

Results for the six months ended 30 June 2018

Friday, 20 July 2018

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Overview

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Overview – strong premium growth

- Profit before income tax of \$57.5m (2017: \$158.7m)
- Gross premiums written increased by 15% to \$1,323.8m (2017: \$1,149.3m)
- Combined ratio 95% (2017: 90%)
- Rate change on renewal business 3% (2017: -2%)
- Prior year reserve releases of \$48.1m (2017: \$83.4m)
- Investment return of \$8.0m (2017: \$79.4m)
- Annualised return on equity of 6% (2017: 18%)
- Interim dividend up 5% to 3.9p (2017: 3.7p)

Business update

- Top line growth across all of our divisions
- Syndicate 5623 started - facilities business premiums written of \$13m
- Management liability & TMB to form a new division from 2019 separate from specialty lines
- Neil Maidment will be succeeded as chief underwriting officer by Adrian Cox
- Martin Bride will retire during 2019 and his successor will be appointed in due course
- Refreshed strategic initiatives:
 - Beazley Digital
 - Faster, smarter underwriting
 - Closer to client
 - London Market

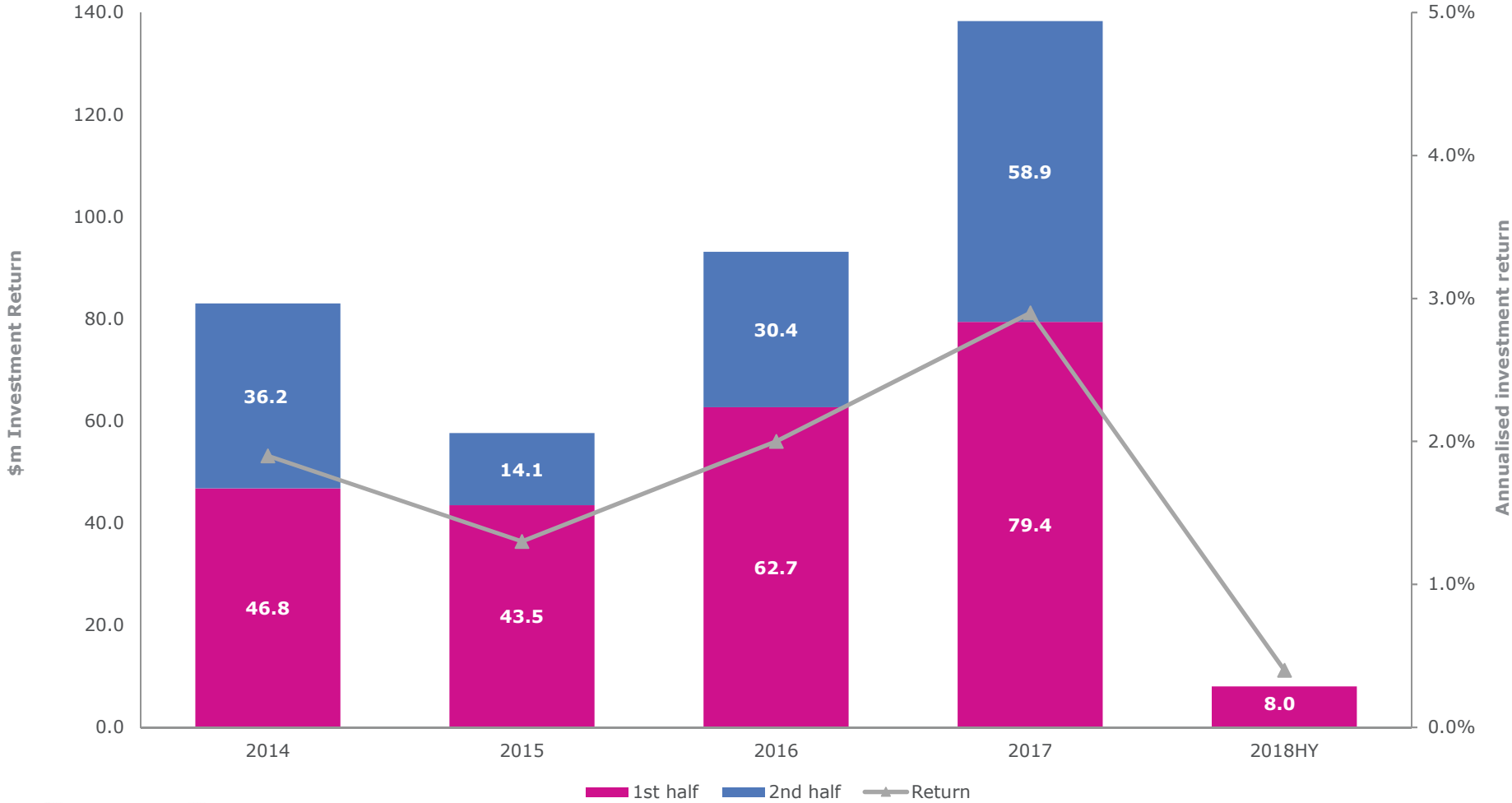
Financials

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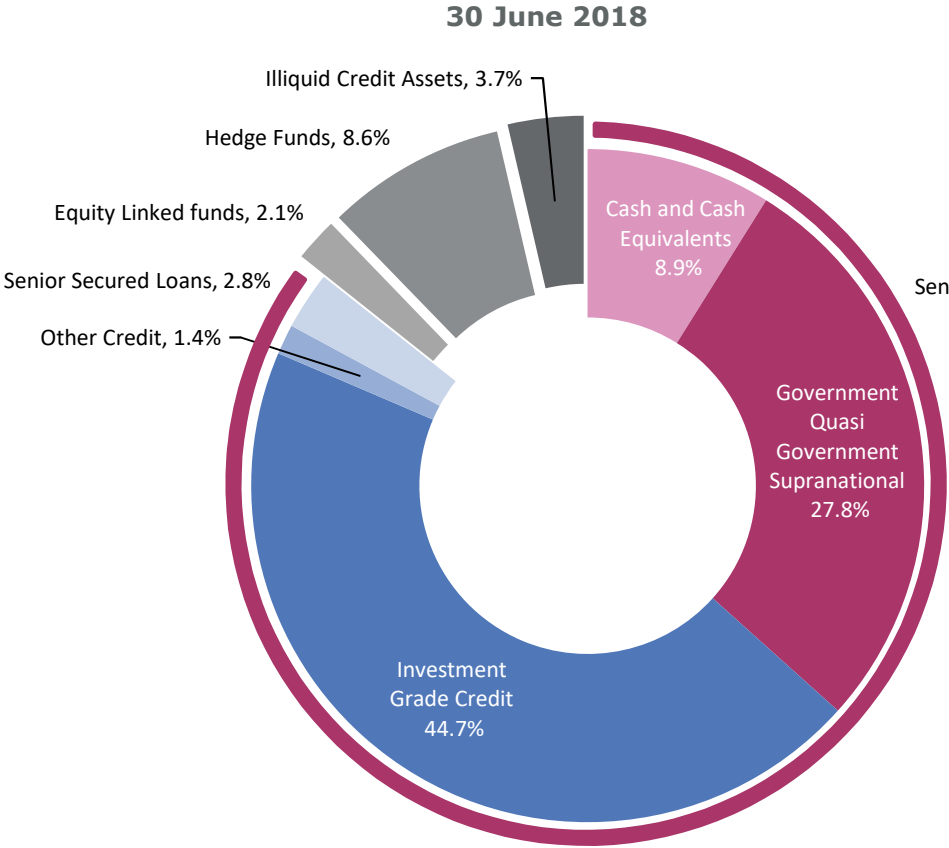
Six months financial performance

	6 months ended 30 June 2018	6 months ended 30 June 2017	% increase/ (decrease)
Gross premiums written (\$m)	1,323.8	1,149.3	15%
Net premiums written (\$m)	1,105.3	936.4	18%
Net earned premiums (\$m)	990.2	886.7	12%
Profit before income tax (\$m)	57.5	158.7	(64%)
Earnings per share (pence)	6.6	20.2	
Dividend per share (pence)	3.9	3.7	
Net assets per share (pence)	210.4	226.0	
Net tangible assets per share (pence)	191.6	206.9	

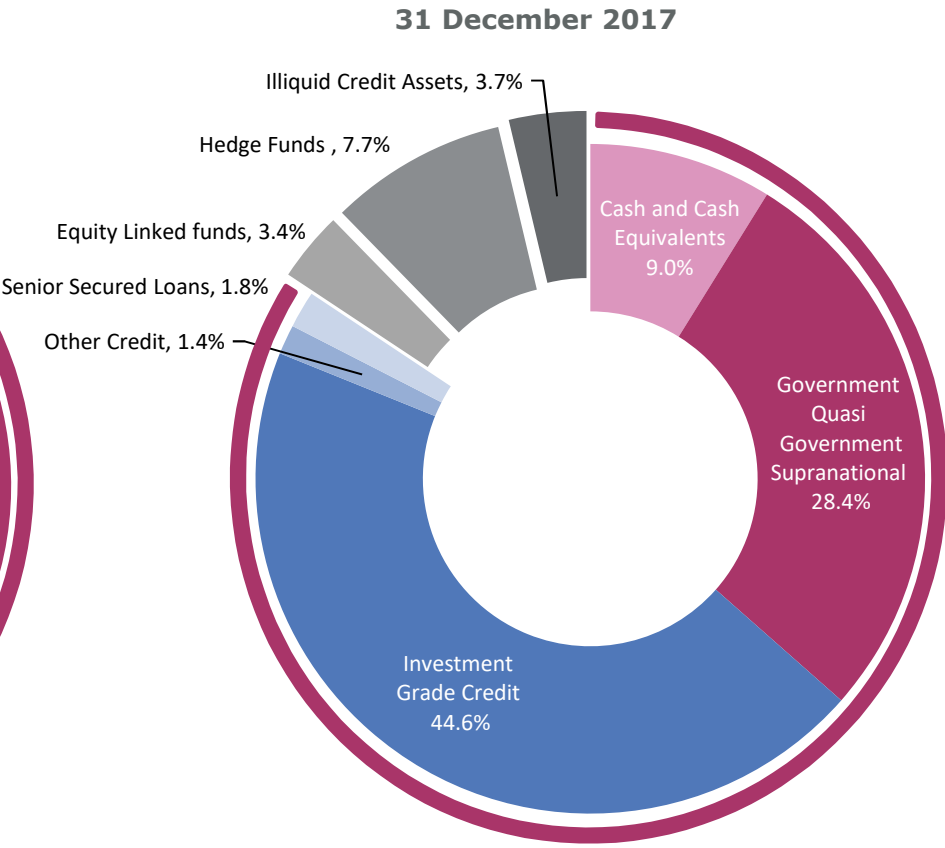
Rising US rates reduced return for the first half of 2018



Minor changes to optimise portfolio

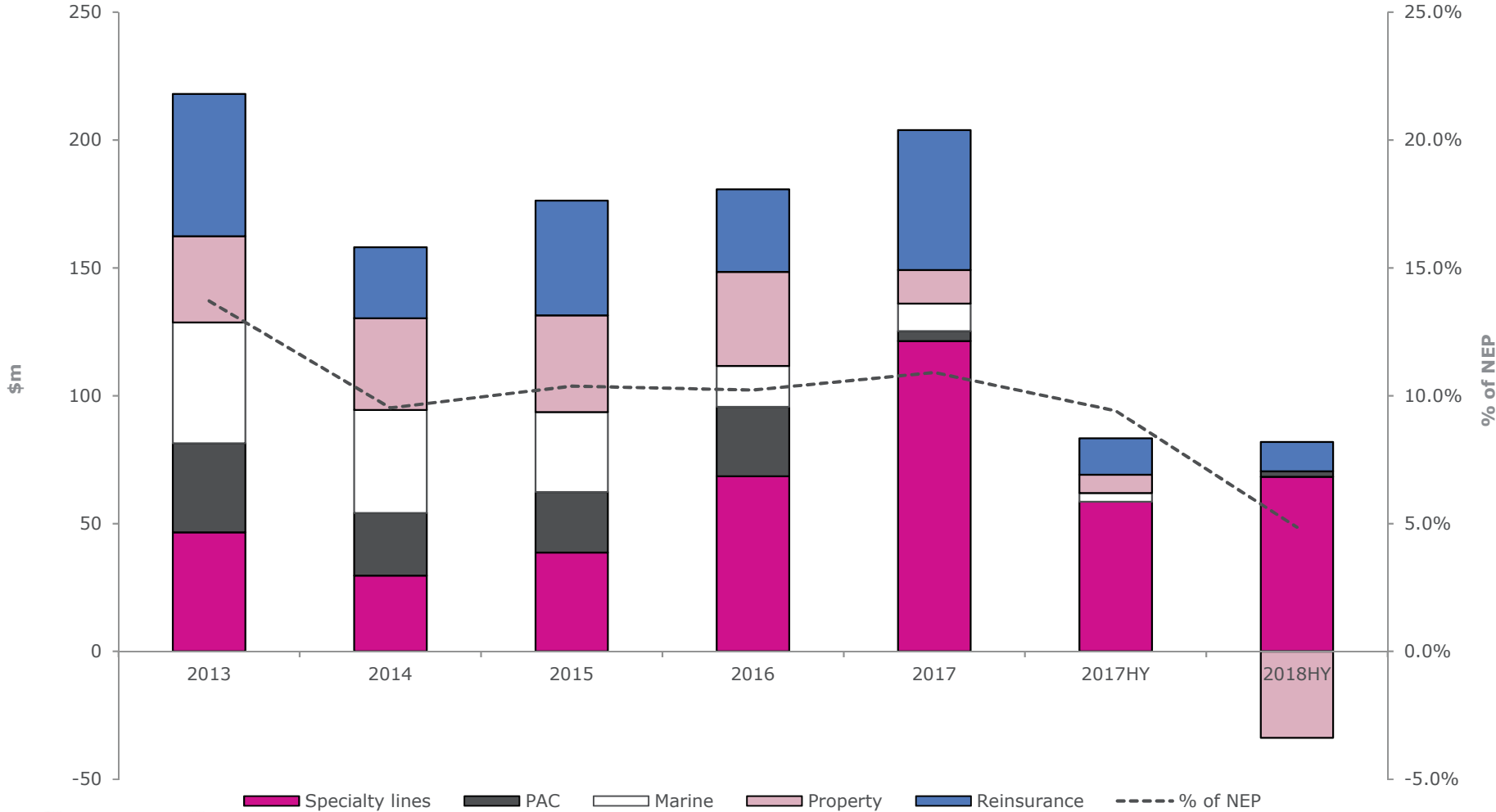


Core Portfolio

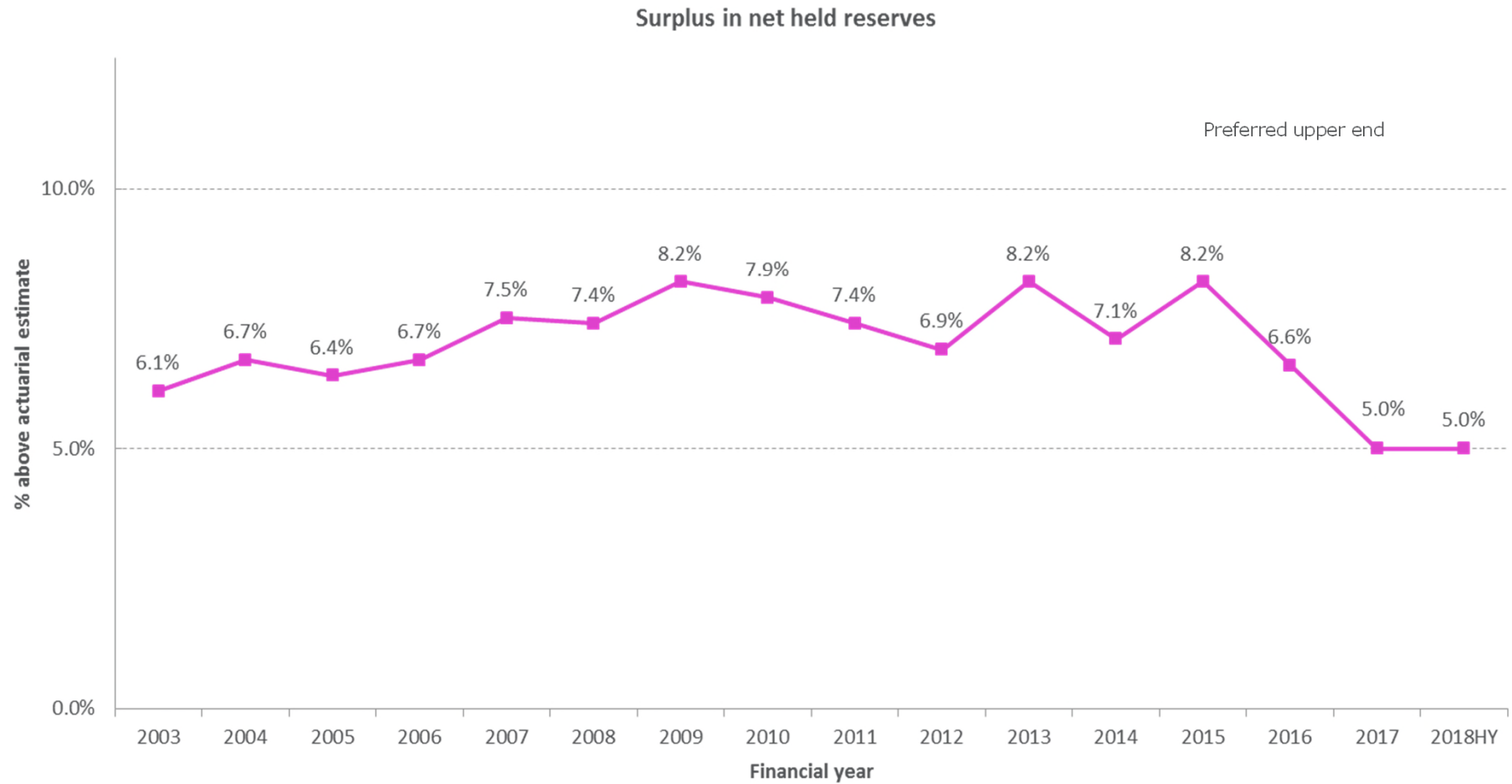


Core Portfolio

Lower than average releases – strengthening in property



Whole account reserve strength maintained in our target range



Underwriting capital – remains in a strong position

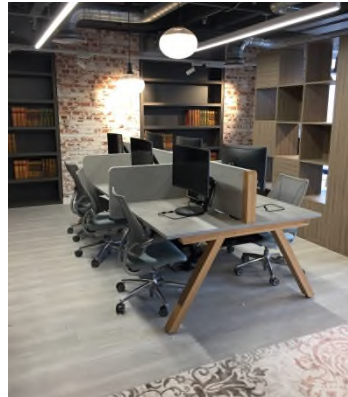
- Group capital requirement:

	Projected 31 Dec 2018 \$m	Year ended 31 Dec 2017 \$m
Lloyd's economic capital requirement (ECR)	1,563.0	1,517.2
Capital for US insurance company	175.0	96.5
	1,738.0	1,613.7

- Expect to be above of our target range of 15%-25% of Lloyd's ECR
- Year end 2018 Lloyd's ECR reflects strong growth continuing into 2019
- Retaining more risk in the US with \$80m capital increase (net \$30m group increase)
- Capital discipline remains a board focus
 - Strategy of annualised growth in ordinary dividend by 5%-10%
 - Return excess capital beyond business needs
- \$225m LOC facility remains unutilised

In focus

Operations and digital at Beazley



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Role of the Group COO and management team

- Technology and data } Ben Spencer
Chief Information Officer
13 years at Beazley
- Projects and change } Douglas Colosky
Head of Operations
12 years at Beazley
- Underwriting and claims operations }
- Commercial management & real estate } Munira Hirji
Head of Commercial Management
9 years at Beazley
- Information security }

Our digital strategy - what we're seeing, what we're doing

Significant opportunity from technology and data

1) Focusing investment via two new strategic initiatives

Changing customer buying patterns

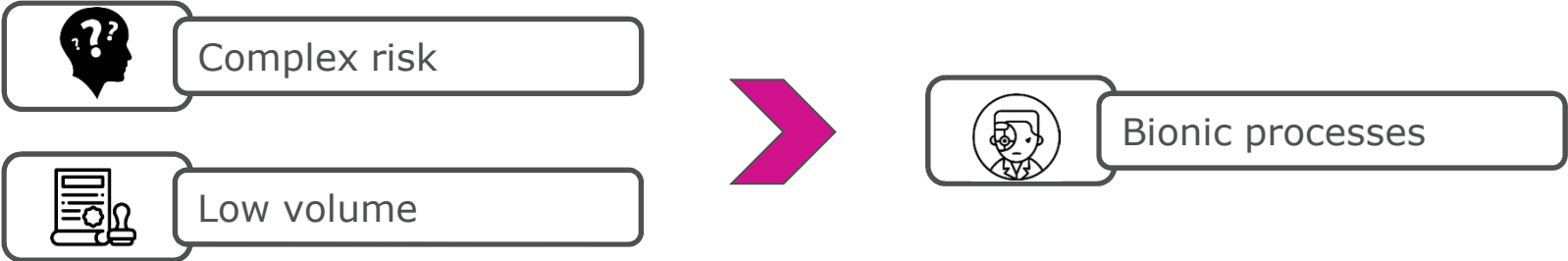
2) Digitising transactions around the customer

Not necessary for people to work at fixed locations

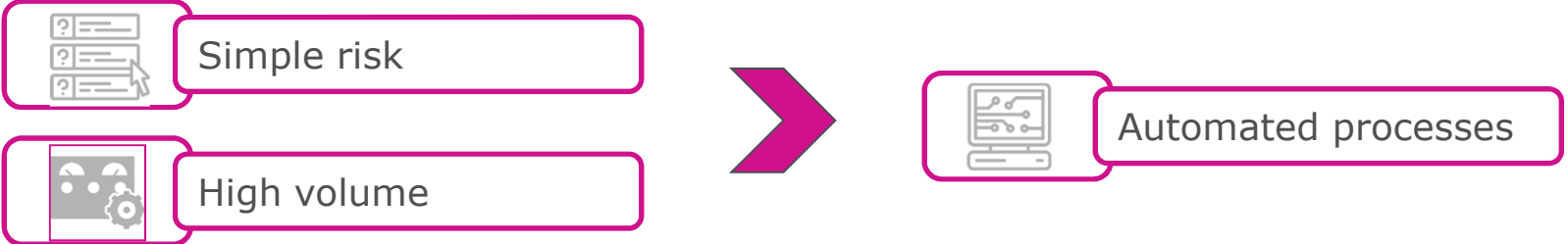
3) Creating a digital work environment

1) Focusing digital investments via two new strategic initiatives

Smarter Faster Underwriting

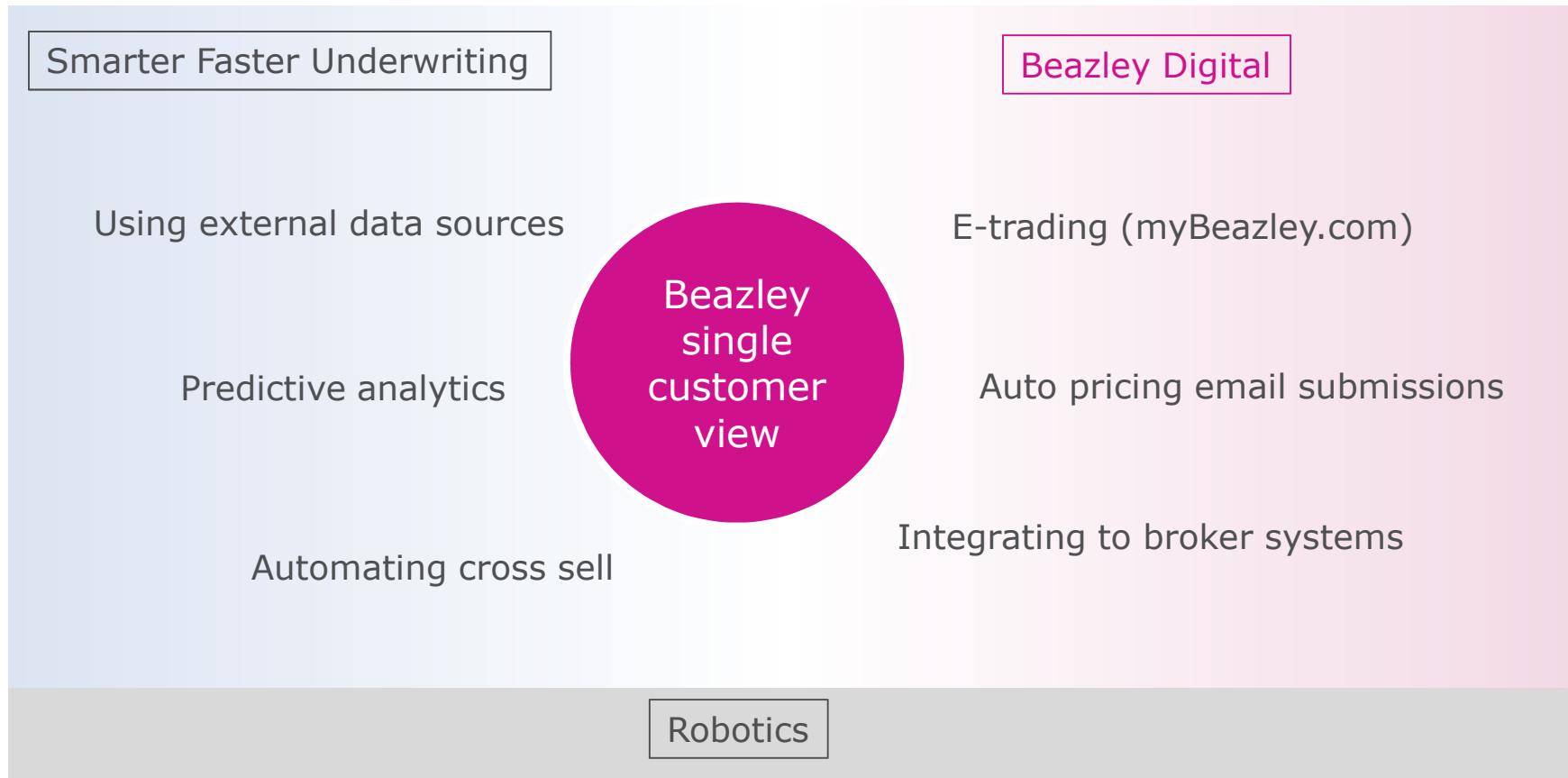


Beazley Digital



2a) Digitising our transactions around the customer

What are we doing?



2b) Digitising our transactions around the customer

Why are we doing it?

- Changing the way we underwrite
 - More informed decision making, pricing and cross sell
- Changing the way we communicate with brokers
 - Responding via more digital channels
 - Quicker response times
- Increasing staff productivity

3) Creating a digital work environment

Implementing activity based working environments

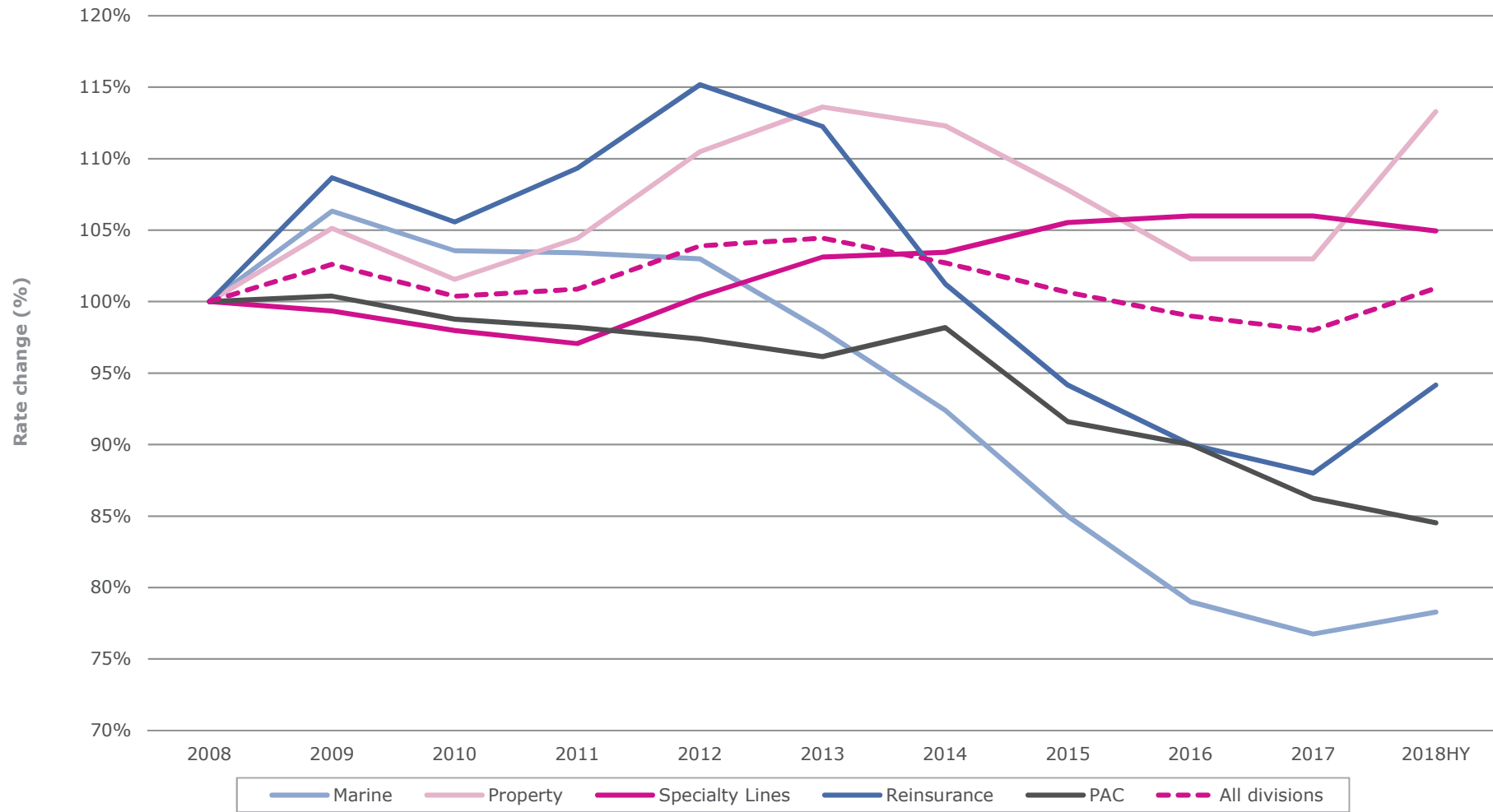
- Attracting next generation of talent
- Aligning to broker placement behaviour
- Re-thinking our office space



The Outlook

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Cumulative rate change since 2008



Outlook

- Continued double digit growth
- Expect combined ratio in the low to mid nineties barring any major claim events
- Should capture higher investment return (circa 3%) going forward
- Continue to invest in technology via our strategic initiatives
- Closing in on \$1bn of locally underwritten US premiums
- Promoting London through the LMG chair

Any questions?

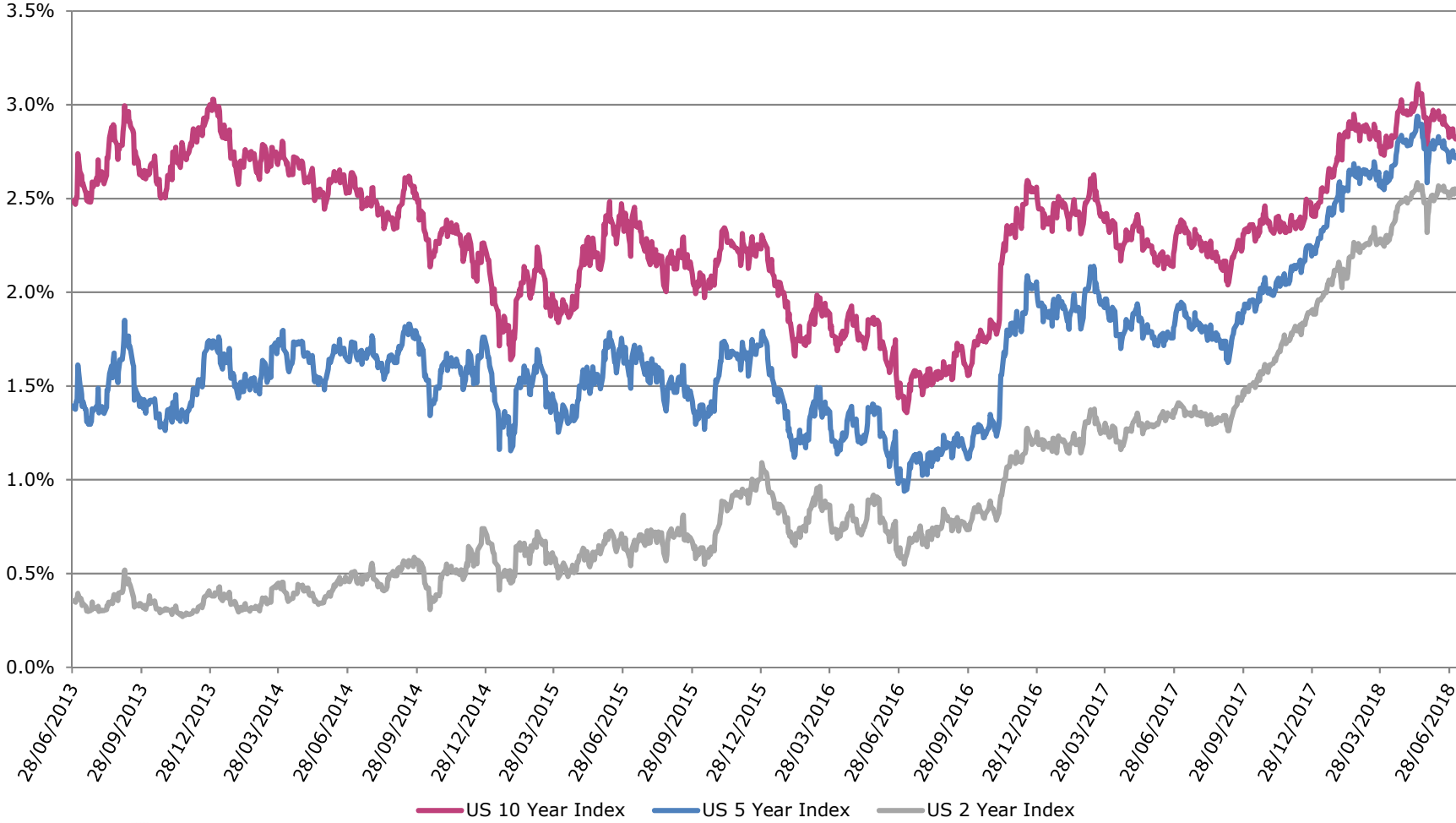
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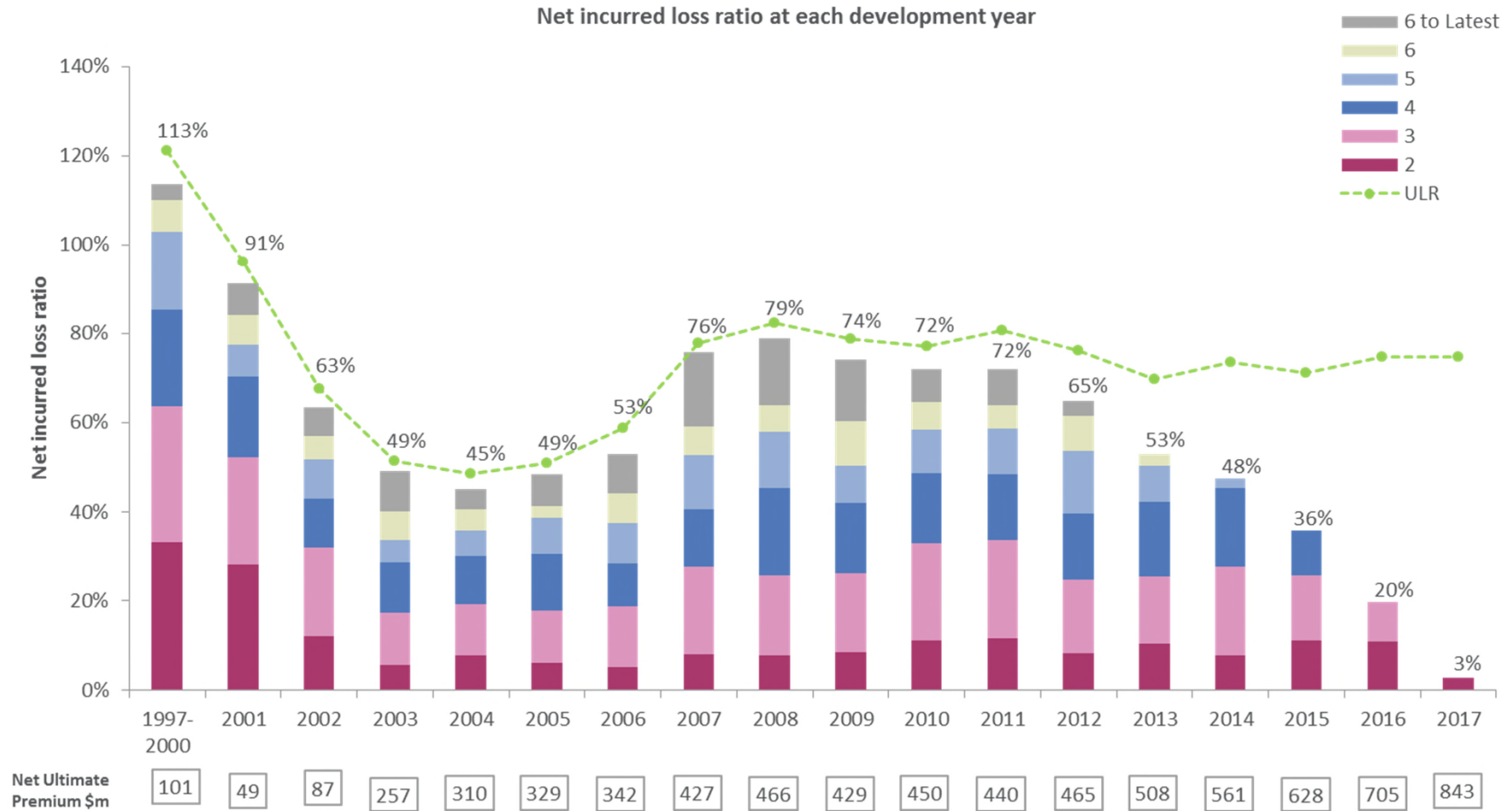
Appendix

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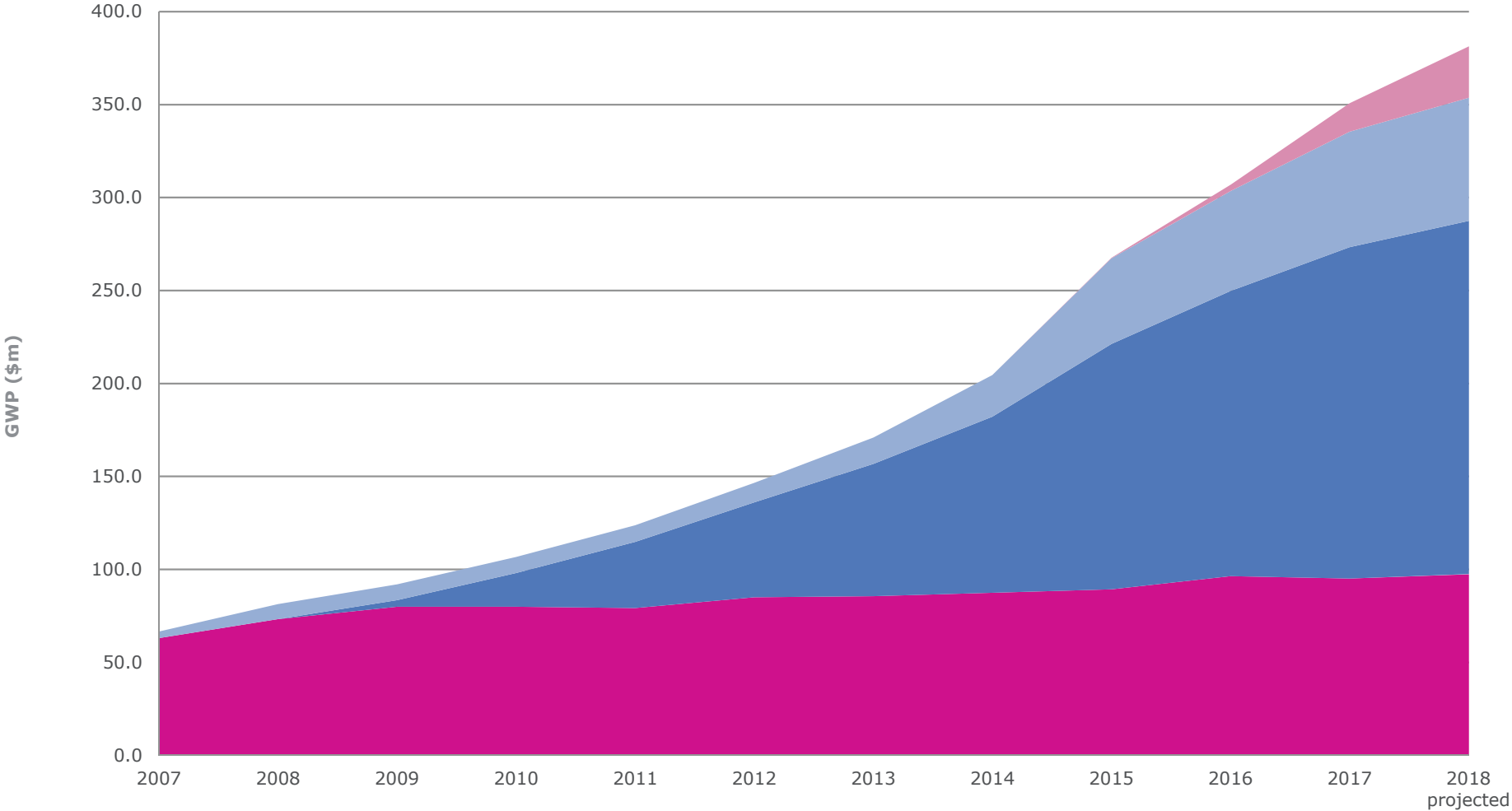
US interest rates



Specialty lines incurred claims remain in line with expectations

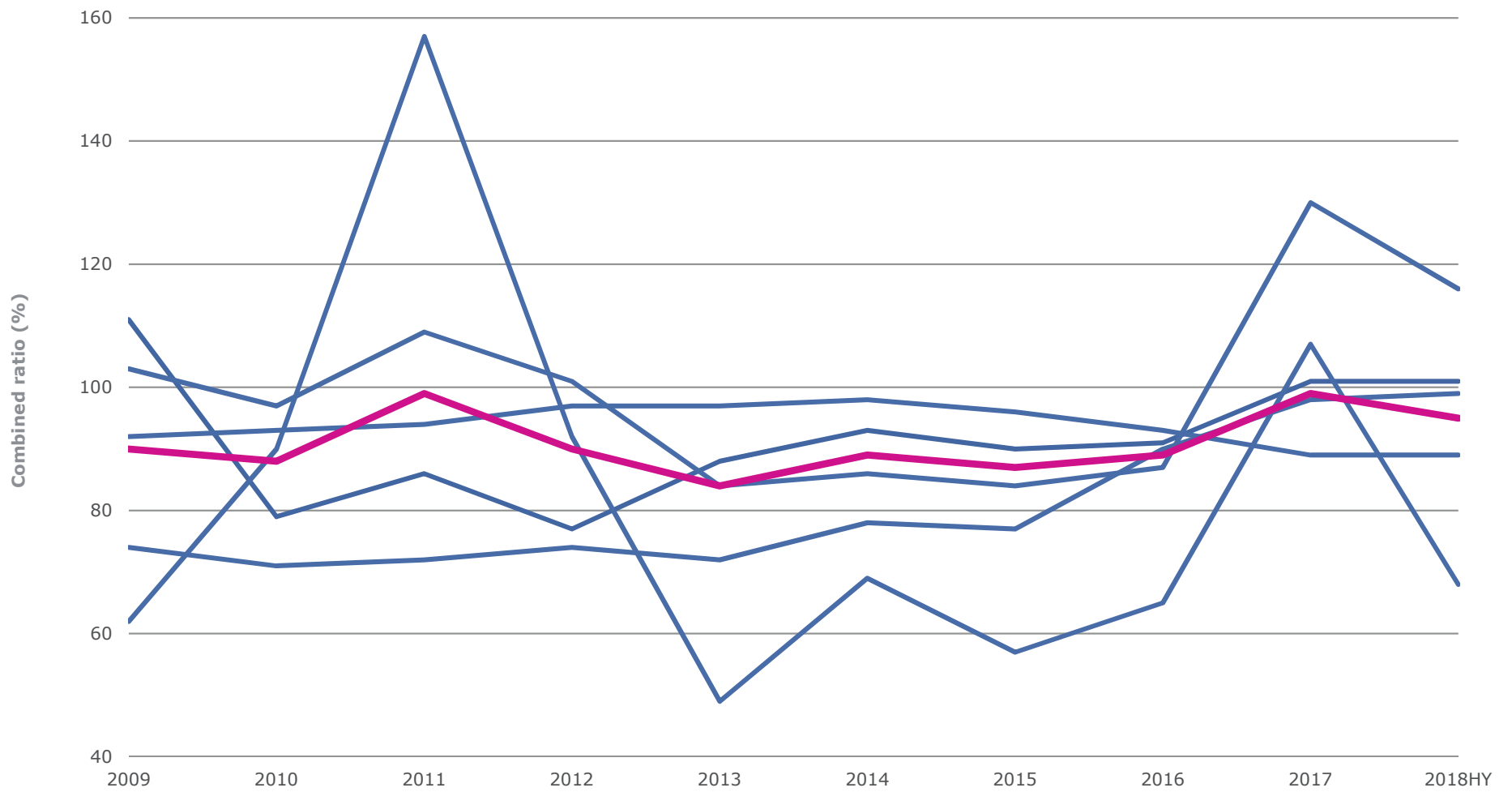


TMB gross premium growth



■ Tech E&O ■ BBR ■ Info Sec ■ Vector

Portfolio management achieves consistent combined ratio through market cycles



Marine

6 months ended 30 June

	2018	2017	
Gross premiums written (\$m)	158.0	145.6	
Net premiums written (\$m)	133.6	118.9	<ul style="list-style-type: none"> • Combined ratio at 99% (2017: 96%)
Net earned premiums (\$m)	125.0	114.0	<ul style="list-style-type: none"> • Improved expense ratio of 40% (2017: 43%)
Claims ratio	59%	53%	
Rate change on renewals	2%	(4%)	
Percentage of business led	68%	61%	

Political, accident & contingency

6 months ended 30 June

	2018	2017	
Gross premiums written (\$m)	120.0	108.4	
Net premiums written (\$m)	101.8	94.9	• Gross premiums written growth of 11%
Net earned premiums (\$m)	86.2	91.5	
Claims ratio	55%	53%	• Break even result for the 2018HY (2017: loss of \$0.6m)
Rate change on renewals	(2%)	(5%)	
Percentage of business led	56%	60%	

Property

6 months ended 30 June

	2018	2017	
Gross premiums written (\$m)	243.4	194.1	
Net premiums written (\$m)	198.0	149.6	• 25% growth in gross premiums written
Net earned premiums (\$m)	163.9	147.6	
Claims ratio	76%	51%	• Increase in claims ratio to 76% (2017: 51%) due to high level of attritional claims
Rate change on renewals	10%	(1%)	
Percentage of business led	64%	65%	

Reinsurance

6 months ended 30 June

	2018	2017	
Gross premiums written (\$m)	152.5	140.8	
Net premiums written (\$m)	95.5	82.9	<ul style="list-style-type: none"> • Contribution to group operating profit of \$19.8m (2017: \$19.6m)
Net earned premiums (\$m)	59.1	55.6	
Claims ratio	30%	38%	<ul style="list-style-type: none"> • Combined ratio improved to 68% (2017: 75%)
Rate change on renewals	7%	(2%)	
Percentage of business led	44%	46%	

Specialty lines

6 months ended 30 June

	2018	2017	
Gross premiums written (\$m)	649.9	560.4	
Net premiums written (\$m)	576.4	490.1	• 16% growth in gross premiums written
Net earned premiums (\$m)	556.0	478.0	
Claims ratio	51%	49%	• Consistent expense ratio at 38% (2017: 38%)
Rate change on renewals	(1%)	(1%)	
Percentage of business led	95%	94%	