



beazley

Premier Partner of  BRITISH FENCING

Results for the six months ended 30 June 2012

Friday, 20 July 2012

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Disclaimer notice

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Overview

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Overview – a successful half year

- Profit before income tax of \$112.9m (2011 loss: \$24.2m)
- Gross written premiums increased 10% to \$1,013.1m (2011: \$924.8m)
- Combined ratio 91% (2011: 108%)
- Rate change on renewal business 3% (2011: 0%)
- Prior year reserve releases of \$47.6m (2011: \$88.6m)
- Investment income increased to \$36.1m (2011: \$22.5m)
- Annualised return on equity of 18% (2011: loss 3%)
- Interim dividend up 8% to 2.7p

Business update

- Continued to expand Specialty lines product range and geographical scope
- Announced plans to extend capabilities of Marine division into aviation and kidnap & ransom insurance
- Began underwriting Accident and health business in the US through our admitted carrier
- Launched a number of new products into the French market, which were well received by local brokers
- We are well prepared for the implementation of the Solvency II regulatory regime
- Bought in £30.0m (\$46.9m) of our subordinated debt

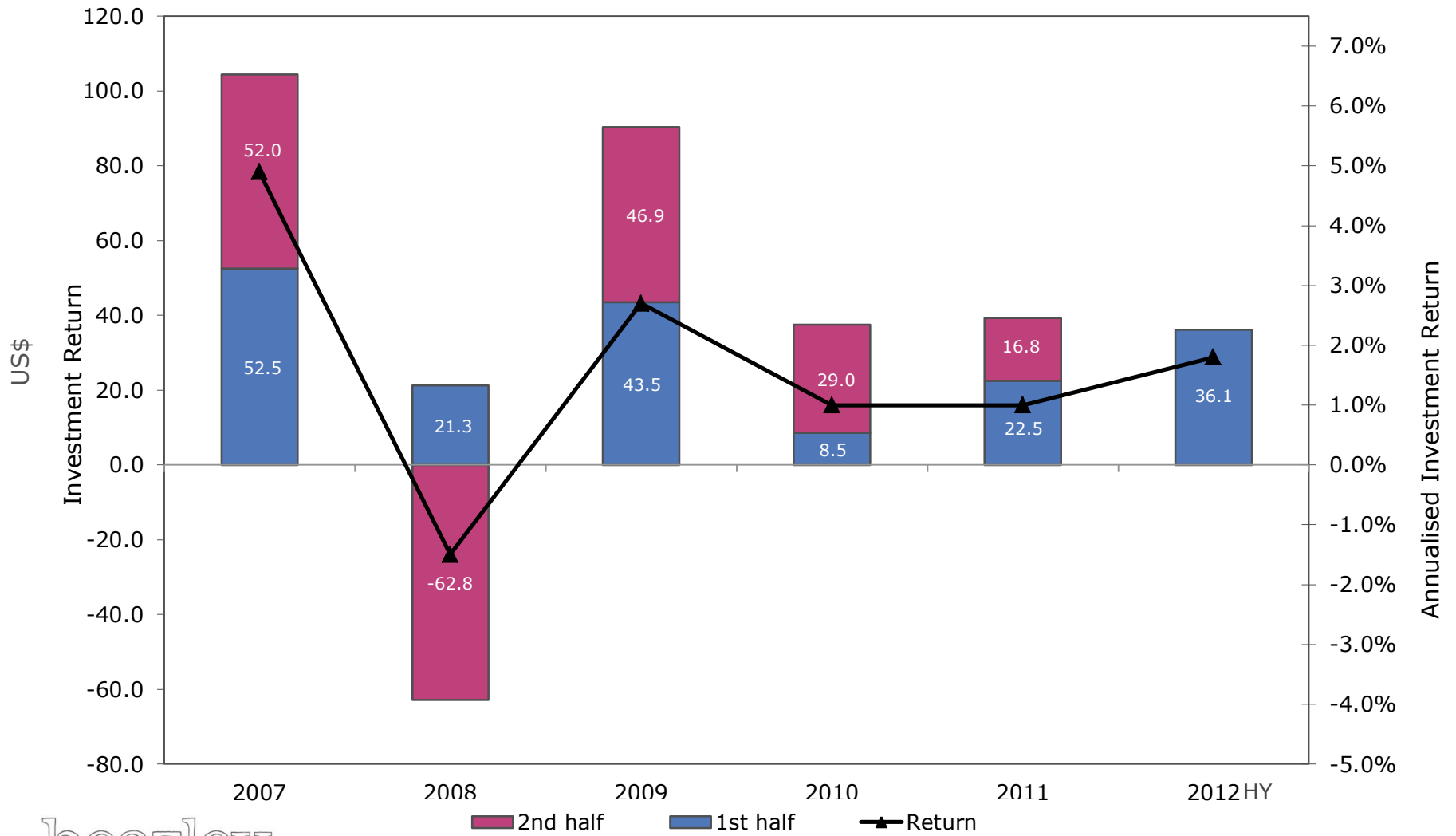
Financials

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Six months financial performance

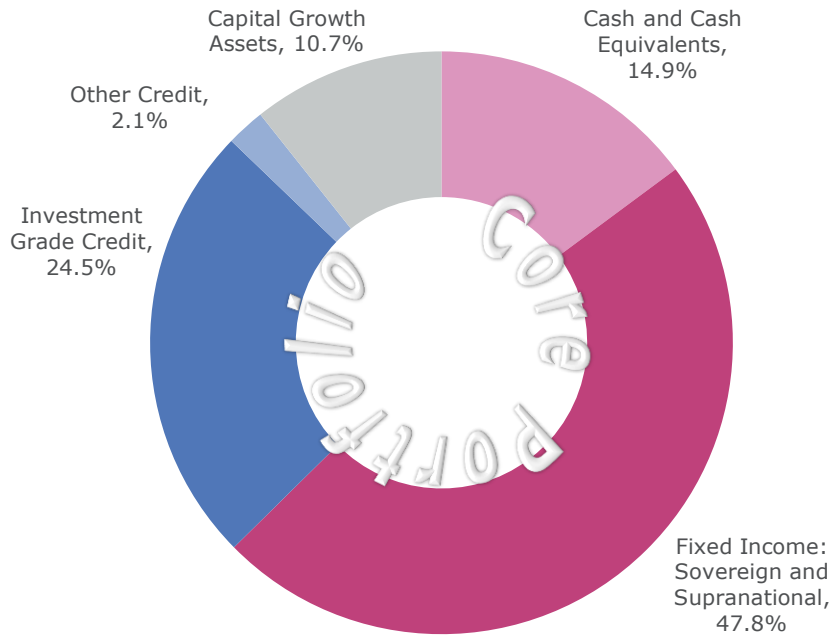
	6 months ended 30 June 2012	6 months ended 30 June 2011	% increase
Gross written premiums (\$m)	1,013.1	924.8	10%
Net written premiums (\$m)	650.8	635.5	2%
Net earned premiums (\$m)	703.3	670.5	5%
Profit/(loss) before tax (\$m)	112.9	(24.2)	
Earnings/(loss) per share	12.5p	(1.7p)	
Dividend per share	2.7p	2.5p	
Net assets per share (pence)	142.9p	123.8p	
Net tangible assets per share (pence)	126.7p	107.5p	

Improved investment returns

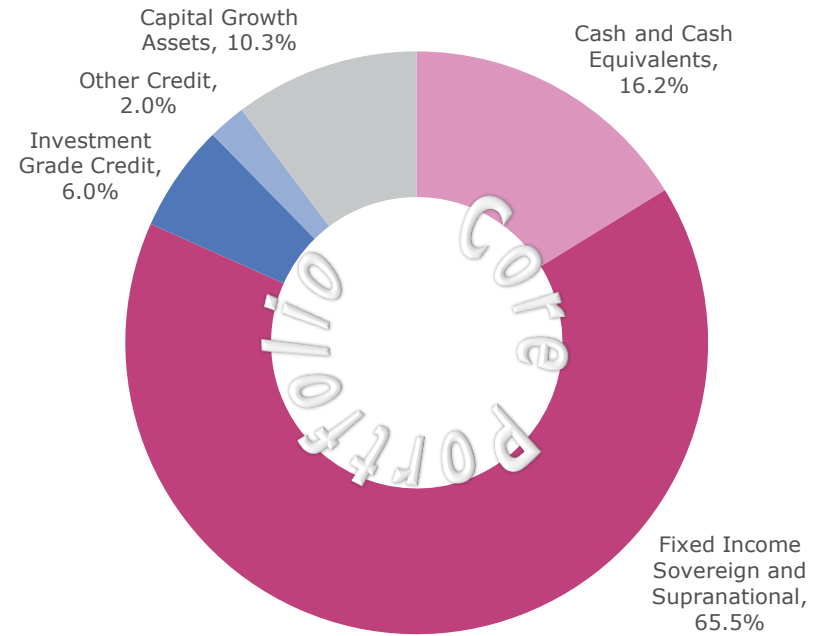


Conservative portfolio but with increased credit and duration

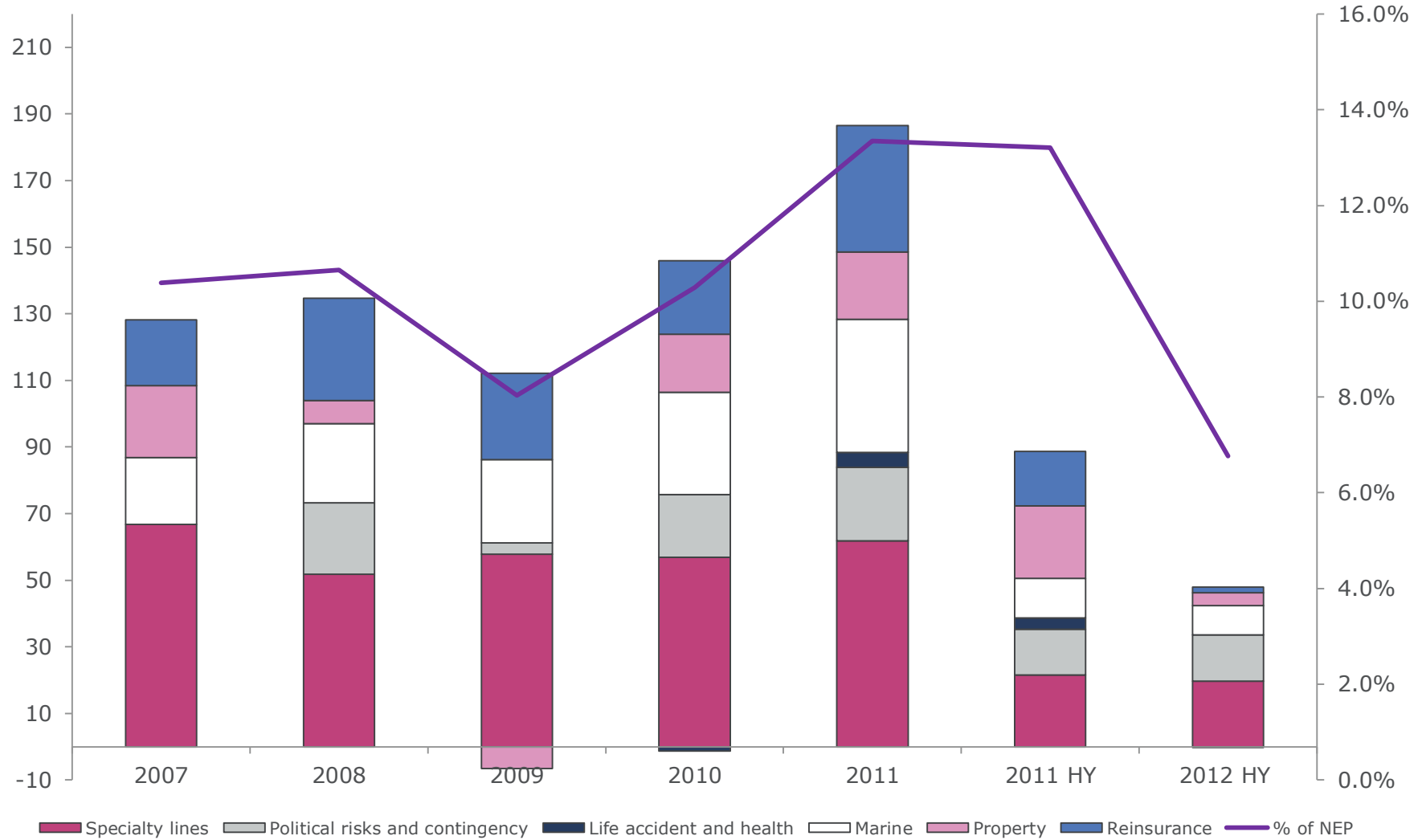
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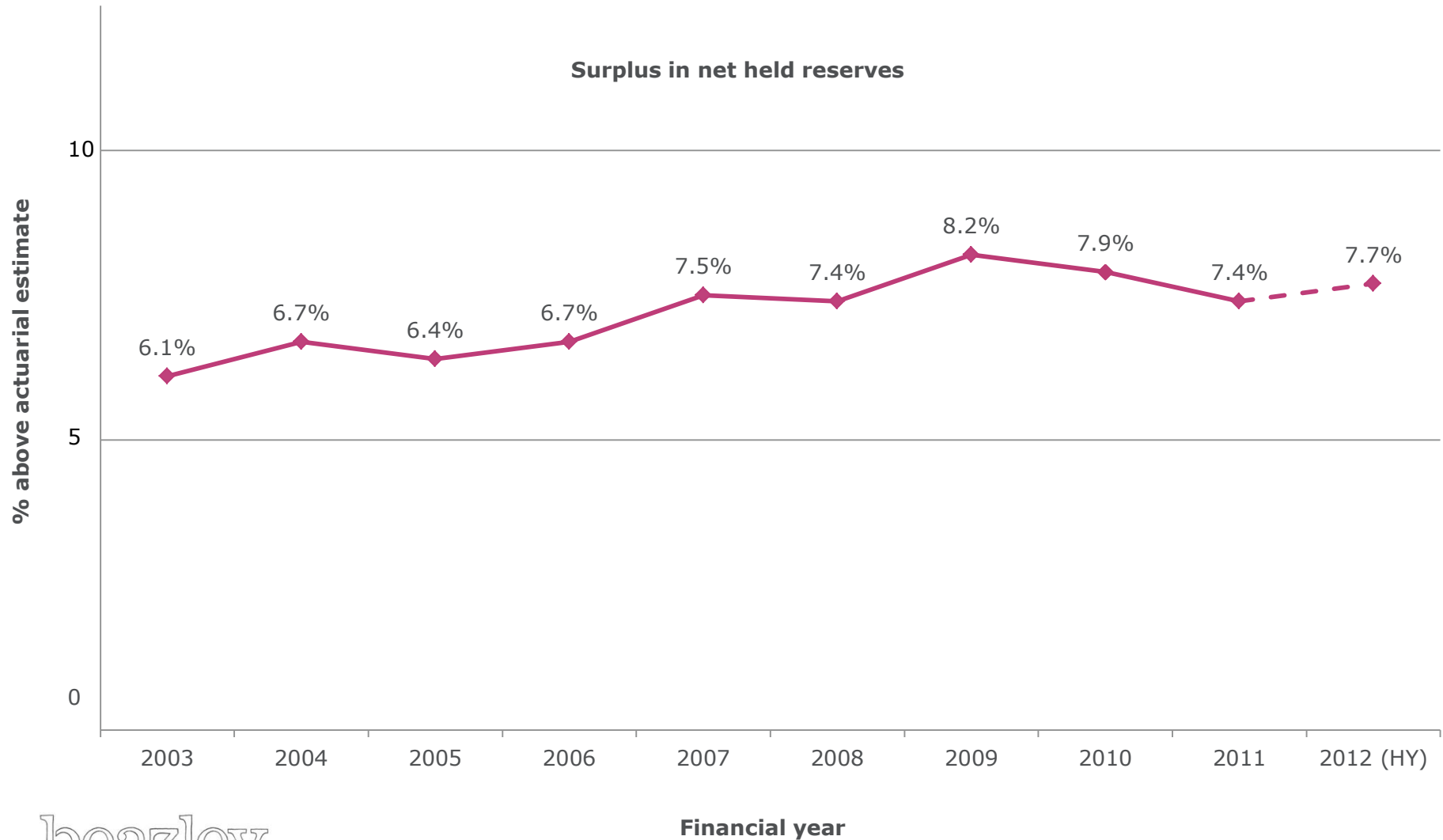
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Prior year reserve releases derived mainly from non-cat classes



Whole account reserve surplus remains in our corridor



Strong capital position and active management

<u>Sources of funds</u>	2012 HY	2011 FY
Shareholders funds	1,129.2	1,071.0
Debt	206.4	249.0
	1,335.6	1,320.0
<u>Uses of funds</u>		
Lloyd's underwriting	757.3	742.9
US Insurance Company	107.7	107.7
	865.0	850.6
Surplus	470.6	469.4
Unavailable surplus	(293.0)	(267.3)
Available for underwriting surplus	177.6	202.1
Un-utilised banking facility	225.0	225.0

In Focus – Broker Relations

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Beazley's approach to broker relationships

- Beazley sells 100% of its products through brokers
- We reach brokers through three coordinated channels:
 - Personal relationships maintained by underwriters
 - For small U.S. Professional Liability business, regional Territory Managers
 - The corporate Broker Relationships (BR) team, working across all products and teams
- Our marketing department, with team members in London, Chicago and Farmington, also promotes our products and expertise to brokers through advertising, PR, events and social media

Broker Relations locations

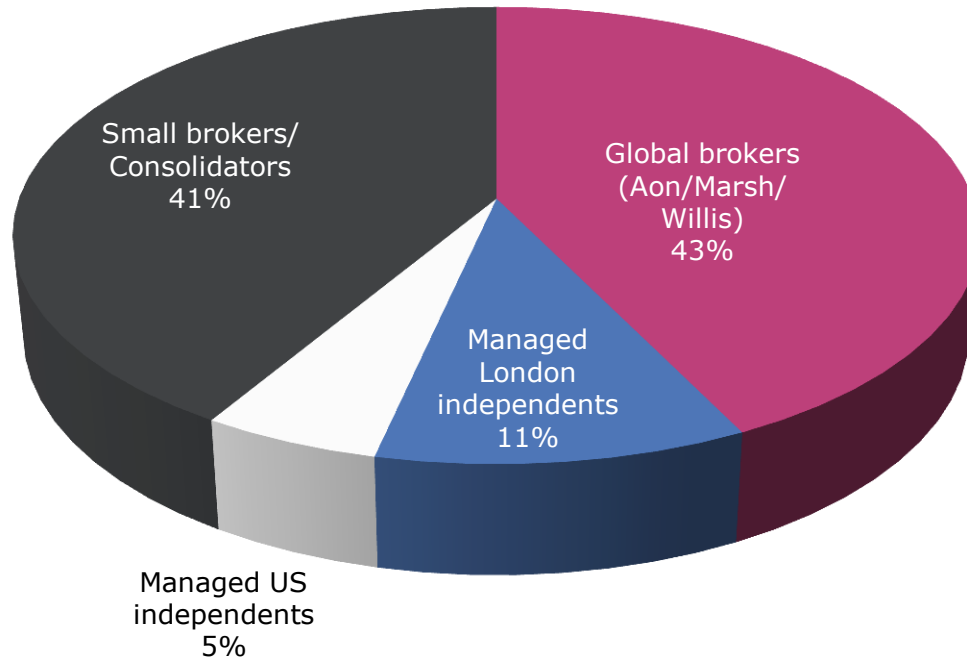


- 6 Relationship Managers plus support team of 4

Why Broker Relations are important

- We recognised an opportunity to drive additional revenue through regular interaction and mutually agreed objectives with key brokers
- Our largest producing brokers are significantly changing their business model, and we have needed to adapt in response
- Communicating our products' unique selling points (USP) is critical to growth
- There is an opportunity in the U.S. to increase efficiency by eliminating some unproductive broker relationships and pushing for greater efficiencies in others
- As our product suite grows, cross-selling is an efficient source for additional revenue growth

Beazley's 2011 GWP by broker segment



The BR team "manages" producer relationships on 59% of our business

Broker Relations: key objectives

- Driving growth initiatives agreed with brokers' senior management
 - Coordinate/host meetings
 - Track results

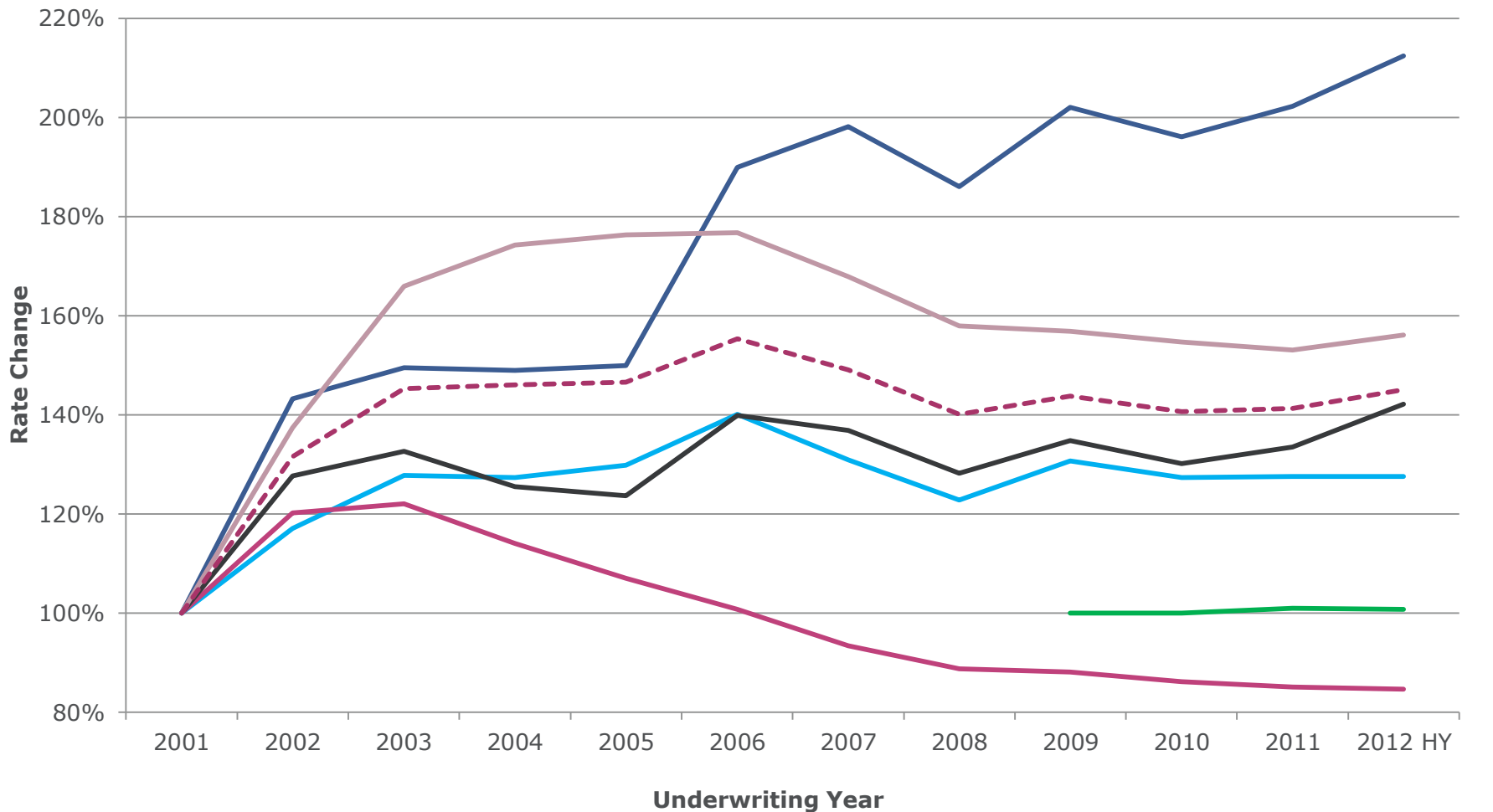
- Broker office visits
 - Maintain Beazley visibility/profile
 - Educate brokers on Beazley product USPs, especially new products
 - Uncover new areas of opportunity
 - Follow up with underwriters on opportunities

Broker Relations: key objectives (*contd.*)

- Broker appointment management
 - Keep pressure on appointed intermediaries to produce acceptable submission volumes within our underwriting appetite
 - Communicate and monitor key metrics such as submission-to-bind ratio
 - Screen new broker appointees and coordinate rescinding appointments
- Driving company use of automation tools
 - Customer Relationship Management (CRM) system
 - Broker “pipeline renewal” tools
- Monitor financial performance
 - Trends by broker
 - Progress in specific initiative areas

Underwriting review and outlook

Cumulative rate change since 2001



Outlook

Continued growth

- Economic outlook is uncertain, but our past investment in the business – including new products – should continue to drive premium growth in the second half

Premium rates rising

- In the first half, rates rose across our Specialty lines (management and professional liability) portfolio for the first time since 2006. We expect rates to continue to rise modestly in the second half of the year
- We also expect rates in our catastrophe exposed classes to remain strong

Strong underwriting profitability

- Barring exceptional losses in the second half of the kind we saw last year, we expect our full year combined ratio to be at pre 2011 levels ($\approx 90\%$)

Any questions?

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Appendix

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Life, accident & health

6 months ended 30 June

	2012	2011	
Gross premiums written (\$m)	49.7	39.6	
Net premiums written (\$m)	45.3	34.9	
Net earned premiums (\$m)	43.7	34.1	<ul style="list-style-type: none"> • Growth in premiums due to our Australian business
Claims ratio	60%	52%	<ul style="list-style-type: none"> • Beazley is now open for business in the Life, accident & health US admitted market
Rate change on renewals	(1%)	1%	
Percentage of business led	79%	72%	

Marine

6 months ended 30 June

	2012	2011	
Gross premiums written (\$m)	184.6	154.1	
Net premiums written (\$m)	156.8	127.3	• Strong growth in energy and war account
Net earned premiums (\$m)	135.9	110.8	
Claims ratio	47%	43%	• Secured underwriters for aviation and kidnap & ransom insurance expansion
Rate change on renewals	-	1%	• Excellent profitability continues
Percentage of business led	46%	50%	

Political risks and contingency

6 months ended 30 June

	2012	2011	
Gross premiums written (\$m)	71.9	48.8	
Net premiums written (\$m)	58.2	34.4	<ul style="list-style-type: none"> • Significant growth in political book
Net earned premiums (\$m)	49.8	38.5	<ul style="list-style-type: none"> • Positive prior year developments on political claims, with no deterioration in Libya loss estimates
Claims ratio	22%	98%	
Rate change on renewals	(1%)	(2%)	<ul style="list-style-type: none"> • Underwriting expanded to Paris in H1 2012
Percentage of business led	70%	69%	

Property

6 months ended 30 June

	2012	2011
Gross premiums written (\$m)	201.5	195.4
Net premiums written (\$m)	98.7	111.2
Net earned premiums (\$m)	130.2	140.4
Claims ratio	50%	54%
Rate change on renewals	7%	2%
Percentage of business led	68%	63%

- Achieving positive rating in line with expectations
- Benign claims experience in H1 2012

Reinsurance

6 months ended 30 June

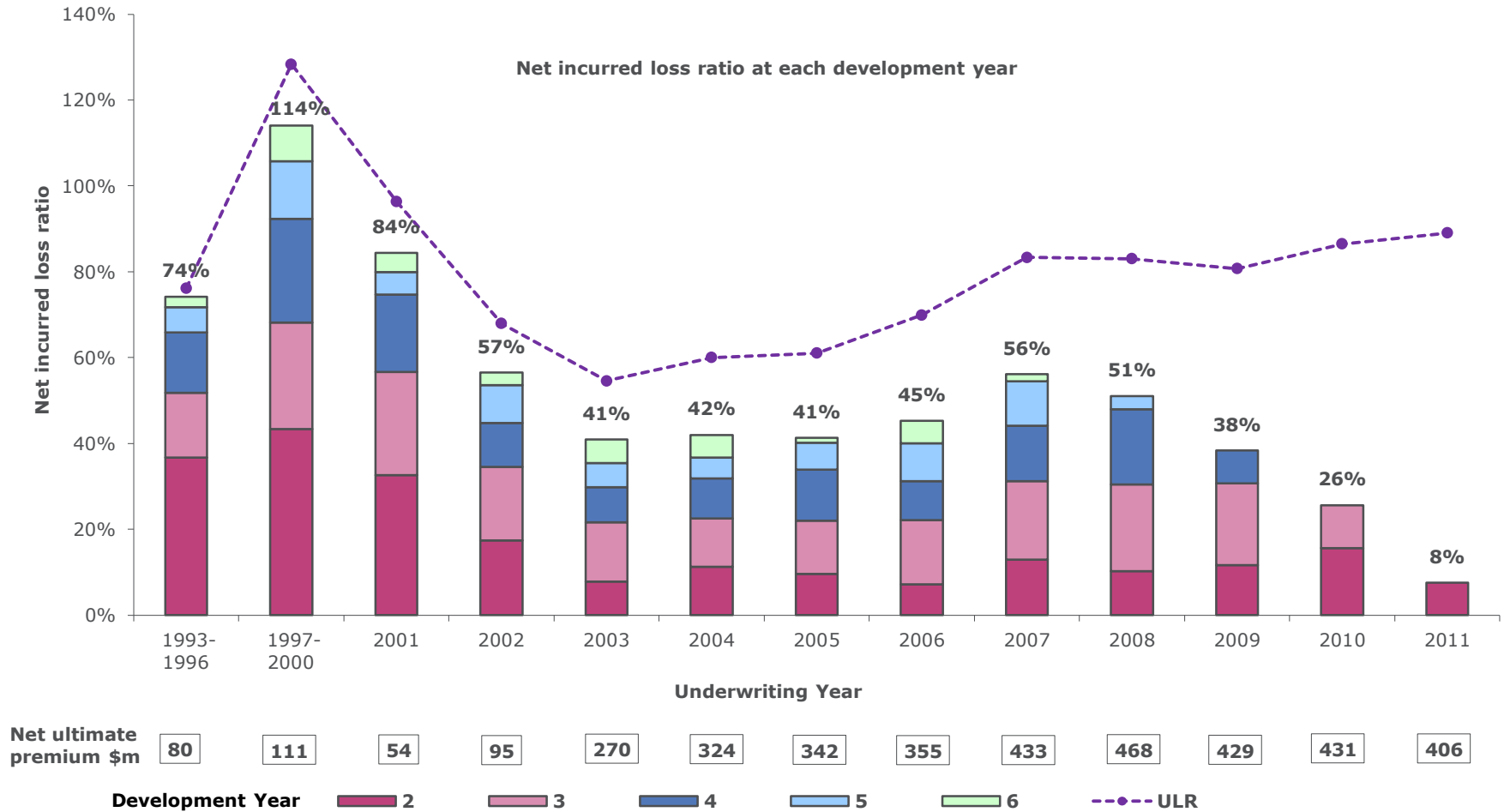
	2012	2011	
Gross premiums written (\$m)	139.8	135.6	
Net premiums written (\$m)	96.7	89.2	• No adverse deterioration in large loss estimates
Net earned premiums (\$m)	59.6	55.1	• Return to normal levels of loss activity
Claims ratio	51%	217%	• Rates reaching the highest levels for a number of years
Rate change on renewals	5%	1%	
Percentage of business led	39%	37%	

Specialty lines

6 months ended 30 June

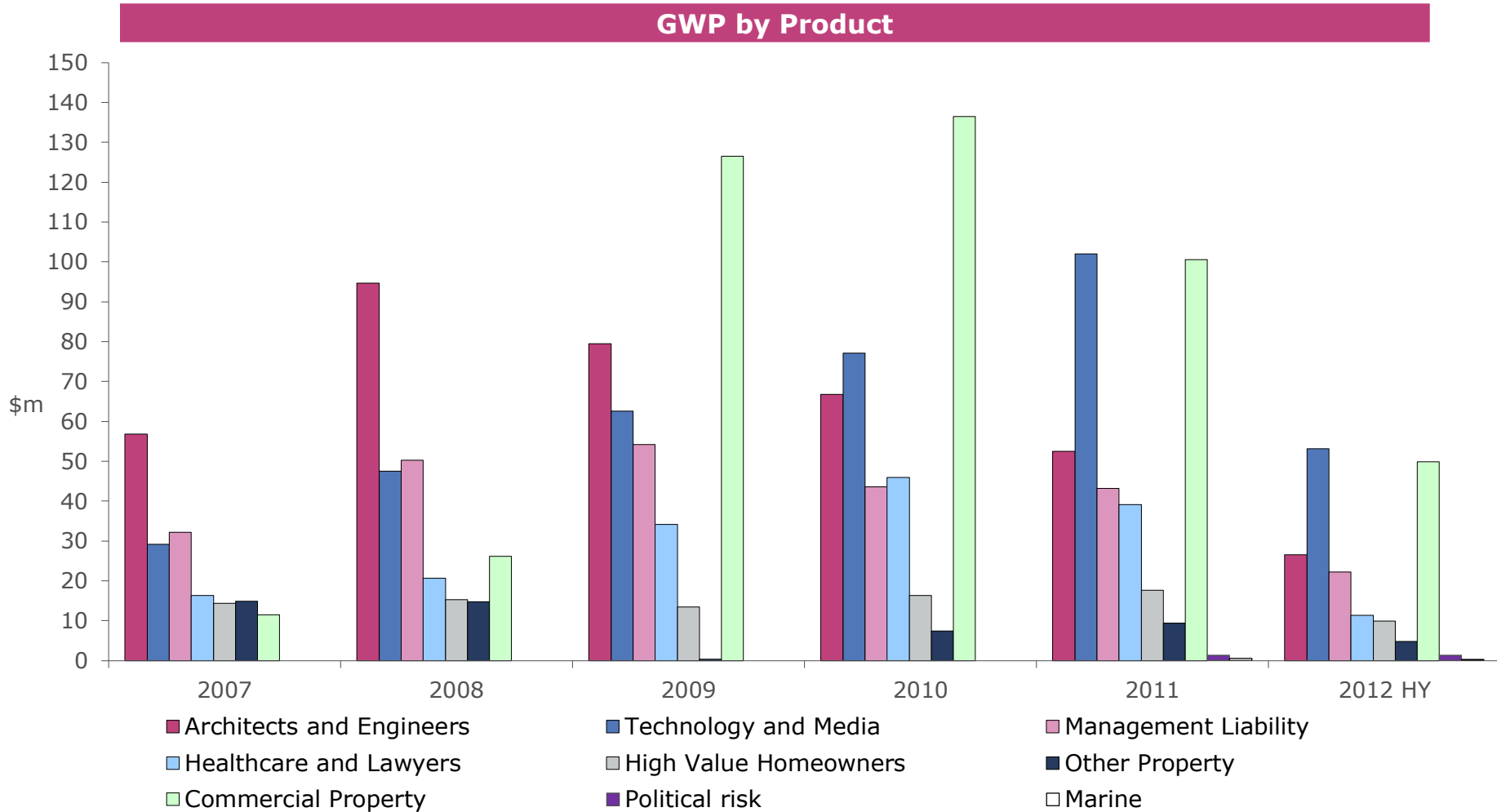
	2012	2011	
Gross premiums written (\$m)	365.6	351.3	
Net premiums written (\$m)	195.1	238.5	<ul style="list-style-type: none"> • Prior years continue to develop in line with expectations
Net earned premiums (\$m)	284.1	291.6	<ul style="list-style-type: none"> • Continue to expand Specialty lines product range
Claims ratio	63%	61%	
Rate change on renewals	3%	(1%)	<ul style="list-style-type: none"> • We have purchased additional Reinsurance.
Percentage of business led	94%	95%	

Specialty lines incurred claims remain encouraging



* Ratio is incurred claims as a percentage of premiums net of brokerage and reinsurance costs

US originated business \$179m for HY 2012



Diversified portfolio achieves consistent combined ratio through market cycles

