

beazley

# Capital Markets Day

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November 2023



**beazley**

**Adrian Cox**

CEO

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**Bob Quane**

CUO

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**Richard Montminy**

Group Head of Property Risks

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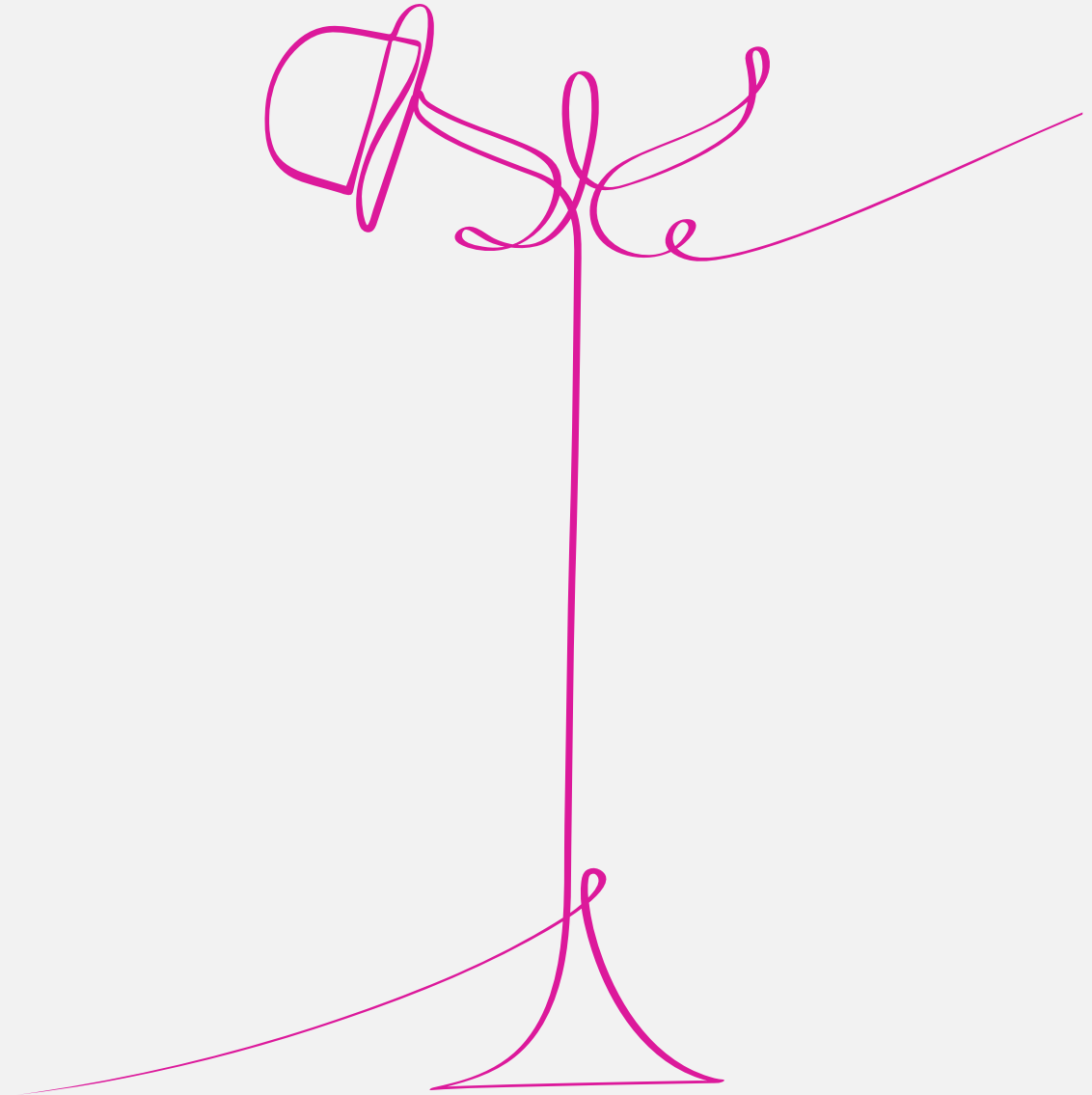
**Paul Bantick**

Group Head of Cyber Risks

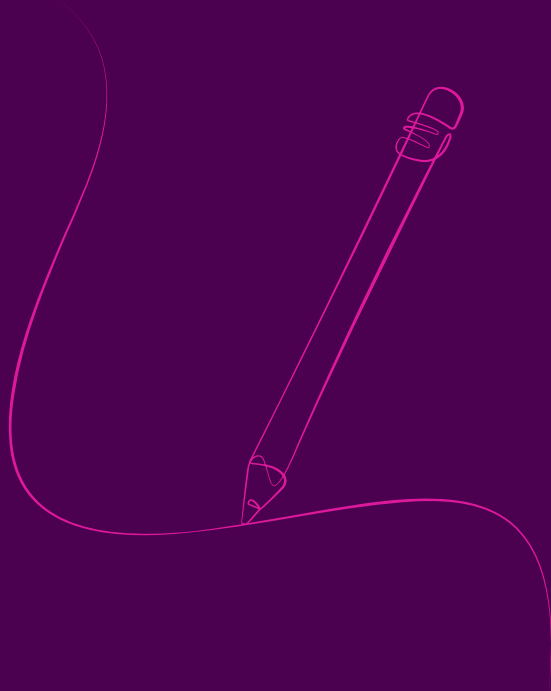
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**Aidan Flynn**

Head of London and International Cyber Underwriting Management



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**Cyber Q&A**

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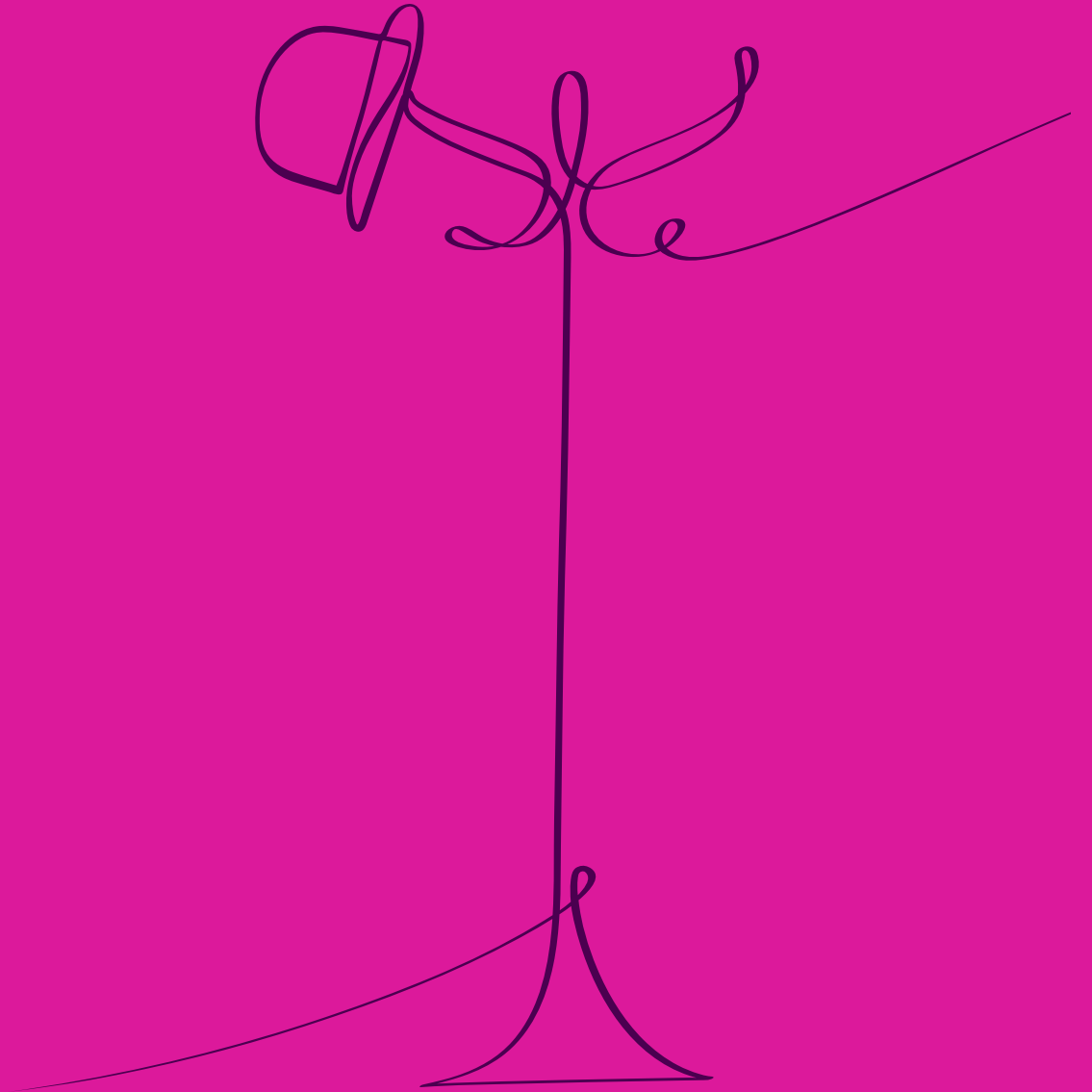
# 01

# Introduction

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**Capital Markets Day**  
Adrian Cox, CEO

**beazley**



# 02

# Property Risks



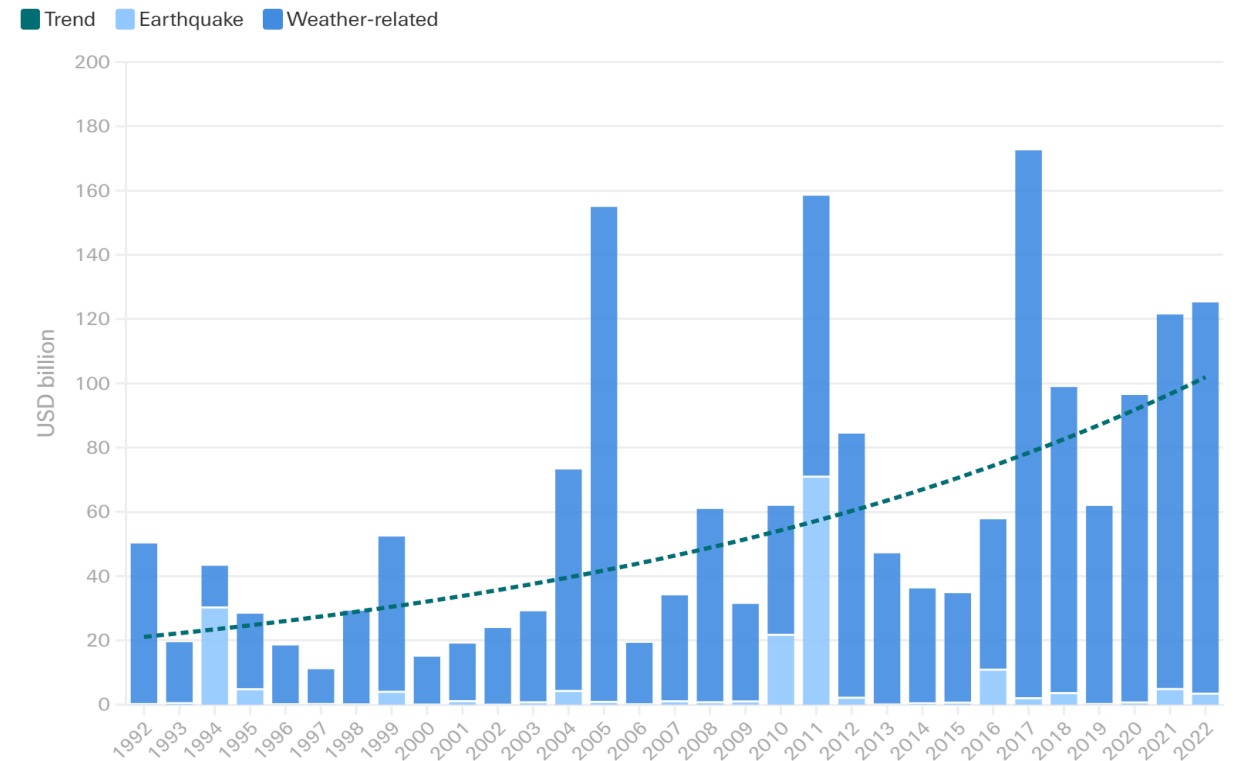
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**Richard Montminy**  
Group Head of Property Risks

# Underwriting property risks to reflect loss trends

- Insured losses have grown by 5-7% annually over the past three decades
- Natural catastrophe events in 2023 have already surpassed \$100 billion
- Hurricane Ian in 2022 estimated insured losses of \$50-65 billion second only to 2005's Hurricane Katrina

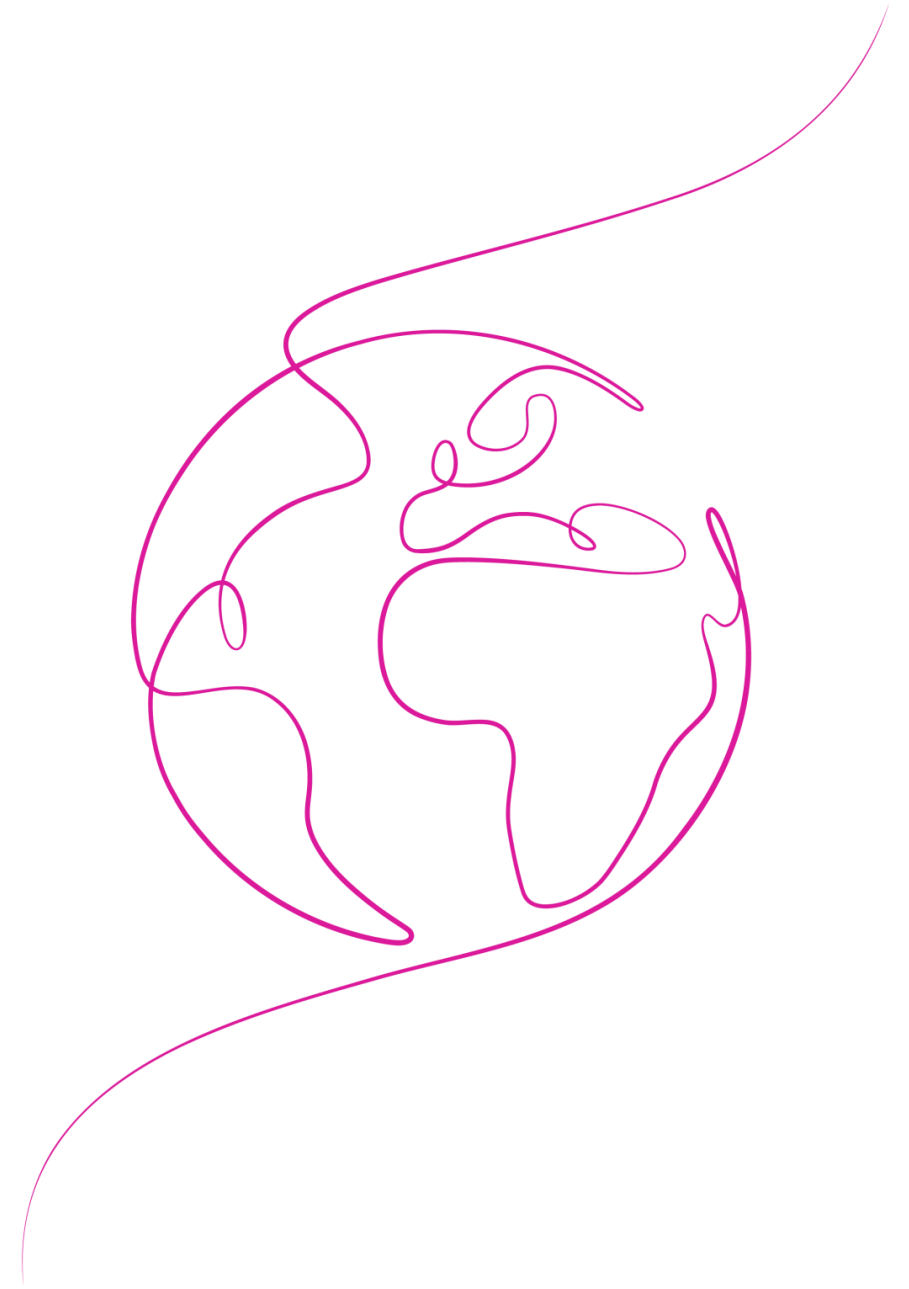
Growth in global natural catastrophe insured losses (2022 prices)



Source: Swiss Re Institute

# Navigating a changing property market

- Having retooled during the soft market
  - We retained our focus and market knowledge
  - Strengthened property pricing and catastrophe modelling
- Last 12 months we have been taking advantage of the market conditions in property
  - Terms and conditions tightened
  - Attachment points increased
  - Rates increased significantly
- Underwriting through climate change plays to Beazley strength as a specialist insurer
- Multi-year opportunity to build property franchise





# Property risks - platform premium split

## Europe

% premium share	>	<b>3%</b>
Growth HY23 v HY22	>	<b>-11%</b>

## North America

<b>37%</b>	
<b>0%</b> Admitted business	<b>100%</b> Non admitted business
<b>127%</b>	

## Global Wholesale

Via Lloyd's

<b>60%</b>
<b>48%</b>

# Property: What we do

## 1. Geographical split for property insurance

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90%

North America

10%

Europe &  
International

## 2. Geographical split for property reinsurance

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60%

North America

40%

Europe &  
International

## 3. Underwriters globally

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106

## 4. Property insurance max catastrophe line size

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\$10m

## 5. Commercial v personal

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90%

Commercial

10%

Personal

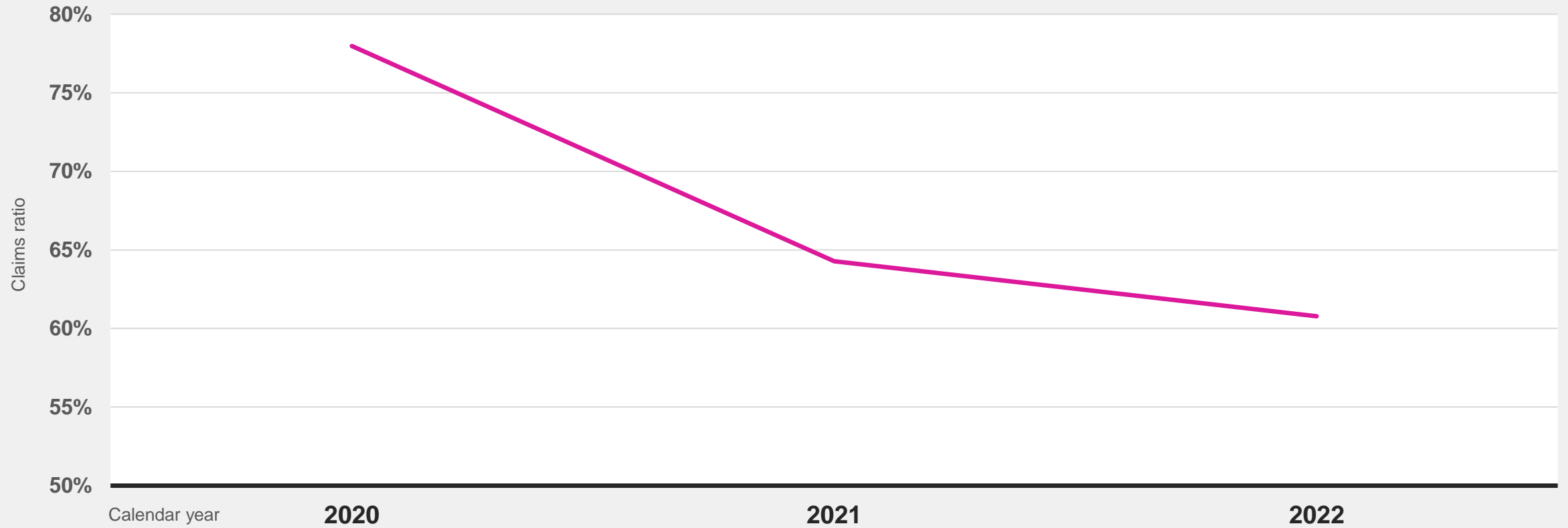
## 6. We are a primary market in property insurance

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Closer to the client, can drive pricing, agree contracts, manage claims. This is where specialty property insurer adds value

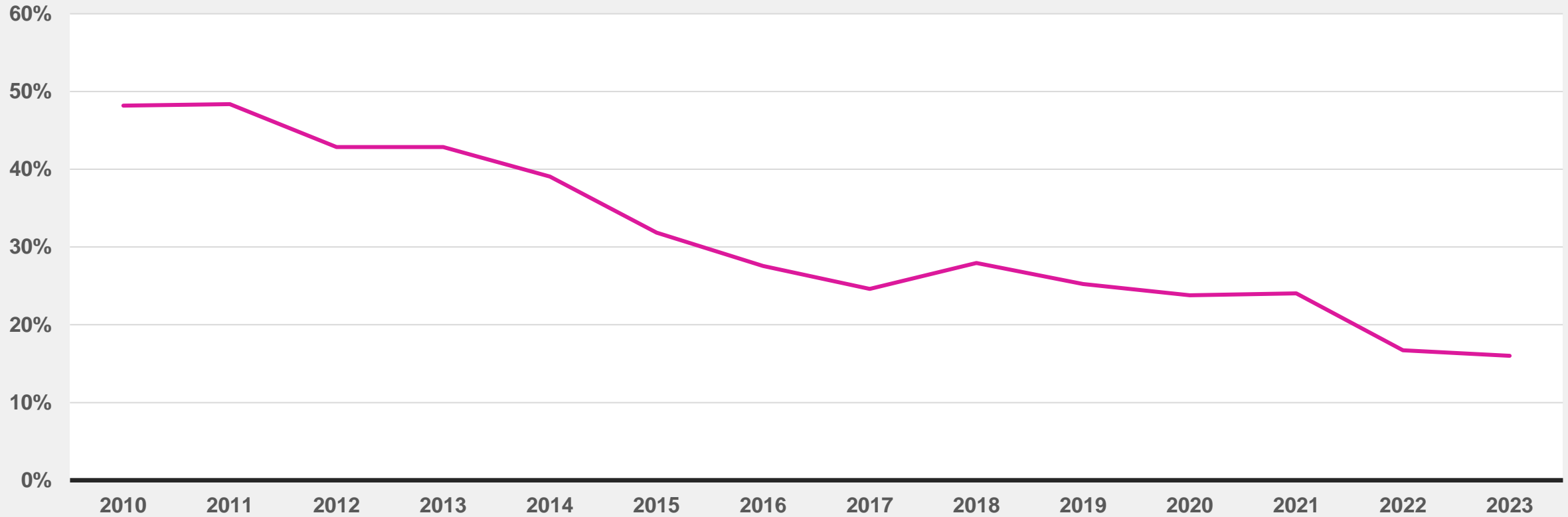
# Property risk claims ratio

IFRS 4 Claims ratio for Property Risks



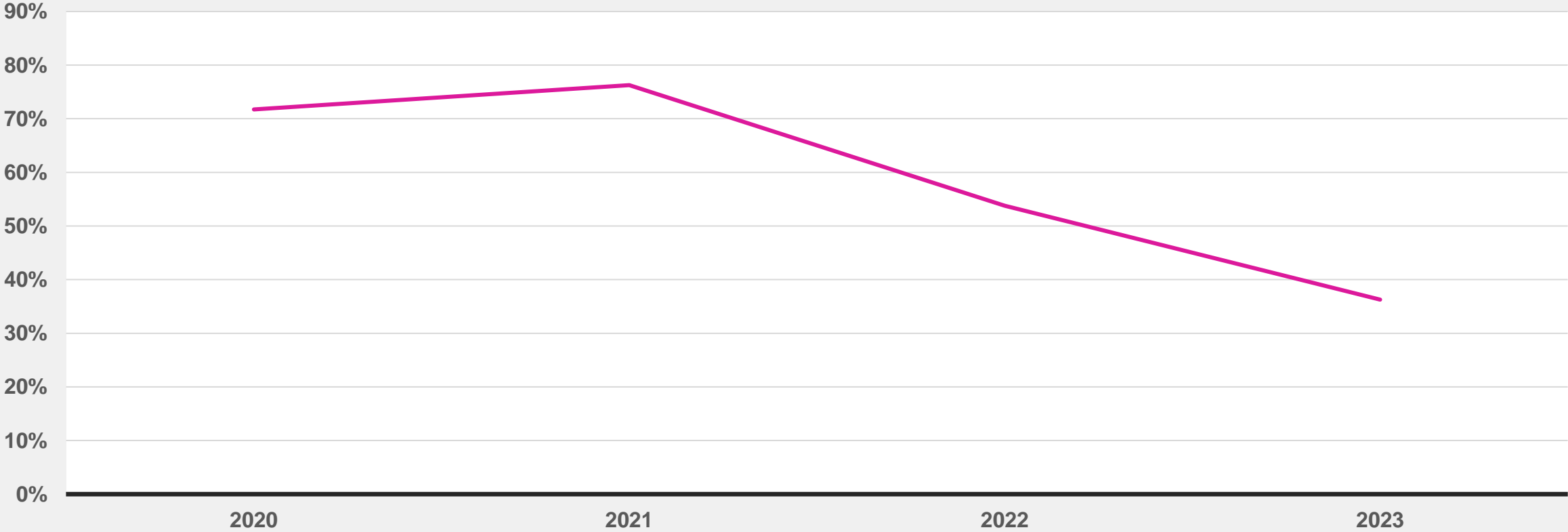
# Stable property risk appetite as shareholder equity increases

1 in 250 risk appetite as percentage of shareholder equity



# The reducing impact of a 1 in 10 year event

1 in 10 year event as a percentage of expected earnings

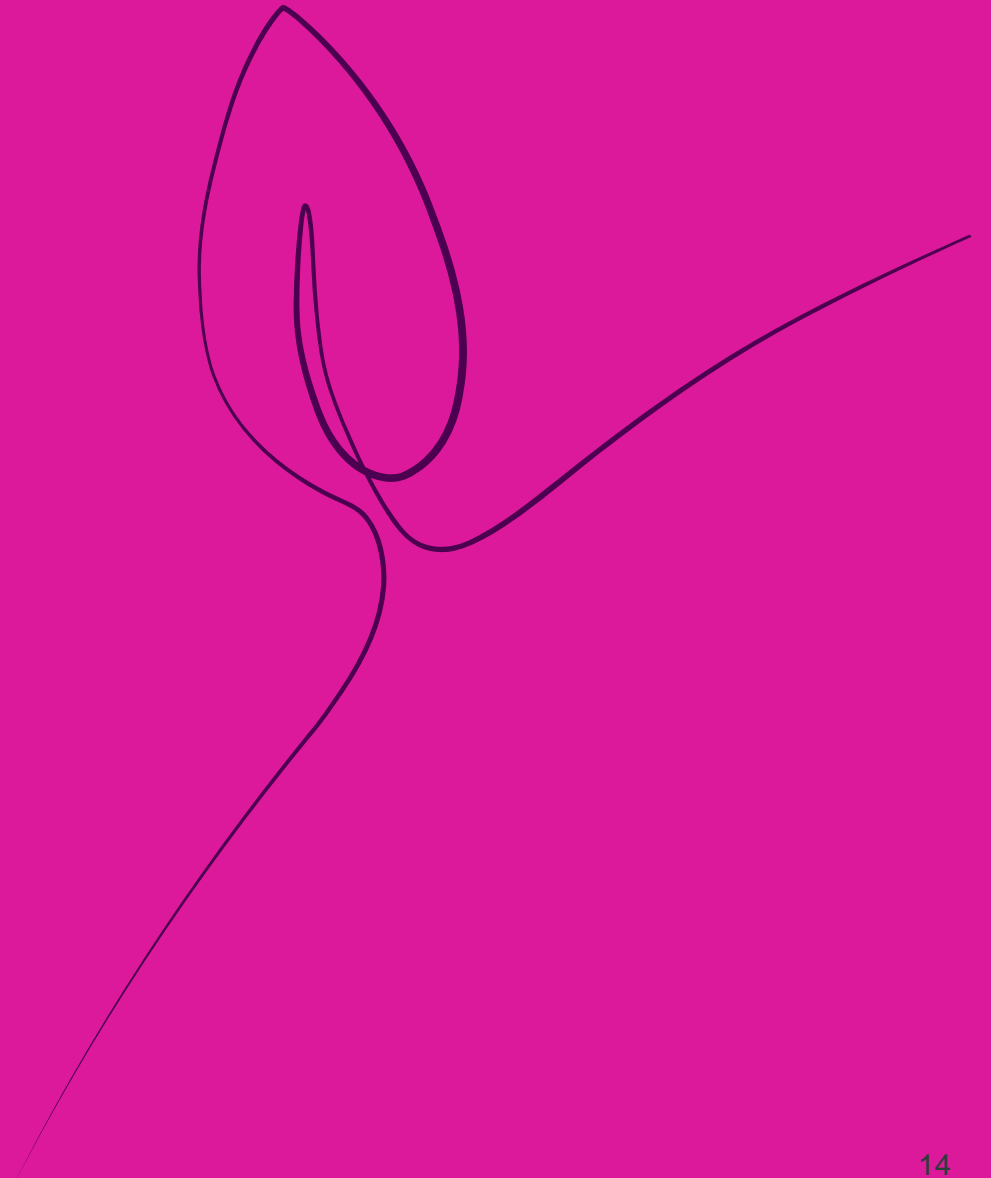


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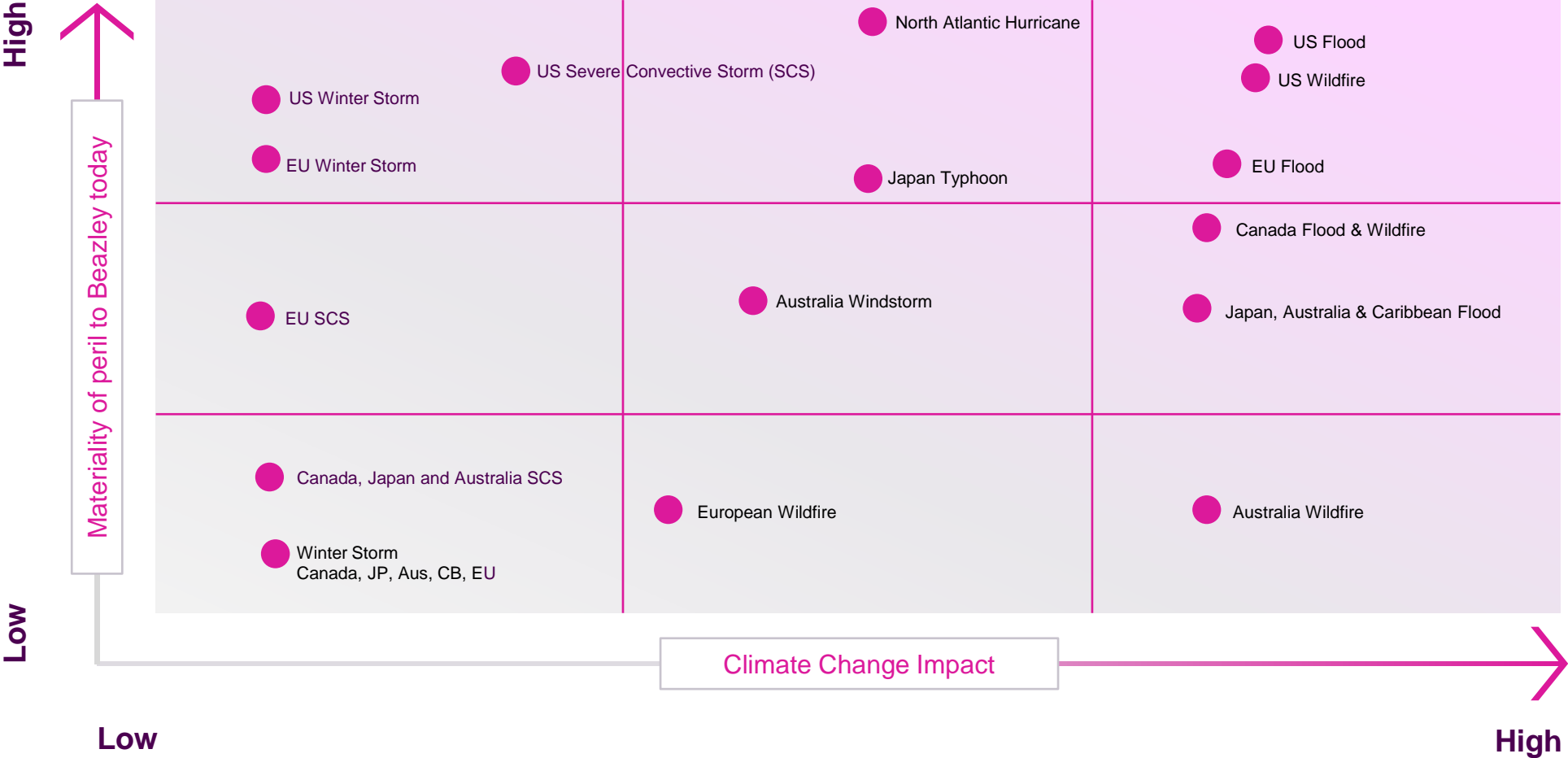
# Underwriting for climate change

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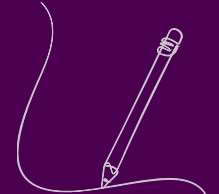


# Materiality Assessment



\* Climate change impact includes both severity of impact and scientific consensus

# Materiality Assessment



Pricing

Catastrophe  
modelling

Portfolio  
Management

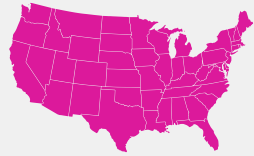
Scenario  
Analysis

Underwriting



# Pricing for Climate Risk

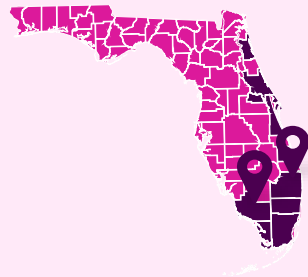
Then



Blanket load for perils

Models based on climate science and historical data

Now



Granular modelling

Models enhanced for forward looking view of risk

Individual peril, asset and location modelling

Climate conditioned catastrophe model

Enhanced by analysis and validation from our natural hazard research team

Modelling of internal & external data

Climate Adjusted Perils

End of 22  
US Hurricane  
US Flood,  
US Wildfire

End of 23  
US SCS,  
US Winter Storm

Benefits

1 Improved risk selection

2 Forward looking view

3 Management of catastrophe lines

# Catastrophe Modelling – a forward looking view

## Improving our tools

## Strengthening our skillset

## Monitoring our exposure

Catastrophe models adjusted for non-modelled perils and reflect recent events

Creation of a natural hazard research function

Restructure of catastrophe modelling to create dedicated reporting function

Climate change impact incorporated in catastrophe models for key perils

Scientific assessment of new catastrophe model releases

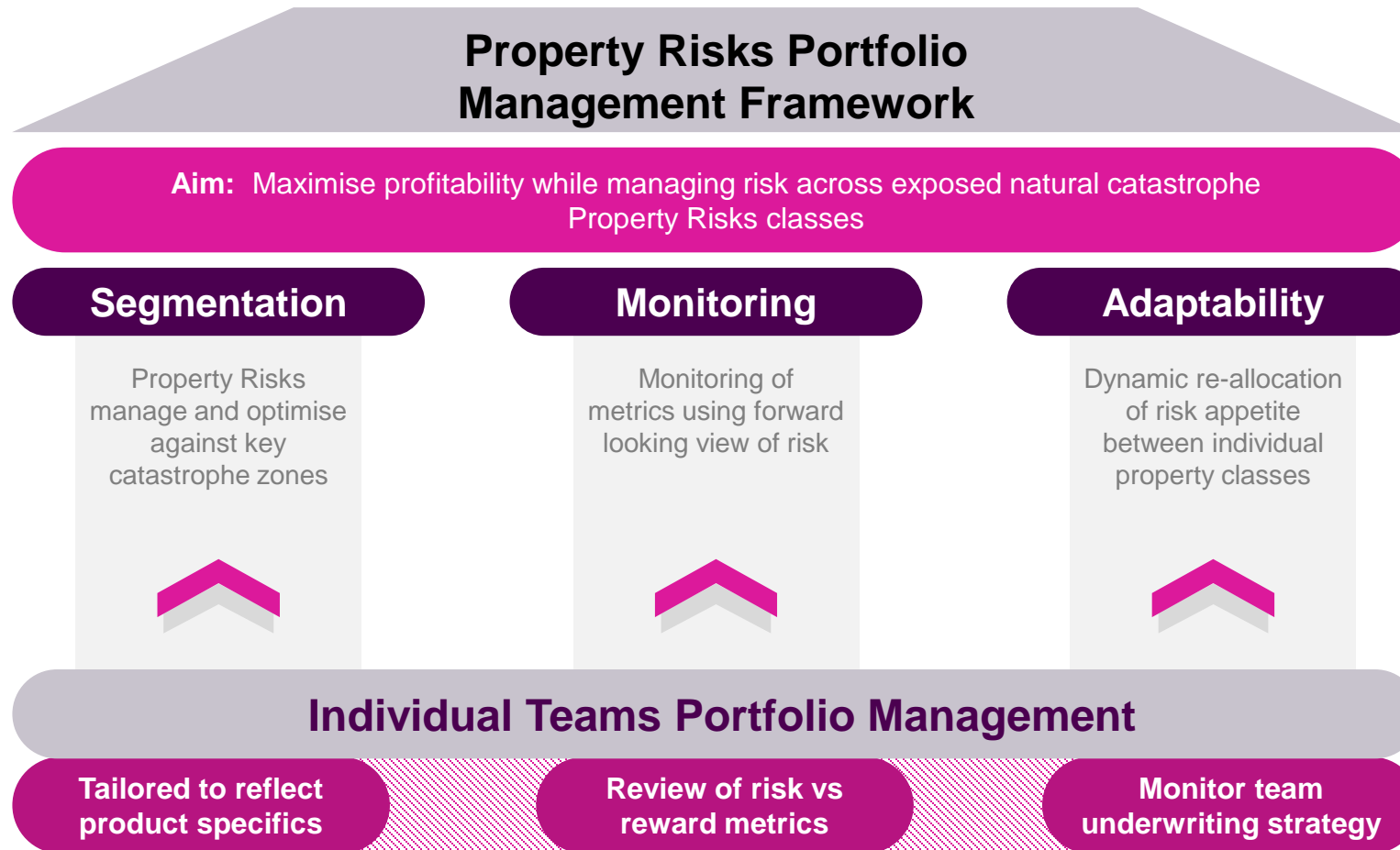
Allows for increased reporting and insights to business

Catastrophe modelling capabilities expanded into new perils and territories

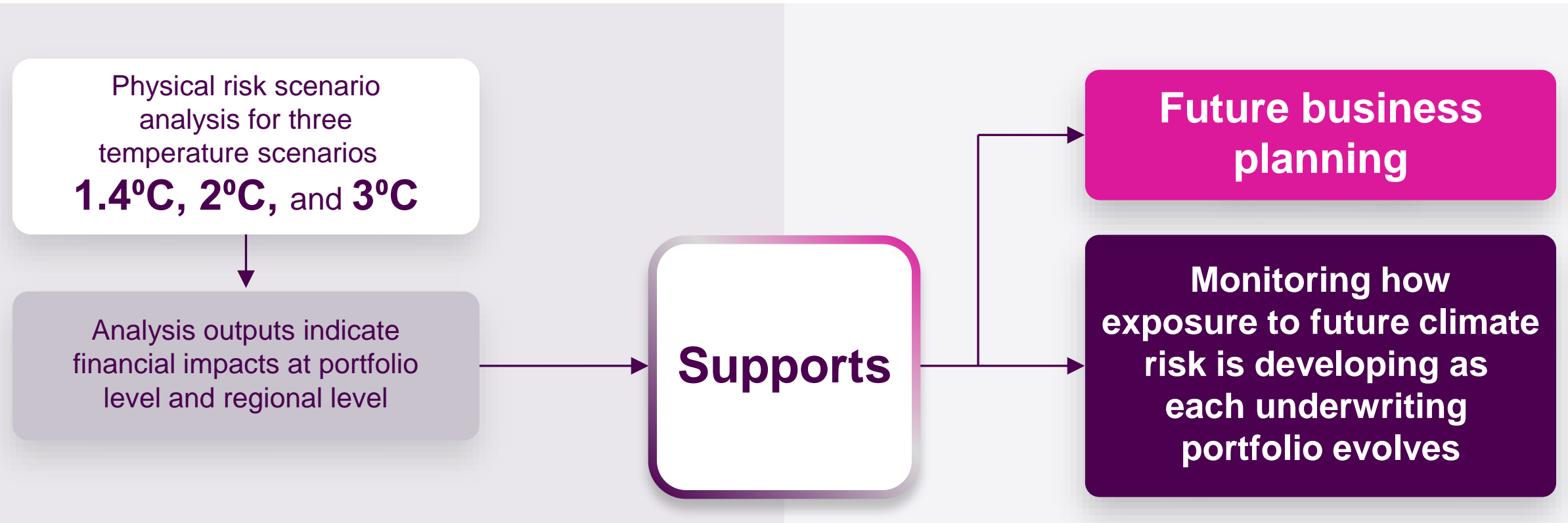
Scientific study of climate trends and knowledge sharing with business

Ability to further integrate catastrophe modelling outputs into pricing models

# Portfolio management

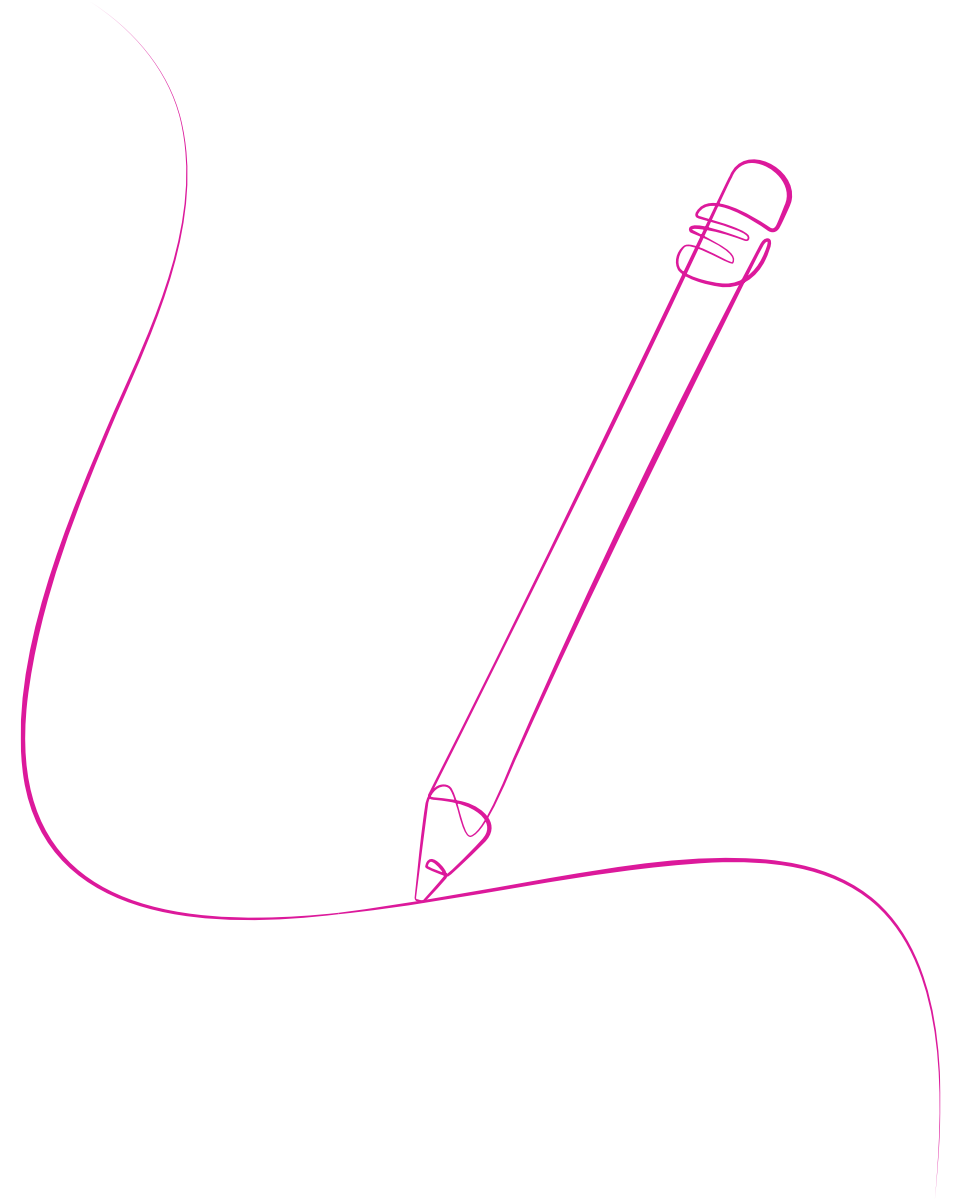


## Scenario Analysis – assessing the financial risk of climate change



## Underwriting – individual risk focused

- 1** Climate change metric designed to assess long-term impact of US hurricane risk and factoring in client's own risk management
- 2** Dialogue improves client and broker interaction
  - Improves understanding of client resiliency
  - Drives client retention
- 3** Underwriting for climate change demonstrates the value of speciality insurance expertise



## Our climate risk management journey

**01**

Transitioning to forward-looking modelling

**02**

Pricing each peril, asset and location

**03**

Active individual risk selection

**04**

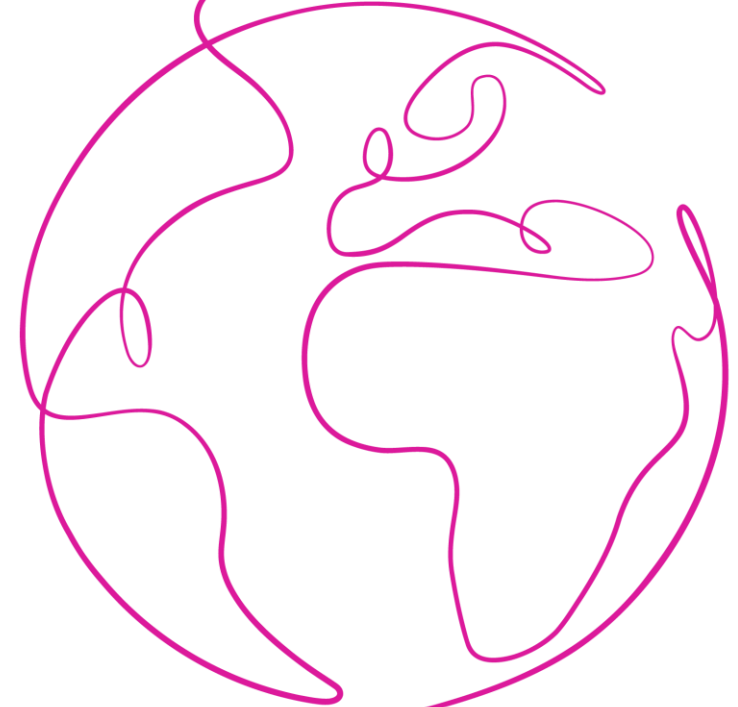
Positive feedback loop consistently updating our approach

**05**

E&S market has agility to effectively underwrite property risks in the US

## Property outlook

- Market conditions continue to be favourable
- Expect continued growth in 2024
- Continue the long term build out of the North American commercial property book



# 04

# Property Q&A

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# 05

# Cyber Risks

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Paul Bantick, Group Head of Cyber Risks

Aidan Flynn, Head of London and International Cyber Underwriting Management



# Cyber Market Update

## Rating Environment

- Rate at end of Q3 is - 4% globally, confident on rate adequacy
- Achieving planned profitability
- Rating varies across different market segments

## Market Competition

- European and international demand continues to increase vs US
- Existing carriers have been more active during 2023 however no new carriers evident to date

## Loss Environment

- Frequency at Beazley remains at the low levels previously reported
- Frequency is increasing in the wider ecosystem
- Confidence in underwriting action and risk selection

# Cyber Market Update

## War Exclusion

- Market finding parity on approach
- Full market deployment expected by 1st January 2024
- War represents one of the largest potential systemic risks

## Threat Intelligence

- Beazley Cyber Council
- Monitoring Geopolitical changes
- Work on AI
- Continual monitoring of Cyber traffic lights

# Cyber Risks – platform premium split

## Europe

% premium share	>	<b>18%</b>
Growth HY23 v HY22	>	<b>34%</b>

## North America

<b>50%</b>	
<b>22%</b> Admitted business	<b>78%</b> Non admitted business
<b>4%</b>	

## Global Wholesale

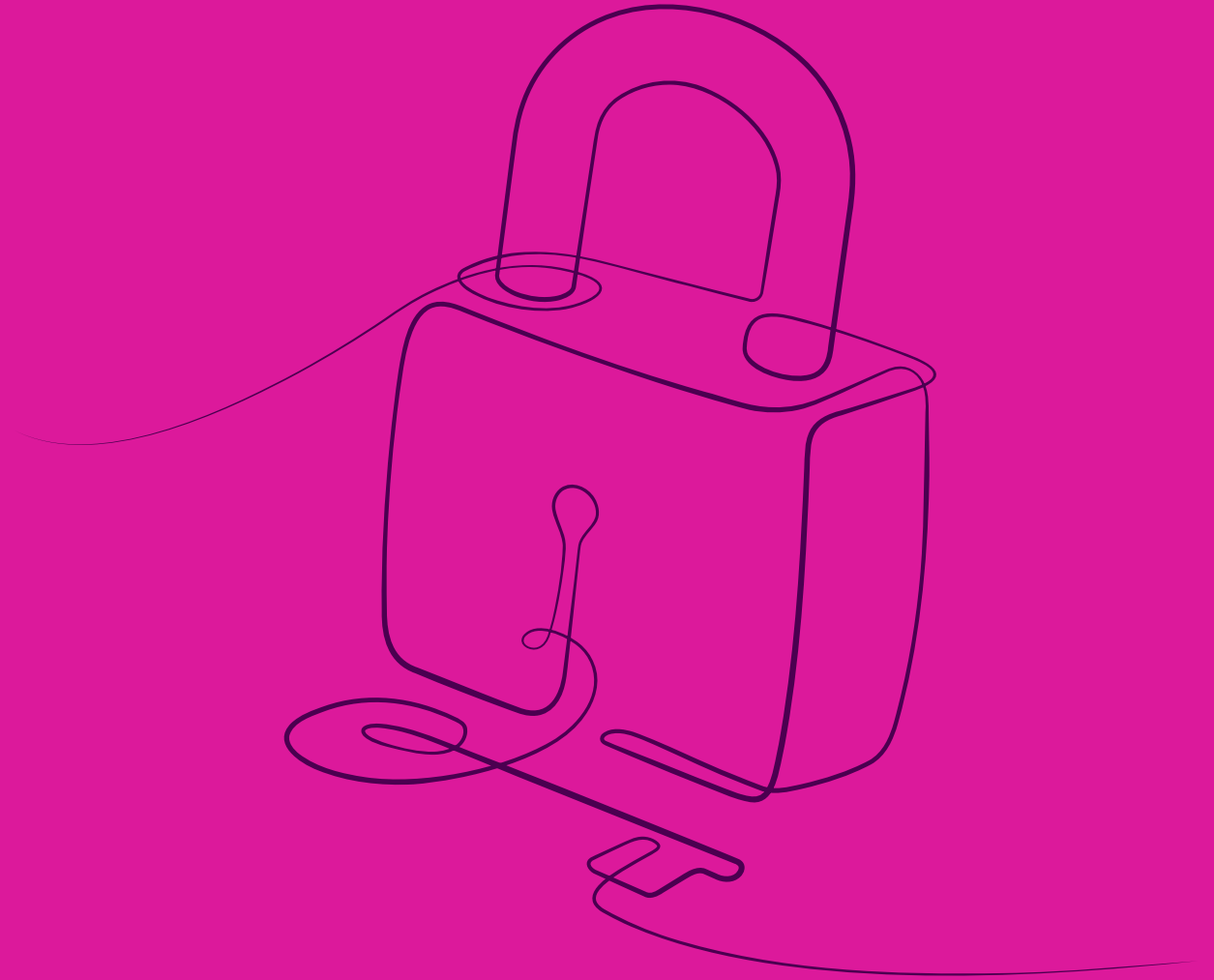
Via Lloyd's

<b>32%</b>
<b>22%</b>

# Catastrophic probabilistic modelling

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# Addition of Cyber Probabilistic Model

## Historic Approach

- Realistic disaster scenarios (RDS)
- Probabilistic approaches have and will continue to evolve
- Prudent capitalisation above RDS suite

## Changes from 2024

- From 2024 we are going to manage our internal risk appetite based on our internal probabilistic model

## What is NOT changing

- Our continual use and evolution of RDS suite
- Technical expertise and collaboration on scenarios
- Licensing of 3rd party models
- No capital implications

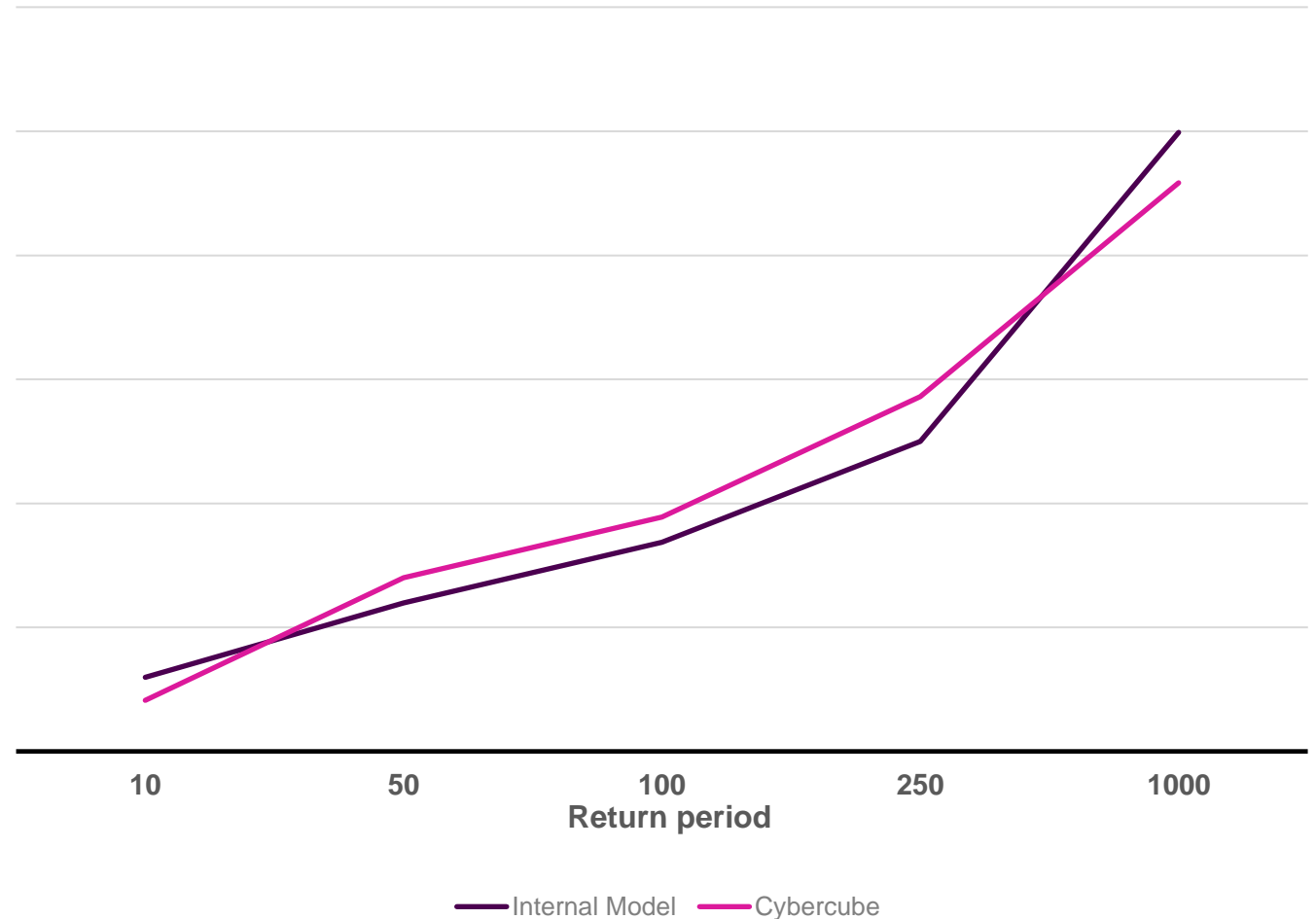
## Overview of model outputs

- The probabilistic model includes scenarios that are much more remote and extreme than the RDSs
- The assumptions that are used within the probabilistic model have been developed internally
- The probabilistic outputs are similar in size to the stress tests that we have historically performed on our RDS suite (Cloud Failure and RW/Malware)
- The probabilistic loss is shown based on a 1 in 250-year event. This is consistent with the return period used to manage the natural catastrophe risk
- Our budgeted 1 in 250 natural catastrophe risk appetite for 2023 is \$524m for comparison

\$m Group 1/7/23	RDS net	Probabilistic net 1 in 250
Net	127	602

# Overview of model outputs

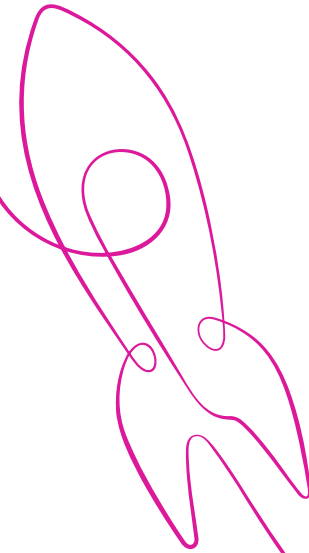
- The gross cyber losses in the probabilistic model is compared to the Cybercube model below at a range of return periods
- We are already capitalised to risk that is consistent with external models
- We carefully manage dependent business interruption (DBI) exposure, which is a major driver of cyber systemic risk
- Our DBI total aggregate is currently lower than the peak we had 2 years ago in 2021 (87% of peak) despite substantial premium growth





# Cyber outlook

- 1** Continued demand for Cyber insurance, especially outside North America
- 2** 2024 expected to be a year of growth
- 3** Agile approach - The business will continue to manage according to the threats and market conditions



# 06

# Cyber Q&A

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