

# Capital Markets Day

**May 2022**

beazley

# Agenda

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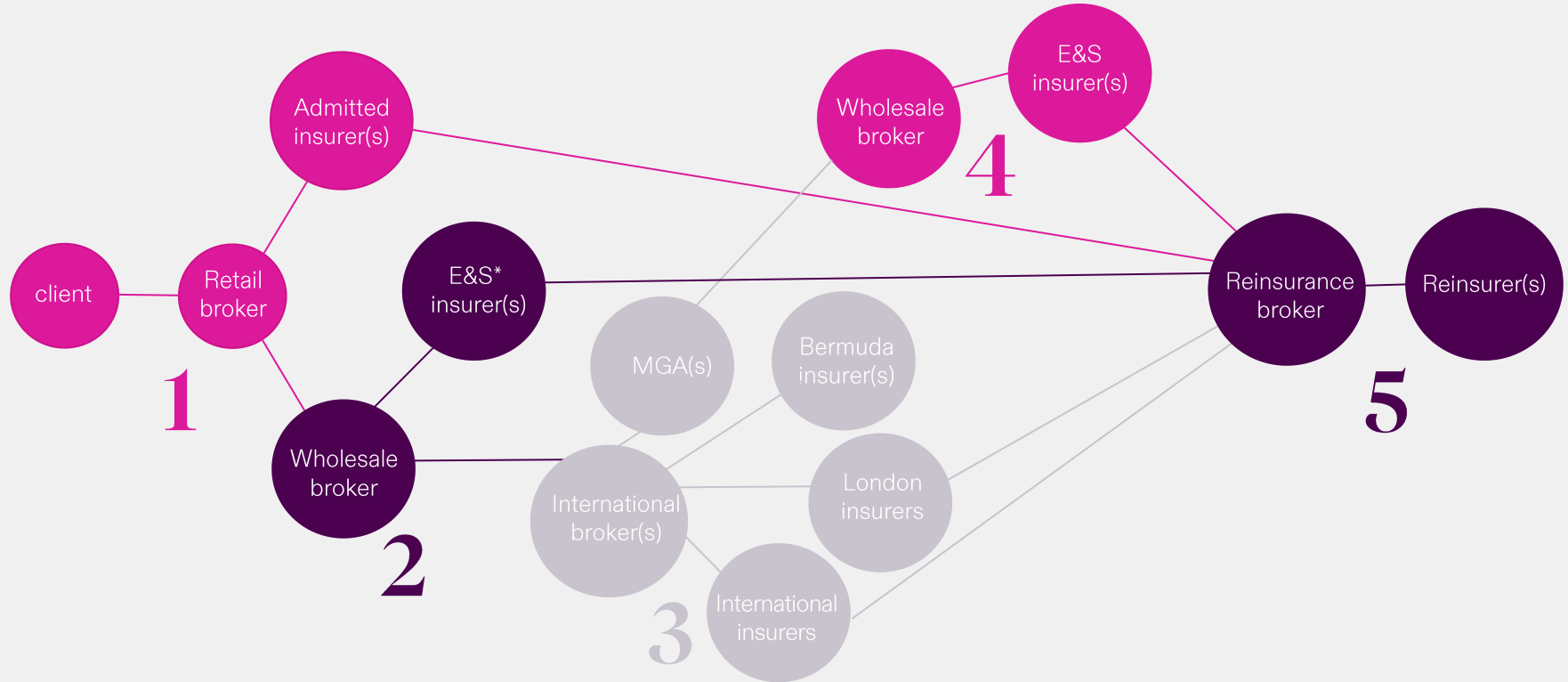
# Why Invest in Beazley?

- **Long-term growth strategy while maintaining RoC, by focusing on cycle management**
- **Platform strategy**
  - Wholesale – London, Singapore and Miami
  - Domestic – US and European companies
- **Diversification across**
  - Products
  - Platforms
  - Geographies

- **We are specialists**
  - Adding value and innovating where things are new, changing, volatile or complex
  - Leading the market not following
  - We have a team of outstanding experts
- **Opportunity in high growth markets – technology, healthcare, environmental, political risk, events and cyber.**
- **Track record of outperformance continues to deliver**

# North American Distribution

# Distribution in North America

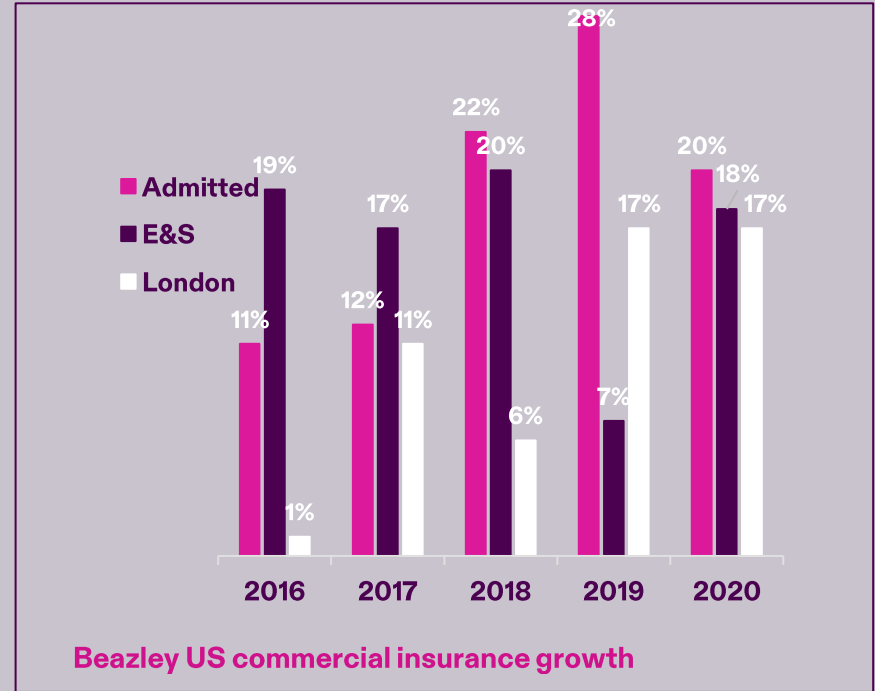
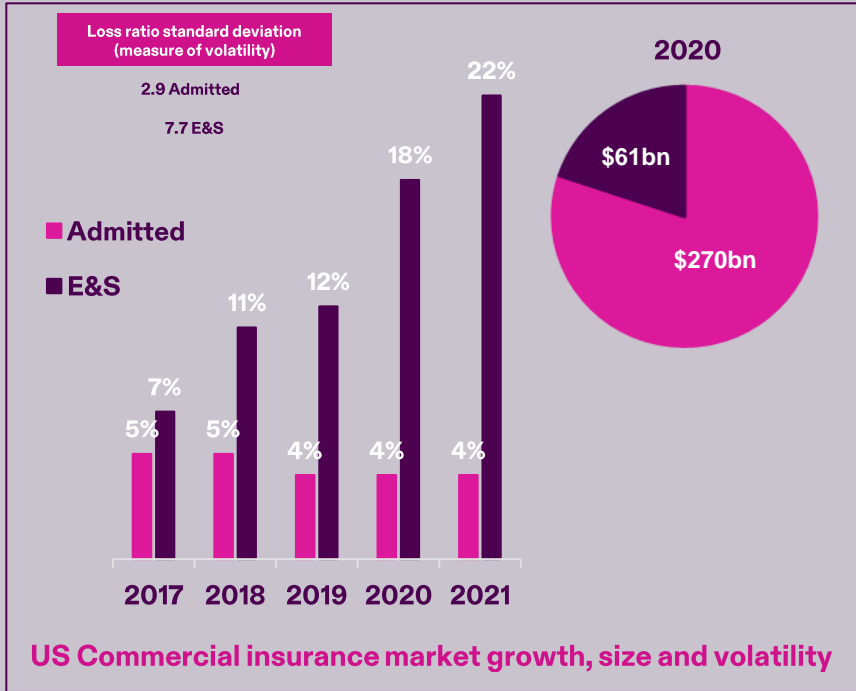


\*E&S: Excess and Surplus lines

# Retail and wholesale underwriting



# Retail and wholesale have distinct characteristics



# Attributes of wholesale

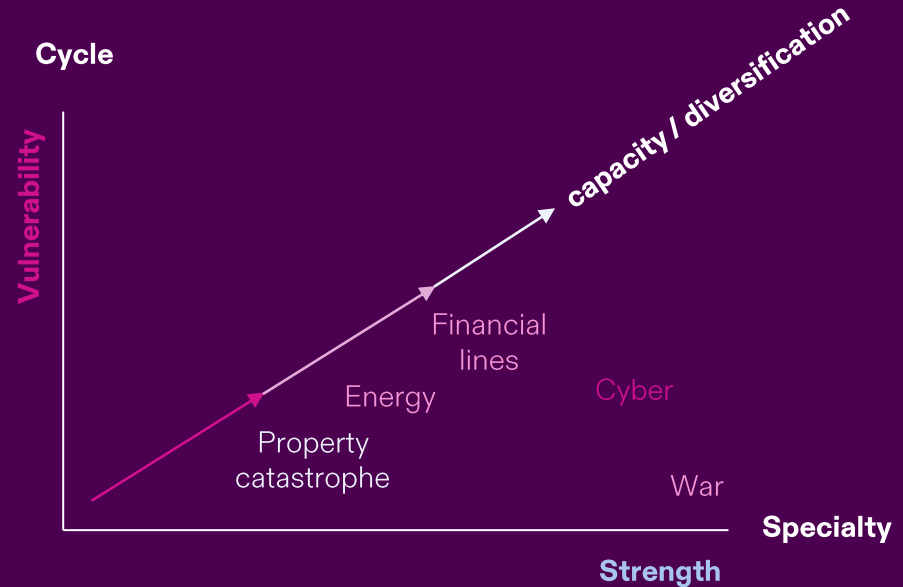


## Advantages

- Concentration of business
- Concentration of talent
- Concentration of footprint

## Disadvantages

- Distance from client
- Distribution cost
- Access to risk

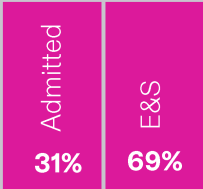


# Platform strategy

# Global platform strategy

## Domestic North America

38%



Expected Growth

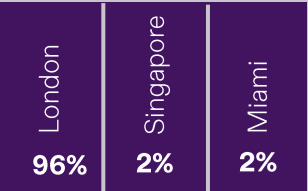


### Maturing

Still long-term prospect for above market growth given low share

## Wholesale

57%

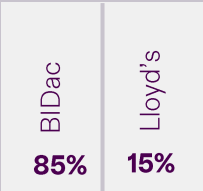


### Mature

Will grow at same rate as market

## Domestic Europe

5%



### End of the beginning

7 years since major investment  
Multi-decade journey

# US platform strategy

## London

Cyber	Digital	MAP	Property	Specialty
11%	1%	29%	21%	38%

## E&S

Cyber	Digital	MAP	Property	Specialty
30%	7%	1%	25%	37%

## Admitted

Cyber	Digital	MAP	Property	Specialty
29%	11%	4%	0%	56%

Barrier to entry

A&E / SME D&O

## US platform combined

Cyber	Digital	MAP	Property	Specialty
30%	8%	2%	18%	42%

Opportunity

# Product Strategy

# Product strategy

# 1

## Specialisation

- Emerging
- Changing
- Volatile
- Complex

Application of empowered expertise adds value

Segment	Segment Average COR 2017- projected 2022
Large Cap Commercial	100
Regional	98
Primary Specialty	89
Multiline Reinsurance	101

# 2

## Long term demand growth

### Industry growth

Inherently easier to grow in an expanding pool

### Insurance demand growth

Long-term demand for specialty insurance is significantly greater than P&C

# 3

## Outperformance

### Pricing power as market-maker

- Market leader
- Primary market
- Line size and capacity to match

### Relevance

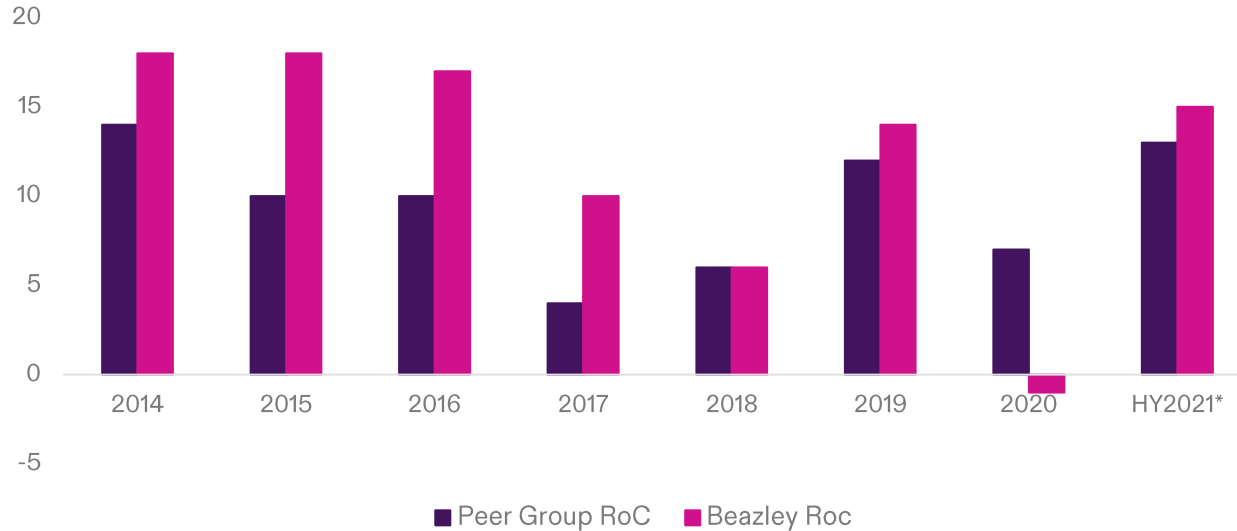
- Thought leader
- New product designer
- Services provider
- Excellent claims skills

### Higher return on capital

# Outcomes

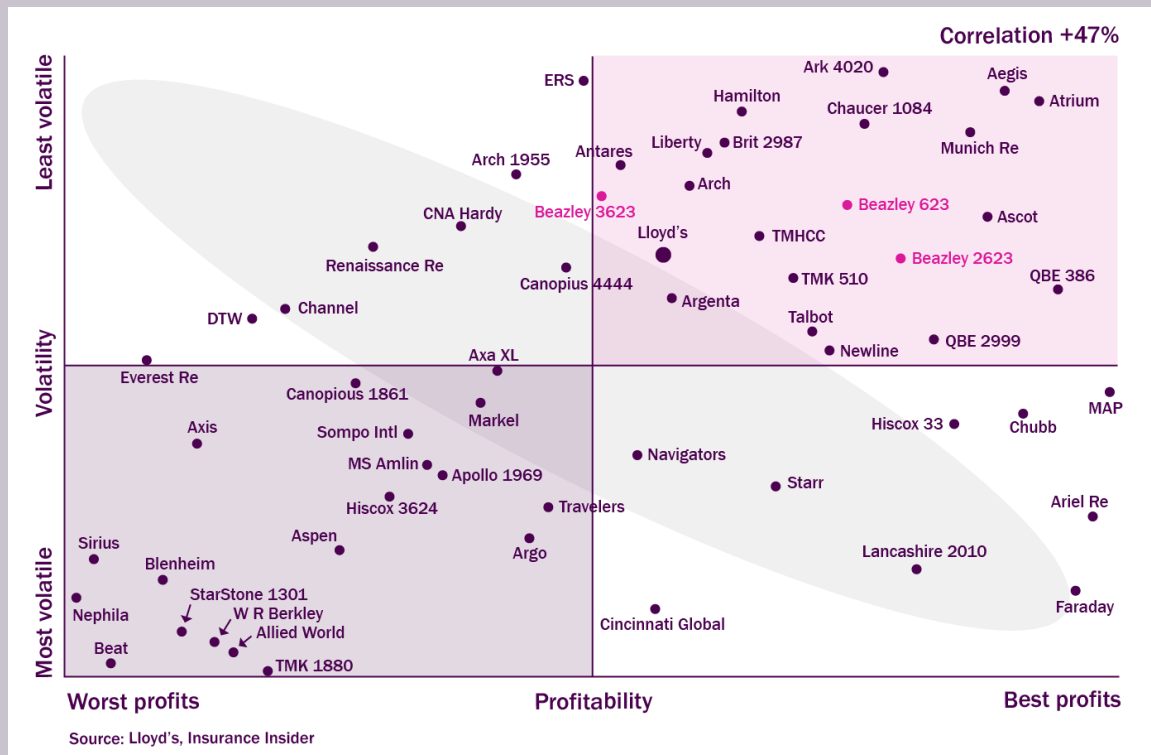


# Peer group vs Beazley Group % Return on Capital 2014 - 2021



Source: Beazley and Ernst & Young peer group report based on published report and accounts and half year financials

# Wholesale Profitability and Volatility 2011-2020



# Cyber

**Paul Bantick**

beazley

# Our products

## Beazley Breach Response

A unique, comprehensive, services-based solution to cyber breaches.

## Information security & privacy

Coverage for large scale businesses confronting significant data security and privacy exposures.

## MediaTech

Our MediaTech policy form is streamlined and comprehensive to cover technology and business services companies seamlessly in the event of a claim.

## Beazley Media

Media coverage for entertainment and multimedia companies of all sizes.

# Cyber platform split

## Domestic North America

61%

Admitted	E&S
29%	71%

## Wholesale

32%

London	Singapore	Miami
96%	1%	3%

## Domestic Europe

7%

BIDac	Lloyd's
94%	6%

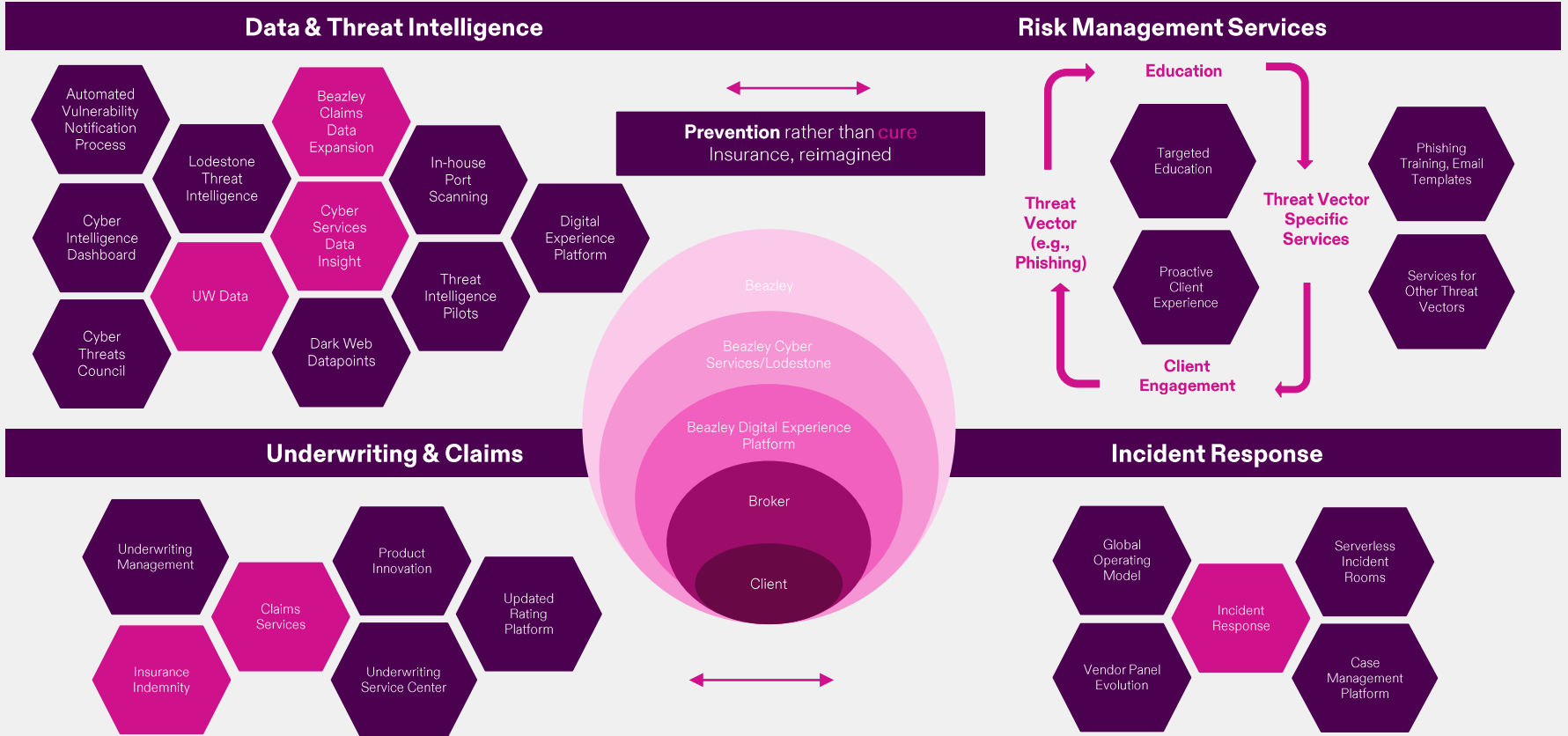
# Beazley's Cyber Risks ecosystem

- Our vision for Beazley's cyber ecosystem model is to enable our clients to **bolster their cyber resilience** and define an appropriate strategy by **leveraging Beazley's best-in class tools**, including sharpened **cyber intelligence and underwriting tools**, cutting edge **threat detection services**, and **seamless threat response**, custom tailored to the client.
- The projects encompassing our cyber ecosystem are governed by a formal program called the Cyber Transformation Program (CTP), which was enacted in October 2021.
- What does it look like in practice? Just a few examples based on what we are delivering now...

Then	Now
Underwriters perform all activities throughout the new and renewal business lifecycle. Underwriters are hired as workload increases.	The <b>Underwriting Service Center</b> reallocates high-volume, low complexity underwriting tasks to Assistant Underwriter pool, creating greater underwriter efficiency, providing underwriters with more time to focus on new business activities.
During a live incident, Cyber Services communicates with the client via several different channels to ensure communication is protected from the threat actor.	The <b>Incident Room</b> , powered by Cygnvs, provides a secure portal where clients and Beazley can safely work through the incident response process.
Cyber reporting data is housed in various reports.	The <b>Cyber High Level Performance Metrics Dashboard</b> pulls relevant data exhibits and reporting requirements into one centralized portal and is easily consumable by the Cyber Risks leadership team
Client customer experience evolves sporadically but is time consuming to craft and is typically dependent on brokers providing us with experience feedback.	The <b>Client Experience Program</b> identifies opportunities to elevate the current customer journey, leverages Beazley's proprietary tools, services and content in offering an online destination to showcase global knowledge and thought leadership as well as access to cyber and risk services

# Core components of the cyber ecosystem

■ New offering    ■ Existing



# Cyber services ecosystem and future revenue streams

- **Lodestone**
  - Incident response
  - Forensics
  - Risk management services
  - Virtual SOC/MDR
- **Beazley Cyber Services**
  - Digital platform
  - Attack surface monitoring, managed detection and response
  - Risk advisory
  - Data and risk insights
- **Other key third party partners**
  - Partnerships on key services and offerings

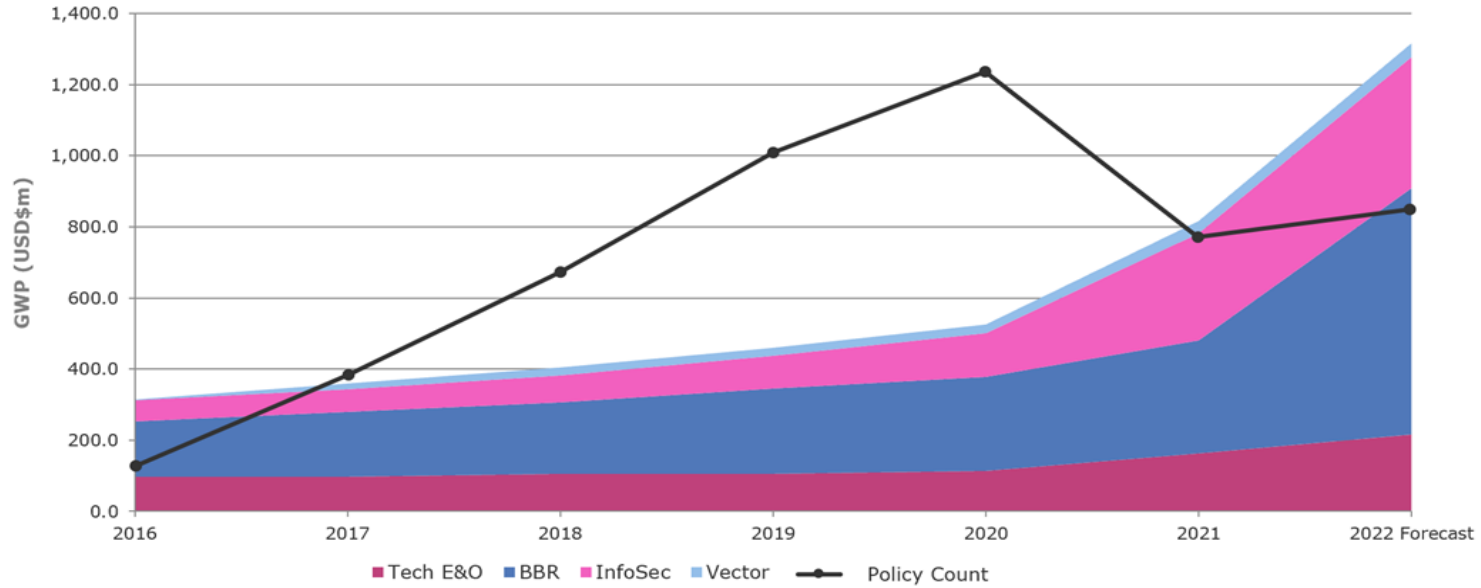


# Changing threat landscape – impact of our response so far

- **25%** ransomware frequency reduction per policy
- **65%** ransomware frequency reduction per premium

Metric	As at 21Q2	As at 21Q3	As at 21Q4	As at 22Q1
Freq. change since 1 Oct 20 (per premium)	-50%	-51%	-60%	-65%
Freq. change since 1 Oct 20 (per policy count)	-20%	-15%	-20%	-25%

# Increased premium, reduced exposure



# Cyber exposure management

## Attritional

- Data breach
- Ransomware
- Malicious employee

## Systemic

- Cloud outage
- Supply chain attacks (Ransomware)
- Payment networks

## Management of Systemic

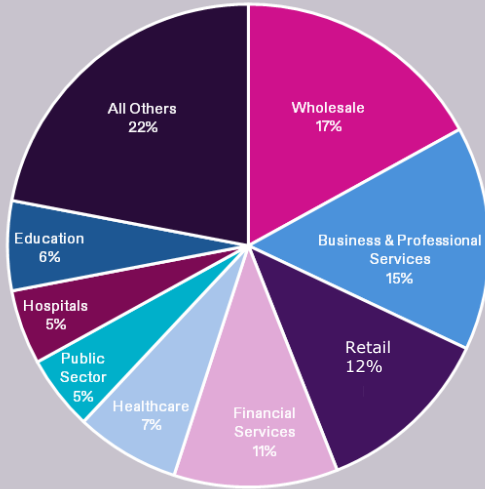
- Focused team
- Risk appetite and realistic disaster scenarios
- Holding of CAT margin
- Black swan scenarios
- 3rd party expertise
- Managing exposures that drive systemic risk:
  - Coverage
  - Diversification

## Reinsurance

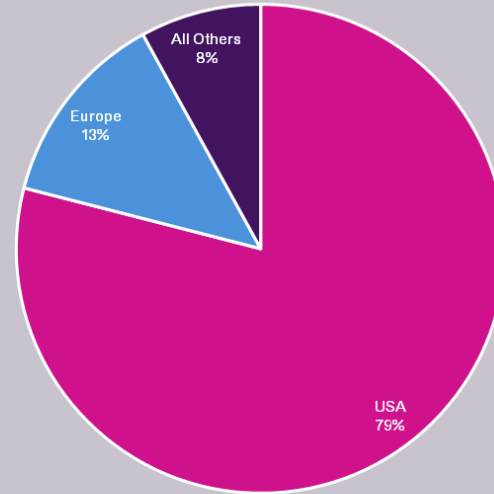
- Systemic catastrophe cover
- Aggregate cover
- Line boost

# Diversification is key to mitigating systemic risk

GNWP by Industry



GNWP by Region



**Maximum Gross Line: \$50m**

**Maximum Net Line: Sub \$15m**

**Average Line Size: \$1.7m**

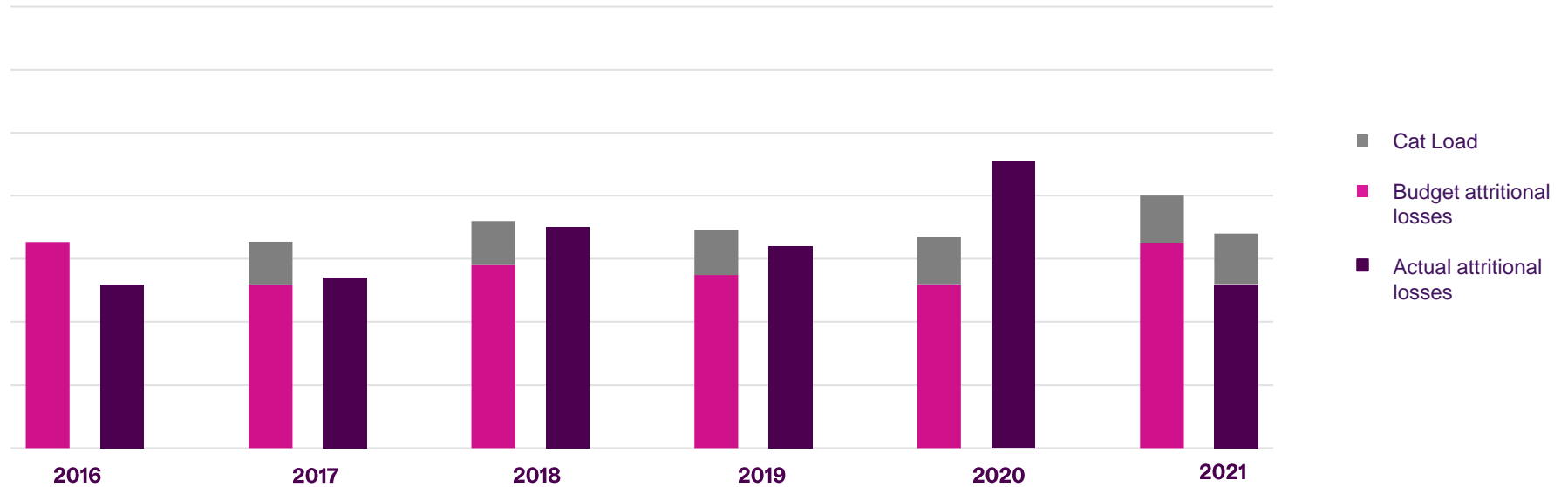
# Mitigating systemic risk continued

- Accumulation of risk has always been an important consideration, we take a diligent, multi-faceted approach to the problem
- Consciously diversify book, understand the many & evolving ways that accumulations can occur
- Limit underwriting management, especially on business interruption
- Focus on cyber resilience and controls
- Regular updates and review of scenarios
- We have seen some systemic events that have not resulted in material numbers:

Incident	Exposures	Open Matters	Total Incurred
Blackbaud	692	11	Sub \$10m
SolarWinds	196	16	Sub \$1m
Hafnium	302	26	Sub \$5m
Elekta	48	3	Sub \$1m
Kaseya	127	19	Sub \$5m
UKG	153	82	Sub \$1m

Scenario Name	RDS Exposure to Event % of net Risk Appetite
Large ID Theft / Data Breach	<b>38%</b>
DdoS Scenario focused on Larger Accounts	<b>36%</b>
Healthcare Platform Provider to Larger Entities Fails	<b>58%</b>
Healthcare Platform Provider to Smaller Entities Fails	<b>47%</b>
Major Cloud Provider Outage	<b>32%</b>
SWIFT Bureau Outage	<b>16%</b>
SaaS Ransomware event	<b>35%</b>

# Cyber budget vs actual performance



# Market Benchmarking

## Inception to date loss ratios



Market data provided by a third-party business partner



● Beazley

● Market

# Market Benchmarking



- Loss ratios are inception to date case-incurred reported loss ratios on an underwriting year basis - IBNR is excluded
- Range is a selected group of global cyber underwriters
- Market represents approximately \$6bn of gross written premium

Market data provided by a third-party business partner





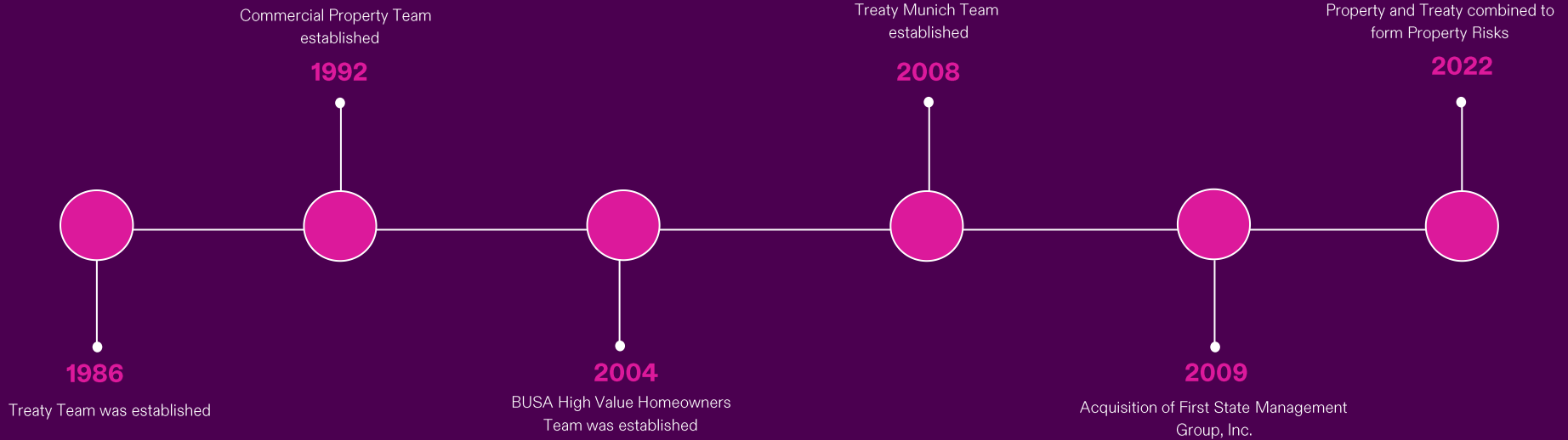
Q&A

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# Property

Bob Quane

# Property Risks Timeline



# Property Risks

## Property

- Open Market (UK / RoW)
- North American Commercial Property
- Jewellery, Fine Art & Specie and Private Clients
- Delegated & Package
- US High Value Homeowners

## Treaty

- Property Catastrophe
- Treaty Other (inc Risk, Clash and Miscellaneous classes)

# Property platform strategy

## Domestic North America

35%

Admitted	E&S
0%	100%

## Wholesale

62%

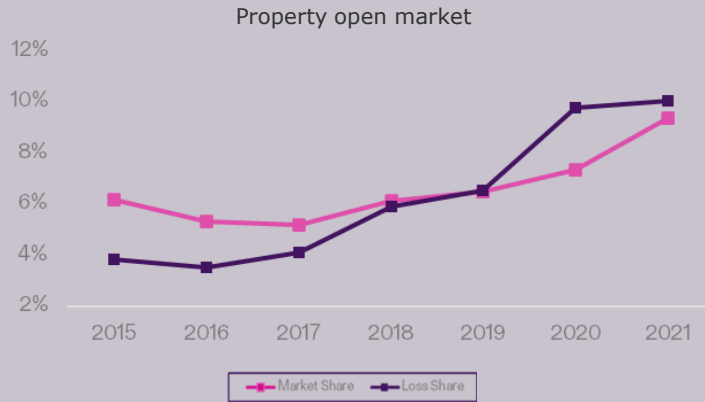
London	Singapore	Miami
98%	2%	0%

## Domestic Europe

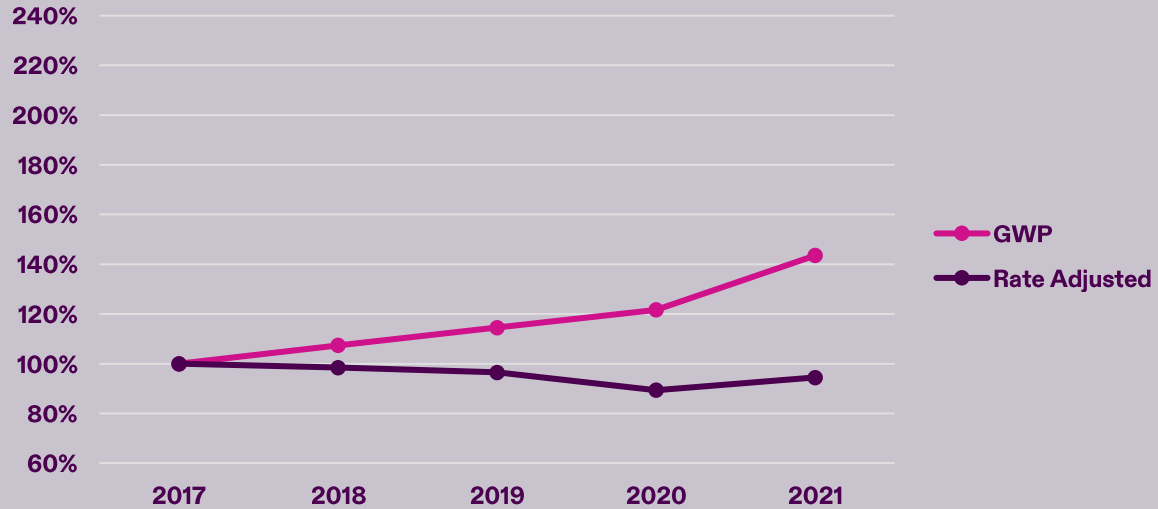
3%

BIDac	Lloyd's
31%	69%

# Property market share v share of market loss – Lloyd's

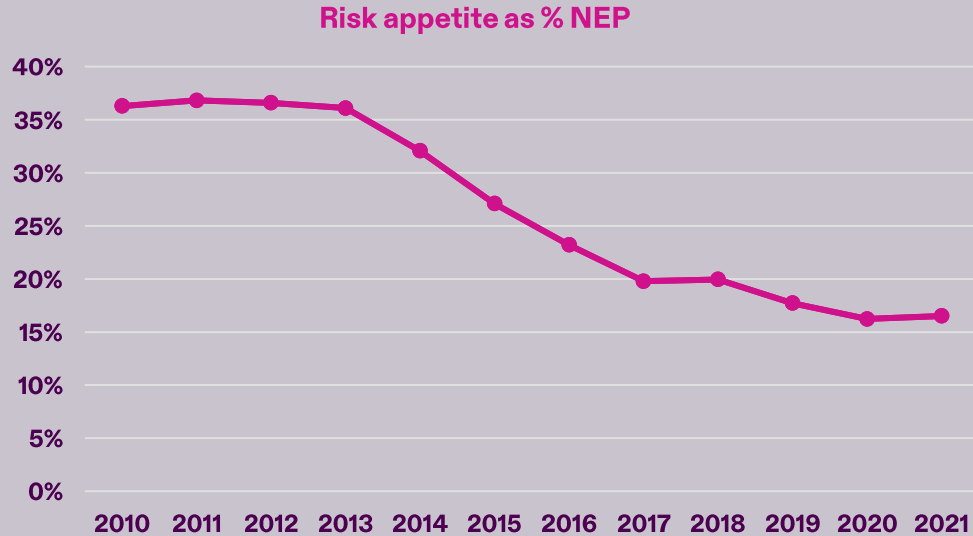


# Gross Written Premium Growth



Exposure reduction since 2017 reflecting risk reward as unmodelled peril losses increase.

# Natural catastrophe risk appetite



- As % of NEP, modeled loss 1:250 decreasing.
- Similar change on gross basis.
- In absolute terms, 1:250 growing modestly, but 1:10 has been shrinking since 2019.
- Reflects relative deterioration in risk reward and active cycle management.



# Key areas of focus

1

## Embed Climate Risk into our underwriting / analysis

- Property insurance and reinsurance is becoming more specialist
- Underwriting ESG risk assessment
- Proper pricing adequacy including non-modelled perils
- Enhanced modelling for wildfire and inland flooding.
- Incorporate into CAT modelling, RDS scenarios, etc.

2

## Informed underwriting with enhanced rating, analysis and analytics

- Ability to better price risk based on specific characteristics/exposures of risk
- More comprehensive information at quote allows underwriters to better understand the risk and respective portfolio impact.
- Detailed management of our CAT accumulations
- Dynamically manage/optimize each business within and across the portfolio

3

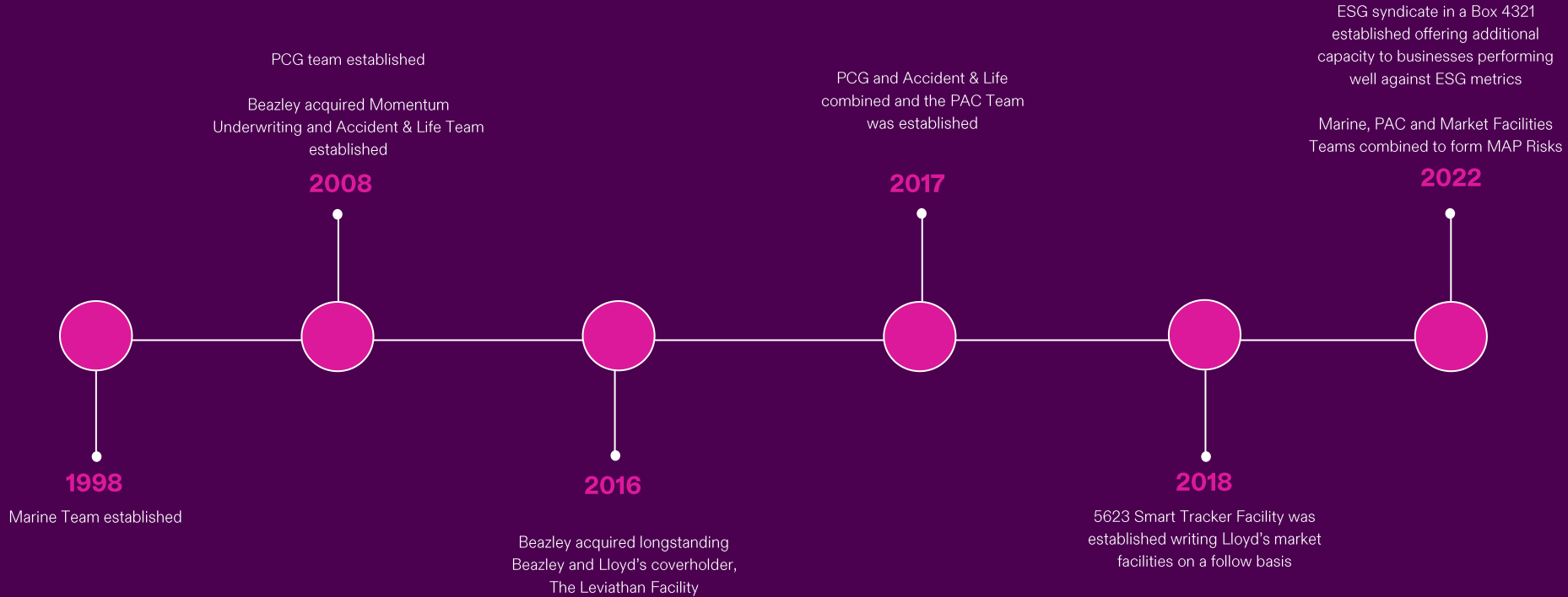
## Areas of Future Growth:

- US commercial property
- Explore growth in Canada
- Explore growth in Europe

# MAP Risks

**Tim Turner**

# MAP Risks Timeline



# MAP Risks

## Marine

- Hull & War
- Energy
- Cargo
- Liability
- Aviation
- Space

## PAC

- Political Risk
- Contingency
- Personal Accident
- Life
- Terrorism

## Portfolio underwriting

- Smart Tracker writing Lloyd's market facilities on a follow basis
- ESG syndicate offering additional capacity to businesses performing well against ESG metrics

# MAP platform split

## Domestic North America

4%

Admitted	E&S
76%	24%

## Wholesale

94%

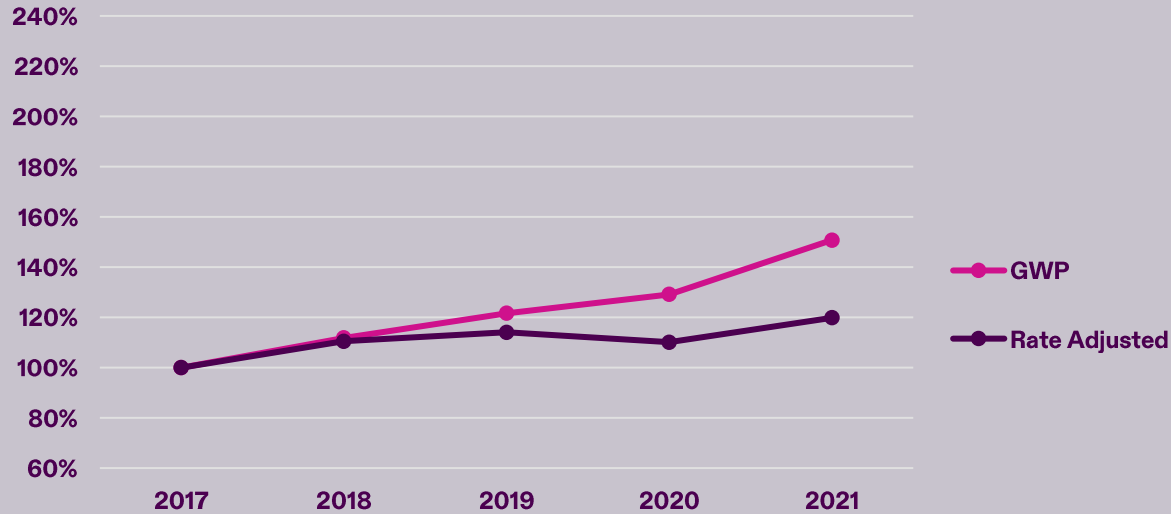
London	Singapore	Miami
98%	2%	0%

## Domestic Europe

2%

BIDac	Lloyd's
40%	60%

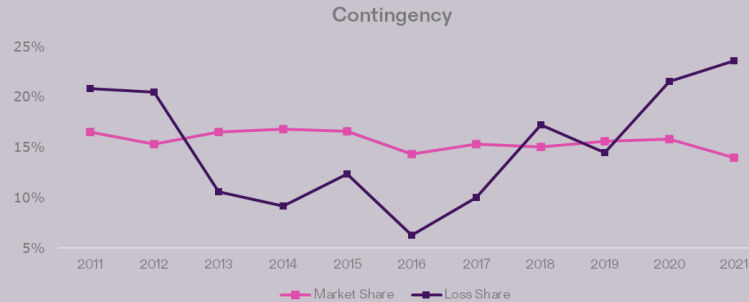
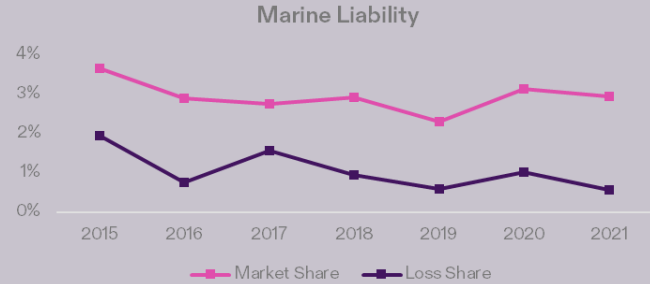
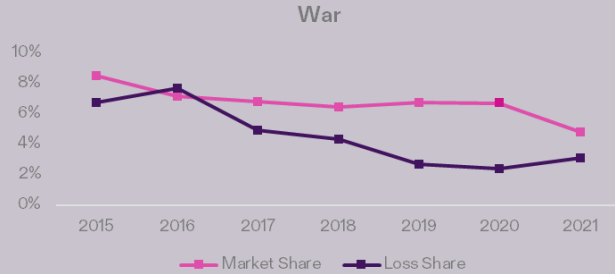
# Gross Written Premium Growth



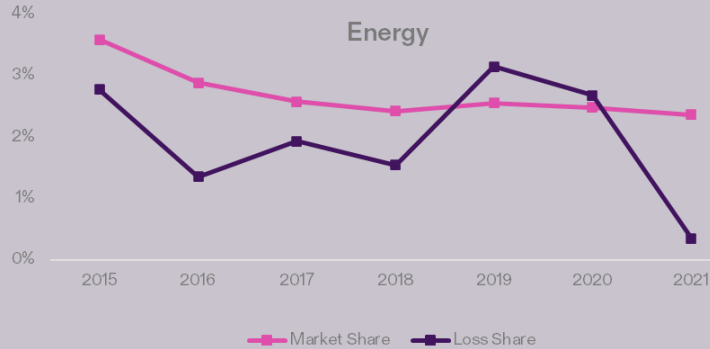
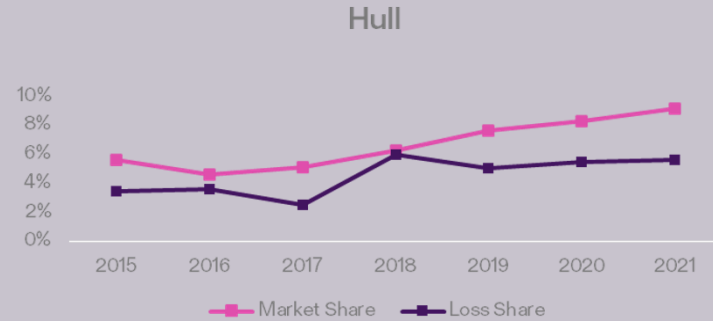
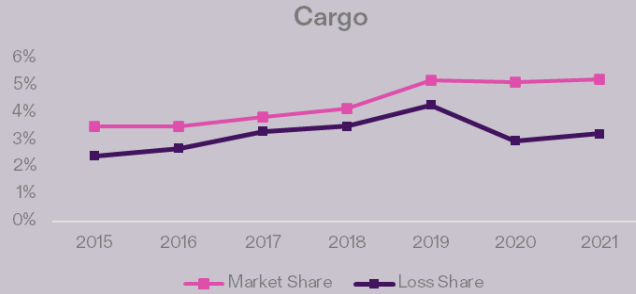
2017/2018 represented the lowest point of the market cycle

Due to outperformance, we were able to increase budget mid-year on some remediated classes of business

# MAP market share v share of market loss – Lloyd's



# MAP market share v share of market loss - - Lloyd's





# Areas of focus and drivers of growth

- Optimising favourable rating environment
- Introducing telematics into underwriting process for Hull & Aviation to enhance underwriting capabilities
- Extending underwriting efficiency exercise (completed for Lloyd's part of the business) to remaining offices
- Optimising cross sell opportunities
- Explore European growth through existing platform / resource. Our Political/Terrorism underwriters in Paris to explore opportunities in Germany and Spain. They will also investigate Contingency opportunities in France, Germany and Spain arising out of post Covid market recovery.
- US platform – targeting growth in Hull, Liability and Cargo. We have existing platform / resource but are underweight given the size of the market

# Competitive advantage through expertise, innovation and leadership

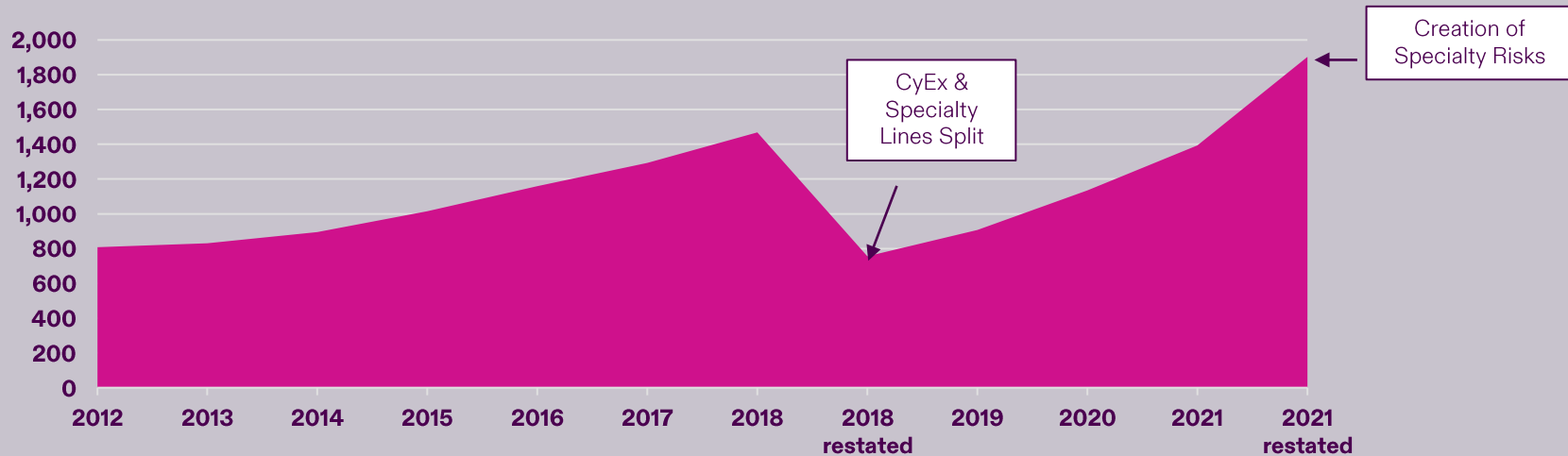
- Marine has a mature product set, but our leading market position brings development opportunities both through thought leadership and our ability to understand and price risks appropriately.
- Cover for Dymon's rover, a commercial lunar exploration vehicle which will take photos on the moon and beam them back to earth. First insurance of its kind and could pave the way for robots to play a role in the construction of a lunar base.
- Cyber Physical Damage:
  - Existing products: cyber defence for marine, cyber defence for superyachts within the Hull account were developed following investment in thought leadership on the risk aggregation. This investment has enabled us to educate brokers and engage directly with clients.
  - Products have post bind risk mitigation services included with third party maritime cyber experts to align interest and improve the cyber hygiene of insureds.
  - Continuing to look at new cyber product opportunities within other Marine lines, as the understanding of potential events grows as does the opportunity for a sophisticated appropriately priced product.
  - Explore embedding cyber products into the broader MAP Risks portfolio, using resource to maximize links and opportunities across teams.

# Specialty Risks

**Bethany Greenwood**

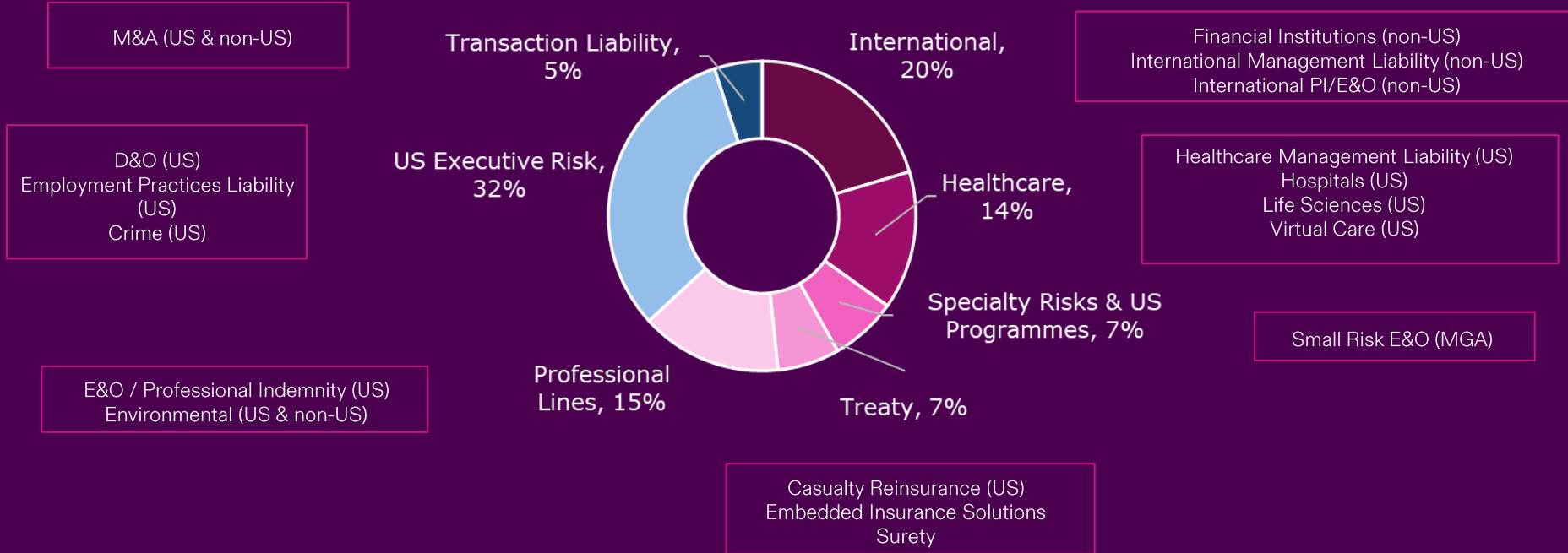
# Specialty Risks

- Specialty Risks is a new division formed from the merger of Specialty Lines & part of our CyEx division (US Executive Risk and M&A).
- The benefits include:
  - Bringing US and non-US Executive Risk and E&O into the same division
  - Increasing cross selling opportunities



# Specialty Risks by product

## 2021 Portfolio Mix



# Specialty Risks platform split

## Domestic North America

39%

Admitted	E&S
39%	61%

## Wholesale

55%

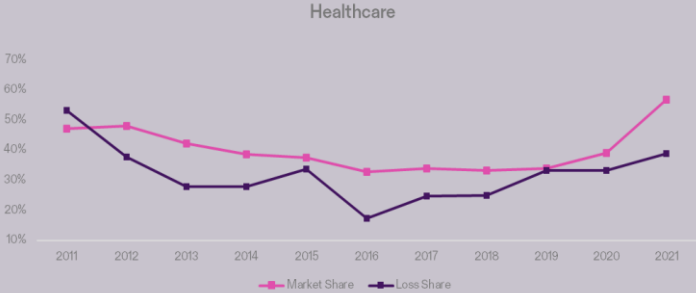
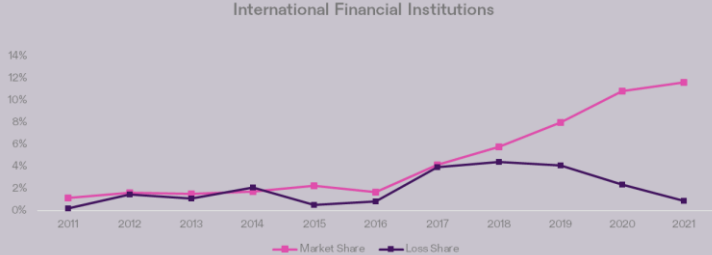
London	Singapore	Miami
92%	5%	3%

## Domestic Europe

6%

BIDac	Lloyd's
98%	2%

# Specialty Risks market share v share of market loss – Lloyd's



# Areas of focus

1

## **Growth**

- New liabilities emerging consistently giving natural product opportunity
- New Products: Virtual Care, Life Sciences, Safeguard
- Core products in different distribution segments (e.g., Beazley Product Solutions, Treaty)
- Cross Sell: e.g., M&A and Environmental; Crime and D&O

2

## **Platform development**

- Aligning US D&O, International Management Liability, Financial Institutions, Healthcare Management Liability
- Expanding the product set on our International platform

3

**Addressing areas of risk:** e.g., Social & Economic Inflation



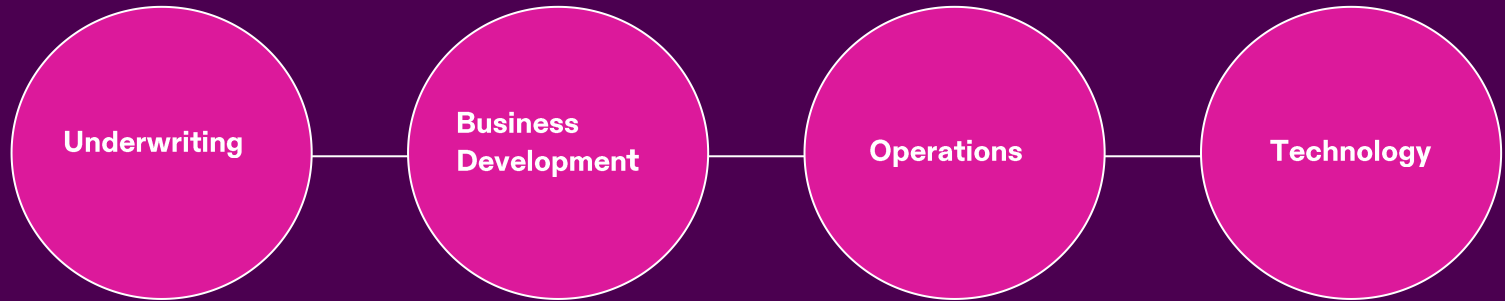
# Beazley Digital

Ian Fantozzi

beazley

# What is Beazley Digital?

- End to end business unit with underwriting, sales, operation and technology within one P&L.
- Empowered and autonomous cross functional teams organised around our distribution channels.
- Focus on small specialist business including Cyber, ML, Tech E&O, PI, Med Mal & Healthcare, Contingency and Pleasure Craft– all digital/digitizable business within Beazley.
- Presence in US, UK, Canada, France, Germany and Spain.



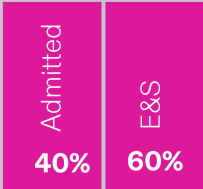
# What does our digital underwriting business look like?



# Digital platform split

## Domestic North America

87%



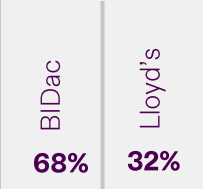
## Wholesale

0%



## Domestic Europe

13%



# What is our opportunity?

## Meeting digital demand

- Distributing Beazley specialist products via several digital distribution channels
- Portals, APIs, digital market hubs and email digitisation

## Leveraging data

- Internal data and external data
- Risk selection and portfolio management
- Customer behaviours

## Mutual benefit

- Beazley Digital - A highly profitable, high growth business
- Beazley Group - Reuse the Beazley digital channels

## Driving efficiency

- Removing unnecessary touch points
- Building scale without cost

## Building partnerships

- Risk management services
- Distribution and complementary services

# Our vision: 'Provide digital access to Beazley's specialist insurance expertise, focus on simplicity and service.'

## Minimum Touch

Fully digitise all products within the division to improve speed of response and achieve cost efficiency.

## Access to specialists

Broker queries and tasks allocated to most suitable & efficient resource with market leading response times.

## Organised around customer

All our digital products available to brokers via each of our digital channels.

## Data driven insight

Delight our clients with customised insight based on our own internal as well as external data.

## Striving for better

Generate, prioritise and execute on new product and process ideas.

# 2022 outlook and beyond

- Budgeted GWP **~\$200m in 2022**
- Targeting premium growth **~20% year on year**
- **Proving the efficiency of automation** by close management of headcount as we grow revenue
- **Leveraging data** internally and externally
- **Continuously developing our products and services** in close cooperation with our broker partners

Q&A

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