

Results for the year ended 31 December 2007

Tuesday, 26 February 2008

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Disclaimer

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Overview

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Overview

- Profit before tax and foreign exchange on non monetary items increased to £130.3m (2006: £96.2m)
- Profit before tax at £138.5m (2006: £86.8m)
- Return on equity of 28.0% (2006: 20.0%)
- Final dividend up 25% to 4p; special dividend of 4p
- Enterprise risk management upgrade to strong by S&P

Growth across the business

- US\$175.2m of business written through US (2006: US\$68.9m)

Healthy financial position

- Investment and cash balances up to £1,491m (2006 year end £1,168m); investment income at £64.9m (2006: £48.3m)
- Prior year reserve releases of £64.1m: (2006: £31.0m)
- Share buyback announced November 2007, 1.8% of issued share capital purchased to
25/2/08

Financials

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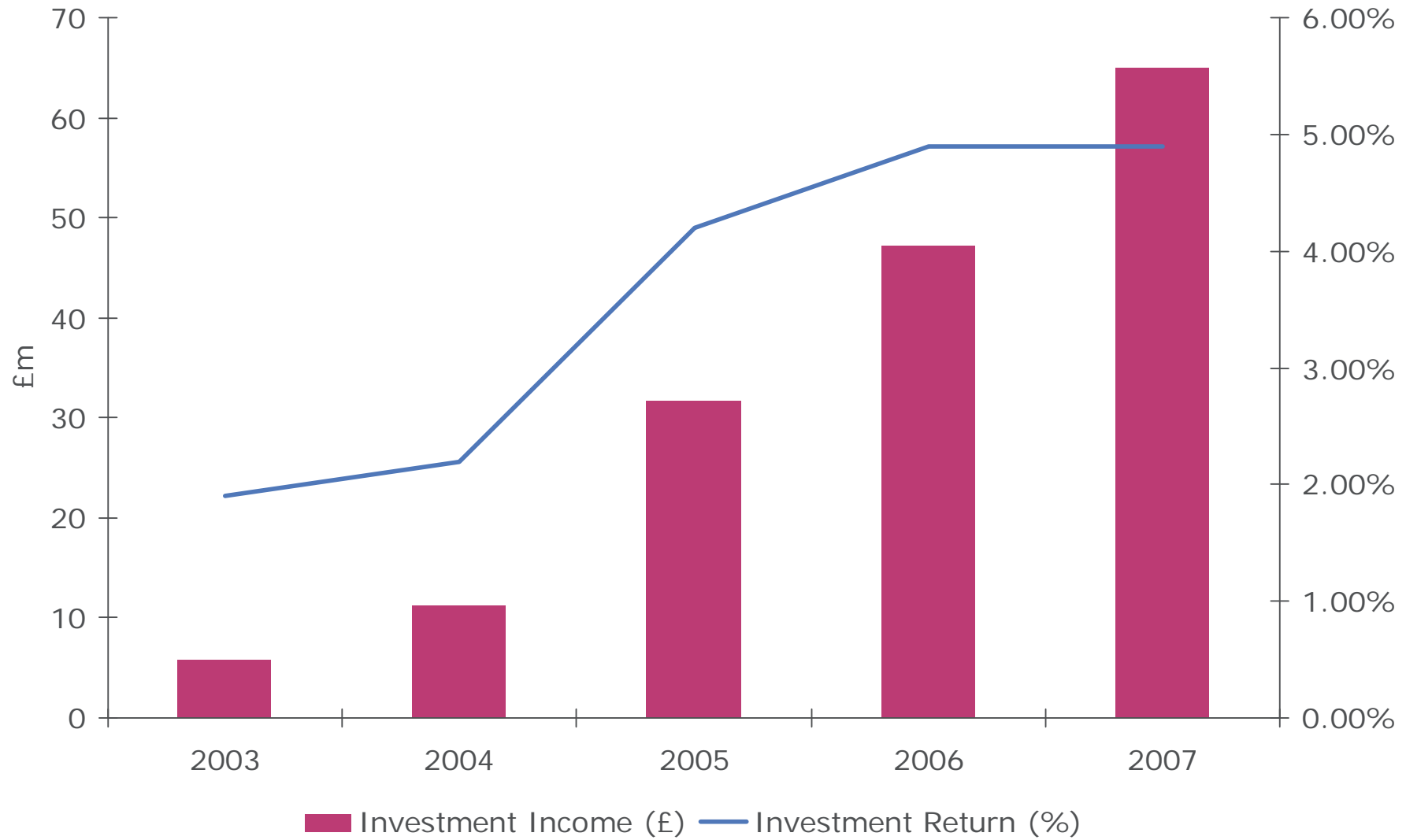
Performance

	Year ended 31 Dec 2007	Year ended 31 Dec 2006	% increase
Gross written premiums (£m)	780.5	745.1	5
Net written premiums (£m)	652.2	574.3	14
Net earned premiums (£m)	617.2	509.6	21
Profit before tax (£m)	138.5	86.8	60
Comprises:			
Profit before tax and foreign exchange adjustments on non monetary items	130.3	96.2	35
Foreign exchange on non monetary items	8.2	(9.4)	N/A
Earnings per share	28.1p	16.7p	68
Dividend per share	10.0p	4.8p	25
of which special dividend	4.0p	-	
Net assets per share	112.1p	89.8p	25

Performance (cont)

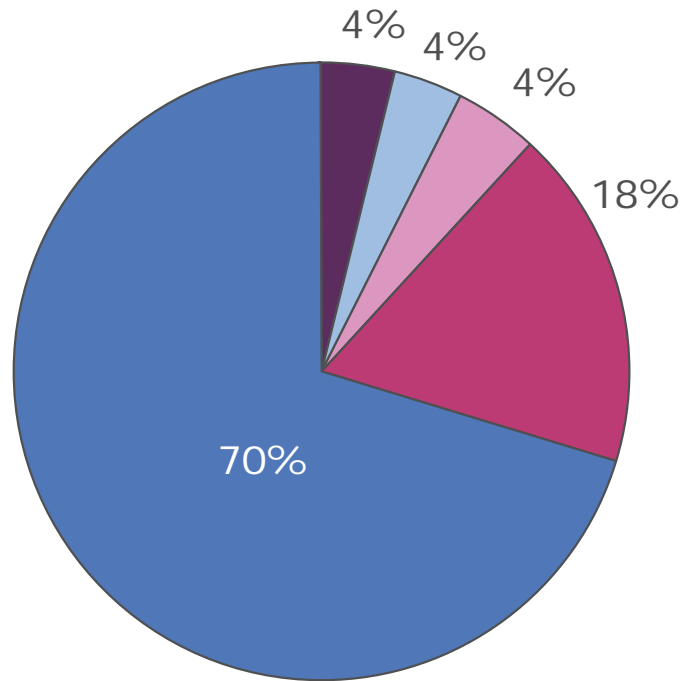
	Year ended 31 Dec 2007	Year ended 31 Dec 2006
Claims ratio	50%	53%
Expense ratio	38%	35%
Combined ratio	88%	88%
Rate increase/(decrease)	(4%)	6%
Investment return	4.9%	4.9%

Investments – income and return – continued strong growth



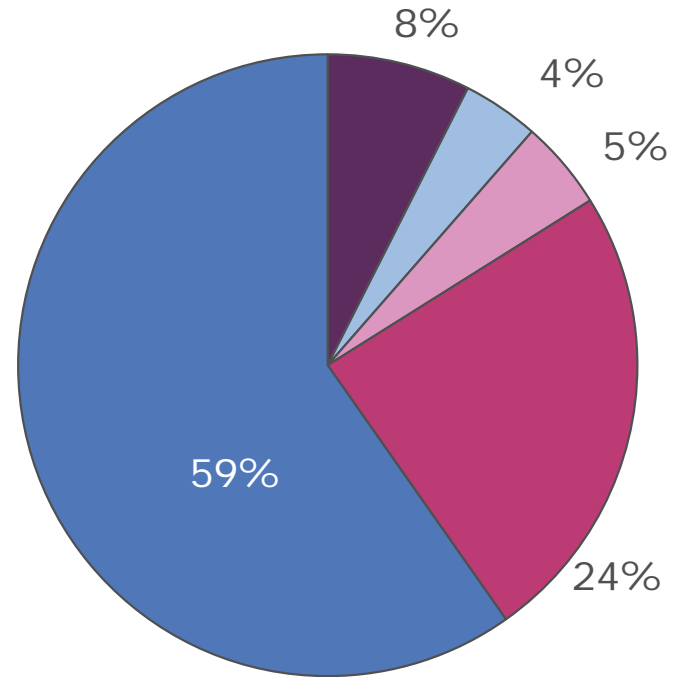
Investments – balance and composition – no major change

2006



£1,168m

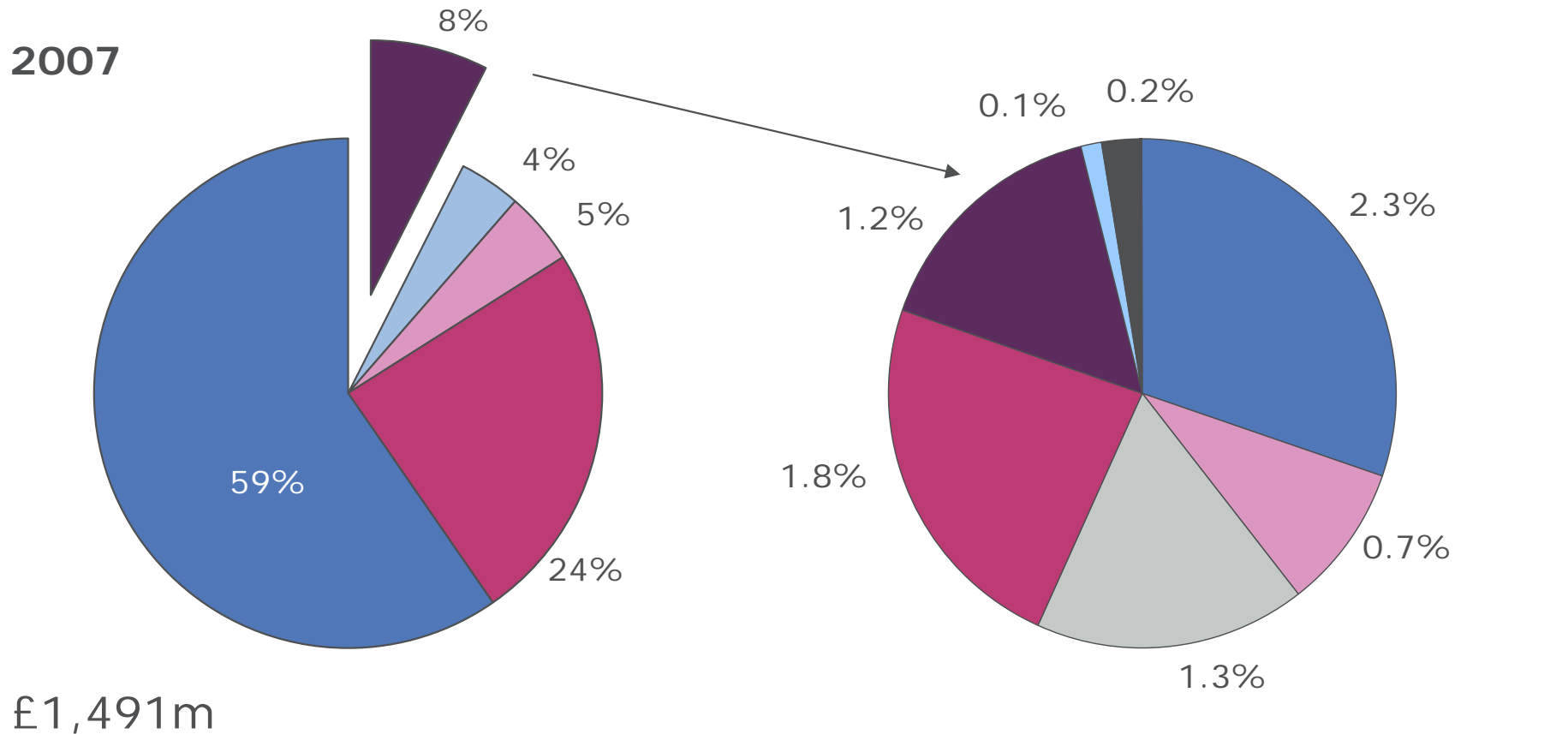
2007



£1,491m

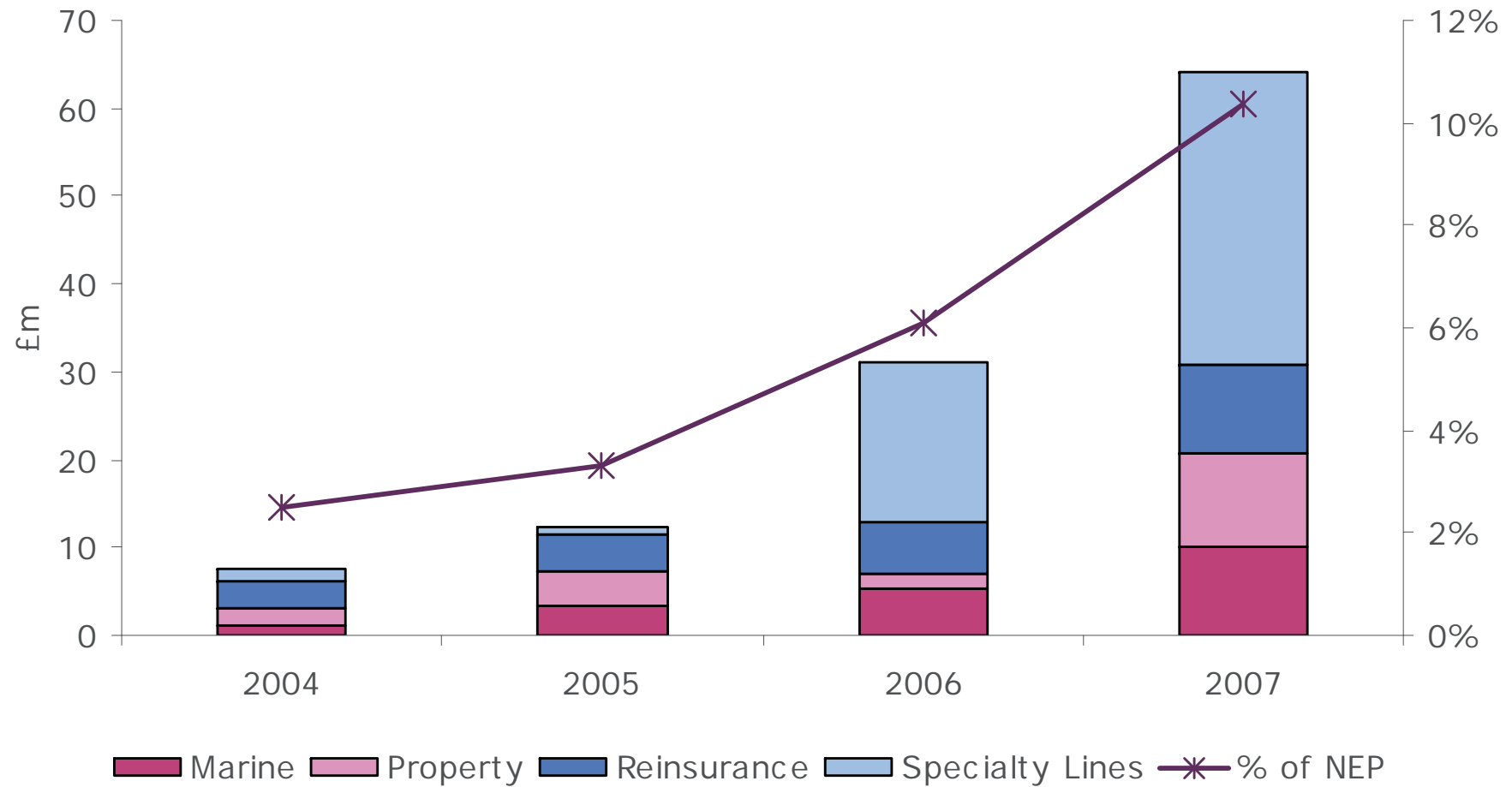
■ Asset Backed Securities ■ Equity ■ Hedge Funds ■ Cash ■ Bonds

Investments – analysis of asset back securities – limited exposure to sub prime

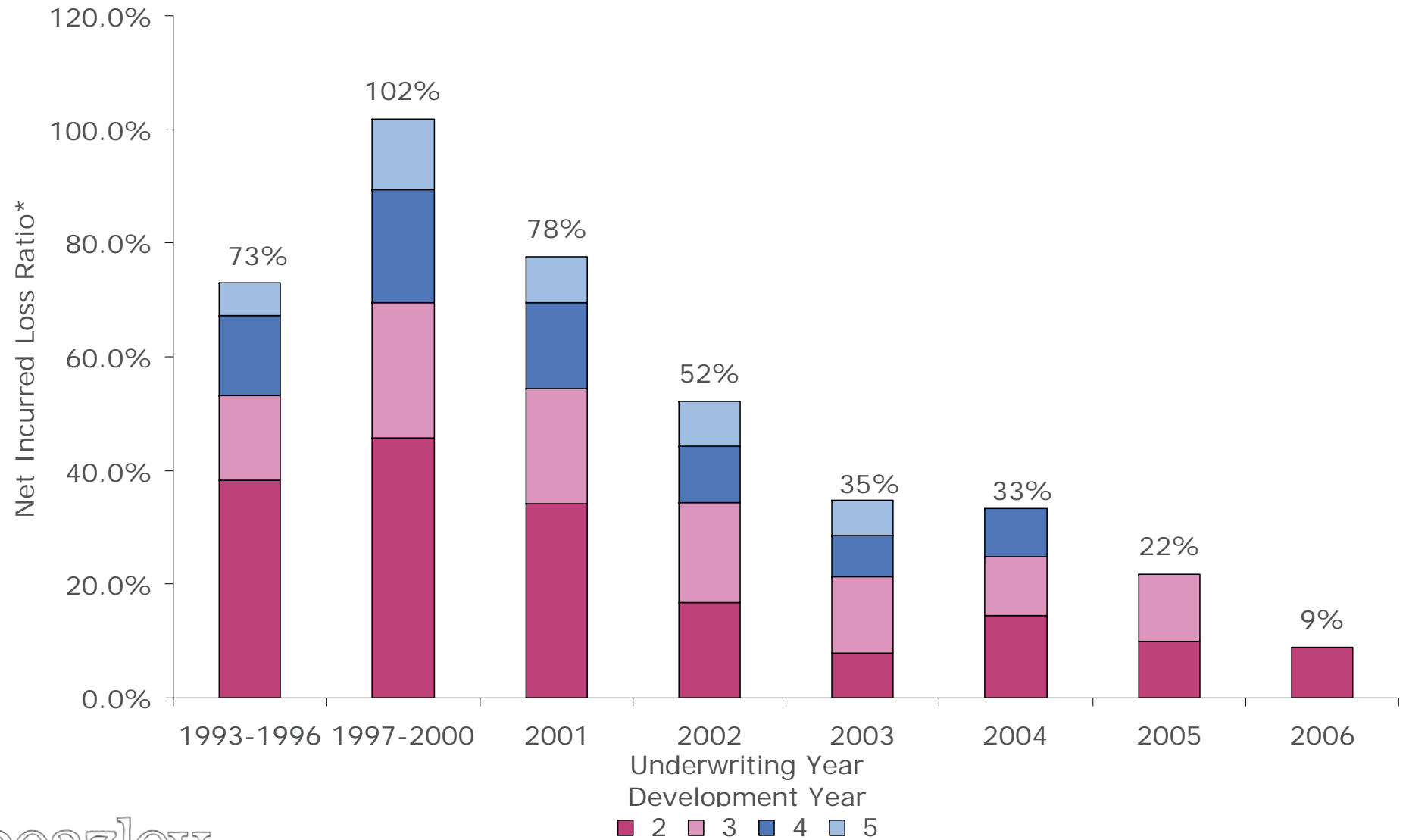


- Credit Card
- MBS
- Auto
- CMBS
- Home Equity
- Utility
- Equipment

Prior year reserve releases – growing contribution from Specialty Lines



Reserves – Specialty Lines: 2003 – 2006 developing well



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* Chart shows incurred claims as a percentage of premiums net of brokerage and reinsurance costs

Capital

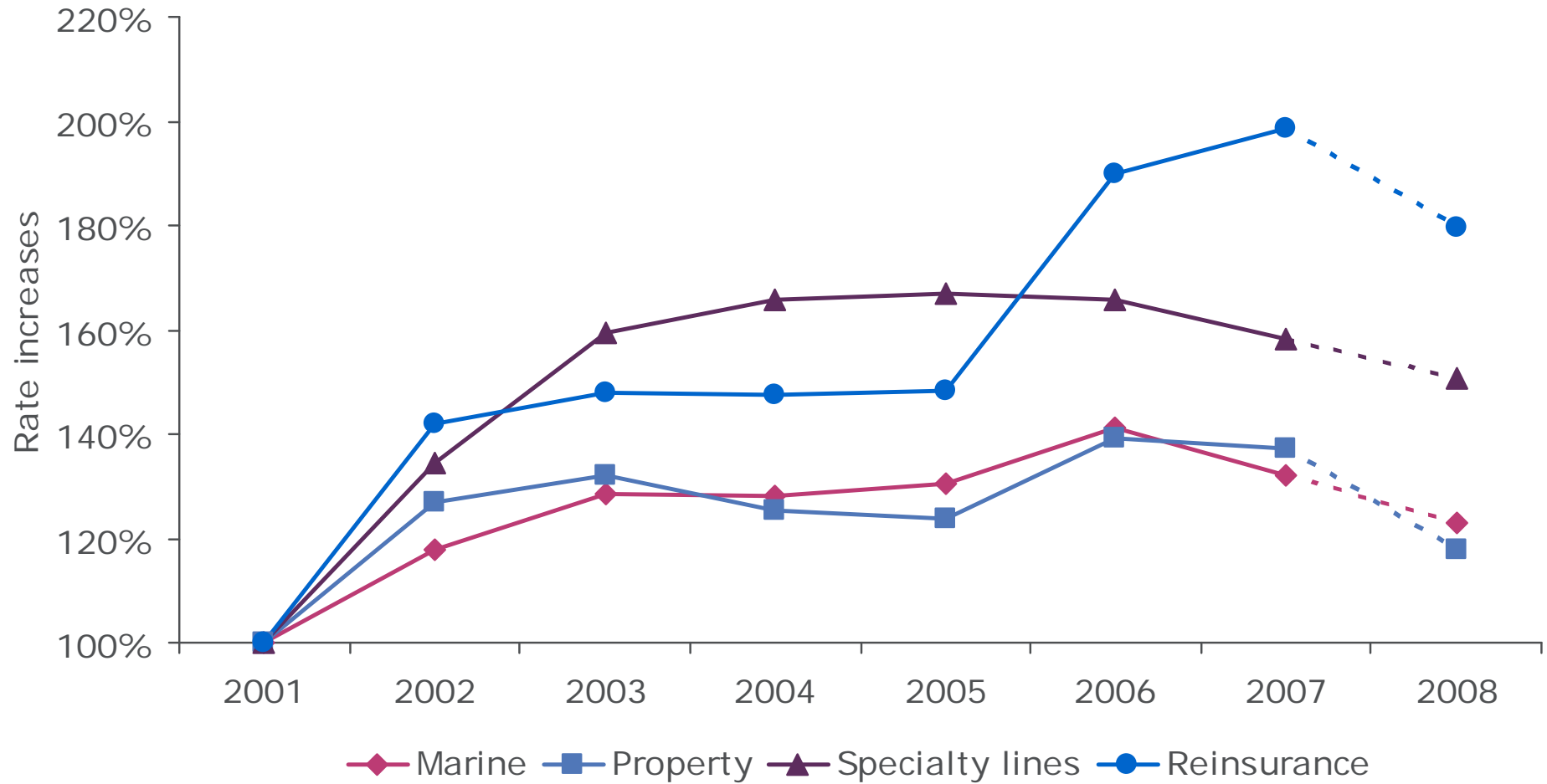
	2007	2006
<hr/>		
Sources of funds		
Shareholders funds (£m)	398.6	319.5
Debt (£m)	159.0	159.2
	<hr/> 557.6	478.7
Uses of funds		
Lloyd's underwriting (£m)	306.2	292.0
US Insurance Company (£m)	55.5	30.6
	<hr/> 361.7	322.6
Surplus (£m)	195.9	156.1
Unavailable surplus (£m)	(113.3)	(81.0)
	<hr/> 82.6	75.1
<hr/>		

Divisional review

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Rates

Cumulative rate changes since 2001



Specialty Lines

Year ended 31 December

	2007	2006	
Gross premiums written (£m)	394.9	361.0	• US operations generated \$134.6m (2006: \$57.3m)
Net premiums written (£m)	326.2	267.3	• US healthcare team enhanced through Sapphire Blue acquisition
Net earned premiums (£m)	286.5	234.6	• Claims reserves develop well enabling release of £33.4m
Claims ratio	59%	62%	• Award winning claims service
Rate decrease	(5%)	(1%)	
Percentage of business led	85%	81%	

Property

Year ended 31 December

	2007	2006
Gross premiums written (£m)	188.0	187.8
Net premiums written (£m)	157.4	149.9
Net earned premiums (£m)	158.0	123.1
Claims ratio	48%	54%
Rate (decrease) / increase	(2%)	13%
Percentage of business led	69%	69%

- US operations developing well - \$39.3m (2006: \$10.3m)
- Claims releases of £10.8m
- Reducing our exposure to UK homeowners
- Rates now under pressure

Reinsurance

Year ended 31 December

	2007	2006
Gross premiums written (£m)	57.8	58.4
Net premiums written (£m)	49.6	40.5
Net earned premiums (£m)	45.9	42.1
Claims ratio	35%	33%
Rate increase	5%	28%
Percentage of business led	29%	32%

- Rates under pressure in second half of 2007
- Less reliance on retrocessional reinsurance
- Claims releases of £9.9m
- Limited losses from Windstorm Kyrill and UK floods

Marine

Year ended 31 December

	2007	2006
Gross premiums written (£m)	139.8	137.9
Net premiums written (£m)	119.0	116.6
Net earned premiums (£m)	116.1	101.5
Claims ratio	39%	44%
Rate (decrease) / increase	(7%)	9%
Percentage of business led	56%	51%

- Growth in marine hull and marine liability insurance
- Claims reserves developed well enabling £10m of claims releases

Beazley in the US

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Beazley in the US - rationale and achievements

Rationale

- Access to smaller scale business – both admitted and non-admitted
- Diversifies our overall portfolio, particularly by size of risk
- Cycle management - small admitted market risks are less volatile
- Opportunity to leverage existing skills and brand to win business from smaller clients
- We have a distinctive value proposition within the US admitted market – less hierarchical, more experienced underwriters

Achievements

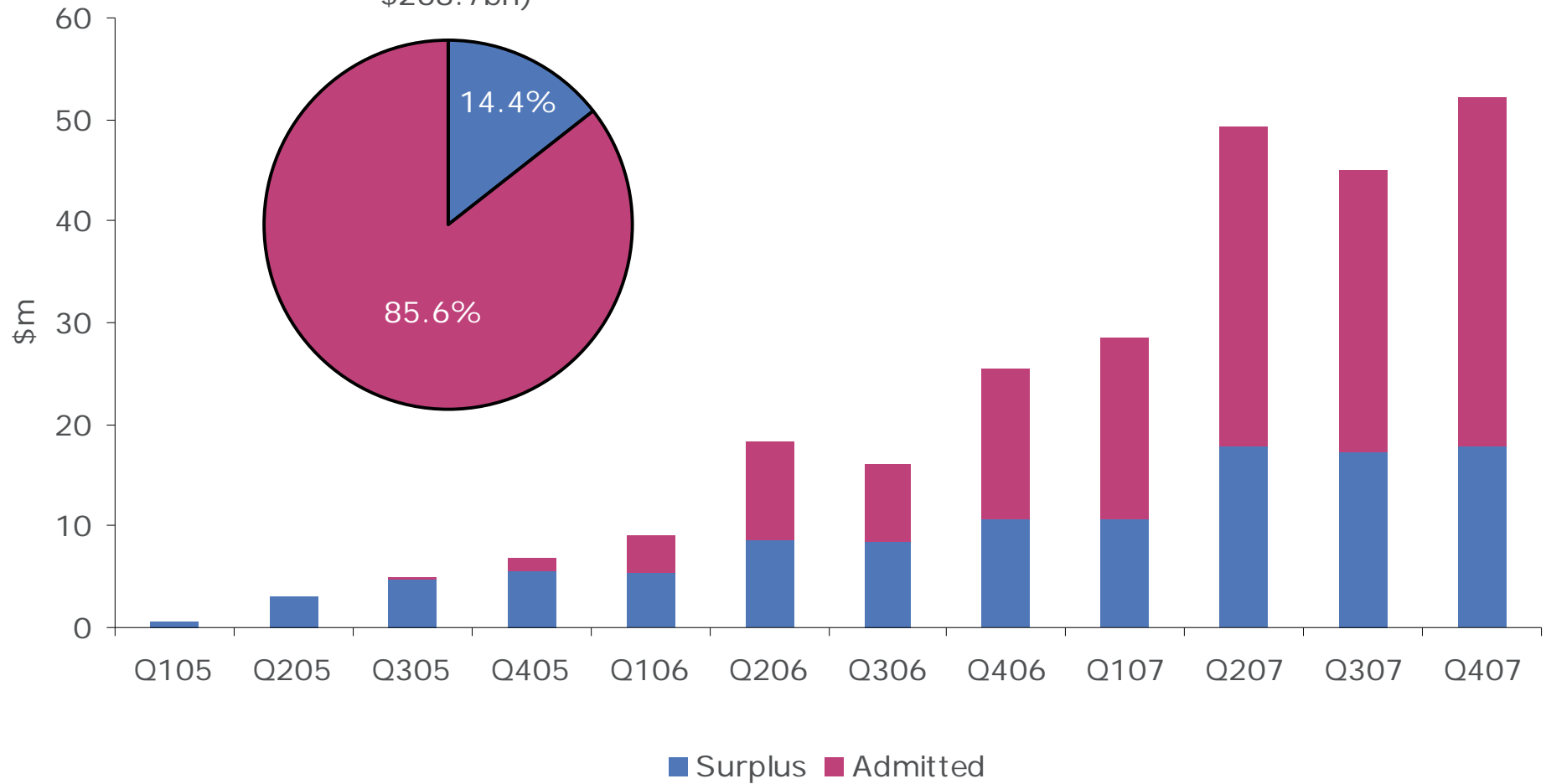
- US\$175.2m of premiums written (2006: US\$68.9m)
- Admitted commercial property launched in February 2007
- Target for 2008 of US\$250m
- AM Best rating of admitted carrier upgraded to A from A-

Key indicators – US continues to gain momentum

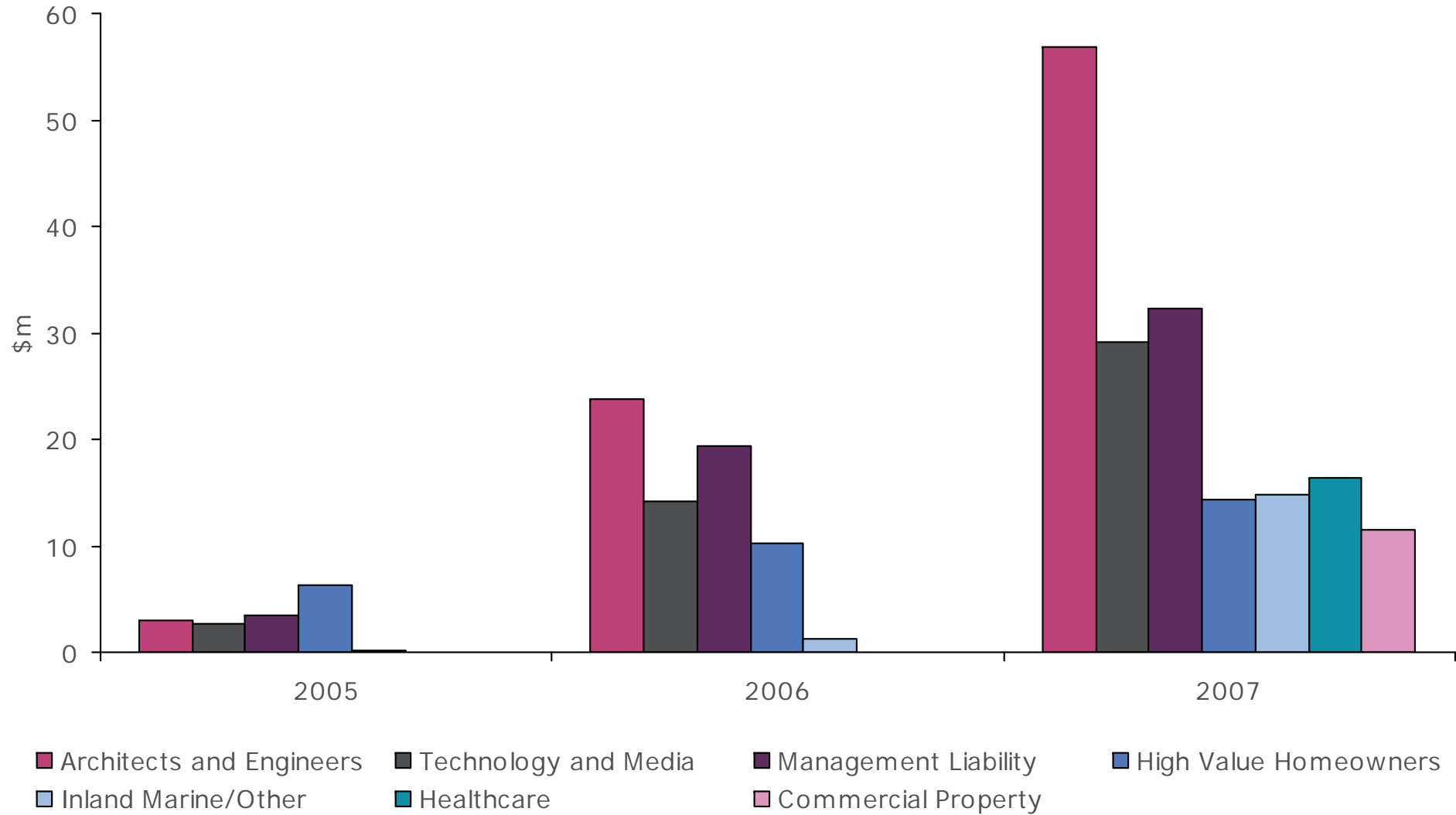
	2005	2006	2007
Gross premiums written (\$m)	15.4	68.9	175.2
Admitted	1.6	35.9	110.9
Surplus	13.8	33.0	64.3
US admitted capital (\$m)	49.7	60.1	105.4
Employees	45	111	153
Offices	8	10	11
AM Best rating	A-	A-	A

Gross written premiums by type - access

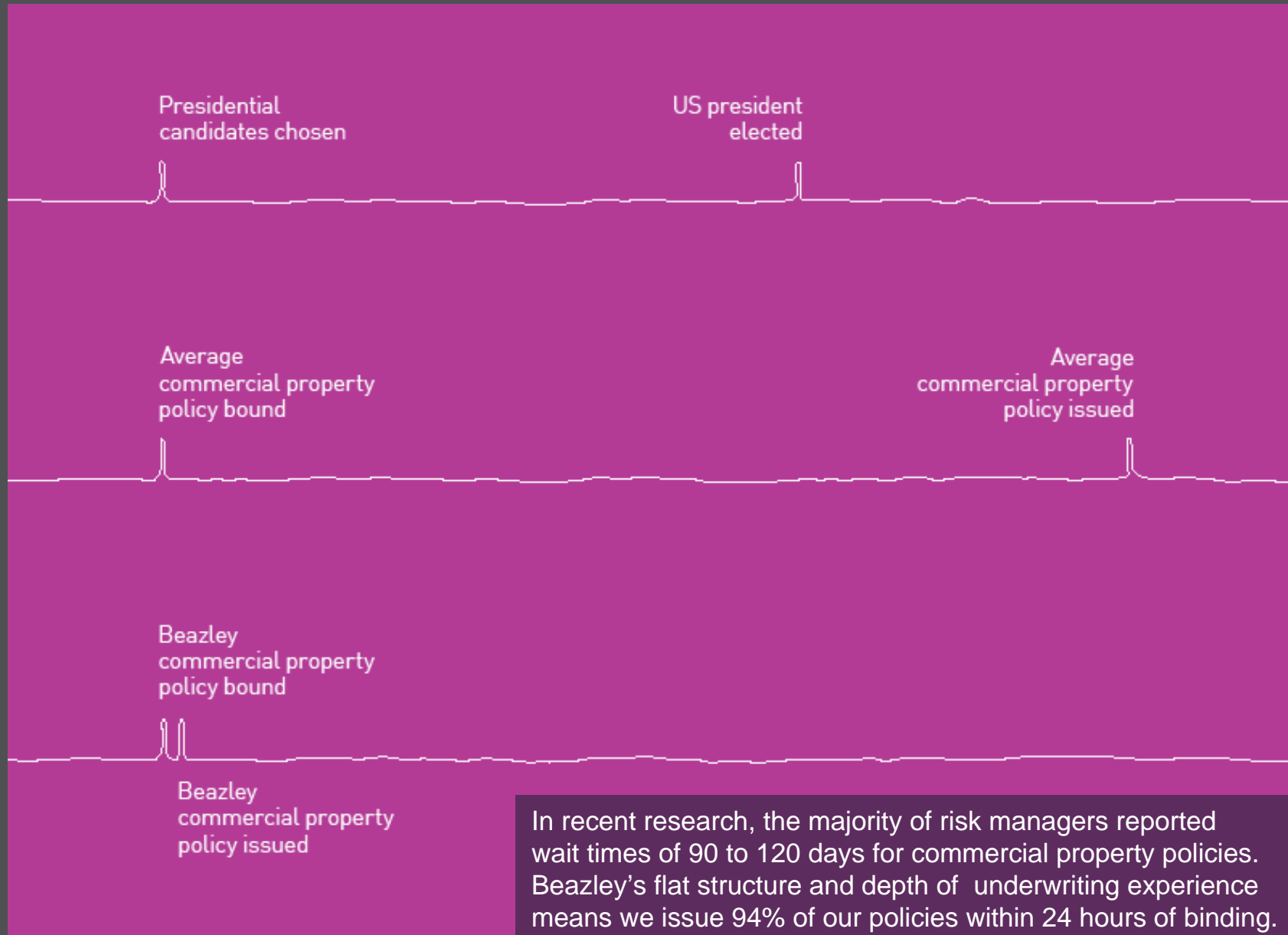
US Admitted and Surplus Lines Markets, 2006 (Total = \$268.7bn)



Gross written premiums by product



Greater marketing in admitted market opportunities



Risk management

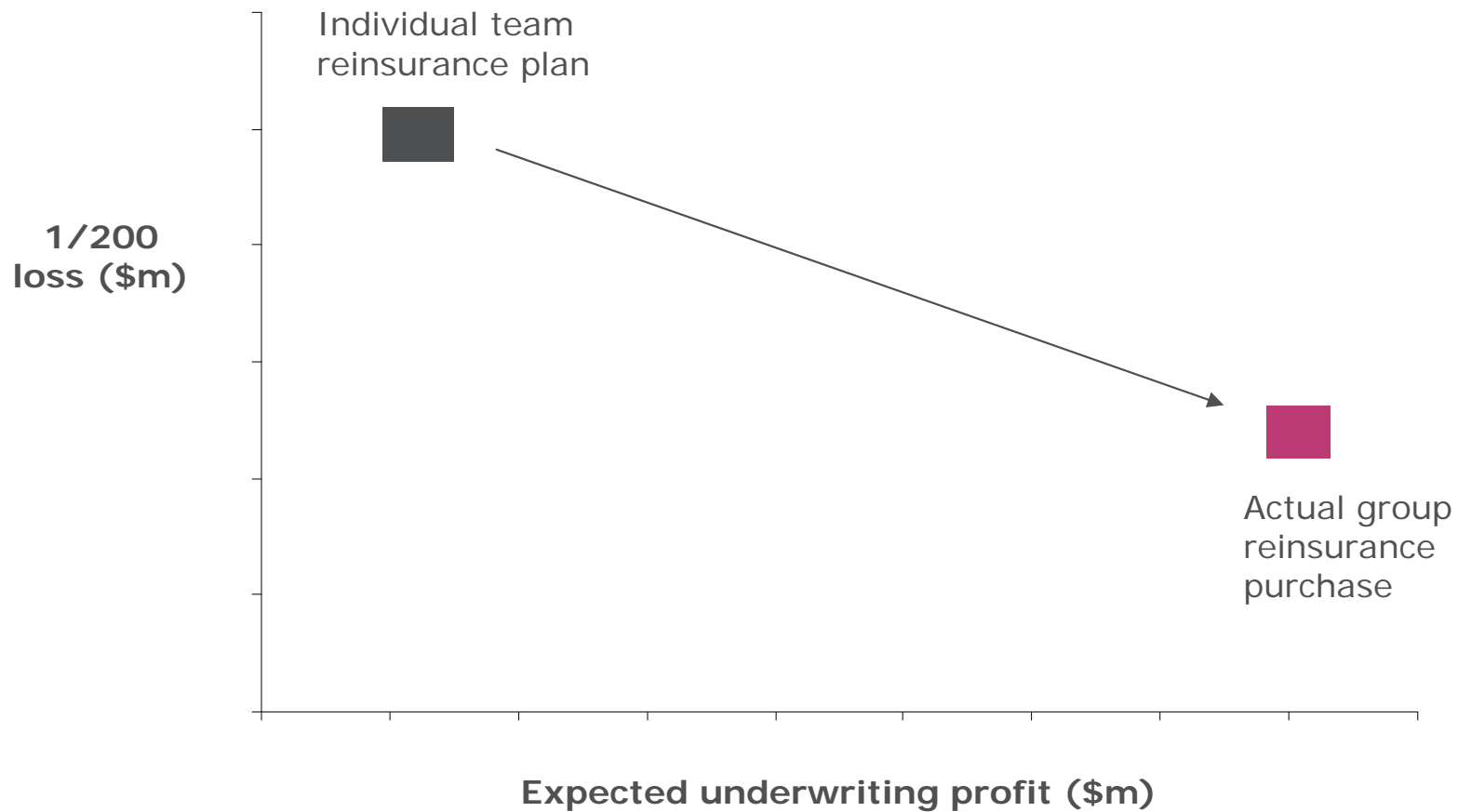
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Risk appetite is an asset

- Historically our focus was on controlling downside
- ICA was a catalyst to join up thinking between underwriters, claims, actuarial, reinsurance, risk management and finance
- Increased use of the risk model in decision making has improved our understanding of the risk versus reward ratio
- Risk appetite is a key asset of our business
- S&P have rated our Enterprise Risk Management as “Strong”

Risk optimisation - reinsurance example

Better understanding of diversification benefits between teams has reduced reinsurance spend and increased profit with no change in volatility



Embedded risk management

- Our business is based upon controlled informed risk taking
- A strong risk management culture has always been embedded in our business so that everyone takes responsibility for managing risk
- Our risk management function operate as a 'go to' team for the business, ensuring rigorous procedures but deliberately avoiding a policeman mentality

Outlook

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Outlook and strategy

Outlook

- Group in good shape, based on our current market position, strategic focus and depth of team experience
- Rates in most areas under pressure, from historically high levels. Planning for further softening in 2008, drawing upon our risk analysis capabilities and 21 years' experience of cycle management
- Claims estimates should develop well

Strategy

- Continued diversification into smaller scale business as market softens
- Focus on organic growth, while considering targeted small scale acquisitions (teams, MGAs, etc) that round out portfolio and fit with our culture
- Continue investment in claims

Any questions?

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