

BEAZLEY

7 November 2002

NEWS RELEASE

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Flotation of Beazley Group plc

Placing of £150 million

Beazley Group plc today announces a Placing and publication of the Prospectus in relation to its forthcoming Admission to the Official List and to trading on the London Stock Exchange's market for listed securities.

The Placing will value Beazley at £167.5 million. Trading is expected to begin on 12 November 2002.

Highlights

- The Company is the holding company of the Beazley Group, which includes Beazley Furlonge, a Lloyd's managing agent.
- Beazley Furlonge has managed Syndicate 623 since 1986 and for the 2002 year of account was the largest private independent managing agent at Lloyd's, with capacity of £403 million.
- Syndicate 623 has returned a profit to members in every closed year of account since 1986 and has a syndicate rating from A.M. Best of A (Excellent).
- The Company is raising capital in order to take advantage of the current favourable underwriting conditions in the global insurance and reinsurance markets and to reposition the Beazley Group as an independent, integrated Lloyd's vehicle.
- The Beazley Group benefits from the following key strengths:
 - an established portfolio of specialist business that is diverse in terms of geography, broker and risk profile;
 - a superior track record demonstrated by the Syndicate having outperformed significantly the Lloyd's market as a whole;
 - favourable underwriting conditions across all of the Syndicate's divisions;
 - opportunities for material growth in all of the Syndicate's divisions;
 - limited exposure to prior year losses; and
 - an experienced management team.

- The net proceeds of the Placing will be used predominantly to enable the Beazley Group to support its underwriting activities with permanent equity capital and significantly increase its participation in the business of Syndicate 623.

Pursuant to the Placing, 205,479,452 New Ordinary Shares, representing 89.5 per cent. of the enlarged issued share capital, are being issued by the Company at the Placing Price of 73p per Ordinary Share. Of this, 198,561,644 New Ordinary Shares have been underwritten by Numis Securities and placed with institutional and other investors. Contemporaneously with Admission, the Company has agreed with Aon to redeem certain convertible loan notes held by Aon for £5.05 million in cash, which Aon has agreed it will use to subscribe for the remaining New Ordinary Shares in the Placing.

Numis Securities is acting as sponsor, stockbroker, lead manager and joint financial adviser to the Company and Lexicon Partners is acting as joint financial adviser to the Company. Banc of America Securities is acting as co-manager.

Andrew Beazley, Chief Executive and co-founder of Beazley, said:

“This is an exciting and important time for Beazley. A listing will enable us to support the growth within our business and enhance our ability to take full advantage of the opportunities offered by the current favourable underwriting market conditions.”

An analysts’ meeting will be held at the offices of the Beazley Group (One Aldgate, London EC3N 1AA) at 2.00pm today.

Copies of the Prospectus will be available from the offices of the Beazley Group (One Aldgate, London EC3N 1AA) and Numis Securities (Cheapside House, 138 Cheapside, London EC2V 6LH).

For further information, please contact:

Beazley Group plc
Andrew Beazley
Nicholas Furlonge
Arthur Manners

Tel: 020 7667 0623

Numis Securities
Oliver Hemsley

Tel: 020 7776 1500

Lexicon Partners
Sir Laurie Magnus
Angus Winther

Tel: 020 7743 6330

Finsbury
Rupert Younger
Melanie Gerlis

Tel: 020 7251 3801

Introduction

The Company is raising capital in order to take advantage of the current favourable underwriting conditions in the global insurance and reinsurance markets and to reposition the Beazley Group as an independent integrated Lloyd's vehicle.

The Company is the holding company of the Beazley Group which includes Beazley Furlonge, a Lloyd's managing agent, and Beazley Underwriting, a recently formed corporate member of Lloyd's. Beazley Furlonge began trading in 1986 and since then has managed Syndicate 623, which underwrites a broadly spread account of both insurance and reinsurance business across its four divisions: specialty lines, property, reinsurance and marine. The Syndicate is a frequent lead underwriter in its main lines of business and has returned a profit to members in every closed year of account since 1986. The Syndicate has a syndicate rating from A.M. Best of A (Excellent). In its rating, A.M. Best cited the Syndicate's excellent current and prospective operating performance and business position. It also described the Syndicate as having an excellent market profile as a specialist underwriter.

The net proceeds of the Placing will be used predominantly to enable Beazley Underwriting to participate in the business of Syndicate 623 by becoming the sole underwriting member of Syndicate 2623, which will underwrite in parallel with Syndicate 623 with effect from 1 January 2003. This means that Beazley Furlonge will manage Syndicate 623 and Syndicate 2623 as a single underwriting unit, with all business shared on a pro rata basis.

Key strengths of the Beazley Group

The Directors believe that the Beazley Group has the following key strengths.

- ***Specialty-risk insurance and reinsurance business***
Since 1986, Beazley Furlonge has, through Syndicate 623, focussed on writing specialty-risk insurance and reinsurance business in selected markets, and is today an established lead underwriter in the main lines of business within its four divisions. Approximately 81 per cent. of the portfolio was insurance business in 2001. The Directors believe that insurance business has a higher barrier to entry than reinsurance business due to its greater requirements for specialist skills, a sophisticated distribution network and licences to trade in multiple jurisdictions. As well as including a range of specialty insurance and reinsurance business lines, there is a diverse geographic spread of business and a mixed portfolio of short-tail and long-tail business. All of the Syndicate's business is derived through independent brokers.
- ***Superior track record***
The Syndicate has returned a profit to members in every closed year of account since 1986 and the Directors expect that the Syndicate will break even for the 2000 and 2001 years of account, despite the soft market conditions then prevailing and the US terror attacks. The Directors believe that this record of profitability has been achieved by applying its underwriting expertise and by building balanced, non-correlating and geographically diverse specialist risk portfolios in its selected areas of business. These factors have helped Syndicate 623 to outperform significantly the Lloyd's market. A summary of the results of Syndicate 623, on an annual accounting basis (which is the accounting basis that has been adopted by the Beazley Group and other listed insurers to account for their underwriting interests) for the three years and six months ended 30 June 2002 is set out below.

	<i>Year to 31 December</i>			<i>Six months to 30 June</i>
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Gross premiums written	£142m	£187m	£355m	£232m
Net premiums earned	£82m	£115m	£179m	£134m
Profit/(loss) for the period	£1m	£10m	(£17m)	£9m
Combined ratio	103%	97%	108%	98%

In 2000 and 2001, which are the only years for which the Lloyd's market has published its results on an annual accounting basis, the combined ratios for the Lloyd's market as a whole were 125 per cent. and 140 per cent. respectively. Over the period since 1986, on a three-year accounting basis, which is the accounting basis prescribed for all Lloyd's syndicates, the Syndicate outperformed the Lloyd's market as a whole by over 10 percentage points in terms of aggregate return on capacity.

On an annual accounting basis, the Syndicate generated a loss of £17 million in 2001, as a significant proportion of the premiums written in 2001 were not earned during that period, despite accounting fully for the impact of the US terror attacks during that period. The net impact of the US terror attacks after reinsurance recoveries has been estimated to be £21 million as at 30 June 2002. The balance of the 2001 year of account is expected to be profitable (with the profits from the balance of that year of account being earned in 2002 and subsequent financial periods), and the Syndicate is expected to break even once the 2001 year of account is closed.

- ***Favourable underwriting conditions***

The US terror attacks, which securities analysts have estimated will result in an insured loss of over \$40 billion, have highlighted rate inadequacies and have caused the upward trend in pricing to accelerate. Many insurers and reinsurers are also believed to be experiencing capacity and solvency constraints as a result of the reduced returns on their investment portfolios and the need to increase reserves for business written in previous underwriting years, particularly for long-tail casualty business. Standard and Poor's have recently estimated that these factors have caused a net reduction of \$170 billion in the global insurance and reinsurance markets' capital base. These factors have led to a significant improvement in both the premium rates and the terms and conditions of Syndicate 623's business. The Directors believe that this positive market environment offers the Beazley Group the opportunity to apply Beazley Furlonge's established expertise, together with the new capital raised pursuant to the Placing, to achieve attractive returns for shareholders.

- ***Opportunities for growth***

As a result of improving market conditions, opportunities for material growth now exist in all of the Syndicate's divisions and further rating increases are anticipated for the remainder of 2002 and into 2003. The underwriting capacity managed by Beazley Furlonge has expanded significantly in recent years, from £95 million in 1999 to £403 million for the 2002 year of account, in response to improving market conditions. Beazley Furlonge has indicated that it wishes to increase further the underwriting capacity that it manages to £660 million for the 2003 year of account in order to be able to take full advantage of the favourable market conditions. For the 2002 year of account, £133 million (33 per cent.) of the capacity managed by the Beazley Group is provided by "controlled" corporate members, of which the Beazley Group's retained participation is approximately £15 million. The remaining £118 million is for the account of the various third party capital providers who provide the funds at Lloyd's required by the controlled corporate members. The Directors anticipate that the Beazley Group will be in a position to allocate at least £300 million of capacity to Beazley Underwriting for the 2003 year of account. This comprises substantially all of

the capacity currently provided by the controlled corporate members together with additional capacity which the Directors anticipate will not be taken up by other current members of Syndicate 623 in 2003.

- **Limited exposure to prior year losses**

The Beazley Group's exposure to the current and prior years of account is limited to its small retained underwriting participations on Syndicate 623's 2000, 2001 and 2002 years of account (being £5 million, £4 million and £15 million of capacity respectively) and to any reinsurance to close into Syndicate 2623, which will not occur until 2005 at the earliest. The Directors believe that the Syndicate adopts a conservative reserving methodology as evidenced by its ability to release reserves for prior years in each of the three years ended 31 December 1999, 2000 and 2001 and six months ended 30 June 2002. Accordingly, the Directors believe that the Beazley Group's exposure to losses on prior years is limited and that the Company will be well positioned to benefit from the improved market conditions without concern about significant reserve deteriorations on prior underwriting years negating these benefits.

- **Experienced management team**

The Directors consider that the expertise, professionalism and experience of the Beazley Group's management and underwriters have been important factors in establishing the reputation of the business. Most of the executive management team have been with the Beazley Group since 1993 and Andrew Beazley (Chief Executive) and Nicholas Furlonge (Director of Risk Management) have been with the Beazley Group since it commenced business in 1986. The Directors believe that this experience and continuity of management have contributed to the Beazley Group's success. None of the existing shareholders are selling any shares in the Placing. It is anticipated that the majority of the Beazley Group's Directors and employees will subscribe (together with their immediate families and associates) a total of approximately £1 million in the Placing. Following Admission, the Directors and employees of the Beazley Group and their immediate families and associates are expected to hold in aggregate approximately 25 million Ordinary Shares amounting to approximately 10.9 per cent. of the enlarged issued share capital of the Company. The Directors have undertaken not to dispose of any of their Ordinary Shares (or any interest therein) following the Placing for a period of two years from the date of Admission, save in certain limited circumstances.

Summary financial information

Historically, the Beazley Group has derived the majority of its revenues from the managing agency activities of Beazley Furlonge. Going forward, as an integrated Lloyd's vehicle, the Beazley Group will derive its revenues from three principal sources:

- agency fees and profit commissions of Beazley Furlonge arising from the management of Syndicate 623 on behalf of third party capital providers;
- underwriting profits of Beazley Underwriting arising from its underwriting participations on Syndicate 2623; and
- interest and dividends from its cash balances and investment portfolio.

The consolidated net assets of the Beazley Group, as at 30 June 2002, amounted to £2.6 million, with profit before tax of £0.86m for the year ended the same date. The pro forma consolidated net assets of the Beazley Group, adjusted for the Placing, will amount to approximately £144 million (63 pence per Ordinary Share).

The Placing

Pursuant to the Placing, Numis Securities is placing the Placing Shares at the Placing Price on behalf of the Company with institutional and other investors. Conditional upon Admission, the Company has agreed with Aon to redeem the convertible loan notes held by Aon for £5.05 million in cash, which Aon has agreed it will use to subscribe for additional New Ordinary Shares pursuant to the Placing.

The issue of the Placing Shares has been fully underwritten by Numis Securities and is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all respects.

There are no existing shareholders who are selling shares in the Placing.

Reasons for the Placing and use of proceeds

The Placing and Admission will achieve a number of important strategic objectives for the Beazley Group. In particular, they will:

- enable the Beazley Group to support its underwriting activities with permanent equity capital, thereby reducing reliance on third party annual venture capital;
- enable the Beazley Group to continue to support the expansion of its underwriting activities in the context of the current attractive market conditions; and
- create a closer alignment of interests between the Beazley Group management and its capital providers through the creation of an independent integrated Lloyd's vehicle consisting of Beazley Furlonge, the managing agency, and Beazley Underwriting, the Lloyd's corporate member.

The Company expects that the net proceeds of the Placing (including the subscription by Aon of £5.05 million for New Ordinary Shares) will be applied as follows:

- up to £132 million will be used to support Beazley Underwriting's participations on Syndicate 2623;
- £5.05 million will be used to redeem convertible loan notes issued to Aon; and
- the balance, being not less than £5.0 million, will be retained by the Company for general working capital purposes within the Beazley Group.

The Directors anticipate that Beazley Furlonge will be in a position to allocate at least £300 million of the Syndicate's capacity to Beazley Underwriting for the 2003 year of account. Beazley Underwriting's risk based capital (RBC) ratio is expected to be 40 per cent., and so this will require Beazley Underwriting to commit funds at Lloyd's of approximately £120 million in order to support this capacity.

The Company has arranged a letter of credit facility with Lloyds TSB Bank which, subject to satisfaction of the conditions of the facility, would enable the Company to increase Beazley Underwriting's funds at Lloyd's by up to £30 million. Based on Beazley Underwriting's anticipated RBC ratio of 40 per cent., the proceeds of the Placing and the letter of credit facility would enable Beazley Underwriting to provide up to £405 million of capacity for future years of account.

The Company does not currently intend to acquire underwriting capacity from the members on Syndicate 623 and any future acquisition of underwriting capacity will only be considered at prices which are not economically disadvantageous to shareholders.

The Company intends to take advantage of opportunities to develop the Beazley Group's business to enhance shareholder value. In particular, the Company intends to be proactive in reviewing opportunities to develop its underwriting and distribution capabilities organically and, if appropriate, through transactions that may present themselves as a result of the dislocation taking place in the insurance industry.

Placing Statistics

Placing Price	73p
Number of Ordinary Shares in issue prior to the Placing	24,000,000
Number of New Ordinary Shares being issued	205,479,452
Number of Ordinary Shares in issue following the Placing	229,479,452
Estimated net proceeds of the Placing receivable by the Company	£142.2m
Percentage of the enlarged ordinary issued share capital available in the Placing	89.5%
Market capitalisation at the Placing Price	£167.5m

Expected Timetable

Admission to Official List and commencement of trading in the Ordinary Shares	12 November 2002
CREST accounts credited	12 November 2002
Where applicable, definitive share certificates despatched	by 19 November 2002
Final date for deposit of funds at Lloyd's for Beazley Underwriting	22 November 2002
Beazley Underwriting to commence underwriting	1 January 2003

Numis Securities, Lexicon Partners and Banc of America Securities are acting for the Company in connection with the Placing and the proposed Admission and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities, Lexicon Partners or Banc of America Securities respectively or for providing advice in relation to the Placing, the contents of this announcement or any transaction or arrangement referred to herein.

This announcement does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, New Ordinary Shares in the United States, Canada, Australia, Japan or in any jurisdiction in which such offer or solicitation is unlawful. The New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia or Japan.

This announcement does not constitute an offer of, or solicitation of, an offer to purchase or subscribe for any New Ordinary Shares. No part of this announcement shall form the basis or be relied upon in connection with any contract or commitment whatsoever. Any decision to buy shares in the Placing should be made solely on the basis of information contained in the Prospectus.

The contents of this announcement, which has been prepared by and is the sole responsibility of Beazley Group plc has been approved by Numis Securities solely for the purposes of Section 21 of the Financial Services and Markets Act 2000. Numis Securities can be contacted as stated above.

Definitions

“Admission”		in relation to particular shares, the admission of those shares to the Official List and to trading on the London Stock Exchange’s market for listed securities becoming effective
“A.M. Best”		A.M. Best Company, Inc.
“Aon”		Aon Corporation, Inc. and its subsidiaries, or any of them, as the case may be
“Banc of America Securities”		Banc of America Securities Limited, a company regulated by the FSA
“Beazley Furlonge”		Beazley Furlonge Limited
“the Beazley Group” “Beazley” or “the Group”	or	the Company, and its subsidiaries, or any of them as the case may be
“Beazley Underwriting”		Beazley Underwriting Limited, a wholly-owned subsidiary of the Company
“the Company”		Beazley Group plc
“the Directors”		the directors of the Company, namely Joseph Denny Sargent, Andrew Frederick Beazley, Arthur Roger Manners, Nicholas Hill Furlonge, Jonathan George Gray, Neil Patrick Maidment, Jonathan George Benton Rowell, Jonathan Geoffrey William Agnew, Thomas Francis Sullivan and John Dudley Fishburn, who together accept responsibility for the information contained in this press release
“Lexicon Partners”		Lexicon Partners Limited, a company regulated by the FSA
“Lloyds TSB Bank”		Lloyds TSB Bank plc
“London Stock Exchange”		London Stock Exchange plc
“New Ordinary Shares”		the Placing Shares and the 6,917,808 new Ordinary Shares to be subscribed for by Aon
“Numis Securities”		Numis Securities Limited, a company regulated by the FSA
“Official List”		the Official List of the UKLA
“Ordinary Shares”		the ordinary shares of 5 pence each in the capital of the Company from time to time
“Placing Price”		73p per Ordinary Share
“the Placing”		the placing by Numis Securities Limited of the Placing Shares at the Placing Price and the subscription by Aon of 6,917,808 new Ordinary Shares at the Placing Price
“the Placing Shares”		198,561,644 new Ordinary Shares to be allotted and issued by the Company and placed by Numis Securities Limited pursuant to the Placing
“Prospectus”		the document expected to be published today in relation to the Placing and the Admission of the Ordinary Shares to the Official List
“UK Listing Authority” “UKLA”	or	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“US terror attacks”		the terrorist attacks on the World Trade Centre in New York and the Pentagon in Washington DC, together with the aviation crash in Pittsburgh, all of which took place on 11 September 2001