

# Results for the six months ended 30 June 2022

**22 July 2022**

*beazley*

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The logo for Beazley, featuring the word "beazley" in a stylized, lowercase, serif font with a thin horizontal line underneath the letters.

# Overview

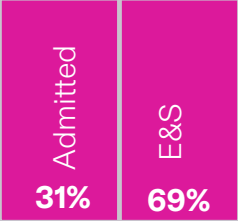
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# Results summary

- Combined ratio of 87% (2021: 94%)
- Underwriting profit of \$232.4m (2021: \$84.2m)
- Investments loss of \$193.0m (2021: gain of \$83.6m)
- Profit before tax \$22.3m (2021: \$167.3m)
- Return on equity of 1% (2021: 15%)
- Gross premiums written increased by 26% to \$2,554.9m (2021: \$2,035.3m)
- Rate increase of 18% (2021: 20%)
- Estimate for Russia-Ukraine conflict remains unchanged

# Continued growth across all platforms

## Domestic North America



### Maturing

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

## Wholesale



### Mature

Will grow at same rate as market

## Domestic Europe



### End of the beginning

7 years since major investment  
Multi-decade journey

**HY 22 Premium split**

**33%**

**60%**

**7%**

**Growth HY 22 vs HY 21**

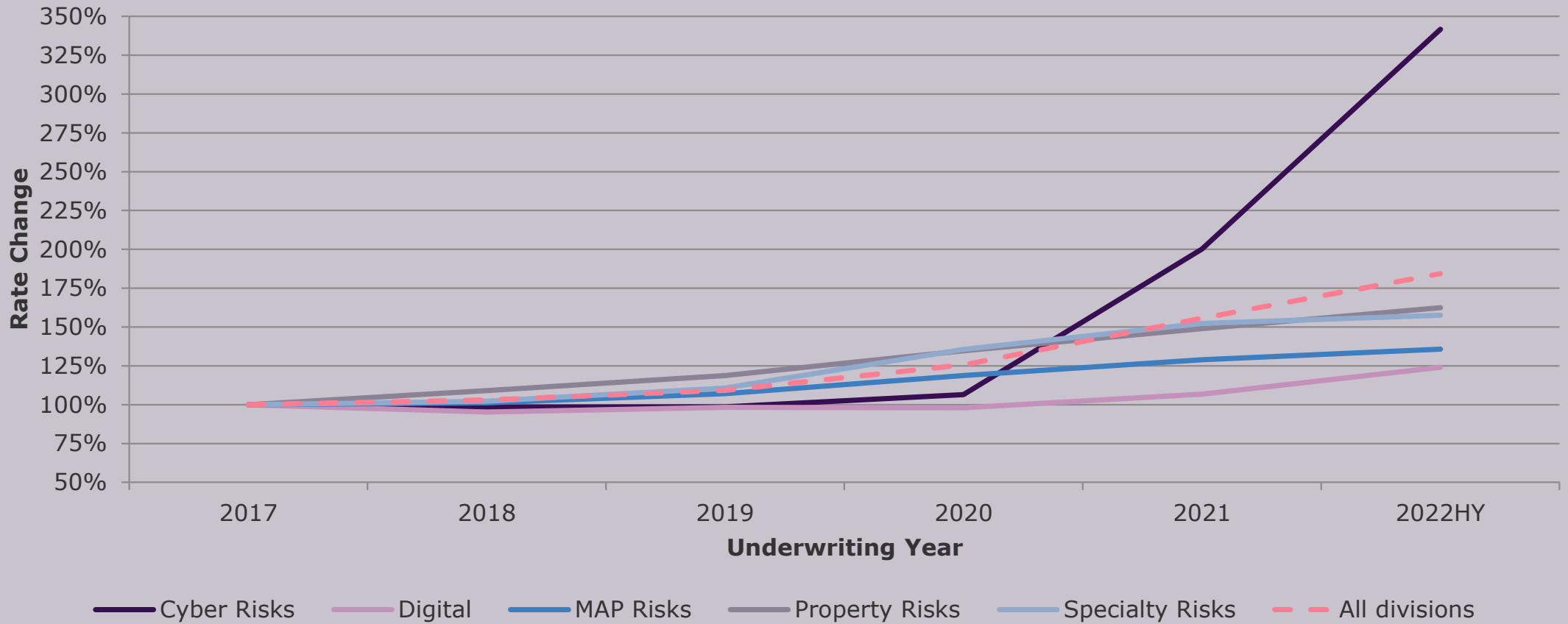
**29%**

**22%**

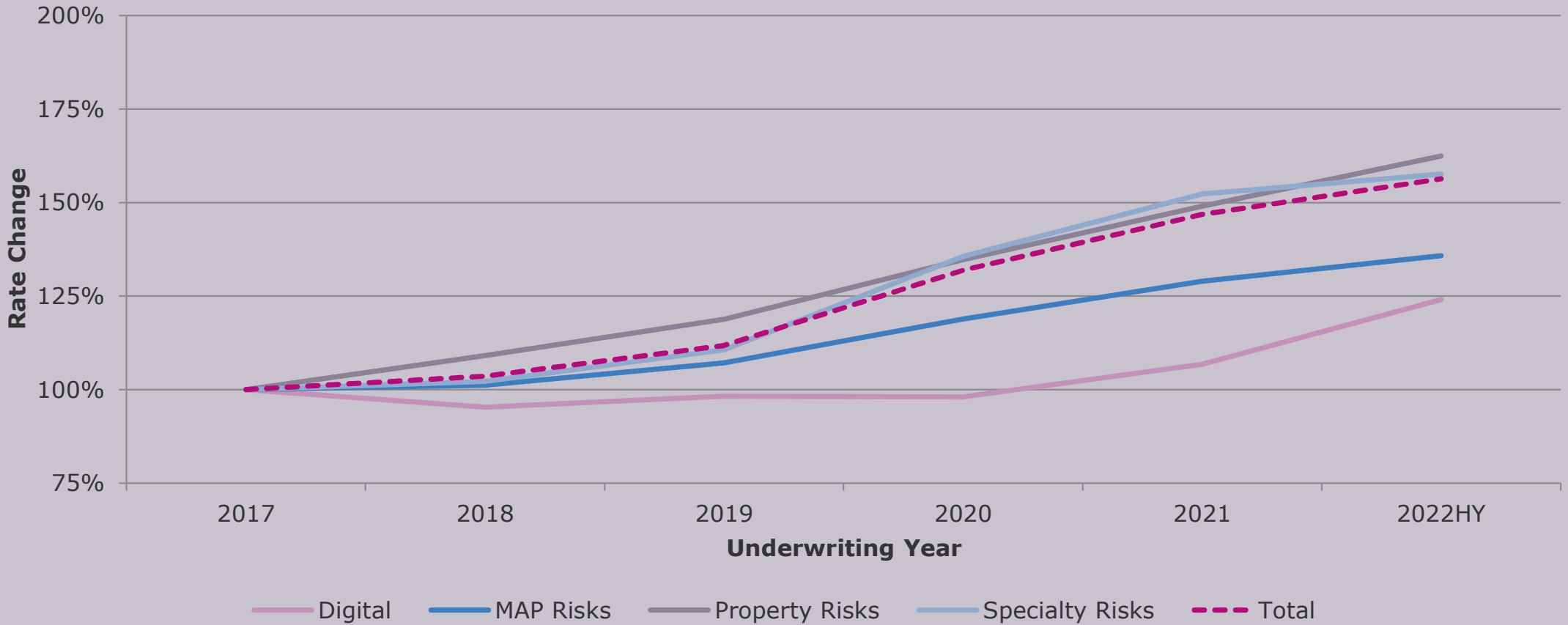
**53%**



# Cumulative rate change



# Cumulative rate change (excluding Cyber Risks)





# Financials

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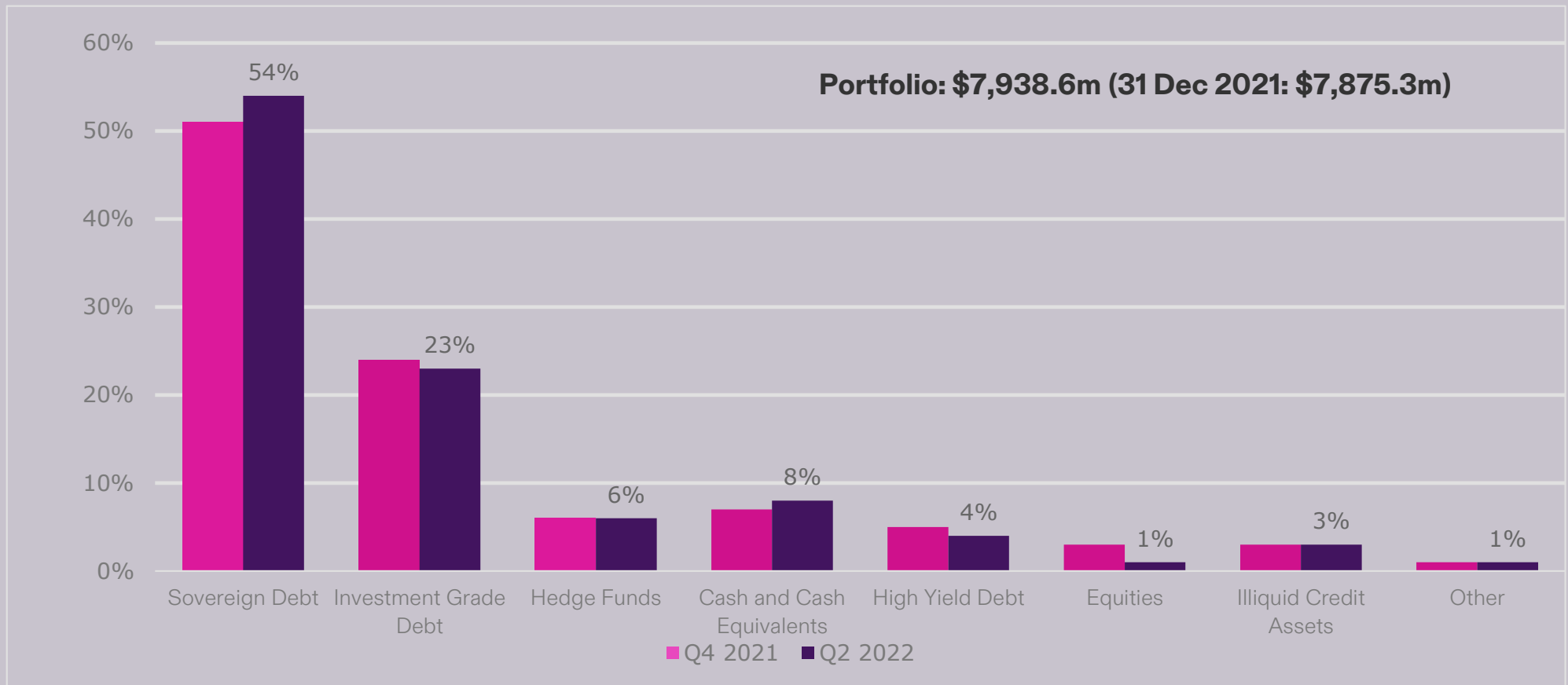
# Financial performance

	6 months ended 30 June 2022	6 months ended 30 June 2021	% movement
Gross premiums written (\$m)	2,554.9	2,035.3	26%
Net premiums written (\$m)	1,795.9	1,442.1	25%
Net earned premiums (\$m)	1,806.4	1,390.2	30%
Profit before income tax (\$m)	22.3	167.3	(87%)
Claims ratio	54%	57%	
Expense ratio	33%	37%	
Combined ratio	87%	94%	
Earnings per share (pence)	1.7	16.7	(90%)
Net assets per share (pence)	274.9	229.4	20%
Net tangible assets per share (pence)	258.8	214.6	21%

# Difficult investment market conditions led to mark to market losses



# Investments



# Inflation

- Our reserving process has always allowed for both social and economic inflation
- We added a load for excess social inflation in 2017
- We added a load for excess economic inflation at the beginning of 2021
- Excess inflation loads are included on both the IFRS and Solvency II balance sheets
- We monitor and update these quarterly
- In the first half of 2022 these were updated to reflect increases in both the expected levels and duration of excess inflation

# Absolute reserve releases consistent year on year

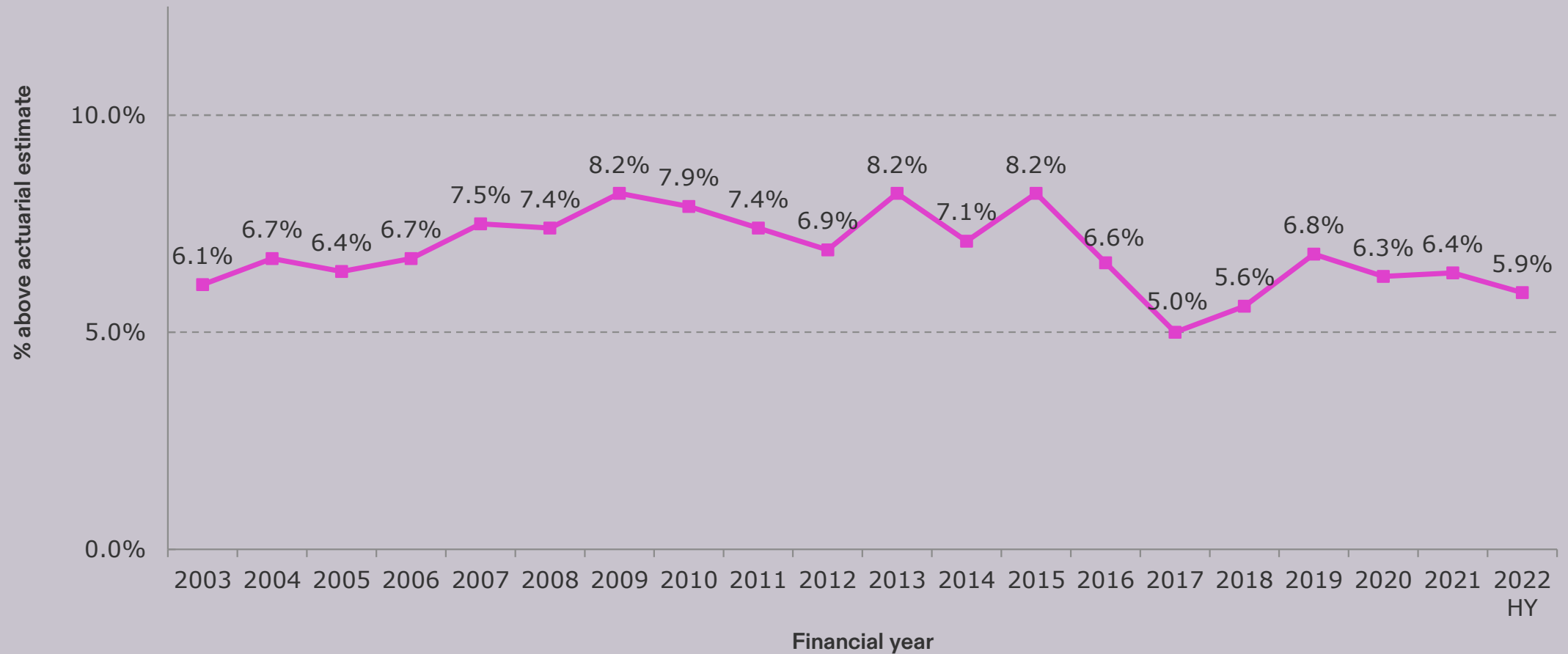


## Transition to IFRS 17

- With the move to IFRS 17 we are taking opportunity to review reserving strategy
- There will be changes to how we set and disclose reserve margin (risk adjustment under IFRS 17)
- Our current approach is to set reserves within corridor of 5-10% above actuarial estimates (which already incorporate a level of prudence)
- The new approach will be to set reserves at a confidence level above best estimate
- The expectation is that the range under IFRS 17 will be lower than the current range

# Reserve surplus maintained whilst preparing for future

Surplus in net held reserves





## Capital position remains strong, above preferred range

- Group capital requirement:

	<b>Projected 31 Dec 2022 \$m</b>	<b>Year ended 31 Dec 2021 \$m</b>
Lloyd's economic capital requirement (ECR)*	<b>2,639.4</b>	<b>2,225.3</b>
Capital for US insurance company	<b>258.7</b>	<b>247.8</b>
	<b>2,898.1</b>	<b>2,473.1</b>

- We expect to be at 28% above Lloyd's ECR\* (including Solvency II adjustments) which is above our preferred range of 15-25%
- The ECR requirement already anticipates the strong growth planned in all the business written to the end of 2023, and currently contemplates mid teens growth
- Our funding is made up of our own equity (on 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 per new dividend strategy the Board will consider a dividend payment at year end after taking into account the 2022 results as a whole

\*Note: Ultimate plus 35%

# Underwriting Divisions

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# Cyber Risks

## 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

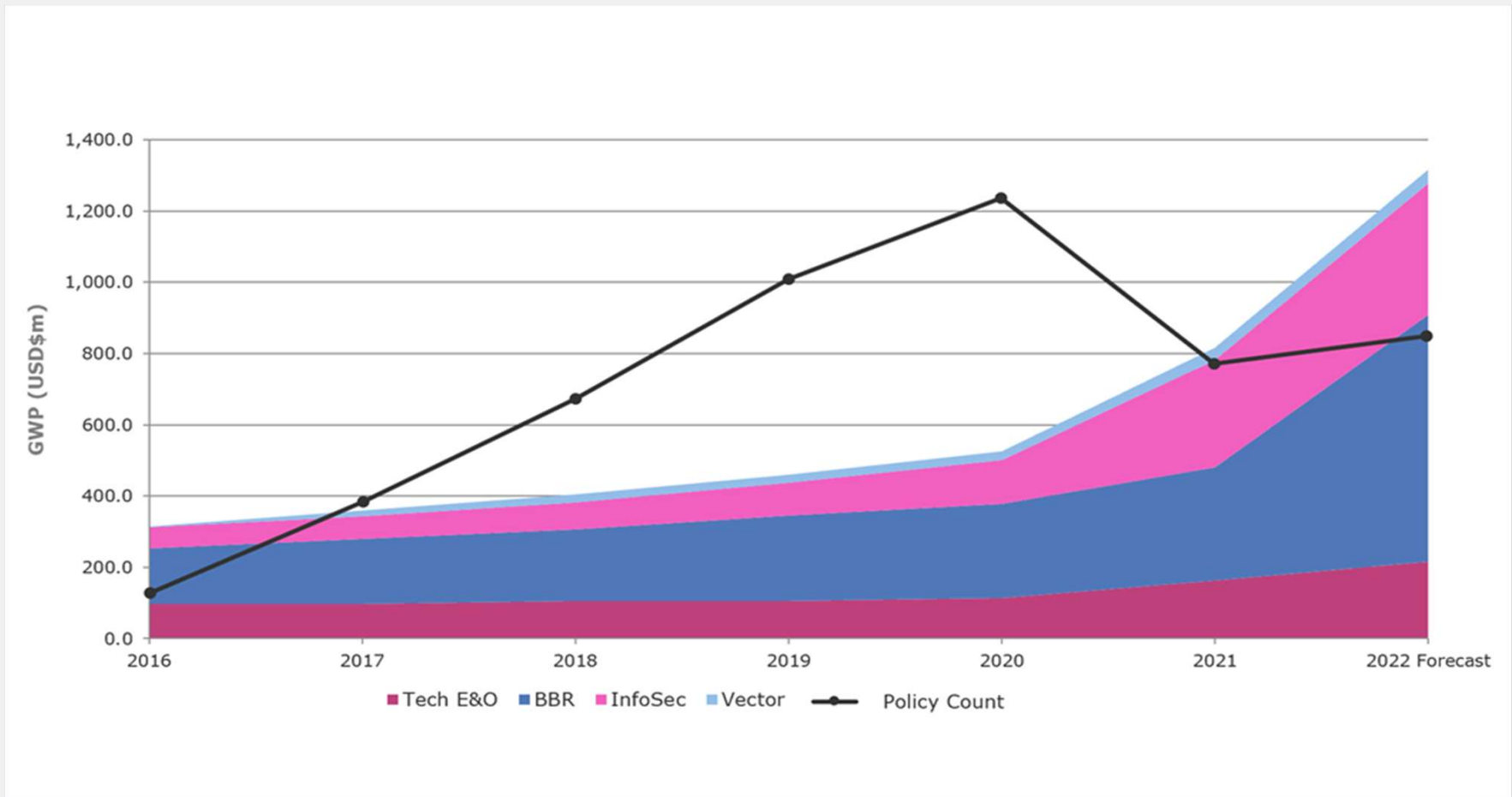
# Ransomware claims frequency continues to reduce

## Impact of our response to the changing threat landscape

- **30%** ransomware frequency reduction per policy
- **70%** ransomware frequency reduction per premium

Metric	As at 21Q2	As at 21Q3	As at 21Q4	As at 22Q1	As at 22Q2
Freq. change since 1 Oct 20 (per premium)	-50%	-51%	-60%	-65%	-70%
Freq. change since 1 Oct 20 (per policy count)	-20%	-15%	-20%	-25%	-30%

## Increased premium, reduced exposure



# Cyber Risks

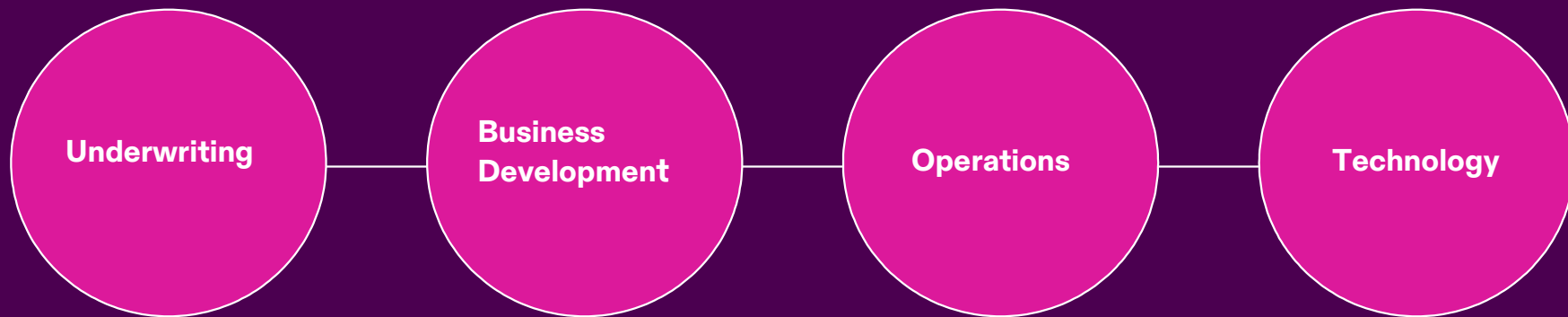
	6 months ended 30 June		
	2022	2021	% change
Gross premiums written (\$m)	<b>472.7</b>	267.1	77%
Net premiums written (\$m)	<b>322.0</b>	187.9	71%
Net earned premiums (\$m)	<b>362.4</b>	204.5	77%
Claims ratio	<b>49%</b>	67%	
Expense ratio	<b>25%</b>	29%	
Combined ratio	<b>74%</b>	96%	
Rate change on renewals	<b>71%</b>	61%	

## Cyber Risks LDTs (net of reinsurance)

Net ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	63.6%	60.4%	56.9%	54.8%	53.7%	53.5%	55.6%	80.2%	64.6%
24 months	64.1%	59.4%	57.1%	55.5%	53.1%	55.6%	71.3%	79.0%	
36 months	61.7%	53.6%	50.3%	51.0%	44.0%	54.0%	72.7%		
48 months	65.8%	56.0%	41.7%	46.6%	41.1%	53.3%			
60 months	64.5%	62.4%	38.7%	42.9%	40.1%				
72 months	62.6%	58.5%	34.2%	41.3%					
84 months	59.7%	59.3%	33.6%						
96 months	61.6%	58.3%							
108 months	61.8%								
Position at 30 June 2022	57.3%	61.0%	32.6%	39.6%	37.9%	47.3%	73.1%	78.5%	58.5%

# 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/digitisable business within Beazley
- Presence in US, UK, Canada, France, Germany and Spain





# Digital

## 6 months ended 30 June

	2022	2021	% change
Gross premiums written (\$m)	98.0	84.1	17%
Net premiums written (\$m)	83.4	72.4	15%
Net earned premiums (\$m)	82.3	66.4	24%
Claims ratio	48%	39%	
Expense ratio	37%	40%	
Combined ratio	85%	79%	
Rate change on renewals	16%	7%	

## Digital LDTs (net of reinsurance)

Net ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	65.7%	62.9%	60.5%	57.8%	54.1%	59.7%	60.8%	65.2%	63.0%
24 months	66.8%	56.9%	60.8%	57.7%	54.9%	59.9%	68.8%	69.0%	
36 months	47.2%	36.8%	25.0%	31.7%	40.8%	49.5%	49.1%		
48 months	22.8%	28.9%	22.4%	21.6%	30.9%	38.7%			
60 months	21.4%	25.0%	20.5%	20.7%	27.0%				
72 months	18.9%	24.9%	20.0%	19.6%					
84 months	16.6%	22.6%	19.9%						
96 months	16.1%	22.7%							
108 months	16.0%								
Position at 30 June 2022	16.0%	22.7%	19.7%	19.6%	27.1%	41.9%	43.8%	65.0%	61.6%

# 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 Risks

	6 months ended 30 June		
	2022	2021	% change
Gross premiums written (\$m)	547.2	437.7	25%
Net premiums written (\$m)	358.2	312.8	15%
Net earned premiums (\$m)	316.9	282.2	12%
Claims ratio	54%	40%	
Expense ratio	44%	46%	
Combined ratio	98%	86%	
Rate change on renewals	5%	9%	

## MAP Risks LDTs (net of reinsurance)

Net ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	57.2%	56.9%	57.5%	58.7%	57.5%	58.2%	55.3%	67.6%	51.5%
24 months	52.8%	49.4%	54.7%	59.1%	56.2%	60.8%	78.3%	63.7%	
36 months	47.6%	46.5%	51.5%	56.6%	54.6%	72.5%	73.1%		
48 months	45.6%	47.6%	51.0%	55.5%	53.5%	73.6%			
60 months	45.3%	48.4%	48.9%	54.0%	51.4%				
72 months	44.9%	47.6%	48.4%	52.8%					
84 months	43.6%	47.4%	47.5%						
96 months	43.5%	47.1%							
108 months	43.2%								
Position at 30 June 2022	43.2%	46.6%	47.8%	52.4%	51.1%	73.6%	71.5%	65.1%	58.4%

# Property Risks

## Property

Open Market (UK / RoW)

North American Commercial Property

Jewellery, Fine Art & Specie and Private Clients

Delegated & Package

US High Value Homeowners

## Reinsurance

Property Catastrophe

Treaty Other (inc Risk, Clash and Miscellaneous classes)

# Property Risks

	6 months ended 30 June		
	2022	2021	% change
Gross premiums written (\$m)	478.0	438.1	9%
Net premiums written (\$m)	347.0	246.1	41%
Net earned premiums (\$m)	312.6	216.6	44%
Claims ratio	42%	55%	
Expense ratio	35%	46%	
Combined ratio	77%	101%	
Rate change on renewals	9%	10%	

## Property Risks LDTs (net of reinsurance)

Net ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	56.0%	56.0%	57.0%	58.9%	86.6%	71.1%	65.6%	73.2%	64.2%
24 months	54.4%	47.5%	45.9%	60.7%	94.8%	76.2%	67.0%	79.9%	
36 months	50.6%	41.4%	40.4%	61.8%	99.5%	76.3%	61.3%		
48 months	48.9%	39.5%	38.9%	62.1%	98.8%	73.6%			
60 months	47.5%	38.8%	38.8%	61.8%	99.6%				
72 months	48.6%	39.4%	40.1%	61.5%					
84 months	48.4%	39.0%	38.8%						
96 months	48.6%	38.8%							
108 months	48.2%								
Position at 30 June 2022	48.3%	38.6%	38.7%	62.0%	100.2%	73.5%	57.6%	78.0%	62.9%



# Specialty Risks

## US Executive risk

D&O (US)  
Employment Practises  
Liability (US)  
Crime (US)

## Professional Lines

E&O/ Professional  
Indemnity (US)  
Environmental (US &  
non-US)

## International

Financial Institutions  
(non-US)  
Environmental (US &  
non-US)

## Healthcare

Healthcare Management  
Liability (US)  
Hospitals (US)  
Life Sciences (US)  
Virtual Care (US)

## Transaction Liability

M&A (US and non-  
US)

## Specialty Risks and US Programmes

Small risk E&O (MGA)

## Specialty Reinsurance

Ceded Reinsurance  
(US)  
Embedded  
Insurance Solutions  
Surety

# Specialty Risks

	6 months ended 30 June		
	2022	2021	% change
Gross premiums written (\$m)	959.0	808.3	19%
Net premiums written (\$m)	685.3	622.9	10%
Net earned premiums (\$m)	732.2	620.5	18%
Claims ratio	62%	65%	
Expense ratio	32%	31%	
Combined ratio	94%	96%	
Rate change on renewals	4%	17%	

## Specialty Risks LDTs (net of reinsurance)

Net ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	70.8%	67.4%	65.7%	66.4%	65.3%	67.2%	66.3%	65.0%	64.9%
24 months	70.3%	68.2%	66.2%	66.3%	66.7%	68.9%	65.2%	63.4%	
36 months	71.1%	68.4%	67.0%	66.1%	69.8%	69.5%	60.9%		
48 months	65.3%	63.8%	63.1%	65.7%	68.1%	67.8%			
60 months	60.5%	62.4%	65.6%	62.7%	69.1%				
72 months	58.4%	62.1%	69.3%	62.6%					
84 months	59.0%	61.1%	73.7%						
96 months	57.5%	62.6%							
108 months	56.3%								
Position at 30 June 2022	55.8%	62.4%	73.4%	63.3%	70.5%	65.2%	60.0%	62.3%	63.9%

# Outlook

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# Outlook

- Prepared for inflationary pressures and potential recession
- Capital surplus above preferred range
- Ongoing growth opportunities, particularly across domestic platforms
- Product set also provides continued opportunities with demand growth, particularly in Cyber, M&A, Digital and several areas within MAP risks
- Maintain focus on ESG within underwriting during second half of the year supported by a new Head of Financial Climate Risk
- Yield on investment portfolio of 3.6% at end of June
- We expect the rate of premium growth to moderate second half of the year
- We now expect a full year combined ratio of high 80s assuming average claims experience
- David Roberts standing down as Chair of Beazley plc Board. Senior Independent Director, Christine LaSala will be interim Chair



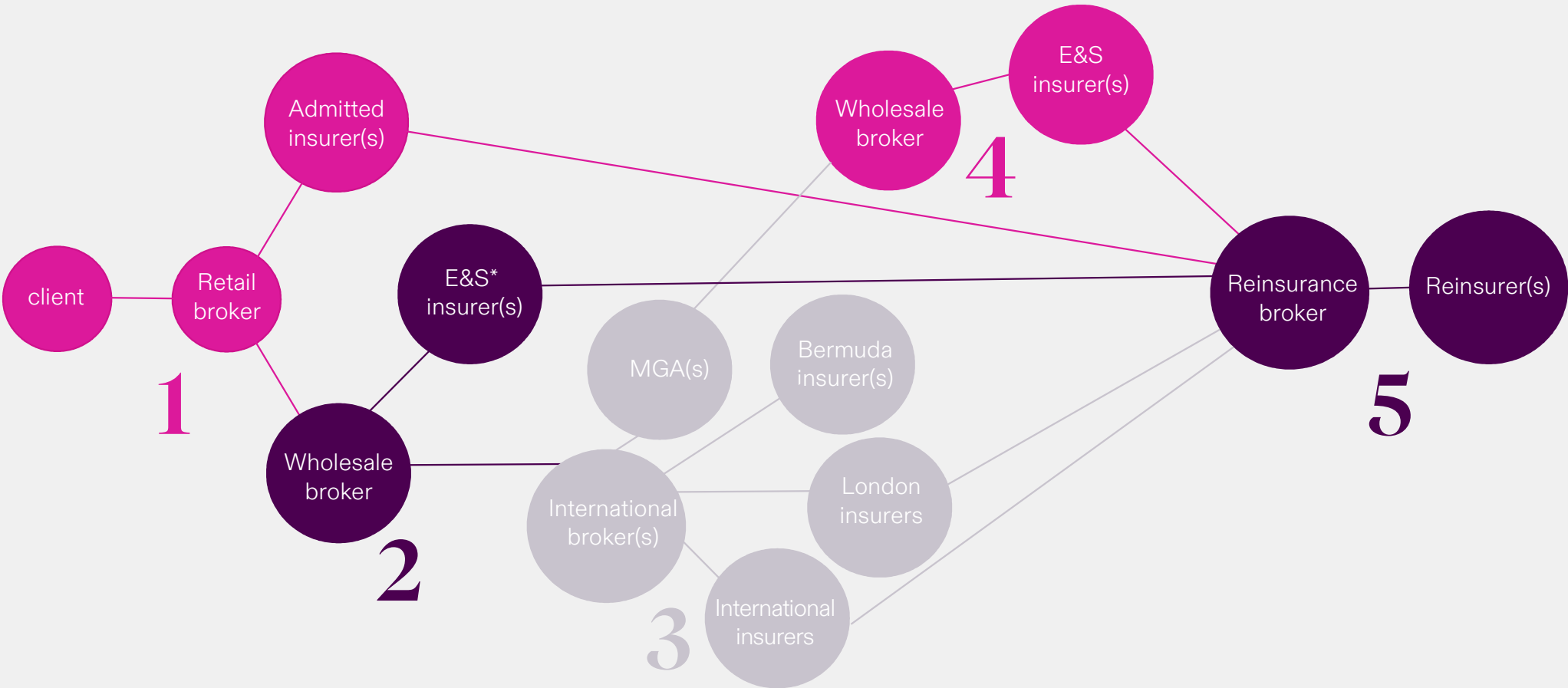
# Q&A

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# Appendices

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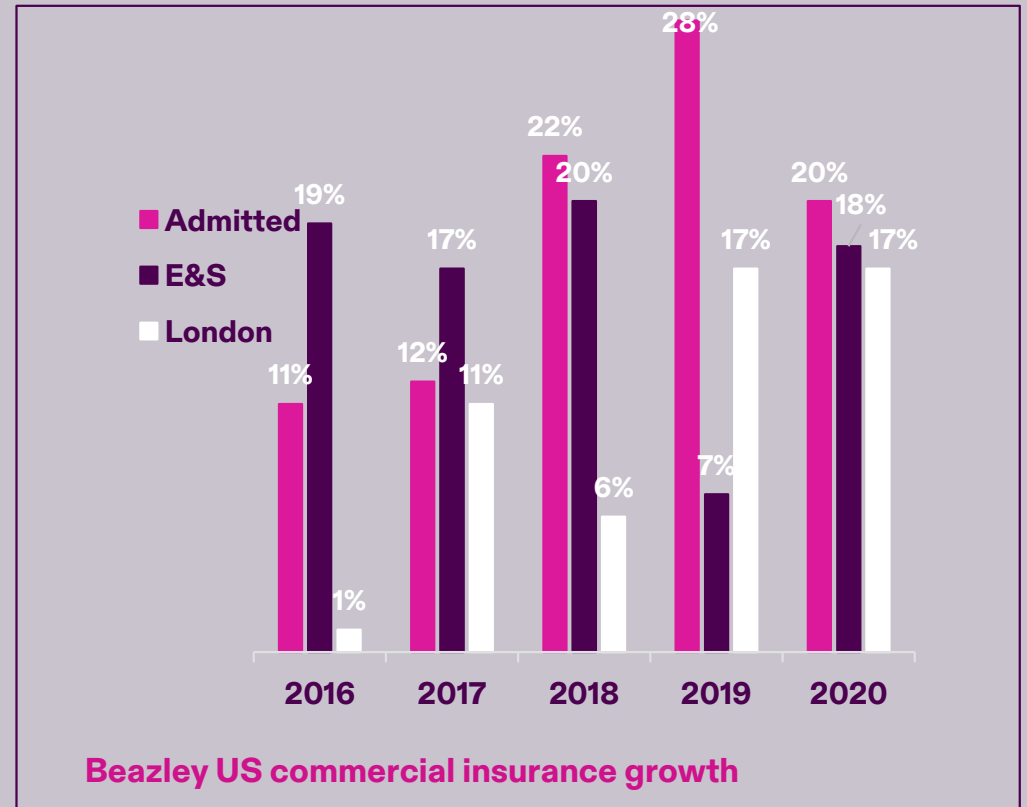
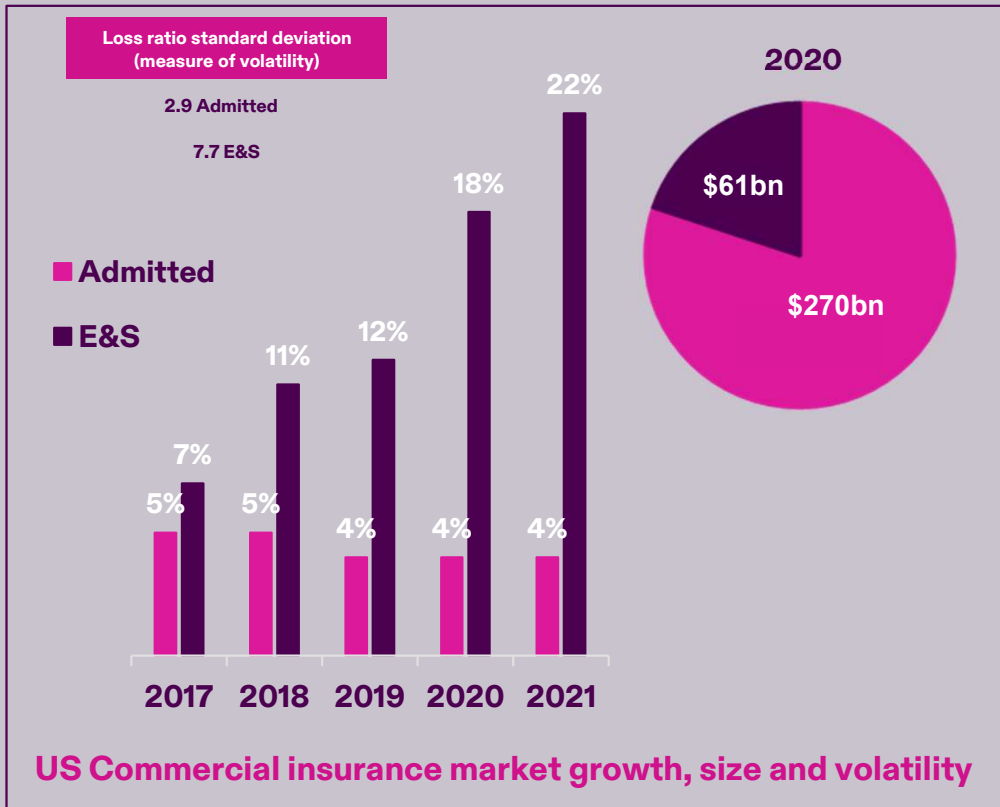
# Distribution in North America



\*E&S: Excess and Surplus lines



# Retail and wholesale have distinct characteristics



# Attributes of wholesale

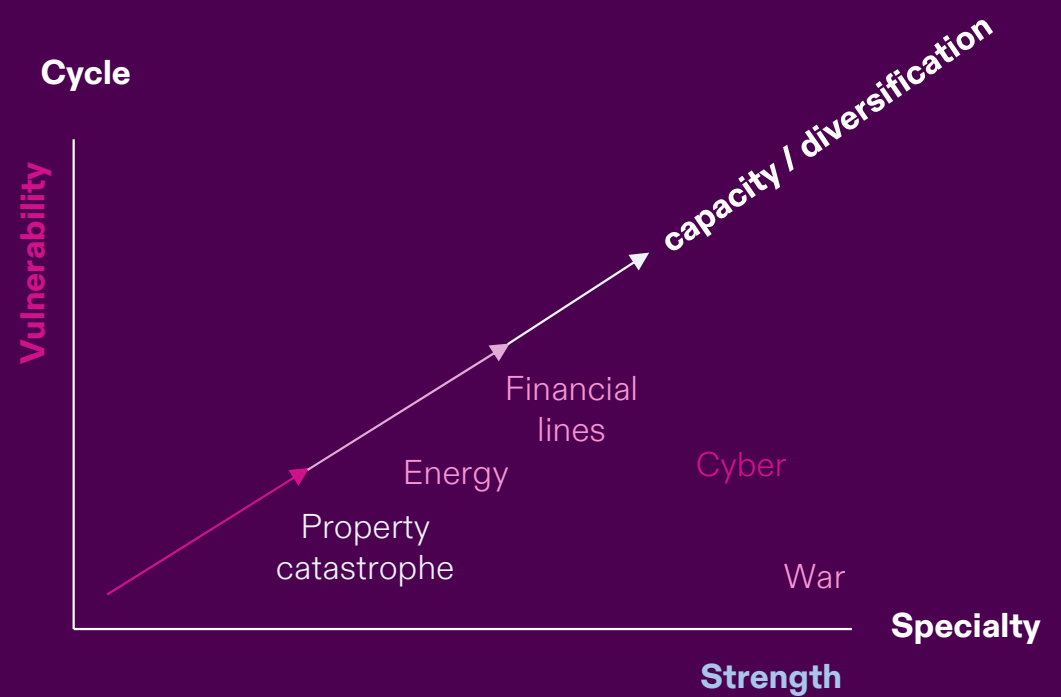
- 1 Strength of specialty – segmentation, new products, customisation
- 2 Market cycle management - primary skill
- 3 Capacity and diversification persistent
- 4 Focus on specialty strength to mitigate the market cycle

## Advantages

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

## Disadvantages

- Distance from client
- Distribution cost
- Access to risk



# US platform strategy

## London

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

## Admitted

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

Barrier to entry

A&E / SME D&O

## E&S

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

## US platform combined

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

Opportunity

# 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<sup>44</sup>

3

## Outperformance

### Pricing power as market-maker

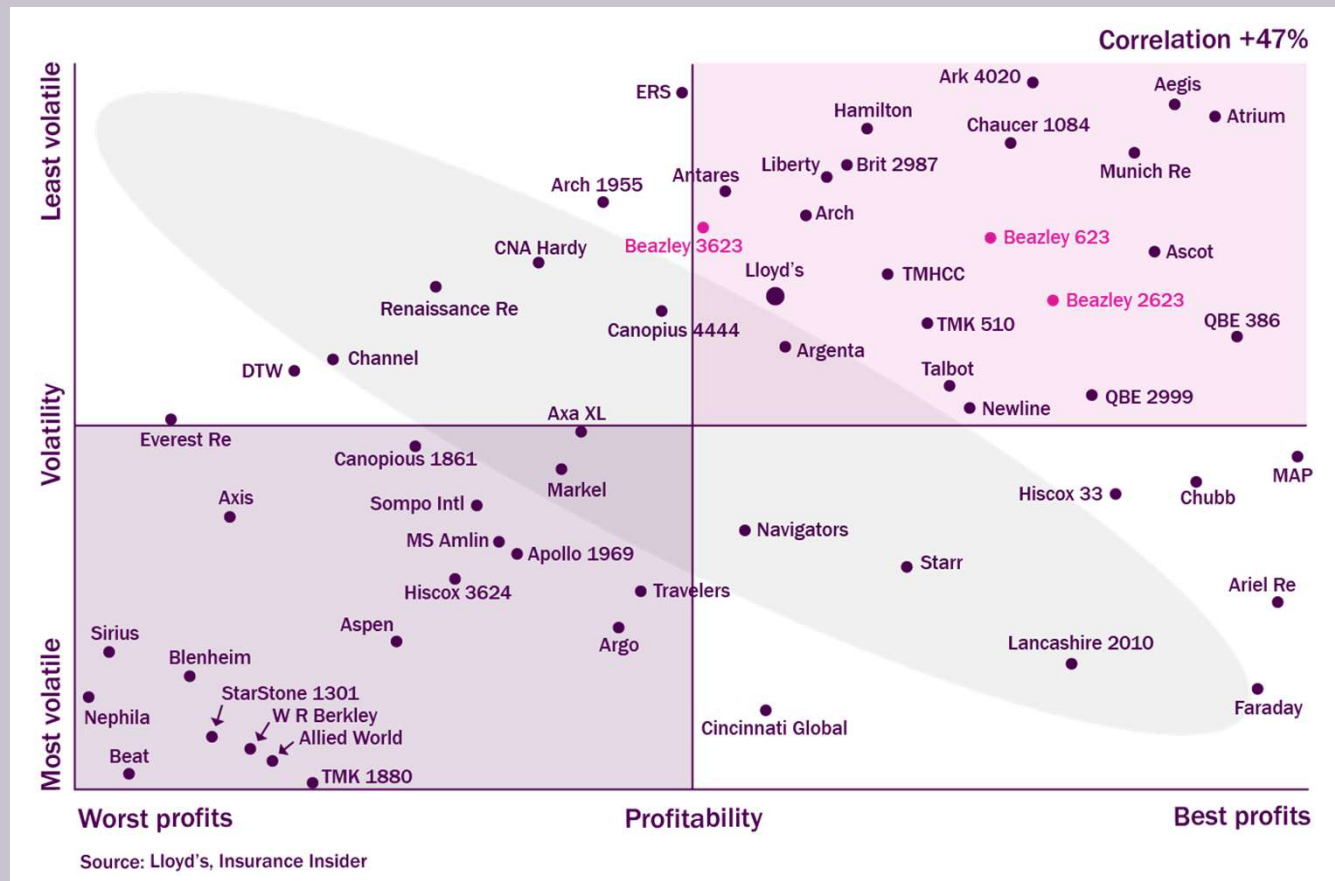
- Market leader
- Primary market
- Line size and capacity to match

### Relevance

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

### Higher return on capital

# Wholesale Profitability and Volatility 2011-2020



## Cyber Risks LDTs (gross of reinsurance)

<b>Gross ultimate claims %</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	67.8%	62.9%	60.7%	57.5%	55.1%	56.7%	57.7%	79.9%	65.6%
24 months	68.3%	61.9%	60.8%	58.0%	55.2%	57.7%	74.6%	91.2%	
36 months	69.5%	55.6%	52.8%	52.8%	45.8%	53.0%	79.0%		
48 months	74.3%	60.3%	44.4%	48.3%	42.0%	54.8%			
60 months	74.1%	68.4%	42.4%	47.8%	42.5%				
72 months	71.7%	64.9%	41.2%	45.7%					
84 months	69.0%	65.3%	41.0%						
96 months	71.5%	64.9%							
108 months	71.8%								
Position at 30 June 2022	67.8%	66.5%	39.8%	43.8%	40.8%	51.4%	79.4%	100.7%	60.3%

## Digital LDTs (gross of reinsurance)

Gross ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	71.5%	64.9%	64.1%	60.1%	55.2%	62.0%	61.6%	65.9%	64.6%
24 months	72.2%	59.4%	64.2%	59.8%	56.3%	60.8%	70.4%	70.6%	
36 months	48.8%	36.7%	26.9%	32.5%	41.5%	50.5%	50.6%		
48 months	24.7%	28.7%	24.2%	21.5%	31.2%	40.6%			
60 months	23.2%	25.4%	22.3%	20.9%	27.1%				
72 months	20.3%	25.4%	21.8%	19.8%					
84 months	18.0%	23.1%	21.6%						
96 months	17.5%	23.2%							
108 months	17.5%								
Position at 30 June 2022	17.5%	23.2%	21.5%	19.7%	27.3%	44.2%	45.7%	66.8%	63.1%

## MAP risks LDTs (gross of reinsurance)

<b>Gross ultimate claims %</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	57.7%	58.5%	58.4%	60.7%	63.9%	61.0%	60.0%	81.0%	58.9%
24 months	51.5%	49.0%	56.8%	63.5%	56.9%	62.8%	93.0%	80.1%	
36 months	44.8%	47.6%	52.6%	58.4%	55.1%	76.0%	87.7%		
48 months	43.3%	48.4%	51.9%	56.9%	54.2%	76.6%			
60 months	43.5%	54.0%	49.0%	55.2%	51.5%				
72 months	42.9%	52.4%	48.2%	53.8%					
84 months	42.1%	52.2%	48.0%						
96 months	41.3%	52.6%							
108 months	41.1%								
Position at 30 June 2022	41.1%	52.1%	48.0%	53.9%	51.6%	77.3%	90.9%	88.1%	82.0%



## Property risks LDTs (gross of reinsurance)

<b>Gross ultimate claims %</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	55.8%	56.0%	58.5%	62.3%	92.6%	75.3%	70.4%	72.0%	72.6%
24 months	47.1%	42.7%	43.5%	58.8%	100.1%	84.2%	64.6%	75.7%	
36 months	44.0%	37.6%	38.7%	60.2%	106.0%	84.5%	58.3%		
48 months	43.6%	35.9%	37.9%	61.0%	106.7%	81.9%			
60 months	42.5%	35.2%	37.1%	60.7%	106.1%				
72 months	43.5%	35.4%	38.5%	60.3%					
84 months	42.8%	35.1%	38.1%						
96 months	43.0%	35.3%							
108 months	43.1%								
Position at 30 June 2022	43.1%	35.0%	38.0%	60.5%	106.2%	81.6%	55.5%	74.8%	71.0%

## Specialty risks LDTs (gross of reinsurance)

Gross ultimate claims %									
	2013	2014	2015	2016	2017	2018	2019	2020	2021
12 months	74.7%	70.0%	69.6%	68.7%	67.3%	69.4%	68.2%	68.0%	66.8%
24 months	74.3%	70.6%	70.1%	68.5%	69.1%	70.3%	69.1%	68.6%	
36 months	74.7%	69.6%	71.1%	69.7%	71.6%	70.2%	64.2%		
48 months	70.0%	66.5%	70.8%	71.7%	71.1%	69.0%			
60 months	64.8%	64.4%	74.7%	70.2%	73.9%				
72 months	62.0%	63.0%	83.1%	70.7%					
84 months	62.5%	62.2%	87.5%						
96 months	61.0%	63.3%							
108 months	59.6%								
Position at 30 June 2022	59.1%	63.3%	87.8%	71.2%	75.6%	70.1%	63.5%	68.6%	66.0%