

Chairman's statement



Joseph Sargent
Chairman

We have weathered some of the toughest times that Lloyd's has ever seen – and our underwriting operations continue to remain profitable. We believe this is due to our specialist underwriting approach, timing of growth and discipline.

Recent market conditions have contributed to the Group increasing its capacity from £125m in 2000 to £660m in 2003. This increase has been driven by our need to service our existing client base and meet demand for new business.

2002 – an exciting year

It is with great pleasure and enthusiasm that I enclose the first Beazley Group plc financial report. Since we began trading in 1986, we have grown to become an established lead underwriter in the main lines of business within our four divisions: Property Group, Specialty Lines, Reinsurance and Marine. But one of the highlights in our history must surely be our successful Initial Public Offering (IPO) on 12 November 2002 – despite a challenging stock market backdrop.

Our company has been built on a solid business strategy and we are very proud of what we have achieved to date. With a management that has remained largely unchanged for the greater proportion of these past 16 years, our strategy is to continue to expand whilst offering good long-term returns to our investors. Our stable and experienced foundation has meant we've been able to build strong business relationships; our clients appreciate the fact that we are independent and offer speedy and firm responses to the pricing of risk.

For each year throughout our history, we have returned a profit to our syndicate capital providers. In a somewhat turbulent environment, the current excellent underwriting conditions assisted Beazley to expand its capacity to £660m in 2003. Strong rate increases in all four of our specialist underwriting departments, coupled with a low level of losses, indicate healthy financial performance.

The Beazley Group achieved a small profit of £770,133 before tax and exceptional items. The exceptional expenses of £1,932,816 relate to one-off professional fees and debt redemption costs incurred in the lead up to the IPO (these were charged to the profit and loss during this period). During the same period, the proceeds from the IPO have significantly increased the net asset position of the Group. The net assets per share at 31 December 2002 were 63p. The reporting period is for the six months ended 31 December 2002, and only reflects the six-month period as the accounting reference date was changed to 31 December.

No underwriting activities for Beazley Underwriting Ltd are included in the result for the six month period as participation on syndicate 2623 only commenced on 1 January 2003. Therefore only the results of the agency business have been shown in the financial statements.

Our syndicate results for the 12 months to 31 December 2002 are also noteworthy. While the syndicate's results are not included in the Group result to 31 December 2002, these results are, nevertheless, a useful reference point

going forward. Gross written premium increased by 23% to £438m for the 12 months ended 31 December 2002. Net written premium increased by 7% to £289m during the same period. The claims ratio improved from 75% in 2001 to 60% in 2002; this was brought about by a lower loss frequency, rate increases and continued conservative reserving. The improvement in claims ratio was also driven by World Trade Centre (WTC) events, with this event contributing 9% to the claims ratio in 2001. The impact of the WTC loss was material but net and gross exposures remain within our original expectations.

As stated in the prospectus dated 7 November it is anticipated that the company will commence paying dividends with effect from the interim results for the six months to June 2003, which are expected to be announced in September 2003.

What does the future hold?

Our strategy is to capitalise on the current market conditions to position ourselves with a high quality portfolio in a financially efficient environment. We will achieve this by continuing to focus on risk taking and access. We believe that this will result in good long-term returns for our shareholders.

We strongly feel that prospects for the foreseeable future are good. Rates continue to increase in certain areas. This rating environment offers the potential for healthy underwriting returns. Recent trading conditions have been very favourable for premium rates during a period where there has been a particularly low loss climate.

We believe there is a significant opportunity to grow the business within our existing areas of expertise. In addition, as the market dislocation continues, there will be opportunities to attract underwriting talent in specific areas that are complementary to the existing portfolio.

The board

The board welcomes Dudley Fishburn currently Chairman of HFC Bank and non-executive director of Philip Morris Inc. who, in his capacity as non-executive director, brings international public company and corporate governance experience.

As I am 73 years old, I will be resigning from the position as Chairman of the Group at the annual general meeting in June 2003. I have had a delightful association with the Group since 1993 during a period of consistency in earnings and growth in business. I am looking forward to remaining a non-executive director of the Group, and it is with pleasure that I welcome Jonathan Agnew, also chairman of Nationwide Building Society, in taking the reins going forward.

I would like to take this opportunity to thank all of those at Beazley for their continued hard work and passion. Beazley's reputation and skills look certain to flourish and I look forward to the Group's continued success.

Joseph Sargent
Chairman
23 April 2003