

# Results for the year ended 31 December 2015

Thursday, 4 February 2016

beazley

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# Overview of 2015

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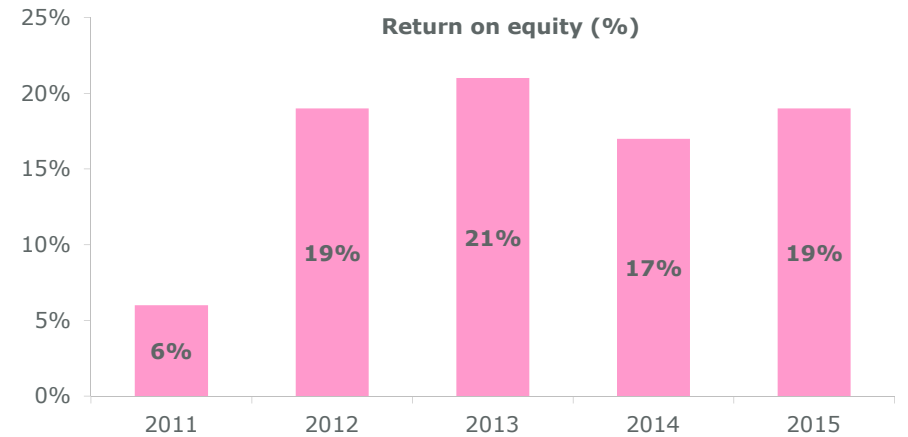
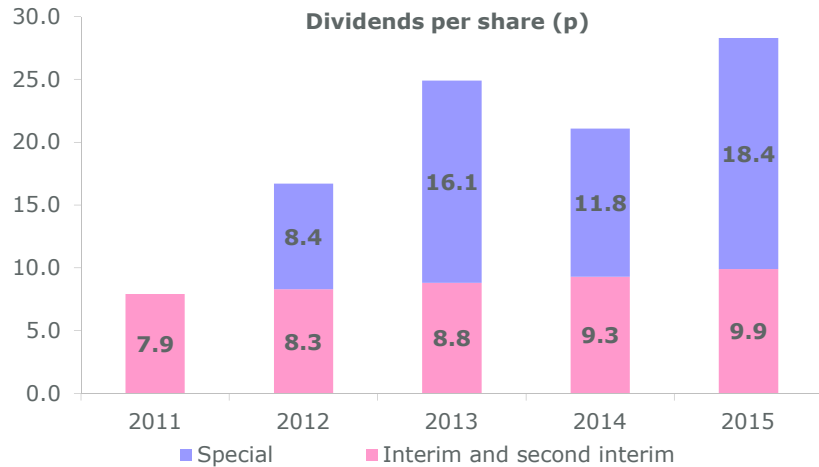
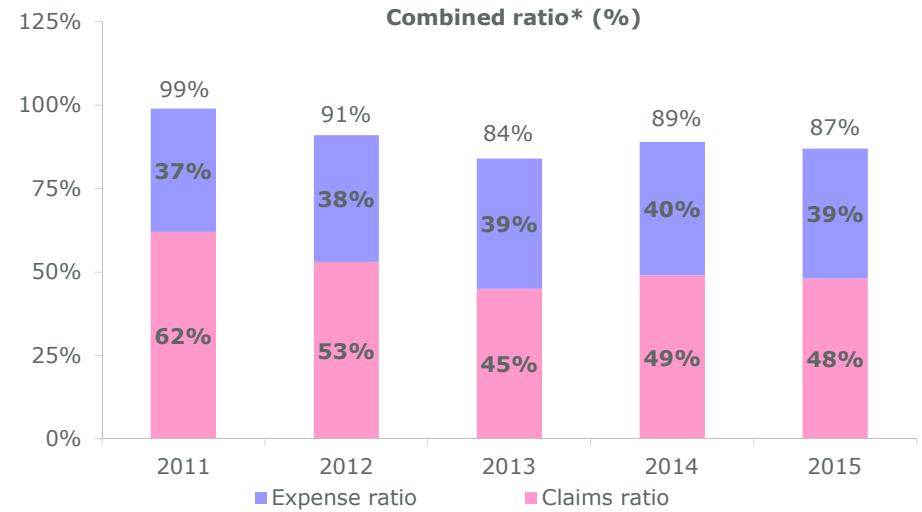
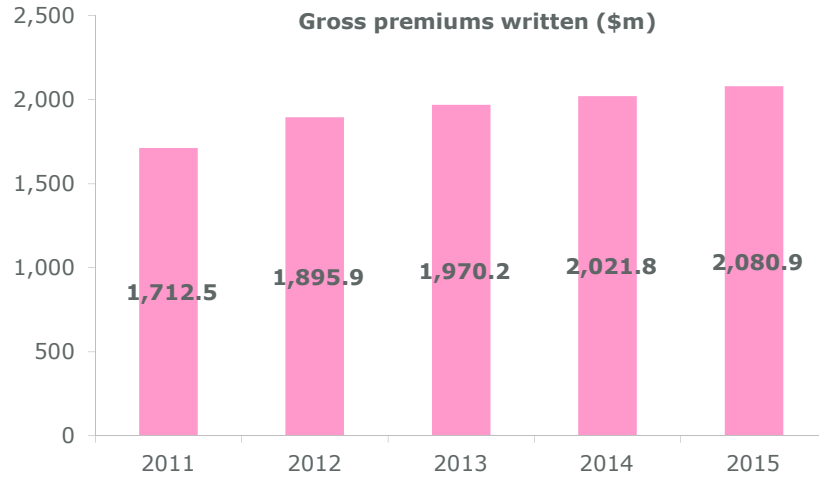
## Increased premiums, profits and dividends

- Profit before income tax of \$284.0m (2014: \$261.9m)
- Return on equity of 19% (2014: 17%)
- Gross premiums written increased by 3% to \$2,080.9m (2014: \$2,021.8m)
- Combined ratio of 87% (2014: 89%)
- Rate reduction of 2% on renewal portfolio (2014: reduction of 2%)
- Prior year reserve releases of \$176.3m (2014: \$158.1m)
- Net investment income of \$57.6m (2014: \$83.0m)
- Second interim dividend of 6.6p (2014: 6.2p) taking full year dividend to 9.9p (2014: Full year 9.3p). Special dividend of 18.4p (2014: 11.8p)

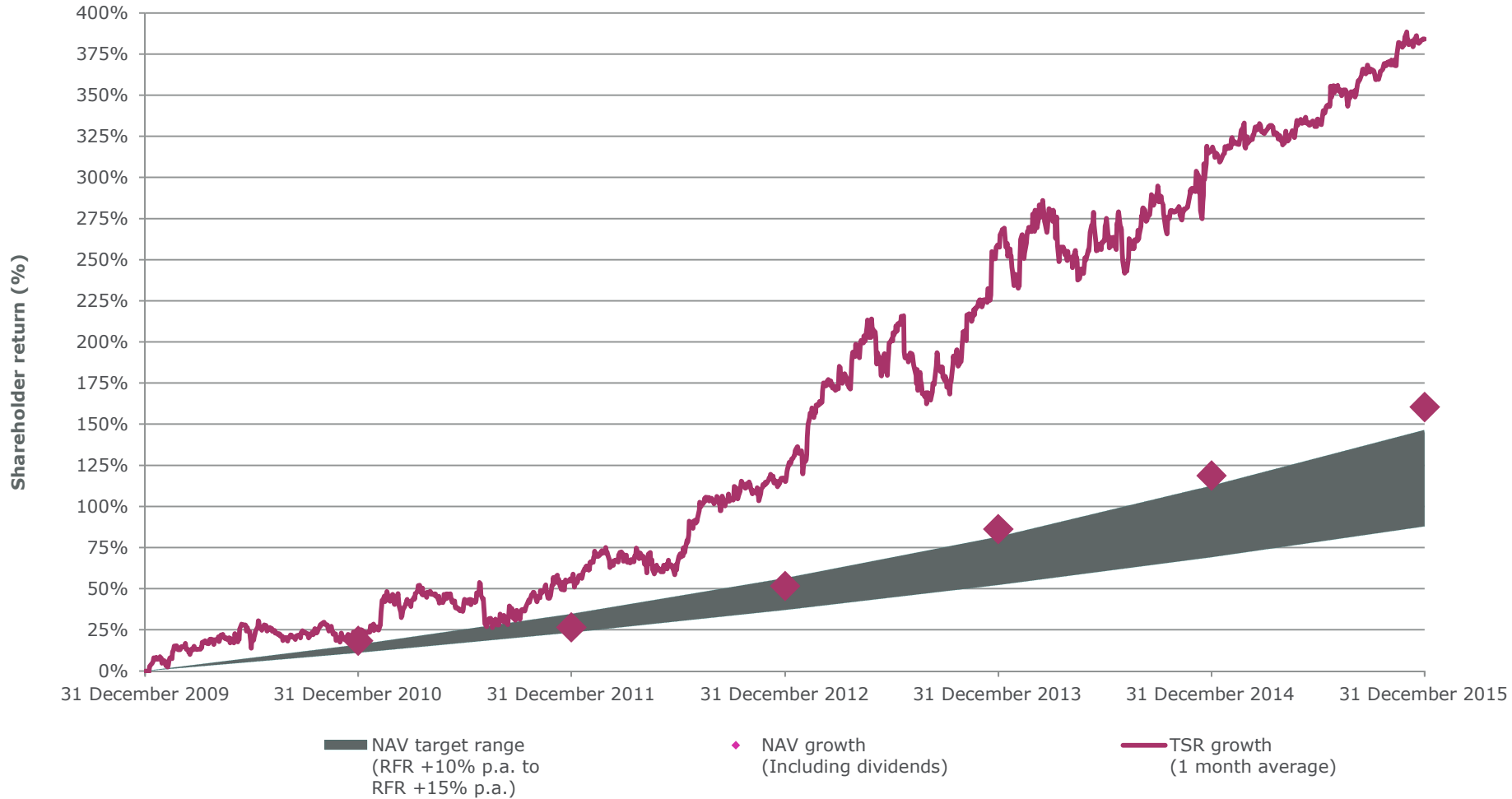
## Continued progress with our strategic initiatives

- Investment in our teams:
  - People – ranked in top quartile for employee engagement
  - We passed the 1,000 employee landmark
  - We continue to attract talent
- We grew 21% in the US and opened our Los Angeles office
- Started our Korean Re partnership
- Strong balance sheet and active capital management maintained
- Received our Solvency II Internal Model approval from the CBI
- We propose to establish a new UK tax resident group holding company

# Sustained high performance



## Excellent total shareholder return - TSR 33.5% per annum since 31.12.09





# Financials

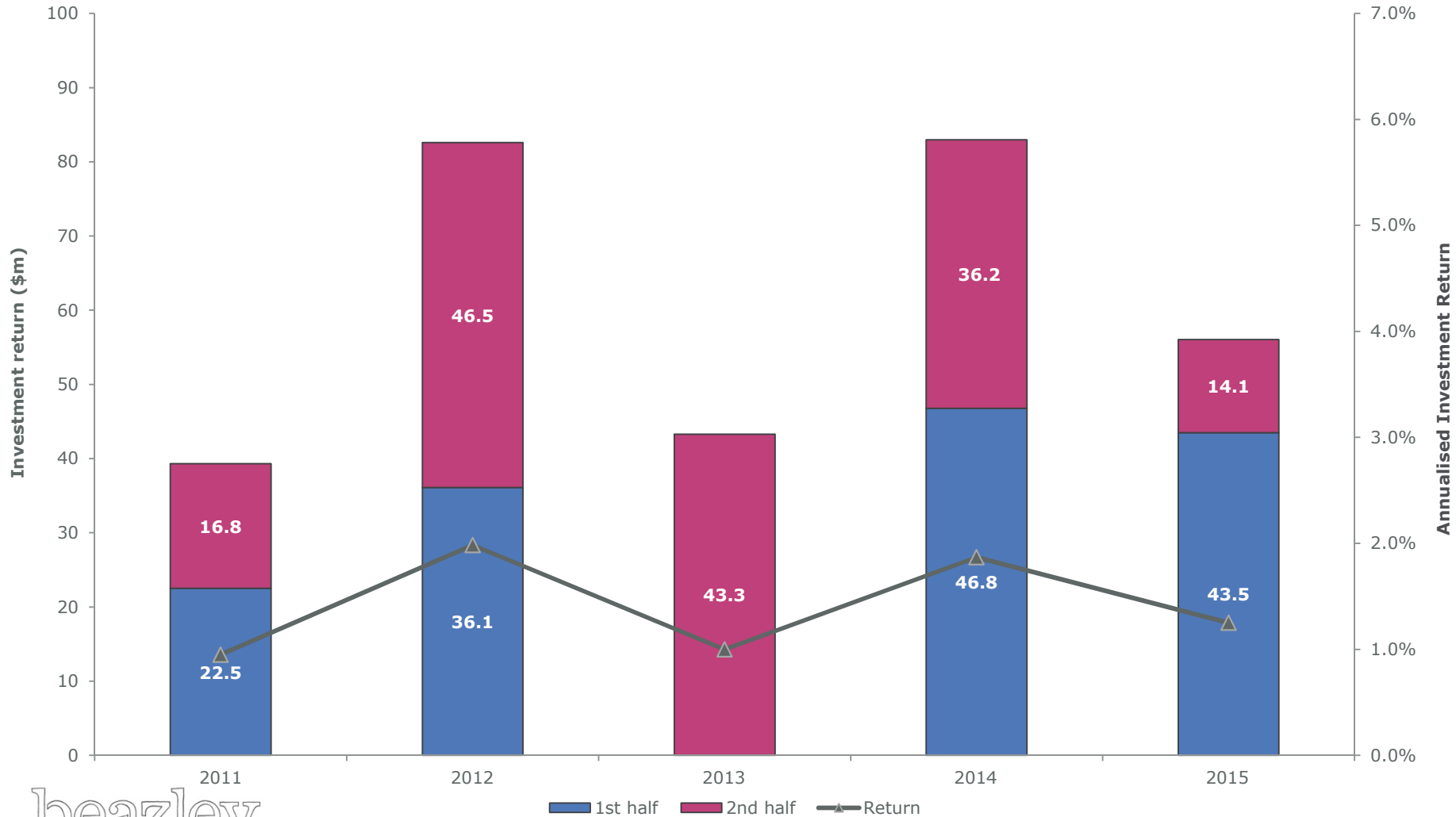
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## Strong performance across all metrics

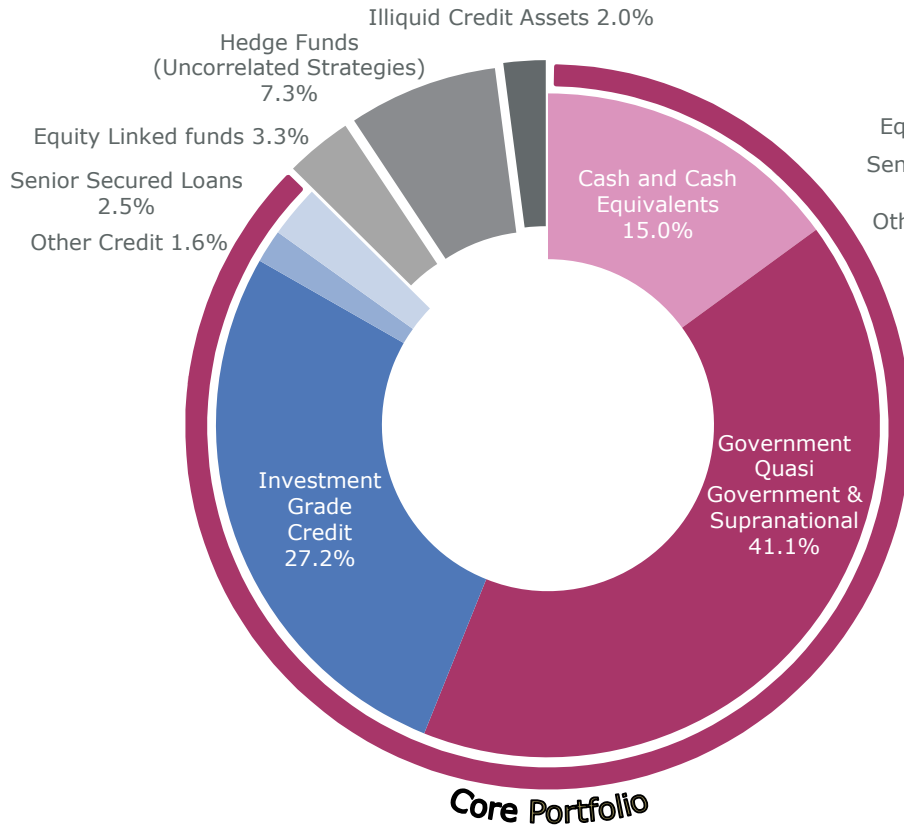
	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2014</b>	<b>% Increase / (Decrease)</b>
Gross premiums written (\$m)	<b>2,080.9</b>	<b>2,021.8</b>	3%
Net premiums written (\$m)	<b>1,713.1</b>	<b>1,732.7</b>	(1%)
Net earned premiums (\$m)	<b>1,698.7</b>	<b>1,658.9</b>	2%
Profit before income tax (\$m)	<b>284.0</b>	<b>261.9</b>	8%
Earnings per share (pence)	<b>31.9</b>	<b>26.1</b>	
Dividend per share (pence)	<b>9.9</b>	<b>9.3</b>	
Special dividend (pence)	<b>18.4</b>	<b>11.8</b>	
Net assets per share (pence)	<b>186.5</b>	<b>170.3</b>	
Net tangible assets per share (pence)	<b>174.8</b>	<b>158.3</b>	

# Portfolio delivered 1.3% annualised return

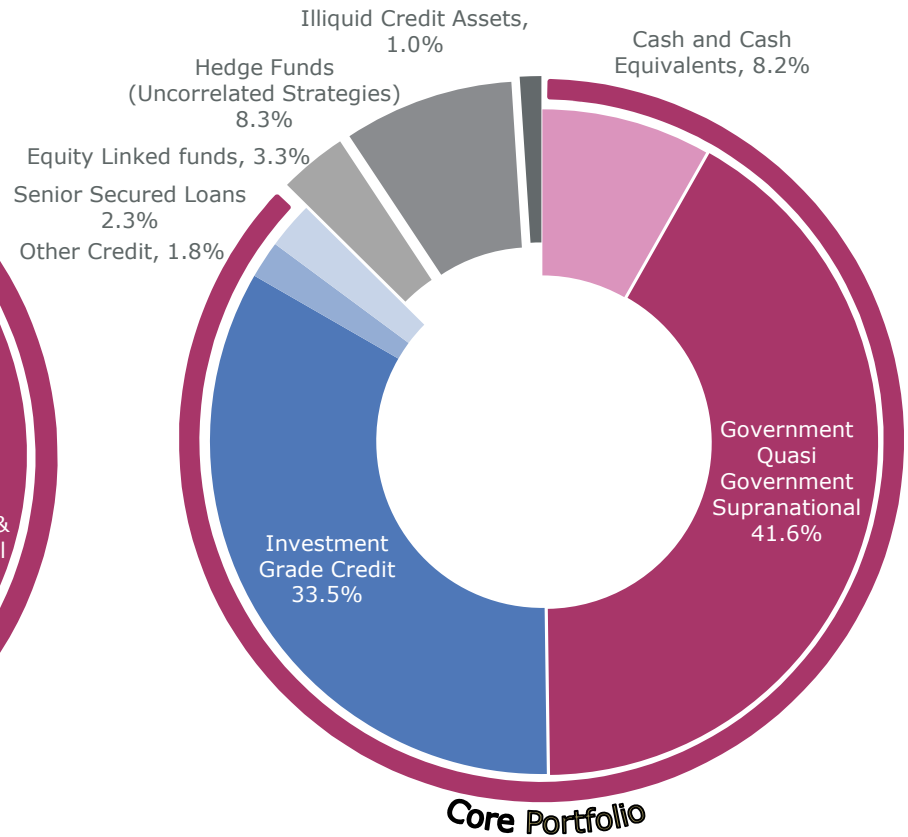


# Minor changes to portfolio mix

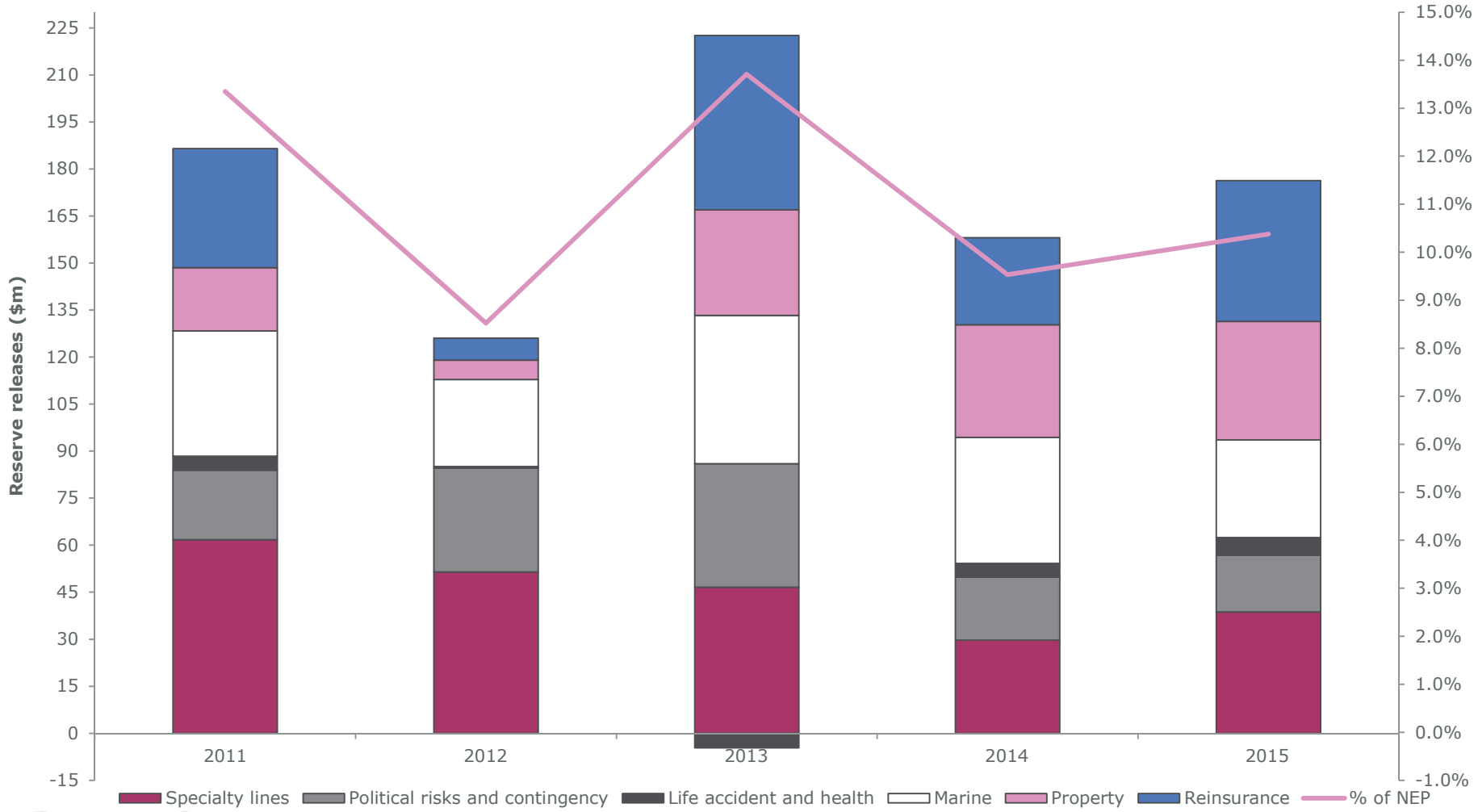
**31 December 2015**



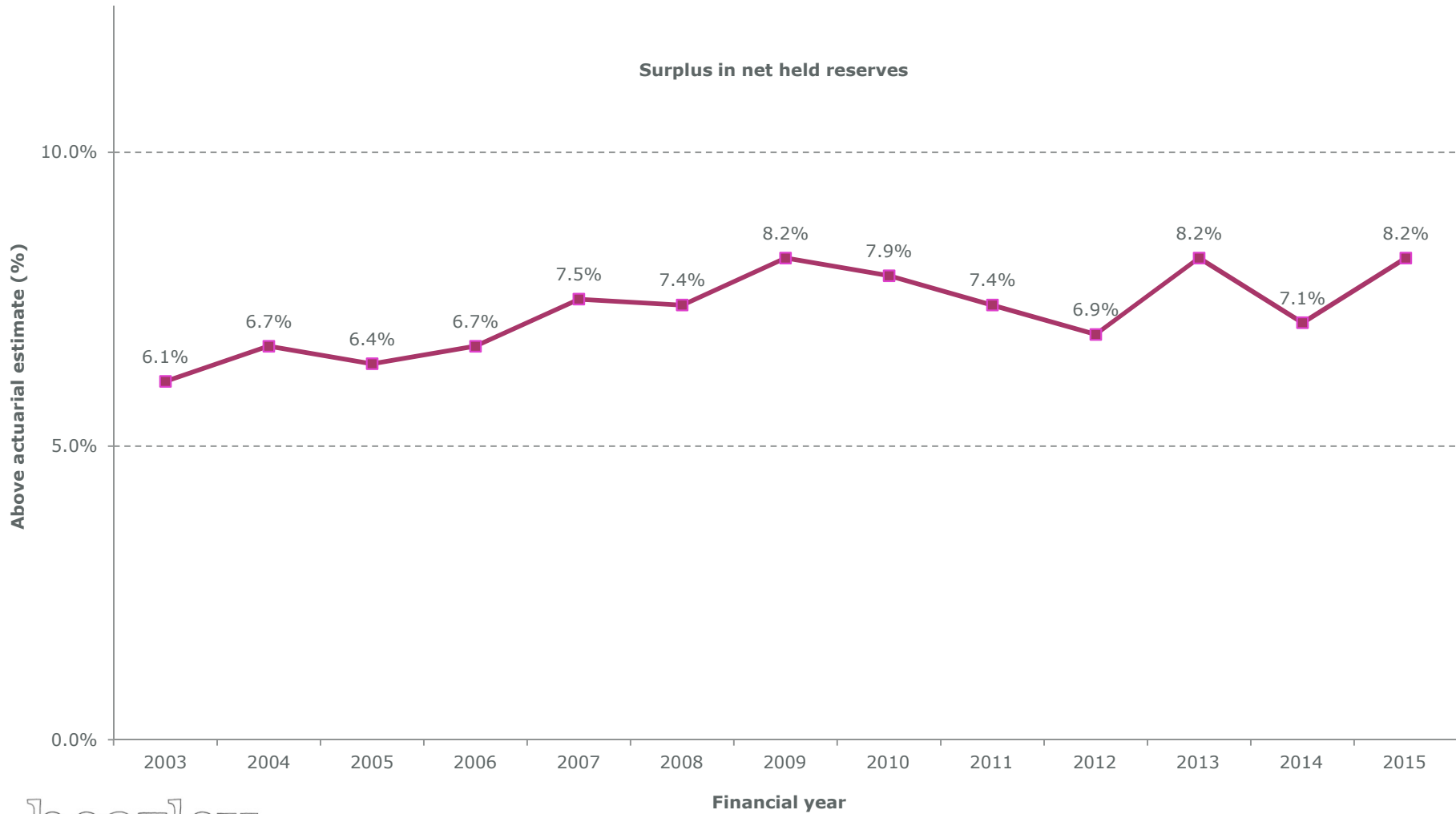
**31 December 2014**



# Continued prior year reserve releases

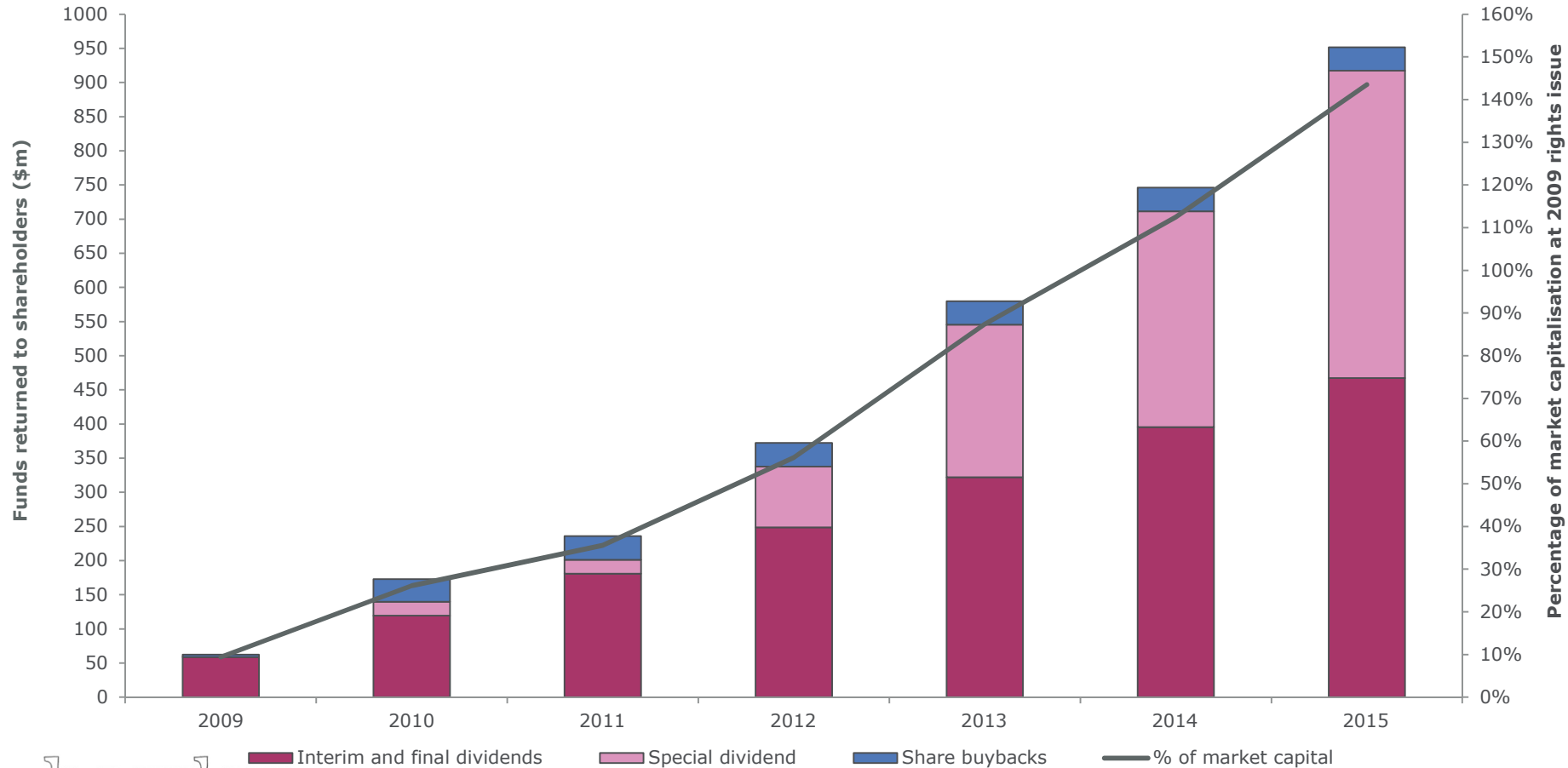


# Whole account reserve strength within our target range



# Capital management discipline continues

- We have returned capital of \$952m in the past 7 years
- This represents 144% of our 2009 post rights-issue market capitalisation



## Updated capital position remains strong

- Group capital requirement:

	<b>Year ended 31 December 2015 \$m</b>	<b>Year ended 31 December 2014 \$m</b>
Lloyd's economic capital requirement (ECR)	<b>1,326.9</b>	<b>1,359.0</b>
Capital for US insurance company	<b>107.7</b>	<b>107.7</b>
	<b>1,434.6</b>	<b>1,466.7</b>

- Our funding is made up of our own equity (on a Solvency II basis) plus \$247.2m of debt and an undrawn banking facility of \$225.0m
- At 31 December 2015 we have surplus capital of 49% of ECR, including Solvency II adjustments
- We will be paying a special dividend of 18.4p, reducing the surplus to 35%, above our target 15-25% range



## Proposed new holding company

- Change will allow group management to be from the UK from the end of April
- Timetable is for a shareholder vote in March
- No change to the operating structure, expected profits or tax rates of the group
- Beazley plc will be retained as the name for our top company

# Underwriting review

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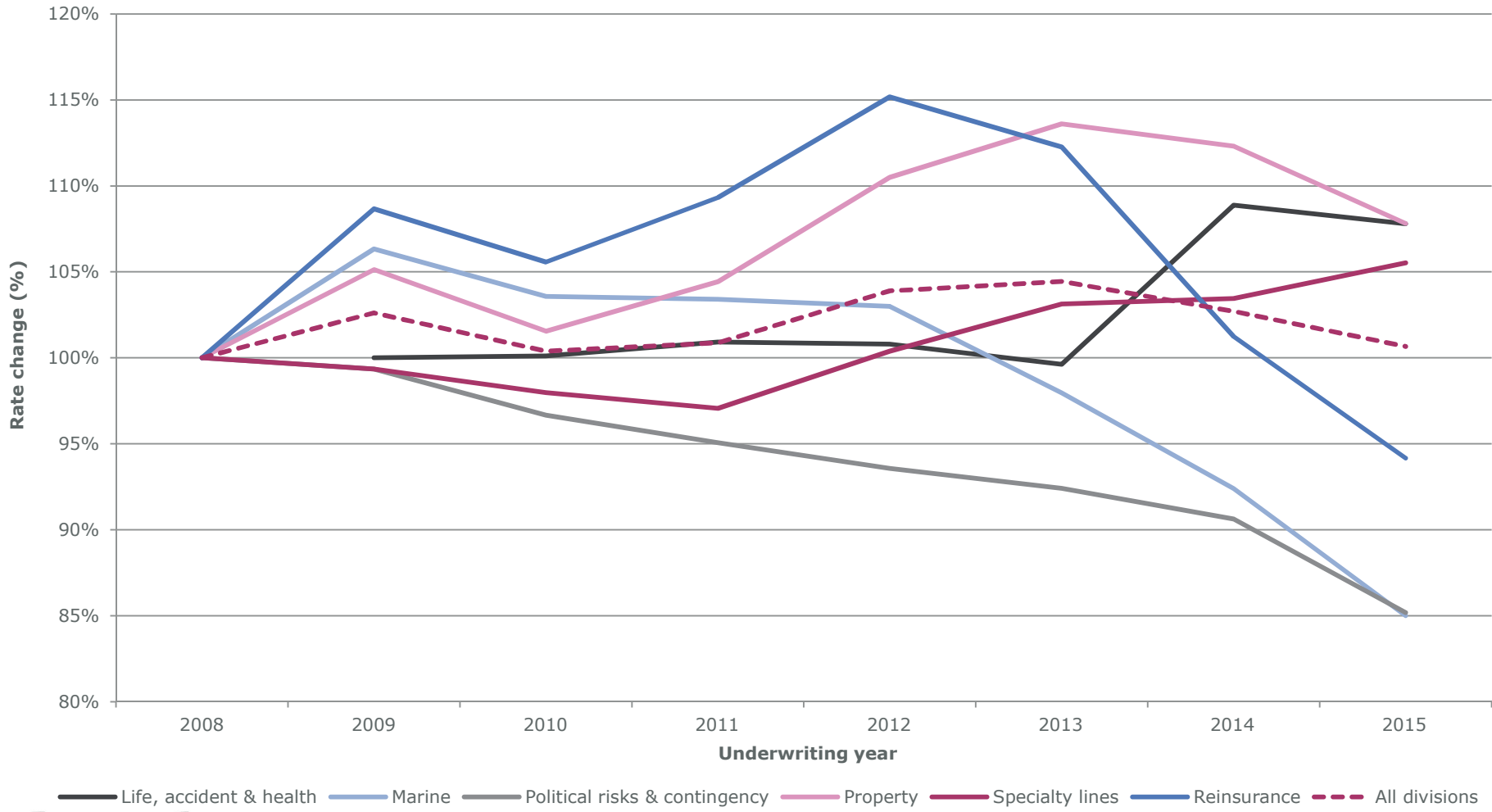
## Underwriting review – 2015 achievements

- Combined ratio of 87%, with improved combined ratio achieved by all divisions
- Growth in gross premiums written of 3% to \$2,080.9m
  - Specialty lines, our largest division, achieved growth of 13%
  - 21% growth in locally underwritten US premium
- Rate reductions of 2% across portfolio as a whole
- 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

	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>	% Increase/ (Decrease)
Gross premiums written (\$m)	<b>2,080.9</b>	<b>2,021.8</b>	3%
Net premiums written (\$m)	<b>1,713.1</b>	<b>1,732.7</b>	(1%)
Net earned premiums (\$m)	<b>1,698.7</b>	<b>1,658.9</b>	2%
Expense ratio	<b>39%</b>	<b>40%</b>	
Claims ratio	<b>48%</b>	<b>49%</b>	
Combined ratio	<b>87%</b>	<b>89%</b>	
Rate change on renewals	<b>(2%)</b>	<b>(2%)</b>	

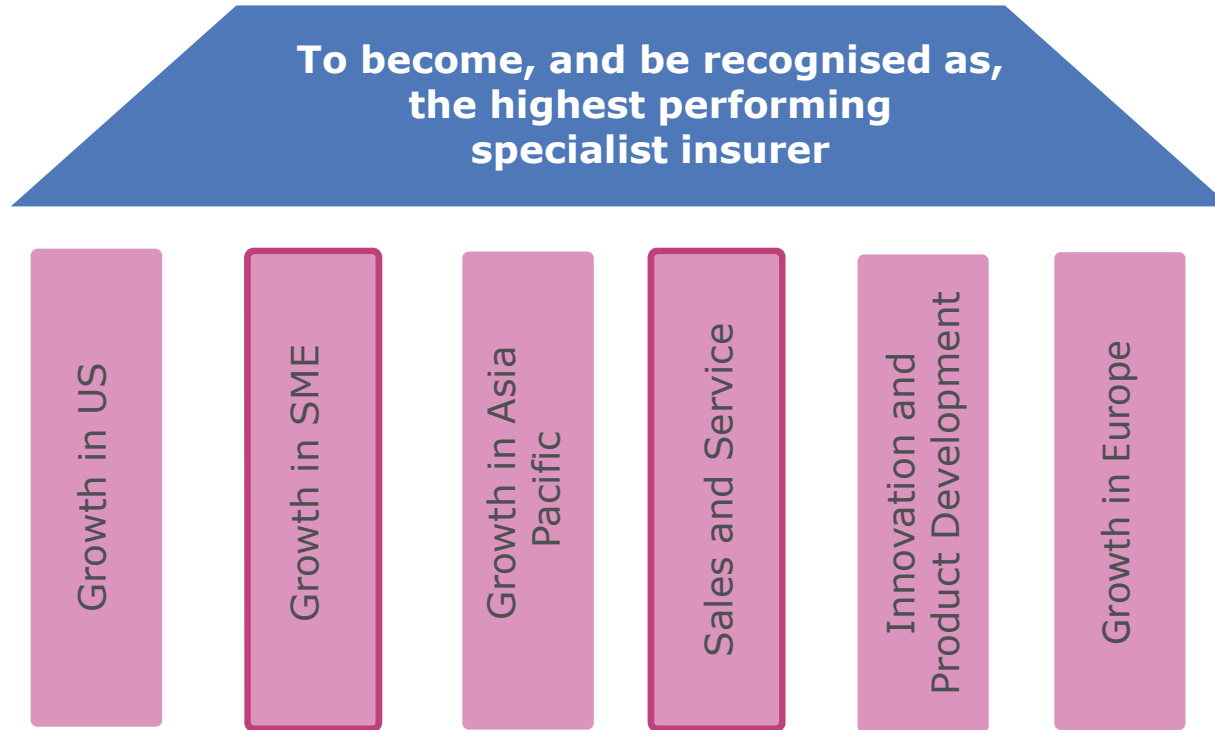
# Cumulative rate changes since 2008



## 2016 underwriting outlook

- Competitive market conditions expected to continue
- Well diversified portfolio will allow efficient cycle management
- Disciplined underwriting in areas where competition is greatest
- We see opportunities for moderate growth in 2016
  - US underwritten premium
  - US 'gap protection' medical cover
  - Cyber demand continues to increase
  - Improved distribution channels for SME business

# Our vision and strategic priorities



## Outlook for 2016 – our 30<sup>th</sup> year

- Continue our organic growth strategy
- Premium rates expected to decline across portfolio as a whole
- Continued growth opportunities in US
- Market consolidation offers opportunities to attract talent
- Pursue our refreshed strategic initiatives
- New corporate structure to enable us to run the group from the UK



Any questions?

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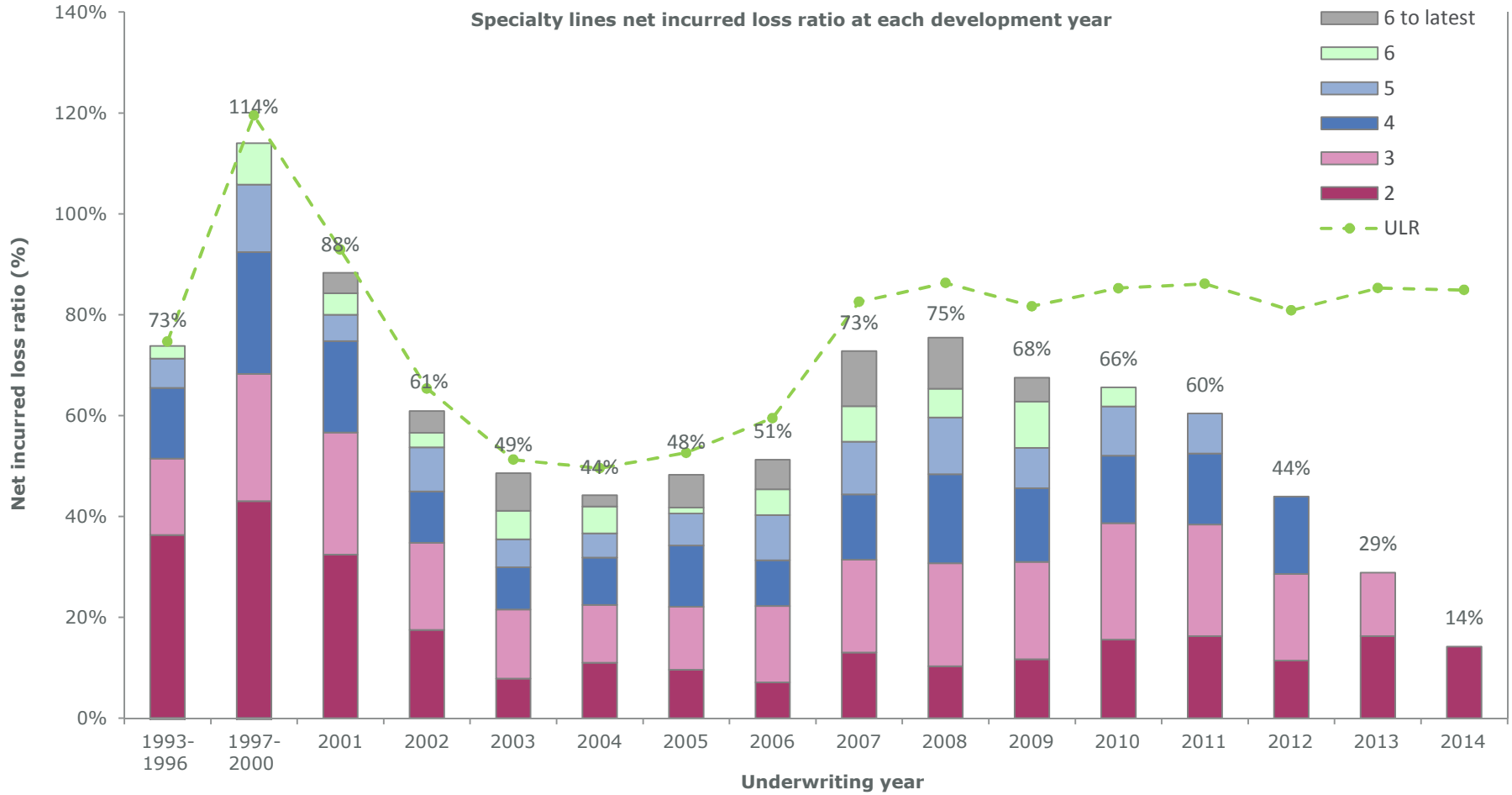
# Appendix

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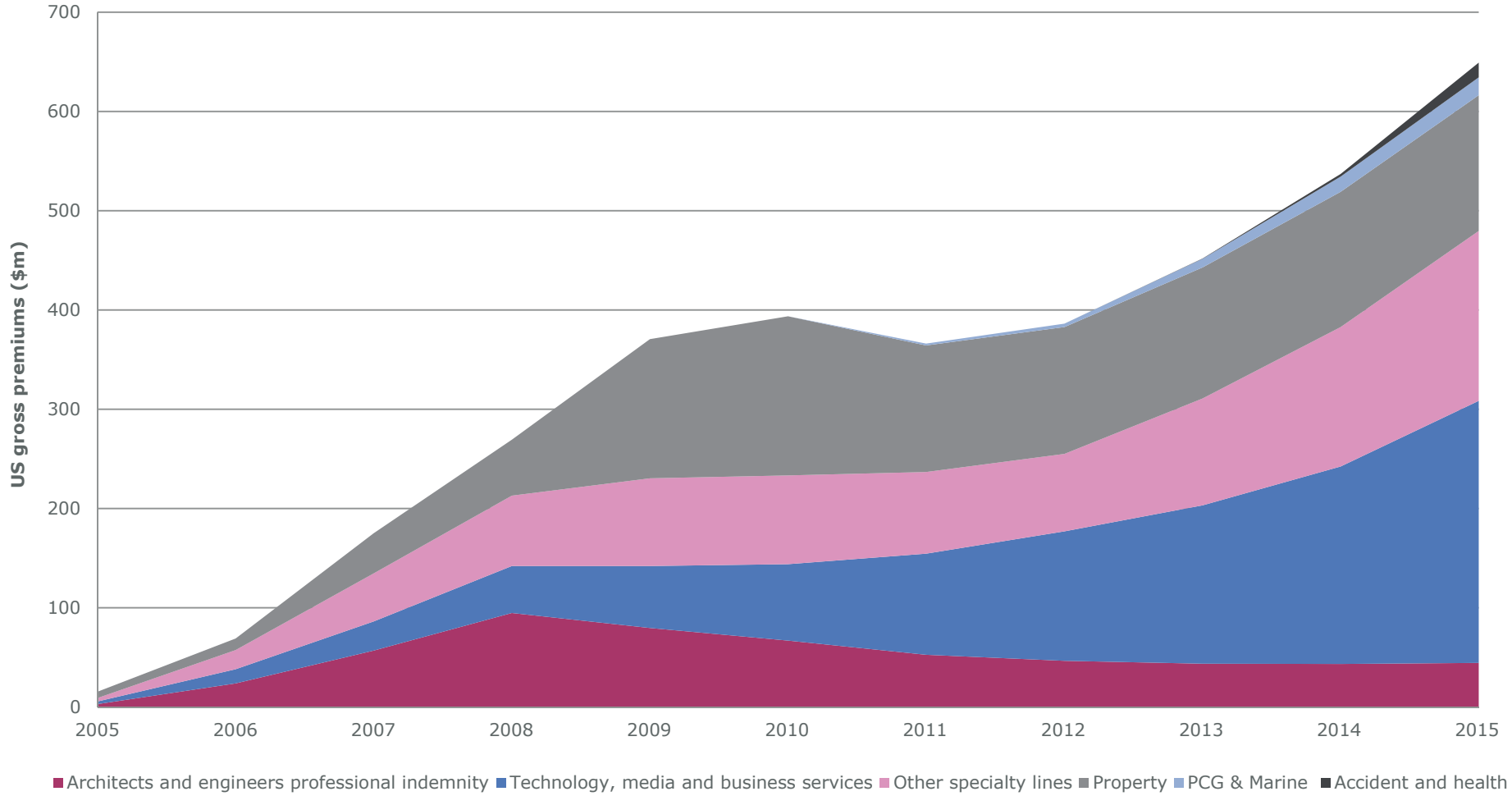
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# Specialty lines incurred claims remain in line with expectations

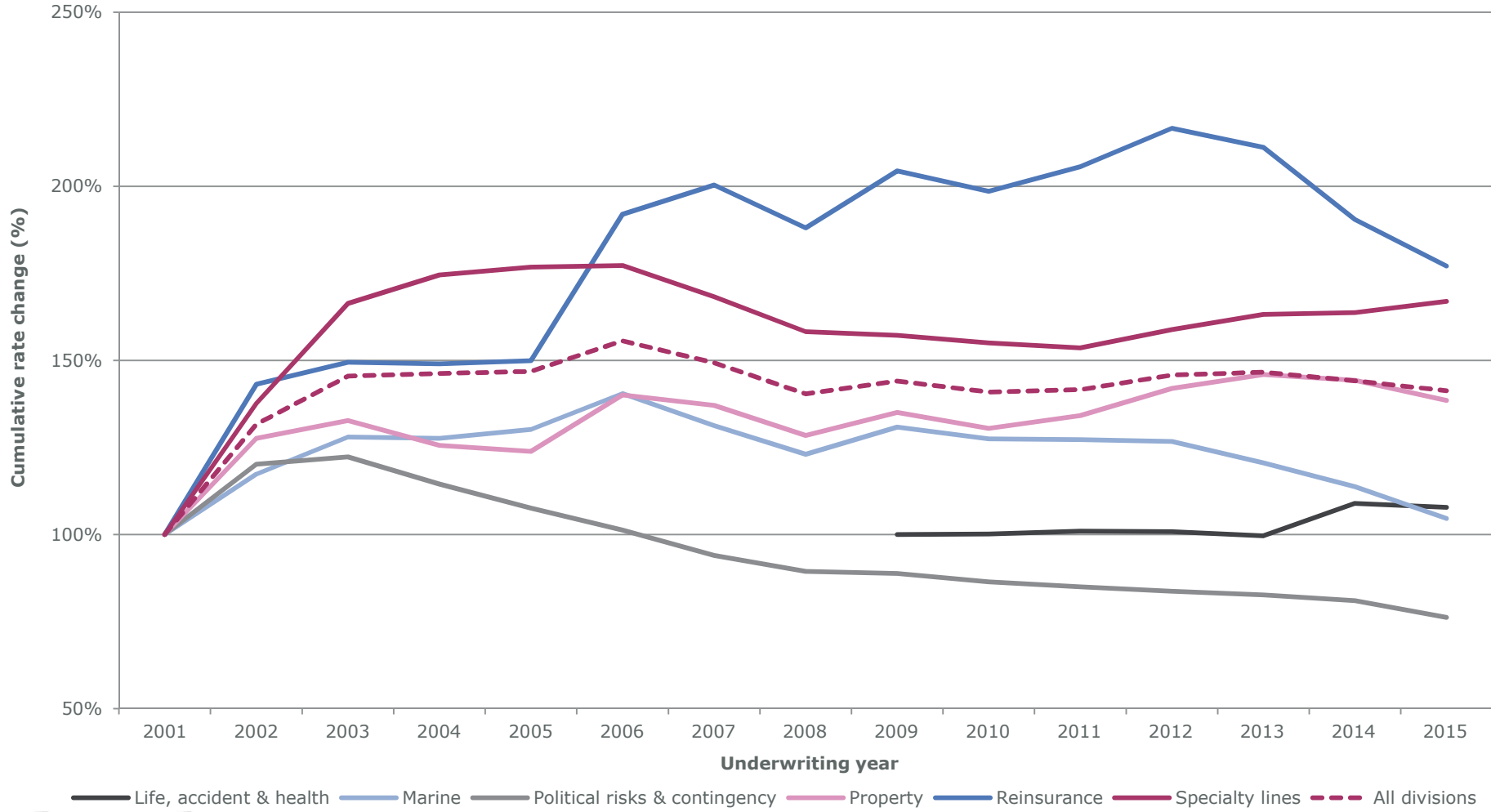
Specialty lines net incurred loss ratio at each development year



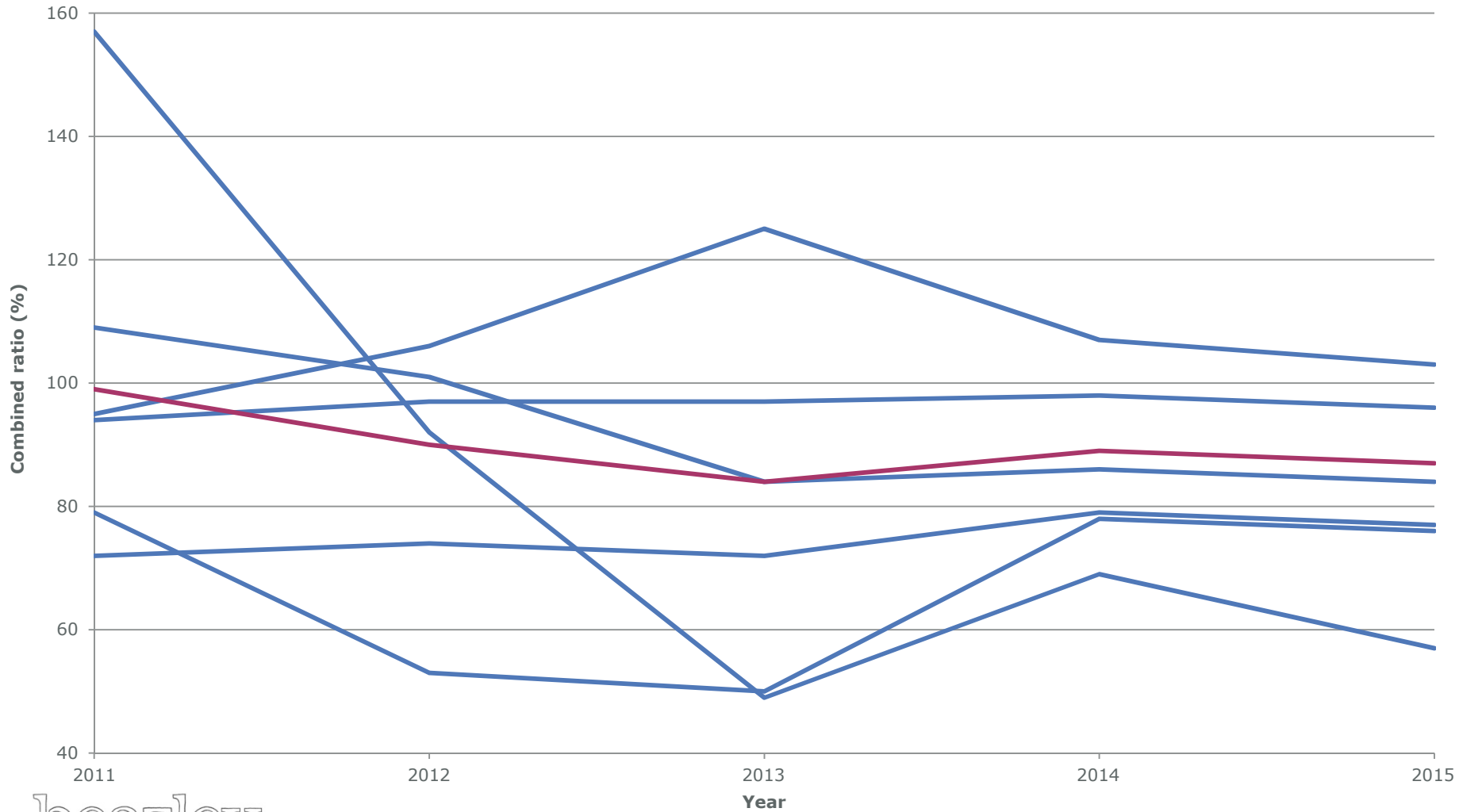
# US gross premium over 11 years



# Cumulative rate changes since 2001



# Portfolio management achieves consistent combined ratio through market cycles



## Life accident & health

### Year ended 31 December

	2015	2014	
Gross premiums written (\$m)	<b>119.8</b>	<b>132.2</b>	
Net premiums written (\$m)	<b>106.6</b>	<b>113.7</b>	• Profit of \$0.4m
Net earned premiums (\$m)	<b>110.8</b>	<b>103.0</b>	• Combined ratio improved to 103% (2014: 107%)
Claims ratio	<b>58%</b>	<b>60%</b>	
Rate change on renewals	<b>(1%)</b>	<b>9%</b>	
Percentage of business led	<b>68%</b>	<b>68%</b>	

# Marine

## Year ended 31 December

	<b>2015</b>	<b>2014</b>	
Gross premiums written (\$m)	<b>269.3</b>	<b>325.2</b>	
Net premiums written (\$m)	<b>239.5</b>	<b>289.9</b>	<ul style="list-style-type: none"> <li>• Improved combined ratio of 77% (2014: 78%)</li> </ul>
Net earned premiums (\$m)	<b>258.2</b>	<b>282.6</b>	
Claims ratio	<b>38%</b>	<b>38%</b>	<ul style="list-style-type: none"> <li>• Second largest divisional contribution to group's profitability in 2015</li> </ul>
Rate change on renewals	<b>(8%)</b>	<b>(6%)</b>	
Percentage of business led	<b>46%</b>	<b>43%</b>	



## Political risks and contingency

### Year ended 31 December

	<b>2015</b>	<b>2014</b>	
Gross premiums written (\$m)	<b>123.6</b>	<b>123.2</b>	
Net premiums written (\$m)	<b>105.0</b>	<b>101.2</b>	<ul style="list-style-type: none"> <li>• Combined ratio of 76% (2014: 78%)</li> </ul>
Net earned premiums (\$m)	<b>106.4</b>	<b>96.9</b>	<ul style="list-style-type: none"> <li>• Net earned premiums increased by 10%</li> </ul>
Claims ratio	<b>29%</b>	<b>27%</b>	
Rate change on renewals	<b>(6%)</b>	<b>(2%)</b>	
Percentage of business led	<b>68%</b>	<b>70%</b>	

# Property

## Year ended 31 December

	2015	2014	
Gross premiums written (\$m)	<b>353.1</b>	<b>344.7</b>	
Net premiums written (\$m)	<b>304.8</b>	<b>297.6</b>	• Improved combined ratio of 84% (2014: 86%)
Net earned premiums (\$m)	<b>297.8</b>	<b>287.9</b>	• Strong performance across all teams
Claims ratio	<b>39%</b>	<b>42%</b>	• Net earned premiums increased by 3%
Rate change on renewals	<b>(4%)</b>	<b>(1%)</b>	
Percentage of business led	<b>75%</b>	<b>75%</b>	

## Reinsurance

### Year ended 31 December

	<b>2015</b>	<b>2014</b>
Gross premiums written (\$m)	<b>199.9</b>	<b>200.8</b>
Net premiums written (\$m)	<b>132.0</b>	<b>153.8</b>
Net earned premiums (\$m)	<b>133.8</b>	<b>160.1</b>
Claims ratio	<b>22%</b>	<b>37%</b>
Rate change on renewals	<b>(7%)</b>	<b>(10%)</b>
Percentage of business led	<b>40%</b>	<b>39%</b>

- Combined ratio of 57% (2014: 69%)
- Market over supplied with capacity

## Specialty lines

### Year ended 31 December

	2015	2014	
Gross premiums written (\$m)	<b>1,015.2</b>	<b>895.7</b>	
Net premiums written (\$m)	<b>825.2</b>	<b>776.5</b>	<ul style="list-style-type: none"> <li>• Highest divisional contribution to group's profitability with \$77.0m</li> </ul>
Net earned premiums (\$m)	<b>791.7</b>	<b>728.5</b>	<ul style="list-style-type: none"> <li>• Combined ratio of 96% (2014: 98%)</li> </ul>
Claims ratio	<b>60%</b>	<b>61%</b>	<ul style="list-style-type: none"> <li>• Growth for a third consecutive year</li> </ul>
Rate change on renewals	<b>2%</b>	-	
Percentage of business led	<b>97%</b>	<b>96%</b>	