Results for the year ended 31 December 2021

Thursday, 10 February 2022

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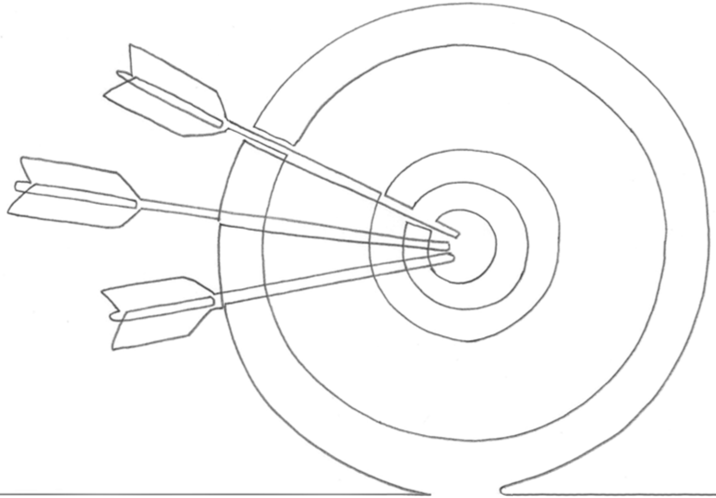
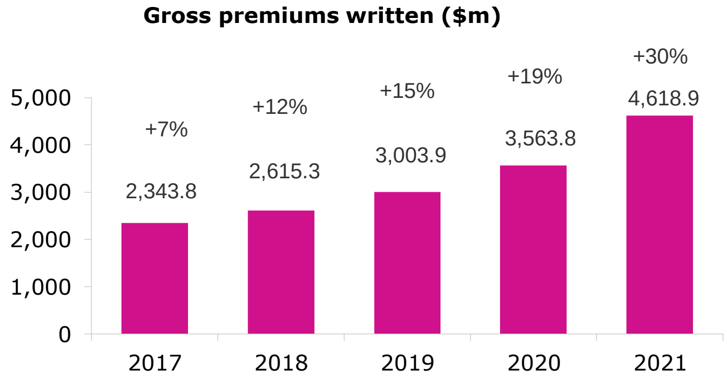
Overview

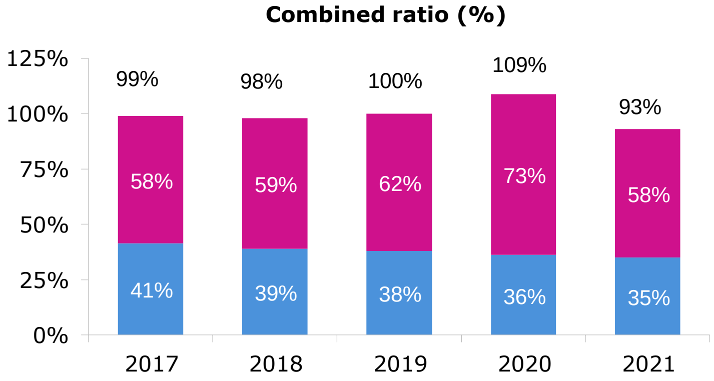
Return to profitable growth

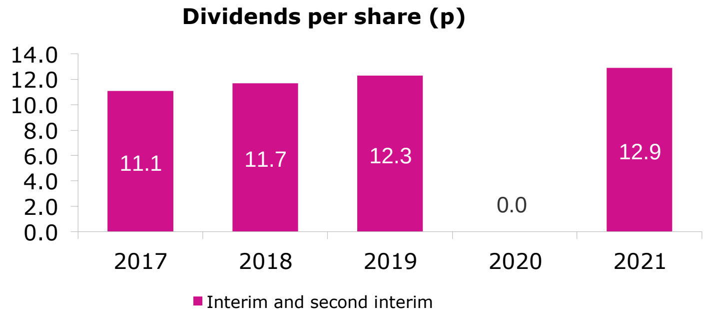
- Profit before tax of $369.2m (2020: Loss $50.4m).
- Return on equity of 16% (2020: Loss on equity 3%).
- Gross premiums written increased by 30% to $4,618.9m (2020: $3,563.8m).
- Combined ratio of 93% (2020: 109%).
- Rate increase of 24% on renewal portfolio (2020: increase of 15%).
- Prior year reserve releases of $209.8m (2020: $93.1m).
- Net investment income of $116.4m (2020: $188.1m).
- Capital stands higher than preferred range at 27% (2020: 23%) which moves to 22% post dividend.
- Dividend of 12.9p to be paid in respect of 2021.

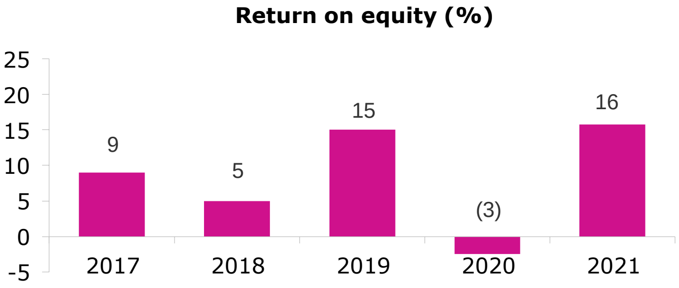


Strong premium growth and return to profitability









Our updated dividend strategy

With brief suspension of dividend payments in 2020 we utilised the time to revisit our dividend strategy

- Beazley will operate a progressive dividend policy going forward, intending to grow dividend each year but recognising that some earnings fluctuations are to be expected.

- When determining the level of dividend, we consider the Group's capital position, future investment and growth opportunities and our ability to generate cash flows. To the extent that our capital levels are significantly in excess of what we need to invest in profitable growth, we will look to return capital to shareholders.

- Going forward, we intend to align our dividend payments more closely to our capital planning cycle. Given the strong growth opportunities we see across our business over the medium term, we intend to declare dividends annually with an announcement on a dividend with respect to the prior financial year as a whole at our full year results and with payment in March.

Financials

Financial performance

	Year ended 31 December 2021	Year ended 31 December 2020	% Increase
Gross premiums written ($m)	**4,618.9**	**3,563.8**	**30%**
Net premiums written ($m)	**3,512.4**	**2,917.0**	**20%**
Net earned premiums ($m)	**3,147.3**	**2,693.4**	**17%**
Profit/(loss) before income tax ($m)	**369.2**	**(50.4)**	
Claims ratio	**58%**	**73%**	
Expense ratio	**35%**	**36%**	
Combined ratio	**93%**	**109%**	
Earnings per share (pence)	**50.9**	**(6.3)**	
Dividend per share (pence)	**12.9**	**-**	
Net assets per share (pence)	**265.8**	**219.1**	
Net tangible assets per share (pence)	**250.4**	**203.8**	

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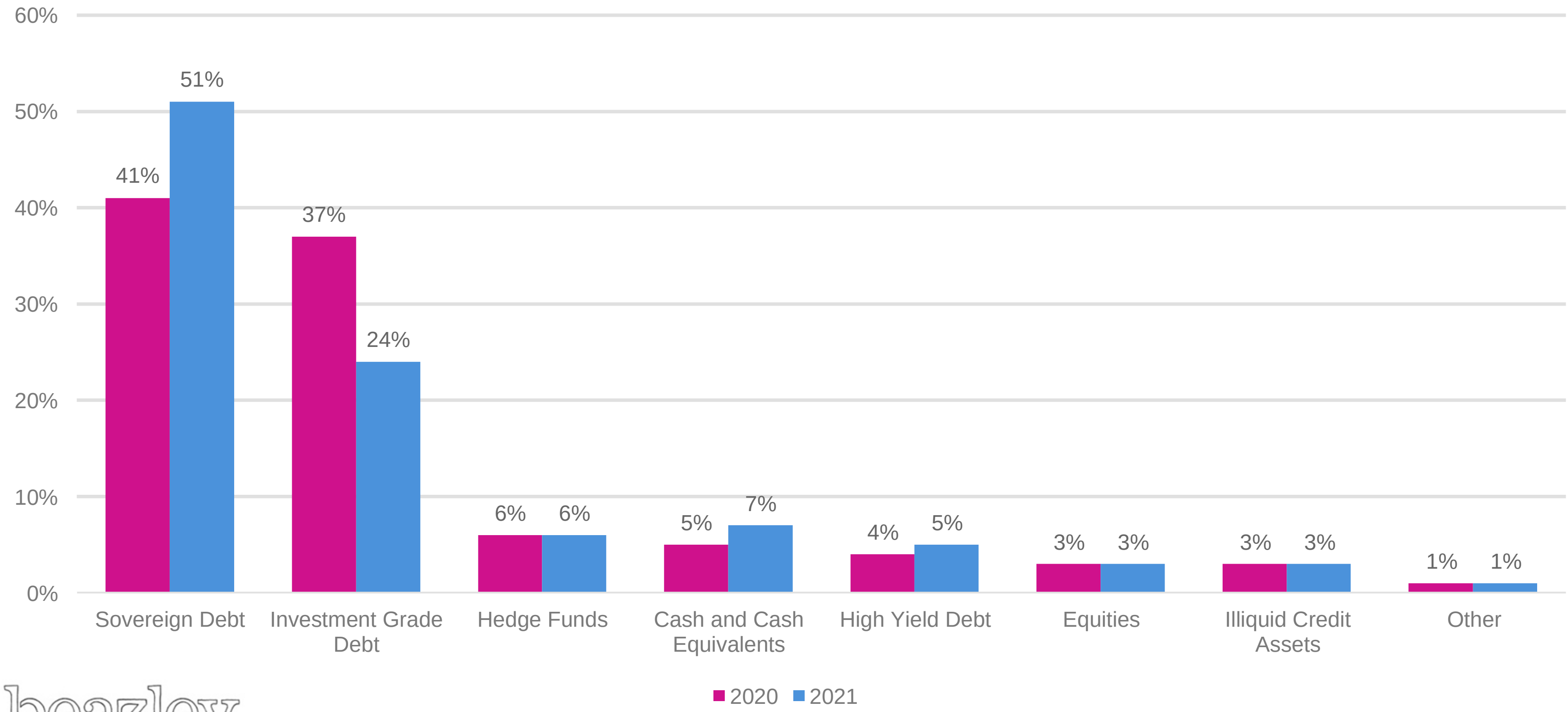
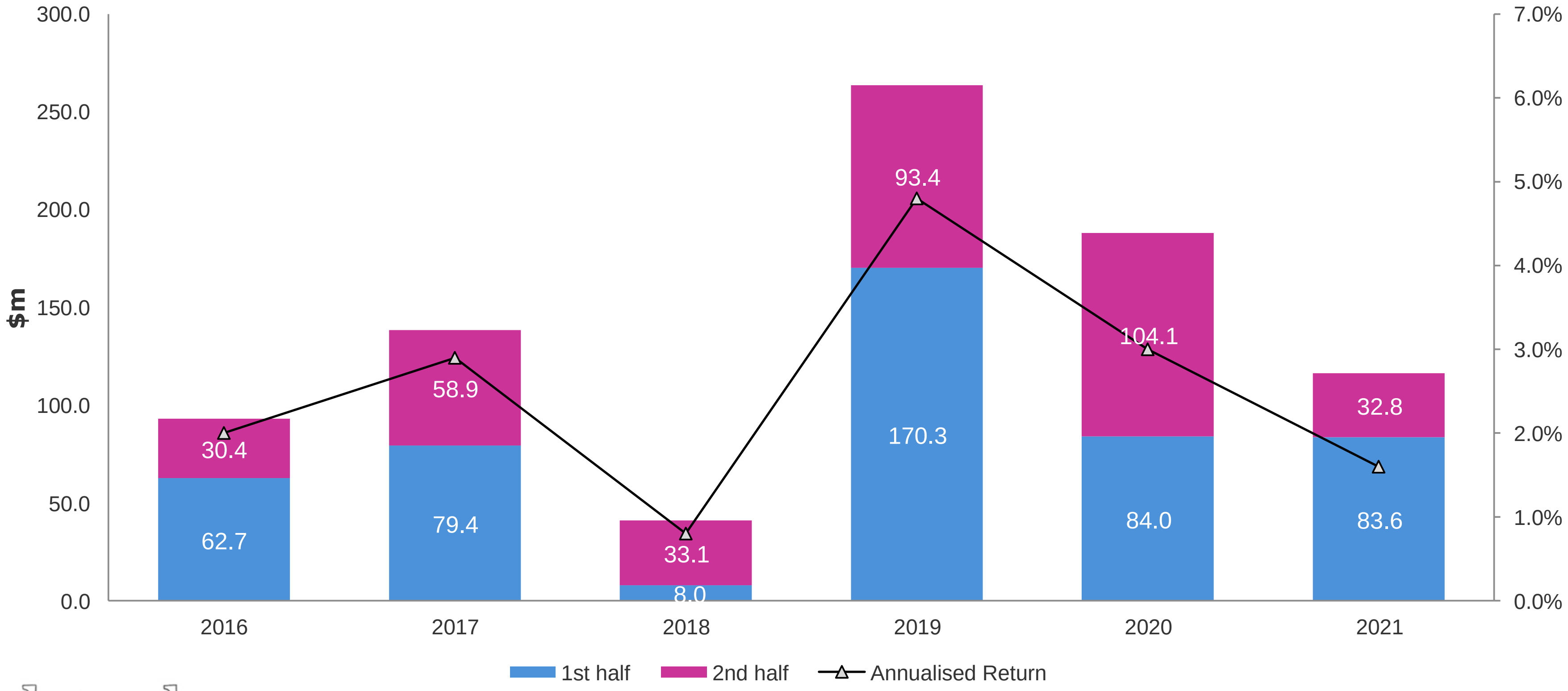
Investment portfolio

2020 Financial Assets: $6.7bn

2021 Financial Assets: $7.9bn



Investment return



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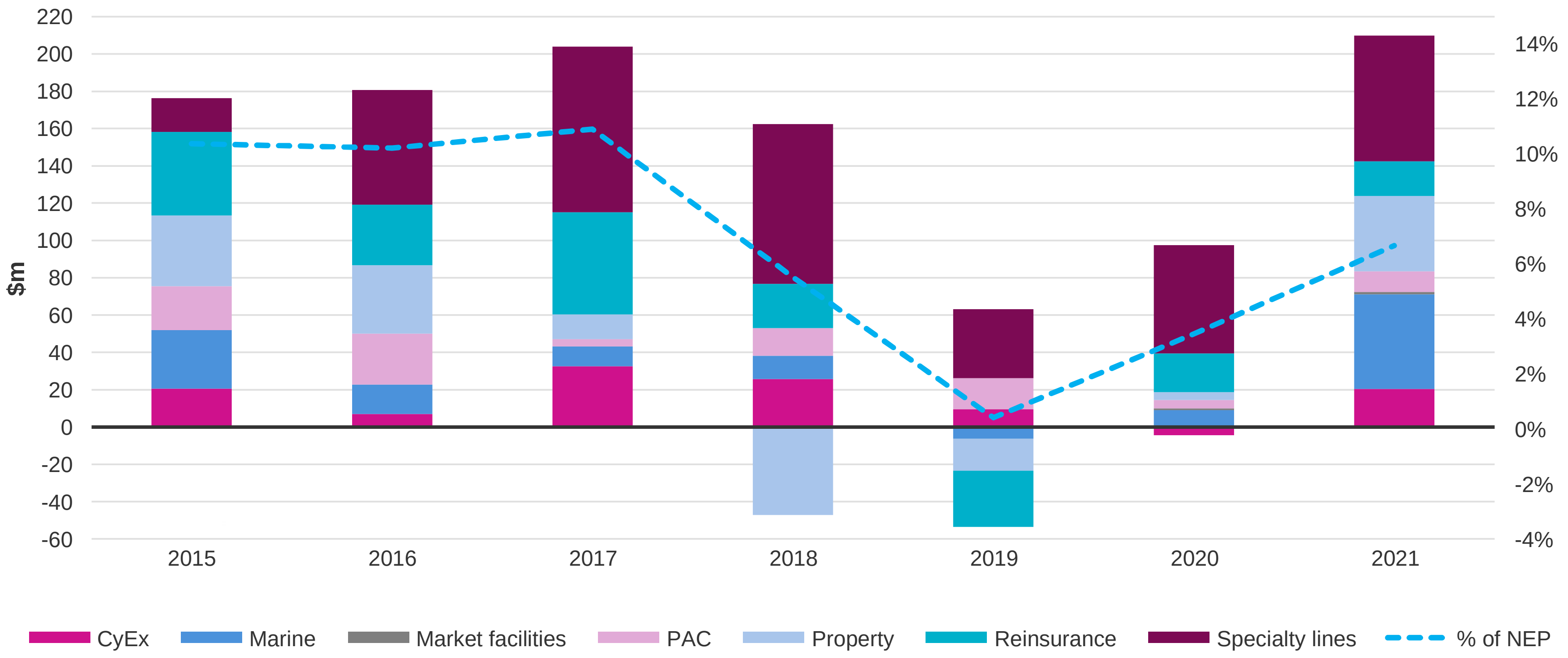
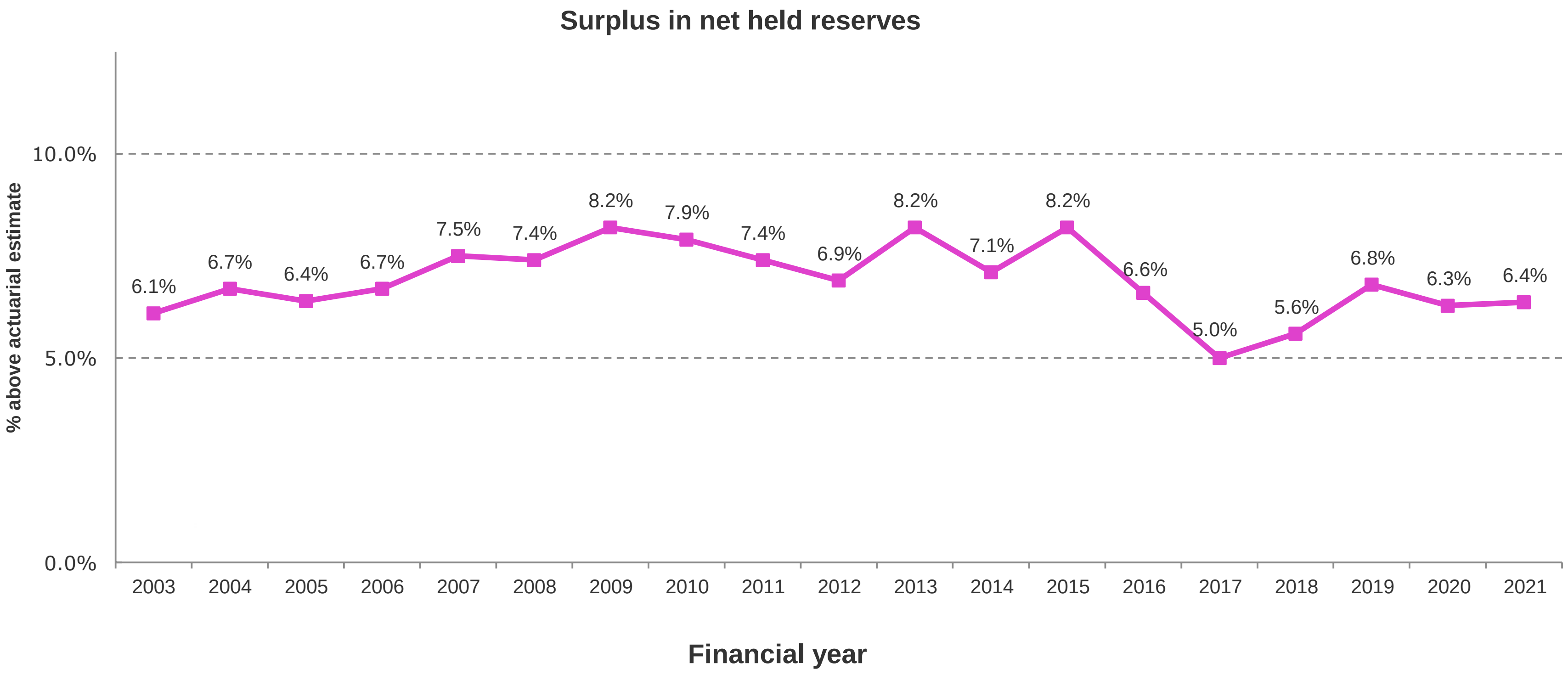
Claims releases across all divisions



Reserve surplus



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Capital position remains strong

- Group capital requirement:

	Year ended 31 Dec 2021 $m	Year ended 31 Dec 2020 $m
Lloyd's economic capital requirement (ECR)*	**2,225.3**	**2,116.5**
Capital for US insurance company	**247.8**	**246.3**
	2,473.1	**2,362.8**

- Our funding is made up of our own equity (on a Solvency II basis) plus $550m of Tier 2 debt and $450m of banking facility (of which $225m remains unutilised and not included within the surplus calculation).
- As at 31 December 2021 the surplus capital is 27% of the Lloyd's ECR* (including Solvency II adjustments) which is above preferred range of 15% - 25%. This moves to 22% post dividend.
- The ECR requirement already anticipates growth planned in all the business written to the end of 2022.
- Requirement for the US insurance company is based on 300% of risk based capital. We continue to use a captive arrangement set up in 2020 to manage our capital requirements in the US.
- We continue to use reinsurance as a tool to manage our capital position.

**Note: Ultimate plus 35%*

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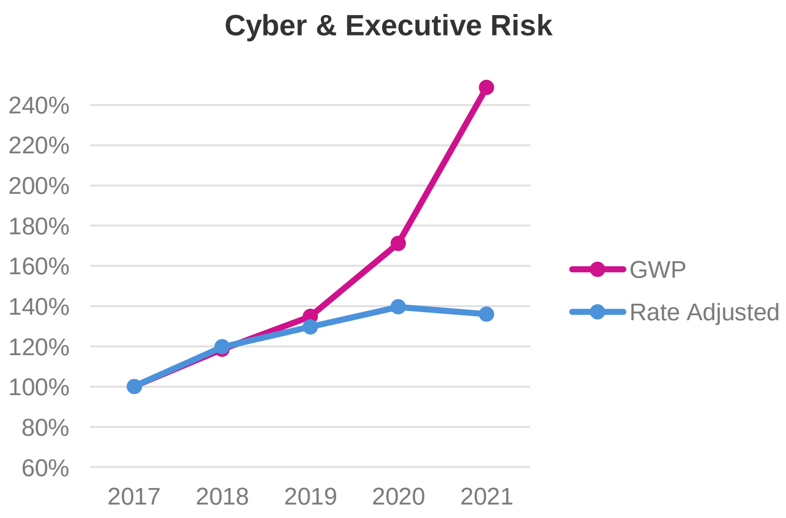
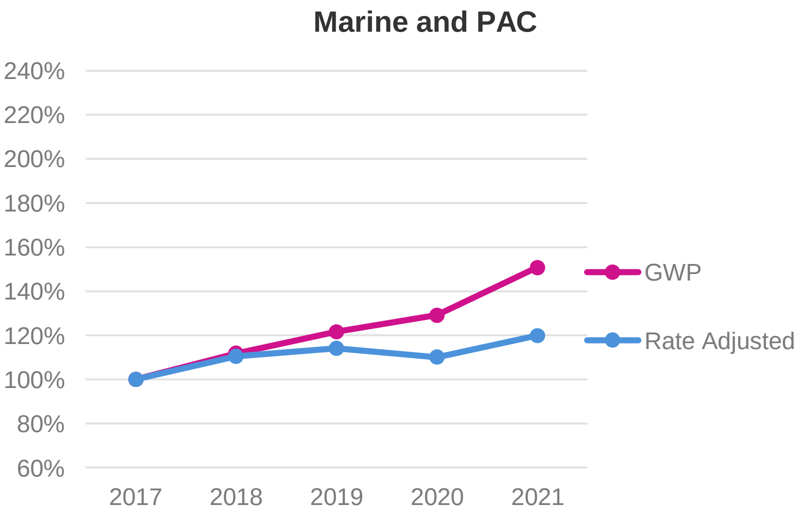
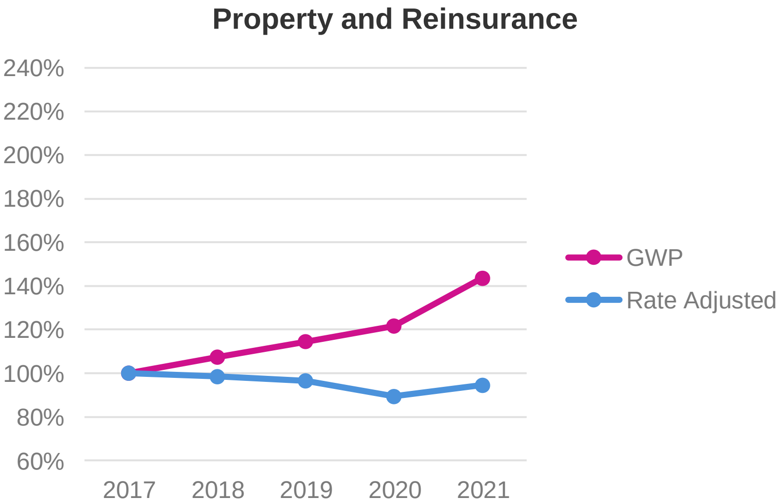
Broad range of specialty products



- Growth driven by cyber until 2019 when D&O market turned and accelerated.
- The reduction in exposure in 2021 was due to the dislocation in the cyber market.

- Broad market positive rate change from 2019.
- Consistent exposure growth demonstrating long term opportunity for specialty product set.



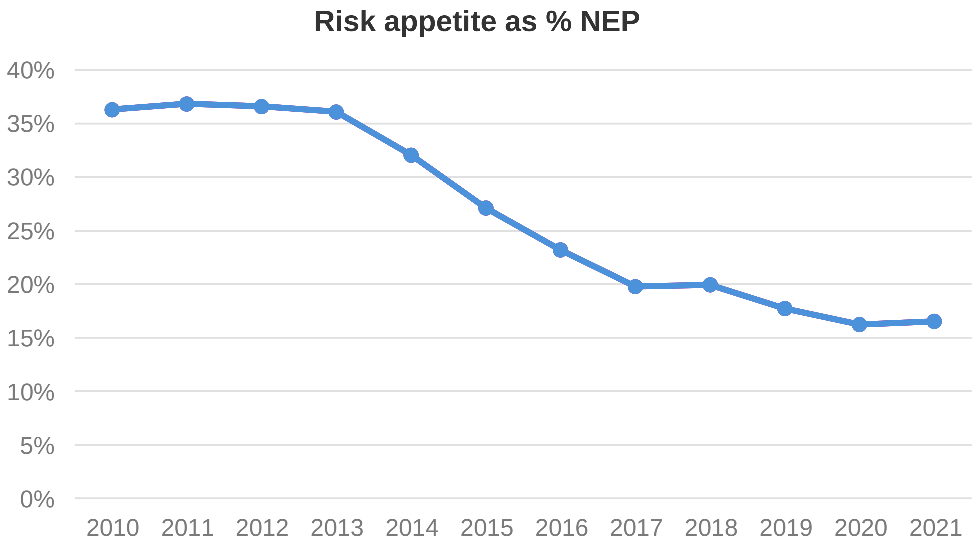


- Reduction in 2020 caused by demand for event cancellation insurance collapsing.
- Consistent exposure growth demonstrating long term opportunity for specialty product set.

- 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.



Climate change: our approach to pricing

Reduce exposure

Climate exposed classes

e.g., strengthen gates for critical cat zones

Build capabilities

- People & expertise
- Predictive tools
- RDS's
- Engage clients

Grow exposure

Increased complexity de-commoditises

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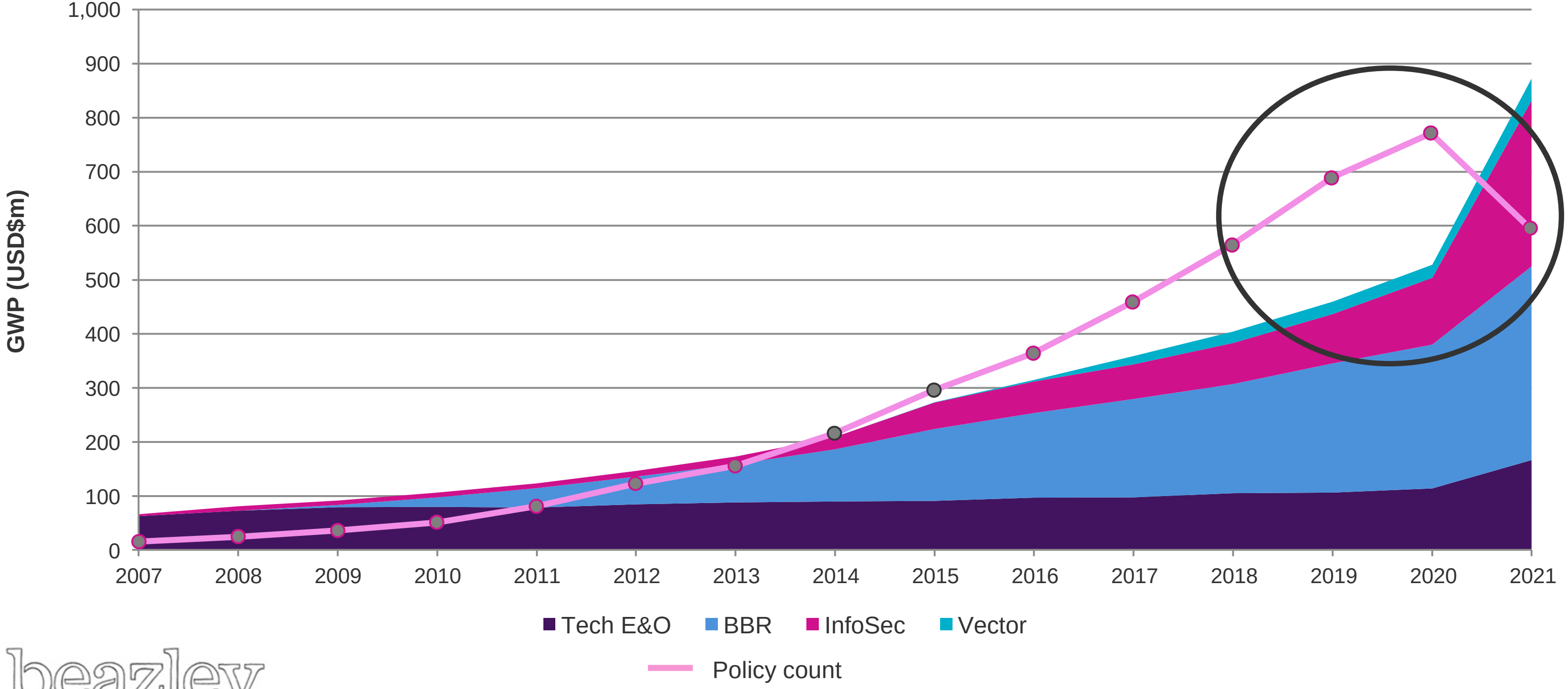
Cyber – increased premium, reduced exposure

- 20% ransomware frequency reduction per policy
- 60% ransomware frequency reduction per premium



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Cyber overview

1. Downward claims frequency trend sustained in the second half of the year.
2. Market conditions favourable as demand for cyber insurance has continued to outweigh supply.
3. Ongoing, successful investments and updates to the Beazley Cyber Ecosystem.
4. Risk management-based approach to the cyber threats increasingly desired by clients and brokers.

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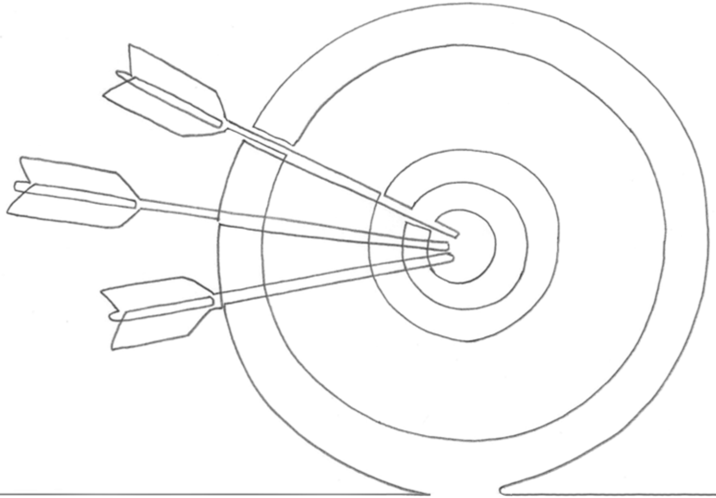
The outlook

Continued profitable growth in 2022

- Double digit growth supported by favorable rate environment in 2022.
- Opportunities continue across both wholesale and domestic platforms.
- We are growing in cyber whilst maintaining strongly diversified business overall.
- Expected combined ratio around 90% for 2022.
- Yield on core investment portfolio of 0.9% at end of 2021.
- Capital markets day 18th May 2022.



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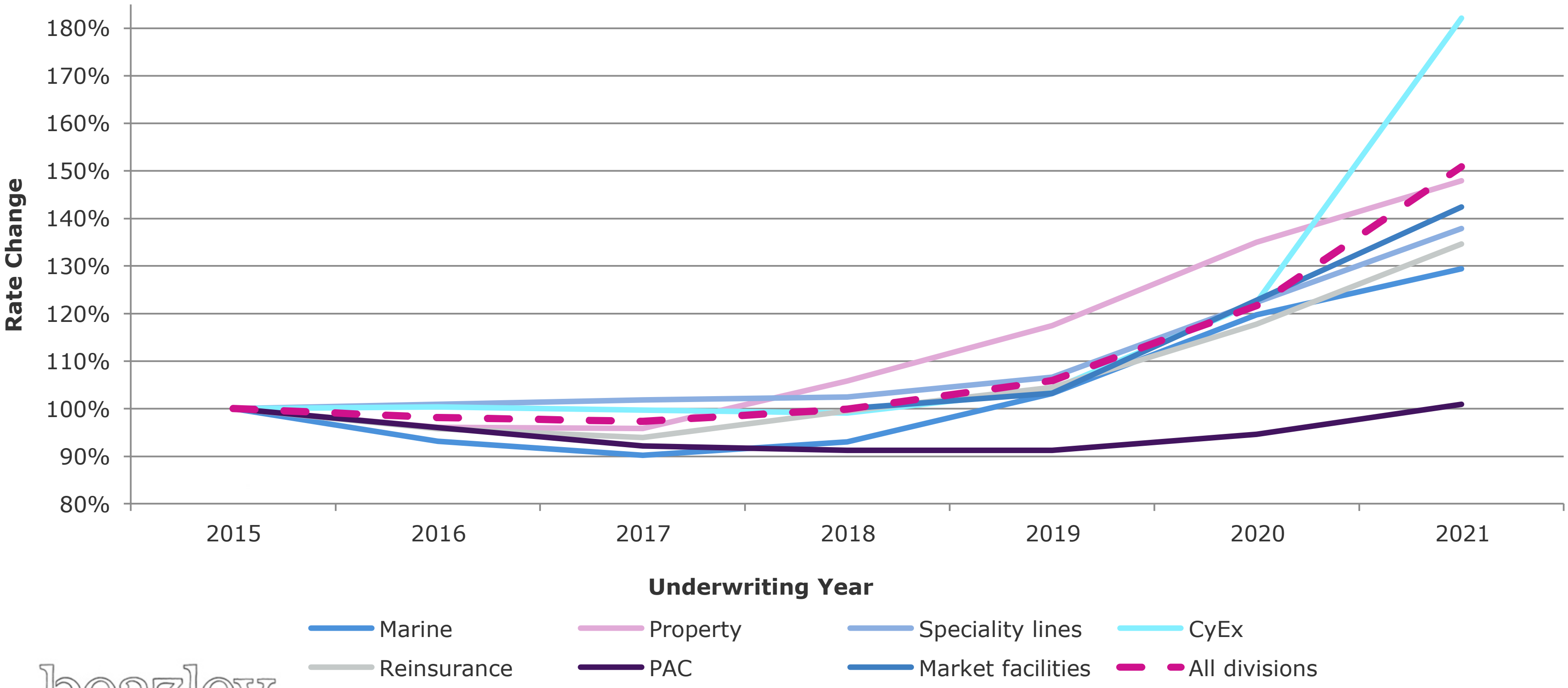
Questions

Appendices

Cumulative rate change since 2015



Performance by division

	Year ended 31 December 2021						
	Cyber & Executive Risk	Marine	Market Facilities	PAC	Property	Reinsurance	Specialty Lines
Gross premiums written ($m)	1,515.6	376.5	198.2	322.8	586.5	226.1	1,393.2
Net premiums written ($m)	1,150.6	345.6	55.0	270.9	439.7	133.4	1,117.2
Result from operating activities ($m)	100.7	97.4	0.9	69.2	25.8	(27.0)	141.1
Claims ratio	65%	33%	23%	54%	55%	91%	58%
Expense ratio	28%	39%	75%	44%	44%	35%	34%
Combined ratio	93%	72%	98%	98%	99%	126%	92%
Rate change	49%	8%	16%	7%	10%	14%	13%

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