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REG - Beazley PLC -Beazley plc results for period ended 30 June 2016

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Press Release

Beazley continues to attract underwriting talent

London, 22 July 2016

Beazley plc results for period ended 30 June 2016

- Profit before income tax of $150.2m (30 June 2015: $154.5m)
- Return on equity of 19% (30 June 2015: 20%)
- Gross premiums written increased by 2% to $1,124.1m (30 June 2015: $1,099.7m)
- Combined ratio of 90% (30 June 2015: 86%)
- Rate decrease on renewal portfolio of 2% (30 June 2015: decrease of 2%)
- Prior year reserve releases of $77.4m (30 June 2015: $74.5m)
- Net investment income of $62.7m (30 June 2015: $43.5m)
- First interim dividend of 3.5p (30 June 2015: 3.3p)

	Period ended 30 June 2016	Period ended 30 June 2015	% movement
Gross premiums written ($m)	**1,124.1**	1,099.7	2%
Net premiums written ($m)	**930.4**	879.2	6%
Profit before income tax ($m)	**150.2**	154.5	(3%)
Earnings per share (pence)	**17.3**	17.2	

Net assets per share (pence)	**199.3**	167.8	
Net tangible assets per share (pence)	**186.3**	156.6	
Dividend per share (pence)	**3.5**	3.3	6%

Andrew Horton, Chief Executive Officer, said:

"Our business in the US continued to grow strongly in the first half of the year, partially offset by continued premium rate declines for much of the large risk business we underwrite in London. The global attractiveness of Beazley to talented underwriters with entrepreneurial flair was very clear. We welcomed 36 new underwriters in the first half across a wide range of disciplines, including healthcare, environmental, marine, and fine art and specie."

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, the US, Latin America, Asia, the Middle East and Australia. Beazley manages six Lloyd's syndicates and, in 2015, underwrote gross premiums worldwide of $2,080.9 million. All Lloyd's syndicates are rated A by A.M. Best.

Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley is a market leader in many of its chosen lines, which include professional indemnity, property, marine, reinsurance, accident and life, and political risks and contingency business.

For more information please go to: www.beazley.com

Interim results statement

Overview

Beazley performed well in the first half of 2016 despite market conditions that continued to make profitable growth a challenge to achieve for many. Pre-tax profits were $150.2m (2015: $154.5m) on gross premiums written that rose 2% to $1,124.1m (2015: $1,099.7m). Our combined ratio was 90% (2015: 86%).

April saw the return of our domicile to the UK, after nearly seven years in Ireland. The move allows the group to be managed from London but has no material effect on our strategy or financial performance. Our reinsurance vehicle Beazley Re was not affected by the restructure and remains Irish domiciled.
As a consequence the Beazley group continues to be regulated by the Central Bank of Ireland.

The UK referendum vote to leave the European Union in June will undoubtedly complicate planning for many businesses based in the City of London. For Beazley we do not expect the impact to be greatly disruptive, although the long term macroeconomic repercussions of the vote are hard to predict. The US is our largest market by a wide margin and approximately 80% of our business in 2015 was transacted in US dollars. Our underwriting capital and overall asset allocation broadly reflects this currency split so the recent weakening of sterling has not affected our capacity to underwrite.

We continued to see fairly subdued claims activity in the first half, despite a slight uptick in the second quarter. However, a subdued claims experience is a double edged sword in insurance, as it also encourages price competition. We saw premium rates for our business overall fall by an average of 2%, with declines of 15% in energy business, 4% in reinsurance, and 7% in large scale commercial property business. By contrast, specialty lines, our largest division, saw premium rates rise by 1% which continues the generally favourable environment experienced by the team since 2012.

The following table shows the cumulative rate changes (%) since 2008 by business division.

	2008	2009	2010	2011	2012	2013	2014	2015	2016 HY
Life, accident & health	-	100	100	101	101	100	108	106	104
Marine	100	107	104	104	103	100	94	86	79
Political risks & contingency	100	99	97	95	94	93	91	87	81
Property	100	105	102	105	111	114	112	107	102
Specialty Lines	100	99	98	97	100	103	104	106	107
Reinsurance	100	109	106	109	114	111	100	93	89
All divisions	100	103	100	101	104	105	103	100	98

Our response to strong price competition for large, catastrophe exposed classes of business has been to seek to rebalance our portfolio in favour of smaller business where we see healthier risk adjusted margins. That process continued in the first half of the year, with our locally underwritten US business growing by 20% year on year. Much, but not all, of the business we underwrite in the US is for small and mid sized clients.

On both sides of the Atlantic, our business benefitted significantly in the first half from the strong desire of talented underwriters to join Beazley. In all 36 new underwriters joined Beazley in the first half of the year, bringing expertise and relationships that will be critical to realising our future growth ambitions in the US, Europe and Asia.

In March, a team specialising in small and mid sized medical malpractice business in Europe joined us in London from Lloyd's insurer Marketform. The team, comprising underwriters and claims staff, will continue to service claims from policies issued by Marketform since 2008 as well as underwriting new business. The transaction resulted in a one-off contribution of $30m to gross premiums in the first quarter.

Our US healthcare team was one of many US teams that grew in the first half of the year. Healthcare providers of all types and sizes are, in many respects, natural clients for Beazley. They operate in a highly regulated environment, particularly in the US, in which the financial and reputational costs of error can be high. They typically hold large volumes of confidential patient data, which they frequently need to share with other healthcare providers, increasing the risk of data breaches. The skills and services we can offer to healthcare providers to manage their risks, including medical malpractice, regulatory liability and data breach cover, continue to grow.

In the first half of the year, our US environmental business grew even faster, fuelled by moves by major competitors to reduce their exposure to certain lines of environmental business. Our approach to the new business available is, and will remain, selective, but we see significant opportunities to build a sustainable and profitable book. Five new environmental underwriters joined us in the US during the first half of the year and we now have underwriting and claims capabilities in every part of the country.

Our marine and property divisions also benefitted during the first half from the growing strength of the Beazley brand in attracting talented underwriting teams. In May, we announced the expansion of our fine art, specie and jewellers' block underwriting capabilities through the hire of two leading Lloyd's underwriters in the field, Mark Bosshard and Scott Sellick. For many years Beazley has been the market leader for jewellers' block risks in the UK. Our aim is to continue the international expansion of this business while building a strong presence in specie and fine art.

We are close to finalising the acquisition of a coverholder specialising in the insurance of equipment used for undersea exploration and construction. Leviathan, a longstanding Lloyd's coverholder, writes a wide range of subsea risks including remotely operated vehicles, submarines and diving equipment. The firm's principal underwriters, Simon Edwards and Keith Broughton, will continue to work with Beazley's marine team.

Outside London and the US, we are continuing to build our business organically in Asia, through our Singapore office; in Europe, primarily through our Paris office; and in Latin America, through our recently opened Miami office. Both Singapore and Miami continue to grow in importance as hubs for Asian and Latin American business respectively. Beazley is now very well represented across multiple lines of business in Singapore and we have similar growth plans in Miami.

Growth in Europe is a priority for us. Earlier this month, we announced that Gerard Bloom, a senior underwriter with extensive international business development experience, will be joining the group to help us develop a strong platform for the growth of our European business. One of our original reasons for choosing Ireland as a location for Beazley Re was the options it gave us to develop business in Europe. We will be looking to capitalise on these opportunities in the coming months.

Our cyber business also continued to develop strongly in multiple geographies in the first half of the year, driven by the prospect of tighter regulation in Europe (including fines of up to 4% of worldwide revenues for companies that seriously mishandle data breaches); the launch of our flagship Beazley Breach Response (BBR) product in Canada; and a partnership with Munich Re to provide broad cyber cover for the world's largest companies.

Our partnership with Munich Re has been well received by brokers, who have seen growing demand for broad cyber insurance cover among multinational clients. We see growth opportunities from both current clients that seek additional robust and flexible protection as well as from sectors such
as manufacturing that are new to the cyber market.

Investment performance
Investments returned $62.7m, or 1.4% in the first half of 2016 (2015H1: $43.5m, 1.0%). This return is higher than expected, as falling yields in the period generated capital gains on our fixed income investments. However, the lower yields now prevailing will make returns more difficult to achieve in the remainder of the year. We have added to our corporate debt holdings during this period, focusing on high quality issuers of investment grade, to improve portfolio yield.

The breakdown of our investment portfolio at 30 June 2016 was:

	30 June 2016 $m	30 June 2016 %	30 June 2015 $m	30 June 2015 %
Cash and cash equivalents	441.8	10.0	439.3	10.1

Government, quasi-government and supranational	1,293.0	29.4	1,768.0	40.6
Asset backed securities	3.6	0.1	179.5	4.1
Senior secured loans	83.3	1.9	108.6	2.5
Corporate bonds				
- Investment grade	1,928.8	43.9	1,196.6	27.5
- High yield	118.7	2.7	86.0	2.0
Derivative financial assets	5.3	0.1	2.4	0.1
Core portfolio	3,874.5	88.1	3,780.4	86.9
Equity linked funds	98.9	2.3	138.0	3.2
Hedge funds	295.4	6.7	355.0	8.1
Illiquid credit assets	125.8	2.9	78.5	1.8
Capital growth assets	520.1	11.9	571.5	13.1
Total	**4,394.6**	**100.0**	**4,351.9**	**100.0**

At 30 June 2016 the average duration of our fixed income portfolios was 1.8 years (31 December 2015: 1.7 years) and the average credit rating of these exposures was A+.

Investment return by asset type
Analysis of returns on major asset classes are set out below:

	30 June 2016 $m	30 June 2016 annualised return %	30 June 2015 $m	30 June 2015 annualised return %
Core portfolio	60.0	3.1	21.5	1.1
Capital growth assets	2.7	1.0	22.0	7.7
Overall return	**62.7**	**2.8**	**43.5**	**2.0**

Capital position
Our funding comes from a mixture of our own equity (on a Solvency II basis) alongside $103.0m of tier 2 subordinated debt, $18.0m subordinated long term debt and a $99.8m retail bond. We also have an undrawn banking facility of $225.0m.

The following table sets out the group's sources of funds:

	30 June 2016 $m	30 June 2015 $m
Shareholders' funds	1,379.2	1,347.0
Tier 2 subordinated debt (2026)	103.0	122.4
Retail bond (2019)	99.8	116.7
Long term subordinated debt (2034)	18.0	18.0
	1,600.0	**1,604.1**

At 30 June 2016, we have a good surplus capital position of 42.0% of ECR, including Solvency II adjustments.

Our underwriting capital requirement at the half year is largely unchanged from the position at 31 December 2015, but we expect it to increase during the remainder of the year, reflecting the continuing development of our specialty lines business, which grew 17% in the first half of 2016. We expect this level of growth to continue in 2017.

Our specialty lines business is likely to play a larger role in driving our capital requirements in the future as it is becoming a larger percentage of the total, thanks to its own growth, and because we continue to reduce our peak natural catastrophe exposure to reflect the rating environment. As a consequence, we would expect the rate of growth of our capital requirement to be close to double digits over the next few years.

With this in mind, we will be more fully using the debt capacity Beazley's balance sheet has to finance an element of our underwriting capital growth.

The following table sets out the group's capital requirement including a provisional year end projection based upon the first version of our 2017 business plan:

	Projected 31 December 2016 $m	**30 June 2016 $m**	**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
Total	***1,607.7***	**1,441.0**	**1,434.6**
% increase	***12%***	**-**	**-**

Debt financing
We see some debt leverage as an important component of our active capital management strategy. We expect to call the outstanding £76.5m of our 20 year non-call 10 subordinated debt in October 2016. We are also considering making a new debt issuance of up to £250m in the second half of the year to finance the first tranche of the increased underwriting capital we expect to deploy in the future as our specialty lines business continues to grow strongly.

As I noted in our 2015 annual report, it is not realistic to expect any insurer's returns to defy gravity in a market where premium rates have fallen so steeply, and continue to fall, for short tail catastrophe exposed business. A strong - top quartile - ROE would likely be in the low double digits in this environment rather than at the outstanding levels the company has enjoyed over the last few years.

Dividend
The board has declared a first interim dividend of 3.5 pence (2015: 3.3 pence), in line with our strategy of delivering 5-10% dividend growth. This will be paid on 26 August 2016 to shareholders on the register at 5.00pm on 5 August 2016.

Outlook
The insurance industry remains awash with capacity, particularly for catastrophe exposed lines of business that can be readily modelled and packaged to appeal to a wide range of investors. Beazley focuses largely on lines of business that are less prone to commoditisation, but in many of these lines, competitive pressures are also severe.

While we are therefore not immune to these challenging market conditions, we will continue to mitigate them by pursuing a course that has served us well in the past, including in soft markets. Hire highly experienced people across all aspects of the business; trust their judgement; and provide the very best service we can to our clients and brokers. The difference today, I believe, is that these well established strengths are more widely appreciated. This should help us continue to attract the very best talent from within, and beyond, the insurance industry.

Andrew Horton
Chief executive

21 July 2016

Condensed consolidated statement of profit or loss for the six months ended 30 June 2016

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Gross premiums written	1,124.1	1,099.7	2,080.9
Written premiums ceded to reinsurers	(193.7)	(220.5)	(367.8)
Net premiums written	**930.4**	**879.2**	**1,713.1**
Change in gross provision for unearned premiums	(103.5)	(91.0)	(57.4)
Reinsurer's share of change in the provision for unearned premiums	34.5	69.5	43.0
Change in net provision for unearned premiums	**(69.0)**	**(21.5)**	**(14.4)**
Net earned premiums	**861.4**	**857.7**	**1,698.7**
Net investment income	62.7	43.5	57.6
Other income	15.8	14.2	30.9
	78.5	**57.7**	**88.5**
Revenue	**939.9**	**915.4**	**1,787.2**
Insurance claims	535.3	465.5	974.1
Insurance claims recovered from reinsurers	(99.1)	(47.8)	(160.2)
Net insurance claims	**436.2**	**417.7**	**813.9**
Expenses for the acquisition of insurance contracts	219.6	222.7	448.6
Administrative expenses	117.2	101.1	215.2
Foreign exchange loss	9.6	11.7	9.7
Operating expenses	**346.4**	**335.5**	**673.5**
Expenses	**782.6**	**753.2**	**1,487.4**
Share of profit/(loss) in associates	0.2	(0.2)	(0.5)
Results of operating activities	**157.5**	**162.0**	**299.3**
Finance costs	(7.3)	(7.5)	(15.3)
Profit before income tax	**150.2**	**154.5**	**284.0**
Income tax expense	(21.4)	(21.5)	(35.0)

Profit after income tax - all attributable to equity shareholders	**128.8**	**133.0**	**249.0**
Earnings per share (cents per share):	25.1	26.1	48.8
Basic	24.3	25.2	47.2
Diluted			
Earnings per share (pence per share):	17.3	17.2	31.9
Basic	16.8	16.6	30.9
Diluted			

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2016

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Profit after income tax	128.8	133.0	249.0
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Gains on remeasurement of retirement benefit obligations	-	-	0.3
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(5.7)	(0.4)	(1.6)
Total other comprehensive income	(5.7)	(0.4)	(1.3)
Total comprehensive income recognised	123.1	**132.6**	**247.7**

Condensed consolidated statement of changes in equity for the six months ended 30 June 2016

	Share capital $m	Merger reserve $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance as at 1 January 2015*	**666.7**	**(628.5)**	**(85.7)**	**(16.7)**	**1,406.9**	**1,342.7**
Total comprehensive income recognised	-	-	(0.4)	-	133.0	132.6
Dividends paid	-	-	-	-	(137.9)	(137.9)
Equity settled share-based payments	-	-	-	9.7	-	9.7
Acquisition of own shares held in trust	-	-	-	-	-	-
Transfer of shares to employees	-	-	-	7.1	(7.2)	(0.1)
Balance as at 30 June 2015	**666.7**	**(628.5)**	**(86.1)**	**0.1**	**1,394.8**	**1,347.0**

Total comprehensive income recognised	-	-	(1.2)	-	116.3	115.1
Dividends paid	-	-	-	-	(26.3)	(26.3)
Equity settled share-based payments	-	-	-	7.8	-	7.8
Acquisition of own shares held in trust	-	-	-	(3.9)	-	(3.9)
Transfer of shares to employees	-	-	-	2.7	(1.0)	1.7
Balance as at 31 December 2015	**666.7**	**(628.5)**	**(87.3)**	**6.7**	**1,483.8**	**1,441.4**
Total comprehensive income recognised	-	-	(5.7)	-	128.8	123.1
Dividends paid	-	-	-	-	(188.3)	(188.3)
Issue of shares**	2.6	(2.3)	-	-	-	0.3
Capital reduction***	(631.6)	630.8	0.8	-	-	-
Equity settled share-based payments	-	-	-	12.2	-	12.2
Acquisition of own shares held in trust	-	-	-	(9.7)	-	(9.7)
Transfer of shares to employees	-	-	-	(2.1)	2.3	0.2
Balance as at 30 June 2016	**37.7**	**-**	**(92.2)**	**7.1**	**1,426.6**	**1,379.2**

*The share capital and merger reserve balances as at 1 January 2015 have been re-presented to reflect, on a continuation basis, the capital position of the new
parent company after the scheme of arrangement, as explained in note 1.
** During the first half of 2016, 1.9m new ordinary shares were issued, as well as 0.1m of preference shares prior to scheme of arrangement.
*** The subsequent capital reduction involved a reduction in the nominal value of the shares in the new parent to 5 pence per share. Please refer to note 1.

Condensed consolidated statement of financial position as at 30 June 2016

	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
Assets			
Intangible assets	89.8	90.2	91.0
Plant and equipment	4.5	4.7	4.5
Deferred tax asset	6.8	8.6	7.1
Investment in associates	10.2	10.2	10.0
Deferred acquisition costs	247.1	241.6	226.2
Reinsurance assets	1,136.6	1,098.0	1,099.7
Financial assets at fair value	3,952.8	3,912.6	3,842.2
Insurance receivables	881.7	685.8	732.7
Current income tax assets	10.0	0.8	23.6
Other receivables	39.8	33.5	31.5
Cash and cash equivalents	441.8	439.3	676.9
Total assets	**6,821.1**	**6,525.3**	**6,745.4**
Equity			
Share capital	37.7	666.7	666.7

Merger reserve	-	(628.5)	(628.5)
Foreign currency translation reserve	(92.2)	(86.1)	(87.3)
Other reserves	7.1	0.1	6.7
Retained earnings	1,426.6	1,394.8	1,483.8
Total equity	**1,379.2**	**1,347.0**	**1,441.4**
Liabilities			
Insurance liabilities	4,704.1	4,604.1	4,586.7
Financial liabilities	232.4	259.3	247.3
Retirement benefit liability	0.6	1.1	0.7
Deferred tax liabilities	0.9	1.9	6.0
Other payables	503.9	311.9	463.3
Total liabilities	**5,441.9**	**5,178.3**	**5,304.0**
Total equity and liabilities	**6,821.1**	**6,525.3**	**6,745.4**

Condensed consolidated statement of cash flows for the six months ended 30 June 2016

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Cash flow from operating activities			
Profit before income tax	**150.2**	**154.5**	**284.0**
Adjustments for:			
Amortisation of intangibles	2.1	2.5	5.0
Equity settled share based compensation	11.4	9.7	17.5
Net fair value (gain)/loss on financial investments	(34.8)	(15.4)	3.0
Share of (profit)/loss in associates	(0.2)	0.2	0.5
Depreciation of plant and equipment	0.8	1.1	2.1
Impairment of reinsurance assets recognised	-	0.3	-
Increase in insurance and other liabilities	143.0	112.5	235.7
Increase in insurance, reinsurance and other receivables	(194.1)	(157.2)	(203.5)
Increase in deferred acquisition costs	(20.9)	(18.9)	(3.5)
Financial income	(31.8)	(33.5)	(70.8)
Finance expense	7.3	7.5	15.3
Income tax paid	(20.0)	(57.7)	(89.8)
Net cash from operating activities	**13.0**	**5.6**	**195.5**
Cash flow from investing activities			
Purchase of plant and equipment	(1.1)	(1.9)	(2.5)
Expenditure on software development	(1.9)	(1.3)	(5.0)
Purchase of investments	(3,573.4)	(1,350.7)	(3,659.7)
Proceeds from sale of investments	3,501.6	1,530.9	3,892.2
Interest and dividends received	31.8	33.5	70.8

Net cash from investing activities	**(43.0)**	**210.5**	**295.8**
Cash flow from financing activities			
Acquisition of own shares in trust	(9.7)	-	(3.9)
Proceeds from issue of shares	0.3	-	-
Interest paid	(7.3)	(5.9)	(15.3)
Dividends paid	(188.3)	(137.9)	(164.2)
Net cash used in financing activities	**(205.0)**	**(143.8)**	**(183.4)**
Net (decrease)/increase in cash and cash equivalents	(235.0)	72.3	307.9
Cash and cash equivalents at beginning of period	676.9	364.2	364.2
Effect of exchange rate changes on cash and cash equivalents	(0.1)	2.8	4.8
Cash and cash equivalents at end of period	**441.8**	**439.3**	**676.9**

1 Statement of accounting policies

Beazley plc is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2016 comprise the parent company, its subsidiaries and the group's interest in associates.

The condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with IAS 34 Interim Financial Reporting as adopted by the EU ('Adopted IFRS'). The condensed consolidated interim financial statements of Beazley plc have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. The principal risks and uncertainties faced by the group remain consistent with those risks and uncertainties discussed and disclosed on pages 52 to 57 of the group's 2015 annual report and accounts.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for, the year ended 31 December 2015. As required by IFRS 13 (fair value measurement) information relating to the fair value measurement of financial assets and liabilities is outlined in note 9 to the condensed consolidated interim financial statements.

The accounting policies applied in the condensed consolidated interim financial statements are the same as those applied in the group's consolidated financial statements for the year ended 31 December 2015. In addition to changes disclosed in our annual report for the year ended 31 December 2015, the following list of standards or amendments were made effective:

IFRS 11: Amendment: Accounting for acquisitions on interests in joint operations (EU effective date: 1 January 2016);
IAS 1: Amendment: Disclosure initiative (EU effective date: 1 January 2016);
IAS 16 and 38: Amendment: Clarification of acceptable methods of depreciation and amortisation (EU effective date: 1 January 2016); and
Annual improvement to IFRSs - 2012-2014 cycle (EU effective date: 1 January 2016).

These amendments did not result in a material impact on the interim financial statements of the group and there have been no amendments to the group's accounting policies as a result of the new standards listed above.

The financial information included in this document does not comprise statutory financial statements within the meaning of Companies Act 2006.

New holding company

Swift No. 3 Limited was incorporated in the United Kingdom on 4 September 2015 under the Companies Act 2006 as a private company limited by shares and with registered number 09763575. The company reregistered from a private company to a public company on the 12 February 2016 and changed its name to Beazley plc. With effect from 13 April 2016, under a scheme of arrangement involving a share exchange with the members of Beazley Ireland Holdings plc (formerly Beazley plc), the company became the new holding company for the Beazley group.

Throughout the period from incorporation to 13 April 2016, Beazley plc (formerly Swift No.3 Limited) was a shell company with no material revenues and assets and did not constitute a 'business' as defined by IFRS 3 Business combinations. As part of the scheme of arrangement, the shareholders of Beazley Ireland Holdings plc (formerly Beazley plc) acquired 100% of the share capital of Beazley plc on completion of the transaction.

A reduction in capital was approved by the shareholders of Beazley plc at the scheme general meeting on 24 March 2016. As Beazley plc is incorporated in the UK the reduction of capital also received confirmation from the Companies Court on 20 April 2016. Subsequent to these events, on 21 April 2016, the share capital of Beazley plc was reduced to create distributable reserves.

In order to appropriately reflect the substance of the transaction outlined above the insertion of a new holding company has been accounted for as a continuation of the previous group using the principles of reverse acquisition accounting with the existing group being accounted for at its existing book values. 'New' Beazley plc has been incorporated into the group with its identifiable assets and liabilities incorporated at fair value.

In order to present the equity balances of the group on a continuation basis, the equity balances on the group balance sheet as at 1 January 2015 have been re-presented as follows;

	Share capital $m	Share premium $m	Merger reserve $m	Foreign Currency translation $m	Other reserve $m	Retained earnings $m	Total $m
1 January 2015 (as previously presented)	**41.6**	**12.0**	**-**	**(85.7)**	**(32.1)**	**1,406.9**	**1,342.7**
Re-presentation of previous merger reserve	-	-	(15.4)	-	15.4	-	-
Cancellation of shares in the former parent company (521.4m x 5 pence per share)	(41.6)	(12.0)	15.4	-	-	-	(38.2)
Issuance of shares in the new parent company (521.4m x 90 pence per share)	666.7	-	(628.5)	-	-	-	38.2
1 January 2015 (as currently reported)	**666.7**	**-**	**(628.5)**	**(85.7)**	**(16.7)**	**1,406.9**	**1,342.7**

The group's consolidated financial statements are issued in the name of the legal parent company, Beazley plc. The results for the six month period ended 30 June 2016 represent a continuation of the consolidated activities of the Beazley group of companies. The consolidated balance sheet at 30 June 2016 reflects the issued share capital of 'new' Beazley plc. The results of the new holding company since the date of the scheme of arrangement, and the statement of financial position of the company as at 30 June 2016, are consolidated into the condensed consolidated financial statements.

The comparative figures for the financial year ended 31 December 2015 are extracted from the group financial statements of Beazley Ireland Holdings plc (formerly Beazley plc) for that financial year. Those financial statements have been reported on by the company's auditor and delivered to the Jersey Financial Services Commission. The report of the auditor was unqualified.

2 Segmental analysis

Segment information is presented in respect of reportable segments. This is based on the group's management and internal reporting structures and represents the level at which financial information is reported to the board, being the chief operating decision maker as defined in IFRS 8.

Finance costs and taxation have not been allocated to operating segments as these items are determined by group level factors and do not relate to operating performance.

30 June 2016	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Gross premiums written	79.9	134.0	69.4	173.0	150.2	517.6	1,124.1
Net premiums written	71.8	107.9	57.0	142.1	92.9	458.7	930.4
Net earned premiums	56.5	110.7	46.7	144.1	63.9	439.5	861.4
Net investment income	1.6	5.6	2.3	6.7	4.4	42.1	62.7
Other income	0.1	1.2	1.1	2.9	3.1	7.4	15.8
Revenue	**58.2**	**117.5**	**50.1**	**153.7**	**71.4**	**489.0**	**939.9**
Net insurance claims	34.2	56.9	16.9	59.7	17.5	251.0	436.2
Expenses for the acquisition of insurance contracts	17.3	32.1	14.7	43.8	16.0	95.7	219.6
Administrative expenses	8.0	18.0	9.5	22.7	7.1	51.9	117.2
Foreign exchange loss	0.7	1.1	0.6	1.5	1.0	4.7	9.6
Expenses	**60.2**	**108.1**	**41.7**	**127.7**	**41.6**	**403.3**	**782.6**
Share of profit in associates	-	-	0.1	-	-	0.1	0.2
Segment result	**(2.0)**	**9.4**	**8.5**	**26.0**	**29.8**	**85.8**	**157.5**
Finance costs							(7.3)
Profit before income tax							**150.2**
Income tax expense							(21.4)
Profit after income tax							**128.8**
Claims ratio	60%	52%	36%	41%	27%	57%	51%
Expense ratio	45%	45%	52%	46%	36%	34%	39%
Combined ratio	105%	97%	88%	87%	63%	91%	90%

Segment assets and liabilities

Segment assets	220.1	1,153.1	806.0	1,063.0	411.3	3,167.6	6,821.1
Segment liabilities	(202.0)	(804.9)	(670.6)	(849.3)	(247.9)	(2,667.2)	(5,441.9)
Net assets	**18.1**	**348.2**	**135.4**	**213.7**	**163.4**	**500.4**	**1,379.2**

30 June 2015	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Gross premiums written	79.7	162.1	67.9	188.6	159.5	441.9	1,099.7
Net premiums written	67.1	131.4	55.4	151.2	109.3	364.8	879.2
Net earned premiums	56.3	144.2	50.7	147.0	70.4	389.1	857.7
Net investment income	0.7	4.7	1.9	5.1	3.6	27.5	43.5
Other income	0.6	1.8	1.0	2.5	3.1	5.2	14.2
Revenue	**57.6**	**150.7**	**53.6**	**154.6**	**77.1**	**421.8**	**915.4**
Net insurance claims	33.8	54.7	23.4	55.0	17.9	232.9	417.7
Expenses for the acquisition of insurance contracts	17.3	38.2	14.4	43.6	16.1	93.1	222.7
Administrative expenses	6.7	16.3	9.2	20.2	6.2	42.5	101.1
Foreign exchange loss	0.8	1.7	0.7	2.0	1.8	4.7	11.7
Expenses	**58.6**	**110.9**	**47.7**	**120.8**	**42.0**	**373.2**	**753.2**
Share of loss in associates	-	-	(0.1)	-	-	(0.1)	(0.2)
Segment result	**(1.0)**	**39.8**	**5.8**	**33.8**	**35.1**	**48.5**	**162.0**
Finance costs							(7.5)
Profit before income tax							**154.5**
Income tax expense							(21.5)
Profit after income tax							**133.0**
Claims ratio	60%	38%	46%	38%	25%	60%	49%
Expense ratio	43%	38%	47%	43%	32%	35%	37%
Combined ratio	103%	76%	93%	81%	57%	95%	86%
Segment assets and liabilities							
Segment assets	217.5	1,072.3	776.0	1,010.9	381.4	3,067.2	6,525.3
Segment liabilities	(194.3)	(699.1)	(646.8)	(810.1)	(226.0)	(2,602.0)	(5,178.3)
Net assets	**23.2**	**373.2**	**129.2**	**200.8**	**155.4**	**465.2**	**1,347.0**

31 December 2015	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Gross premiums written	119.8	269.3	123.6	353.1	199.9	1,015.2	2,080.9
Net premiums written	106.6	239.5	105.0	304.8	132.0	825.2	1,713.1
Net earned premiums	110.8	258.2	106.4	297.8	133.8	791.7	1,698.7
Net investment income	1.5	6.2	2.4	6.6	4.6	36.3	57.6
Other income	2.9	3.4	2.2	5.9	5.5	11.0	30.9
Revenue	**115.2**	**267.8**	**111.0**	**310.3**	**143.9**	**839.0**	**1,787.2**
Net insurance claims	64.3	97.8	30.6	117.1	29.4	474.7	813.9
Expenses for the acquisition of insurance contracts	35.0	68.9	32.1	91.0	32.8	188.8	448.6
Administrative expenses	15.2	32.7	18.5	40.9	13.9	94.0	215.2
Foreign exchange loss	0.3	1.5	0.4	1.6	1.5	4.4	9.7
Expenses	**114.8**	**200.9**	**81.6**	**250.6**	**77.6**	**761.9**	**1,487.4**
Share of loss in associates	-	-	(0.4)	-	-	(0.1)	(0.5)
Segment result	**0.4**	**66.9**	**29.0**	**59.7**	**66.3**	**77.0**	**299.3**
Finance costs							(15.3)
Profit before income tax							**284.0**
Income tax expense							(35.0)
Profit after income tax							**249.0**
Claims ratio	58%	38%	29%	39%	22%	60%	48%
Expense ratio	45%	39%	47%	45%	35%	36%	39%
Combined ratio	103%	77%	76%	84%	57%	96%	87%
Segment assets and liabilities							
Segment assets	221.5	1,132.8	798.5	1,047.1	403.1	3,142.4	6,745.4
Segment liabilities	(195.1)	(739.6)	(650.1)	(830.7)	(242.4)	(2,646.1)	(5,304.0)
Net assets	**26.4**	**393.2**	**148.4**	**216.4**	**160.7**	**496.3**	**1,441.4**

3 Net investment income

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Interest and dividends on financial investments at fair value through	31.5	33.2	70.3

profit or loss			
Interest on cash and cash equivalents	0.3	0.3	0.5
Net realised losses on financial investments at fair value through profit or loss	(4.0)	(10.3)	(18.5)
Net unrealised fair value gain on financial investments at fair value through profit or loss	38.8	25.7	15.5
Investment income from financial investments	**66.6**	**48.9**	**67.8**
Investment management expenses	(3.9)	(5.4)	(10.2)
	62.7	**43.5**	**57.6**

4 Other income

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Commission income	9.6	8.4	16.4
Profit commissions	5.2	5.0	12.4
Agency fees	1.0	0.8	1.9
Other income	-	-	0.2
	15.8	**14.2**	**30.9**

5 Finance cost

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Interest expense	7.3	7.5	15.3
	7.3	**7.5**	**15.3**

6 Earnings per share

	6 months ended 30 June 2016 $m	6 months ended 30 June 2015 $m	Year to 31 December 2015 $m
Basic (cents)	25.1	26.1	48.8
Diluted (cents)	24.3	25.2	47.2
Basic (pence)	17.3	17.2	31.9
Diluted (pence)	16.8	16.6	30.9

Basic

Basic earnings per share are calculated by dividing profit after income tax of $128.8m (30 June 2015: $133.0m; 31 December 2015: $249.0m) by the weighted average number of shares in issue during the six months of 513.7m (30 June 2015: 509.0m; 31 December 2015: 510.4m). The shares held in the Employee Share Options Plan (ESOP) of 6.8m (30 June 2015: 10.1m; 31 December 2015: 9.7m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

Diluted

Diluted earnings per share are calculated by dividing profit after income tax of $128.8m (30 June 2015: $133.0m; 31 December 2015: $249.0m) by the adjusted weighted average number of shares of 529.3m (30 June 2015: 526.9m; 31 December 2015: 527.3m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE (Save As You Earn), retention and deferred share schemes. The shares held in the ESOP of 6.8m (30 June 2015: 10.1m; 31 December 2015: 9.7m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

As a result of the scheme of arrangement executed in the first half of the year, the basic and diluted earnings per share metrics are calculated with reference to the share structure of the new parent company, as if it has been the parent for all periods presented. The number of shares in issue did not change as a result of the scheme of arrangement, as explained in note 1.

7 Dividends

A first interim dividend of 3.5p per ordinary share (2015:3.3p) is payable in respect of the six months to 30 June 2016. These financial statements do not provide for this dividend as a liability.

A second interim dividend of 6.6p per ordinary share and a special dividend of 18.4p was paid on 31 March 2016 to shareholders registered at 5.00pm on 26 February 2016 in respect of the six months ended 31 December 2015.

The first interim dividend will be payable on 26 August 2016 to shareholders registered at 5.00pm on 5 August 2016.

8 Income tax expense

	6 months ended 30 June 2016 $m	**6 months ended 30 June 2015 $m**	**Year to 31 December 2015 $m**
Current tax expense			
Current year	25.2	34.4	44.6
Prior year adjustments	1.7	(7.3)	(8.8)
	26.9	27.1	35.8
Deferred tax expense			
Origination and reversal of temporary differences	(4.6)	(10.4)	(2.9)
Impact of change in UK tax rates	(0.2)	-	(0.2)
Prior year adjustments	(0.7)	4.8	2.3
	(5.5)	(5.6)	(0.8)
Income tax expense	**21.4**	**21.5**	**35.0**
Profit before tax	**150.2**	**154.5**	**284.0**
Tax calculated at UK tax rate of 20% (Prior year at Irish rate of 12.5%)	30.0	19.3	35.5
Effects of:			
- Tax rates in foreign jurisdictions	(7.2)	2.9	7.7
- Non-deductible expenses	1.2	1.8	0.8
- Tax relief on share based payments - current and future years	-	-	(2.3)
- Under/(over) provided in prior years	1.0	(2.5)	(6.5)
- Change in UK tax rates*	(0.2)	-	(0.2)
- Non-taxable gains on foreign exchange	(3.4)	-	-

Tax charge for the period	**21.4**	**21.5**	**35.0**

* The Finance Act 2015, which provides for reduction in the UK corporation tax rate down to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions to 19% and 18% will reduce the company's future current tax charge and have been reflected in the calculation of the deferred tax balance as at 30 June 2016.

The group has assessed the potential impact of diverted profits tax following the enactment of new legislation in April 2015 and is of the view that no liability arises. The ultimate outcome may differ, however it is unlikely to have a material effect on the group's financial performance for the current year.

9 Financial assets and liabilities

	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
Financial assets at fair value			
Government issued	1,170.4	872.4	1,101.0
Quasi-government	121.7	555.7	362.8
Supranational	0.9	339.9	393.3
Asset backed securities	3.6	179.5	12.7
Senior secured loans	83.3	108.6	114.9
Corporate bonds			
- Investment grade	1,928.8	1,196.6	1,215.8
- High yield	118.7	86.0	68.3
Total fixed and floating rate debt securities	**3,427.4**	**3,338.7**	**3,268.8**
Equity linked funds	98.9	138.0	147.5
Hedge funds	295.4	355.0	329.0
Illiquid credit assets	125.8	78.5	92.3
Total capital growth	**520.1**	**571.5**	**568.8**
Total financial investments at fair value through statement of profit or loss	**3,947.5**	**3,910.2**	**3,837.6**
Derivative financial assets	5.3	2.4	4.6
Total financial assets at fair value	**3,952.8**	**3,912.6**	**3,842.2**

Quasi-government securities include securities which are issued by government agencies or entities supported by government guarantees. Supranational securities are issued by institutions sponsored by more than one sovereign issuer. Asset backed securities are backed by financial assets, including corporate loans. Investment grade corporate bonds include debt instruments of corporate issuers rated BBB-/Baa3 or better by one or more major rating agency and high yield corporate bonds have credit ratings below this level. Equity linked funds are investment vehicles which are predominantly exposed to equity securities. Our illiquid credit assets are described in further detail below. The fair value of these assets at 30 June 2016 excludes an unfunded commitment of $91.0m (30 June 2015: $96.0m).

The amount expected to mature before and after one year are:	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
Within one year	1,069.4	938.4	983.1
After one year	2,363.3	2.402.7	2,290.3
	3,432.7	**3,341.1**	**3,273.4**

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, 89% (30 June 2015: 84%) of equity linked funds could be liquidated within two weeks and 11% within six months, 96% (30 June 2015: 85%) of hedge fund assets within six months and the remaining 4% (30 June 2015: 15%) of hedge fund assets within 18 months. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to ten years.

Financial liabilities	**30 June 2016 $m**	**30 June 2015 $m**	**31 December 2015 $m**
Retail bond	99.8	116.7	112.3
Subordinated debt	18.0	18.0	18.0
Tier 2 subordinated debt	103.0	122.4	116.9
Derivative financial liabilities	11.6	2.2	0.1
Total financial liabilities	**232.4**	**259.3**	**247.3**

The amount expected to mature before and after one year are:	**30 June 2016 $m**	**30 June 2015 $m**	**31 December 2015 $m**
Within one year	114.6	2.2	117.0
After one year	117.8	257.1	130.3
	232.4	**259.3**	**247.3**

Fair value measurement

The table below summarises financial assets carried at fair value using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds and treasury bills of government and government agencies which are measured based on quoted prices.

Level 2 - Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates, exchange rates). Included within level 2 are government bonds and treasury bills which are not actively traded, corporate bonds, asset backed securities and mortgage-backed securities.

Level 3 - Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

The availability of financial data can vary for different financial assets and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on models or inputs that are unobservable in the market, the determination of fair value requires more judgement. Accordingly the degree of judgement exercised by management in determining fair value is greatest for instruments classified in level 3. The group uses prices and inputs that are current as of the measurement date for valuation of these instruments.

If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Level 2 investments

The group has an established control framework and valuation policy with respect to the measurement of fair values. For the group's level 2 debt securities our fund administrator obtains the prices used in the valuation from independent pricing vendors such as Bloomberg, Standard & Poor's, Reuters, Markit and International Data Corporation. The independent pricing vendors derive an evaluated price from observable market inputs. The market inputs include trade data, two-sided markets, institutional bids, comparable trades, dealer quotes, news media, and other relevant market data. These inputs are verified in their pricing engines and calibrated with the pricing models to calculate spread to benchmarks, as well as other pricing assumptions such as Weighted Average life (WM), Discount Margins (DM), Default rates, and recovery and prepayments assumptions for mortgage securities. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

The group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. We also review our valuation policy on a regular basis to ensure it is fit for purpose. As at 30 June 2016, no adjustments have been made to the prices obtained from the independent administrator.

For our hedge funds and equity linked funds, pricing and valuation is undertaken by independent administrators in accordance with the valuation policy of each fund. Regulated equity linked fund prices are published on a daily or weekly basis via Bloomberg and other market data providers such as Reuters. Hedge fund values are communicated by the independent administrators to all investors via monthly investor statements.

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds and equity linked funds. This shows that 73% (30 June 2015: 70%, 31 December 2015: 68%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund and equity linked fund investments as level 2.

Prior to any new hedge fund investment, extensive due diligence is undertaken on each fund to ensure that pricing and valuation is undertaken by an independent administrator and that each fund's valuation policy is appropriate for the financial instruments the manager will be employing to execute the investment strategy. Fund liquidity terms are reviewed prior to the execution of any investment to ensure that there is no mismatch between the liquidity of the underlying fund assets and the liquidity terms offered to fund investors.

Level 3 investments

The level 3 categorisation applies only to some of our illiquid credit investments. These are generally participations in limited partnership vehicles which hold diverse, typically illiquid, investments. While these funds provide full transparency of their underlying investments, the investments themselves are in many cases private and unquoted, and are therefore classified as level 3 investments.

Valuation inputs can be subjective and may include a discount rate applied to the investment based on market factors and expectations of future cash flows, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance relative to benchmarks, financial condition, and financing transactions subsequent to the acquisition of the investment.

We take the following steps to ensure accurate valuation of these level 3 assets: a substantial part of the pre-investment due diligence process is dedicated to a comprehensive review of each fund's valuation policy and the internal controls of the manager. In addition to this, confirmation that the investment reaches a minimum set of standards relating to the independence of service providers, corporate governance, and transparency is sought prior to approval. Post investment, unaudited capital statements confirming the fair value of the Limited Partner interests are received and reviewed on a quarterly (or more frequent) basis. Audited financial statements are received on an annual basis, with the valuation of each transaction being confirmed.

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets measured at fair value				
Government issued	1,170.4	-	-	1,170.4
Quasi-government	121.7	-	-	121.7
Supranational	0.9	-	-	0.9
Asset backed securities	2.0	1.6	-	3.6
Senior secured loans	-	83.3	-	83.3
Corporate bonds				
- Investment grade	39.3	1,889.5	-	1,928.8
- High yield	-	118.7	-	118.7
Equity linked funds	-	98.9	-	98.9
Hedge funds	-	295.4	-	295.4
Illiquid credit assets	-	8.7	117.1	125.8
Derivative financial assets	5.3	-	-	5.3
Total financial assets measured at fair value	**1,339.6**	**2,496.1**	**117.1**	**3,952.8**
Financial liabilities measured at fair value				
Derivative financial liabilities	11.6	-	-	11.6
Financial liabilities not measured at fair value				
Retail bond	-	102.8	-	102.8
Tier 2 subordinated debt	-	101.2	-	101.2
Total financial liabilities not measured at fair value	**-**	**204.0**	**-**	**204.0**

30 June 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets measured at fair value				
Government issued	870.1	2.3	-	872.4
Quasi-government	258.8	296.9	-	555.7
Supranational	194.8	145.1	-	339.9
Asset backed securities	-	179.5	-	179.5
Senior secured loans	-	108.6	-	108.6
Corporate bonds				
- Investment grade	81.8	1,114.8	-	1,196.6
- High yield	-	86.0	-	86.0
Equity linked funds	-	138.0	-	138.0
Hedge funds	-	355.0	-	355.0
Illiquid credit assets	-	12.2	66.3	78.5
Derivative financial assets	2.4	-	-	2.4
Total financial assets measured at fair value	**1,407.9**	**2,438.4**	**66.3**	**3,912.6**

Financial liabilities measured at fair value				
Derivative financial liabilities	2.2	-	-	2.2

Financial liabilities not measured at fair value				
Retail bond	-	121.3	-	121.3
Tier 2 subordinated debt	-	127.1	-	127.1
Total financial liabilities not measured at fair value	**-**	**248.4**	**-**	**248.4**

31 December 2015	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets measured at fair value				
Government issued	1,901.0	10.0	-	1,101.0
Quasi-government	205.0	157.8	-	362.8
Supranational	393.3	-	-	393.3
Asset backed securities	-	12.7	-	12.7
Senior secured loans	-	114.9	-	114.9
Corporate bonds				
- Investment grade	-	1,215.8	-	1,215.8
- High yield	-	68.3	-	68.3
Equity linked funds	-	147.5	-	147.5
Hedge funds	-	329.0	-	329.0
Illiquid credit assets	-	2.6	89.7	92.3
Derivative financial assets	4.6	-	-	4.6
Total financial assets measured at fair value	**1,693.9**	**2,058.6**	**89.7**	**3,842.2**

Financial liabilities measured at fair value				
Derivative financial liabilities	0.1	-	-	0.1

Financial liabilities not measured at fair value				
Retail bond	-	114.4	-	114.4
Tier 2 subordinated debt	-	119.7	-	119.7
Total financial liabilities not measured at fair value	**-**	**234.1**	**-**	**234.1**

The table above does not include financial assets and liabilities that are, in accordance with the group's accounting policies, recorded at amortised cost, if the carrying amount of these financial assets and liabilities approximates their fair values at the reporting date.

Unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

As part of its standard investment activities the group holds investments in asset backed securities, equity linked funds, hedge funds and illiquid credit assets which in accordance with IFRS 12 are classified as unconsolidated structured entities. The group does not sponsor any of the unconsolidated structured entities. The assets classified as unconsolidated structured entities are held at fair value on the balance sheet.

The investments comprising the group's unconsolidated structured entities are as follows:

	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
High yield bond fund	40.7	-	-
Asset backed securities	3.6	179.5	12.7
Equity linked funds	99.4	138.0	147.5
Hedge funds	294.9	355.0	329.0
Illiquid credit assets	125.8	78.5	92.3
Investments through unconsolidated structured entities	**564.4**	**751.0**	**581.5**

Transfers and level 3 investment reconciliations

There were no transfers in either direction between level 1, level 2 and level 3 in either 2015 or 2016.

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. The total net unrealised gains recognised in the $4.7m (30 June 2015: $1.1m) are included in the net investment income number of $62.7m (30 June 2015: $43.5m) shown in the condensed consolidated statement of profit or loss.

	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
As at 1 January	89.7	38.0	38.0
Purchases	36.2	38.7	63.5
Sales	(13.5)	(11.5)	(13.4)
Total net unrealised gains recognised in profit or loss	4.7	1.1	1.6
As at period end	**117.1**	**66.3**	**89.7**

The currency exposures of our financial assets held at fair value are detailed below:

30 June 2016	UK £ $m	CAD $ $m	EURO € $m	Subtotal $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	219.1	121.6	118.6	459.3	2,968.1	3,427.4
Equity linked funds	-	-	28.5	28.5	70.4	98.9
Hedge funds	-	-	-	-	295.4	295.4
Illiquid credit assets	-	-	10.3	10.3	115.5	125.8
Derivative financial assets	-	-	-	-	5.3	5.3
Total	**219.1**	**121.6**	**157.4**	**498.1**	**3,454.7**	**3,952.8**

30 June 2015	UK £ $m	CAD $ $m	EURO € $m	Subtotal $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	344.7	151.5	158.5	654.7	2,684.0	3,338.7
Equity linked funds	54.3	-	47.6	101.9	36.1	138.0
Hedge funds	-	-	-	-	355.0	355.0
Illiquid credit assets	-	-	4.5	4.5	74.0	78.5
Derivative financial assets	-	-	-	-	2.4	2.4
Total	**399.0**	**151.5**	**210.6**	**761.1**	**3,151.5**	**3,912.6**

31 December 2015	UK £ $m	CAD $ $m	EURO € $m	Subtotal $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	261.6	140.7	142.5	544.8	2,724.0	3,268.8
Equity linked funds	32.0	-	30.2	62.2	85.3	147.5
Hedge funds	-	-	(0.4)	(0.4)	329.4	329.0
Illiquid credit assets	-	-	4.3	4.3	88.0	92.3
Derivative financial assets	-	-	-	-	4.6	4.6
Total	**293.6**	**140.7**	**176.6**	**610.9**	**3,231.3**	**3,842.2**

The above qualitative and quantitative disclosures, along with the risk management disclosure included in note 2 of the annual report for the year ending 31 December 2015, enables more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments

10 Cash and cash equivalents

	30 June 2016 $m	30 June 2015 $m	31 December 2015 $m
Cash at bank and in hand	303.6	377.9	585.8
Short-term deposits and highly liquid investments	138.2	61.4	91.1
	441.8	**439.3**	**676.9**

Total cash and cash equivalents include $51.6m (31 December 2015: $50.1m) held in Lloyd's Singapore trust accounts. These funds are only available for use by the group to meet local claim and expense obligations.

11 Insurance claims

The loss development tables below provide information about historical claims development by the six segments - life, accident and health, marine, political risks and contingency, property, reinsurance and specialty lines. The tables are by underwriting year which in our view provides the most transparent reserving basis. We have supplied tables for both ultimate gross claims ratio and ultimate net claims ratio.

The top part of the table illustrates how the group's estimated claims ratio for each underwriting year has changed at successive year-ends.

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2016 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	2006 ae %	2007 %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	Total
Life, accident & health												
12 months				53.1	52.4	56.1	56.9	63.2	64.1	67.1		
24 months				52.9	52.2	52.5	67.9	64.3	66.5			
36 months				45.7	48.7	59.6	65.3	63.0				
48 months				43.4	47.2	56.4	62.2					

60 months			42.6	46.7	54.4				
72 months			41.6	45.7					
84 months			41.5						
96 months									
108 months									
Position at 30 June 2016			41.5	45.3	53.5	60.9	62.6	66.6	69.5
Marine									
12 months	58.8	69.3	54.5	50.5	54.7	55.9	56.4	57.5	56.7
24 months	60.1	65.4	51.0	49.8	47.5	46.3	52.0	46.8	
36 months	50.6	59.3	44.3	44.1	39.1	34.8	44.3		
48 months	48.2	63.2	40.8	42.4	33.8	32.2			
60 months	49.5	62.8	40.5	40.5	35.4				
72 months	49.9	59.1	48.8	40.3					
84 months	46.8	55.4	47.9						
96 months	44.0	54.7							
108 months	43.5								
Position at 30 June 2016	43.3	51.8	49.7	42.7	32.3	32.3	45.2	48.3	54.8
Political risks & contingency									
12 months	57.2	57.4	61.1	61.3	58.5	62.2	57.2	56.0	54.8
24 months	39.2	70.8	38.5	40.3	39.2	43.7	41.6	41.1	
36 months	56.4	75.7	34.2	33.0	33.8	39.8	35.0		
48 months	53.3	89.0	29.4	23.6	27.8	38.2			
60 months	53.5	73.6	23.4	22.3	26.2				
72 months	49.6	62.4	17.7	20.9					
84 months	47.0	59.1	17.9						
96 months	49.1	59.7							
108 months	44.9								
Position at 30 June 2016	44.9	59.7	17.9	20.9	24.5	37.4	34.4	39.0	56.0
Property									
12 months	57.9	70.7	53.7	58.0	58.4	55.5	55.2	53.2	54.9
24 months	55.8	65.3	41.7	60.7	50.6	47.6	49.2	47.8	
36 months	53.1	64.3	36.5	58.7	48.1	39.9	45.8		
48 months	53.7	62.2	35.4	55.9	46.3	36.8			
60 months	56.9	60.6	34.3	53.2	45.4				
72 months	66.3	59.6	33.3	52.2					
84 months	66.4	58.5	32.7						

96 months		65.7	57.8									
108 months		64.9										
Position at 30 June 2016		64.8	57.6	32.6	52.2	44.7	37.1	45.4	44.4	51.9		
Reinsurance												
12 months		59.5	59.8	60.8	68.0	79.1	62.9	58.2	61.3	65.3		
24 months		24.8	54.0	47.8	143.4	77.7	37.3	44.5	33.4			
36 months		20.6	44.5	39.8	130.6	70.3	31.9	42.0				
48 months		19.2	41.1	39.3	123.4	66.5	30.8					
60 months		18.3	40.7	35.1	127.0	63.7						
72 months		18.1	40.9	32.3	125.2							
84 months		16.5	40.1	31.4								
96 months		15.7	39.9									
108 months		15.3										
Position at 30 June 2016		15.4	39.6	31.5	125.5	63.4	31.3	41.4	31.0	52.3		
Specialty lines												
12 months		72.8	72.1	72.5	73.8	75.5	73.9	73.4	68.5	67.4		
24 months		72.3	71.9	72.5	73.9	75.6	74.0	73.2	68.4			
36 months		72.1	71.8	71.6	72.9	76.5	72.1	72.9				
48 months		72.1	72.0	71.3	73.3	75.4	70.2					
60 months		72.3	71.5	71.6	69.5	74.1						
72 months		72.0	71.8	68.5	69.6							
84 months		72.0	70.1	69.6								
96 months		71.2	73.6									
108 months		70.5										
Position at 30 June 2016		71.6	73.0	69.7	69.5	72.3	69.4	71.7	66.6	67.8		
Total												
12 months		64.5	69.1	62.9	64.5	67.2	64.6	63.7	62.1	62.6		
24 months		59.9	68.0	57.0	71.7	62.8	58.2	59.2	55.8			
36 months		58.7	66.5	53.1	67.7	60.5	53.2	56.3				
48 months		58.1	67.7	51.7	65.7	58.0	51.0					
60 months		59.1	65.8	50.8	63.5	57.0						
72 months		60.9	64.1	49.8	63.0							
84 months		60.1	62.1	50.0								
96 months		59.2	63.6									
108 months		58.2										
Position at 30 June 2016		58.6	62.8	50.3	63.3	55.4	50.6	55.8	54.3	61.1		
Total ultimate losses ($m)	4,566.0	1,051.9	1,180.9	1,065.4	1,311.6	1,061.8	1,005.1	1,212.4	1,246.2	1,473.4	1,416.0	16,590.7

Less paid claims ($m)	(4,391.8)	(920.3)	(1,038.2)	(801.0)	(1,065.5)	(791.8)	(667.9)	(622.4)	(420.3)	(169.3)	(6.2)	(10,894.7)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(6.8)	(221.6)	(1,221.6)	(1,450.0)
Gross claims liabilities (100% level) ($m)	**174.2**	**131.6**	**142.7**	**264.4**	**246.1**	**270.0**	**337.2**	**590.0**	**819.1**	**1,082.5**	**188.2**	**4,246.0**
Less unaligned share ($m)	(36.7)	(23.3)	(24.5)	(40.7)	(41.0)	(51.3)	(64.0)	(95.0)	(125.5)	(165.5)	(29.2)	(696.7)
Gross claims liabilities, group share ($m)	**137.5**	**108.3**	**118.2**	**223.7**	**205.1**	**218.7**	**273.2**	**495.0**	**693.6**	**917.0**	**159.0**	**3,549.3**

Net ultimate claims	**2006 ae %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**
Life, accident & health											
12 months				51.7	51.1	55.2	58.1	65.6	62.6	65.2	
24 months				51.4	51.9	54.8	65.2	68.1	64.6		
36 months				44.4	52.2	63.2	63.3	66.9			
48 months				45.5	50.6	59.8	56.7				
60 months				44.8	50.1	57.6					
72 months				43.7	49.0						
84 months				43.6							
96 months											
108 months											
Position at 30 June 2016				43.6	48.5	56.6	55.9	65.6	65.0	67.1	
Marine											
12 months		55.9	61.4	53.4	52.1	55.7	55.4	56.0	56.4	56.8	
24 months		56.5	56.8	47.6	49.3	47.7	46.1	53.1	48.5		
36 months		49.4	50.5	38.9	44.8	38.7	37.4	47.3			
48 months		46.6	47.3	35.2	42.7	34.5	35.1				
60 months		47.3	46.8	34.9	41.2	35.6					
72 months		47.3	46.2	38.6	40.3						
84 months		44.9	45.0	37.9							
96 months		42.9	44.5								
108 months		42.5									
Position at 30 June 2016		42.4	45.0	37.9	42.9	33.1	35.1	48.3	47.7	55.7	
Political risks & contingency											
12 months		55.4	55.8	59.4	57.2	54.7	59.1	54.6	52.9	51.9	
24 months		40.3	78.7	35.2	37.8	37.9	42.2	40.7	39.2		

36 months	55.1	78.5	31.8	30.6	32.1	38.6	35.7		
48 months	54.7	81.3	27.2	21.4	29.2	38.4			
60 months	52.5	70.8	21.5	20.2	27.4				
72 months	49.2	60.0	16.7	20.1					
84 months	46.9	56.5	17.0						
96 months	48.6	56.8							
108 months	45.0								
Position at 30 June 2016	44.5	57.6	16.9	20.2	25.1	36.6	33.7	36.2	53.0
Property									
12 months	60.8	67.0	53.4	58.8	60.3	58.6	56.7	54.5	55.0
24 months	58.8	66.9	47.5	65.3	57.7	53.0	56.3	51.2	
36 months	57.9	64.8	43.9	65.9	53.7	46.0	52.3		
48 months	58.1	63.6	41.7	59.9	50.5	41.3			
60 months	61.2	62.5	41.1	57.8	49.1				
72 months	61.7	61.2	39.8	56.8					
84 months	61.8	60.5	39.3						
96 months	61.4	59.5							
108 months	61.3								
Position at 30 June 2016	61.2	59.3	39.2	57.3	48.3	41.5	50.2	47.6	53.1
Reinsurance									
12 months	55.2	68.6	55.5	76.7	89.9	67.0	56.1	58.6	61.4
24 months	29.0	61.0	52.4	128.1	88.0	45.2	51.1	37.1	
36 months	24.1	50.9	46.6	118.9	81.1	38.9	47.7		
48 months	22.3	48.6	45.9	113.2	75.5	37.3			
60 months	21.6	48.0	41.1	122.3	72.9				
72 months	21.5	48.4	37.8	116.0					
84 months	19.6	47.2	36.8						
96 months	18.6	46.9							
108 months	18.1								
Position at 30 June 2016	18.1	46.7	36.8	117.0	72.9	37.8	46.7	33.7	49.6
Specialty lines									
12 months	69.9	70.1	69.6	71.0	72.5	71.1	69.5	66.0	63.6
24 months	68.8	70.0	69.4	71.1	72.5	70.6	69.0	66.0	
36 months	68.6	69.9	68.8	70.5	71.7	68.7	68.5		
48 months	67.4	68.6	65.9	69.5	69.6	65.7			
60 months	67.4	67.9	65.8	68.9	70.1				
72 months	67.4	67.8	64.8	69.0					
84 months	67.4	67.8	65.5						

96 months		67.2	70.0									
108 months		66.4										
Position at 30 June 2016		66.2	70.1	65.5	68.9	69.9	64.2	65.2	64.4	64.0		
Total												
12 months		63.2	66.8	60.6	64.2	67.0	64.0	62.1	60.6	60.1		
24 months		59.2	67.0	56.5	68.8	63.6	58.3	60.1	56.0			
36 months		58.4	64.6	52.9	66.4	60.3	53.7	57.3				
48 months		57.4	63.4	50.4	63.3	57.2	50.7					
60 months		58.0	61.9	49.4	63.3	56.8						
72 months		57.8	60.6	48.6	62.3							
84 months		57.0	59.9	48.6								
96 months		56.5	60.7									
108 months		55.7										
Position at 30 June 2016		55.6	60.8	48.6	62.8	55.9	50.0	55.5	54.0	59.1		
Total ultimate losses ($m)	2,879.9	848.1	942.1	795.0	1,052.0	888.9	851.6	1,021.8	1,057.0	1,175.0	1,290.9	12,802.3
Less paid claims ($m)	(2,735.9)	(765.5)	(837.6)	(656.4)	(879.8)	(679.5)	(580.8)	(537.8)	(393.1)	(152.8)	(6.5)	(8,225.7)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(3.8)	(215.8)	(1,152.5)	(1,372.1)
Net claims liabilities (100% level) ($m)	**144.0**	**82.6**	**104.5**	**138.6**	**172.2**	**209.4**	**270.8**	**484.0**	**660.1**	**806.4**	**131.9**	**3,204.5**
Less unaligned share ($m)	(28.1)	(15.8)	(19.1)	(25.5)	(31.7)	(38.3)	(45.2)	(75.3)	(101.0)	(126.4)	(20.7)	(527.1)
Net claims liabilities, group share ($m)	**115.9**	**66.8**	**85.4**	**113.1**	**140.5**	**171.1**	**225.6**	**408.7**	**559.1**	**680.0**	**111.2**	**2,677.4**

Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2016 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of the table.

Life, accident & health

The experience to date on the 2015 underwriting year has been slightly worse than anticipated leading to some strengthening. Releases have been made from prior underwriting years.

Marine

The experience in the period has lead to some strengthening on prior underwriting years and releases on others, driven by movements in underlying claims. The continued benign natural catastrophe environment has been recognised, with the partial release of available catastrophe margin within the 2015 underwriting year.

Political risks & contingency

Releases have been observed across prior underwriting years as a result of favourable developments on underlying claims and the expiry of risk.

Property

There have been positive developments across most underwriting years, driven by favourable attritional experience and benign natural catastrophe experience.

Reinsurance
The 2013 and prior underwriting years have remained broadly unchanged, with no major updates to historic catastrophe estimates. Natural catastrophe experience during the period has been benign and as such, available catastrophe margin has been released from the 2015 underwriting year.

Specialty lines
The 2007 to 2010 underwriting years have remained broadly stable. Releases have been made from the more recent years, recognising both favourable claims development in the short tail cyber book and initial releases from the long tail classes as better than expected experience emerges.

Claims releases
The table below analyses our net insurance claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by segment and period.

The net of reinsurance claims release on 2015 and prior underwriting years has risen to $77.4m (2015: $74.5m). The releases are the result of both generally favourable development and recoveries on specific claims.

The movements shown on 2013 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2016	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Current year	35.1	56.3	23.4	77.3	35.0	286.5	513.6
Prior year							
- 2013 and earlier	(1.6)	5.8	(5.4)	(5.0)	(1.1)	(22.8)	(30.1)
- 2014 underwriting year	0.1	(2.0)	(1.8)	(9.3)	(3.7)	(11.7)	(28.4)
- 2015 underwriting year	0.6	(3.2)	0.7	(3.3)	(12.7)	(1.0)	(18.9)
	(0.9)	0.6	(6.5)	(17.6)	(17.5)	(35.5)	(77.4)
Net insurance claims	**34.2**	**56.9**	**16.9**	**59.7**	**17.5**	**251.0**	**436.2**

6 months ended 30 June 2015	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Current year	34.5	72.7	25.8	73.8	35.6	249.8	492.2
Prior year							
- 2012 and earlier	(1.4)	(7.9)	(1.9)	(10.9)	-	(20.5)	(42.6)
- 2013 underwriting year	(0.3)	(6.2)	(0.3)	(4.4)	-	2.8	(8.4)
- 2014 underwriting year	1.0	(3.9)	(0.2)	(3.5)	(17.7)	0.8	(23.5)
	(0.7)	(18.0)	(2.4)	(18.8)	(17.7)	(16.9)	(74.5)
Net insurance claims	**33.8**	**54.7**	**23.4**	**55.0**	**17.9**	**232.9**	**417.7**

Year to 31 December 2015	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Current year	69.9	129.0	48.8	154.9	74.2	513.4	990.2
Prior year							

- 2012 and earlier	(5.5)	(7.3)	(5.4)	(25.5)	(14.8)	(32.9)	(91.4)
- 2013 underwriting year	(1.3)	(14.8)	(5.1)	(9.8)	(4.8)	(5.3)	(41.1)
- 2014 underwriting year	1.2	(9.1)	(7.6)	(2.5)	(25.3)	(0.5)	(43.8)
	(5.6)	(31.2)	(18.1)	(37.8)	(44.9)	(38.7)	(176.3)
Net insurance claims	**64.3**	**97.8**	**30.7**	**117.1**	**29.3**	**474.7**	**813.9**

12 Related party transactions

The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 30 of the group's consolidated financial statements for the year ended 31 December 2015.

As mentioned in note 1 to the financial statements, the group executed a scheme of arrangement in April 2016, the effect of which was the establishment of a new ultimate holding company of the Beazley group. As at 30 June 2016, the ultimate holding company, named Beazley plc, is a company incorporated in England and Wales. The previous holding company of the group is now owned 100% by Beazley plc and has changed its name to Beazley Ireland Holdings plc.

13 Foreign exchange rates

The group used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into US dollars, being the group's presentation currency:

	6 months ended 30 June 2016 $m	**6 months ended 30 June 2015 $m**	**Year to 31 December 2015 $m**
Average			
Pound sterling	0.69	0.66	0.65
Canadian dollar	1.34	1.24	1.26
Euro	0.90	0.90	0.90
Spot			
Pound sterling	0.75	0.64	0.66
Canadian dollar	1.30	1.25	1.38
Euro	0.90	0.90	0.91

14 Subsequent events

The group is in discussions regarding the potential acquisition of a Lloyd's coverholder Leviathan. We expect to receive regulatory approval for completion of the transaction in the coming weeks and will provide a further update at this point.

There are no other events that are material to the operations of the group that have occurred since the reporting date.

Glossary

Aggregates/aggregations

Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss.

Aggregate excess of loss

The reinsurer indemnifies an insurance company (the reinsured) for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount.

A.M. Best

A.M. Best is a worldwide insurance-rating and information agency whose ratings are recognised as an ideal benchmark for assessing the financial strength of insurance related organisations, following a rigorous quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile.

Binding authority
A contracted agreement between a managing agent and a coverholder under which the coverholder is authorised to enter into contracts of insurance for the account of the members of the syndicate concerned, subject to specified terms and conditions.

Capacity
This is the maximum amount of premiums that can be accepted by a syndicate. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Capital growth assets
These are assets that do not pay a regular income and target an increase in value over the long term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge funds, equity linked funds and illiquid credit assets.

Catastrophe reinsurance
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a catastrophic event or series of events.

Claims
Demand by an insured for indemnity under an insurance contract.

Claims ratio
Ratio, in percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange.

Combined ratio
Ratio, in percentage terms, of the sum of net insurance claims, expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. This is also the sum of the expense ratio and the claims ratio. The calculation is performed excluding the impact of foreign exchange.

Coverholder/managing general agent
A firm either in the United Kingdom or overseas authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance in the name of the members of the syndicate concerned, subject to certain written terms and conditions. A Lloyd's broker can act as a coverholder.

Deferred acquisition costs (DAC)
Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage, premium levy and staff related costs) which are capitalised and amortised over the term of the contracts.

Earnings per share (EPS) - basic/diluted
Ratio, in pence and cents, calculated by dividing the consolidated profit after tax by the weighted average number of ordinary shares issued, excluding shares owned by the group. For calculating diluted earnings per share the number of shares and profit or loss for the year is adjusted for certain dilutive potential ordinary shares such as share options granted to employees.

Economic Capital Requirement (ECR)
The capital required by a syndicate's members to support their underwriting. Calculated as the uSCR 'uplifted' by 35% to ensure capital is in place to support Lloyd's ratings and financial strength.

Excess per risk reinsurance
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company against the amount of loss in excess of a specified retention with respect to each risk involved in each loss.

Expense ratio

Ratio, in percentage terms, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items.

Facultative reinsurance
A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty.

Gross premiums written
Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.

Hard market
An insurance market where prevalent prices are high, with restrictive terms and conditions offered by insurers.

Horizontal limits
Reinsurance coverage limits for multiple events.

Incurred but not reported (IBNR)
These are anticipated or likely claims that may result from an insured event although no claims have been reported so far.

International Accounting Standards Board (IASB)
An independent accounting body responsible for developing IFRS (see below).

International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS)
Standards formulated by the IASB with the intention of achieving internationally comparable financial statements. Since 2002, the standards adopted by the IASB have been referred to as International Financial Reporting Standards (IFRS). Until existing standards are renamed, they continue to be referred to as International Accounting Standards (IAS).

Lead underwriter
The underwriter of a syndicate who is responsible for setting the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate and who generally has primary responsibility for handling any claims arising under such a contract.

Line
The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept.

Managing agent
A company that is permitted by Lloyd's to manage the underwriting of a syndicate.

Managing general agent (MGA)
An insurance intermediary acting as an agent on behalf of an insurer.

Medium tail
A type of insurance where the claims may be made a few years after the period of insurance has expired.

Net assets per share
Ratio, in pence and cents, calculated by dividing the net assets (total equity) by the number of shares issued.

Net premiums written
Net premiums written is equal to gross premiums written less outward reinsurance premiums written.

Private enterprise
The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to $35 million and up to 500 employees.

Provision for outstanding claims

Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

Rate
The premium expressed as a percentage of the sum insured or limit of indemnity.

Reinsurance special purpose syndicate
A special purpose syndicate (SPS) created to operate as a reinsurance 'sidecar' to Beazley's treaty account, capitalising on Beazley's position in the treaty reinsurance market.

Reinsurance to close (RITC)
A reinsurance which closes a year of account by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year), plus the right to buy any income due to the closing year of account, into an open year of account in return for a premium.

Retention limits
Limits imposed upon underwriters for retention of exposures by the group after the application of reinsurance programmes.

Retrocessional reinsurance
The reinsurance of the reinsurance account. It serves to 'lay off' risk.

Return on equity (ROE)
Ratio, in percentage terms, calculated by dividing the consolidated profit after tax by the average daily total equity.

Risk
This term may variously refer to:
a) the possibility of some event occurring which causes injury or loss;
b) the subject matter of an insurance or reinsurance contract; or
c) an insured peril.

Short tail
A type of insurance where claims are usually made during the term of the policy or shortly after the policy has expired. Property insurance is an example of short tail business.

Sidecar special purpose syndicate
Specialty reinsurance company designed to provide additional capacity to a specific insurance company. It operates by purchasing a portion or all of a group of insurance policies, typically cat exposures. These companies have become quite prominent in the aftermath of Hurricane Katrina as a vehicle to add risk-bearing capacity, and for investors to participate in the potential profits resulting from sharp price increases.

Soft market
An insurance market where prevalent prices are low, and terms and conditions offered by insurers are less restrictive.

Solvency Capital Requirement on an ultimate basis (uSCR)
The capital requirement under Solvency II calculated by Beazley's internal model which captures the risk in respect of the planned underwriting for the prospective year of account in full covering ultimate adverse development and all exposures.

Surplus lines insurer
An insurer that underwrites surplus lines insurance in the USA. Lloyd's underwriters are surplus lines insurers in all jurisdictions of the USA except Kentucky and the US Virgin Islands.

Total shareholder return (TSR)
The increase in the share price plus the value of any first and second dividends paid and proposed during the year.

Treaty reinsurance

A reinsurance contract under which the reinsurer agrees to offer and to accept all risks of certain size within a defined class.

Unearned premiums reserve
The portion of premium income in the business year that is attributable to periods after the reporting date in the underwriting provisions.

END

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