

Results for the six months ended 30 June 2020

Thursday, 23 July 2020

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Overview

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Overview – strong premium growth

- **Gross premiums written increased by 12% to \$1,663.9m**
(30 June 2019: \$1,483.6m)
- **Rate change on renewal business 11%**
(30 June 2019: 5%)
- **Loss before income tax of \$13.8m**
(30 June 2019: Profit of \$166.4m)
- **Combined ratio of 107%**
(30 June 2019: 100%)
- **Prior year reserve releases of \$58.6m**
(30 June 2019: \$3.4m)
- **Investment return of \$83.2m**
(30 June 2019: \$170.3m)
- **Annualised return on equity of (1%)**
(30 June 2019: 19%)
- **No interim dividend declared**
(30 June 2019: 4.1p)

Business update

- Growth achieved across six of our seven divisions
- Market facilities split out from specialty lines
- Equity raise of \$292.6m to fund planned growth opportunities



- Bethany Greenwood succeeds Mike Donovan as head of cyber & executive risk division

COVID-19:

- Company has been successfully operating remotely for past four months
- Continued to deliver product launches including virtual care and product recall
- Impact expected to be \$170m net of reinsurance
 - PAC division (\$70m); property, marine, and reinsurance divisions (\$100m)
- Underwriting action taken to ensure exposure to potential claims on future business minimised

Financials

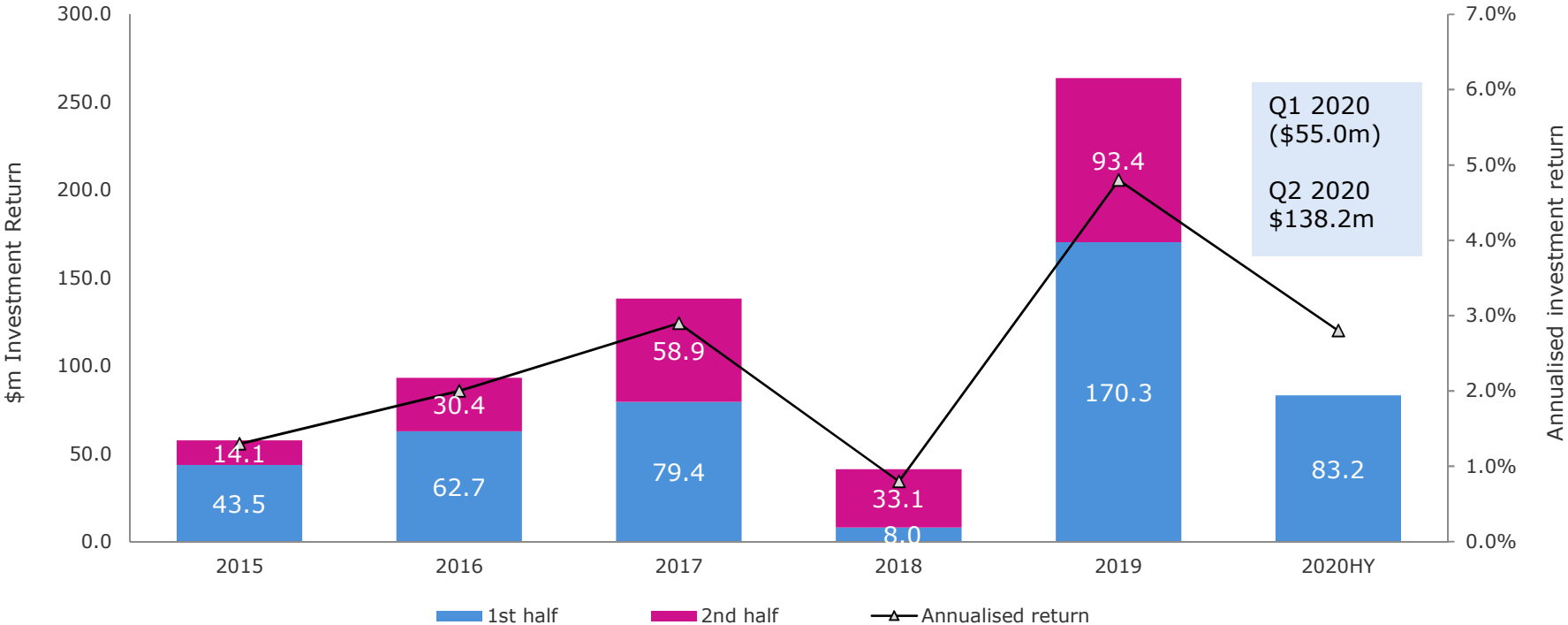
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Six months financial performance

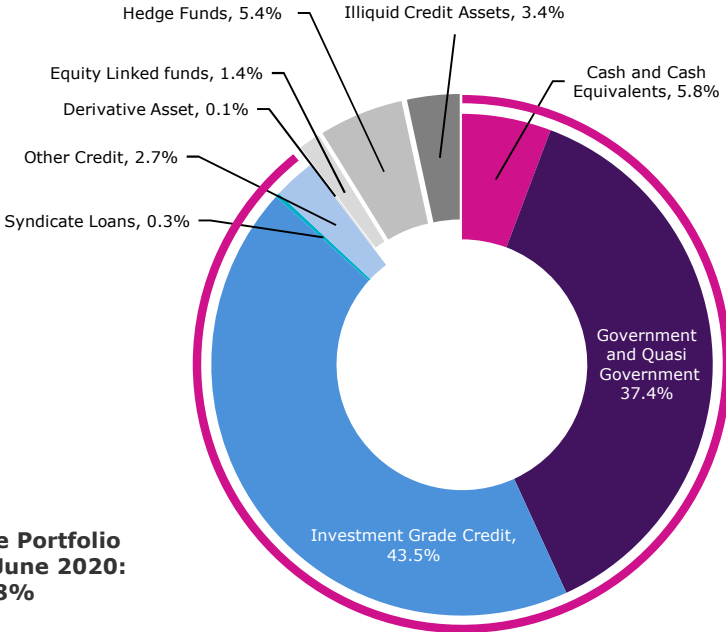
	6 months ended 30 June 2020	6 months ended 30 June 2019	% increase
Gross premiums written (\$m)	1,663.9	1,483.6	12%
Net premiums written (\$m)	1,317.8	1,225.5	8%
Net earned premiums (\$m)	1,233.8	1,118.0	10%
(Loss) / Profit before income tax (\$m)	(13.8)	166.4	
(Loss) / Earnings per share (pence)	(1.7)	20.4	
Dividend per share (pence)	-	4.1	
Net assets per share (pence)	239.0	232.3	
Net tangible assets per share (pence)	222.9	214.2	

Strong investment return in volatile market



Active portfolio management in uncertain markets

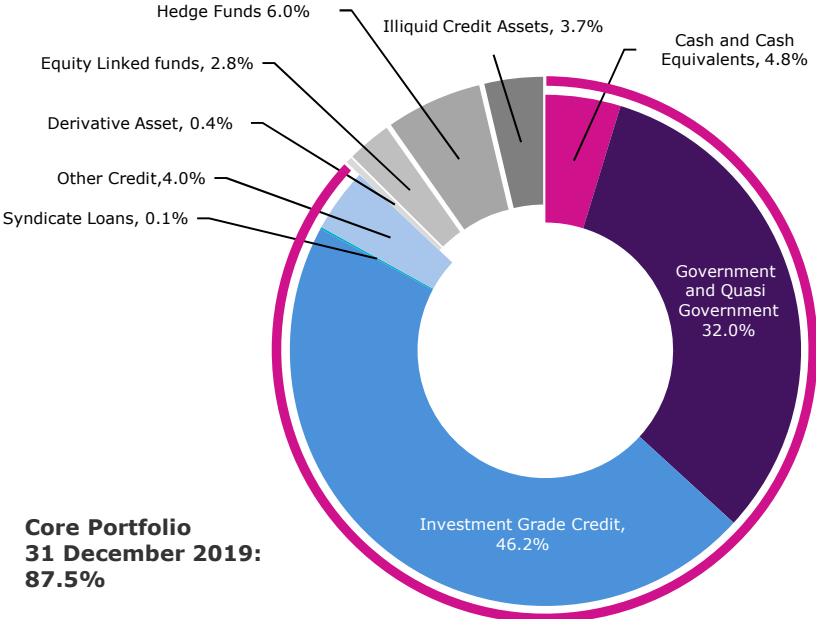
30 June 2020



**Core Portfolio
30 June 2020:
89.8%**

Core portfolio

31 December 2019

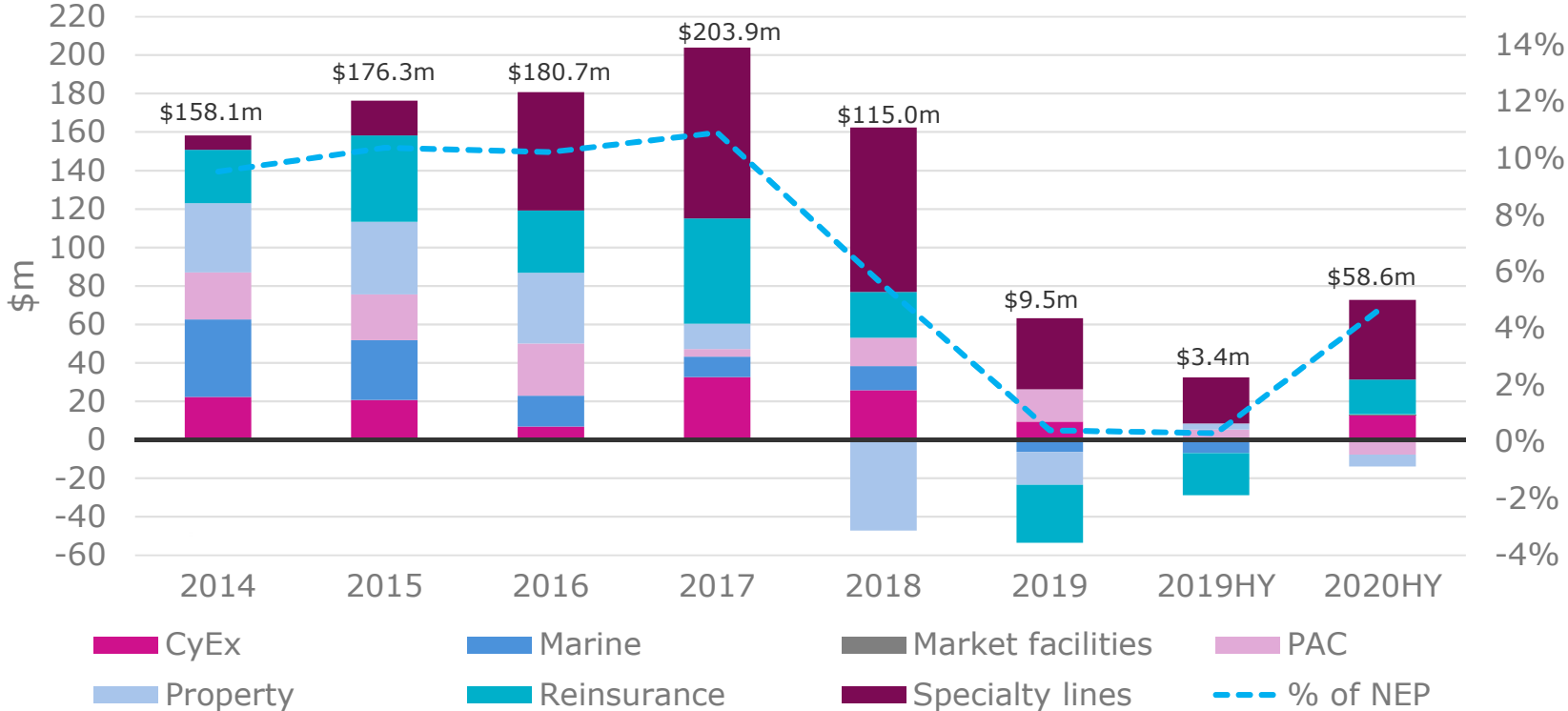


**Core Portfolio
31 December 2019:
87.5%**

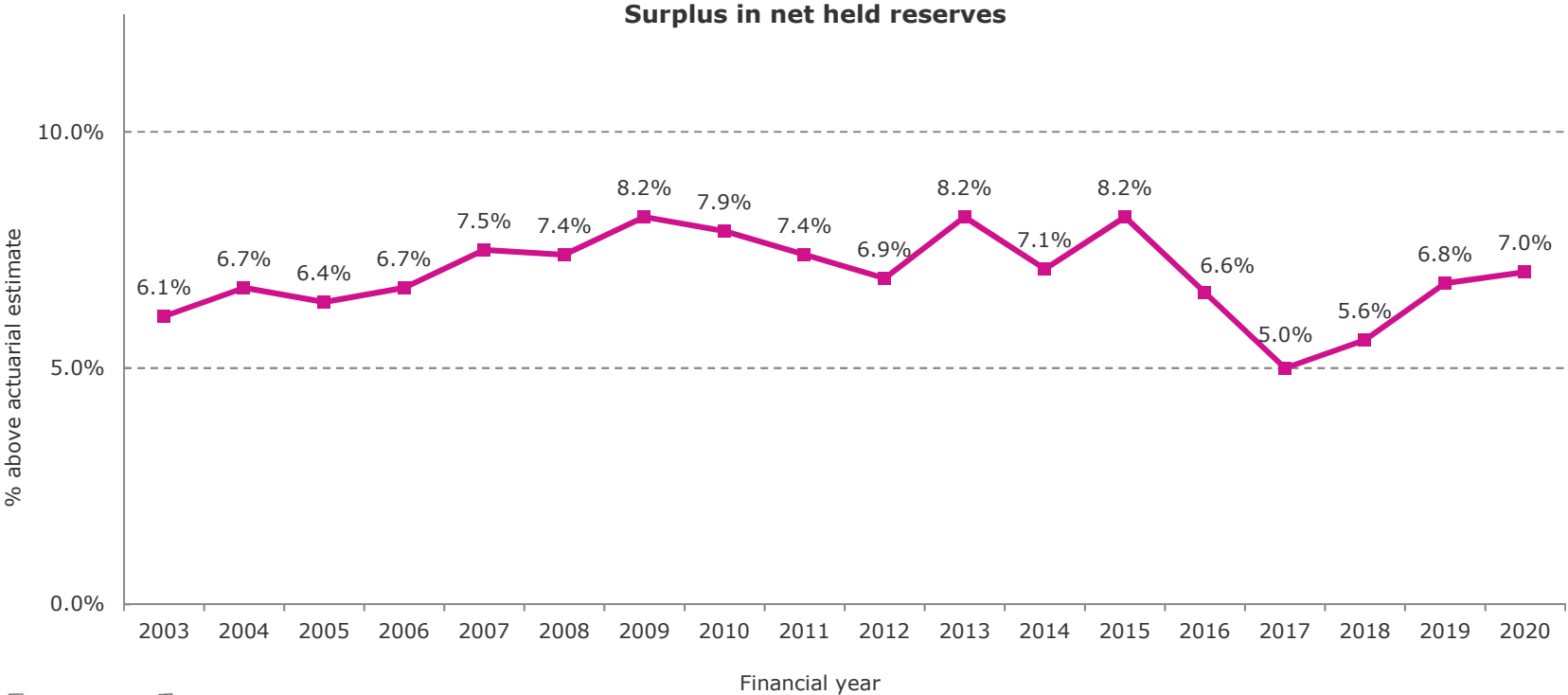
Core portfolio



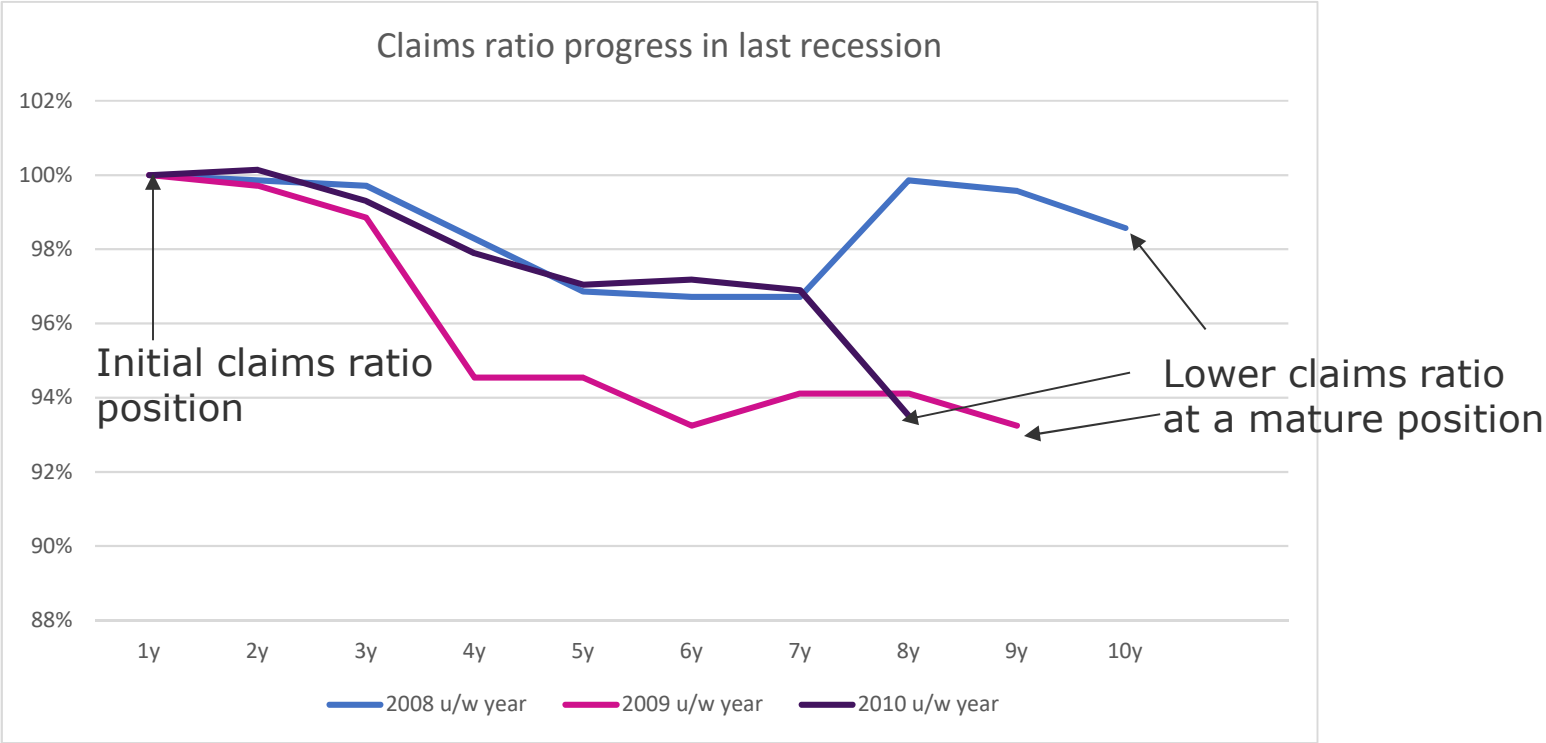
Claims releases more in line with historic levels



Consistent reserving strategy leads to improving surplus position



Our initial claims ratios were robust in last recession



Reinsurance protection of significant underwriting action in SL and CyEx

- Our claims made liability business has always been exposed to systemic issues and we have also been preparing for a recession for a number of years
- During 2020 we have focused on amending our underwriting to reduce the potential impact of claims arising from COVID-19 and recession
- Since 2014 we have purchased reinsurance cover which attaches just above our opening held position (in 2020 claims would need to increase by \$10m to attach to this reinsurance)
- The same cover is already purchased for 2021

Underwriting capital – in a strong position for market conditions

- Group capital requirement:

	Projected 31 Dec 2020 \$m	Year ended 31 Dec 2019 \$m
Lloyd's economic capital requirement (ECR)	1,996.5	1,828.4
Capital for US insurance company	301.4	203.9
	2,297.9	2,032.3

- Expect to be at 22% of Lloyd's ECR, which is within our target range of 15% - 25%
 - Surplus allows for growth into 2021 as well as SII adjustments
- Incorporates changing view of growth expectations for 2021 reflecting market conditions
- Banking facility now stands at \$450m (of which \$225m has been utilised)
- Equity raise of \$292.6m to help facilitate planned growth opportunities

In focus: Property

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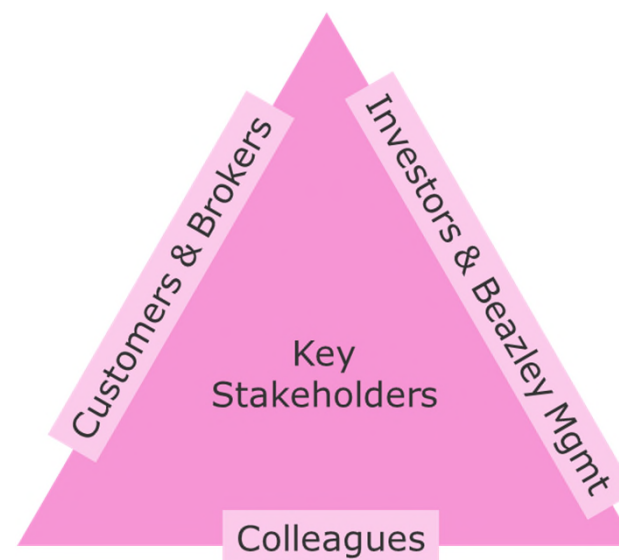
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Vision & Strategy

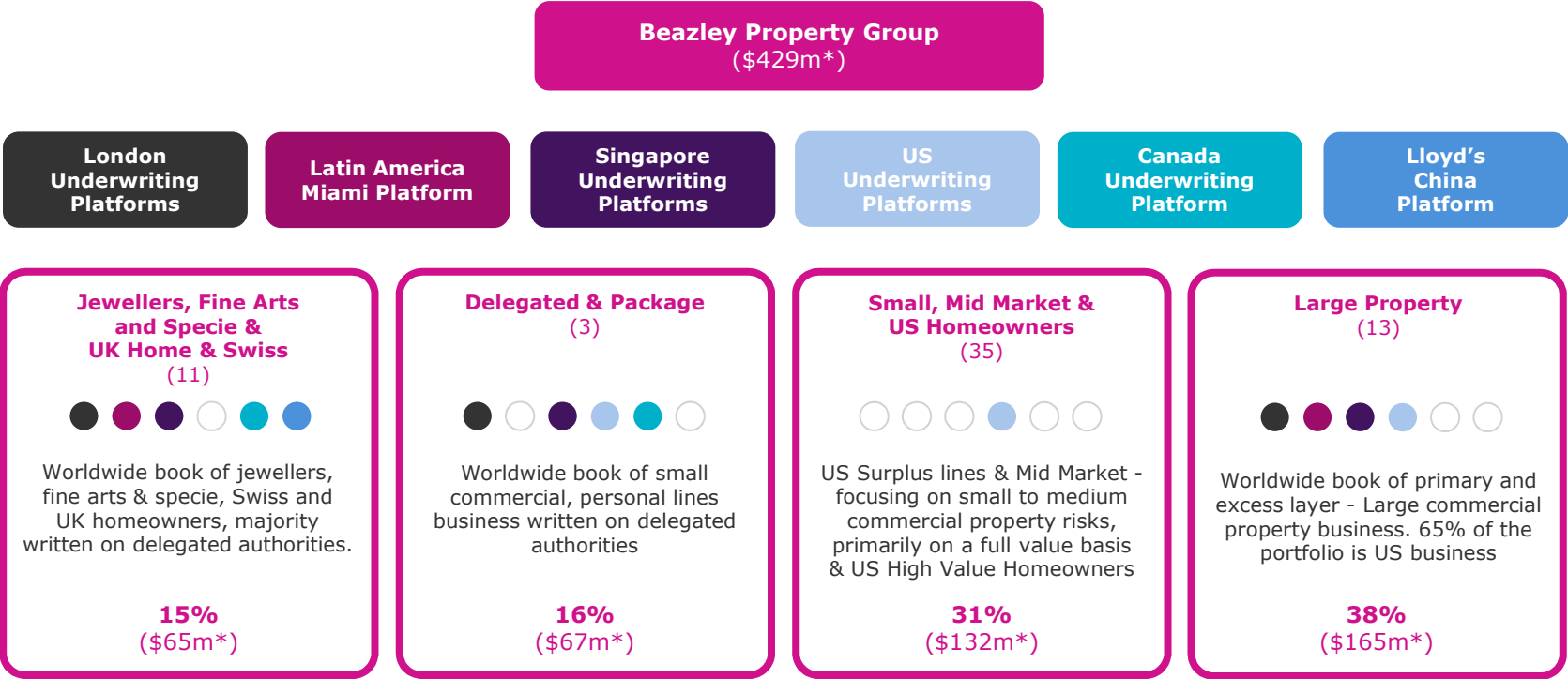
To become, and be recognised as, the highest performing specialist property insurer

Key performance indicators

- 15%+ return on capital
- Continued double-digit growth
- Above "Beazley average" broker survey result
- Top quartile engagement survey result



Our structure & products



*Premium as at 31 December 2019



Key areas of focus

- Tailored and optimised portfolio
- Active distribution management
- Empowered underwriting
- Investment in technology and processes
- Efficient use of capital

2020 Property outlook and beyond

- Expected premium growth +15% YOY
- Continued rate increases across portfolio
 - Large Commercial +22% YTD
 - Small & Mid Market +18% YTD
 - US Homeowners +14% YTD
- High retention on core business
- Favorable terms & conditions
- Ongoing improvement on attritional loss ratios

The outlook

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Outlook

- Maintain double digit top line growth
- Continue to mitigate impact of COVID-19
 - Taking underwriting action on liability classes
- Expect combined ratio around 100% for 2020
- Expect lower investment return in second half of 2020 as fixed income assets yield just 0.8%.
- Expect rate momentum to continue
- Agile, nimble approach to meet post-COVID environment. Focus remains on:
 - People: Health & wellbeing; appointments e.g. sustainability and innovation
 - Product: Pivoting to meet demand - virtual events
 - Service: Flexible and scalable model - claims

Questions?

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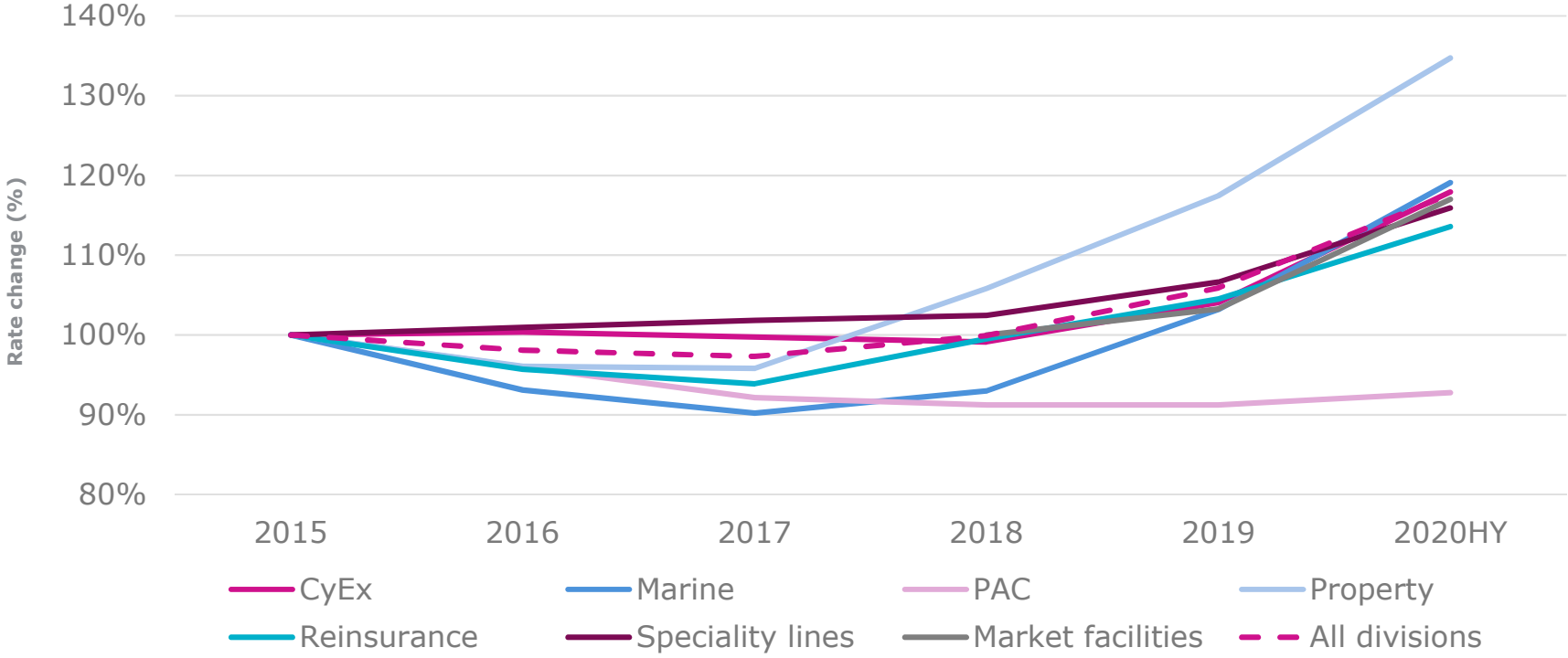
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Appendix

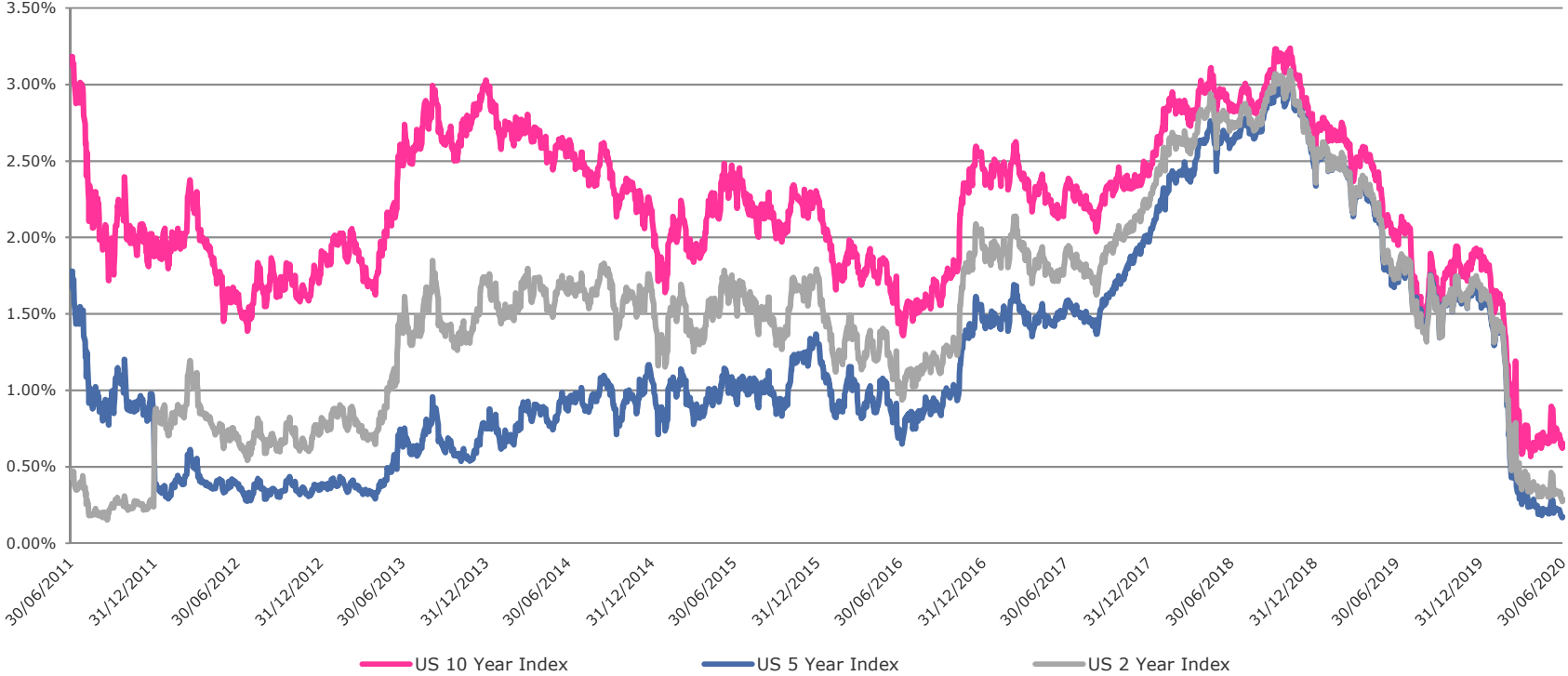
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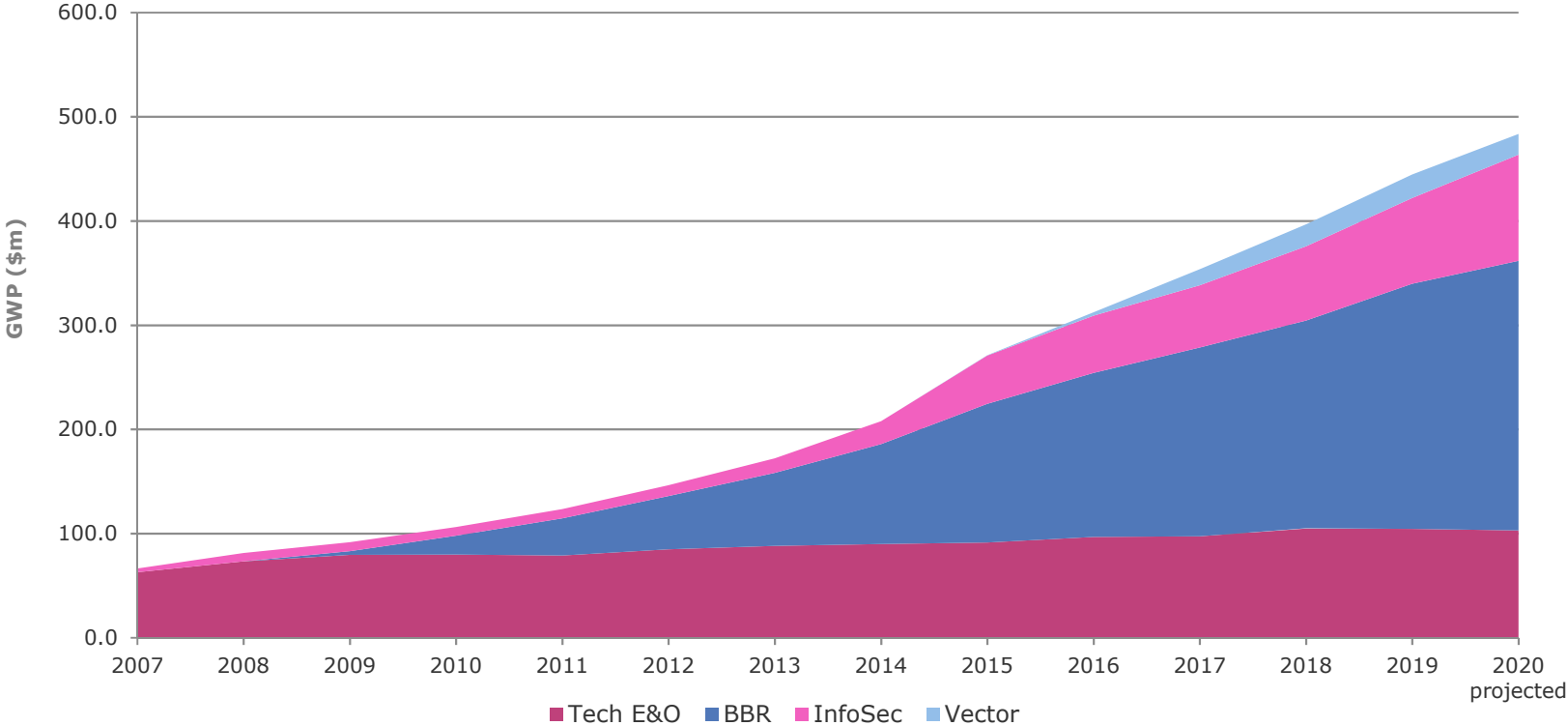
Cumulative rate change since 2015



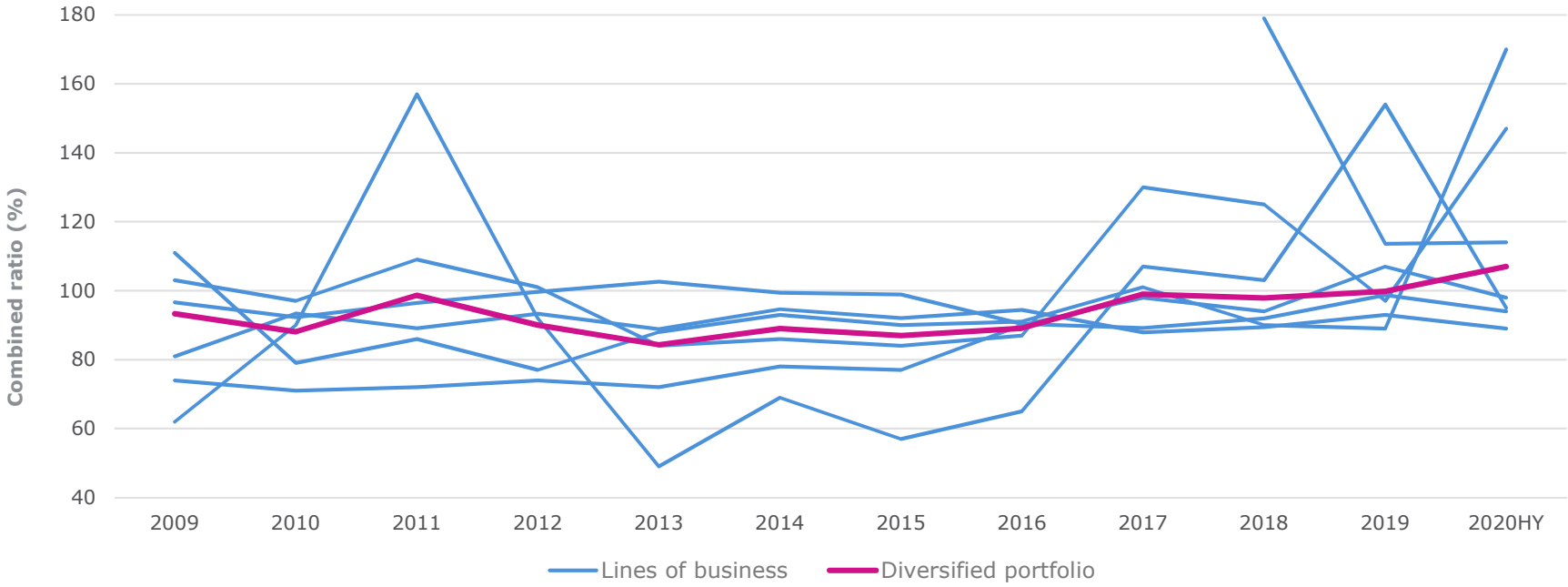
US interest rates



Cyber gross premiums written growth



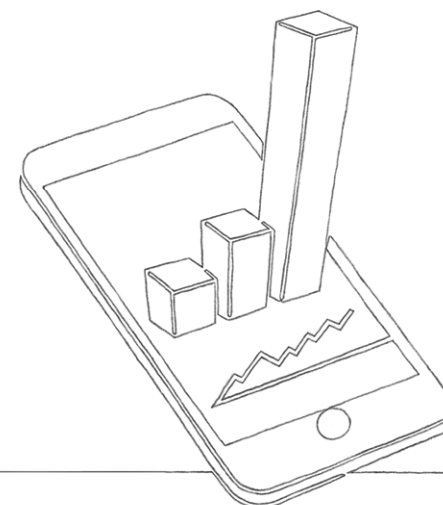
Portfolio management achieves consistent combined ratio through market cycles



Cyber & executive risk

	6 months ended 30 June	
	2020	2019
Gross premiums written (\$m)	419.6	348.1
Net premiums written (\$m)	360.7	303.9
Net earned premiums (\$m)	367.9	296.1
Claims ratio	59%	63%
Rate change on renewals	13%	4%
Percentage of business led	98%	100%

- 21% growth in gross premiums written
- Expense ratio at 30% (June 2019: 32%)



Marine

6 months ended 30 June

	2020	2019
Gross premiums written (\$m)	176.3	165.1
Net premiums written (\$m)	153.8	138.4
Net earned premiums (\$m)	141.3	134.2
Claims ratio	62%	68%
Rate change on renewals	15%	7%
Percentage of business led	54%	60%

- Gross premiums written growth of 7%
- Improved combined ratio to 98% (June 2019: 108%)

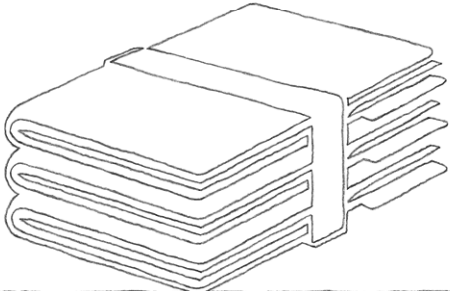


Market facilities

6 months ended 30 June

- Gross premiums written growth of 173%

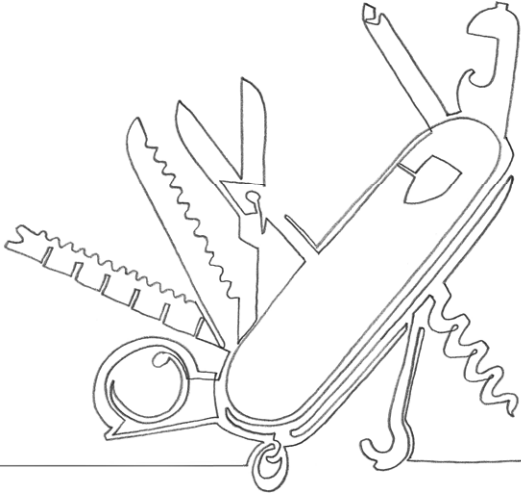
	2020	2019
Gross premiums written (\$m)	60.7	22.2
Net premiums written (\$m)	17.5	9.5
Net earned premiums (\$m)	12.1	5.6
Claims ratio	29%	43%
Rate change on renewals	13%	1%
Percentage of business led	6%	6%



Political, accident & contingency

	6 months ended 30 June	
	2020	2019
Gross premiums written (\$m)	150.8	145.9
Net premiums written (\$m)	110.8	126.0
Net earned premiums (\$m)	97.0	109.4
Claims ratio	120%	51%
Rate change on renewals	2%	(1%)
Percentage of business led	68%	71%

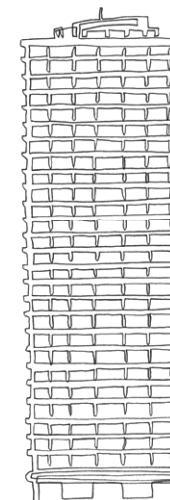
- Gross premiums written growth of 3%
- Combined ratio 170% (June 2019: 94%)
- Large impact from COVID-19



Property

	6 months ended 30 June	
	2020	2019
Gross premiums written (\$m)	233.5	230.9
Net premiums written (\$m)	183.8	180.7
Net earned premiums (\$m)	177.5	176.8
Claims ratio	110%	51%
Rate change on renewals	15%	9%
Percentage of business led	79%	79%

- 1% increase in gross premiums written. Strong growth in second quarter
- Combined ratio increased to 147% (June 2019:92%), largely due to impact of COVID-19
- Expense ratio improved



Reinsurance

	6 months ended 30 June	
	2020	2019
Gross premiums written (\$m)	151.0	161.4
Net premiums written (\$m)	92.1	97.8
Net earned premiums (\$m)	50.8	57.2
Claims ratio	55%	97%
Rate change on renewals	9%	4%
Percentage of business led	64%	49%

- Combined ratio decreased to 95% (June 2019: 140%)
- Improved expense ratio of 40% (June 2019: 43%)



Specialty lines

	6 months ended 30 June	
	2020	2019
Gross premiums written (\$m)	472.0	410.0
Net premiums written (\$m)	399.1	369.2
Net earned premiums (\$m)	387.2	338.7
Claims ratio	57%	62%
Rate change on renewals	9%	4%
Percentage of business led	92%	93%

- 15% growth in gross premiums written
- Improved expense ratio at 37% (June 2019: 39%)

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