

Chief Executive Officer's statement

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Adrian Cox
Chief Executive Officer



Beazley's combined ratio of 89% (2021: 93%) and gross premiums written of \$5,268.7m (2021: \$4,618.9m) are testament to our hard work over the last few years, and are particularly pleasing given that 2022 witnessed geopolitical uncertainty unseen since the Cold War. The overall result, a profit before tax of \$191.0m (2021: \$369.2m), consisted of a strong underwriting performance, offset by a reduced investment performance, driven by mark to market losses as a result of the volatile interest rate environment.

I am proud of Beazley's progress throughout 2022. We delivered a strong underwriting result, raised capital that will enable us to make the most of a structural change in the Property insurance and reinsurance markets, realigned our underwriting teams to better deliver for clients and launched Lloyd's first ESG syndicate. All against a backdrop of high inflation, an energy price crunch and the overhang of war in Europe.

Specialty insurance in a time of geopolitical turmoil

The war in Ukraine has shaken us all, causing real human suffering; and, as we all take stock, it is right to reflect on the impact it has had on our business. Firstly, the conflict resulted in us provisioning for claims directly from the war itself, for which our estimate of loss remains unchanged since our 2022 interim report. Secondly, the energy price spike and rising inflation caused central banks to increase interest rates, leading to mark to market losses in our fixed income portfolio resulting in an \$179.7m investment loss. Finally, the war has reinforced the value a specialty insurer like Beazley brings in complex situations. From our claims team's support for mariners injured by missiles in the conflict zone, or enabling shipments of grain needed by some of the world's

poorest people, to offering clients reassurance as they navigate a complex sanctions regime - the innovation and responsiveness of the Beazley team has shone through and I'd like to thank everyone for their hard work and focus on supporting clients.

Sustainable growth

Our business received a strong endorsement from the capital markets in November 2022 as we raised \$404m in new equity capital to support our exciting growth agenda. We see a multi-dimensional opportunity to show our agility and grow in response to changes in market conditions whilst continuing to pursue our sustainable long-term growth strategy, which this additional capital will further support.

The market dislocation in Property is a signal of structural change as it adjusts to the increased exposure climate change brings. This gives us a strategic opportunity to accelerate rather than simply re-grow our Property franchise (which used to be a significantly larger proportion of the business than it is now) but also to retain more of our Cyber and Specialty Risks business.

Chief Executive Officer's statement continued

Firm foundations

Our ability to pivot our business to take up new opportunities as they emerge is part of our DNA. Platform strength, product and geographical diversity are cornerstones of this. Our strategy is to achieve the successful intersection of platforms and products to offer our brokers and clients access to our expertise and specialist underwriting capacity where and when they do business. We believe that a mix of international, wholesale and domestic platforms delivers straightforward access to us and adds real value.

People are, of course, Beazley's most important asset and in October 2022 we had to say goodbye to one of the best, David Roberts, our Chair of five years, who left to become Chair of the Court of the Bank of England. We are grateful for David's leadership and I would like to thank him personally for his counsel and wisdom over his time with us, but particularly when I transitioned to CEO last year. David's calm presence during COVID-19 and his personal drive and commitment to diversity and inclusion have had a profound impact on Beazley. Christine LaSala has ably assumed the role of Interim Chair and returns to her role as Senior Independent Director and Chair of the Remuneration Committee with our sincere thanks. I look forward to working with our incoming Chair, Clive Bannister, who brings a wealth of experience with him which will aid us as we enter the next phase of Beazley's journey.

Developing and supporting our employees is crucial to our success and in June 2022 we reflected the cost-of-living challenges we are all facing by making a one-off payment of up to £3,000 (or equivalent currency) to the people in the company most impacted. As we approached the end of year salary and bonus cycle this was also upper most in our minds and we awarded eligible staff an additional 2% cost of living pay rise in addition to an average company wide annual uplift of 5%.

What we say is what we do

Beazley believes that fundamentally we must deliver what we promise; and in 2022, we did just that with the launch of the ESG consortium and Syndicate 4321, Lloyd's first ESG syndicate. Since its launch on 1 January 2022 the new syndicate has offered additional capacity to clients who achieve high scores on ESG metrics, the syndicate is also helping Beazley to understand more about how high scoring businesses operate and test our hypothesis that companies which do well on ESG criteria are also likely to be less risky. We are using the lessons learnt as part of a wider effort, which got fully underway in 2022, to embed ESG thinking into all our underwriting.

We also know that what gets measured, gets done and that is why in 2019 we set robust and challenging targets for our own ESG efforts. Specific highlights include targets of 45% of senior leadership roles being held by women, 25% of our team being people of colour and a 50% drop in carbon emissions, from 2019 levels; all to be achieved by the end of 2023. I believe we are firmly on track to deliver our target on senior leadership roles held by women, having reached 43% by the end of 2022, and I am delighted to have already hit our 25% people of colour target and reached a 55% reduction in carbon emissions (for more information please see pages 21 to 28)

and I look forward to reporting our progress in next year's annual report, when we will recommit ourselves to additional and equally challenging targets for the next three year cycle.

Insurance. Just different

Beazley's Cyber team took a leading role in the market this year on the issue of systemic Cyber risk. If the Cyber insurance industry is to achieve its potential and play its role in managing and mitigating Cyber risk, it needs to define and build parameters that will allow insurers to manage their balance sheet prudently, whilst encouraging more capital to come into the sector. We are fully committed to supporting this adjustment to happen. Innovation has come right across our business, from insuring the first commercial moon rover vehicle to providing an insurance solution for e-sports events. In early 2023 we launched the market's first cyber catastrophe bond, an innovation that will see new capital come into a cyber market that needs to grow at pace in the next decade to meet business demand. All have the same characteristics in common - they require a specialist approach to insurance as the issues raised are complex; but with the right investment they offer significant long-term potential.

As you can see from our digital version of this annual report; beazley.com/2022-annual-report, in 2022 we refreshed our brand identity to better reflect the age in which we live. Our fresh look and feel retains the essential qualities for which Beazley is well known, reflects our three corporate values of being bold, striving for better and doing the right thing, but introduces a more engaging and forward-looking approach to communication which better represents how our business is growing and changing.

The support of all our stakeholders is key. Brokers are our first, vital link in the chain, but the purpose of our business is to help our clients explore, create and build their businesses. To better achieve this in 2022 we established our client engagement team which will actively ensure clients have access to our full product range and our research and expertise. We see this a two-way process that will allow us to develop more relevant products and insurance solutions that better meet the needs of our clients going forward.

As we start 2023, and we see positive market conditions, Beazley is able to look at that opportunity from a strong capital position, with a talented and committed team and the platform strength and product range to deliver for our clients, brokers and shareholders. For 2023 our growth expectations are for higher net premium growth than gross premium growth, with net growing in the mid 20s while gross is at mid teens. The difference is caused by us no longer writing portfolio underwriting through the Group in 2023 (as syndicate 5623 became a standalone syndicate and no longer requires the Group to cede the majority of the business written to it), alongside our reduction in purchased reinsurance on both Cyber Risks and Specialty Risks. These changes have the impact of increasing the net premium growth compared to the gross premium growth. Taking the above into account, we expect to deliver a high-80s combined ratio for 2023 assuming average claims experience. Although significant geopolitical headwinds remain, I believe we are in an excellent position to sustainably grow our company and I am looking forward to all we will achieve together in 2023.

Adrian Cox
Chief Executive Officer