Results for the six months ended 30 June 2019

Tuesday, 23 July 2019

beazley

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Contents

	Pages
Overview	4-6
Business update	6
Financials	7-13
Performance	8
Investments	9-10
Reserves	11-12
Capital position	13
In Focus: Broker relations at Beazley	14-18
The Outlook	19-22
Appendix	23-32

Overview

Overview – strong premium growth

- Gross premiums written increased by 12% to $1,483.6m (30 June 2018: $1,323.8m)
- Profit before income tax of $166.4m (30 June 2018: $57.5m)
- Combined ratio 100% (30 June 2018: 95%)
- Rate change on renewal business 5% (30 June 2018: 3%)
- Prior year reserve releases of $3.4m (30 June 2018: $48.1m)
- Investment return of $170.3m (30 June 2018: $8.0m)
- Annualised return on equity of 19% (30 June 2018: 6%)
- Interim dividend up 5% to 4.1p (30 June 2018: 3.9p)

Business update

- Growth across all platforms
- Specialty lines split into specialty lines and cyber and executive risk
- Management changes:
  - Martin Bride succeeded by Sally Lake
  - Mark Bernacki succeeded by Richard Montminy
- Claims experience has been elevated in discrete areas
  - Pockets of US Liability within SL and CyEx particularly in healthcare and D&O
  - Loss creep on certain catastrophes
  - Aggregate excess of loss policies
  - US Trucking
- Pricing discipline and rate rises continue

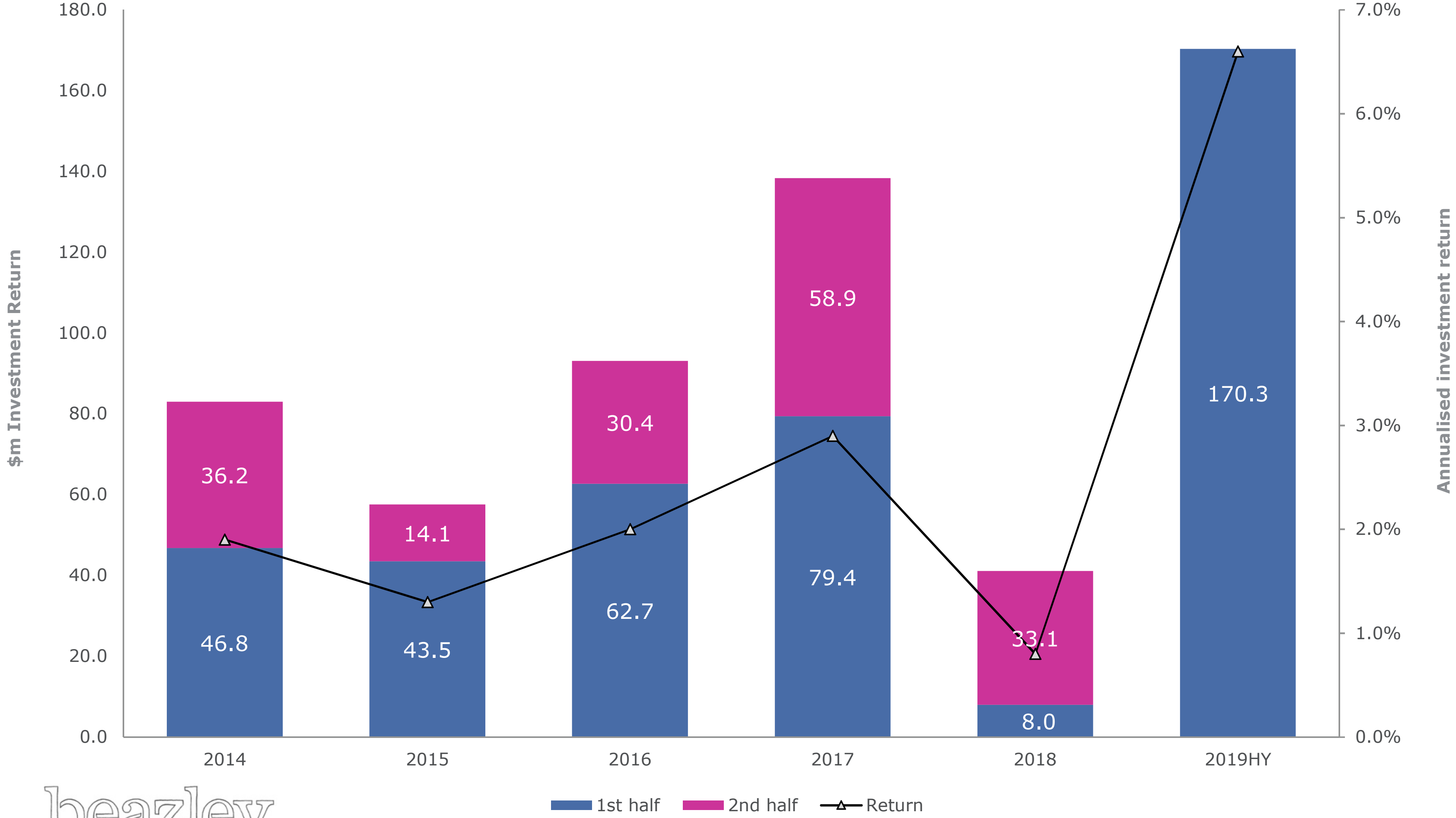
Financials

Six months financial performance

	6 months ended 30 June 2019	6 months ended 30 June 2018	% increase
Gross premiums written ($m)	**1,483.6**	**1,323.8**	12%
Net premiums written ($m)	**1,225.5**	**1,105.3**	11%
Net earned premiums ($m)	**1,118.0**	**990.2**	13%
Profit before income tax ($m)	**166.4**	**57.5**	189%

Earnings per share (pence)	**20.4**	**6.6**
Dividend per share (pence)	**4.1**	**3.9**
Net assets per share (pence)	**232.3**	**210.4**
Net tangible assets per share (pence)	**214.2**	**191.6**

Strong investment return in first half



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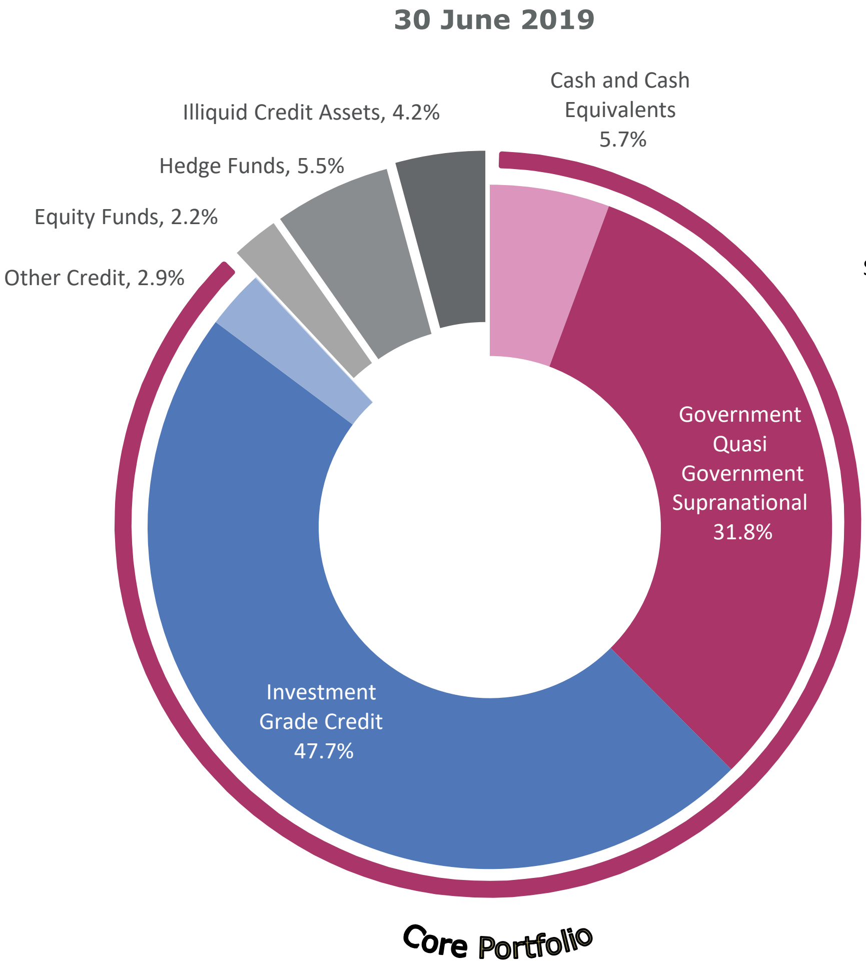
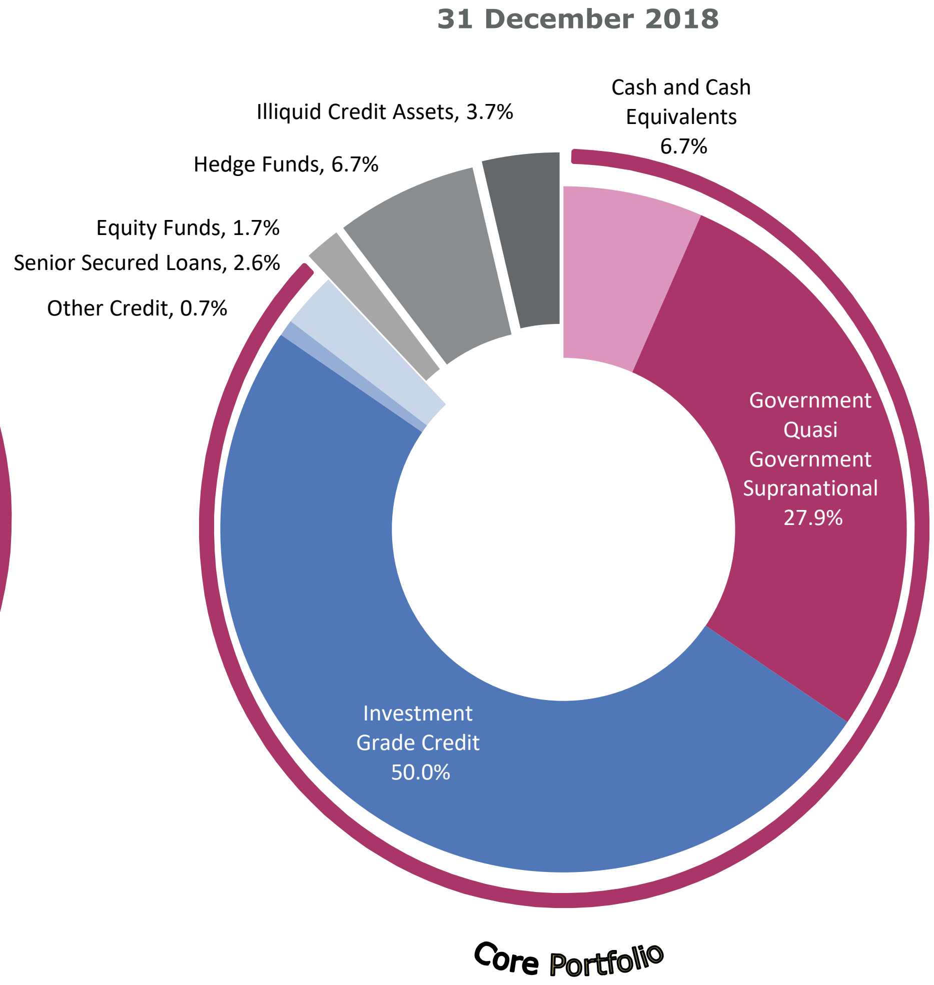
Minor changes to optimise portfolio





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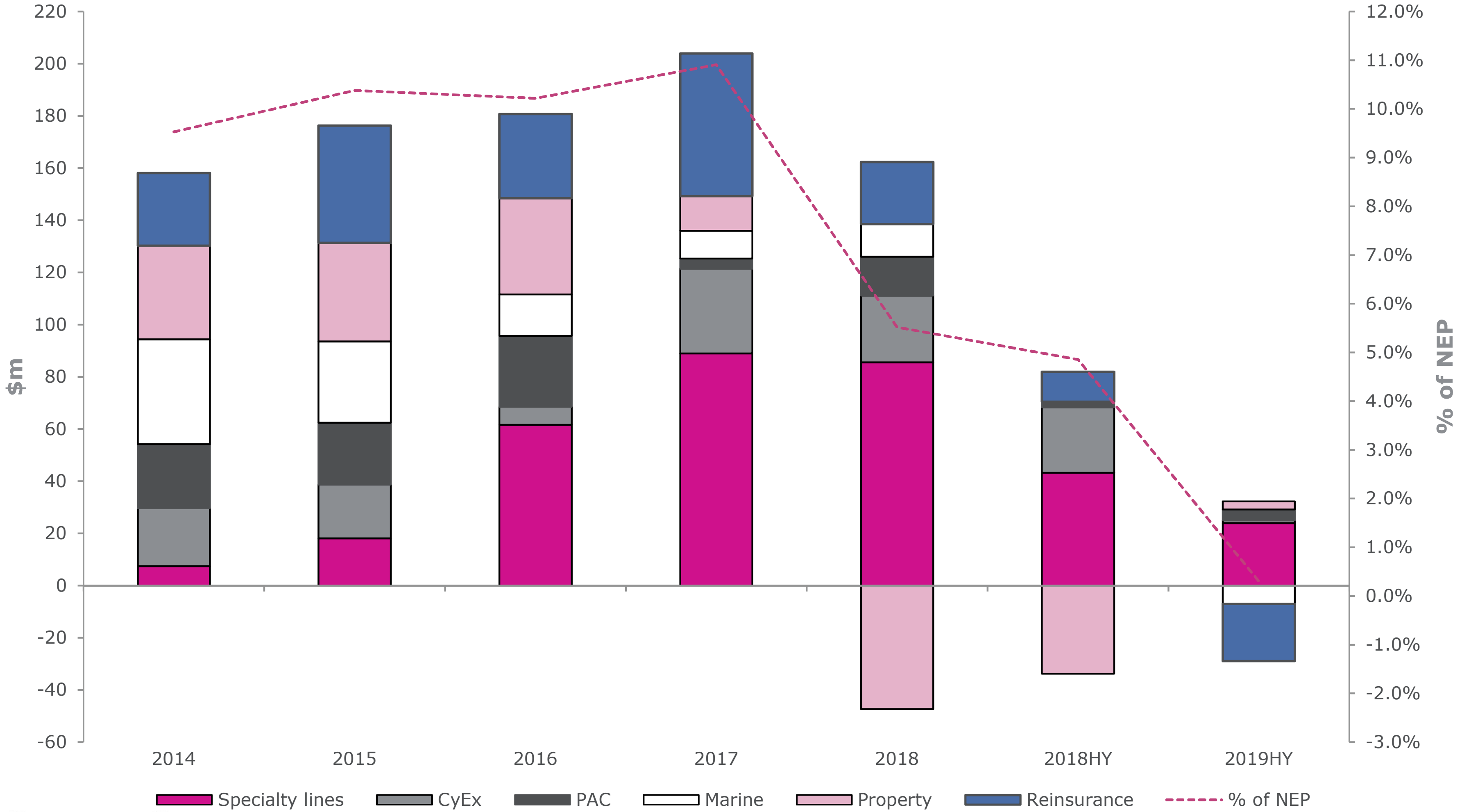
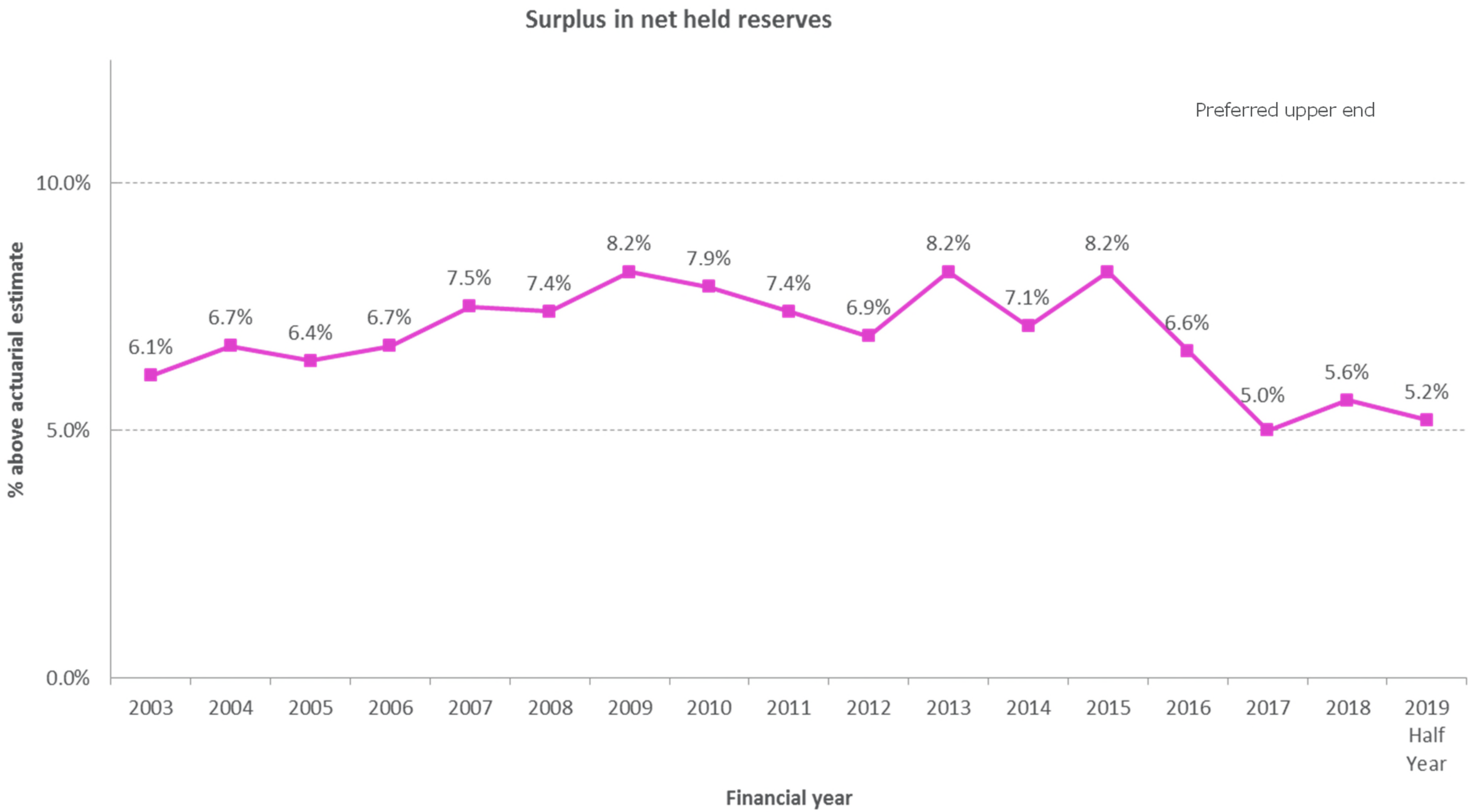
Lower than average releases



Whole account reserve strength within our target range



Underwriting capital – remains in a strong position

- Group capital requirement:

	Projected 31 Dec 2019 $m	Year ended 31 Dec 2018 $m
Lloyd’s economic capital requirement (ECR)	*1,745.7*	1,594.5
Capital for US insurance company	*173.4*	173.4
	1,919.1	1,767.9

- Expect to be at 19% of Lloyd’s ECR, which is within our target range of 15% - 25%
- Double digit underwriting capital growth envisaged in our 5 year plan
- $225m LOC facility has been renewed and remains unutilised
- Update on debt strategy
    - Full redemption of £75m retail bond in September 2019
    - Considering new debt issuance in 2019
- Continue to grow regular dividend by 5%-10% per annum in line with our capital strategy

In focus

Broker relations at Beazley

Broker Relations at Beazley: Our role

- Lead Beazley's distribution strategy
- Assist in building long-term broker relationships
- Provide consistent support to underwriters as we expand footprint
- Help create and facilitate opportunities to cross-sell Beazley products
- Build distribution around needs of specific industries/sectors
- Engage clients & brokers on managing new and emerging risks

Responding to change: Technology & Insurance

Technology…………

- supports ambition to grow in smaller commercial lines market
- drives efficient distribution across global markets
- supports bifurcation of lead vs follow capacity
- enables digitalisation of risk placement
- encourages collaboration with insurtech

Broker consolidation - A threat and an opportunity

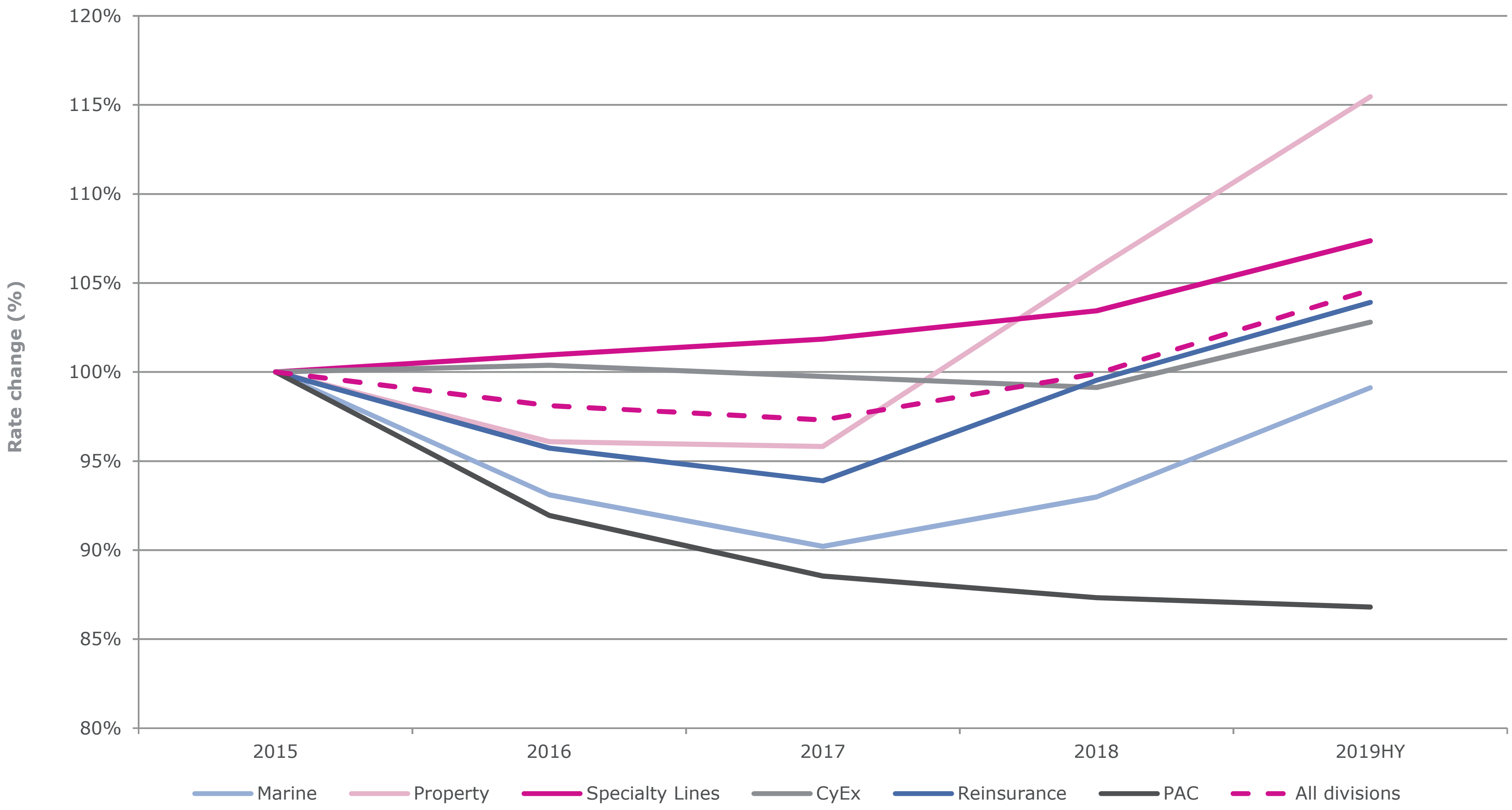
- Ongoing across retail & wholesale insurance markets
- BR instrumental in managing, through transitions
- Potential for increased pressure around commissions
- Avoiding over-reliance on one intermediary
- Emergence of new brokers means opportunities
- Creates new client opportunities

Tracking progress: Broker survey

- Conduct annual formal feedback surveys
- Finding our blind spots
- Different things matter to brokers in each region
- Our claims reputation matters most
- Expertise is a most important driver of satisfaction
- Service/responsiveness

The Outlook

Cumulative rate change since 2015



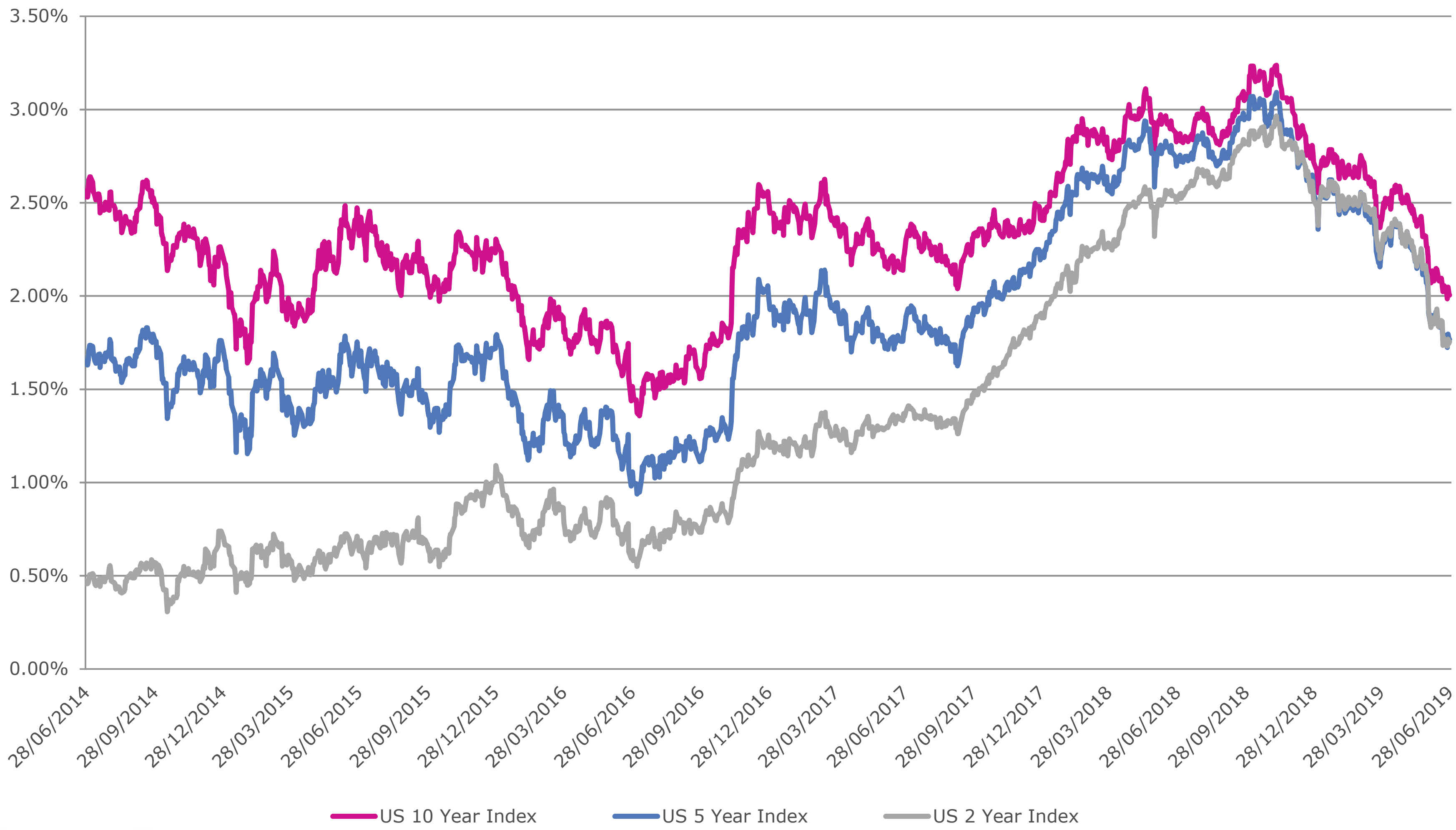
Outlook

- Continued double digit growth
- Expect combined ratio in the high nineties for 2019
- Expect investment return to follow running yield of 2.4%
- Beazley supportive of Lloyd’s prospectus and initiatives
- Pricing discipline and rate rises continue

Any questions?

Appendix

US interest rates



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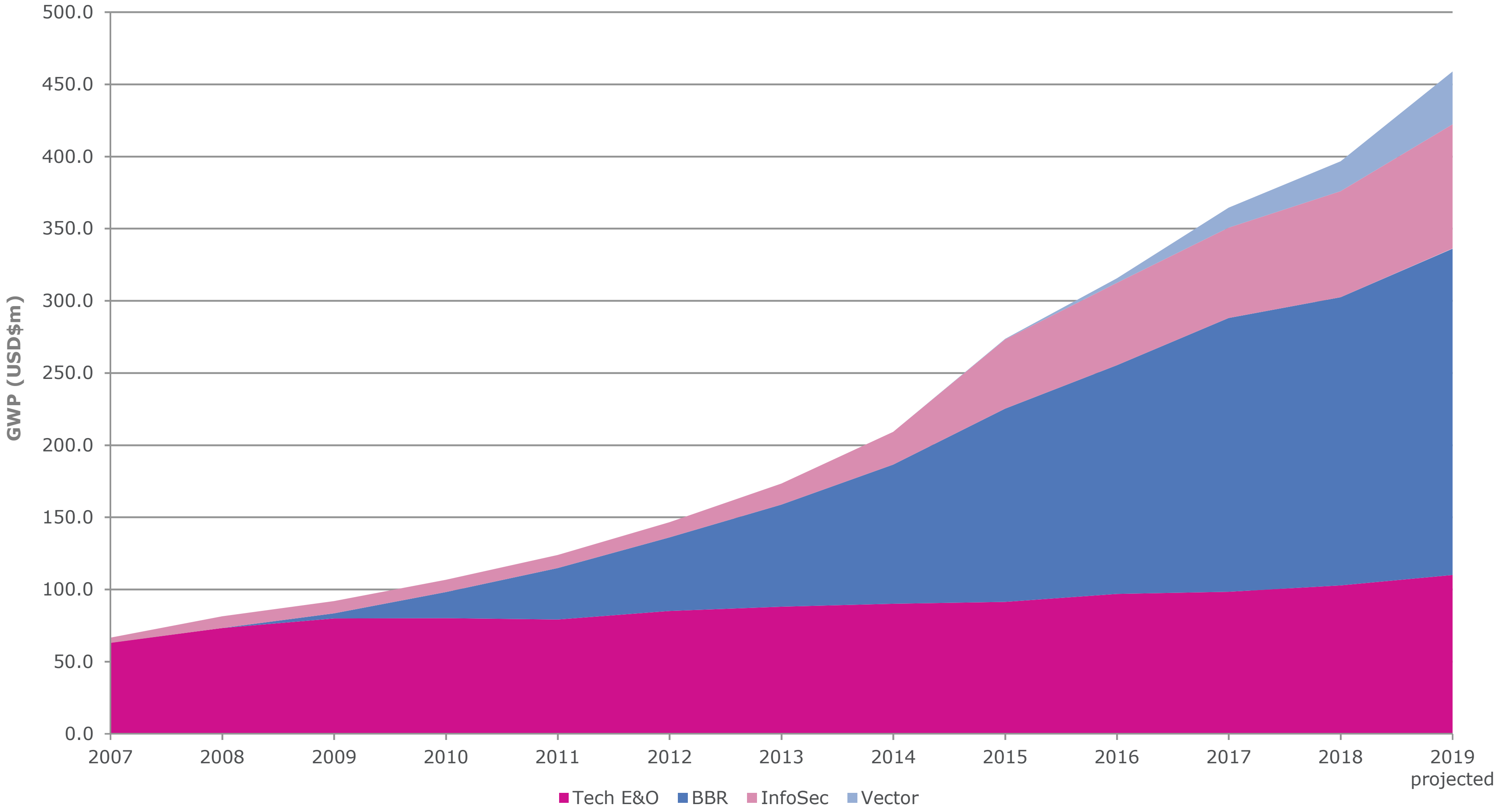
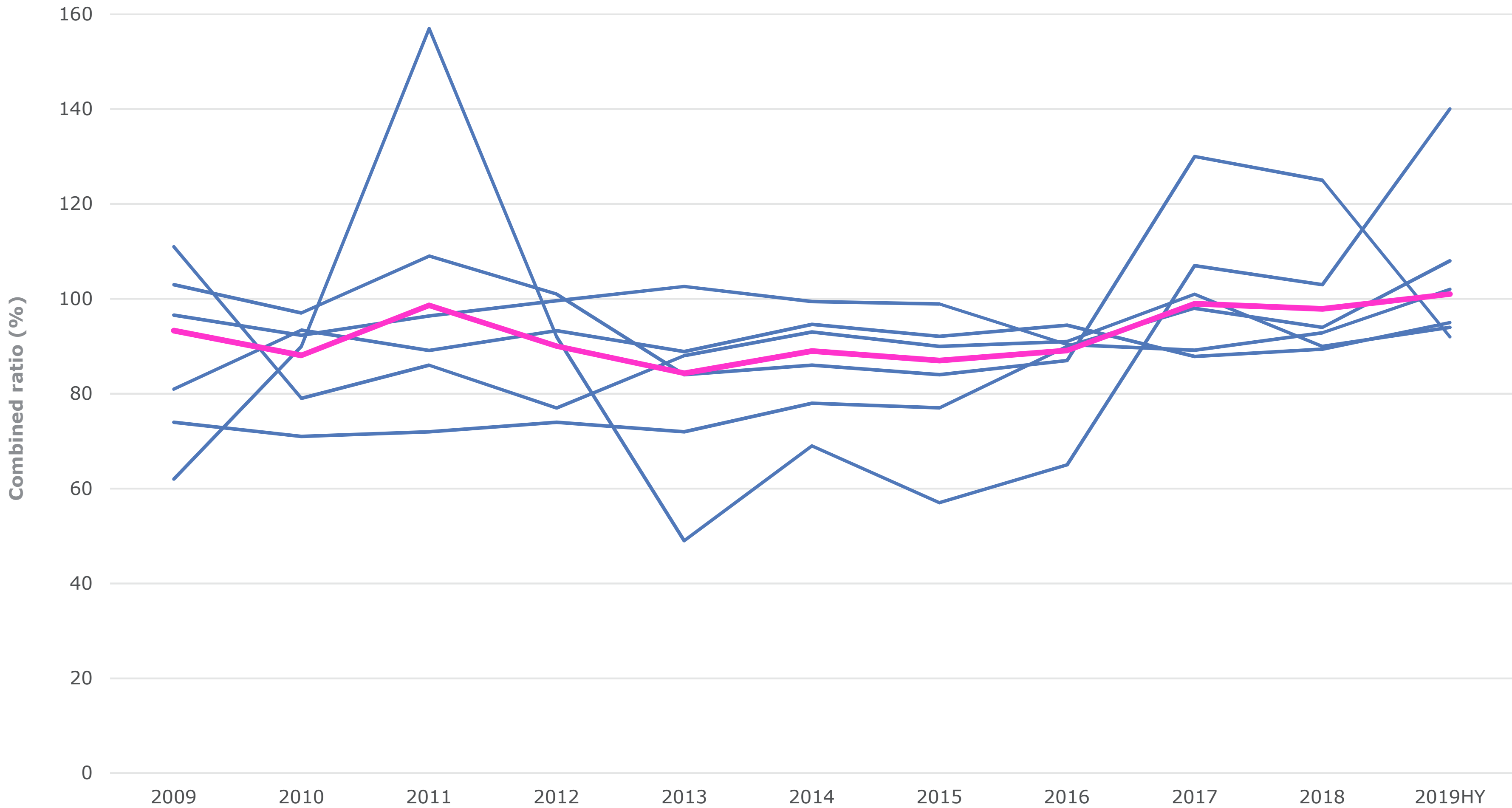
TMB gross premium growth



Portfolio management achieves consistent combined ratio through market cycles



Cyber & executive risk

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**348.1**	**294.3**
Net premiums written ($m)	**303.9**	**258.3**
Net earned premiums ($m)	**296.1**	**261.6**
Claims ratio	**63%**	**52%**
Rate change on renewals	**4%**	**(2%)**
Percentage of business led	**100%**	**98%**

- 18% growth in gross premiums written
- Expense ratio at 32% (2018: 34%)

Marine

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**165.1**	**158.0**
Net premiums written ($m)	**138.4**	**133.6**
Net earned premiums ($m)	**134.2**	**125.0**
Claims ratio	**68%**	**59%**
Rate change on renewals	**7%**	**2%**
Percentage of business led	**60%**	**68%**

- Combined ratio at 108% (2018: 99%)
- Consistent expense ratio of 40% (2018: 40%)

Political, accident & contingency

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**145.9**	**120.0**
Net premiums written ($m)	**126.0**	**101.8**
Net earned premiums ($m)	**109.4**	**86.2**
Claims ratio	**51%**	**55%**
Rate change on renewals	**(1%)**	**(2%)**
Percentage of business led	**71%**	**56%**

- Gross premiums written growth of 22%
- Combined ratio 94% (2018: 101%)

Property

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**230.9**	**243.4**
Net premiums written ($m)	**180.7**	**198.0**
Net earned premiums ($m)	**176.8**	**163.9**
Claims ratio	**51%**	**76%**
Rate change on renewals	**9%**	**10%**
Percentage of business led	**79%**	**64%**

- 5% decline in gross premiums written due to withdrawal from construction and engineering business
- Improved combined ratio of 92% (2018: 116%)

Reinsurance

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**161.4**	**152.5**
Net premiums written ($m)	**97.8**	**95.5**
Net earned premiums ($m)	**57.2**	**59.1**
Claims ratio	**97%**	**30%**
Rate change on renewals	**4%**	**7%**
Percentage of business led	**49%**	**44%**

- Gross premiums written growth of 6%
- Combined ratio increased to 140% (2018: 68%)

Specialty lines

	6 months ended 30 June	
	2019	**2018**
Gross premiums written ($m)	**432.2**	**355.6**
Net premiums written ($m)	**378.7**	**318.1**
Net earned premiums ($m)	**344.3**	**294.4**
Claims ratio	**62%**	**50%**
Rate change on renewals	**4%**	**1%**
Percentage of business led	**88%**	**94%**

- 22% growth in gross premiums written
- Improved expense ratio at 40% (2018: 42%)