Results for the six months ended 30 June 2016

Friday, 22 July 2016

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Contents

Overview

Overview – good results despite continued competition

- Profit before income tax of $150.2m (2015: $154.5m)
- Gross premiums written increased by 2% to $1,124.1m (2015: $1,099.7m)
- Combined ratio 90% (2015: 86%)
- Rate change on renewal business -2% (2015: -2%)
- Prior year reserve releases of $77.4m (2015: $74.5m)
- Investment return of $62.7m (2015: $43.5m)
- Annualised return on equity of 19% (2015: 20%)
- Interim dividend up 6% to 3.5p

Business update

- Attracting and retaining good people across all facets of our business
  - 36 new underwriters joined Beazley in the first six months of 2016
  - New and expanding teams have included:
    - UK and international medical malpractice for SMEs
    - Fine art and specie (London)
    - Expanded environmental team (US)
- Demand for specialty lines products continues to drive strong US growth
- Partnered with Munich Re to offer expanded cyber cover of up to $100m/€100m
- Europe remains a key strategic focus
    - Gerard Bloom joining as head of International FI team
    - Growth strategy includes potential for EU insurance platform
- Rating environment remains challenging

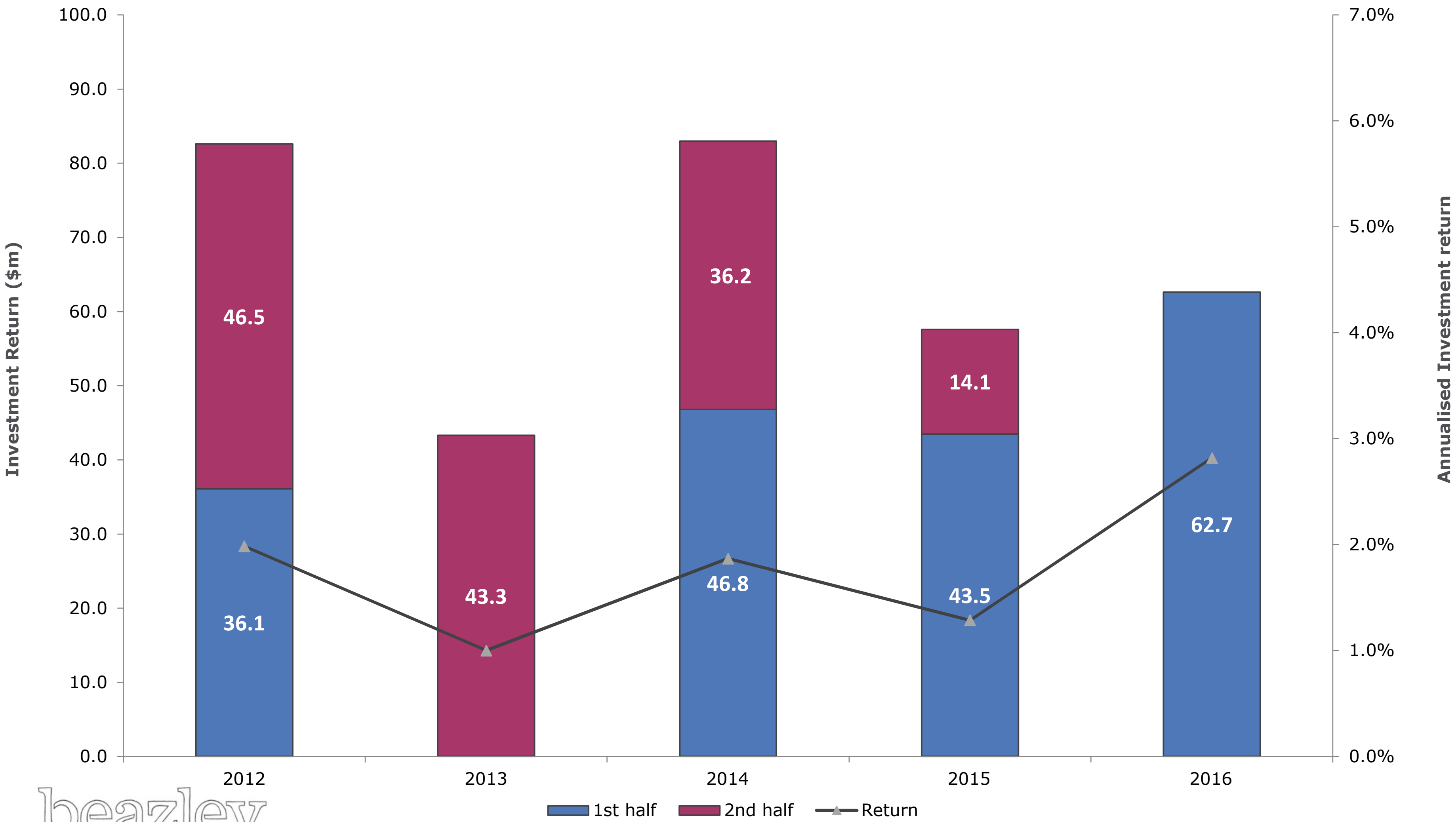
Financials

Six months financial performance

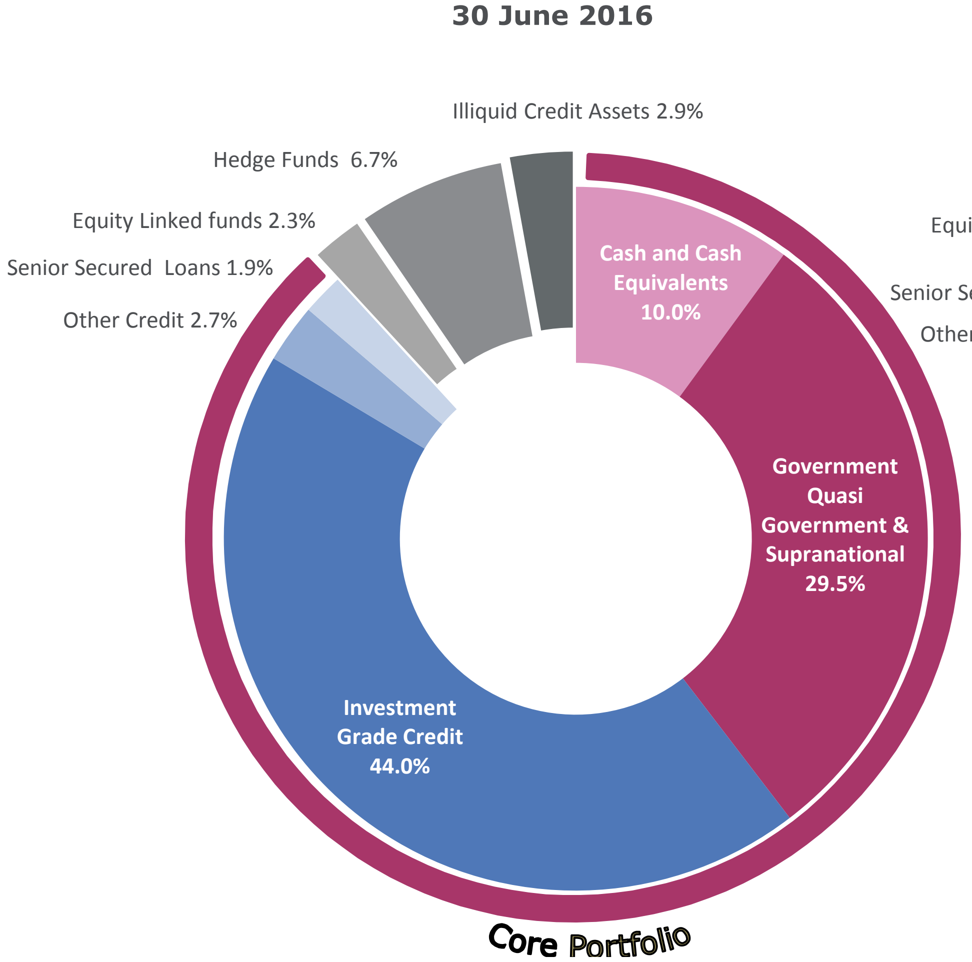
	6 months ended 30 June 2016	6 months ended 30 June 2015	% increase/ decrease
Gross premiums written ($m)	**1,124.1**	**1,099.7**	2%
Net premiums written ($m)	**930.4**	**879.2**	6%
Net earned premiums ($m)	**861.4**	**857.7**	-
Profit before income tax ($m)	**150.2**	**154.5**	(3%)

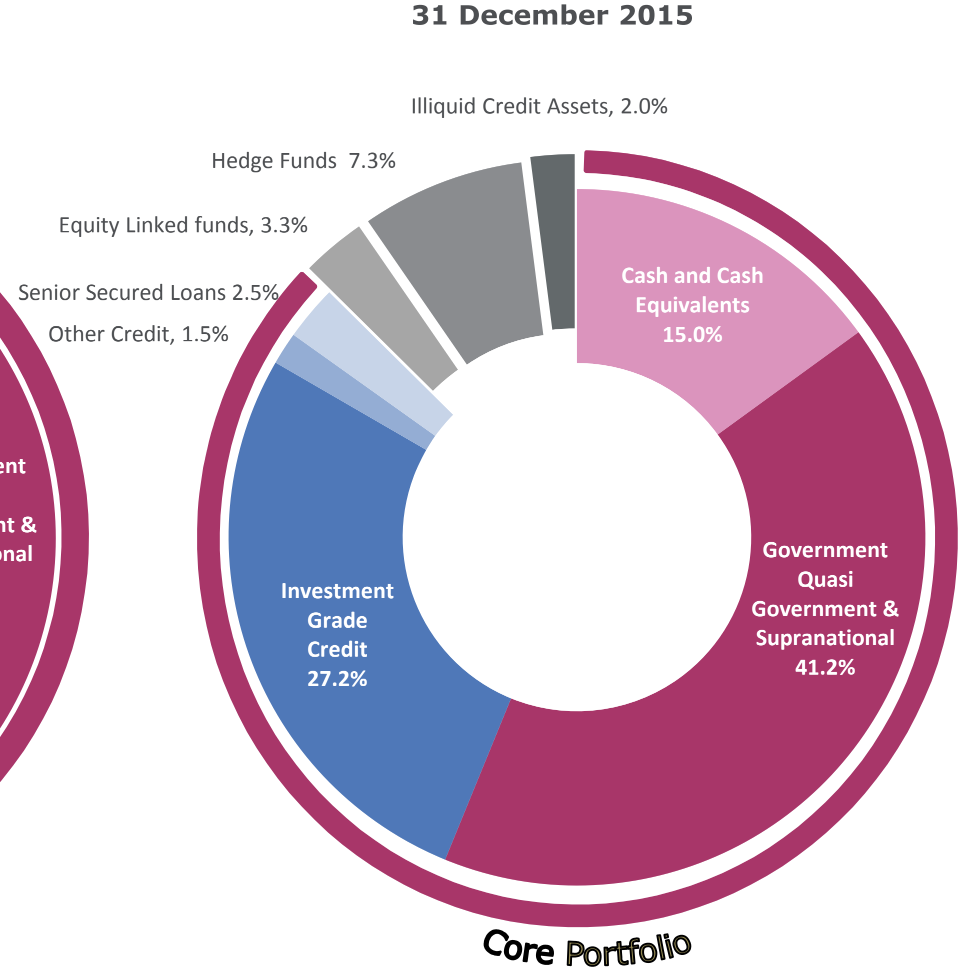
Earnings per share (pence)	**17.3**	**17.2**
Dividend per share (pence)	**3.5**	**3.3**
Net assets per share (pence)	**199.3**	**167.8**
Net tangible assets per share (pence)	**186.3**	**156.6**

Portfolio delivered 1.4% return

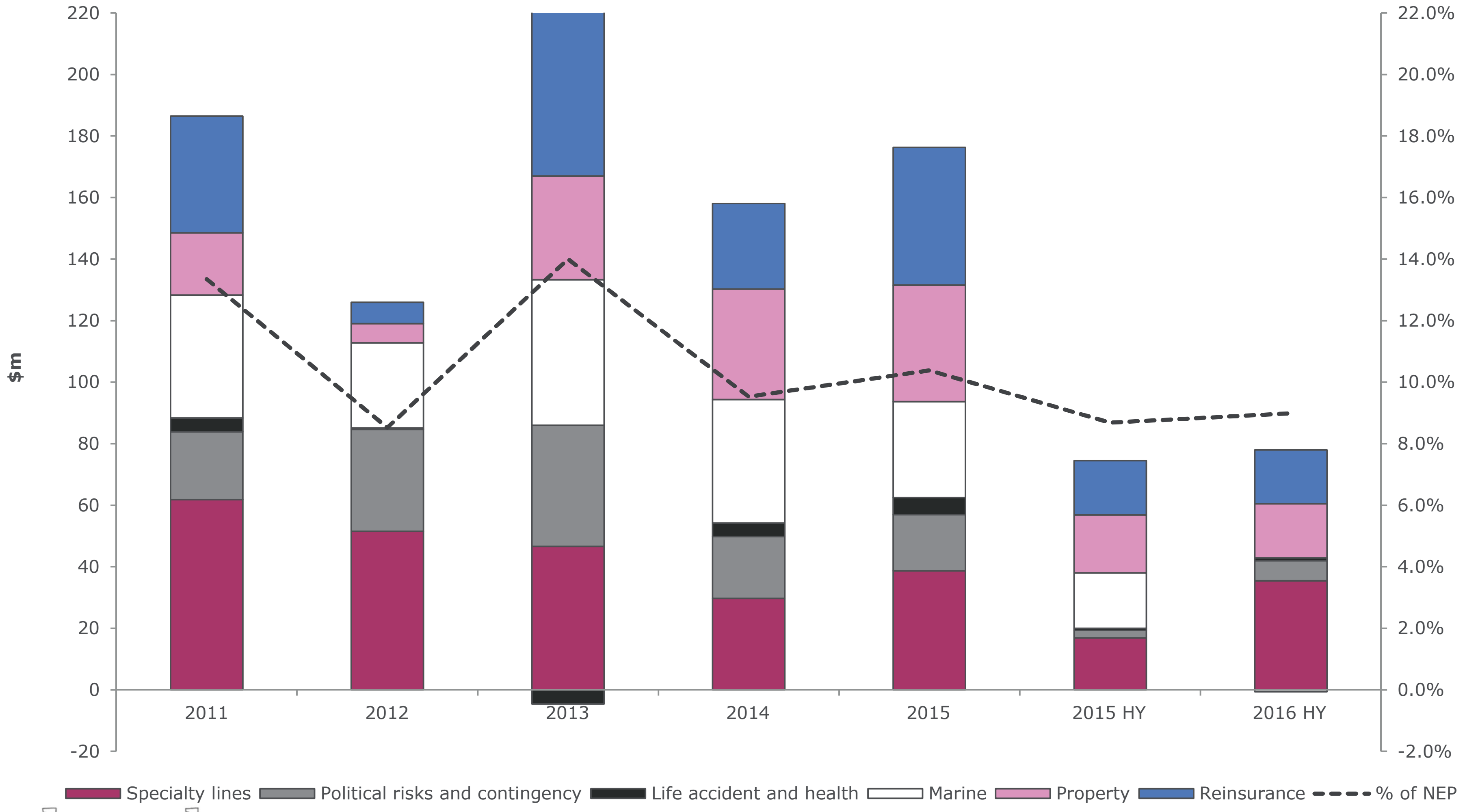


Portfolio mix – investment grade credit increased

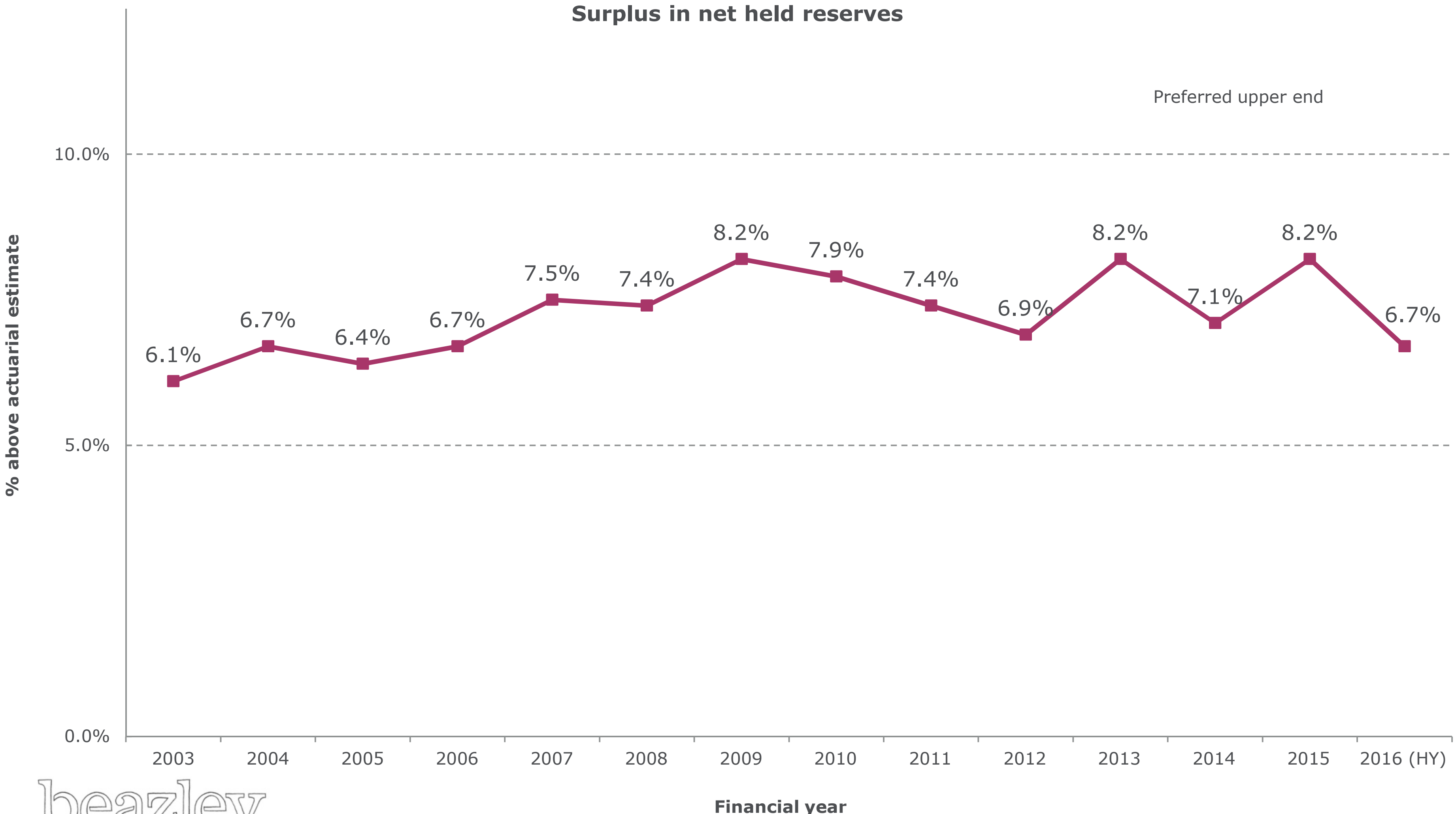




Stable prior year reserve releases



Whole account reserve strength within our target range



Update on debt strategy

- Expect to call the £76.5m of outstanding 2006 20nc10 in October 2016
- An opportunity to deploy more underwriting capital would be the trigger for using more debt leverage
- Considering making a new issuance of up to £250m in 2016

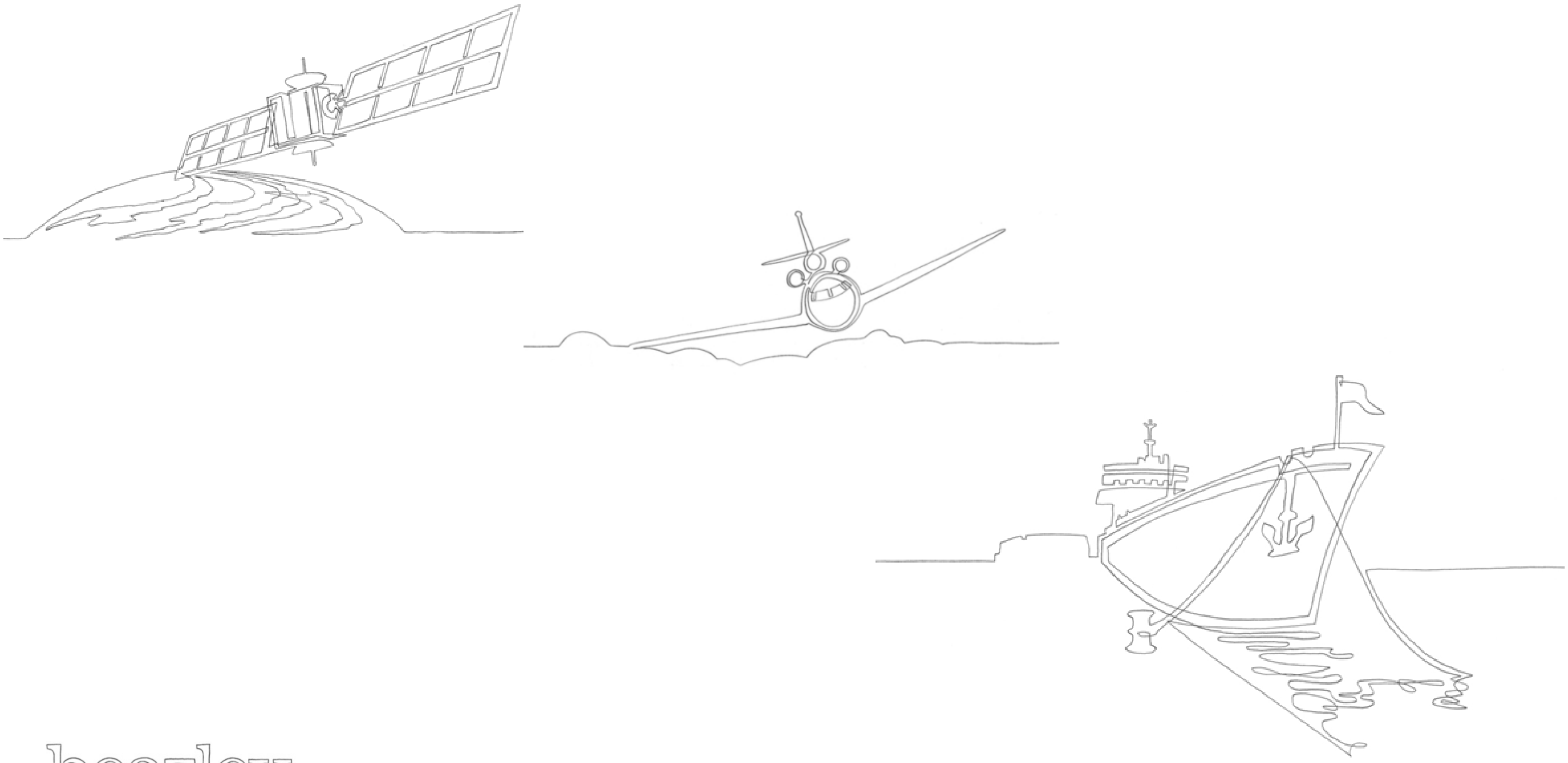
Underwriting capital – a growth prospective

- Group capital requirement:

	Projected 31 Dec 2016 $m	Period ended 30 June 2016 $m	Year ended 31 December 2015 $m
Lloyd's economic capital requirement (ECR)	1,500.0	1,333.3	1,326.9
Capital for US insurance company	107.7	107.7	107.7
	1,607.7	1,441.0	1,434.6
% increase	12%	-	-

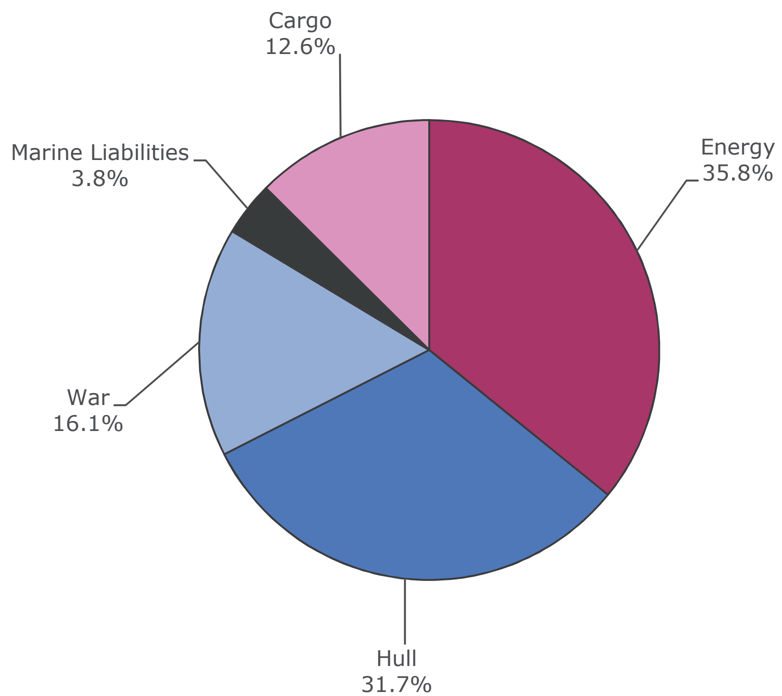
- Expect to still be above the 15%-25% of ECR buffer at year end ignoring any increase in debt financing
- Near double digit underwriting capital growth envisaged in our 5 year plan
- Capital discipline remains a board focus
  - Strategy of growing regular dividend by 5%-10%
  - Return excess capital beyond business needs

In Focus - Marine



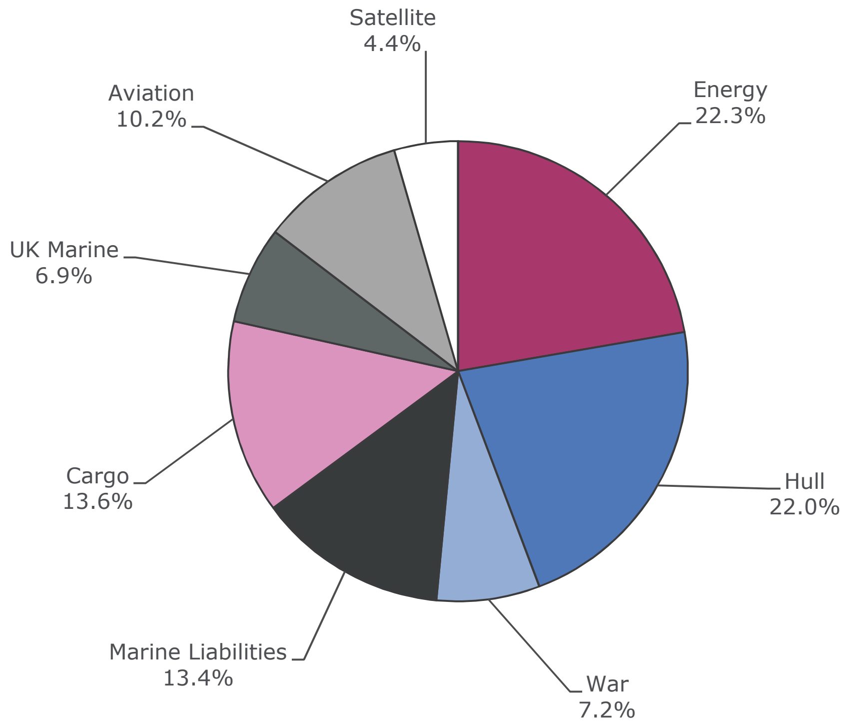
Diversification of the marine account

2009



$265m

2016



$248m

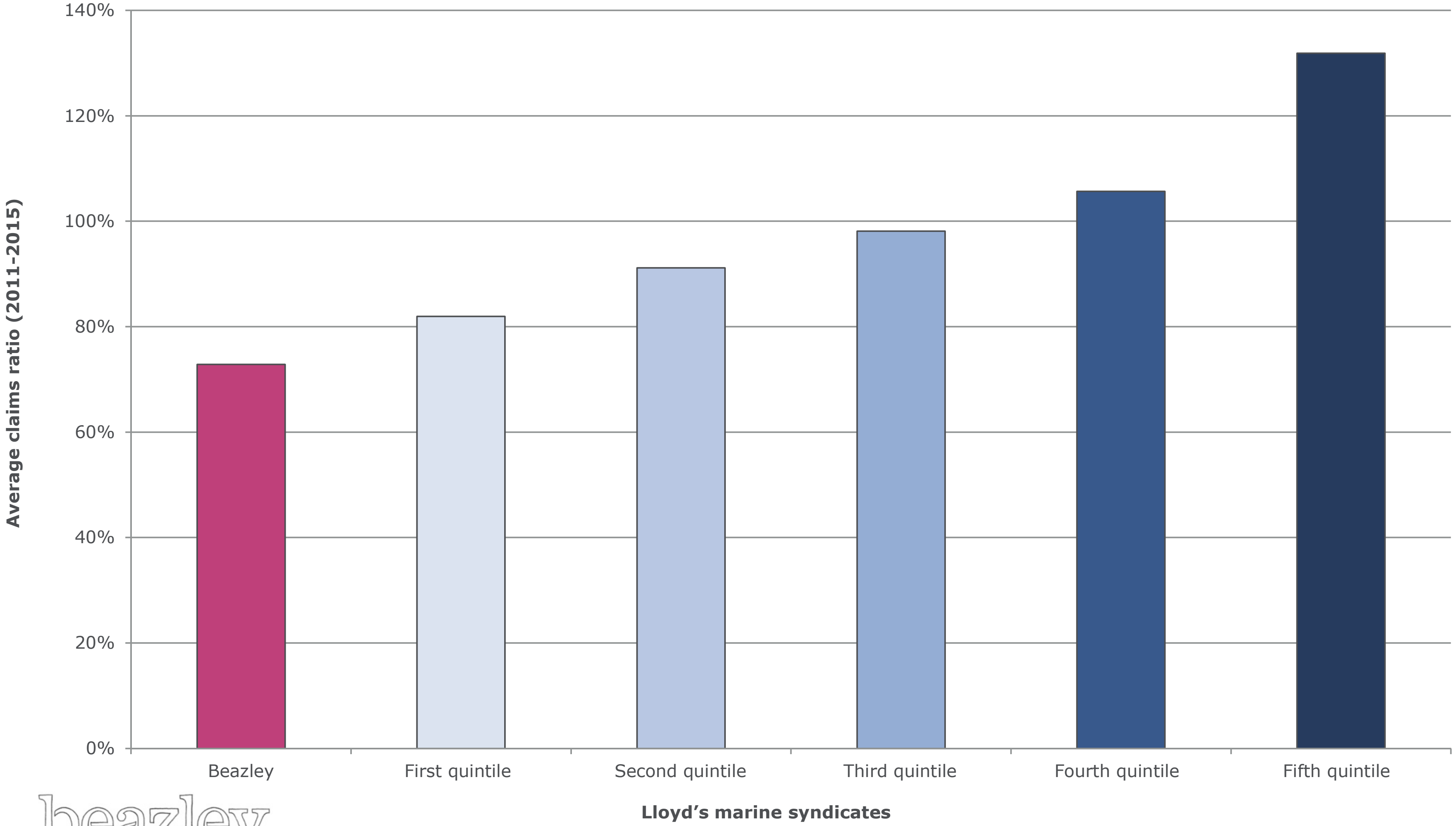
Track record of navigating the cycle profitably

Top KPIs ($m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GWP (GAAP)	253.7	279.6	275.1	265.0	261.7	274.2	311.2	315.9	325.2	269.3
Profit before tax and finance costs (GAAP)	50.4	74.6	33.5	74.2	75.4	69.3	83.4	83.0	71.1	66.9
Rate change	9%	(7%)	(6%)	8%	(3%)	-	-	(5%)	(6%)	(8%)

We expect the shipping and oil industry sectors will have improving profitability in 1-3 years and our income will once again grow

Our margin can sustain rate reduction better then our competitors

Lloyd's marine claims statistics



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Investing across the rating cycle

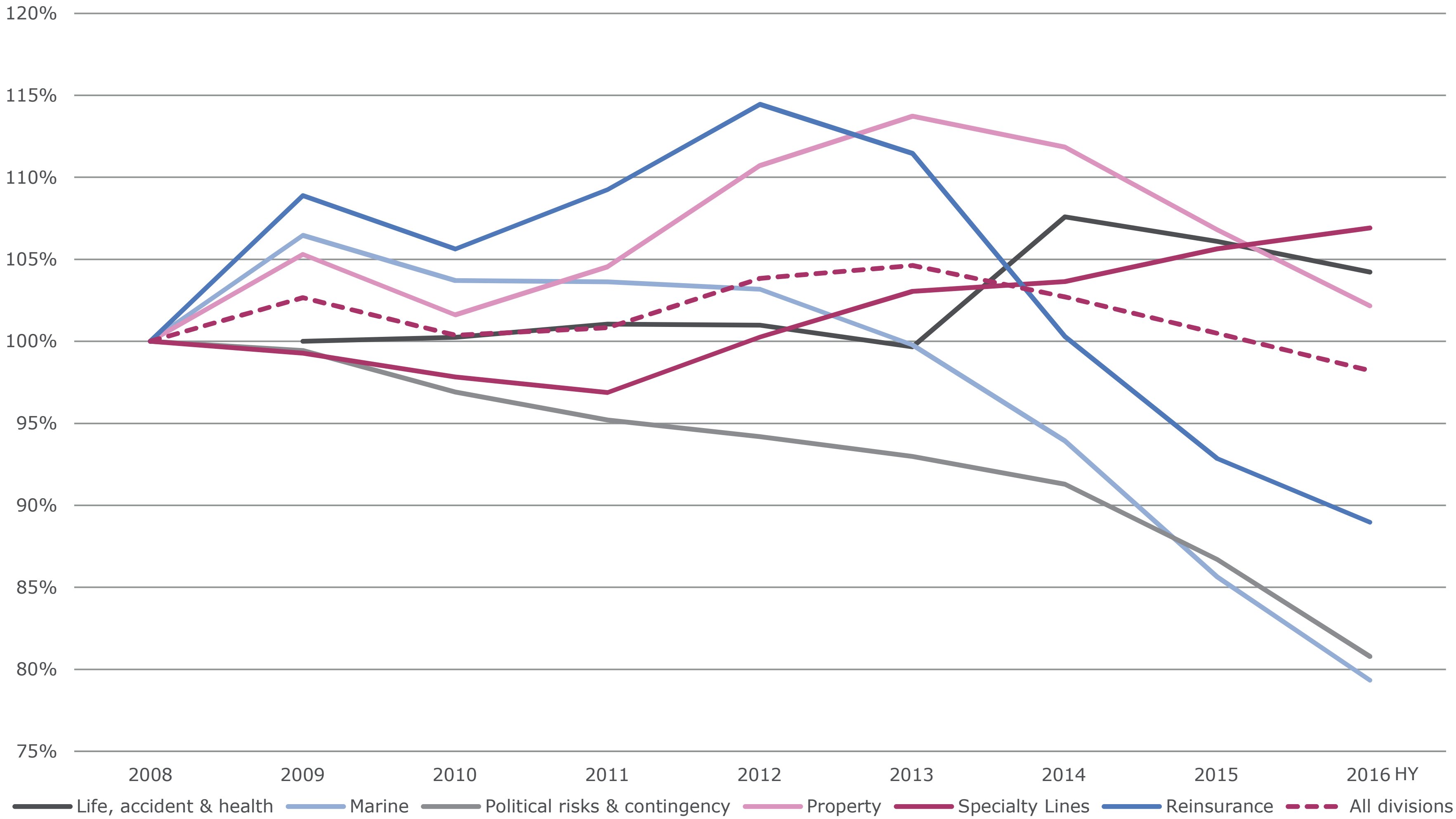
- Hull and cargo underwriters in Singapore
- Two pleasure craft and yacht underwriters
- One additional UK small craft and fishing vessel underwriter
- The purchase of Leviathan
- Extensive analysis of French and US marine markets

Looking forward

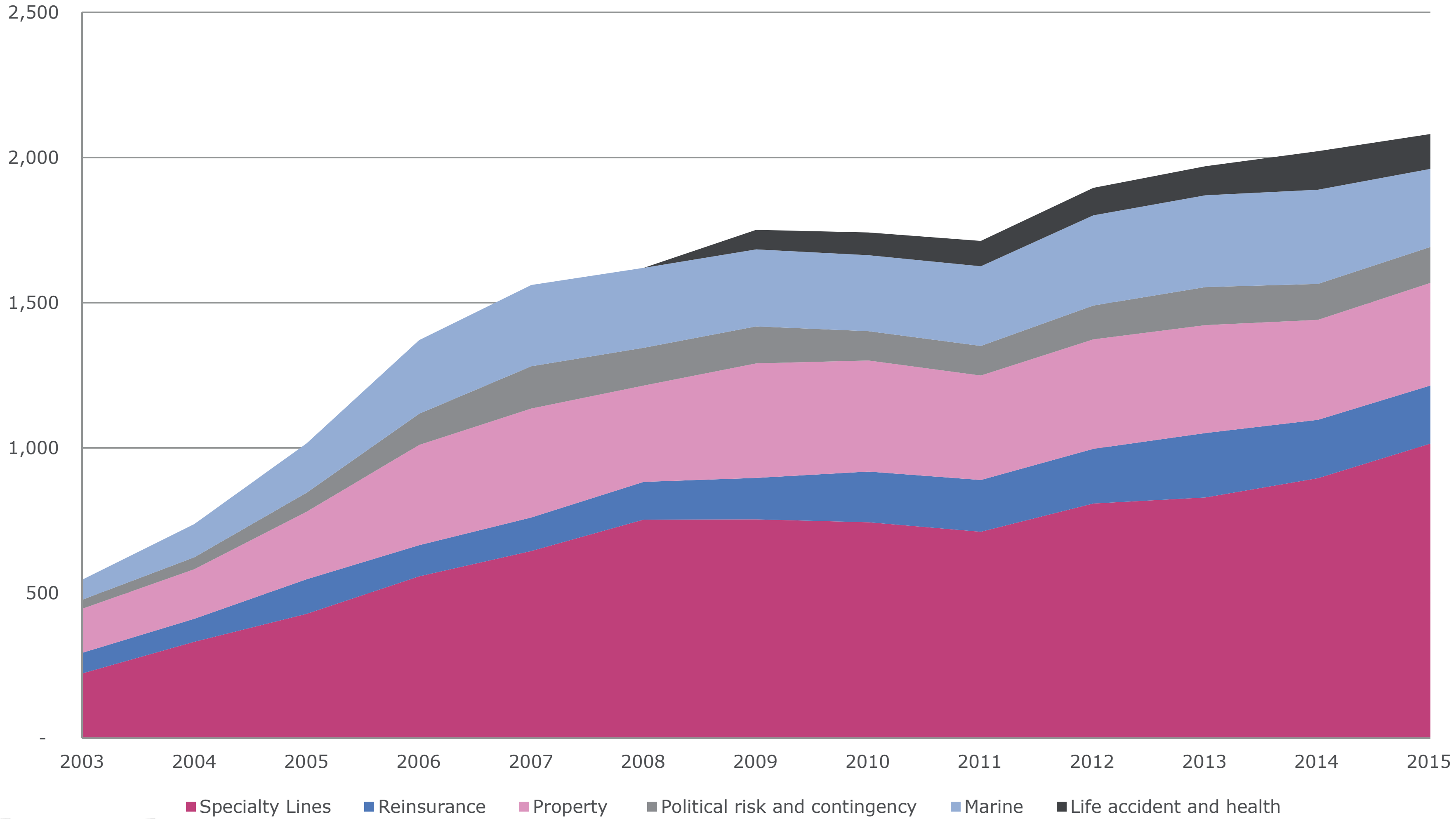
- Difficult trading conditions
- Well placed to take advantage of change in the market
- Enthusiastic about the diversity in our portfolio
- Continued focus on identifying areas for profitable growth
  - People
  - Locations

The Outlook

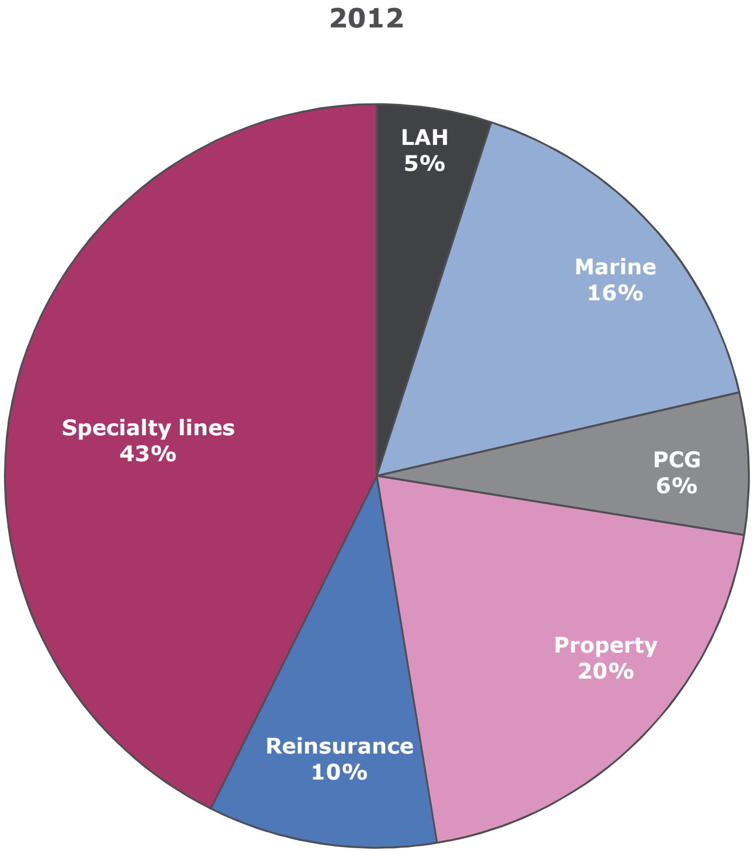
Cumulative rate change since 2008



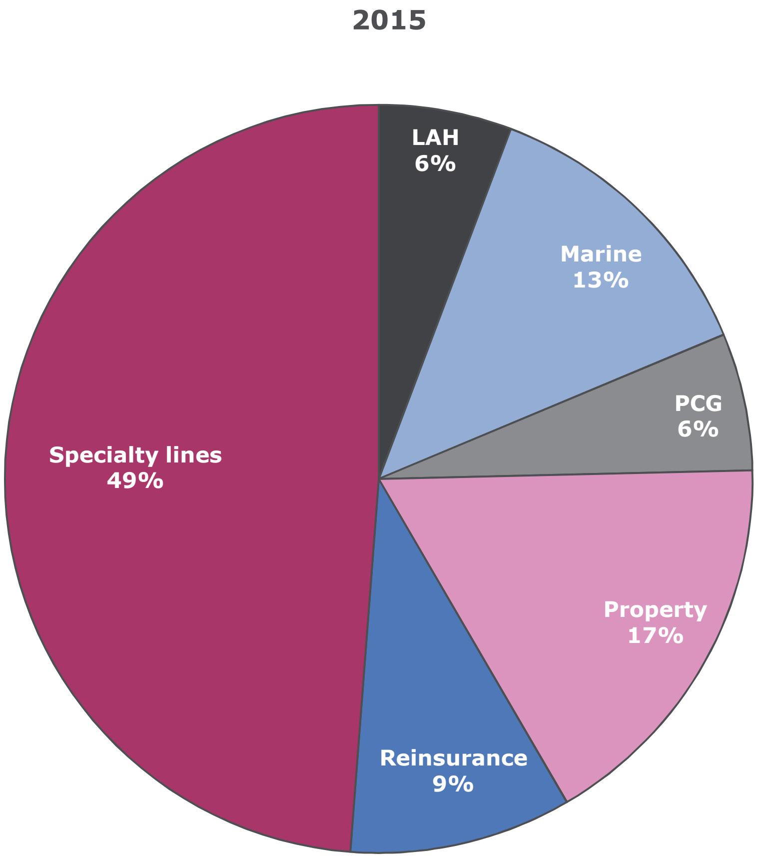
Group’s gross premium growth by division $m



Group's gross premium split by division



Total GWP: $1,895.9m



Total GWP: $2,080.9m

Outlook

- Competitive pressures remain strong:
  - Returns should be expected to reduce
  - Rate pressure, particularly on short tail catastrophe exposed lines
  - Continued focus on strategy and strategic initiatives
  - Growth in US remains strong

- Attracting and retaining talented people remains a priority

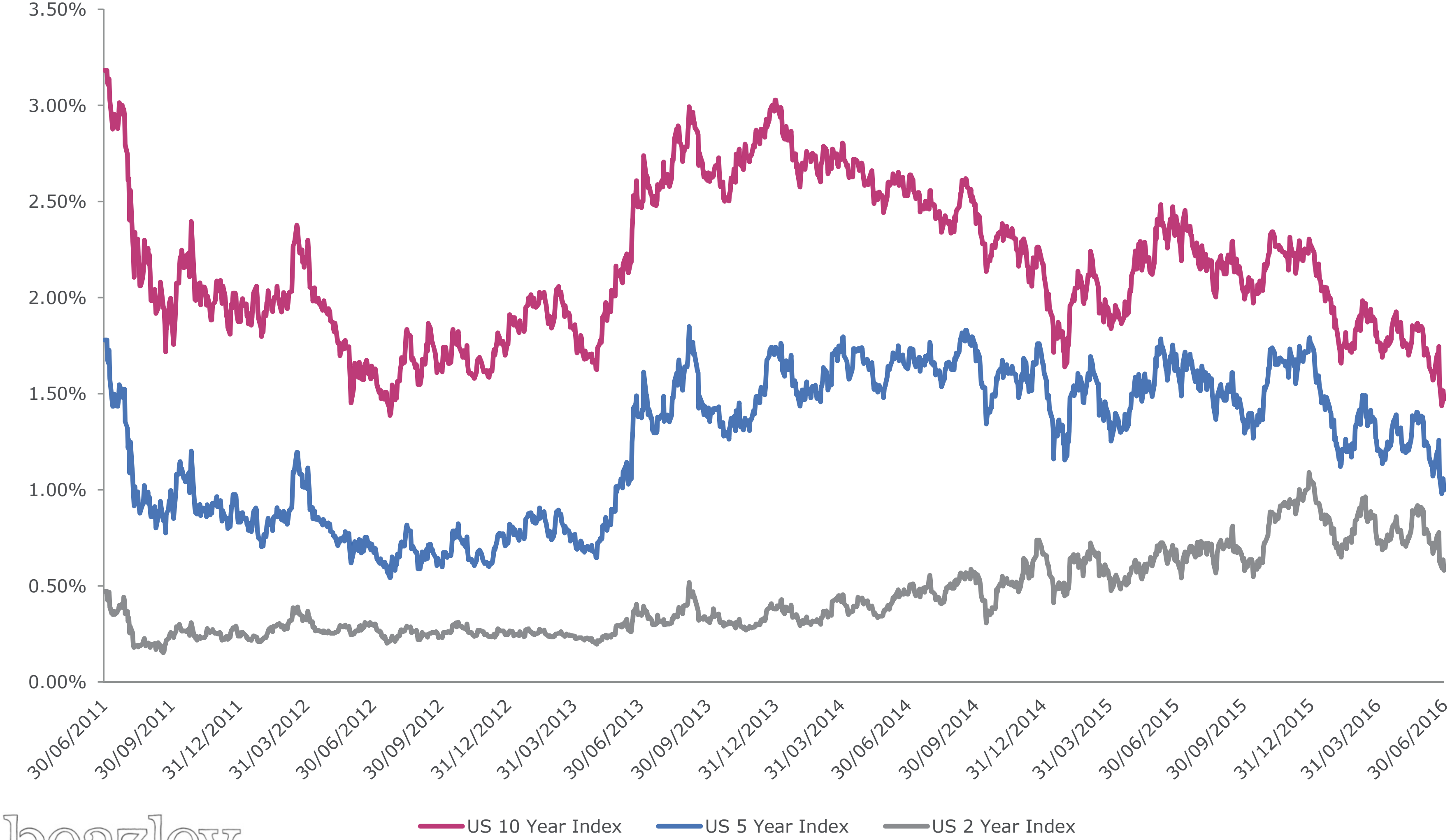
- Well placed to face current political and economic uncertainty

- We are expecting to achieve strong specialty lines growth in 2016 and 2017

Any questions?

Appendix

US interest rates



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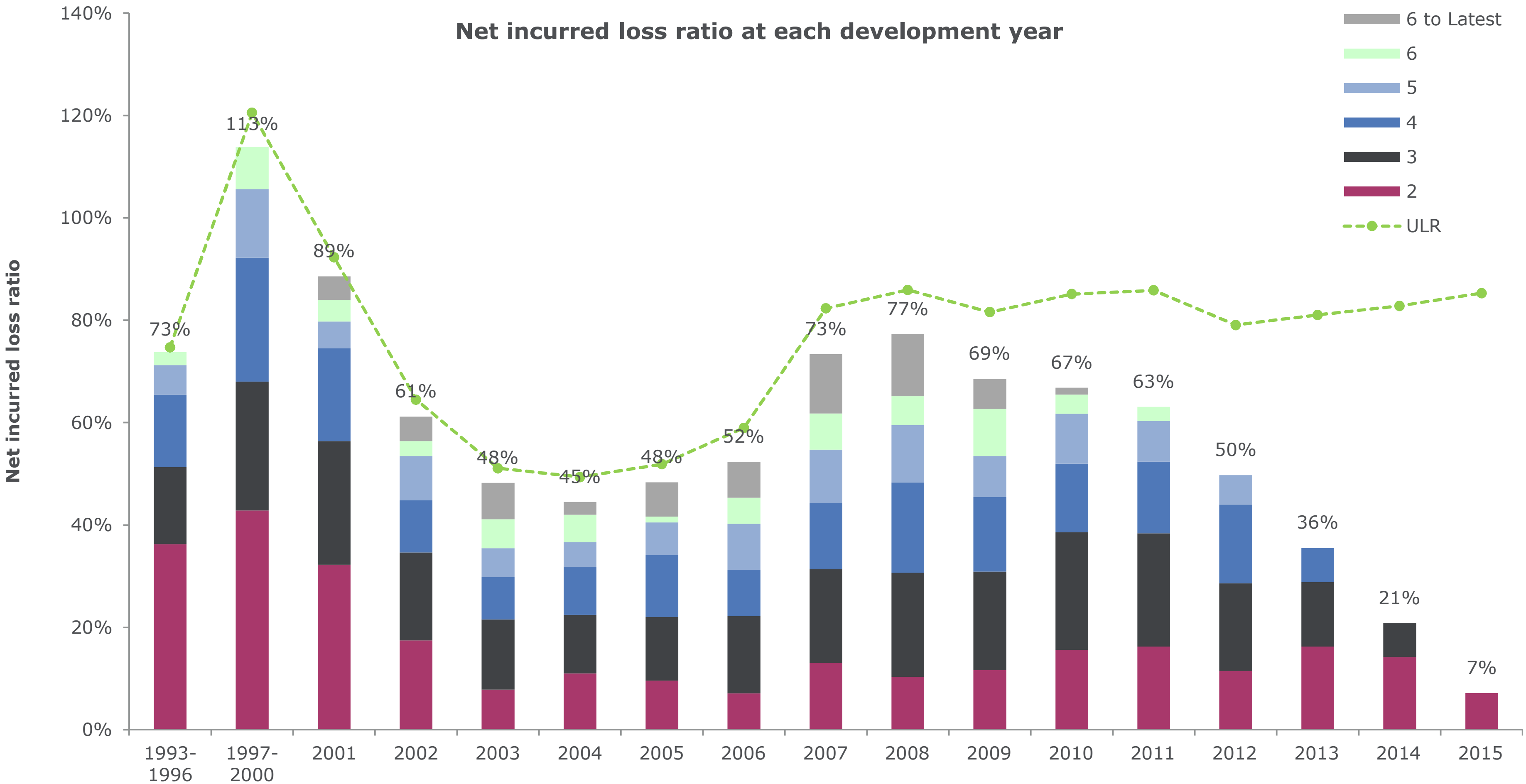
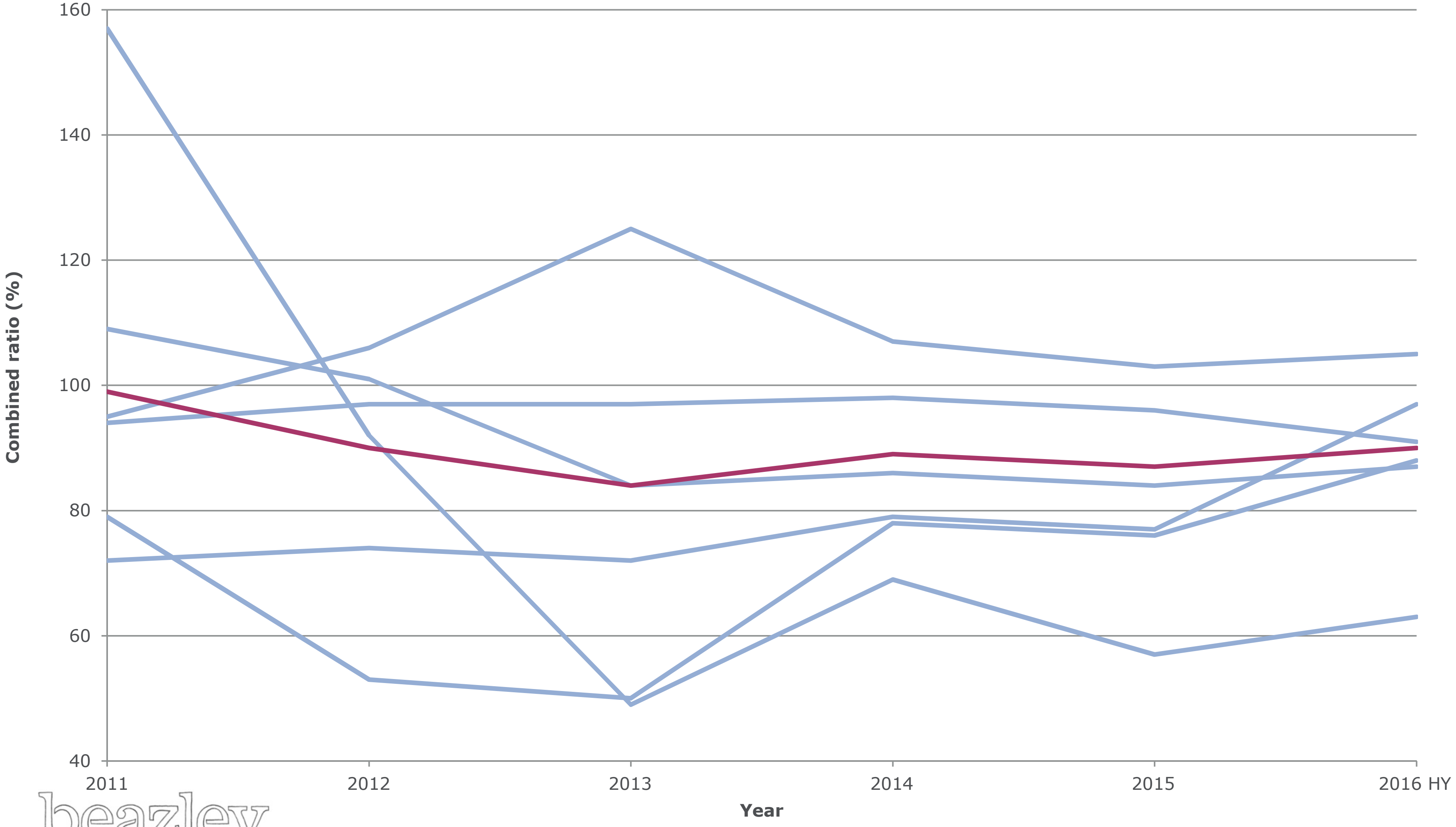
Specialty lines incurred claims remain in line with expectations



Net ultimate premium $m																	
	77	106	52	91	262	314	334	346	421	455	419	437	428	451	486	519	557

Diversified portfolio achieves consistent combined ratio through market cycles



Life, accident & health

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**79.9**	**79.7**
Net premiums written ($m)	**71.8**	**67.1**
Net earned premiums ($m)	**56.5**	**56.3**
Claims ratio	**60%**	**60%**
Rate change on renewals	**(2%)**	**(2%)**
Percentage of business led	**59%**	**75%**

- Growth in US admitted business to $17.7m (2015: $13.8m)
- Combined ratio increases to 105% (2015: 103%)

Marine

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**134.0**	**162.1**
Net premiums written ($m)	**107.9**	**131.4**
Net earned premiums ($m)	**110.7**	**144.2**
Claims ratio	**52%**	**38%**
Rate change on renewals	**(7%)**	**(8%)**
Percentage of business led	**52%**	**48%**

- Combined ratio increases to 97% (2015: 76%)

Political risks and contingency

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**69.4**	**67.9**
Net premiums written ($m)	**57.0**	**55.4**
Net earned premiums ($m)	**46.7**	**50.7**
Claims ratio	**36%**	**46%**
Rate change on renewals	**(7%)**	**(4%)**
Percentage of business led	**70%**	**76%**

- Combined ratio improves to 88% (2015: 93%)
- Prior year reserve releases increase to $6.5m (2015: $2.4m)

Property

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**173.0**	**188.6**
Net premiums written ($m)	**142.1**	**151.2**
Net earned premiums ($m)	**144.1**	**147.0**
Claims ratio	**41%**	**38%**
Rate change on renewals	**(4%)**	**(4%)**
Percentage of business led	**66%**	**73%**

- Prior year releases stable of $17.6m (2015: $18.8m)
- Contribution to group operating profit of $26.0m (2015: $33.8m)
- Combined ratio of 87% (2015: 81%)

Reinsurance

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**150.2**	**159.5**
Net premiums written ($m)	**92.9**	**109.3**
Net earned premiums ($m)	**63.9**	**70.4**
Claims ratio	**27%**	**25%**
Rate change on renewals	**(4%)**	**(8%)**
Percentage of business led	**48%**	**46%**

- Increased spend on outward reinsurance premium to $57.3m (2015: $50.2m)
- Prior year reserve releases of $17.5m (2015: $17.7m)
- Contribution to group operating profit of $29.8m (2015: $35.1m)

Specialty lines

	6 months ended 30 June	
	2016	**2015**
Gross premiums written ($m)	**517.6**	**441.9**
Net premiums written ($m)	**458.7**	**364.8**
Net earned premiums ($m)	**439.5**	**389.1**
Claims ratio	**57%**	**60%**
Rate change on renewals	**1%**	**2%**
Percentage of business led	**96%**	**97%**

- 17% growth in gross premiums written
- Increased prior year reserve releases of $35.5m (2015: $16.9m)
- Contribution to group operating profit of $85.8m (2015: $48.5m)
- Combined ratio of 91% (2015: 95%)