

# Results for the year ended 31 December 2017

Thursday, 8th February 2018

## Moments of truth

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# Overview of 2017

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## Growth and underwriting profits despite the natural catastrophes

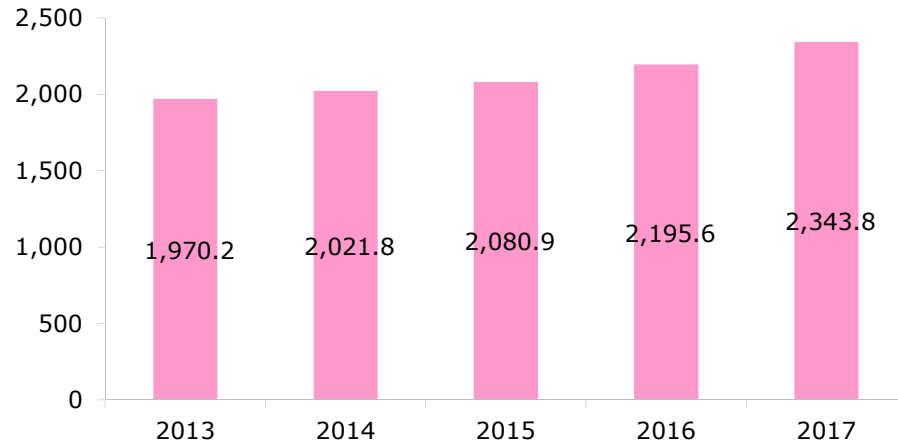
- Profit before income tax of \$168.0m (2016: \$293.2m)
- Return on equity of 9% (2016: 18%)
- Gross premiums written increased by 7% to \$2,343.8m (2016: \$2,195.6m)
- Combined ratio of 99% (2016: 89%)
- Rate reduction of 1% on renewal portfolio (2016: reduction of 2%)
- Prior year reserve releases of \$203.9m (2016: \$180.7m)
- Net investment income of \$138.3m (2016: \$93.1m)
- Second interim dividend of 7.4p (2016: 7.0p) taking full year ordinary dividend to 11.1p (2016: Full year ordinary dividend 10.5p, special dividend 10.0p).

## Business update

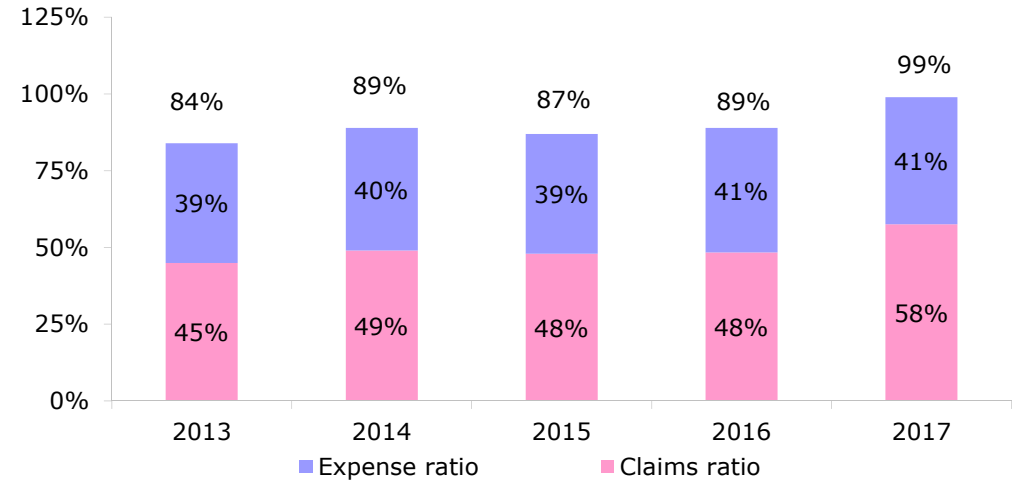
- Continued strong growth in our US business
- SL International started underwriting:
  - Licencing of Beazley Insurance dac
  - Acquisition of Creechurch Underwriters
  - 28 underwriters hired in Europe, Canada, Latin America and Asia
- Launched syndicate 5623
- Our Environmental, Social and Governance (ESG) developments:
  - Beazley has signed up to the Women in Finance charter and joined the 30% club
  - Raised the profile of both responsible business and diversity and inclusion again during 2017
- David Roberts to succeed Dennis Holt as chairman

# Consistent high performance

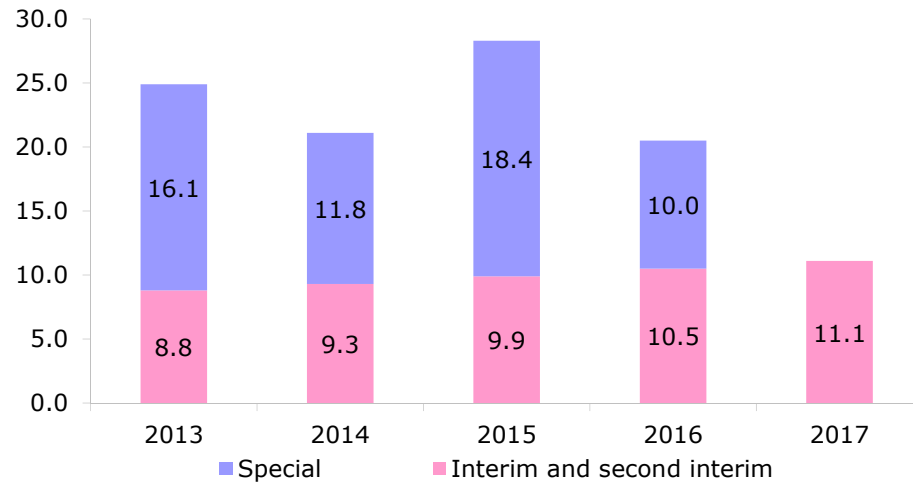
**Gross premiums written (\$m)**



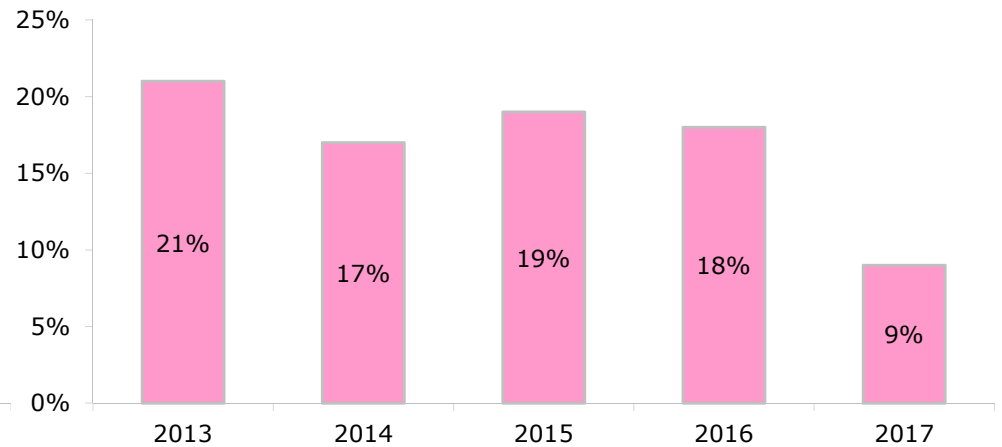
**Combined ratio (%)**



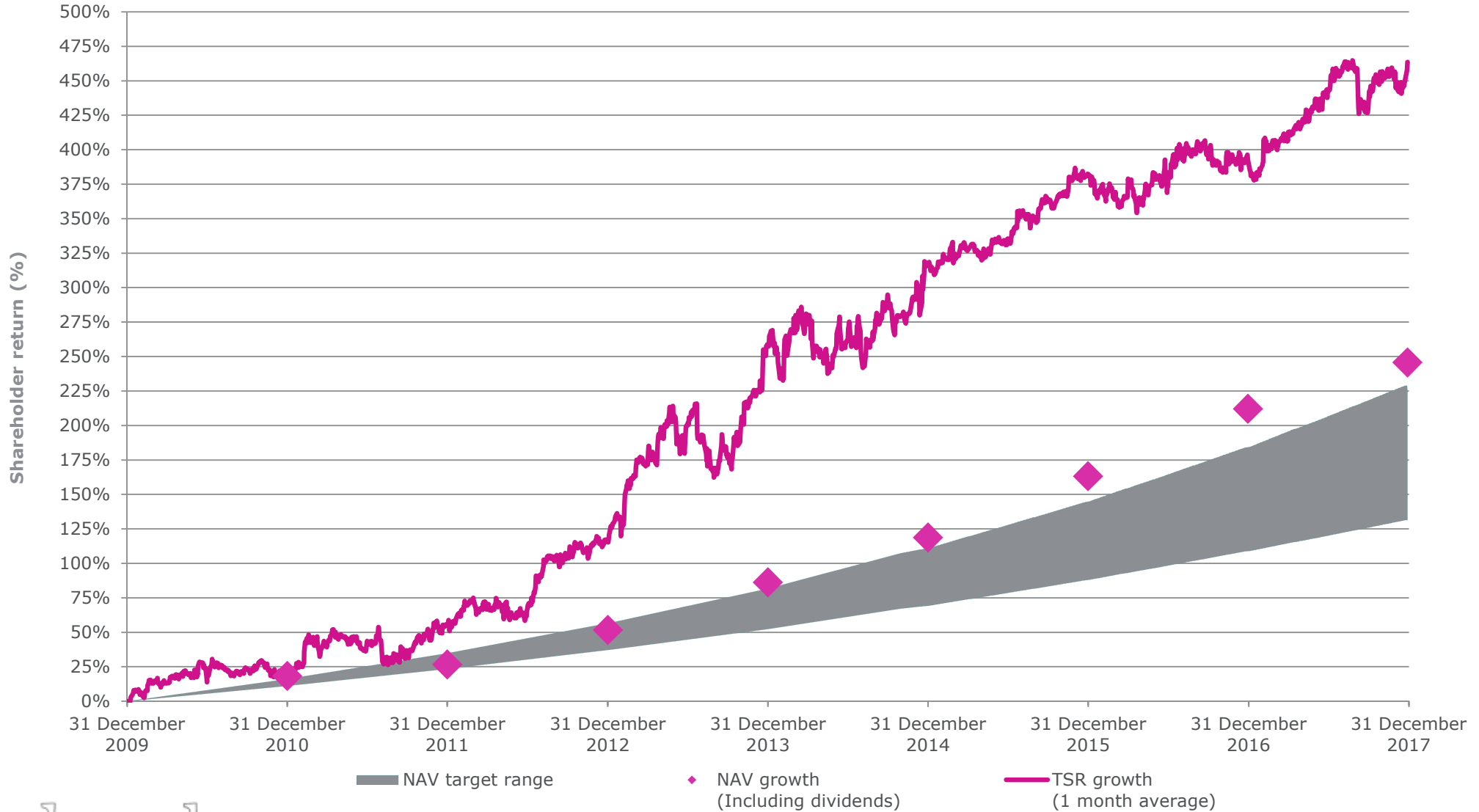
**Dividends per share (p)**



**Return on equity (%)**



# Excellent total shareholder return - TSR 24.1% per annum since 31.12.09



\* Average NAV growth (including dividends) over the past 8 years of 16.8%



# Financials

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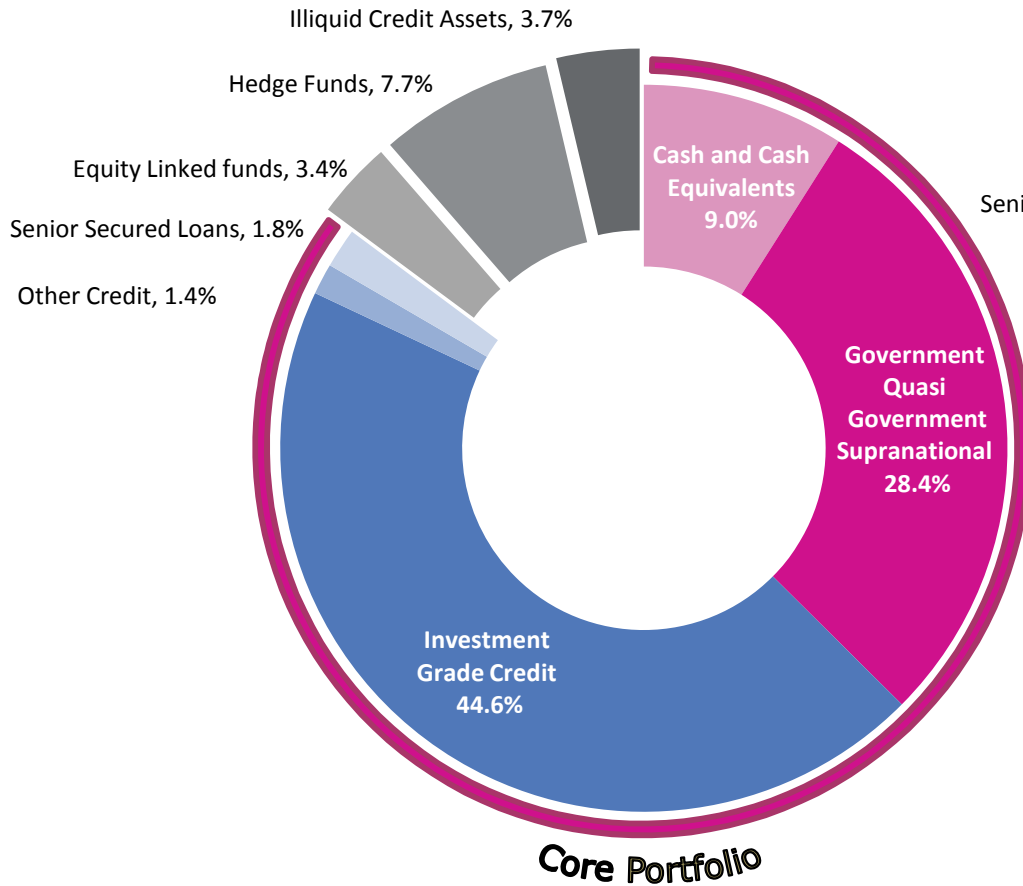
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## Growth and profit in challenging conditions

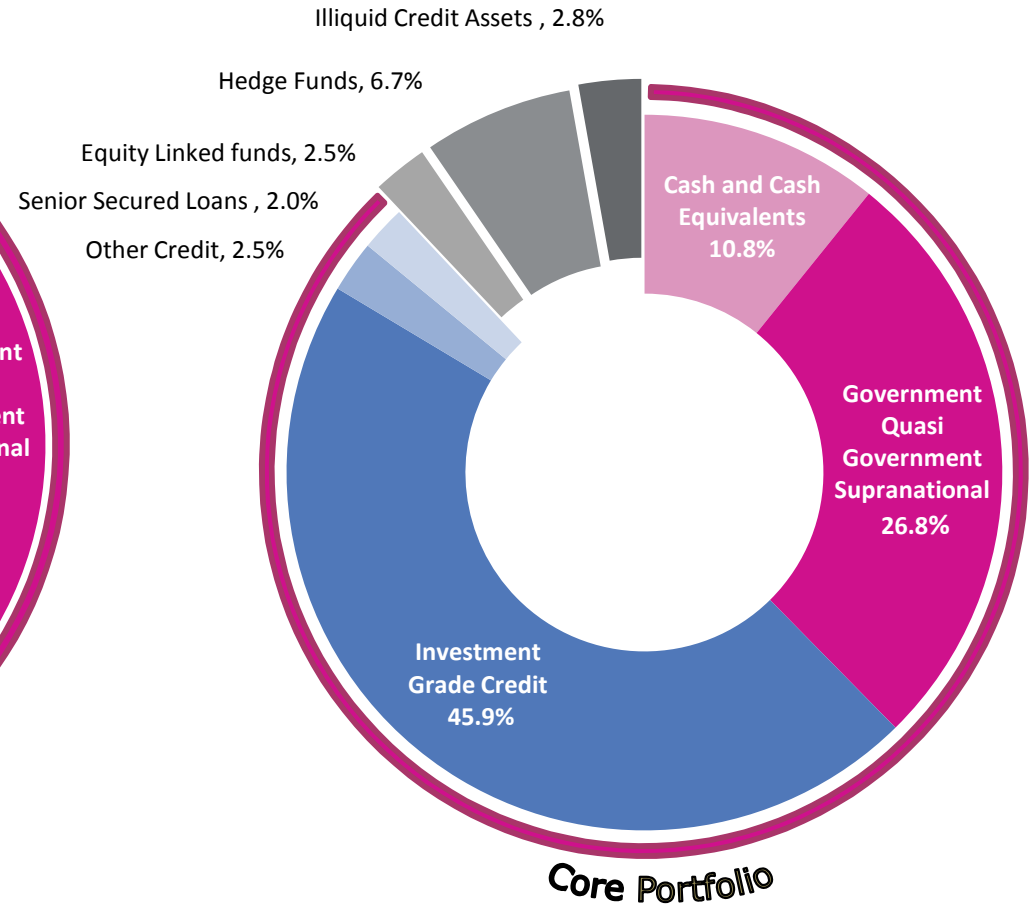
	<b>Year ended 31 December 2017*</b>	<b>Year ended 31 December 2016</b>	% Increase
Gross premiums written (\$m)	<b>2,343.8</b>	<b>2,195.6</b>	7%
Net premiums written (\$m)	<b>1,978.8</b>	<b>1,854.0</b>	7%
Net earned premiums (\$m)	<b>1,869.4</b>	<b>1,768.2</b>	6%
Profit before income tax (\$m)	<b>168.0</b>	<b>293.2</b>	
Earnings per share (pence)	<b>19.5</b>	<b>35.5</b>	
Dividend per share (pence)	<b>11.1</b>	<b>10.5</b>	
Special dividend (pence)	<b>-</b>	<b>10.0</b>	
Net assets per share (pence)	<b>215.3</b>	<b>225.9</b>	
Net tangible assets per share (pence)	<b>196.2</b>	<b>211.2</b>	

# Minor changes to portfolio mix

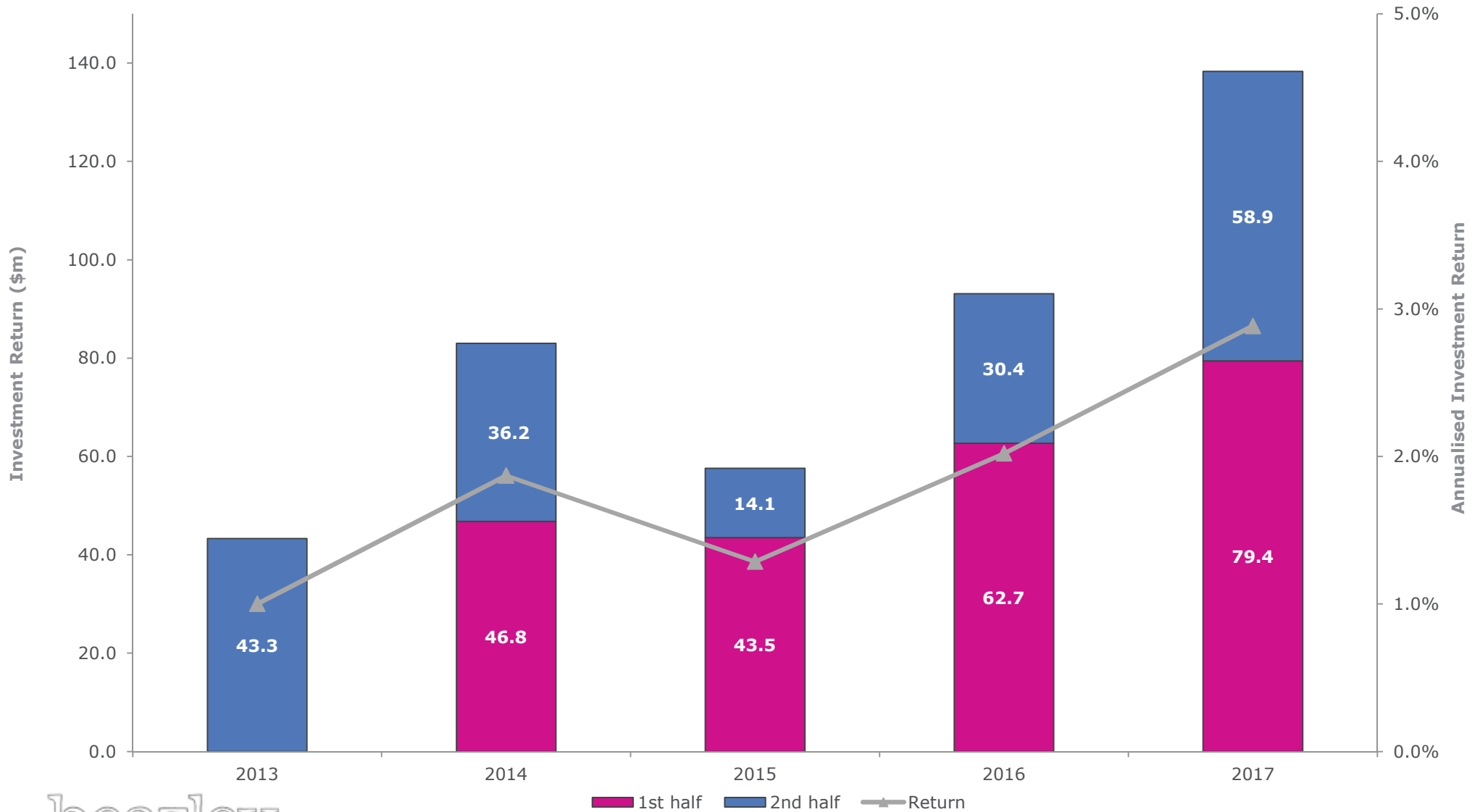
31 December 2017



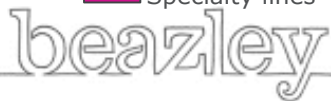
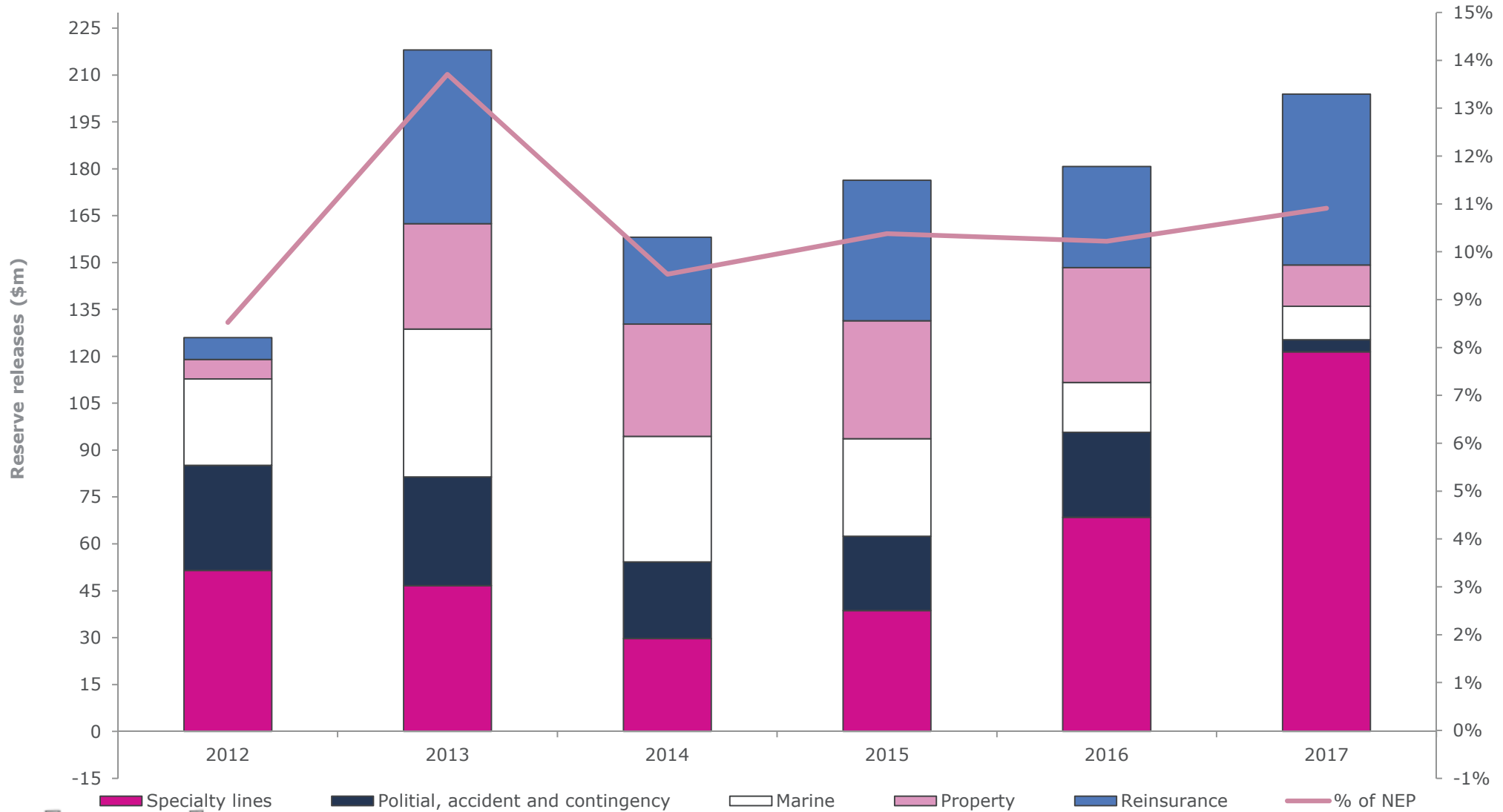
31 December 2016



# Portfolio delivered an excellent 2.9% return

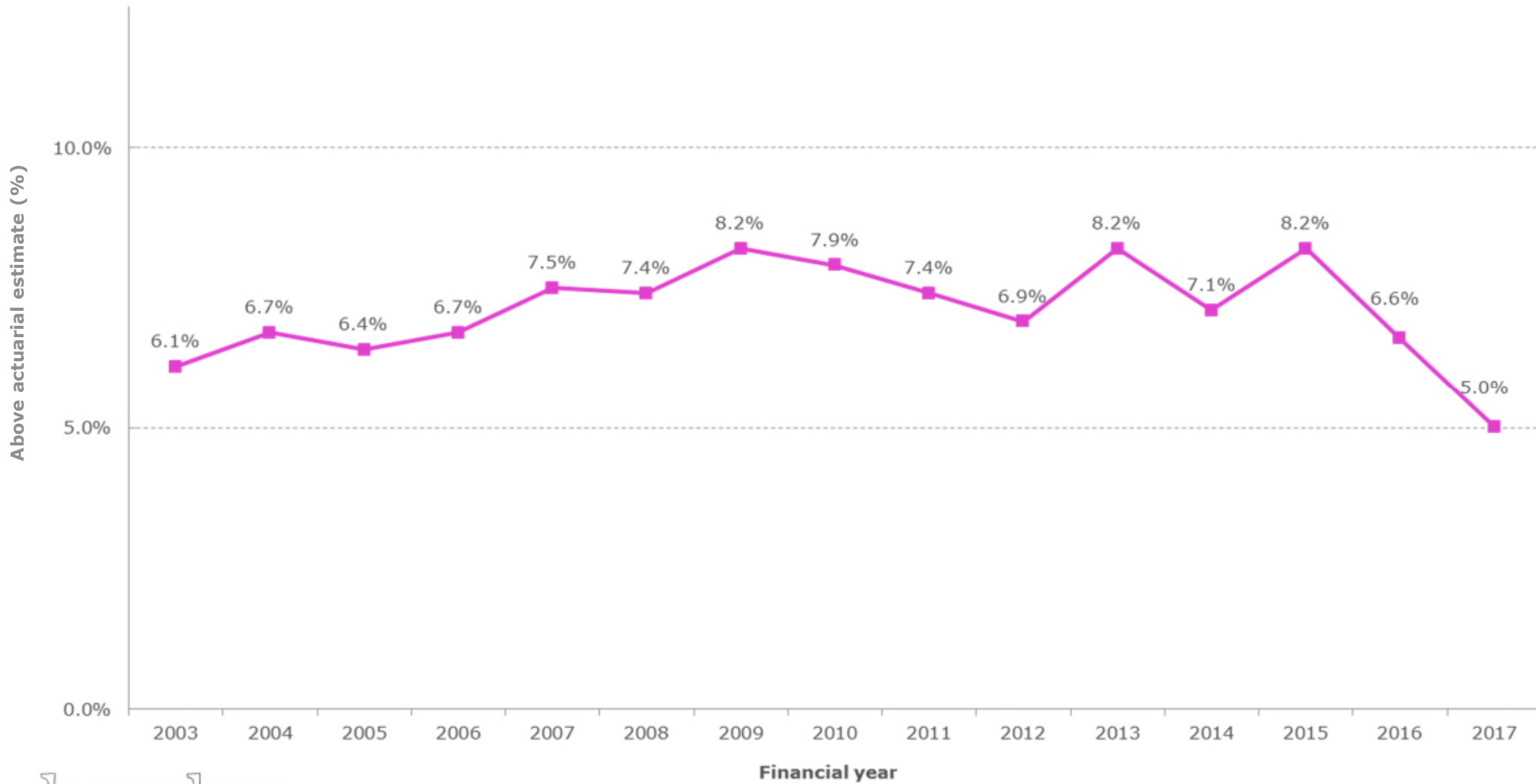


# Overall prior year reserve releases remain stable



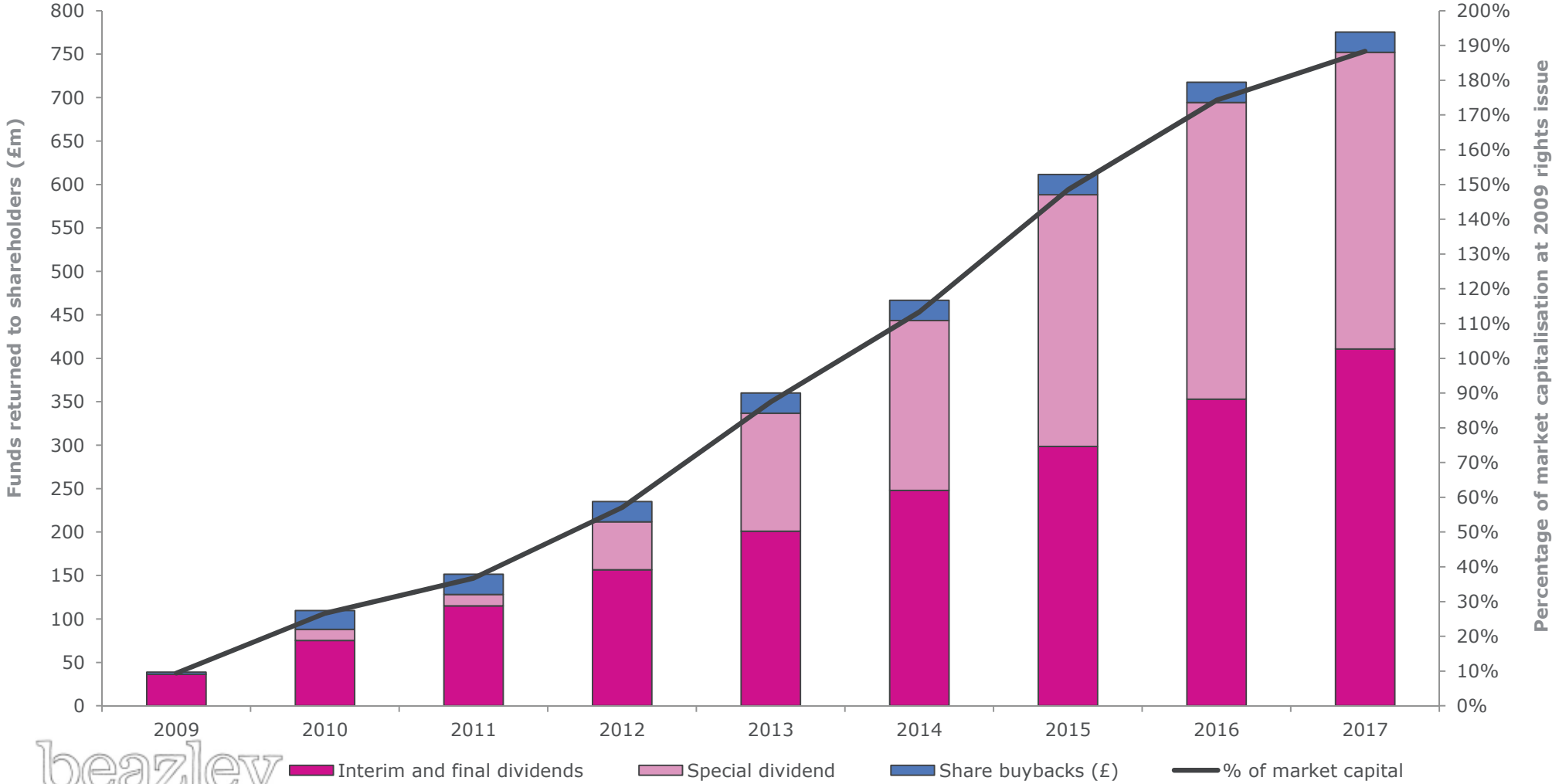
# Whole account reserve strength in range but at the bottom

Surplus in net held reserves



# Capital management discipline continues

- We have returned capital of £775.6m in the past 9 years
- This represents 188% of our 2009 post rights-issue market capitalisation



■ Interim and final dividends    
 ■ Special dividend    
 ■ Share buybacks (£)    
 — % of market capital

## Updated capital position remains strong

- Group capital requirement

	<b>Year ended 31 December 2017 \$m</b>	<b>Year ended 31 December 2016 \$m</b>
Lloyd's economic capital requirement (ECR)	<b>1,517.2</b>	<b>1,489.2</b>
Capital for US insurance company*	<b>96.5</b>	<b>107.7</b>
	<b>1,613.7</b>	<b>1,596.9</b>

\*The A.M. Best rating of our US insurance company Beazley Insurance Company Inc. (BICI) is now maintained via a group support mechanism rather than on a stand alone basis. As a result the capital requirement for BICI is now taken as a minimum realistic risk based capital (RBC) level as opposed to the capital level required to achieve a stand alone A.M. Best rating.

- Our funding is made up of our own equity (on a Solvency II basis) plus \$366.0m of debt and an undrawn banking facility of \$225.0m
- At 31 December 2017 surplus capital post dividend of 35% of ECR, including Solvency II adjustments
- Our medium term guidance remains to expect mid to high single digit growth in underwriting capital and premiums



# Underwriting review

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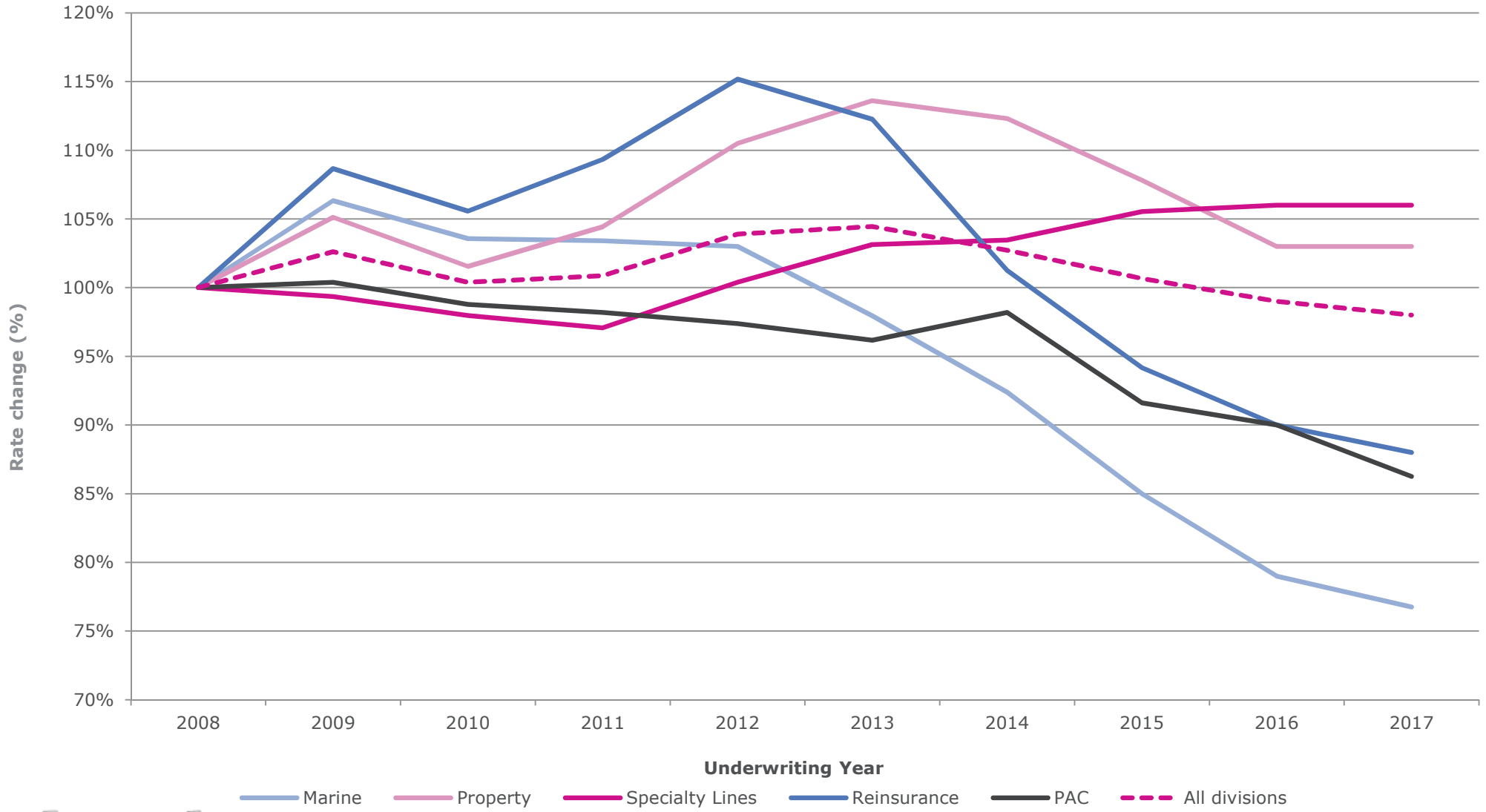
## Underwriting review – 2017 achievements

- Combined ratio of 99% due to balanced portfolio
- Growth in gross premiums written of 7% to \$2,343.8m
  - Specialty lines, our largest division, achieved growth of 11%
  - 12% growth in locally underwritten US premium
- Rating environment remained challenging with reductions of 1% across portfolio as a whole
- High incidence of insured natural catastrophe events
- We continue to reserve consistently, maintaining our surplus over actuarial estimate between 5-10%

## Underwriting review

	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2016</b>	<b>% Increase</b>
Gross premiums written (\$m)	<b>2,343.8</b>	<b>2,195.6</b>	<b>7%</b>
Net premiums written (\$m)	<b>1,978.8</b>	<b>1,854.0</b>	<b>7%</b>
Net earned premiums (\$m)	<b>1,869.4</b>	<b>1,768.2</b>	<b>6%</b>
Expense ratio	<b>41%</b>	<b>41%</b>	
Claims ratio	<b>58%</b>	<b>48%</b>	
Combined ratio	<b>99%</b>	<b>89%</b>	
Rate change on renewals	<b>(1%)</b>	<b>(2%)</b>	

# Cumulative rate changes since 2008

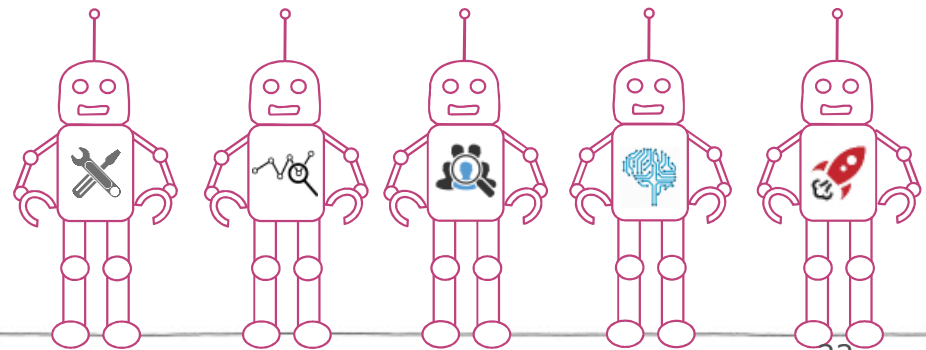


## 2018 underwriting outlook

- More positive market conditions expected
- We see good opportunities for continued growth in 2018
  - Locally underwritten US premium across SL, property and marine
  - Cyber demand continues to increase and GDPR comes to Europe
  - SL international business
- Rate increases in short tail catastrophe exposed lines

## Data and analytics strategic initiative (DASI)

- Focused on operational efficiency and smarter, faster underwriting
  - 'Beazley Insight' system live – building our systems around our customer data, augmenting this data with external sources, and bringing more automation to risk submission process
  - Robotic process automation (RPA) – 'live' robots now running business processes
  - Natural language processing (NLP) – being used to extract unstructured data from submissions to speed up response times to broker/insureds
- Re-organised our operations teams to focus on digital transformation
- Strengthened our technology and data research capability, called Beazley Labs



## Outlook for 2018

- Interest rate and economic outlook better than recent years
- Premium rates expected to increase across short tail catastrophe exposed lines
- Opportunities for double digit growth led by our specialty lines and catastrophe related businesses
- SL International expected to grow significantly on both Lloyd's and company paper
- Continue to invest in and leverage digital technology

Any questions?

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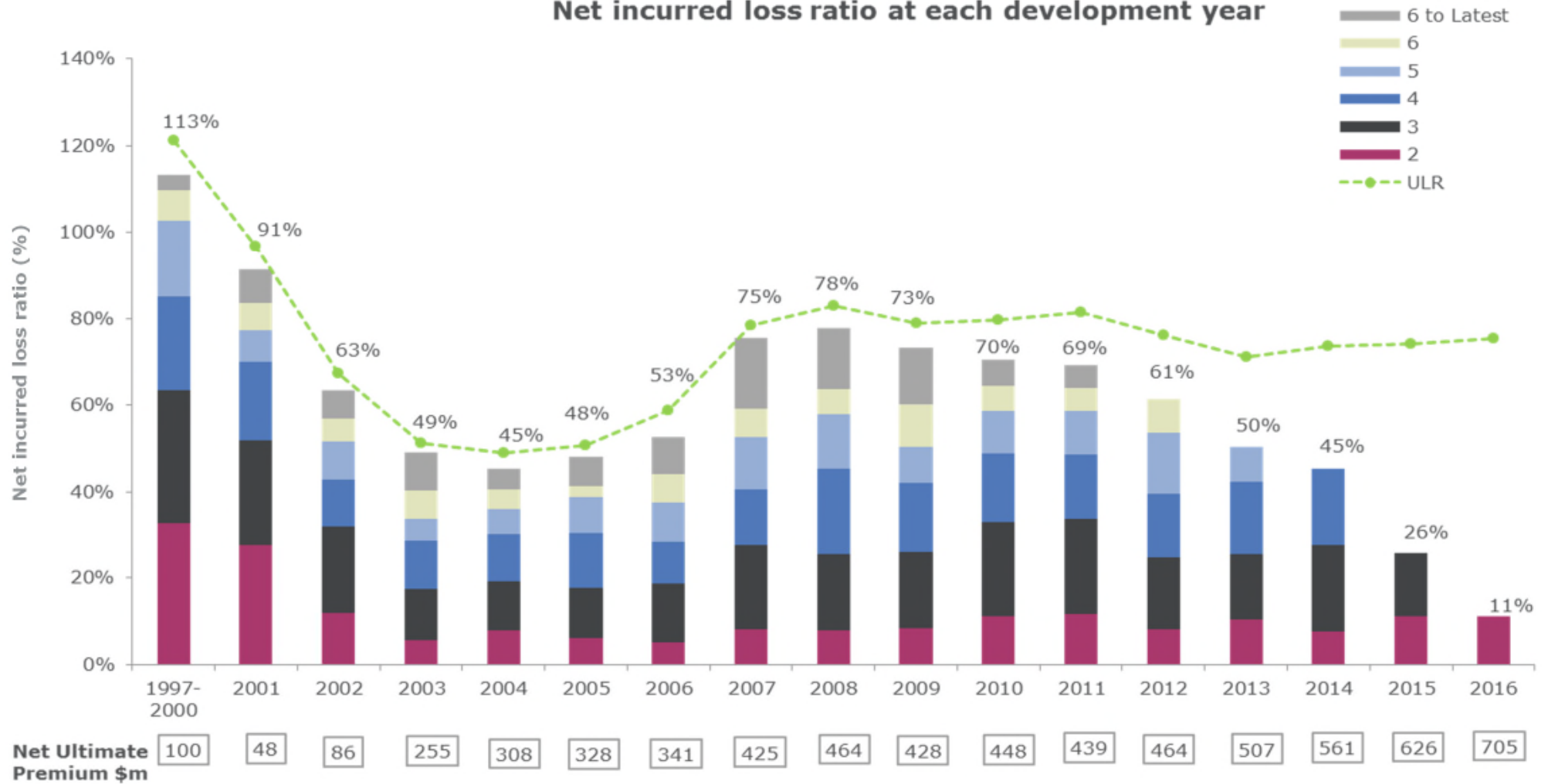
# Appendix

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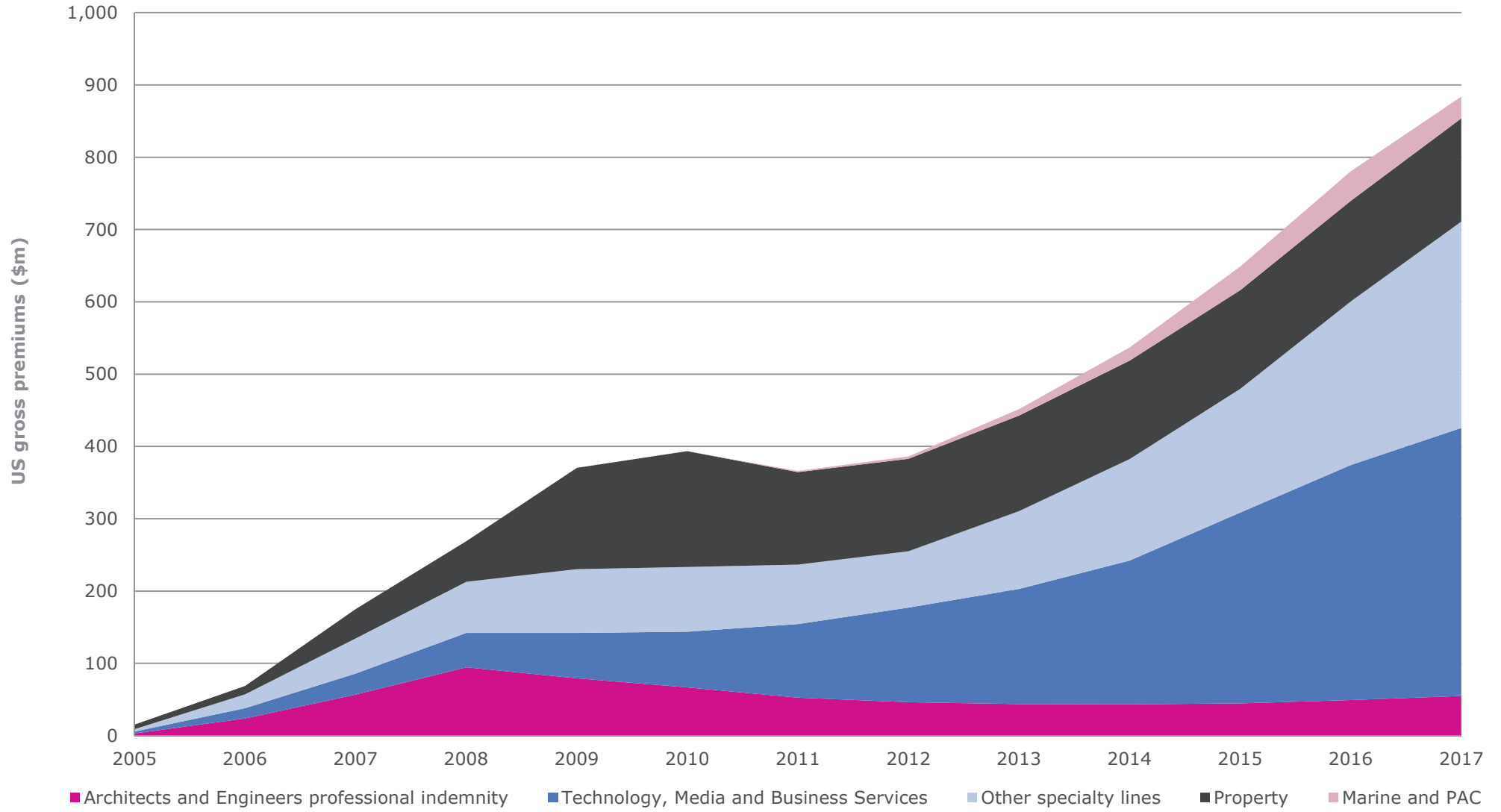
# Specialty lines incurred claims remain in line with expectations

Net incurred loss ratio at each development year

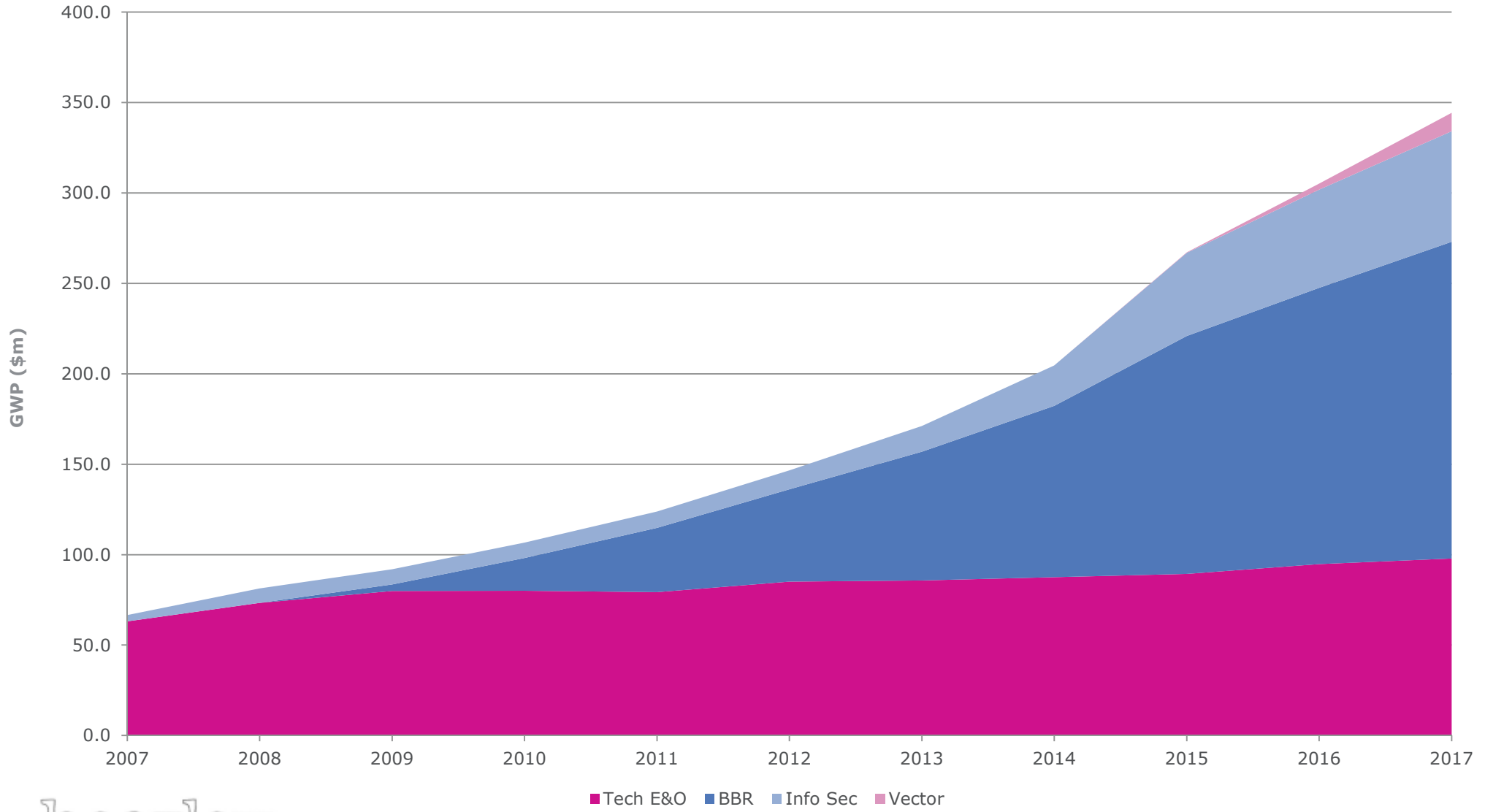


Please note that this graph is gross of internal commissions

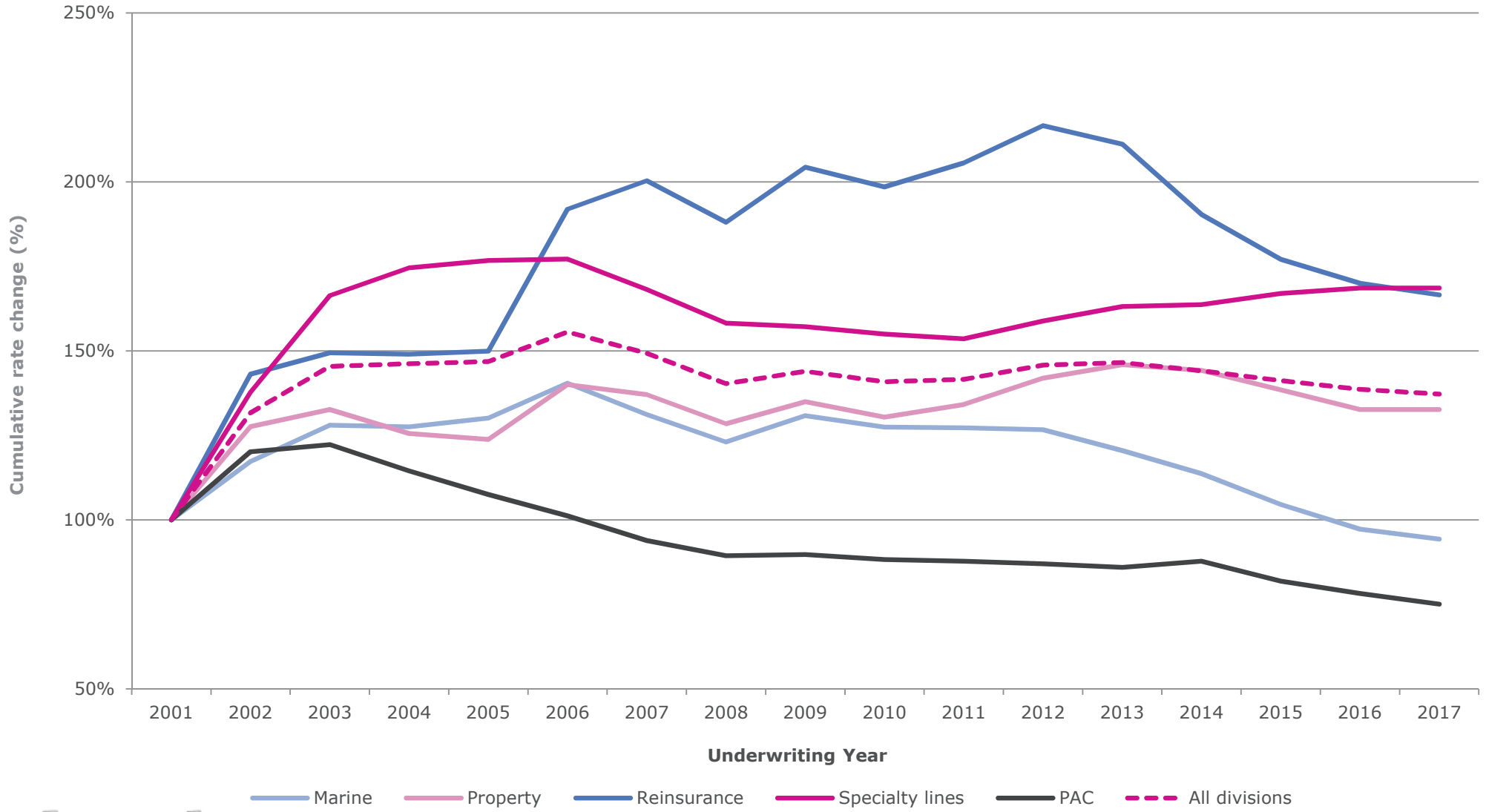
# US gross premium growth



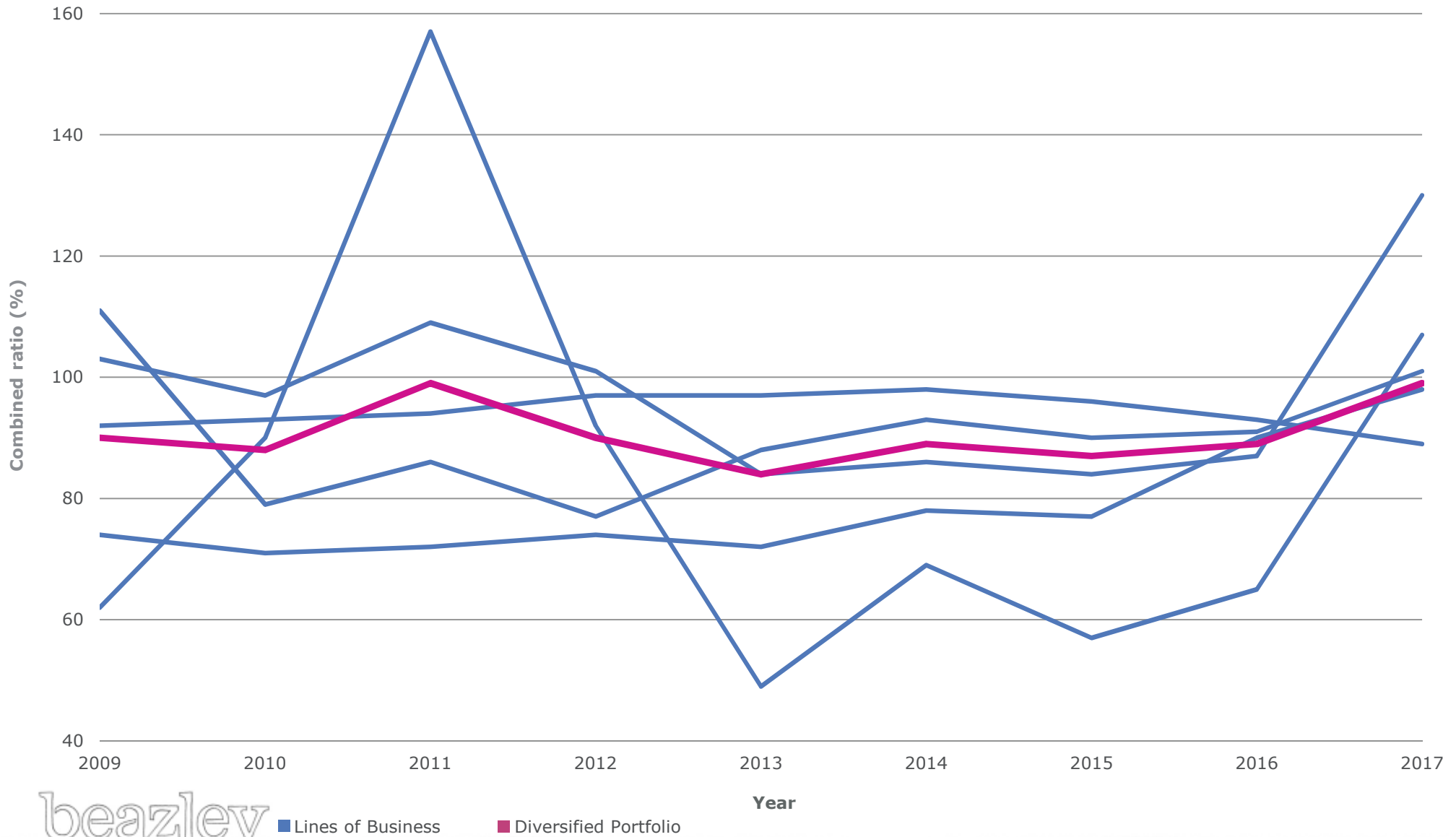
# TMB gross premium growth



# Cumulative rate changes since 2001



# Portfolio management achieves consistent combined ratio through market cycles



## Performance by division

Year ended 31 December 2017

	Marine	PAC	Property	Reinsurance	Specialty lines
Gross premiums written (\$m)	267.6	214.3	362.9	206.8	1,292.2
Net premiums written (\$m)	233.2	190.8	300.0	134.6	1,120.2
Net earned premiums (\$m)	227.9	188.7	293.8	136.9	1,022.1
Result from operating activities (\$m)	19.3	7.9	(68.3)	3.8	227.4
Claims ratio	55%	51%	86%	71%	50%
Rate change on renewals	(3%)	(4%)	-	(2%)	-
Percentage of business led	60%	60%	71%	45%	97%