International (including Canada) – Expected development from H2 2017

Any questions?

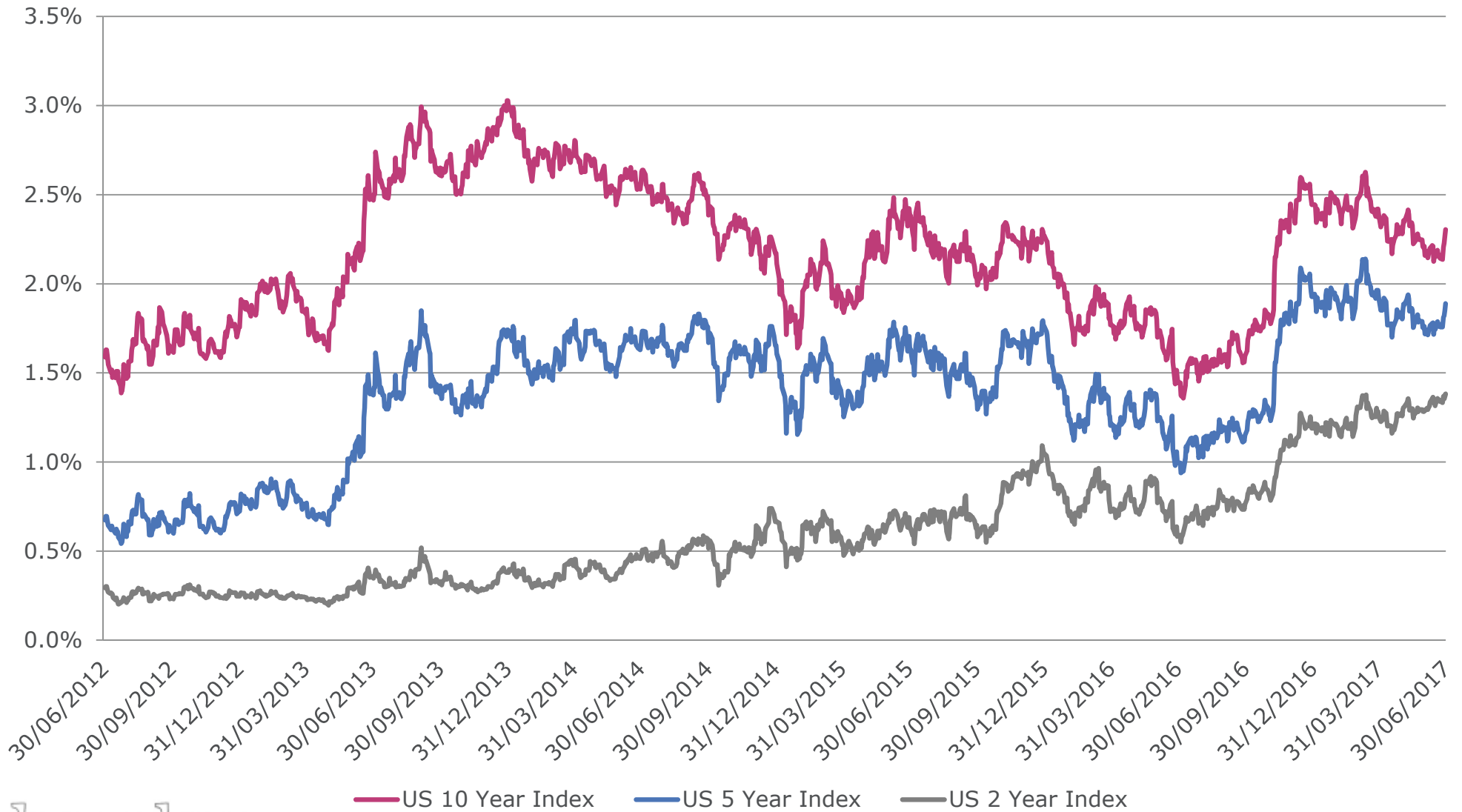
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Appendix

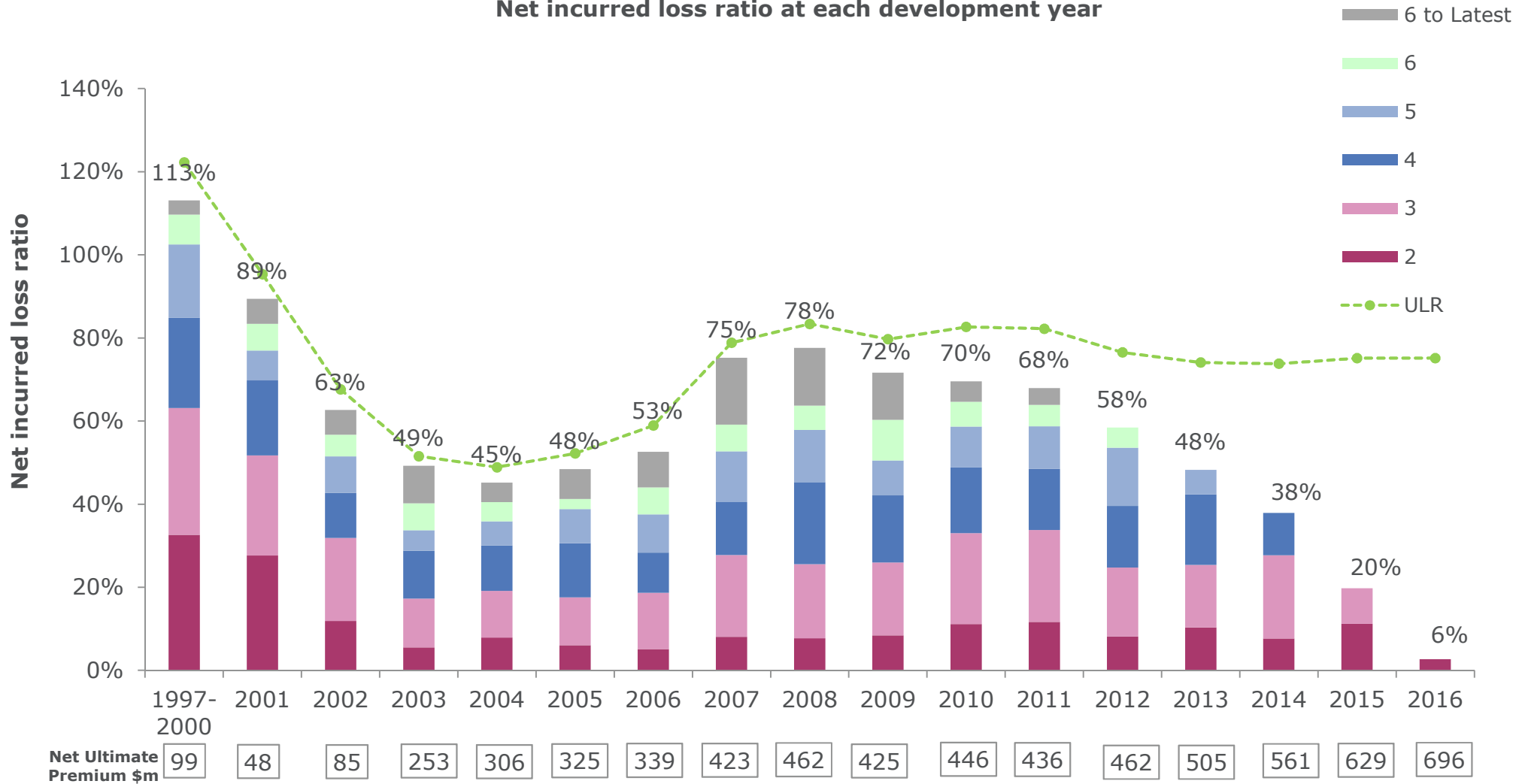
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US interest rates

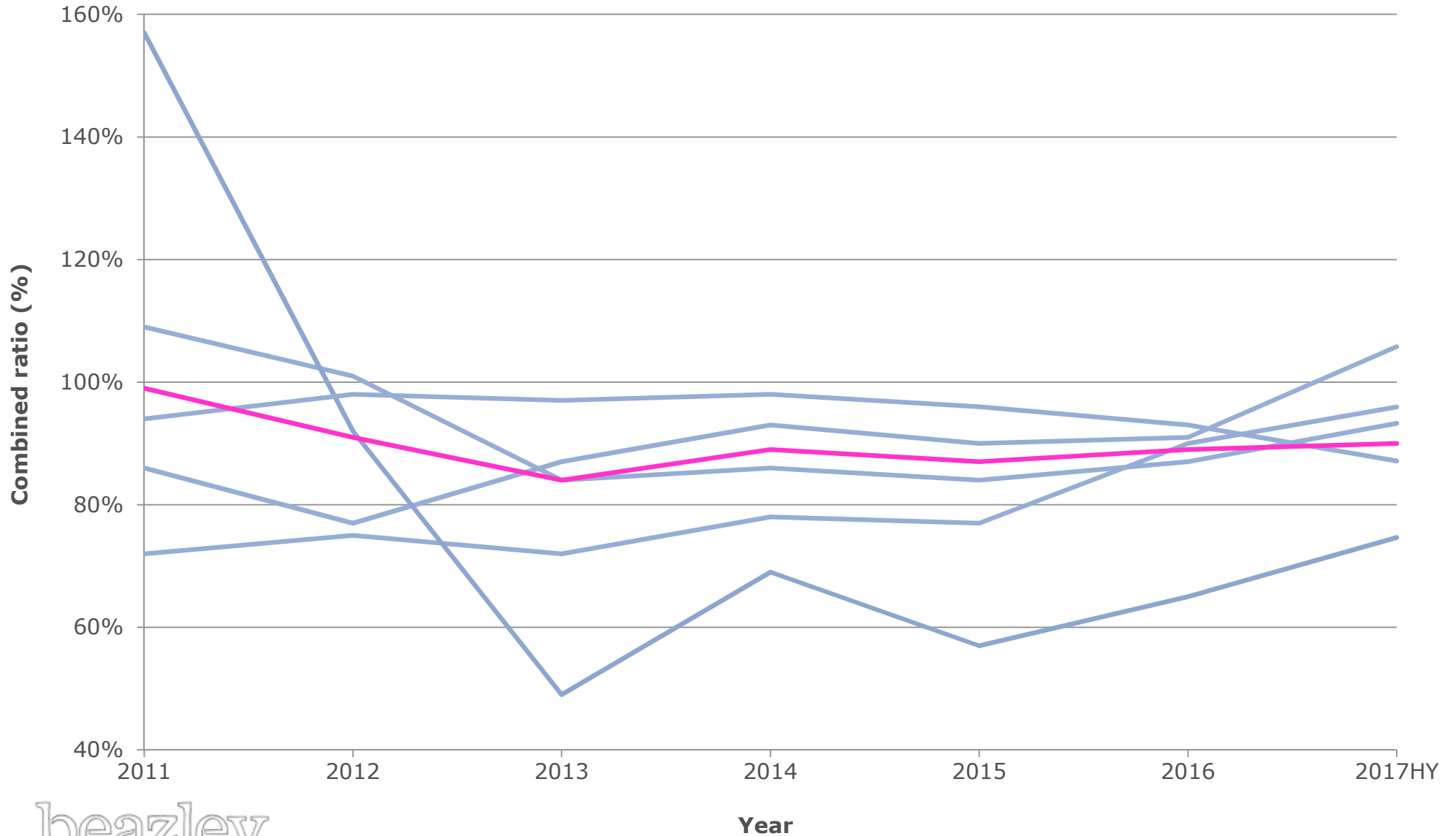


Specialty lines incurred claims remain in line with expectations

Net incurred loss ratio at each development year



Diversified portfolio achieves consistent combined ratio through market cycles



Marine

6 months ended 30 June

	2017	2016
Gross premiums written (\$m)	145.6	134.0
Net premiums written (\$m)	118.9	107.9
Net earned premiums (\$m)	114.0	110.7
Claims ratio	53%	52%
Rate change on renewals	(4%)	(7%)
Percentage of business led	61%	52%

- Improved combined ratio at 96% (2016: 97%)
- Expense ratio of 43% (2016: 45%)

Political, accident and contingency

6 months ended 30 June

	2017	2016
Gross premiums written (\$m)	108.4	149.3
Net premiums written (\$m)	94.9	128.8
Net earned premiums (\$m)	91.5	103.2
Claims ratio	53%	49%
Rate change on renewals	(5%)	(4%)
Percentage of business led	60%	65%

- Previously life, accident and health division and political risks and contingency division

Property

6 months ended 30 June

	2017	2016	
Gross premiums written (\$m)	194.1	173.0	
Net premiums written (\$m)	149.6	142.1	• Expense ratio of 42% (2016: 46%)
Net earned premiums (\$m)	147.6	144.1	• Contribution to group operating profit of \$18.4m (2016: \$26.0m)
Claims ratio	51%	41%	
Rate change on renewals	(1%)	(4%)	
Percentage of business led	65%	66%	

Reinsurance

6 months ended 30 June

2017

2016

Gross premiums written (\$m)	140.8	150.2
Net premiums written (\$m)	82.9	92.9
Net earned premiums (\$m)	55.6	63.9
Claims ratio	38%	27%
Rate change on renewals	(2%)	(4%)
Percentage of business led	46%	48%

- Contribution to group operating profit of \$19.6m (2016: \$29.8m)

Specialty lines

6 months ended 30 June

	2017	2016	
Gross premiums written (\$m)	560.4	517.6	• 8% growth in gross premiums written
Net premiums written (\$m)	490.1	458.7	
Net earned premiums (\$m)	478.0	439.5	• Contribution to group operating profit of \$121.3m (2016: \$85.8m)
Claims ratio	49%	57%	
Rate change on renewals	(1%)	1%	• Combined ratio of 87% (2016: 91%)
Percentage of business led	94%	96%	