

Results for the year ended 31 December 2014

Thursday, 5 February 2015

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Contents

	Pages
Overview of 2014	4-8
Financials	
Performance	10
Investments	11-12
Reserves	13-14
Capital	15-16
Underwriting review	17-21
Our vision and strategy	22
Outlook for 2015	23
Appendix	25-35

Overview of 2014

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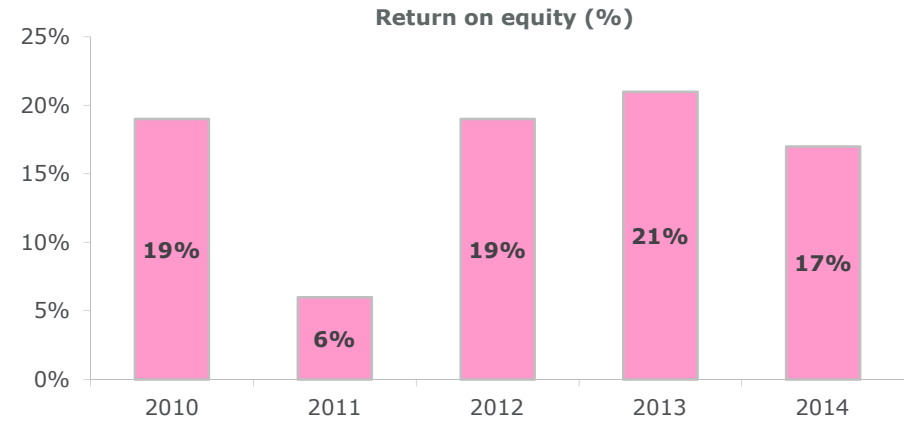
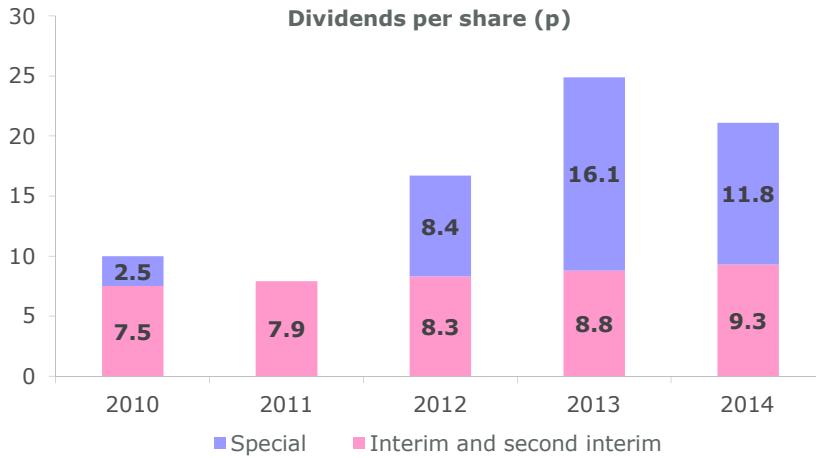
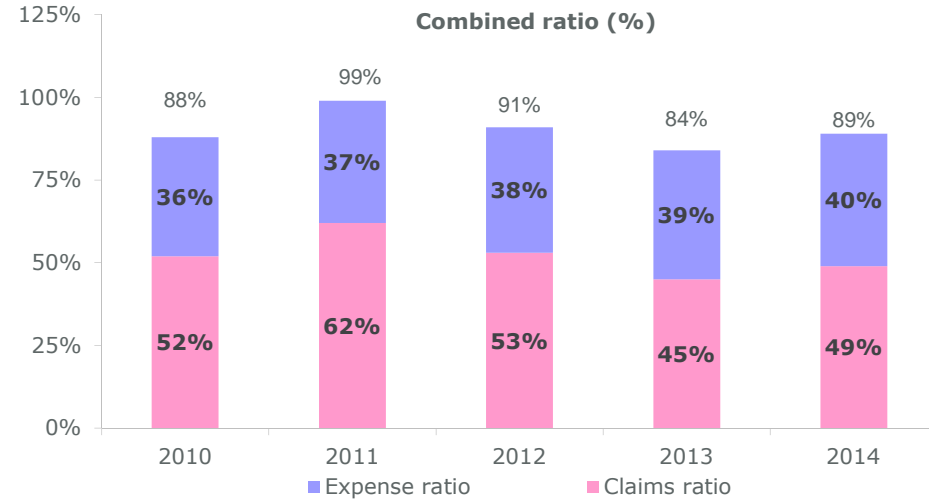
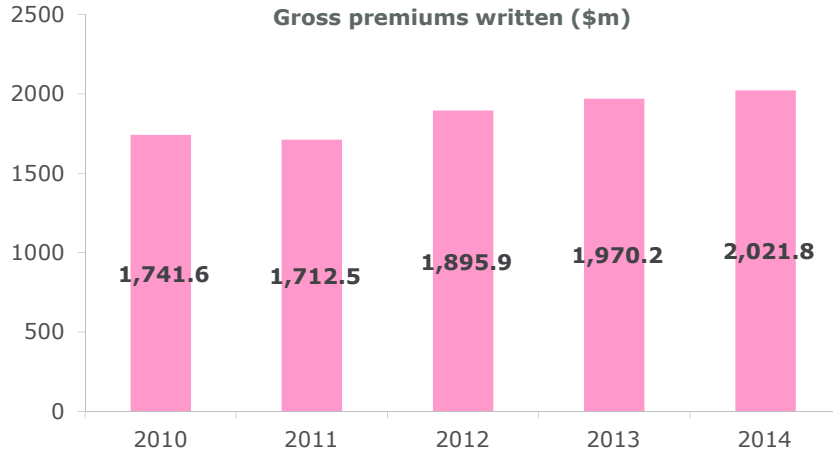
Strong performance in a competitive market

- Profit before income tax of \$261.9m (2013: \$313.3m)
- Return on equity of 17% (2013: 21%)
- Gross premiums written increased by 3% to \$2,021.8m (2013: \$1,970.2m)
- Combined ratio of 89% (2013: 84%)
- Rate reduction of 2% on renewal portfolio (2013: increase of 1%)
- Prior year reserve releases of \$158.1m (2013: \$218.0m)
- Net investment income of \$83.0m (2013: \$43.3m)
- Second interim dividend of 6.2p (2013: 5.9p) taking full year dividend to 9.3p (2013: Full year 8.8p). Special dividend of 11.8p (2013: 16.1p)

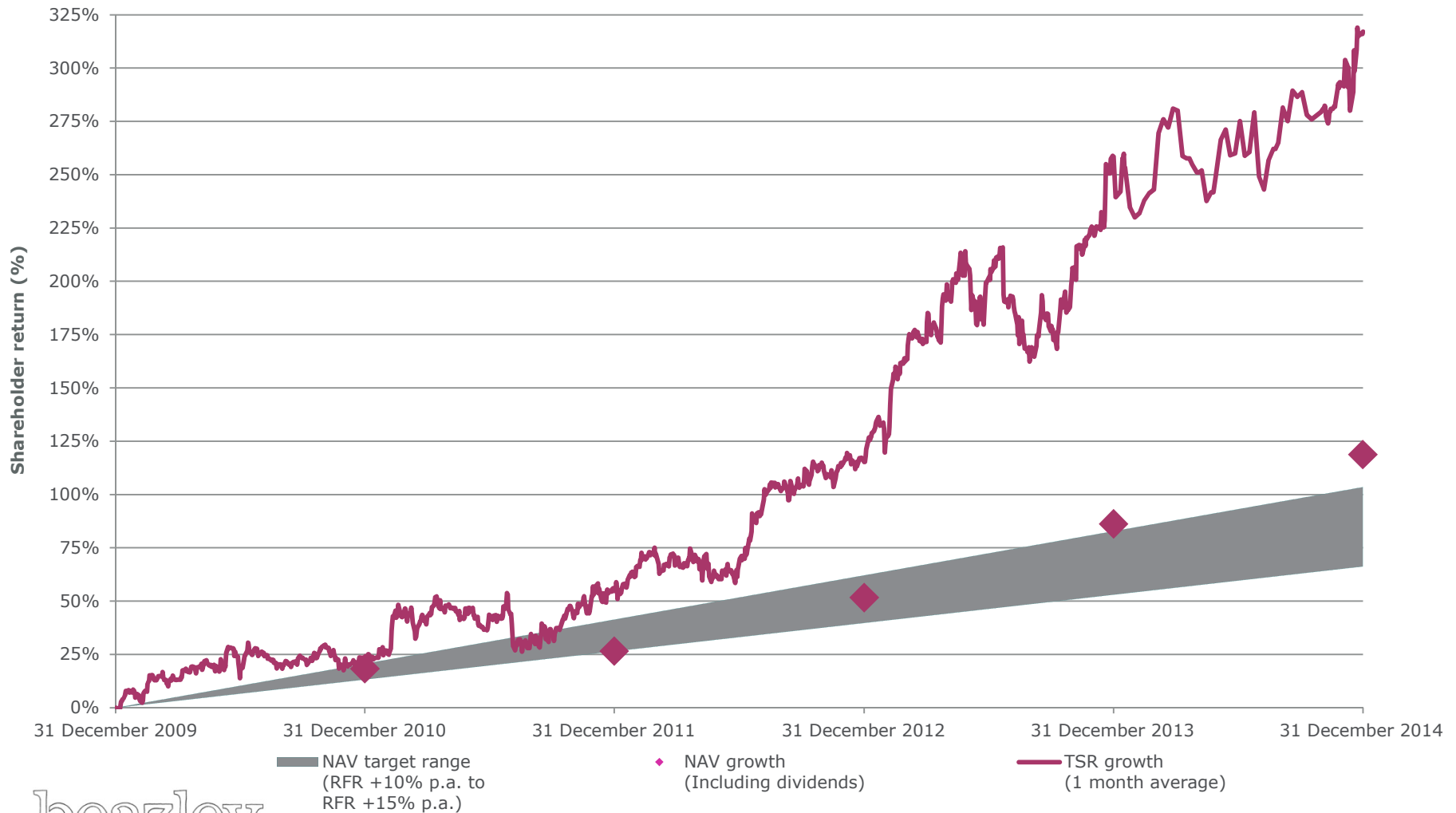
Continued progress with our strategic initiatives

- Combined ratio of 89% in line with our long term average
- Growth in gross premiums written of 3% to \$2,021.8m
 - US platform generated premiums in excess of \$0.5bn for the first time
 - Specialty lines, our largest division, achieved growth of 8%
- Investment in:
 - People – success in recruiting and retaining the best quality talent
 - Products
 - Infrastructure to enhance ease of doing business
 - Geographies - opened offices in Dubai and Dallas
- Active capital management continues
- Investment team is strengthened and insourced

Sustained high performance



Excellent total shareholder return (TSR) and NAV growth



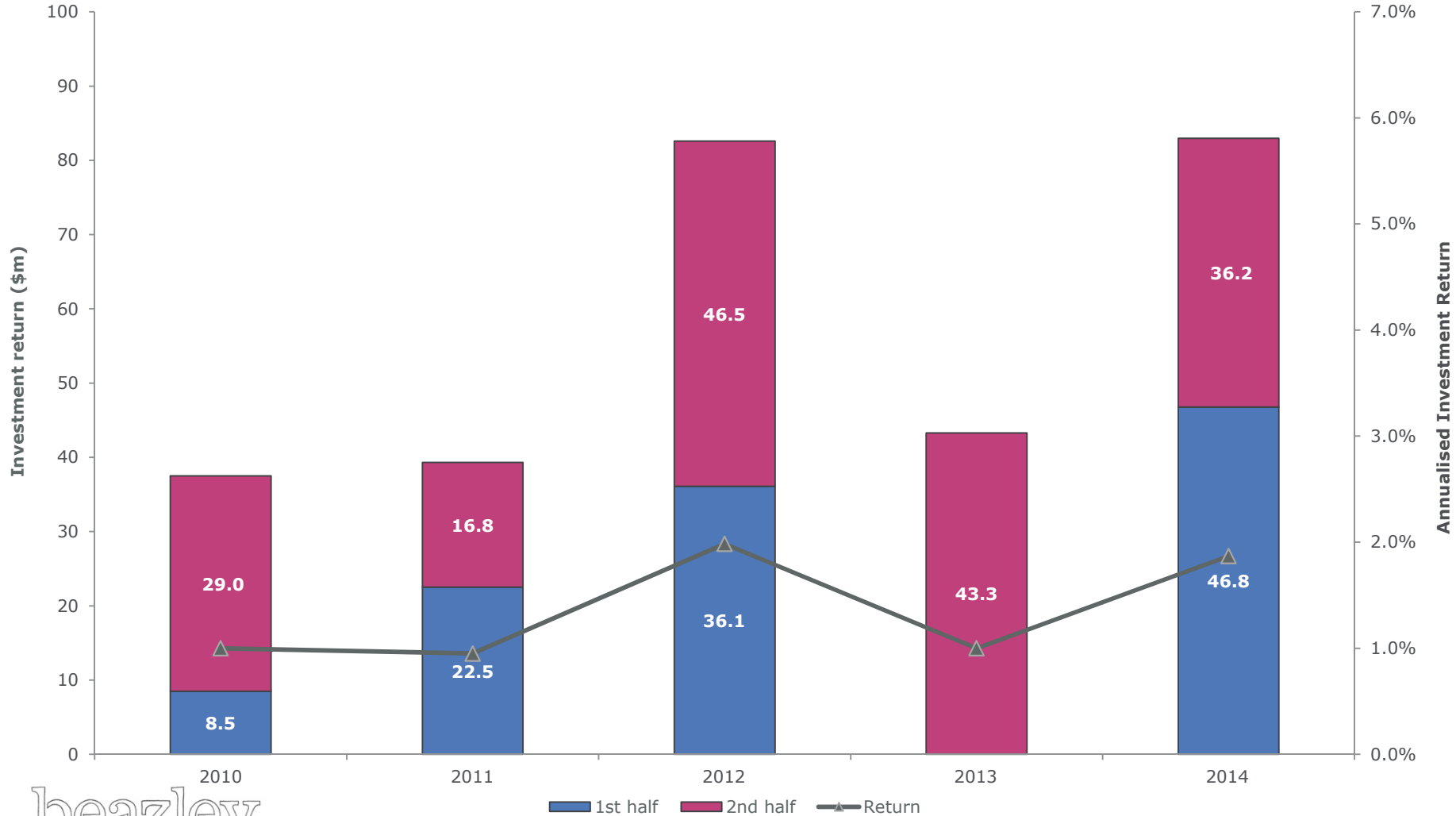
Financials

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Strong performance across all metrics

	Year ended 31 December 2014	Year ended 31 December 2013	% Increase / (Decrease)
Gross premiums written (\$m)	2,021.8	1,970.2	3%
Net premiums written (\$m)	1,732.7	1,676.5	3%
Net earned premiums (\$m)	1,658.9	1,590.5	4%
Profit before income tax (\$m)	261.9	313.3	(16%)
Earnings per share (pence)	26.1	33.6	
Dividend per share (pence)	9.3	8.8	
Special dividend (pence)	11.8	16.1	
Net assets per share (pence)	170.3	160.6	
Net tangible assets per share (pence)	158.3	149.6	

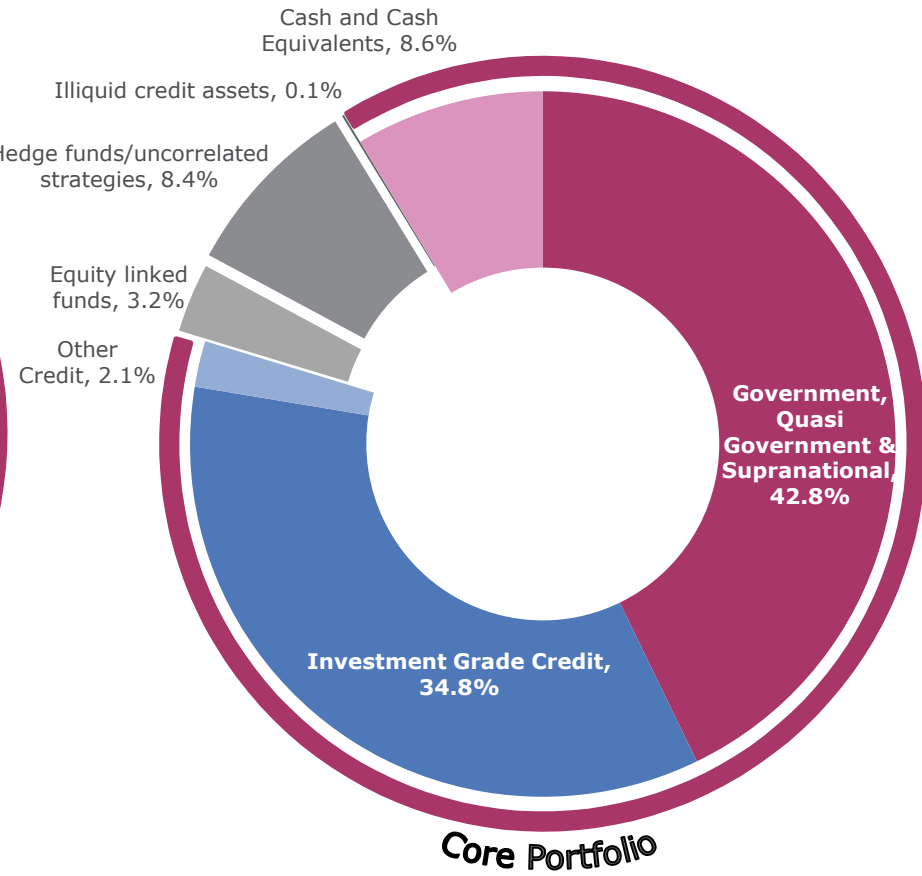
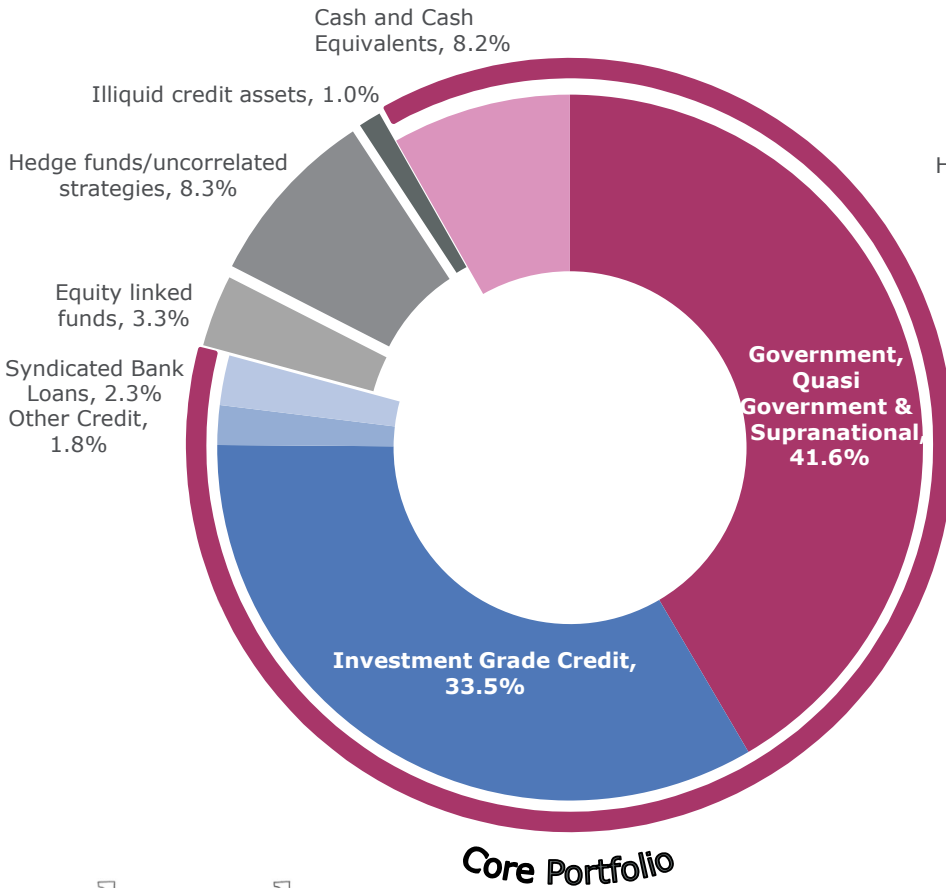
Portfolio delivered 1.9% annualised return



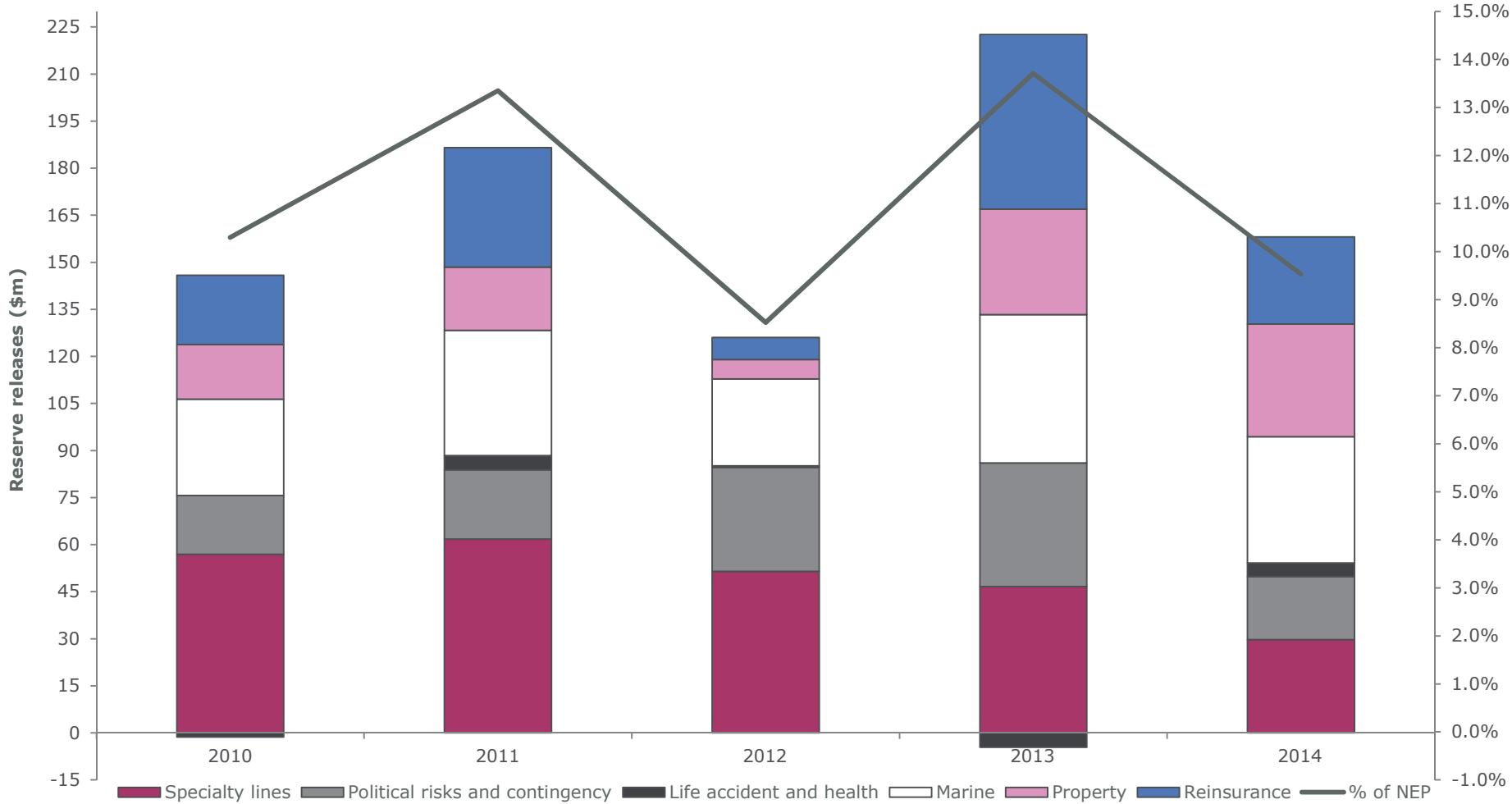
Minor changes to portfolio mix

31 December 2014

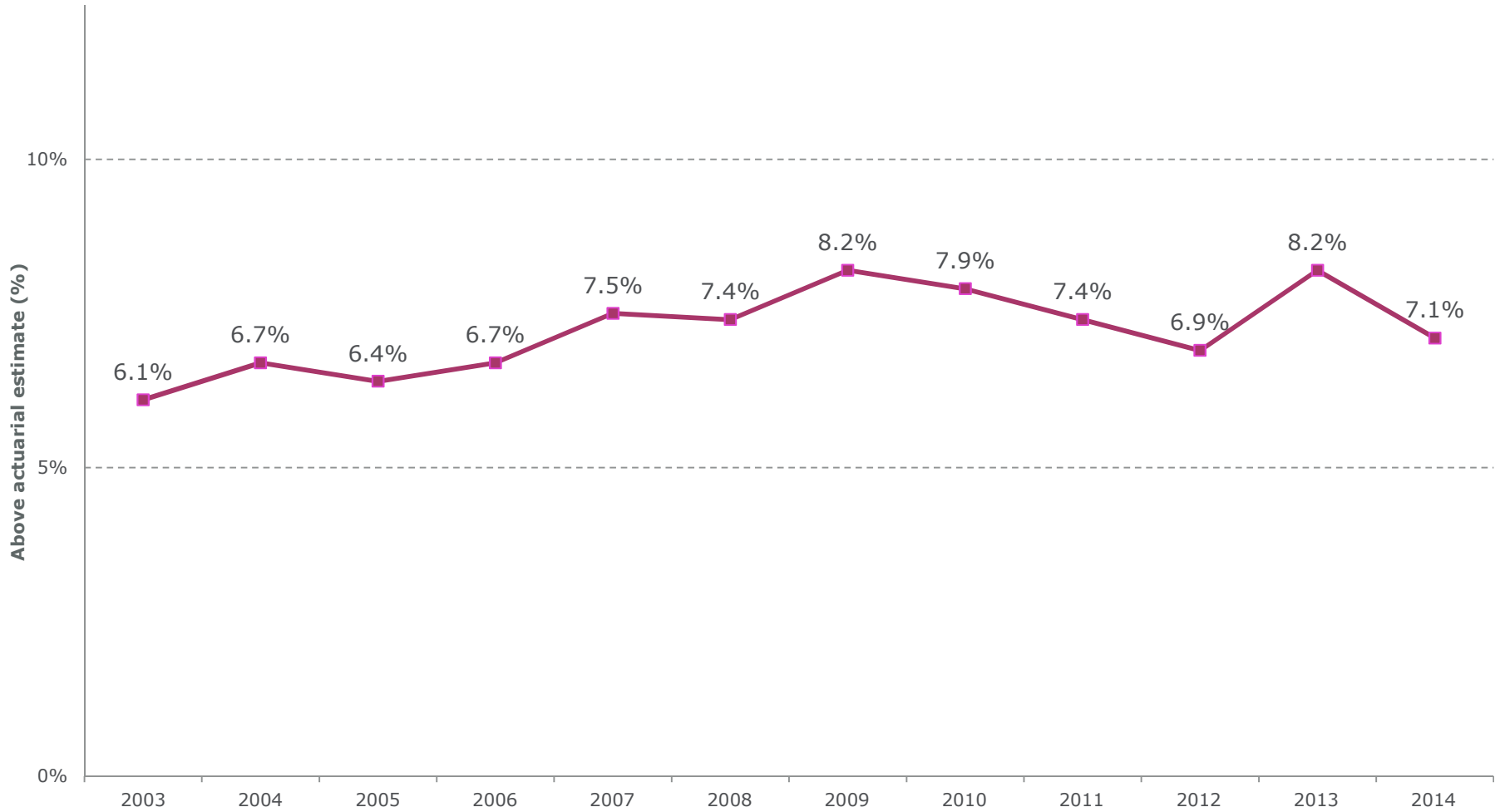
31 December 2013



Continued prior year reserve releases

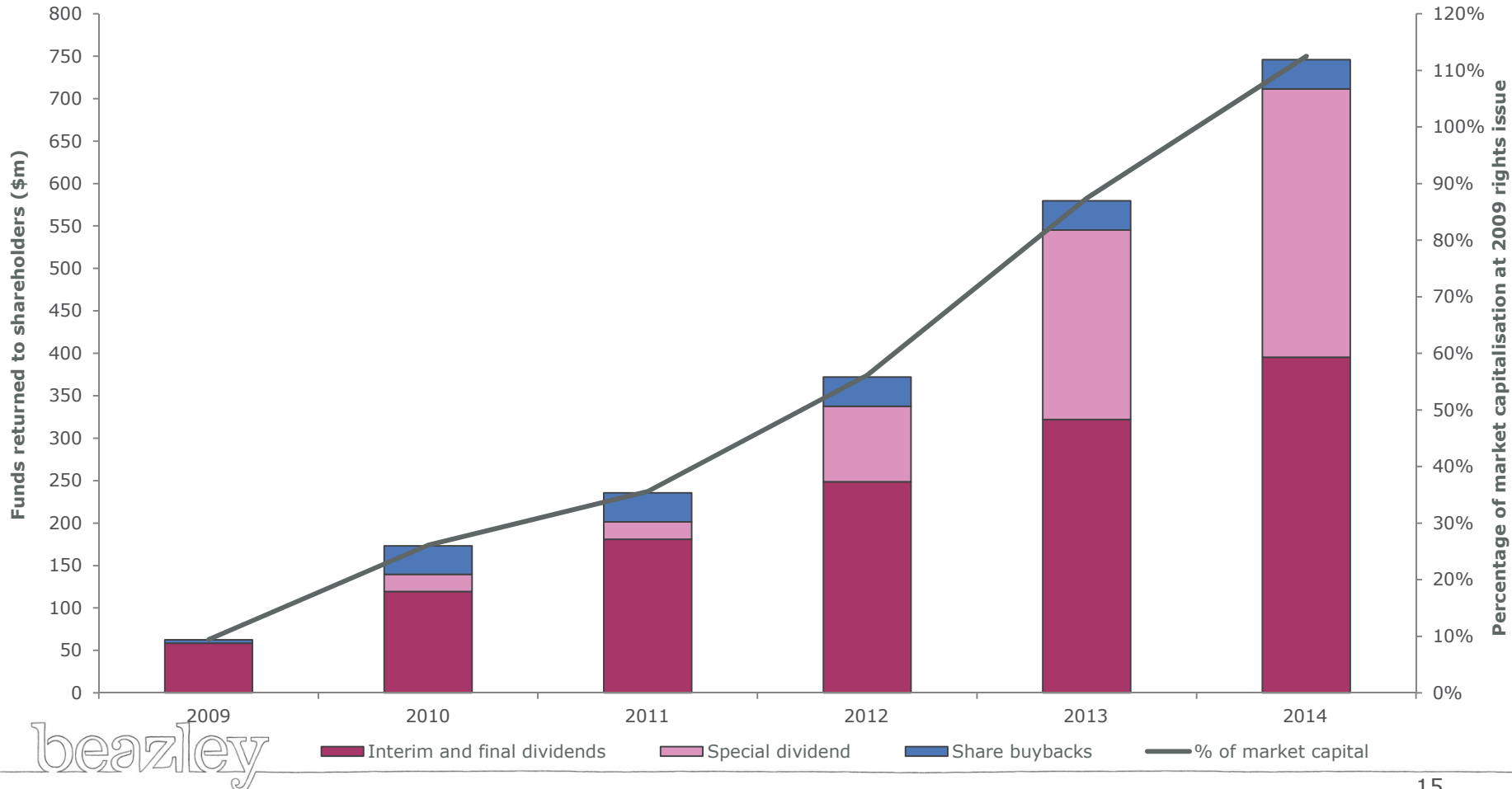


Whole account reserve strength within our target range



Capital management discipline continues

- We have returned capital of \$711.6m in the past 6 years
- This represents 112% of our 2009 post rights-issue market capitalisation



Updated capital position remains strong

- Group capital requirement:

	Year ended 31 December 2014 \$m	Year ended 31 December 2013 \$m
Lloyd's economic capital requirement (ECR)	1,359.0	1,321.8
Capital for US insurance company	107.7	107.7
	1,466.7	1,429.5

- Our funding is made up of our own equity (on a Solvency II basis) plus \$256.3m of debt and an undrawn banking facility of \$225.0m.
- At 31 December 2014 we have surplus capital of 30% of ECR, including Solvency II adjustments.
- We will be paying a special dividend of 11.8p, reducing the surplus to 20% which is within our current target range of 15% to 25% of ECR.

Underwriting review

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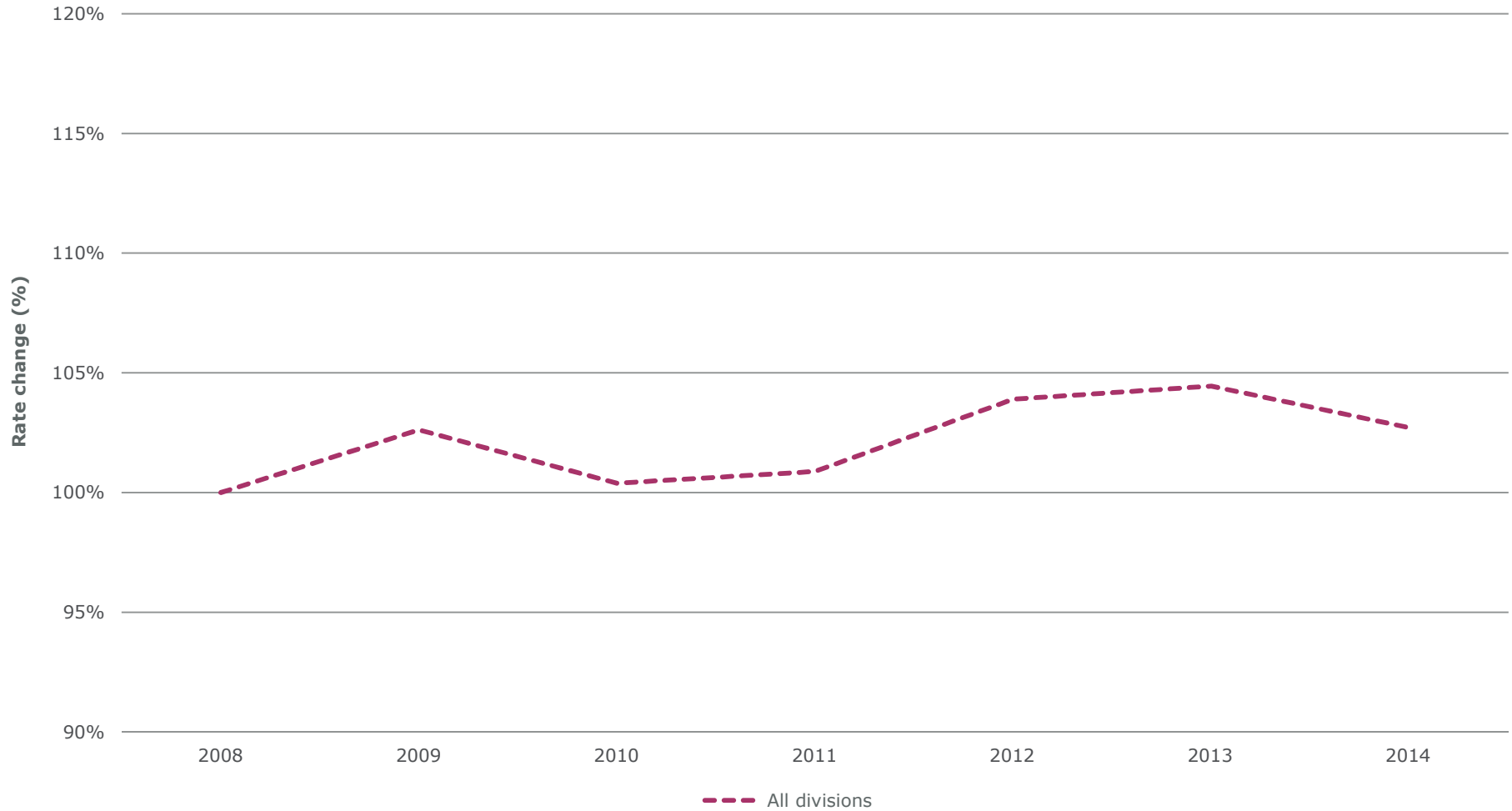
Underwriting review – 2014 achievements

- Combined ratio of 89%
- 3% growth achieved on gross premiums written in 2014
 - 19% growth in locally underwritten US premiums to \$537.0m
- 2014 rate reduction on renewals 2%
- Favourable claims experience including lower than average catastrophe activity
- We continue to reserve consistently, maintaining our surplus over actuarial estimate between 5-10%

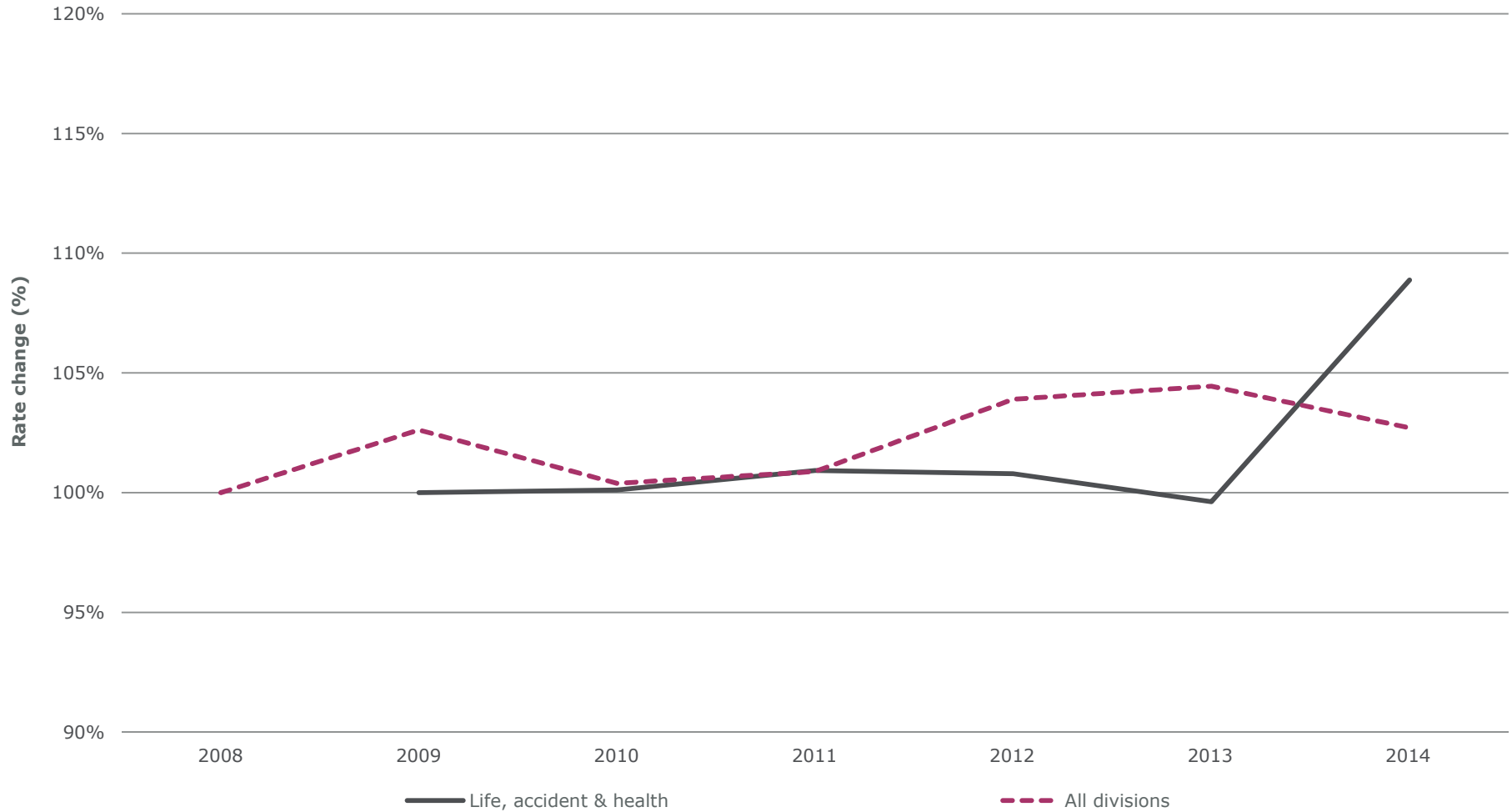
Underwriting review

	Year Ended 31 December 2014	Year Ended 31 December 2013
Gross premiums written (\$m)	2,021.8	1,970.2
Net premiums written (\$m)	1,732.7	1,676.5
Net earned premiums (\$m)	1,658.9	1,590.5
Expense ratio	40%	39%
Claims ratio	49%	45%
Combined ratio	89%	84%
Rate change on renewals	(2%)	1%

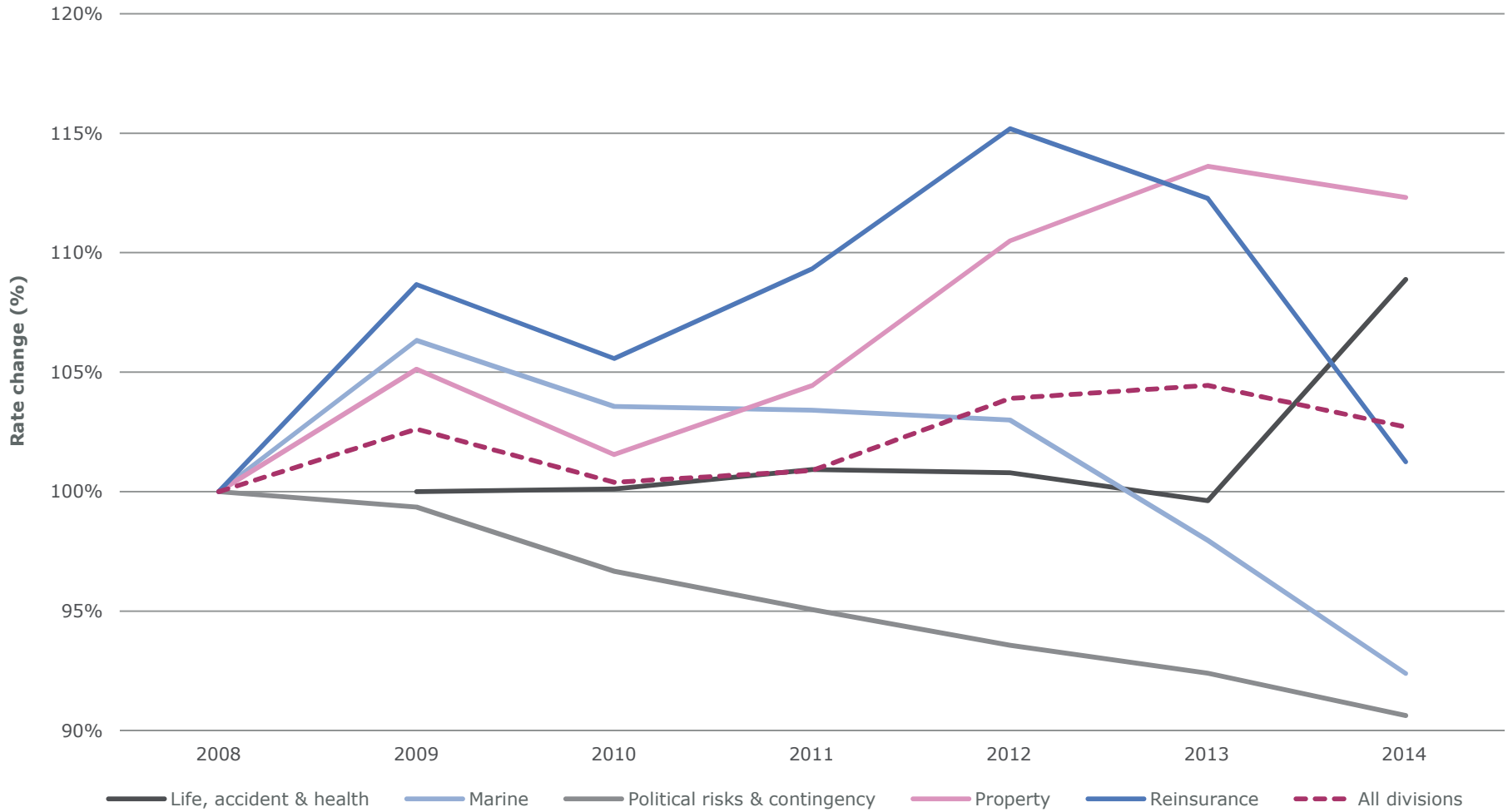
Cumulative rate changes since 2008



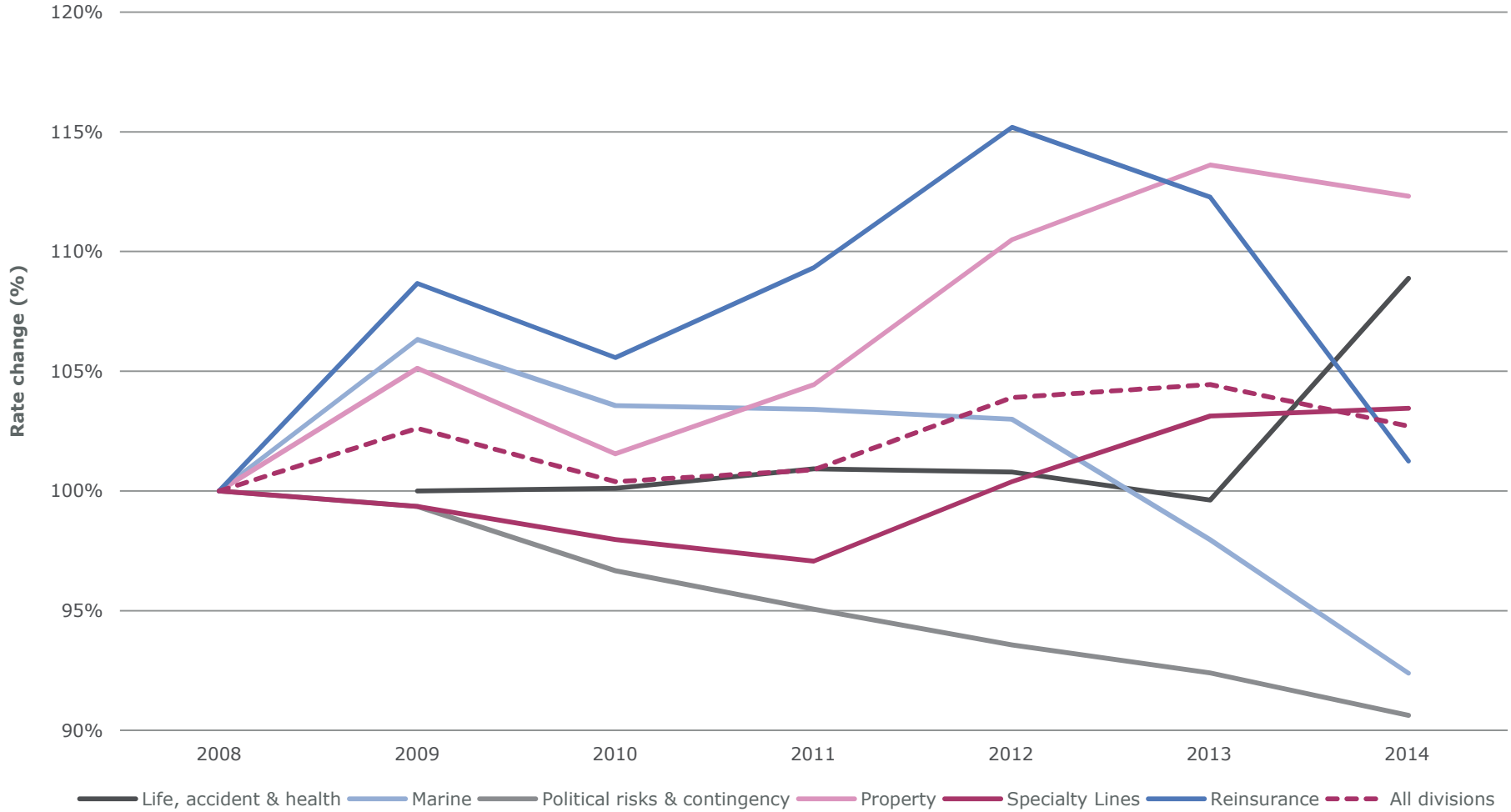
Cumulative rate changes since 2008



Cumulative rate changes since 2008



Cumulative rate changes since 2008



2015 underwriting outlook

- Rating trends expected to continue
 - Increasing competition in large risk market
 - Positive effect of US and UK economic growth

- Continued opportunities for moderate growth
 - Specialist SME products
 - US strategy: target growth by offering more products in our major US offices
 - Green shoots: transaction liability, US LAH, environmental
 - Investing in talent who bring new expertise and new relationships

Our vision and strategy

Our strategy is directed towards the achievement of our vision – to become, and be recognised as, the highest performing specialist insurer – and comprises:

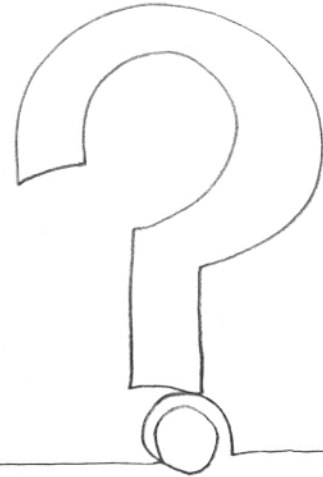
- Prudent capital allocation to achieve a well diversified portfolio that is resistant to shocks in any individual line of business
- The creation of an environment in which talented individuals with entrepreneurial spirit can build successful business
- The ability to scale our operations to ensure that client and broker service keeps pace, and wherever possible improves, as the company grows
- Consistent investment in product innovations to improve our clients' risk transfer

Outlook for 2015

- Diversified and well balanced portfolio allowing flexibility in a competitive market
- Difficult market for premium growth - US platform increasingly valuable
- Rating environment to remain challenging
- Further investment in people and products
- Continue to grow organically

Any questions?

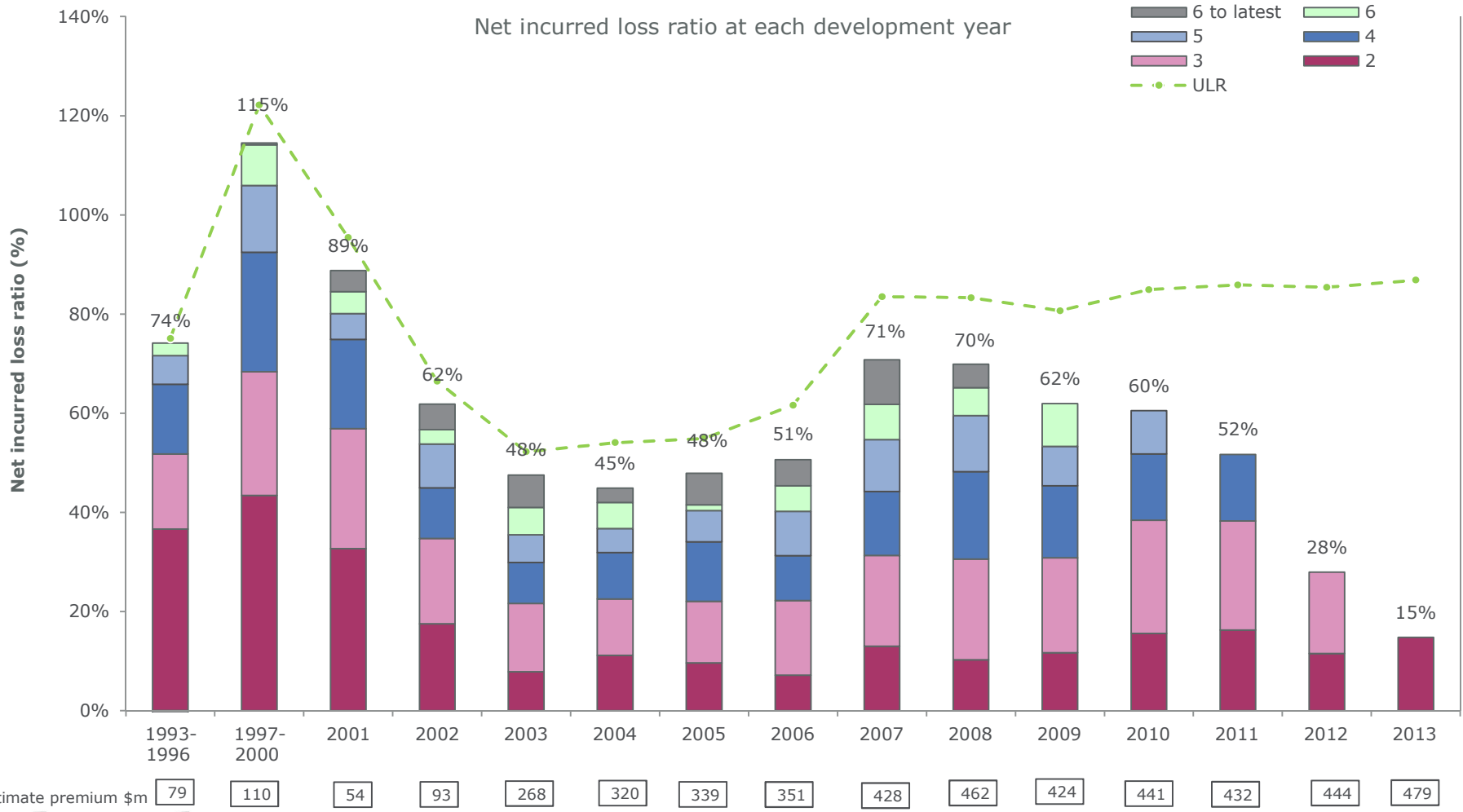
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Appendix

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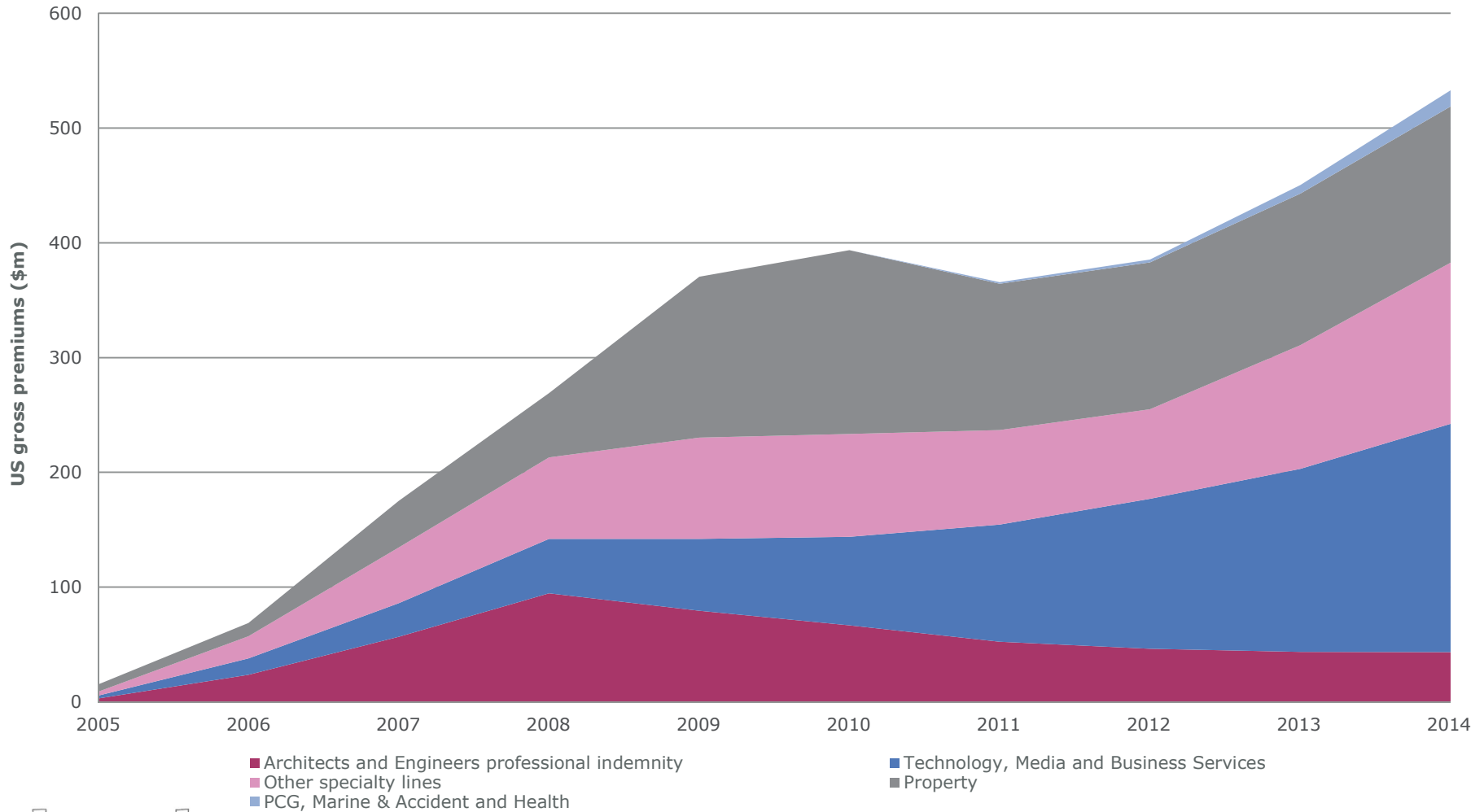
Specialty lines incurred claims remain in line with expectations



Net ultimate premium \$m



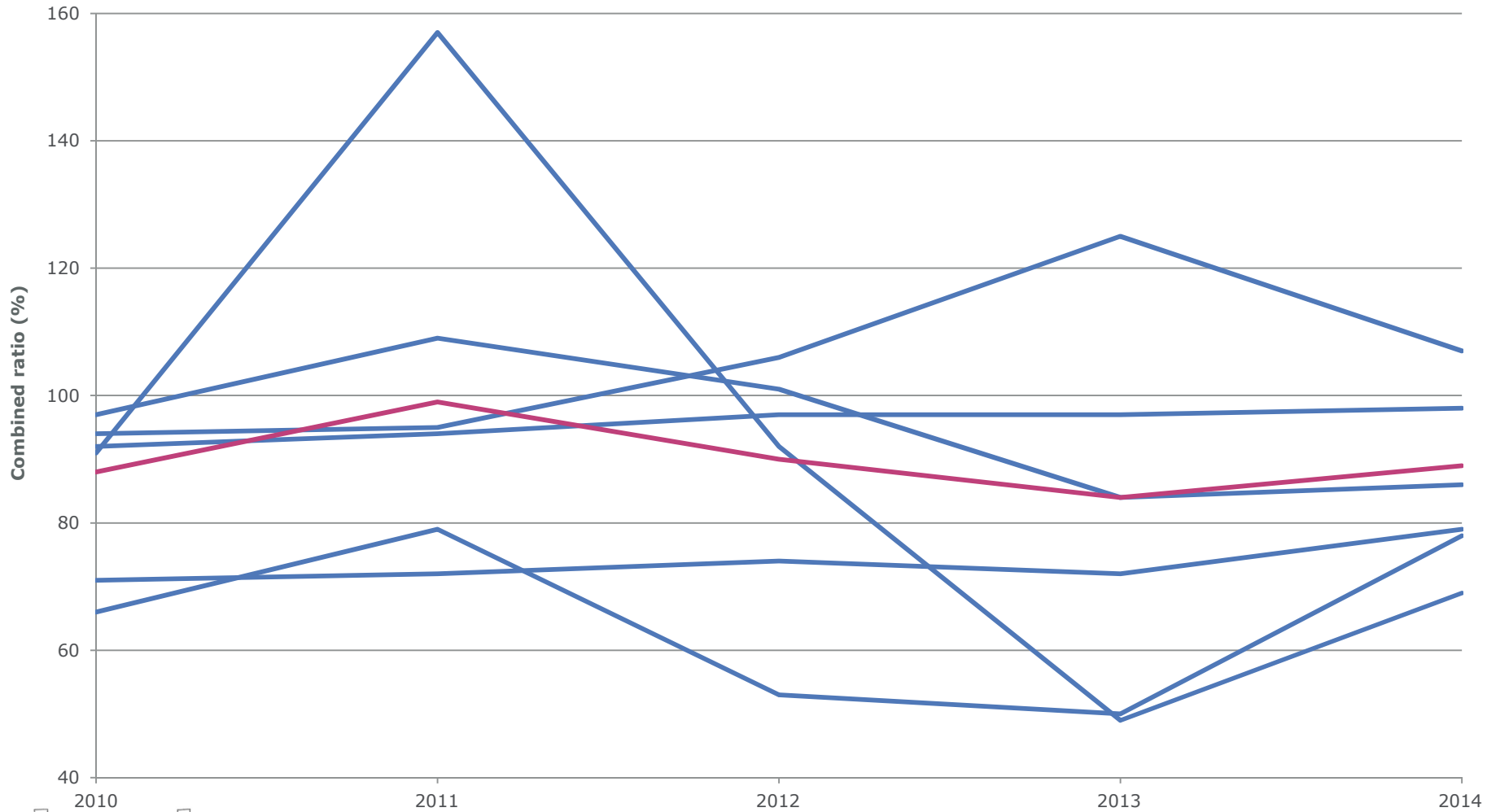
US gross premium over 10 years



Cumulative rate changes since 2001



Portfolio management achieves consistent combined ratio through market cycles



Life accident & health

Year ended 31 December

	2014	2013	
Gross premiums written (\$m)	132.2	100.3	
Net premiums written (\$m)	113.7	96.1	<ul style="list-style-type: none"> • 32% increase in gross premiums written
Net earned premiums (\$m)	103.0	95.4	<ul style="list-style-type: none"> • Positive rate change, mainly in Australian business
Claims ratio	60%	74%	
Rate change on renewals	9%	(1%)	
Percentage of business led	68%	73%	

Marine

Year ended 31 December

	2014	2013	
Gross premiums written (\$m)	325.2	315.9	
Net premiums written (\$m)	289.9	282.1	• 3% increase in gross premium written
Net earned premiums (\$m)	282.6	264.4	• Combined ratio of 78% (2013: 72%)
			• Prior year reserve releases of \$40.2m (2013: \$47.3m)
Claims ratio	38%	34%	
Rate change on renewals	(6%)	(5%)	
Percentage of business led	43%	44%	

Political risks and contingency

Year ended 31 December

	2014	2013	
Gross premiums written (\$m)	123.2	131.2	
Net premiums written (\$m)	101.2	110.1	<ul style="list-style-type: none"> • Combined ratio of 78% (2013: 50%)
Net earned premiums (\$m)	96.9	98.6	<ul style="list-style-type: none"> • Dubai office opened
Claims ratio	27%	5%	
Rate change on renewals	(2%)	(1%)	
Percentage of business led	70%	69%	

Property

Year ended 31 December

	2014	2013	
Gross premiums written (\$m)	344.7	371.4	
Net premiums written (\$m)	297.6	308.7	• Combined ratio consistent at 86% (2013: 84%)
Net earned premiums (\$m)	287.9	302.6	• Focus on smaller risks
Claims ratio	42%	40%	• Continued positive contribution to group's profitability
Rate change on renewals	(1%)	3%	
Percentage of business led	75%	74%	

Reinsurance

Year ended 31 December

	2014	2013
Gross premiums written (\$m)	200.8	221.6
Net premiums written (\$m)	153.8	171.5
Net earned premiums (\$m)	160.1	165.3
Claims ratio	37%	18%
Rate change on renewals	(10%)	(3%)
Percentage of business led	39%	38%

- Combined ratio of 69% (2013: 49%)
- Significant rate pressure

Specialty lines

Year ended 31 December

	2014	2013	
Gross premiums written (\$m)	895.7	829.8	
Net premiums written (\$m)	776.5	708.0	<ul style="list-style-type: none"> • 8% increase in gross premiums written
Net earned premiums (\$m)	728.5	664.2	<ul style="list-style-type: none"> • Combined ratio of 98% (2013: 97%) • Contribution to group profit of \$71.8m (2013: \$53.2m)
Claims ratio	61%	61%	<ul style="list-style-type: none"> • Prior year reserve releases \$29.7m (2013: \$46.6m)
Rate change on renewals	-	3%	
Percentage of business led	96%	96%	