

Results for the six months ended 30 June 2013

Tuesday, 23 July 2013

beazley

Disclaimer notice

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Overview

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Overview – Strong underwriting performance in an increasingly competitive market

- Profit before income tax of \$82.3m (2012 profit: \$112.9m)
- Gross written premiums increased 5% to \$1,066.7m (2012: \$1,013.1m)
- Combined ratio 89% (2012: 91%)
- Rate change on renewal business 1% (2012: 3%)
- Prior year reserve releases of \$60.8m (2012: \$47.6m)
- Investment return of \$0.3m (2012: \$36.1m)
- Annualised return on equity of 12% (2012: 18%)
- Interim dividend up 7% to 2.9p

Business update

- Continue to achieve rate increases in specialty lines
- Changes made to property group to enhance performance
- Aviation business progressing well
- European floods are covered in our reserves (maximum loss would be \$30m retention)
- Challenging investment markets in Q2

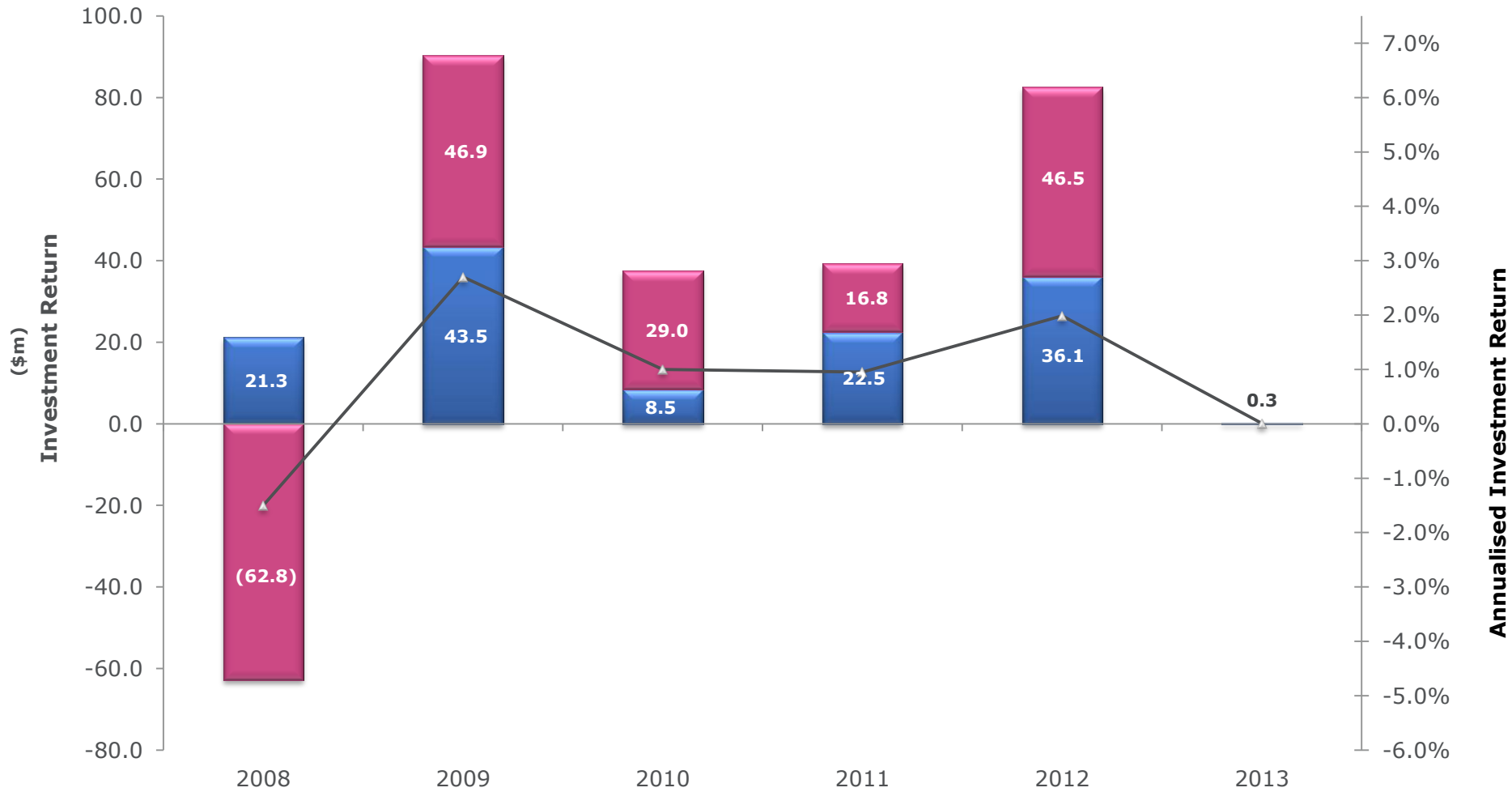
Financials

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Six months financial performance

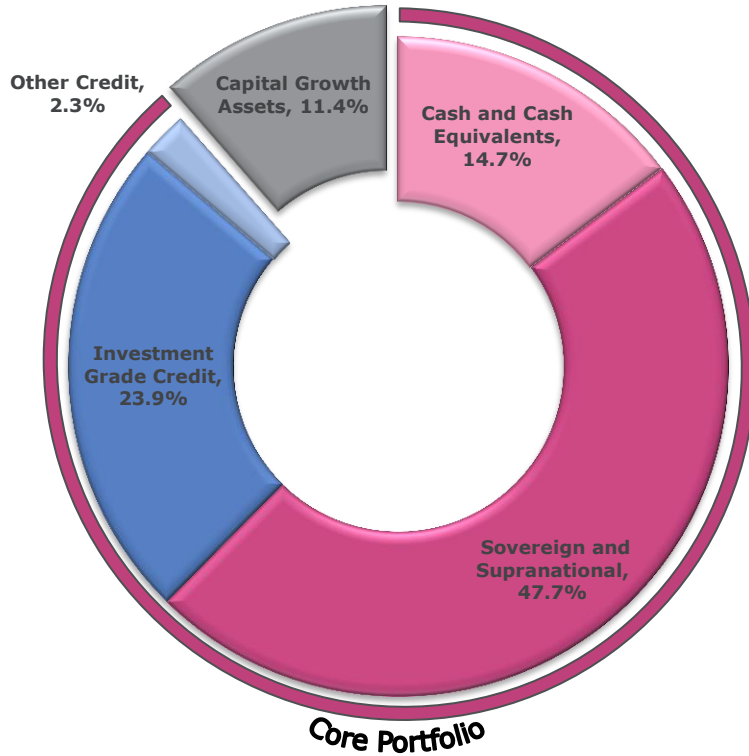
	6 months ended 30 June 2013	6 months ended 30 June 2012	% increase
Gross written premiums (\$m)	1,066.7	1,013.1	5%
Net written premiums (\$m)	758.0	650.8	16%
Net earned premiums (\$m)	758.8	703.3	8%
Profit before tax (\$m)	82.3	112.9	(27%)
Earnings per share (pence)	9.3	12.5	
Dividend per share (pence)	2.9	2.7	
Net assets per share (pence)	152.0	142.2	
Net tangible assets per share (pence)	138.0	126.0	

Portfolio delivers a nil return during H1 2013

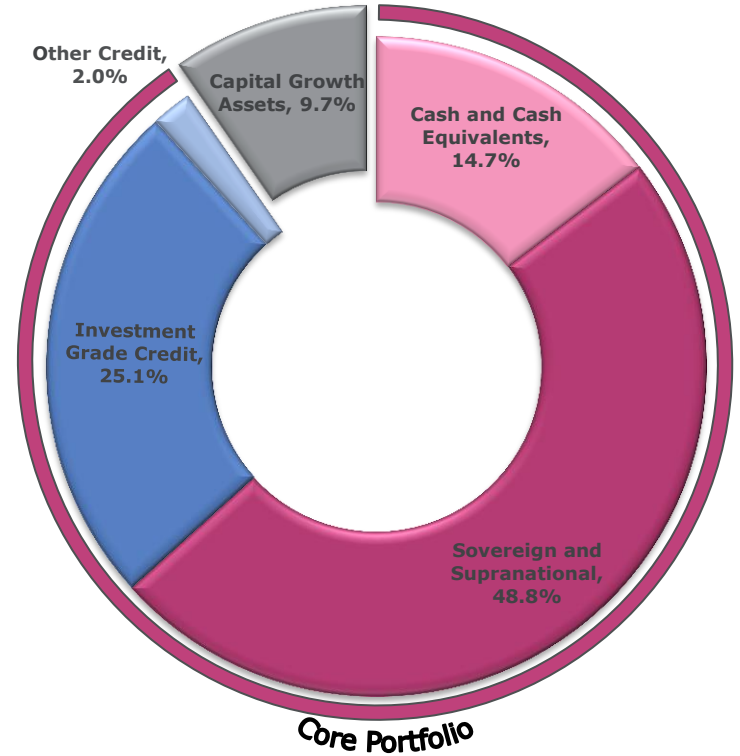


Conservative portfolio maintained

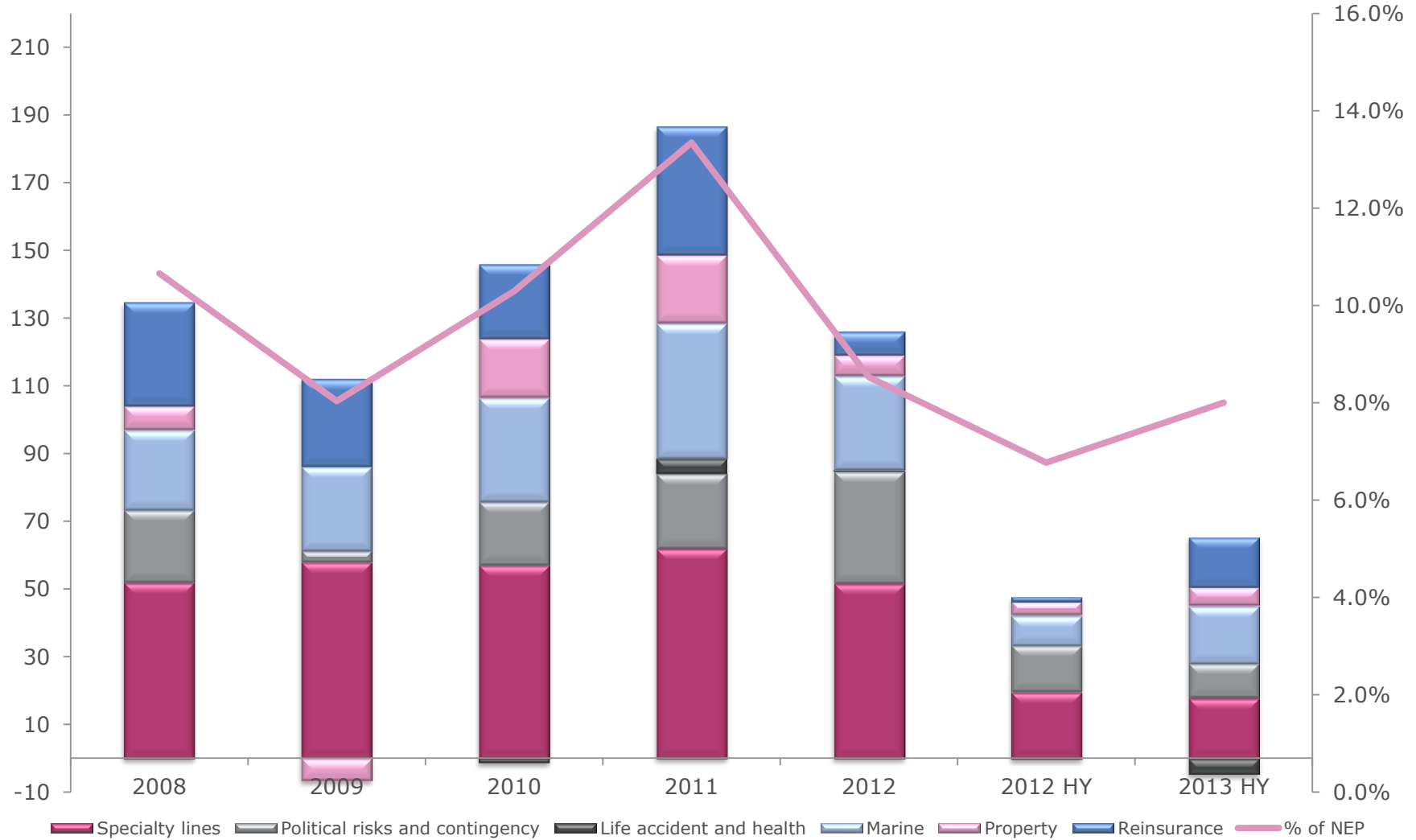
Jun-13



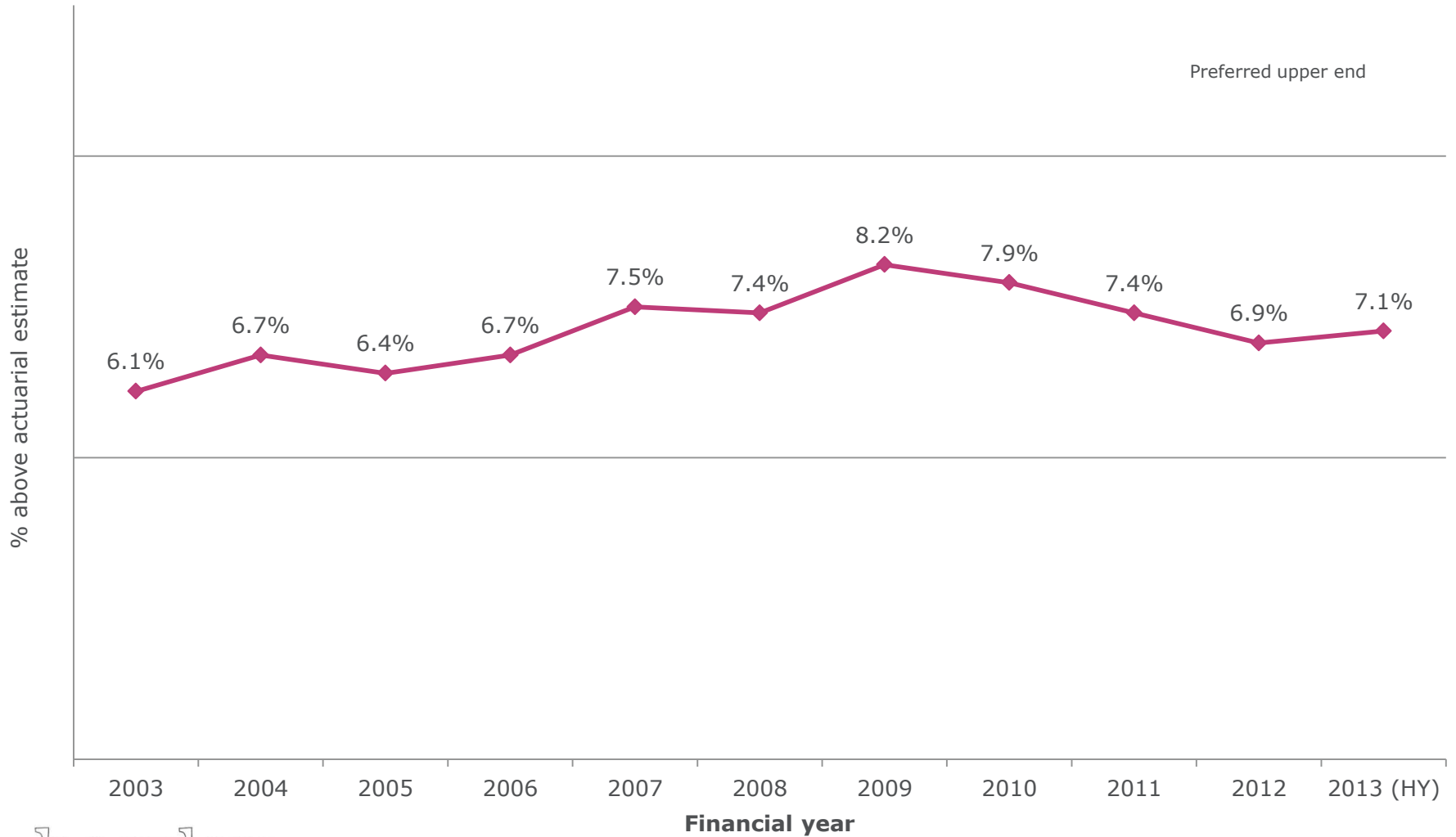
Dec-12



Prior year reserve releases remain stable



Whole account reserve strength within our target range



Strong capital position

<u>Sources of funds</u>	2013 HY	2012 FY
Shareholders funds (\$m)	1,157.6	1,204.5
Subordinated debt (\$m)	133.5	184.3
Retail bond (\$m)	114.0	122.3
	1,405.1	1,511.1
<u>Uses of funds</u>		
Lloyd's underwriting (\$m)	876.0	876.0
US Insurance Company (\$m)	107.7	107.7
	983.7	983.7
Surplus (\$m)	421.4	527.4
Unavailable surplus (\$m)	(236.1)	(267.1)
Available for underwriting surplus (\$m)	185.3	260.3
Un-utilised banking facility (\$m)	225.0	225.0

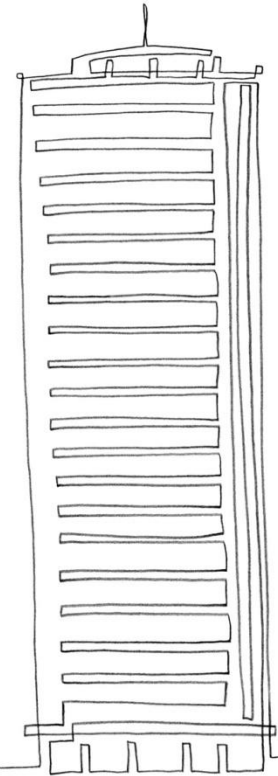
In Focus – Property

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Key themes

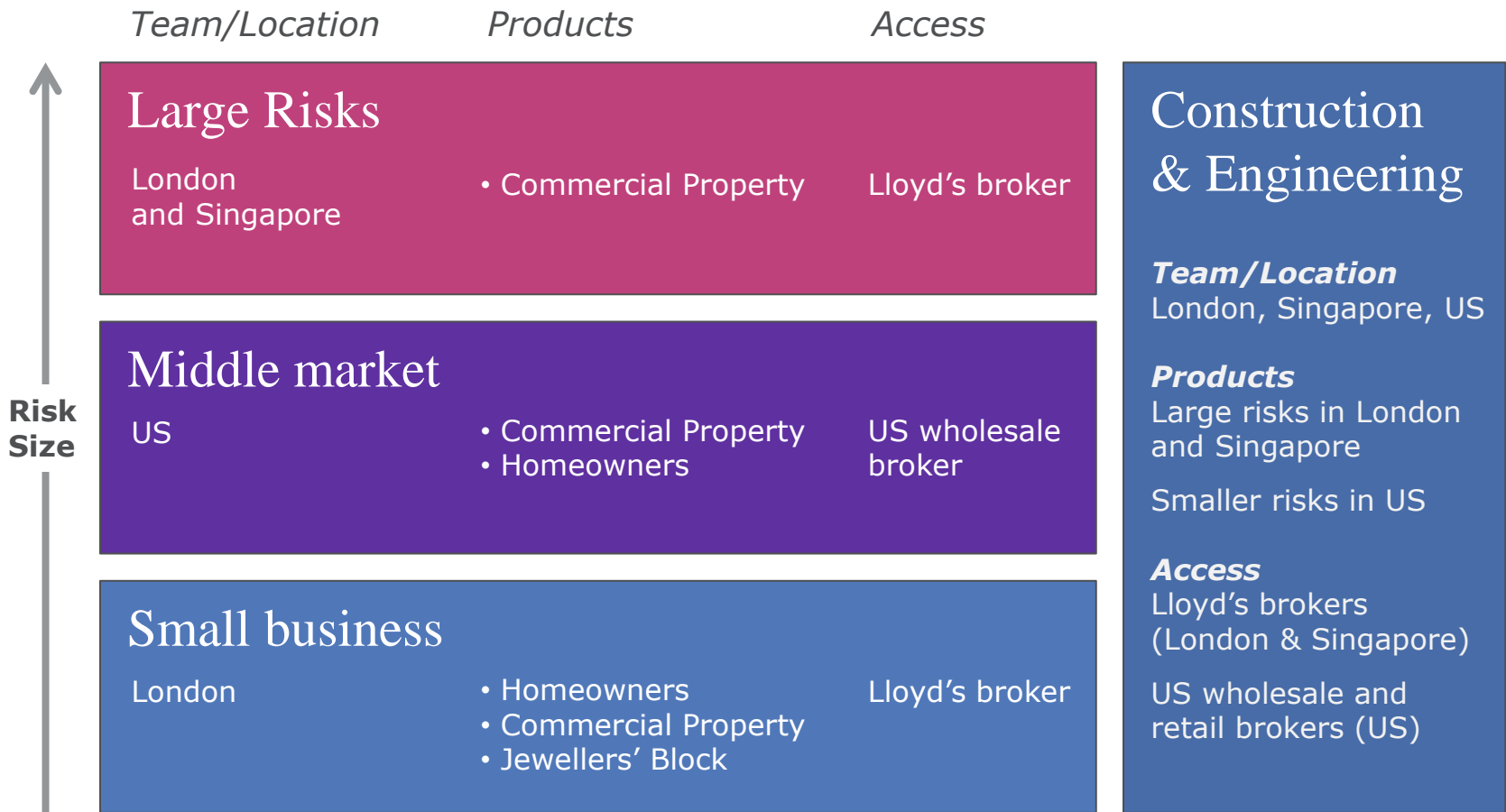
- Continuity in leadership
- Increased margins
- Growth where appropriate
- Favourable trading conditions

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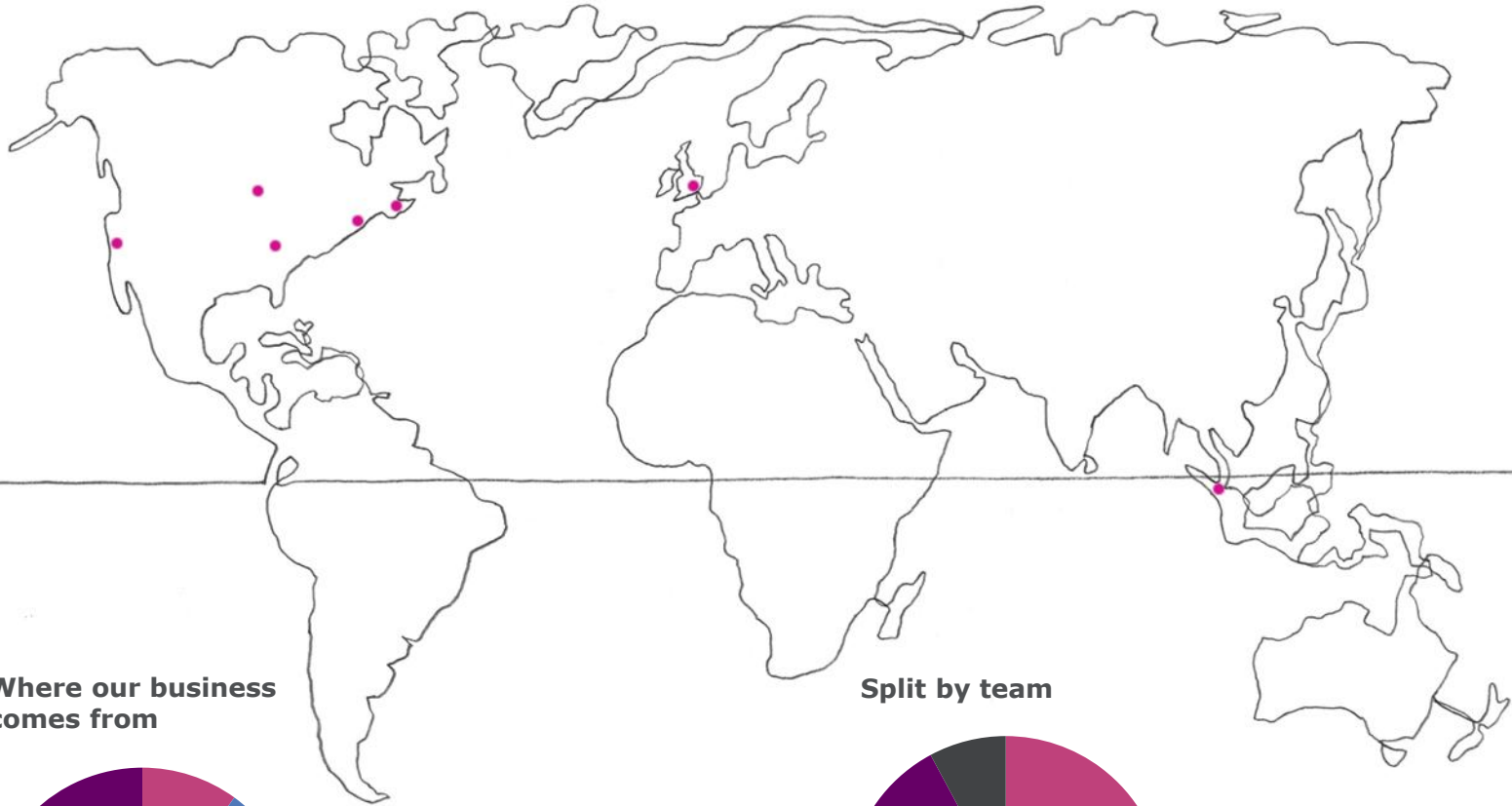


Property Group

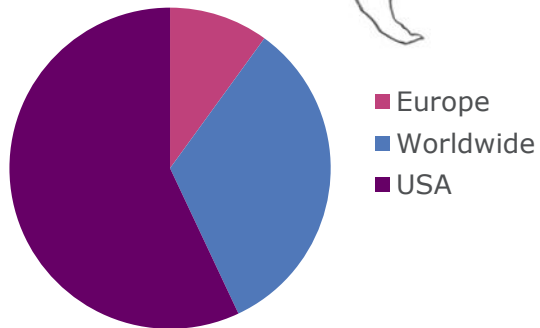
“To become and be recognised as the highest performing specialist property insurer”



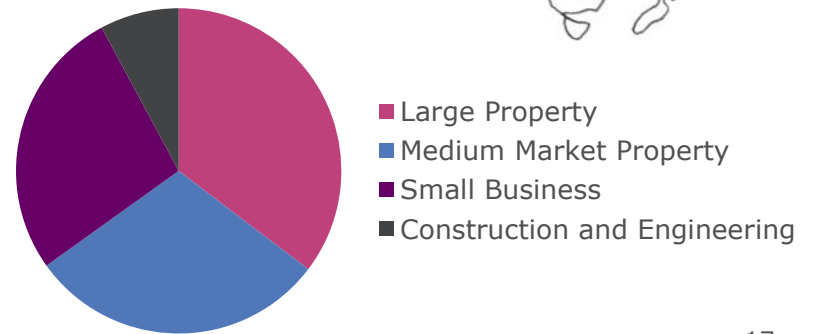
Where we underwrite



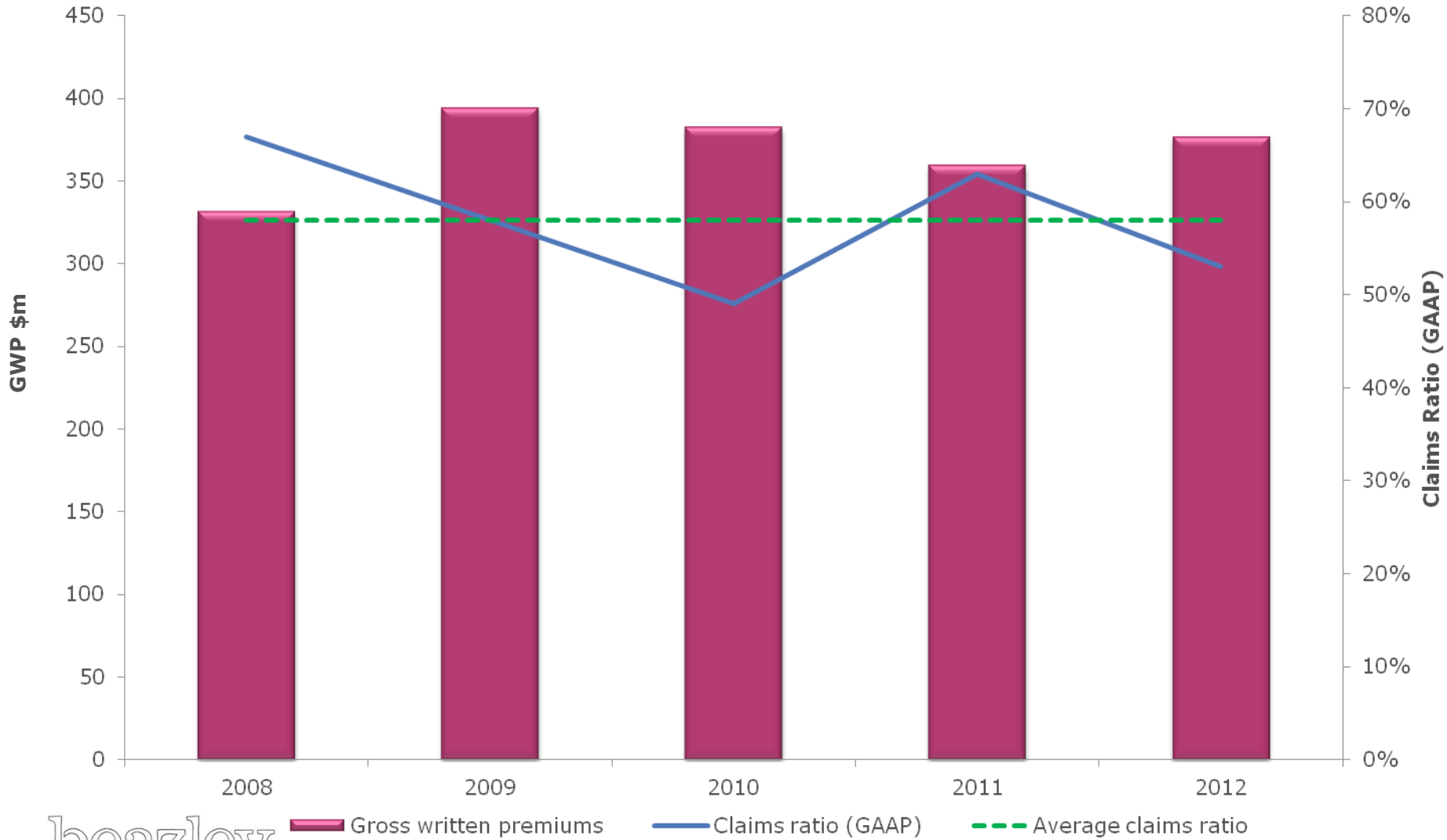
Where our business comes from



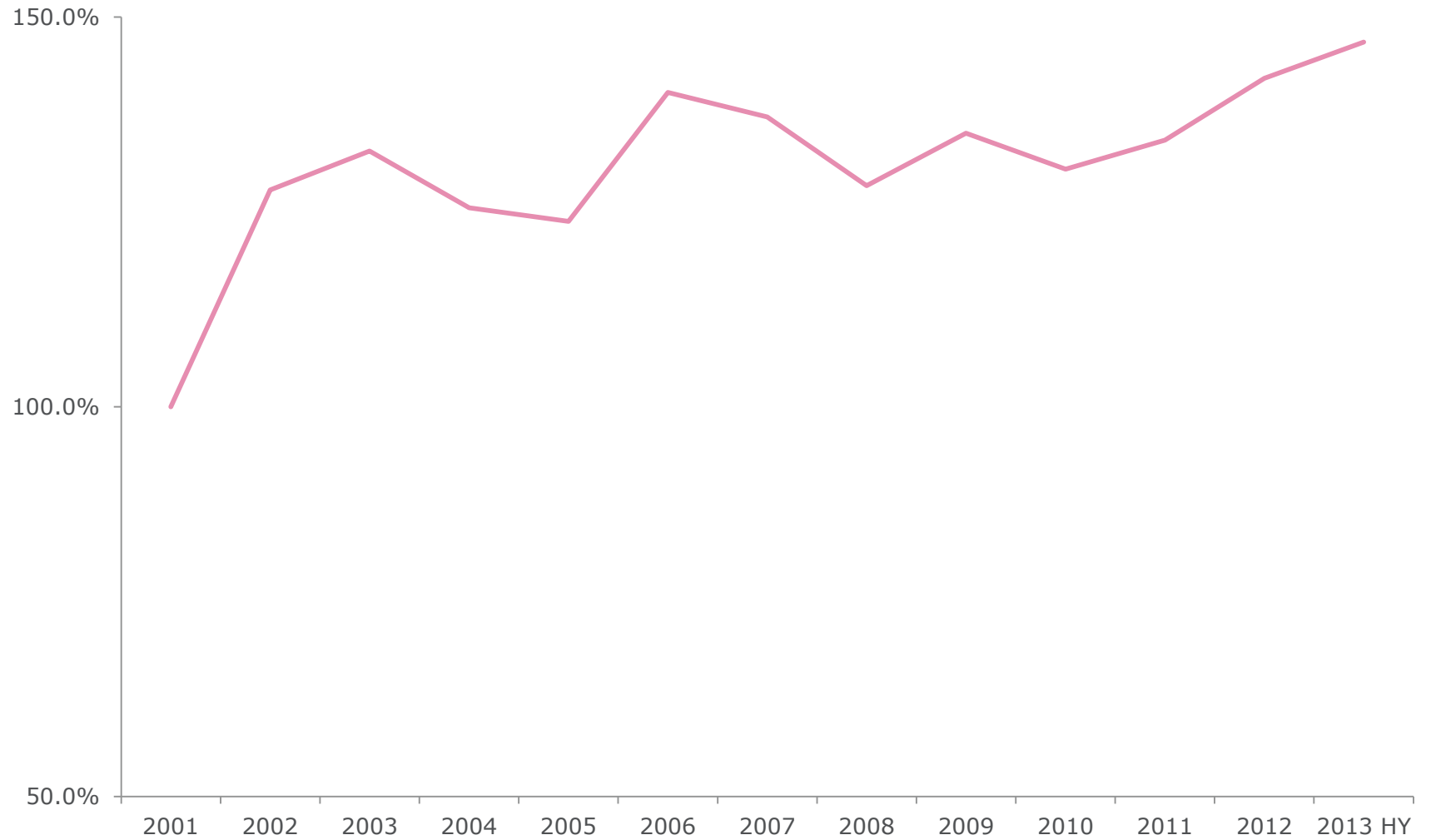
Split by team



Property Group – 5 year summary



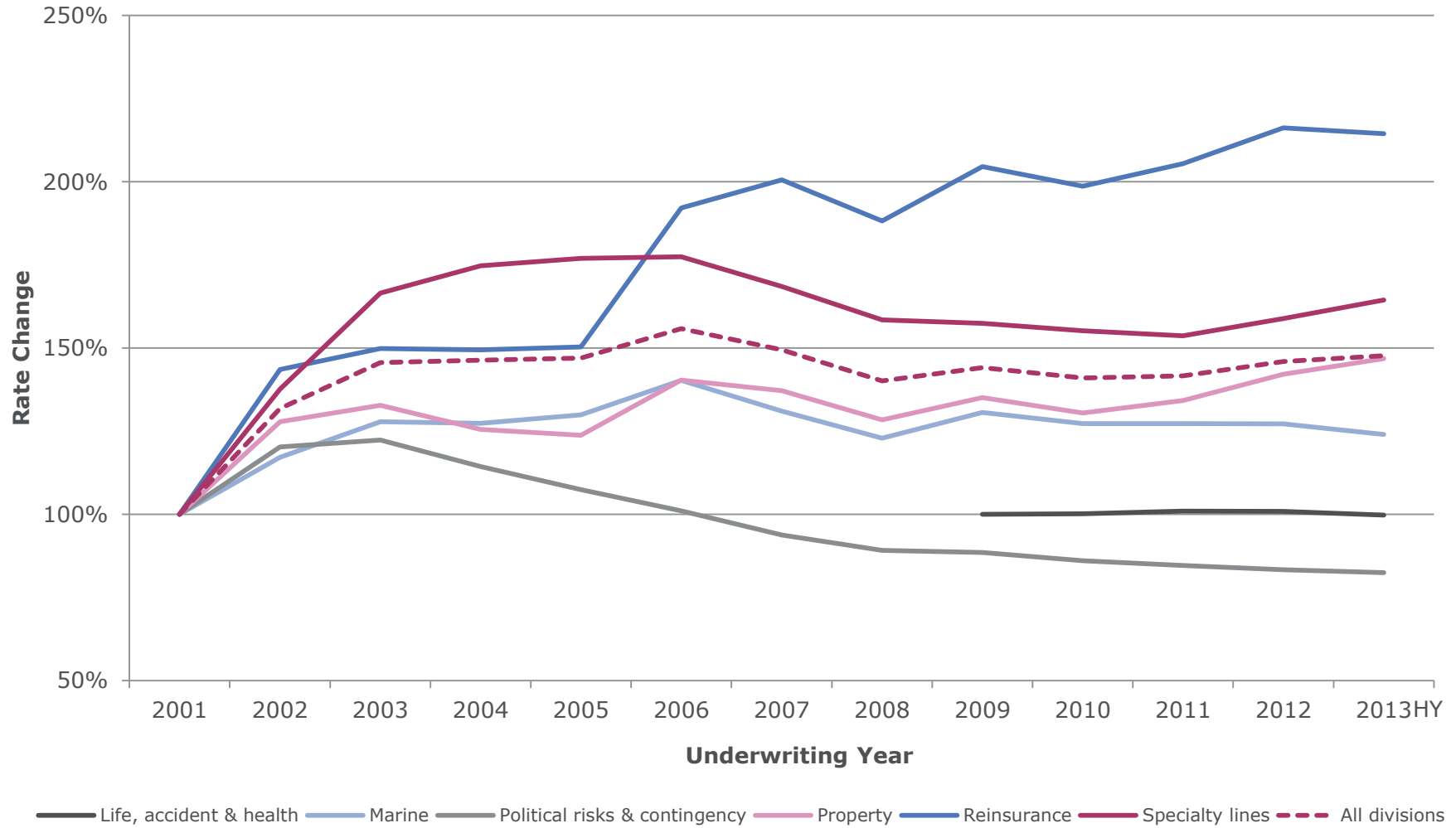
Favourable market conditions



Rate changes of Beazley Property Group

Underwriting review and outlook

Cumulative rate change since 2001



Outlook

- Increasing competitive headwinds
 - New capital entering the reinsurance market
 - Entrants to US surplus lines markets
 - Broker led initiatives increasing capacity in London
- Beazley's balanced portfolio is well positioned for these headwinds and thanks to specialty lines, we are planning to achieve flat rates in 2014
- We have growth areas that will continue into 2014
- We expect to earn a 2% yield on the investment portfolio going forward

Any questions?

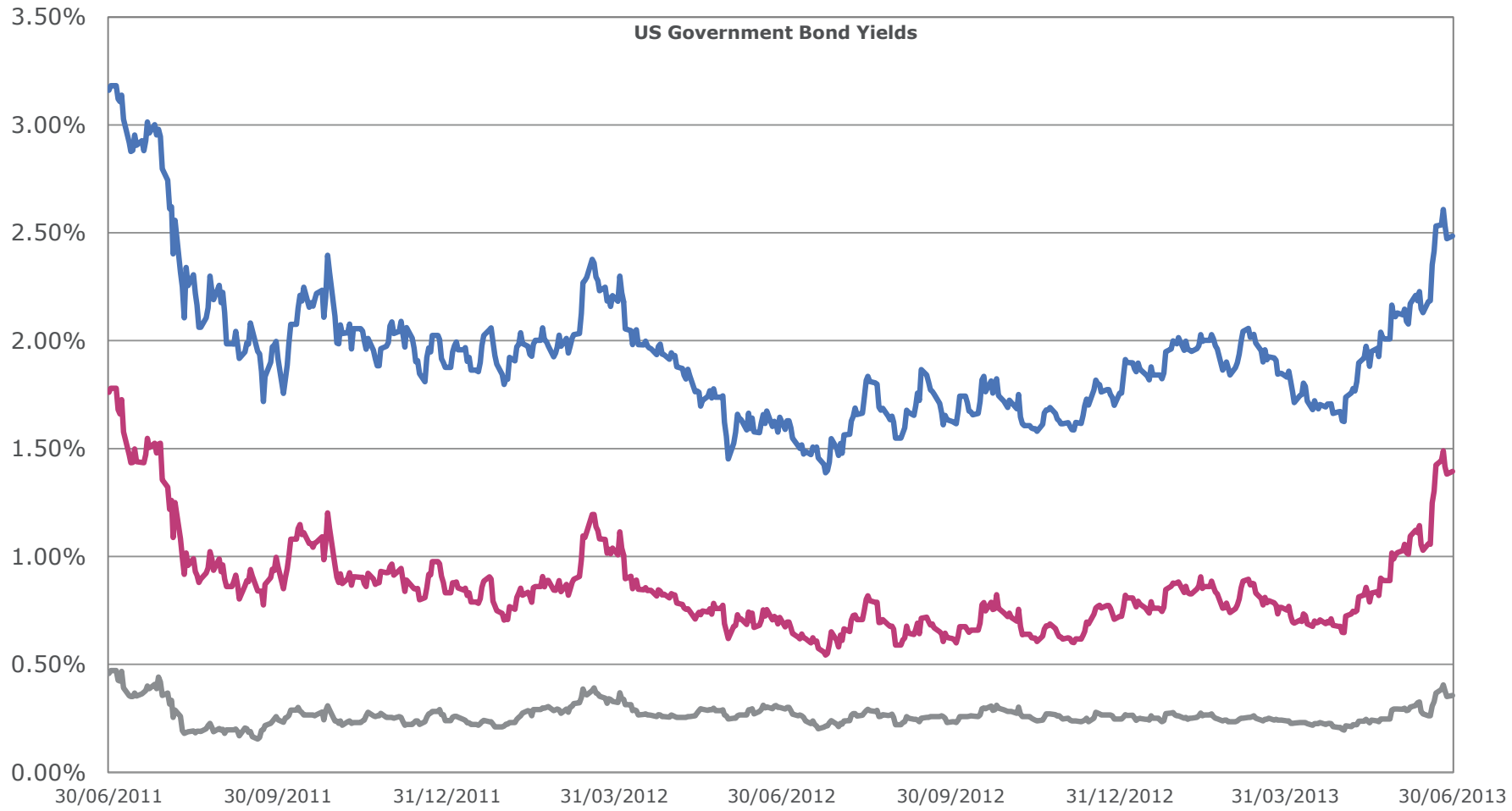
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Appendix

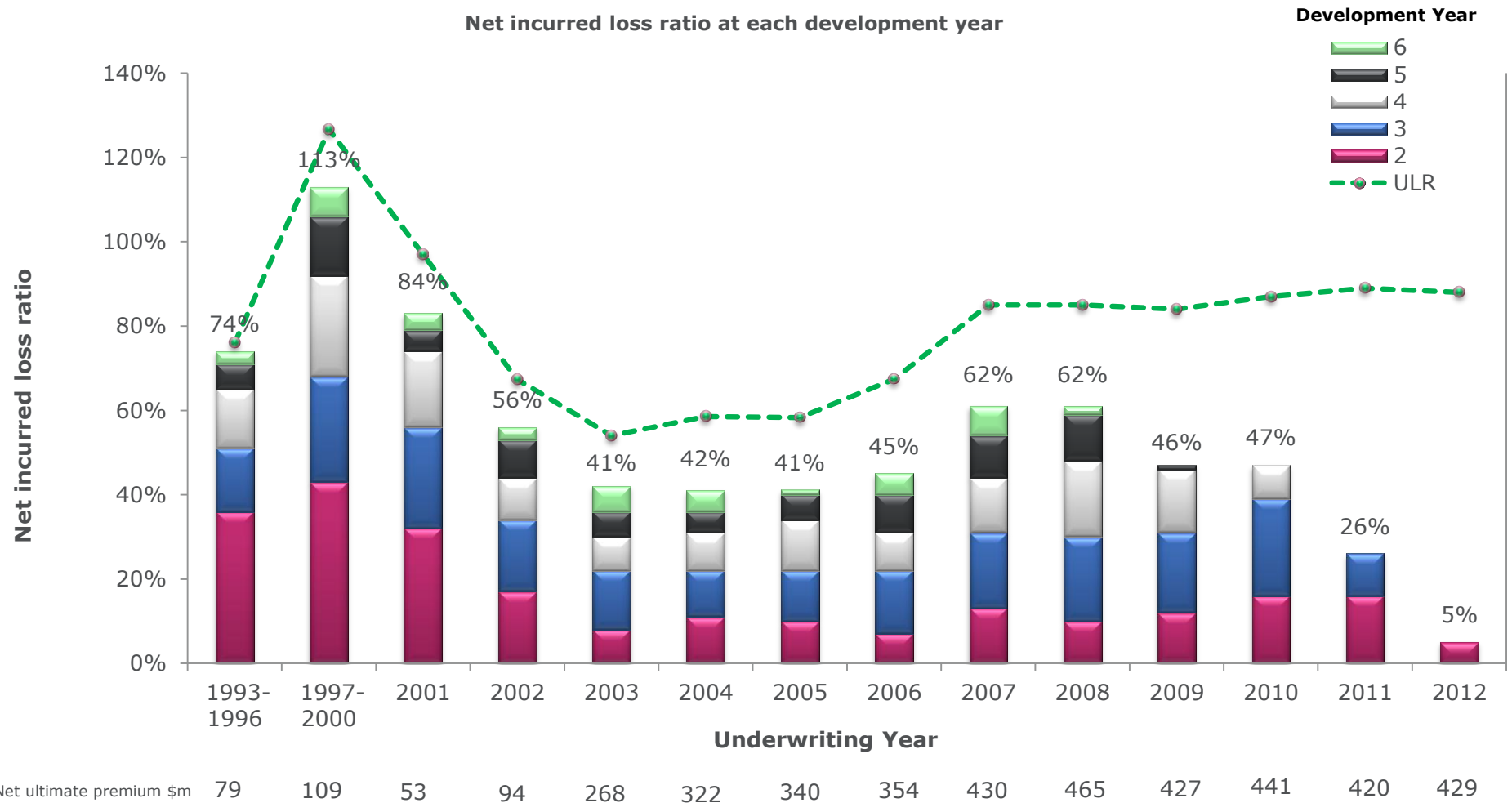
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US interest rates



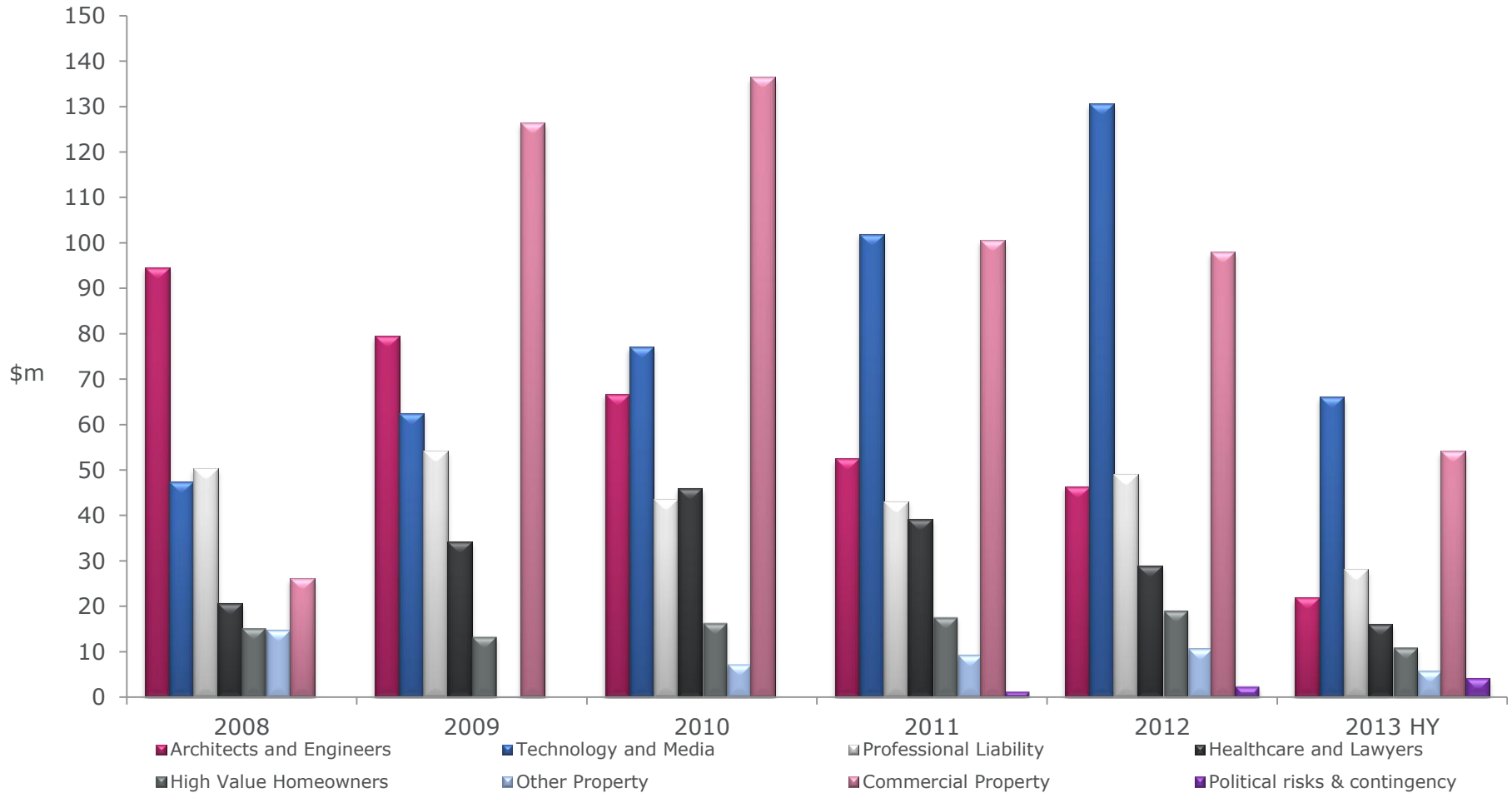
— US 10 Year Index — US 5 Year Index — US 2 Year Index

Specialty lines incurred claims remain in line with expectations

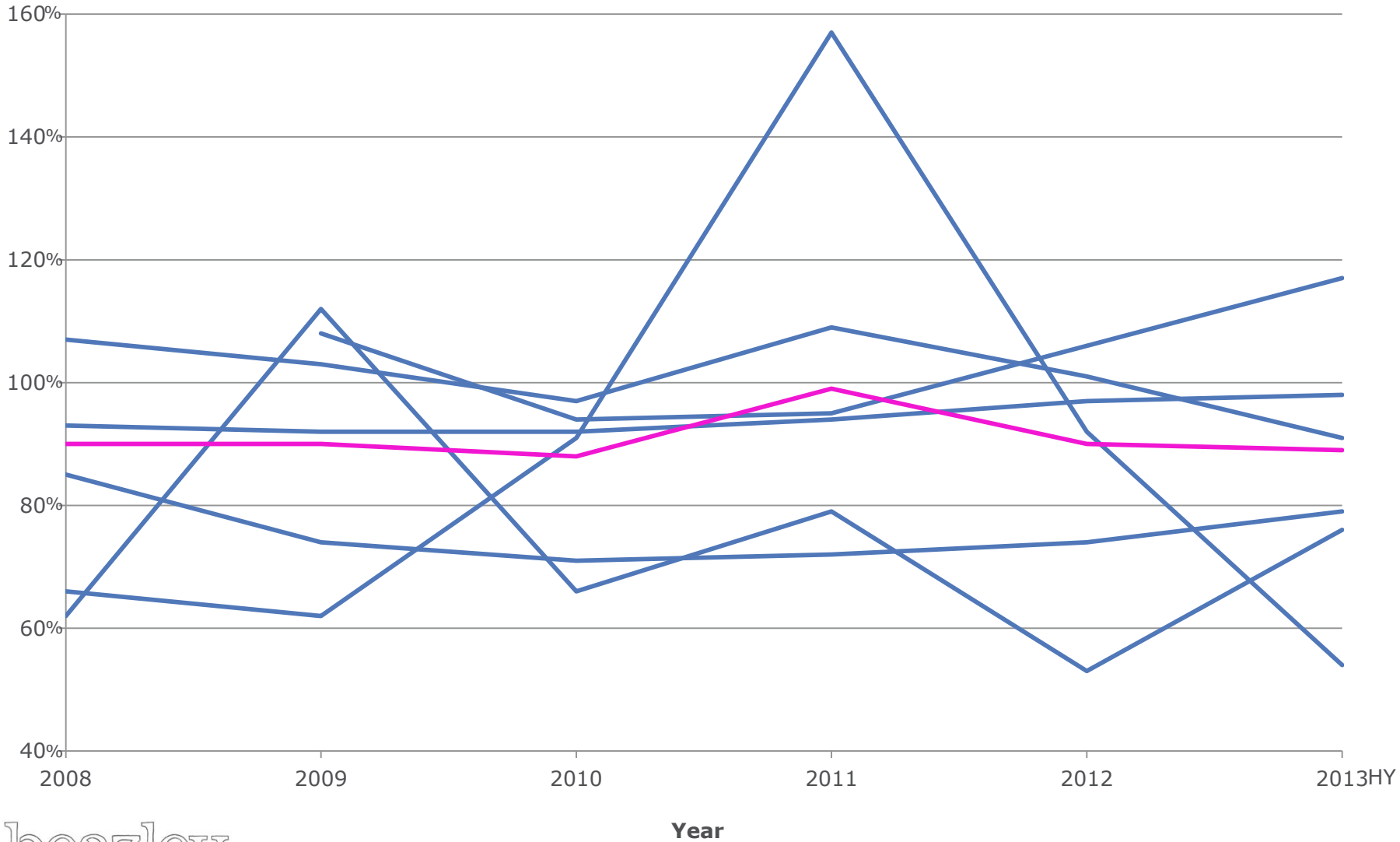


US originated business \$208m for HY 2013

GWP by Product



Diversified portfolio achieves consistent combined ratio through market cycles



Life, accident & health

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	56.4	49.7	
Net premiums written (\$m)	39.0	45.3	
Net earned premiums (\$m)	45.4	43.7	<ul style="list-style-type: none"> Reserves strengthened on our Australian business
Claims ratio	76%	60%	<ul style="list-style-type: none"> US admitted open for business
Rate change on renewals	(1%)	(1%)	
Percentage of business led	78%	79%	

Marine

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	197.1	184.6	
Net premiums written (\$m)	165.2	156.8	<ul style="list-style-type: none"> 7% growth in gross premiums with aviation team delivering against plan
Net earned premiums (\$m)	131.5	135.9	
Claims ratio	43%	47%	<ul style="list-style-type: none"> Developing marine liability account
Rate change on renewals	(2%)	-	<ul style="list-style-type: none"> Prior year reserve releases of \$17.0m (2012: \$8.9m)
Percentage of business led	44%	46%	

Political risks and contingency

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	63.3	71.9	
Net premiums written (\$m)	46.0	58.2	• Reduction in gross premiums due to increased competition in political risks
Net earned premiums (\$m)	46.3	49.8	
Claims ratio	33%	22%	• Prior year reserve releases of \$10.2m (2012: \$13.8m)
Rate change on renewals	(1%)	(1%)	
Percentage of business led	74%	70%	

Property

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	199.0	201.5	
Net premiums written (\$m)	130.1	98.7	
Net earned premiums (\$m)	150.2	130.2	<ul style="list-style-type: none">• 33% growth in net premiums written as a result of consolidation in reinsurance purchased
Claims ratio	52%	50%	<ul style="list-style-type: none">• Expense ratio improved to 39% (2012: 51%)
Rate change on renewals	3%	7%	
Percentage of business led	71%	68%	

Reinsurance

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	170.3	139.8	
Net premiums written (\$m)	121.1	96.7	<ul style="list-style-type: none"> • 22% increase in gross premiums with growth across the account
Net earned premiums (\$m)	70.8	59.6	<ul style="list-style-type: none"> • Prior year reserve releases of \$14.9m (2012: \$1.6m)
Claims ratio	24%	51%	
Rate change on renewals	(1%)	5%	<ul style="list-style-type: none"> • Increased competition in this market due to new capital entering
Percentage of business led	41%	39%	

Specialty lines

6 months ended 30 June

	2013	2012	
Gross premiums written (\$m)	380.6	365.6	
Net premiums written (\$m)	256.6	195.1	• Continue to grow premiums in the technology and media product range
Net earned premiums (\$m)	314.6	284.1	
Claims ratio	62%	63%	• Prior year reserve releases of \$17.9m (2012: \$19.6m)
Rate change on renewals	4%	3%	
Percentage of business led	95%	94%	