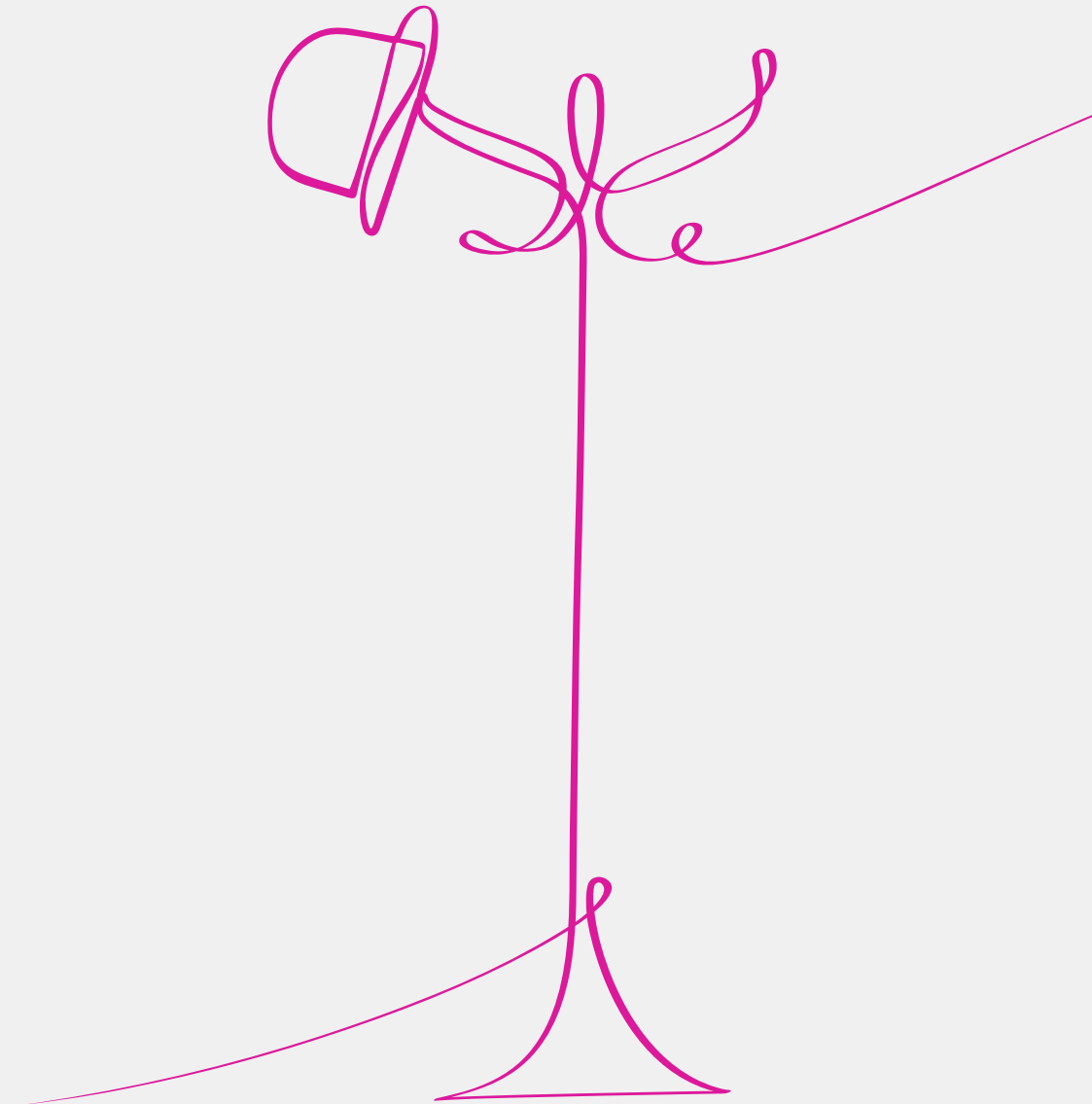


beazley

IFRS 17

2022 indicative comparatives

31 July 2023



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The information and opinions contained in this presentation, including any forward-looking statements, are provided, and reflect knowledge and information available, as at the date of this presentation and are subject to change without notice. There is no intention, nor is any duty or obligation assumed by the company, the group or the directors to supplement, amend, update or revise any of the information, including any forward-looking statements, contained in this presentation.

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All numbers are illustrative or indicative, unaudited and subject to change.

Agenda

- 04** **Recap**
- 09** **Impact on equity**
- 11** **IFRS17 concepts**
- 19** **Reserving**
- 22** **Profit and Loss**
- 29** **Combined ratio**
- 37** **Key takeaways**
- 32** **Q&A**

Recap

What's staying the same?

Strategy

IFRS 17 and IFRS 9 do not change our strategy or the way we do business.

Cash generation

Our cashflows stay the same under IFRS 17. It's the timing of profit recognition that will change.

Dividends and capital

There is no impact to our regulatory capital position or dividend paying capacity. Our dividend policy remains the same as set out in the Annual Report 2022.

What's changing?

Proforma and KPI changes

The way we report will look different under IFRS 17 and our KPIs will be revised to reflect IFRS 17 metrics.

Reserving approach

Our reserving approach and setting of the risk adjustment will align to IFRS 17 principles.

Introduction of Discounting

IFRS 17 requires that insurance cashflows are on a discounted basis. We have adopted the 'bottom up' approach to discounting.

Interest rate movement will be shown in the Profit & Loss as part of our net insurance and investment result alongside the unwind of previously discounted cashflows.

Accounting choices

Our choices

The impacts

MEASUREMENT MODEL	General Measurement Model (GMM)	We have consistent accounting treatment across all business.
RISK ADJUSTMENT	Cost of Capital approach	We expect the reserve confidence level will be between the 80 th to 90 th percentile range.
DISCOUNTING	Bottom-Up approach	Discounting will reduce insurance contract liabilities.
EXPENSES	Updated Directly Attributable (DA) methodology to align to IFRS 17	Some expenses will be recognised outside the insurance result, reducing the amount of expenses deemed directly attributable.

Accounting choices

Our choices

The impacts

AGGREGATION

Aggregation of products with similar risks (Portfolios) and two Groupings (profitable and onerous)

Our approach to aggregation reflects the way we manage risks and our business.

TRANSITION

Fully Retrospective approach

The standard will be applied as though it was always in place.

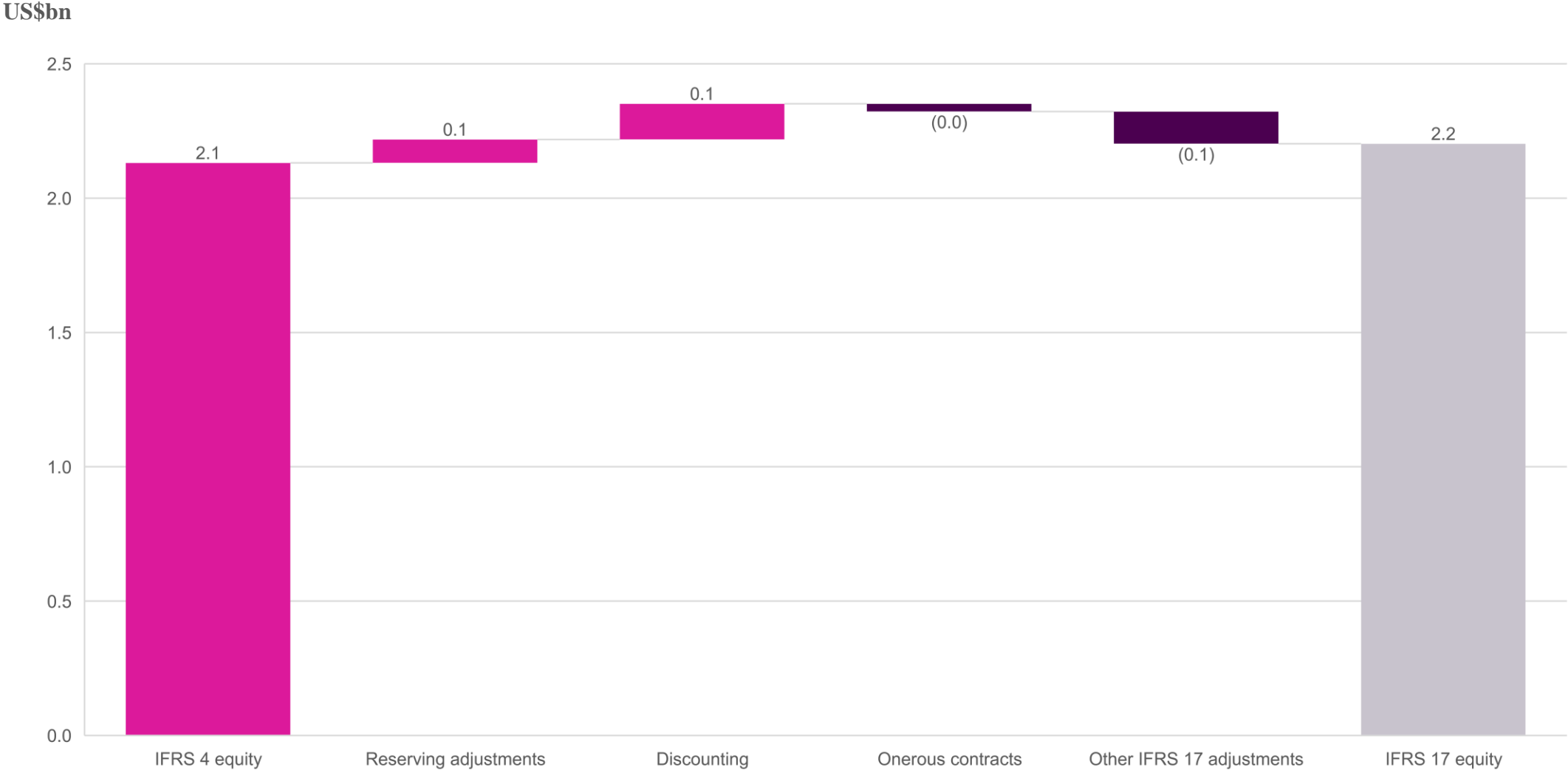
IFRS 9 FINANCIAL INVESTMENTS

Fair Value through Profit & Loss

No material impact to our valuation approach.

Expected impact on equity on transition from IFRS 4 to IFRS 17

IFRS 4 to 17 Net Shareholder's Equity Walk as at 1 January 2022



IFRS 17 concepts and how they moved in 2022

IFRS 17 concepts

IFRS 17 introduces new concepts and some of the key ones include:

EXPENSES

As per the requirements of the standard, we have reclassified some expenses as “**non-attributable**” and so these are recognised **outside** of the insurance service result

INSURANCE WRITTEN PREMIUM

Gross Premium Written is replaced with Insurance Written Premium (IWP) – **IWP excludes reinstatement premiums and profit commissions**, as these are treated as claims under IFRS 17

CONTRACTUAL SERVICE MARGIN/ LOSS COMPONENT

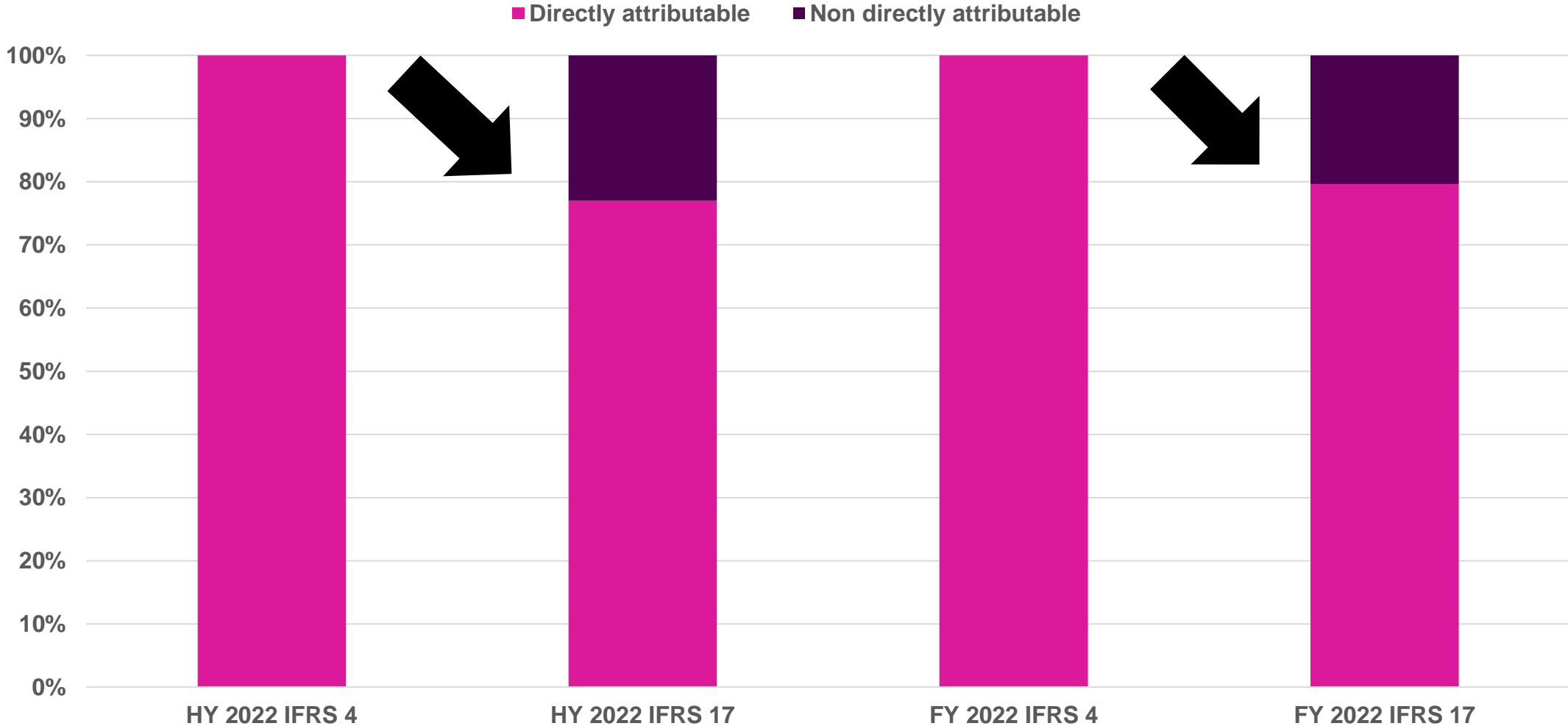
- Contractual Service Margin (**CSM**) is established when we expect **cash inflows to exceed outflows** on a group of contracts. It reflects the **future profits** we expect to earn as insurance contracts are fulfilled
- If **cash outflows exceed inflows**, then the group of contracts is considered onerous (i.e. loss making) and we have to instead establish a **loss component**, which is recognised **immediately** on the statement of profit and loss

DISCOUNTING

- Discounting is applied to future cashflows to reflect the **time value of money**
- We are adopting the **bottom-up** approach
 - Risk-free rate is based on relevant government bond yields
 - Illiquidity premium is based on the spread between relevant corporate and government bond yields, after removing credit risk

Expenses

Split between directly and non directly attributable expenses



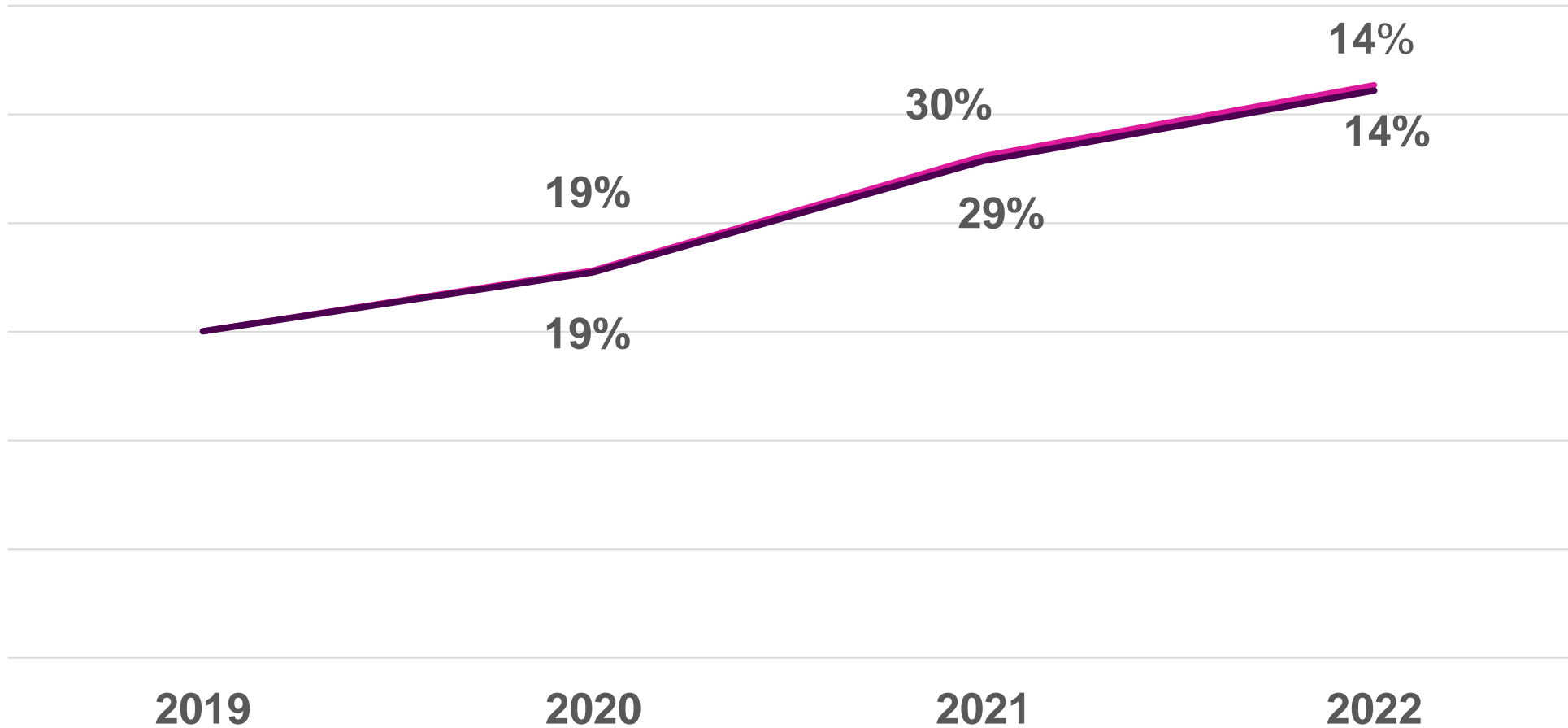
Gross Written Premium vs Insurance Written Premium Growth



Gross Written Premium vs Insurance Written Premium Growth

US\$b

6
5
4
3
2
1



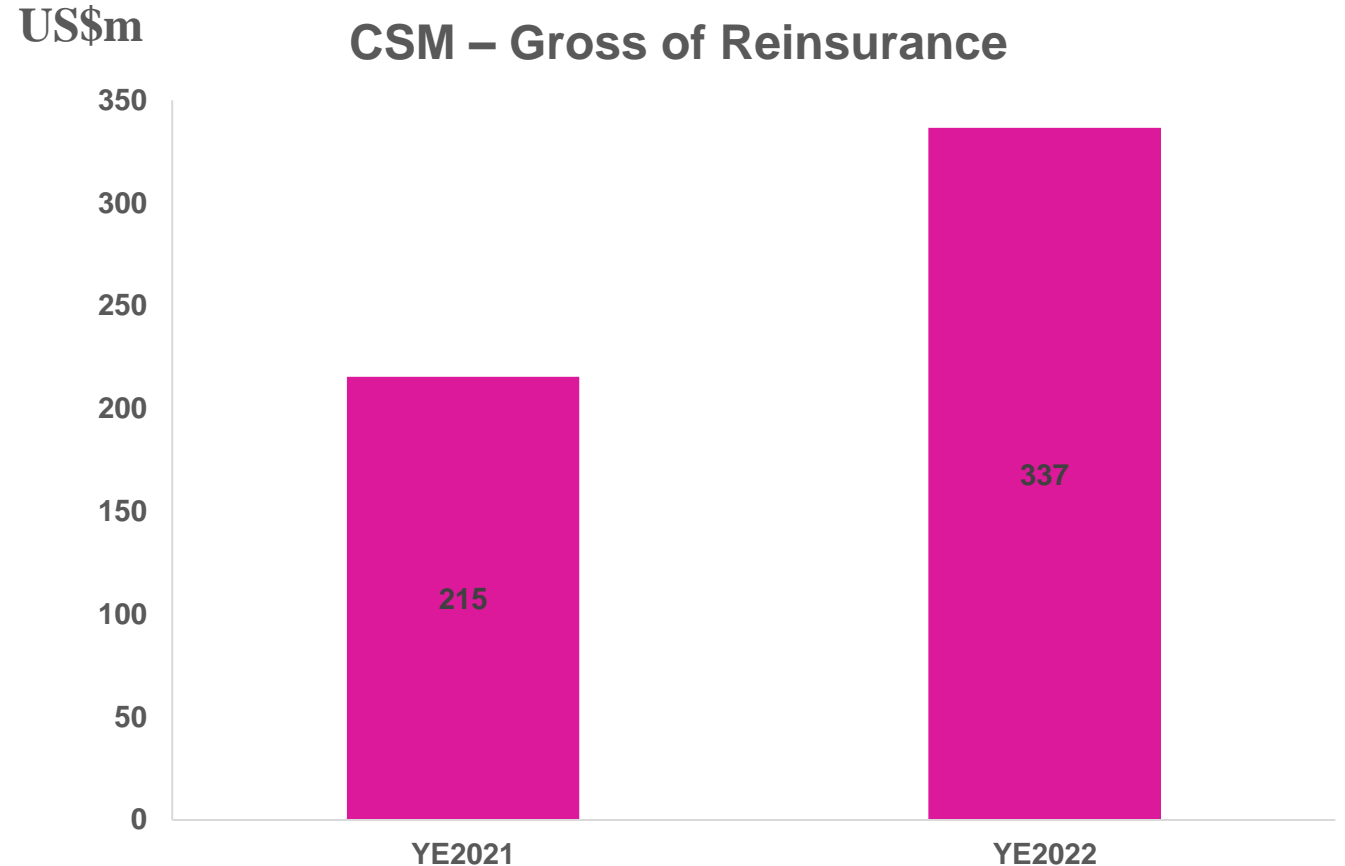
— IFRS 4 Gross Written Premium

— IFRS 17 Insurance Written Premium

CSM Movement YE2021 to YE2022

Increase in CSM from 2021 to 2022:

- Majority due to increase in discounting credit during 2022
- Remainder due to a combination of:
 - business growth over the year
 - increased cyber profitability following significant market shifts
 - Overall improved rating environment



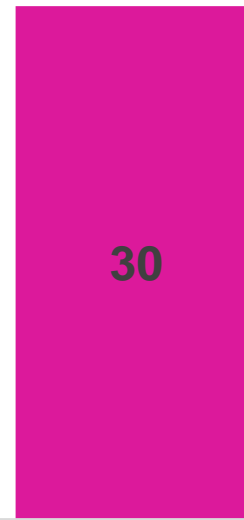
Onerosity Movement YE2021 to YE2022

- Material reduction in onerous business during 2022
- Largely driven by improved Cyber Risks business profitability through 2022

US\$m

Loss Component – Gross of Reinsurance

45
40
35
30
25
20
15
10
5
0



YE2021

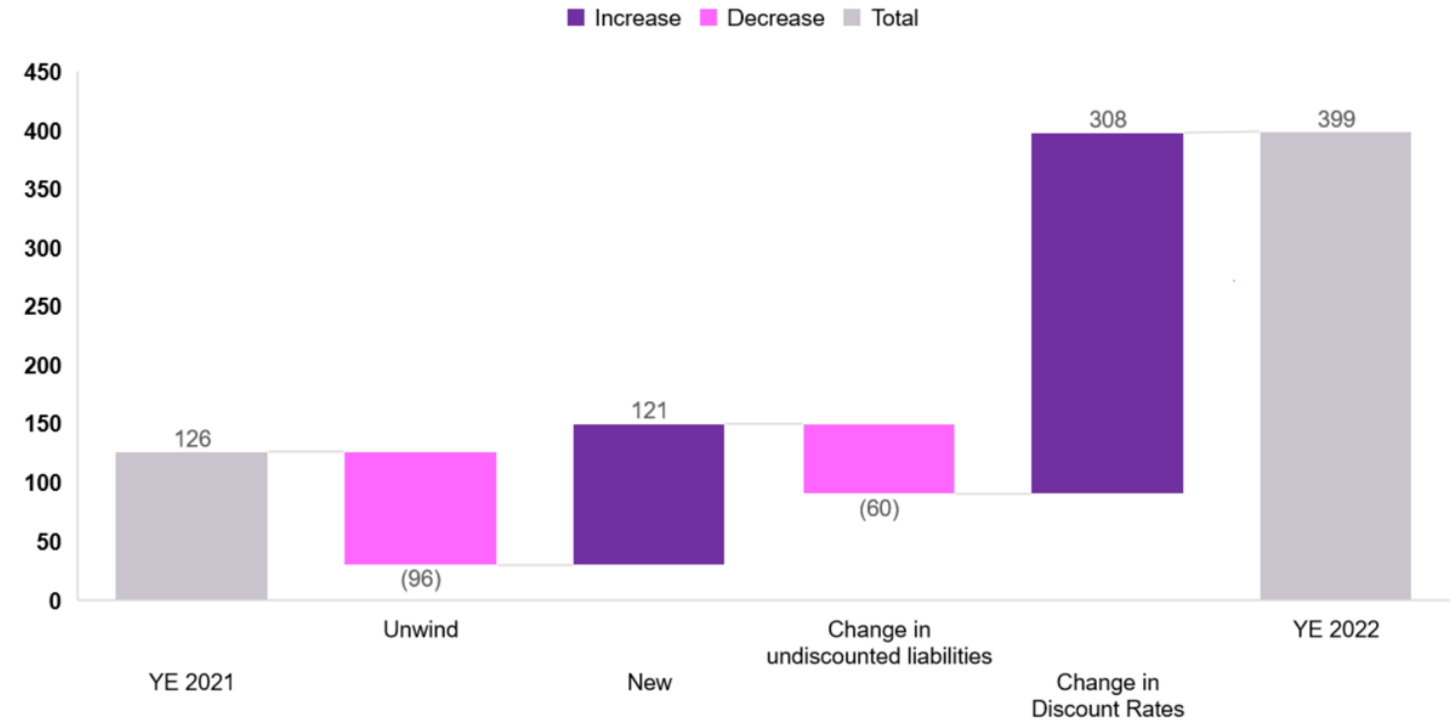
YE2022

Discounting YE2021 to YE2022

- Significant increase in discounting credit at year end 2022
- Driven by the change in discount rates during 2022 & impact of discounting on new liabilities more than offsetting discount unwind

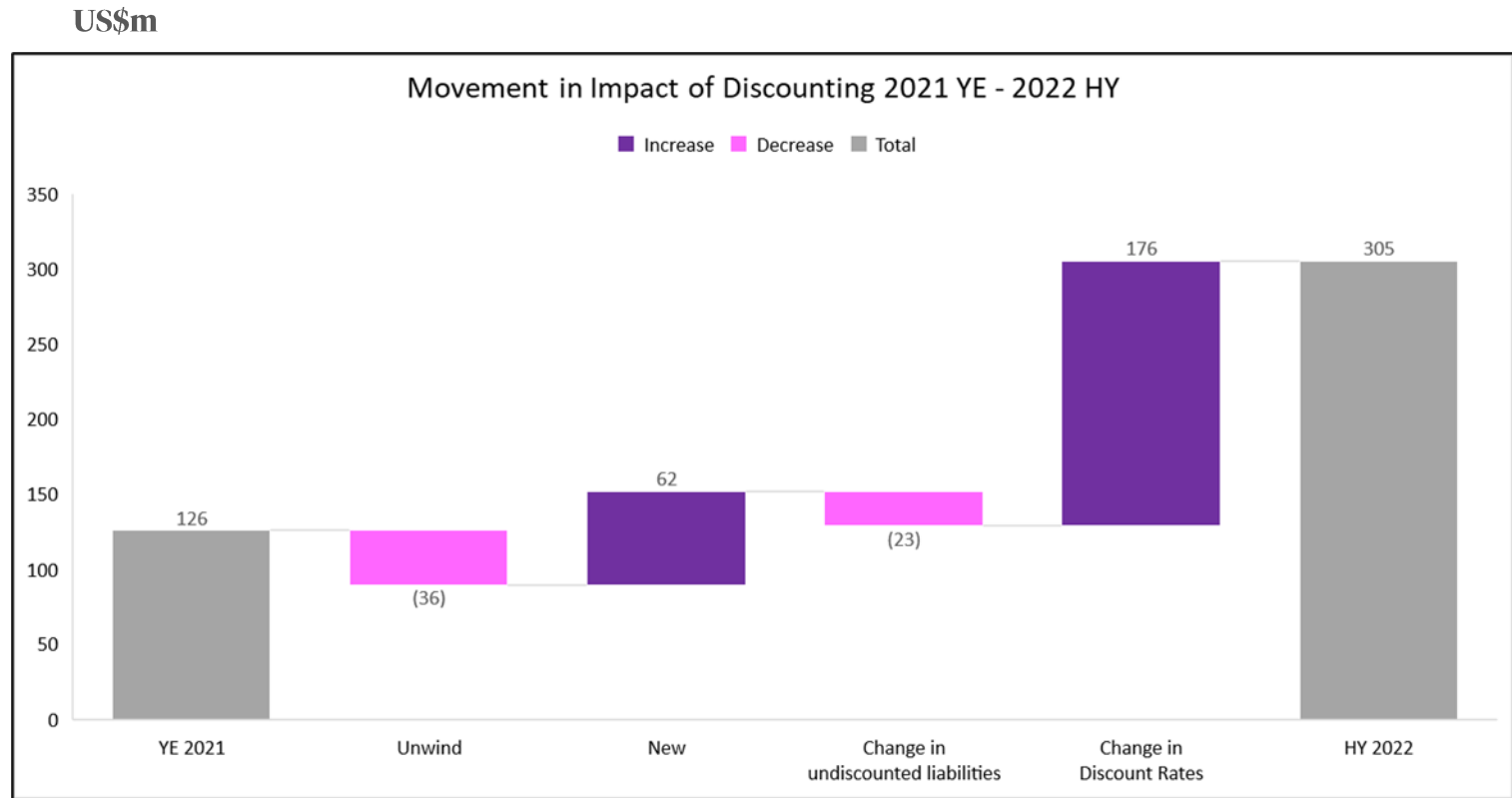
US\$m

Movement in Impact of Discounting YE 2021 - YE 2022



Discounting YE2021 to HY2022

- Significant increase in discounting credit also at half year 2022
- Driven by the change in discount rates during 2022 & impact of discounting on new liabilities more than offsetting discount unwind



Reserving

Maintaining a prudent reserving approach

IFRS 4

- We have employed a **consistent** and **prudent** reserving strategy
- Aim to hold a margin of **5%-10% above actuarial** (which itself includes a level of prudence embedded)
- At the end of 2022, the margin above the actuarial estimate was **5.3%**

IFRS 17

- Preferred reserve confidence level in the **80th to 90th percentile range**
- The level of reserve margin will be calculated on a **ground up basis** with consideration of the **compensation** we target for each line of business, in line with IFRS 17 principles
- Our year-end 2022 margin above the actuarial estimate of 5.3% equated to a confidence level at the **upper end** of our 80th to 90th percentile reserve confidence range

Impacts to Profit & Loss emergence

- The level of reserves and how they move over an accounting period will be driven by **different factors** under IFRS 17:
 - the **best estimate**
 - the level of **risk adjustment** (which we calculate using a **cost of capital** approach)
 - how this **releases** over time, and
 - the changes/updates to its **calibration**

How does this impact the 2022 IFRS 4 vs IFRS 17 comparatives?

Benefit to equity on transition as the reserves under IFRS 17 are lower relative to those under IFRS 4

Difference in the relative change in claims estimates from YE21 to YE22, resulting in a higher profit under IFRS 17 than IFRS 4

Split of reserve releases between H1 and H2 in IFRS 17 vs IFRS 4

Variation by division, based on risk profile and relative cost of capital

Comparing the IFRS 4 and IFRS 17 Profit & Loss

31 December 2022 Profit & Loss – IFRS 4 to IFRS 17

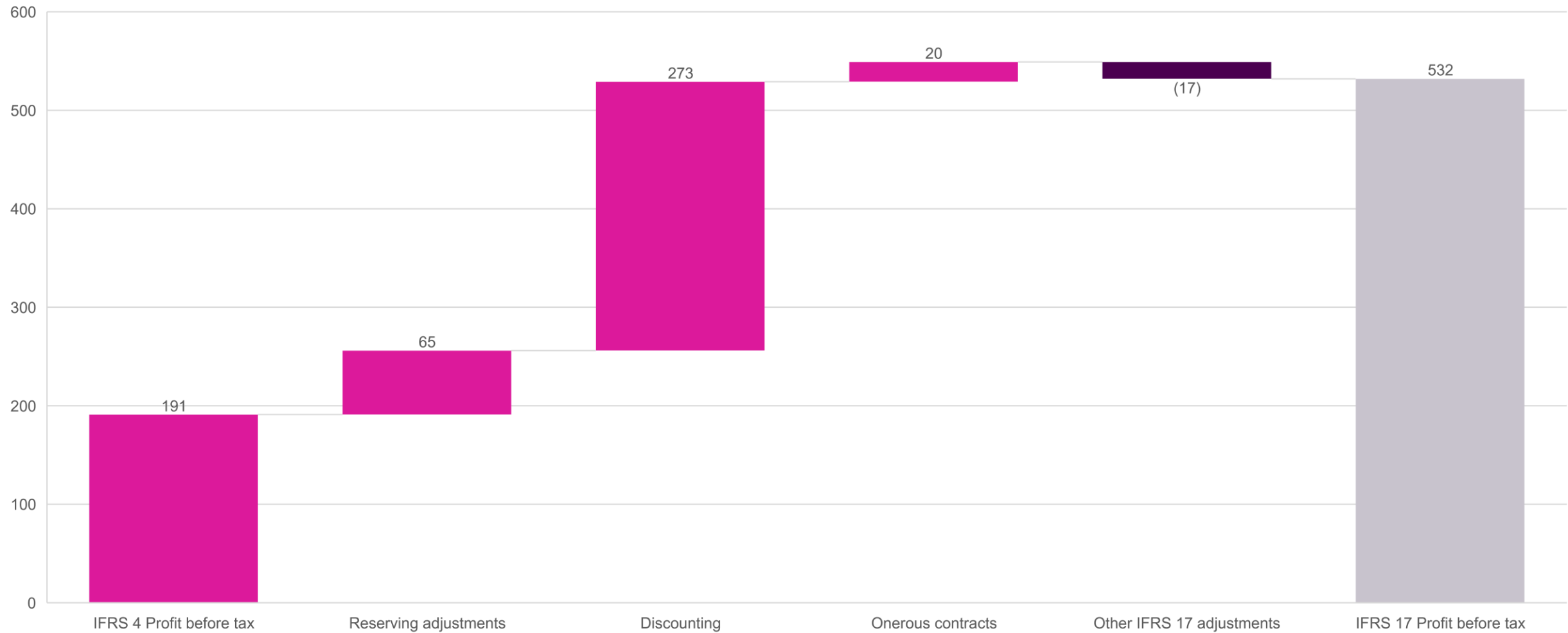
IFRS 4 PROFIT AND LOSS STATEMENT*	\$m
Insurance revenue	4,761
Insurance service expense	(4,302)
Allocation of reinsurance premium	(1,147)
Amounts recoverable from reinsurers for incurred claims	1,090
Insurance service result	402
Net Investment loss	(180)
Net insurance finance income	-
Net insurance and investment result	222
Other income	32
Operating expenses	-
FX Loss	(24)
Finance costs	(39)
Profit before tax	191

IFRS 17 PROFIT AND LOSS STATEMENT	\$m
Insurance revenue	4,808
Insurance service expense	(4,069)
Allocation of reinsurance premium	(922)
Amounts recoverable from reinsurers for incurred claims	983
Insurance service result	800
Net Investment loss	(180)
Net insurance finance income	212
Net insurance and investment result	832
Other income	32
Operating expenses	(284)
FX Loss	(9)
Finance costs	(39)
Profit before tax	532

* IFRS 4 result remapped to IFRS 17 captions

IFRS 4 to 17 FY 22 profit before tax walk

US\$m



Segmental – full year to 31 December 2022

IFRS 17 segmental (\$m)	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
Insurance revenue	1,008	211	958	808	1,823	4,808
Insurance service expense	(752)	(158)	(905)	(697)	(1,557)	(4,069)
Allocation of reinsurance premium	(196)	(27)	(226)	(132)	(303)	(922)
Amounts recoverable from reinsurers for incurred claims	202	26	313	110	332	983
Insurance service result	262	52	103	89	294	800

30 June 2022 Profit & Loss – IFRS 4 to IFRS 17

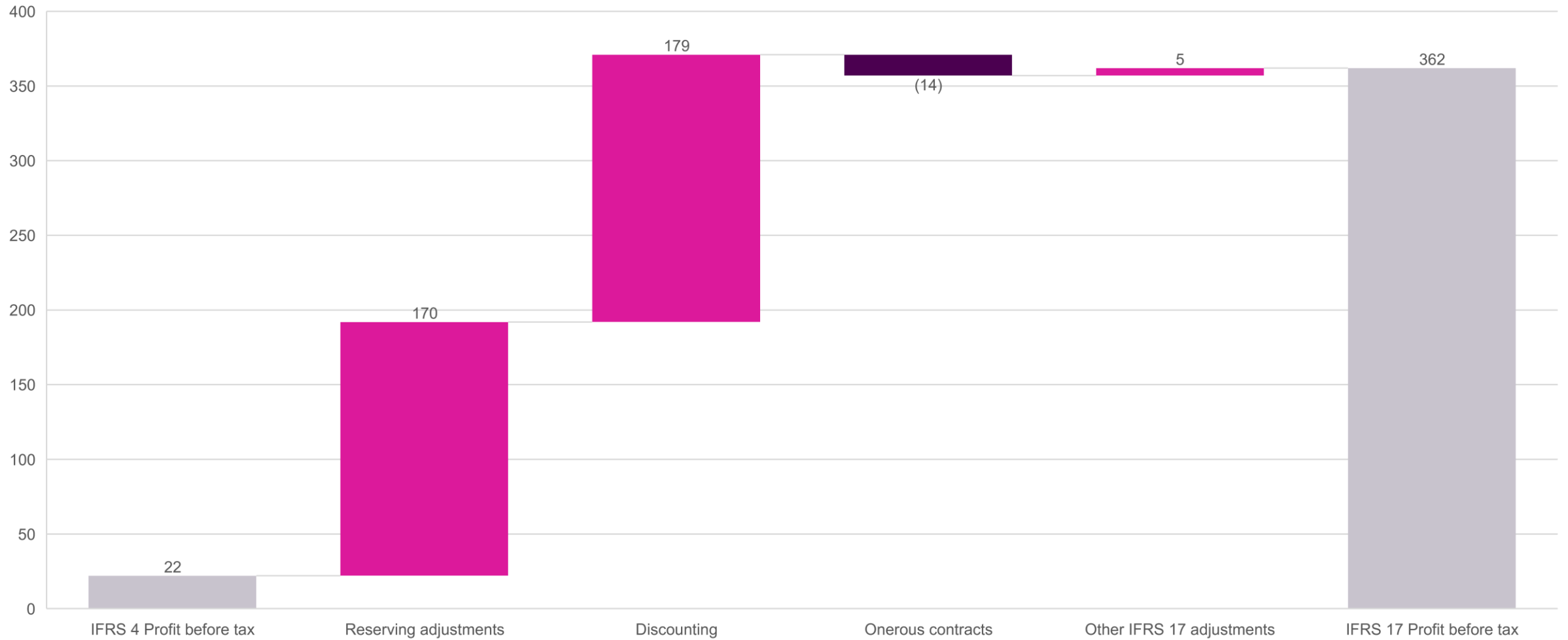
IFRS 4 PROFIT AND LOSS STATEMENT*	\$m
Insurance revenue	2,347
Insurance service expense	(2,133)
Allocation of reinsurance premium	(541)
Amounts recoverable from reinsurers for incurred claims	559
Insurance service result	232
Net Investment loss	(193)
Net insurance finance income	-
Net insurance and investment result	39
Other income	22
Operating expenses	-
FX Loss	(20)
Finance costs	(19)
Profit before tax	22

IFRS 17 PROFIT AND LOSS STATEMENT*	\$m
Insurance revenue	2,330
Insurance service expense	(1,839)
Allocation of reinsurance premium	(378)
Amounts recoverable from reinsurers for incurred claims	468
Insurance service result	581
Net Investment loss	(193)
Net insurance finance income	140
Net insurance and investment result	528
Other income	22
Operating expenses	(164)
FX Loss	(5)
Finance costs	(19)
Profit before tax	362

* IFRS 4 result remapped to IFRS 17 captions

IFRS 4 to 17 HY 22 profit before tax walk

US\$m



Segmental – six months 30 June 2022

IFRS 17 segmental (\$m)	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
Insurance revenue	428	99	420	392	991	2,330
Insurance service expense	(296)	(73)	(494)	(277)	(699)	(1,839)
Allocation of reinsurance premium	(91)	(16)	(83)	(46)	(142)	(378)
Amounts recoverable from reinsurers for incurred claims	128	13	162	8	157	468
Insurance service result	169	23	5	77	307	581

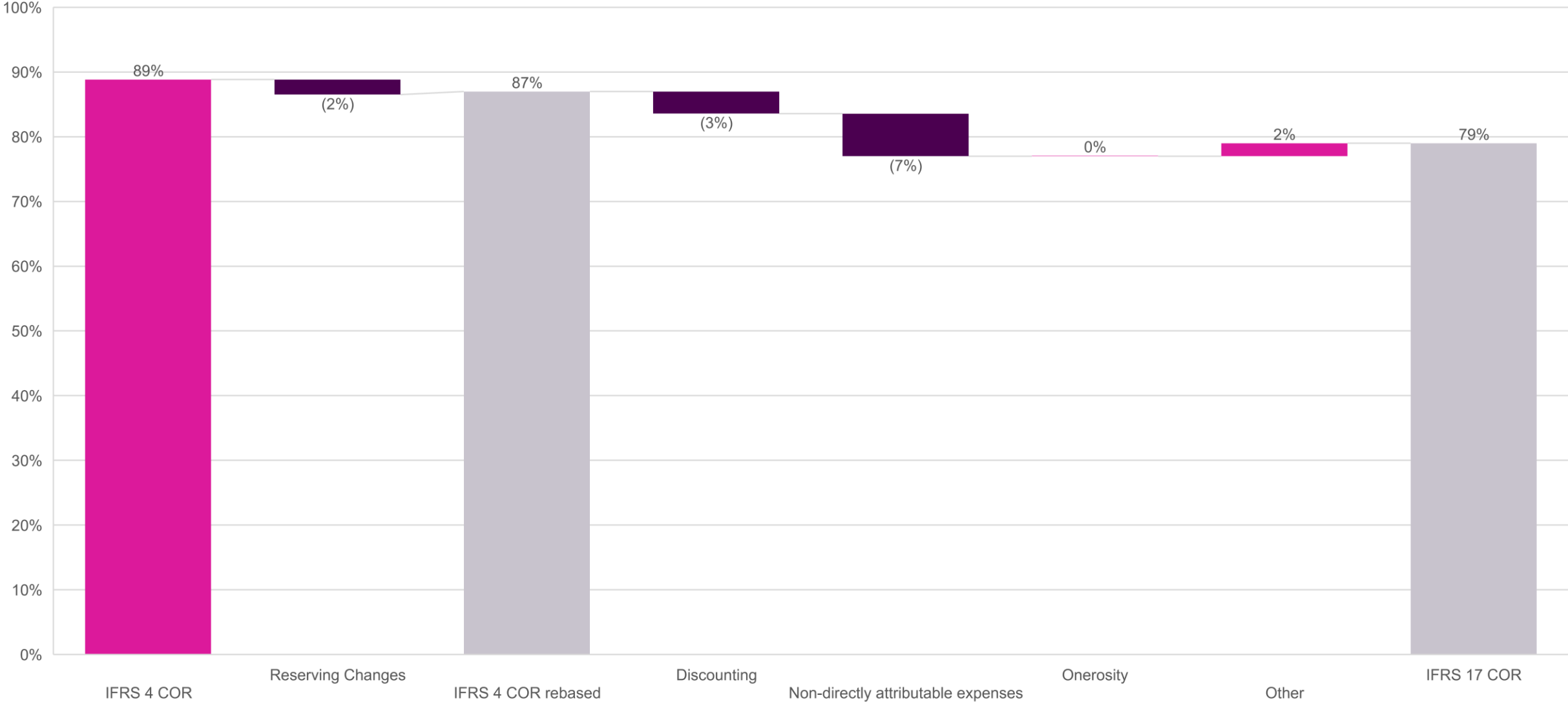
Combined ratio

Combined Ratio

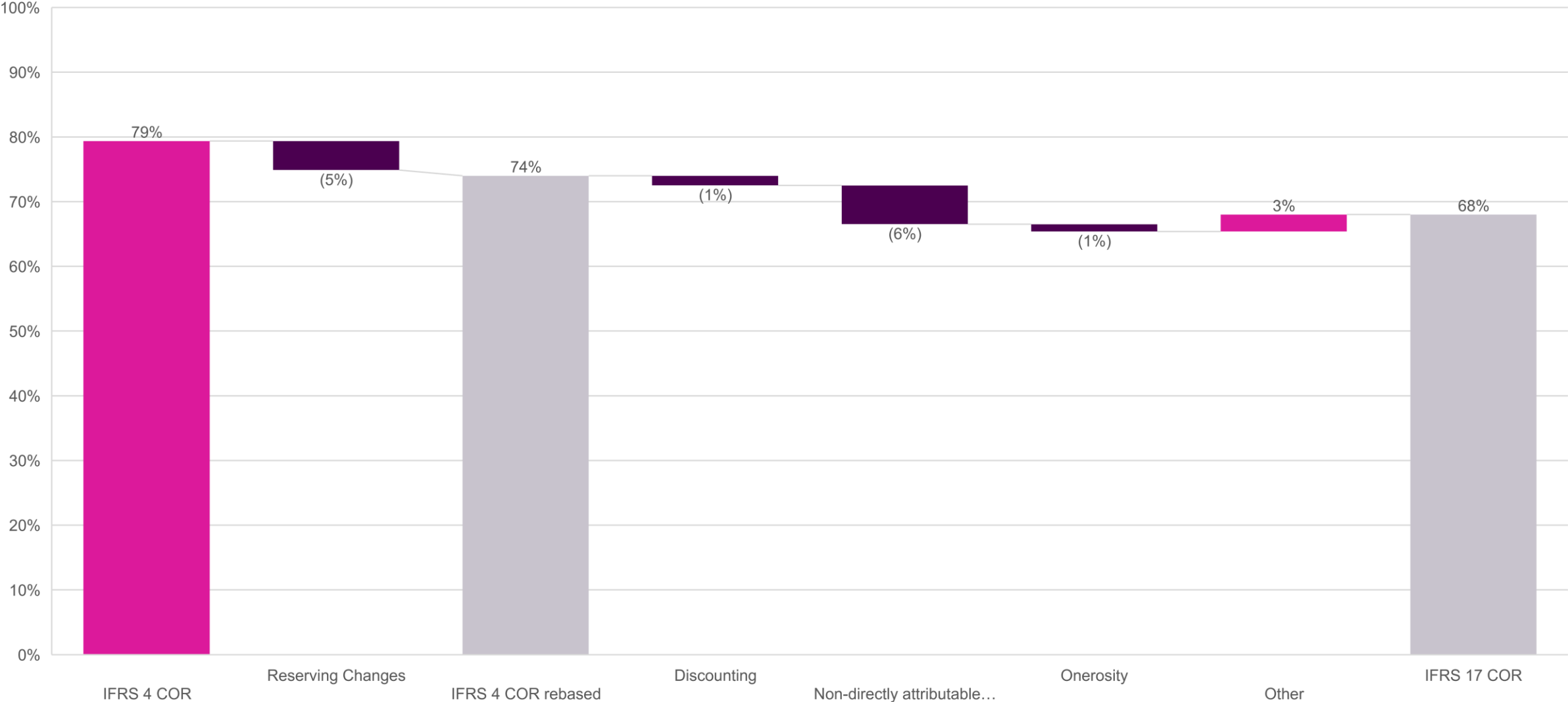
Insurance service expense
less amounts recoverable from reinsurers for incurred claims

Insurance revenue
less allocation of reinsurance premium

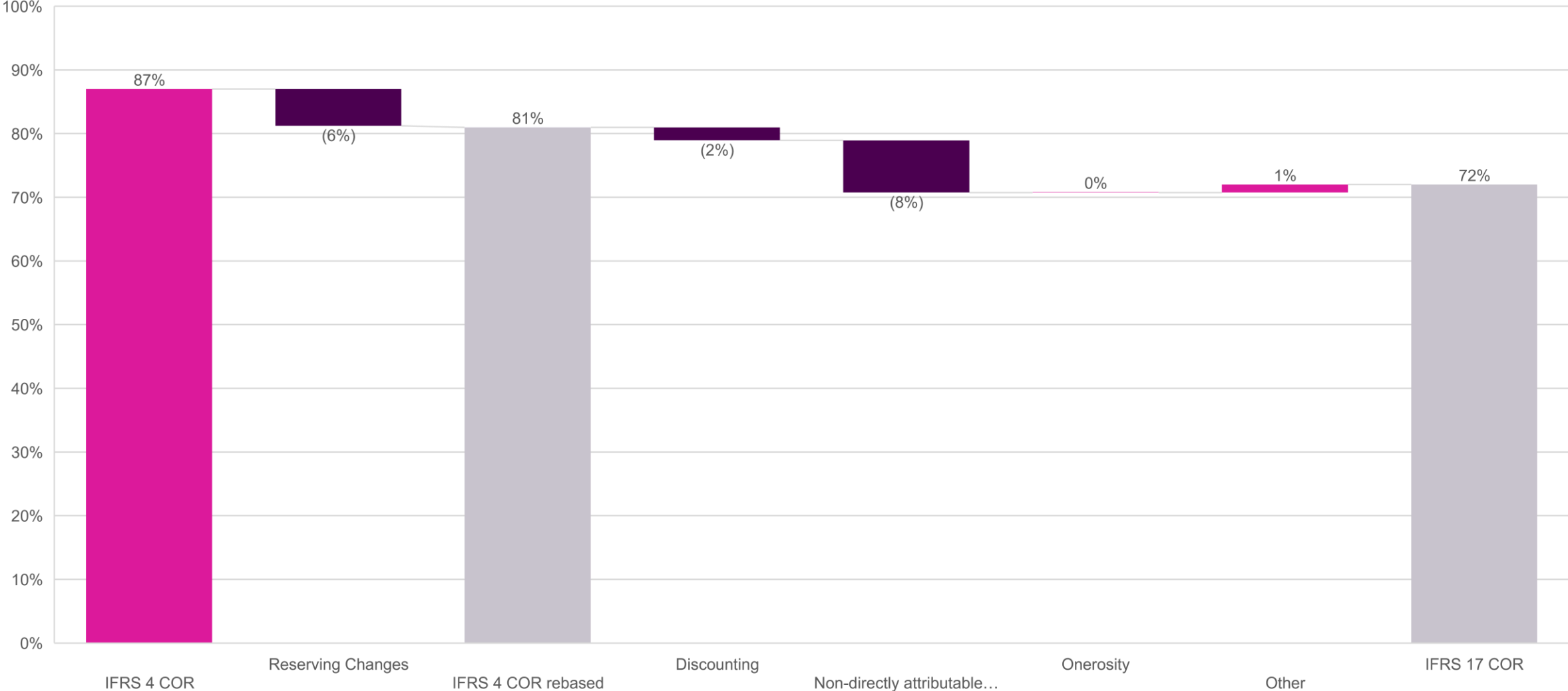
Combined Ratio – IFRS 4 to IFRS 17 as at 31 Dec 2022



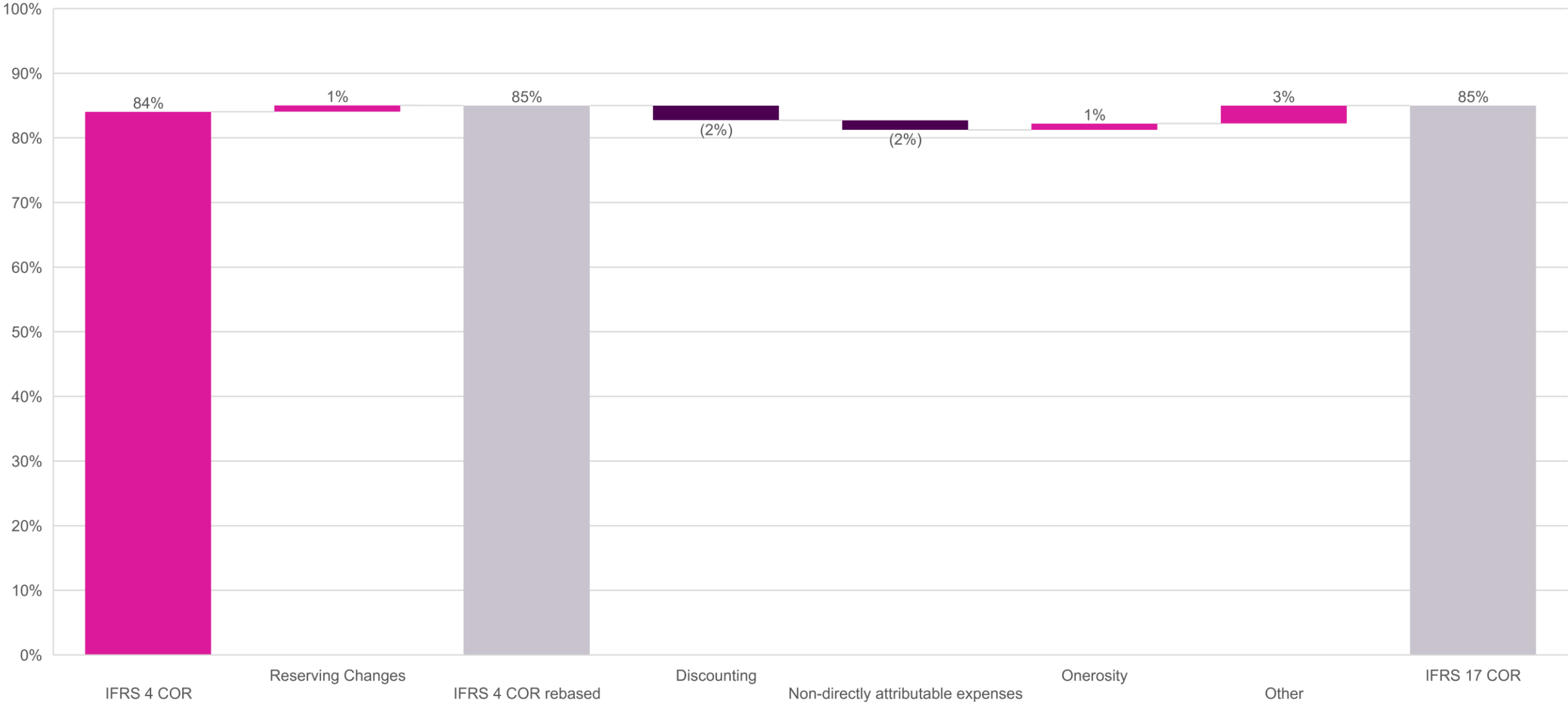
Cyber Risks - 31 Dec 2022



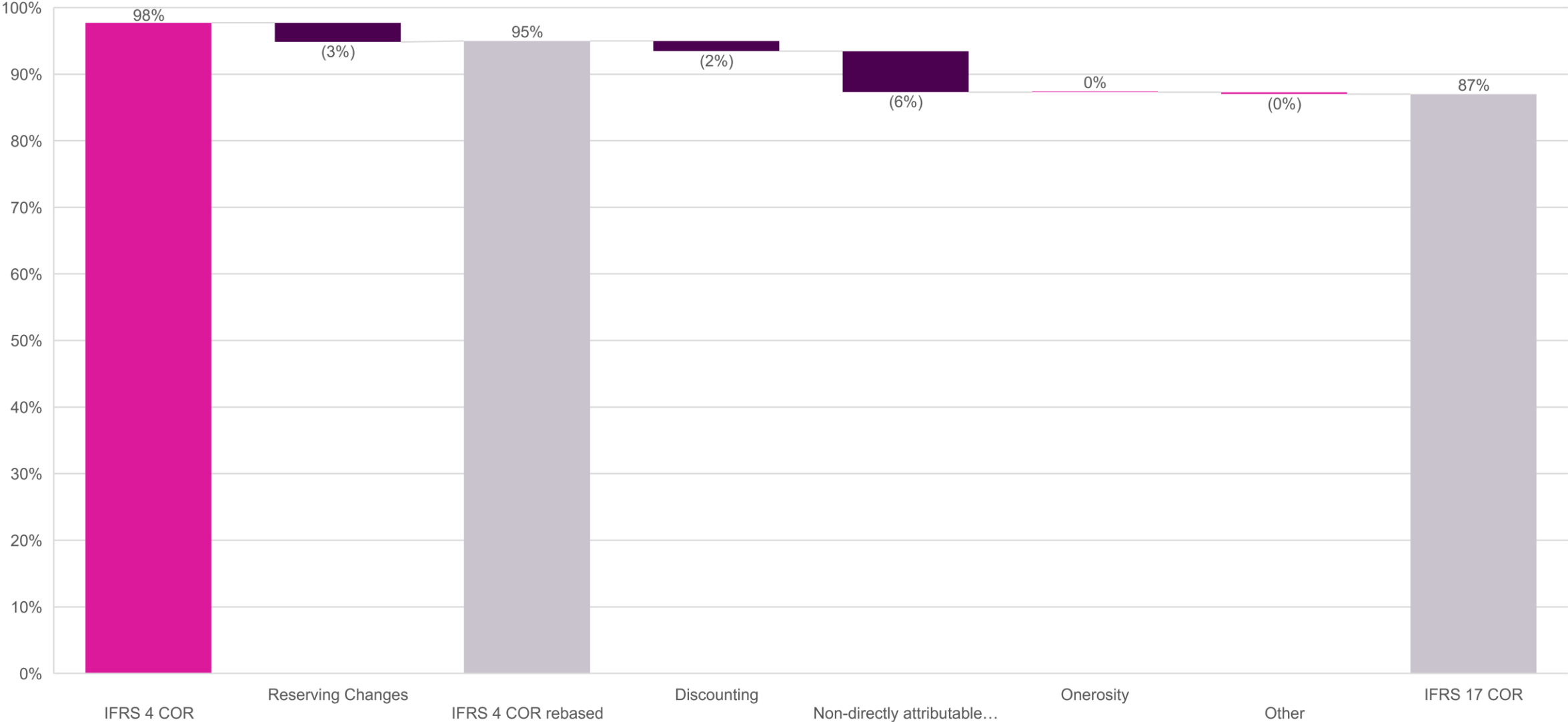
Digital - 31 Dec 2022



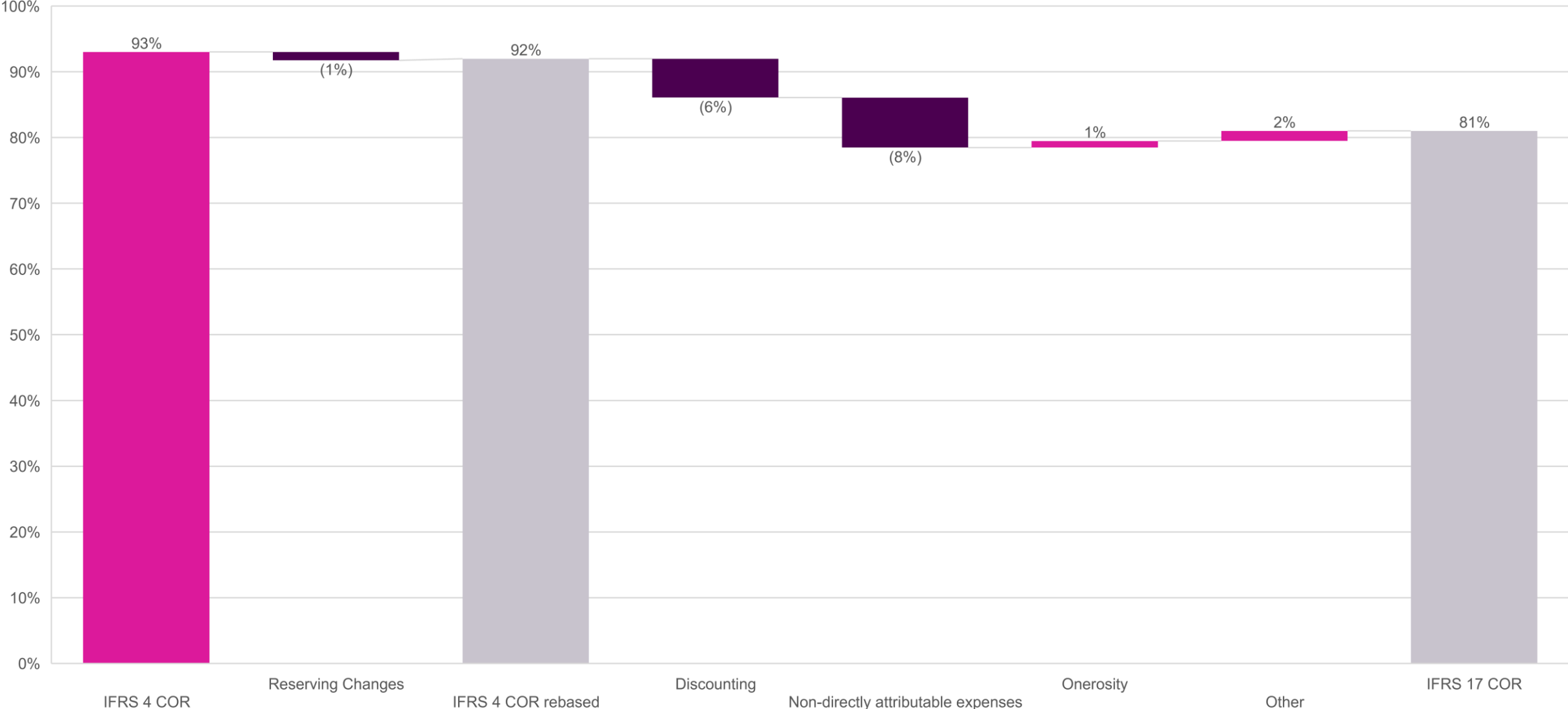
MAP Risks - 31 Dec 2022



Property Risks - 31 Dec 2022



Specialty Risks - 31 Dec 2022



Key takeaways



Key takeaways

Growth measure consistent under IFRS 17

Discounting increases FY 2022 profit by \$273m

(due to discounting of liabilities and interest rate movements across the year)

Reserve confidence level of 86% at FY 2022

COR under IFRS 17 of 79% at FY 2022

(due mainly to expense changes and discounting effects)

Questions