

## **RATING ACTION COMMENTARY**

### **Fitch Affirms Beazley's IFS Rating at 'A+'; Outlook Stable**

Wed 16 Apr, 2025 - 12:46 ET

Fitch Ratings - London - 16 Apr 2025: Fitch Ratings has affirmed Beazley Insurance Designated Activity Company's (Beazley Insurance DAC) Insurer Financial Strength (IFS) Rating at 'A+'. It has also affirmed the Long-Term Issuer Default Ratings (IDR) of Beazley Insurance DAC and the ultimate parent and holding company of the group, Beazley plc (together, Beazley), at 'A'. The Outlooks are Stable.

The affirmation reflects the strong company profile, very strong financial performance and capitalisation, and conservative approach to reserving and investments.

#### **KEY RATING DRIVERS**

**Company Profile Constrains Ratings:** Fitch views Beazley plc's company profile as strong. Its insurance written premiums grew 10% to USD6.2 billion in 2024. The profile score is supported by the group's favourable diversification by geography and business, but is constrained by its operating scale, which Fitch views as moderate compared with all other UK non-life insurance companies.

Beazley's newly established US excess and surplus (E&S) carrier, which we view as having 'core' strategic importance to the group, began underwriting on 1 January 2024. We expect this entity to undergo significant growth as all of Beazley's US E&S business will be transferred from Lloyd's paper to this entity over the coming years, and as demand for more complex property risks drives further growth.

**Very Strong Capitalisation:** Fitch's assessment of Beazley's capitalisation is reflected in its Prism Global score of 'Extremely Strong' at end-2024 (end-2023: 'Extremely Strong'). The group also reported a very strong Solvency II (S2) ratio, of 264% (end-2023: 219%), both net of all distributions, including the share buyback of USD500 million announced for year-end 2024. The company aims to maintain an S2 ratio over 170% of solvency capital requirement. We expect the Prism score to remain at least 'Very Strong' over the medium term.

**Very Strong Financial Performance:** Fitch expects Beazley's financial performance to remain very strong and in line with its guidance of an undiscounted combined ratio in the mid-80s for 2025. The company reported a very strong underwriting performance in 2024, with a discounted combined ratio of 75% (2023: 71%) and insurance service result of USD1,236 million (USD1,251 million).

Strong investment performance, on the back of higher reinvestment yields, led to overall investment income of USD574 million in 2024 (2023: USD480 million). The company maintained strong bottom-line profitability, reporting a net return on equity of 27% at end-2024 (end-2023: 30%). We expect Beazley to benefit from robust underwriting practices managing the insurance cycle effectively. However, uncertainty remains due to its high exposure to financial market volatility and macro-economic concerns in the US.

**Large Property and Cyber Books:** Our assessment of financial performance accounts for volatility from larger-than-expected losses from property and cyber books of business. Beazley is expanding its cyber risk portfolio outside the US and retaining more risk on its balance sheet through a reduction in quota share reinsurance. The company's property risk business experienced big growth in 2024, driven by demand, particularly in the US. Therefore, we expect an increase in risk retention within its property risk portfolio.

**Very Strong Reserve Adequacy:** Fitch believes Beazley's reserve adequacy is very strong, which will continue to support its technical profitability. In 2024, the company reported prior-year reserve releases of approximately USD145 million, representing 2.9% of net insurance revenue, due to favourable reserve development across all lines except MAP risks (marine, aviation and political business). Fitch expects Beazley to maintain a very conservative reserving position.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- Prism score declining to the lower end of the 'Strong' category.
- A deterioration in profitability, reflected in a combined ratio above 100%, assuming normal levels of catastrophe losses.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- An improvement in Beazley's company profile could result in an upgrade.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Beazley Excess and Surplus Insurance, Inc	LT IDR	A Rating Outlook Stable		A Rating Outlook Stable
	Affirmed			
	LT IFS	A+ Rating Outlook Stable		A+ Rating Outlook Stable
	Affirmed			
Beazley Insurance DAC	LT IDR	A Rating Outlook Stable		A Rating Outlook Stable
	Affirmed			
	LT IFS	A+ Rating Outlook Stable		A+ Rating Outlook Stable
	Affirmed			
subordinated	LT	BBB+	Affirmed	BBB+

Beazley plc

LT IDR    A Rating Outlook Stable

A Rating  
Outlook  
Stable

Affirmed

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**APPLICABLE CRITERIA**

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 ([1](#))

**ADDITIONAL DISCLOSURES**

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**ENDORSEMENT STATUS**

Beazley Excess and Surplus Insurance, Inc	UK Issued, EU Endorsed
Beazley Insurance DAC	UK Issued, EU Endorsed
Beazley plc	UK Issued, EU Endorsed

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