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REG - Beazley PLC -Beazley plc results for year ended 31st Dec 2015

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Press Release

Beazley delivers increased premium, profits and dividends.

Dublin, 4 February 2016

Beazley plc results for year ended 31st December 2015

- Profit before tax of $284.0m (2014: $261.9m)
- Return on equity of 19% (2014: 17%)
- Gross premiums written increased by 3% to $2,080.9m (2014: $2,021.8m)
- Combined ratio of 87% (2014: 89%)
- Rate reduction on renewal portfolio of 2% (2014: reduction of 2%)
- Prior year reserve releases of $176.3m (2014: $158.1m)
- Net investment income of $57.6m (2014: $83.0m)
- Second interim dividend of 6.6p (2014: 6.2p), taking full year dividends for the year to 9.9p (2014: full year 9.3p). Special dividend of 18.4p (2014: 11.8p)

	Year ended 31 December 2015	Year ended 31 December 2014	% movement
Gross premiums written ($m)	**2,080.9**	2,021.8	3%
Net written premiums ($m)	**1,713.1**	1,732.7	(1%)
Profit before tax ($m)	**284.0**	261.9	8%
Earnings per share (pence)	**31.9**	26.1	22%

Net assets per share (pence)	**186.5**	170.3	
Net tangible assets per share (pence)	**174.8**	158.3	
Dividend per share (pence)	**9.9**	9.3	6%
Special dividend (pence)	**18.4**	11.8	56%

Andrew Horton, Chief Executive Officer, said:

"Beazley increased both premiums and profits in 2015, delivering excellent returns for shareholders despite low investment returns and declining premium rates. We see the recent M&A driven market consolidation as benefiting our business by increasing our attractiveness to the talented, entrepreneurial individuals on whom we rely for our success.

I'm also delighted that we have completed the preparations to return our head office to London and we will be putting this to a shareholder vote in March."

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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, 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

Chairman's statement

Your company once again performed very strongly in 2015, generating a return on average shareholders' equity of 19% (2014: 17%) and growing premiums by 3% in a market largely characterised by continuing competition and, for some insurers, anaemic or no growth.

For the third year in a row, Beazley achieved a combined ratio below 90%, recording 87% in 2015 (2014: 89%). The quality of the company's underwriting returns supported earnings per share of 48.8c (2014: 43.1c) and net tangible assets per share of 263.9c (2014: 247.0c).

The board is pleased to announce a second interim dividend of 6.6p per ordinary share plus a special dividend of 18.4p per ordinary share. Together with the first interim dividend of 3.3p this takes the total dividends declared in respect of 2015 to 28.3p per ordinary share (2014: first interim dividend of 3.1p, second interim dividend of 6.2p plus a special dividend of 11.8p, totalling 21.1p).

During 2015, the board has considered the feasibility of a movement in the location of the group's management from Ireland to the UK. Having considered the options, the board will present a proposal to the shareholders at the company's AGM in March 2016 to effect such a change via the creation of a new UK domiciled holding company. The board believes that this change will increase the operational efficiency of the group.

Beazley has a proven record of capital management. We constantly identify the investments required to support profitable growth opportunities, but capital that is not thus deployed is returned to shareholders, subject to maintaining a prudent buffer. Our total shareholder return, which cumulatively exceeds 397% over the past five years, reflects this approach.

Beazley maintains an underwriting portfolio that is diversified by geography, product, size of risk, and the duration of the tail on the policies we underwrite. We constantly refine and adjust this portfolio to optimise profitability. For the past two years now we have curtailed our treaty reinsurance underwriting in the face of steeply falling premiums: net of reinsurance, this business accounted for less than 8% of our total premiums in 2015, down from over 10% in 2013. Conversely, we have significantly expanded our locally underwritten US business - focusing mainly on mid-sized professional indemnity, management liability and property risks. This accounted for 19% of our business in 2013 and 26% two years later.

In terms of geography, the US is our largest market, accounting for 58% of our total business, written both locally and in London. This served us well in 2015 as the US economy performed better than most other developed economies. However, we see attractive growth opportunities in other markets, notably Singapore and, selectively, in Europe. By the nature of their business, two of our divisions - marine and political risks and contingency - are extremely well diversified geographically, whereas our largest division - specialty lines - has a stronger US focus.

The relatively weak condition of the global economy and a glut of capital for catastrophe exposed lines of insurance helped prompt a series of mergers and acquisitions among insurers in 2015. We see much of this consolidation as defensive in nature, reflecting the challenge of achieving growth. Beazley is of course not immune to these challenges, but has demonstrated an ability to achieve acceptable growth with strong profitability in current market conditions. As such, we remain confident in the continuing viability of our business model.

A talent for innovation - and the skills and resources to commercialise promising innovations - are key to our value proposition in the eyes of brokers. New forms of cover offer brokers the opportunity to address the emerging risks that concern their clients, as well as making incremental sales in a market where many brokers, like many carriers, have found growth hard to achieve.

A number of the innovative products Beazley has developed entail partnering with service providers to implement a more comprehensive solution to address clients' needs. This partly underlies the success of our data breach response product, Beazley Breach Response (BBR), which depends not only on an insurance policy but leverages a network of relationships with specialist service providers to help clients respond effectively to a data breach. These services are expertly coordinated by a dedicated business unit, BBR Services.

Operational excellence also remains a key focus, ranging from underwriting discipline to high quality and efficient processing. In this, we place the clients' needs to the fore in all we do.

The role of the Beazley plc board is to approve and oversee the strategy developed by the company's executive committee, bringing a diverse range of perspectives and experience to bear on our analysis. Regulatory scrutiny of our industry is extensive. In areas such as conduct risk and in Beazley's adoption of the capital and other requirements prescribed under the European Union's Solvency II directive, the board is committed to the maintenance of the highest standards.

One of Beazley's longest serving employees retired during the year, with Jonathan Gray leaving in June. Jonathan made an immeasurable impact at Beazley, particularly in our property division which he established in 1992. The board is immensely grateful to Jonathan for his contribution to the company over the past 23 years.

The development of Beazley's US business in recent years has been a major focus of the board's attention and in this we have benefited greatly from the knowledge and insights of Ken Sroka, who stepped down in December as a non-executive director after almost five years on the board to take on a full time executive role. I am grateful to Ken for his many contributions to our work, including his participation on the remuneration and nomination committees.

In March Padraic O'Connor will also be stepping down from the board after seven years. His wisdom and experience have been greatly valued by all of us, as has his work chairing both the remuneration committee and the board of our material subsidiary, Beazley Re.

Rolf Tolle has informed the board that he will not be seeking reelection at the forthcoming AGM on 24 March 2016. He has served for more than five years on the board and audit and risk committee as well as on the board and audit and risk committees of our managing agency, Beazley Furlonge Limited. Rolf's extensive knowledge of the insurance market has been a great asset to the group and his contribution has been highly valued.

In January 2016 we welcomed Catherine Woods to the board as a non-executive director. Catherine served for nearly 20 years in an executive capacity at JP Morgan and 17 years in private, public and pro-bono non-executive director positions. I am sure she will make a significant contribution to the board.

Dividend policy and capital requirements
The board's strategy is to grow the dividend by between 5% and 10% per year and this has always been achieved. In addition, our capital management strategy is to carry some surplus capital to enable us to take advantage of growth opportunities that may arise; this is further supported by our fully undrawn banking facility. We continue to manage our capital actively and to the extent that we have surplus capital outside of this range the board will consider means to return this capital to shareholders, as demonstrated once more through the announcement of a special dividend in 2015.

Outlook
We expect the tough market conditions experienced in 2015, particularly in large risk markets, to continue in 2016. There is today a strong consensus in our industry that it would take a catastrophe, or series of catastrophes, on a very large scale to materially turn the market for short tail lines of business and set rates on a sustained upward course. The high aggregation of coastal exposures in the US and other developed markets is one reason why such massive dislocations cannot be ruled out; another, sadly, is the growing threat of man-made catastrophes occurring either by accident or malevolent design.

2016 marks Andrew Horton's eighth year as chief executive. In March and April Andrew plans to take a short break.
Neil Maidment, who joined Beazley in 1990 and has been in the role of chief underwriting officer since 2008, will serve as acting CEO in Andrew's absence, supported by the executive committee.

In this environment, insurers' best defence is the speed of response they can muster to rapidly changing market conditions - a talent that Beazley's underwriters have shown they possess. It is against this readiness, as well as a consistent strategy that has proven its worth across market cycles, that Beazley's aspiration to become and be recognised as the highest performing specialist insurer should be judged.

Dennis Holt
Chairman

3 February 2016

Chief executive's statement
Beazley delivered another excellent performance in 2015, generating a profit before income tax of $284.0m (2014: $261.9m) on gross premiums that rose by 3% to $2,080.9m (2014: $2,021.8m). Our combined ratio of 87% was slightly lower than our average for the prior five years, reflecting the risk assessment skills of our underwriters at a time of widely declining premium rates, as well as a benign claims environment.

I am particularly pleased that Beazley succeeded in achieving moderate growth in 2015 in a market that denied many insurers the opportunity to grow without sacrificing profitability. In this we were once again supported by our US operations, where premiums rose 21%. This was buoyed by continuing strong demand for data breach insurance, but other specialist management liability and professional liability lines of business have also responded well to the strength of the US economy.

We have now had a local underwriting presence in the US for 11 years and our locally underwritten US premiums accounted for 26% of our total business in 2015, up from 17% five years ago. However, it would be misleading to read the success of our US business as an achievement that is independent of our London operations. We rely on many of the same broker relationships to sustain both our London and US business and most of the lines we offer in the

US are underwritten - usually for larger clients - by our London underwriters. Most of our underwriting and claims teams operate on a global basis, sharing knowledge constantly and moving personnel frequently. London continues to serve as a laboratory for innovation in global insurance and reinsurance and that will continue to benefit all our underwriters, wherever they are located.

In 2015, the market trends affecting our six divisions continued, broadly, to follow the trajectories established in recent years. Large, short-tail risks with significant catastrophe exposures faced the toughest market conditions, with rates for energy risks falling by 17%, marine hull risks by 6%, and large scale property risks by 8%. Our reinsurance division saw renewal rates fall by 7%, slightly less than we had expected because demand for US windstorm cover was stronger than anticipated. Competitive pressures were also severe for large scale professional liability risks for clients such as global law firms and major US hospitals and hospital systems.

By contrast, competition for smaller professional liability and management liability business in the US was less intense, and this was our main engine of growth. Overall, we have seen the balance of our portfolio tilt more towards small and mid-sized risks in recent years as profitable growth opportunities in these segments have been more numerous. Rates across our largest division, specialty lines, rose 2% in 2015 while rates fell across our other five divisions. For Beazley as a whole rates on renewal business fell by 2% year on year.

Prior year reserve releases amounted to $176.3m, up 12% (2014: $158.1m). For our short-tail business, this reflected the benign claims environment we have seen in recent years. Our conservative approach to reserving normally permits us to make reserve releases as the ultimate level of claims becomes clear. In the case of our specialty lines business, which we categorise as 'medium-tail', reserve releases generally become available three to six years after the business was underwritten.

Claims activity
Catastrophe claims were once again subdued in 2015. An exception was the Tianjin warehouse explosion in China in August, which killed 173 and generated insurance losses currently expected to exceed $3 billion. Beazley has seen no significant loss from this event.

The economy in our principal market, the US, continues to rebound from the economic downturn, easing claims activity on our professional liability and management liability books. These claims tend to increase at times of economic stress as potential plaintiffs become more litigious. In our largest line of business, data breach insurance, we have seen an increase in claims driven by hacking and malware attacks. We have been able to address this by raising premium rates selectively, while maintaining high client retention levels. Our data breach business is largely focused on small and mid sized firms, with a relatively low exposure to the large scale breaches that trigger the largest class action lawsuits.

Outside the US, the economic picture was more mixed and this had some repercussions for the frequency of claims notifications. With commodity prices depressed, our political risks underwriters have seen an uptick in trade credit notifications relating to mining companies, but the severity of such claims looks modest and well within existing reserves.

Our global claims team, under the leadership of Anthony Hobkinson, continues to grow in size and expertise. In alternate years, we hold an 'expert retreat' for the large architect and engineering (A&E) firms that have been a mainstay of our professional liability business since Beazley was founded in 1986. This took place in Montreal in May this year, enabling our A&E claims team to analyse complex claims scenarios with our defence law firm partners and longstanding clients. Events of this kind offer our claims professionals additional opportunities to add value to our client relationships.

Investment performance
Our investment portfolio as a whole returned 1.3% during 2015 (2014: 1.9%). This is a good outcome in the context of low interest rates and volatile risk asset markets, particularly in the second half of the year. All components of our investment portfolio generated positive returns for the year. Stuart Simpson now takes on the role of Chief Investment Officer, following Philip Howard's decision to step down from this role at the end of 2015. Stuart's team is responsible for developing our investment strategy, subject to a defined risk appetite and the oversight of the investment committee and board.

Risk management
Our biggest risk management focus - given our business - derives from the possibility of our mispricing insurance on a large scale. This is mitigated by the diversification of our portfolio and by the depth of our underwriters' experience in core lines of business, which means that we have weathered multiple market cycles and are well aware of the perils of a soft market.

This awareness is reinforced by our underwriting standards, which our risk management team, led by our chief risk officer Andrew Pryde, reviewed in detail in 2015. We found the standards to be effective in the current soft market conditions.

We also conducted a detailed review of our data breach and cyber portfolio, which now represents our largest single line of business. Our portfolio is well diversified across industry segments and the short tail nature of data breach claims allows for rapid adjustment of terms and conditions in the event of changes in claim frequency. Nevertheless we continue to model aggregation scenarios carefully (including developing a cyber realistic disaster scenario (RDS)) and cover peak exposures with reinsurance.

Conduct risk is a focus for regulators in our industry. This relates essentially to ensuring we sell appropriate products, to the right customers and that these products achieve a fair outcome for them. For us this is more than a purely regulatory concern - it is an expression of Beazley's culture and values.

In December, we were delighted to receive confirmation that our Solvency II internal model application was approved by the Central Bank of Ireland (CBI). This represents a key achievement for the group and demonstrates that the significant level of our investments in people, systems and processes over a number of years are bearing fruit.

Growth opportunities
Opportunities for growth are naturally constrained in an insurance market that remains awash with capacity, particularly for lines of business that can readily be modelled and are therefore attractive to new capital providers such as pension funds. In this environment, Beazley has four advantages that are not available to all of our competitors.

The first and most important of these is the expertise of our underwriters in identifying profitable market niches that present attractive growth potential. We see significant growth opportunities for our environmental risk underwriters, particularly in the US, in the year ahead. We have also seen strong growth in demand for professional liability and other liability covers for healthcare providers that are not hospitals or physicians (a varied market segment known in our industry as miscellaneous medical or allied health), and we expect this to continue.

A second advantage is our track record of innovation, which continues to attract brokers with new or hard-to-place risks to the Beazley box at Lloyd's and to our underwriters around the world. Our innovations often take the form of one-off manuscripted policy wordings to address unique client needs, but we also continue to design innovative products to tap broader market demand.

New products often take time to gain traction, given the limited flexibility of clients' insurance budgets. An example is regulatory liability insurance for hospitals and other healthcare providers, which we first launched in 2012 and embedded in a comprehensive management liability policy for healthcare providers, Beazley Remedy, last year. This insurance protects healthcare providers against the costs and consequences of erroneously billing US federal benefit programmes like Medicare or Medicaid for patient treatment. The rules governing this are extremely complex, presenting real jeopardy for hospitals. We expect demand for this product to increase significantly in 2016.

A third advantage for Beazley in pursuing growth opportunities is our attractiveness to talented underwriters, who bring us new broker relationships and income streams. In this way, Simon Jackson and John Brown, who joined our open market property team in London at the beginning of last year, succeeded in reversing what would otherwise likely have been a shrinkage in our large risk property business under the pressure of falling premium rates. In the event, this book grew modestly in 2015.

Our fourth advantage is our widely recognised position as a leader in the provision of both indemnity cover and response services to companies that fall victim to data breaches. This is both a fast growing and a large market, relevant to any business that holds large volumes of personally identifiable customer information. Already a well-established line of business in the US, data breach insurance is now generating increasing demand in Europe under the influence of high profile data breaches and impending tighter regulation. We are working closely with other Lloyd's insurers to promote the Lloyd's market as Europe's leading hub for cyber insurance.

While seeking to exploit all of these assets, we have also sought to expand our knowledge of promising markets that we know less well. This was part of the rationale for our partnership with Korean Re, announced in March. Korean Re is a top ten global reinsurer, the dominant reinsurer in South Korea and an excellent partner for distributing Beazley products in Asia. We hope this collaboration will enable Beazley to write more business in Asia while we, in turn, help Korean Re to develop a track record at Lloyd's.

Investing in our business
To capitalise on all of these advantages we are continuing to invest heavily in the people and the infrastructure our business requires. Our headcount in the US, where we expect to continue to

grow strongly this year, rose from 384 to 421 last year as we continued to build on our successful strategy to equip our offices in six hub cities - New York, Chicago, San Francisco, Los Angeles, Dallas and Atlanta - with the underwriting and claims expertise to offer our brokers a full product range.

Technology plays a major, and growing, role in enhancing the productivity of our people and making it easier for brokers to do business with us. We raised our level of technology investment in 2015. Among an array of initiatives, we upgraded our IT data centres to provide a more scalable infrastructure, with particular emphasis on ensuring we can support long term growth in the US market. We have also invested in increasing the resilience of our data centres so that we minimise downtime, should a business continuity event occur.

In November, we were delighted to win a Lloyd's Innovation Award for myBeazley, our etrading system for brokers which launched in the UK and France in 2014. We have continued to broaden the range of small business products available to brokers through myBeazley and we plan to make the system available to US brokers in 2016.

The myBeazley system exemplifies our approach to innovation in technology as well as in product design. The system was designed in the light of exhaustive research with brokers into their needs and preferences.

Attracting talent

We have found that a market in which most insurers struggle to grow has been, for us, a fertile market for talent. The wave of mergers and acquisitions that continues to sweep through our industry has contributed, I believe, to our appeal to individuals with a strong entrepreneurial streak who are dismayed at the prospect of working for far larger insurance companies.

In attracting such individuals our strong financial track record is clearly an asset, but I believe the attitude of our existing employees is even more important. In June, we engaged with Aon Hewitt to survey our employees with a view to establishing levels of employee engagement across the company - a metric that is closely correlated to positive business outcomes such as talent retention, customer satisfaction and long term financial performance. The survey was taken by 89% of our employees and positioned Beazley in the top quartile of companies surveyed in terms of employee engagement.

The opinions of our people, as well as the confidence of our brokers and clients, matter more to us than the plaudits of our peers. Nevertheless, we were gratified to receive three accolades as insurance company of the year from *Reactions* magazine, the *Insurance Insider*, and *Insurance Day*.

Outlook

Commoditisation is a constant challenge for a specialist insurer, as capital moves ever faster into niche areas, depressing prices. There is clearly a large surfeit of capital relative to demand in many parts of today's commercial lines insurance market. In the absence of capital-depleting catastrophe losses, it is unrealistic to suppose that even the most nimble and resourceful insurers can maintain the returns on equity that they have achieved in recent years.

Service is a differentiator that may come more to the fore in this environment, when the temptation is to cut back on service levels to save on costs. We are doing the opposite, seeking to deliver a standard of service to our clients and brokers that is appreciably superior to our competitors.

The chairman highlighted that we will be asking shareholders to vote in March 2016 on a scheme of arrangement that will allow us to run the group from the UK going forward. This will simplify the management and decision making of the group and allow the company's shareholders to access a UK dividend stream and I would thus ask our shareholders to support this change.

Our vision at Beazley is anchored to our performance relative to the best of our peers in the industry. It is to become, and be recognised as, the highest performing specialist insurer. Against this yardstick, our strategy is working.

Andrew Horton
Chief executive

3 February 2016

Chief underwriting officer's report

We are pleased to have achieved a strong underwriting result in 2015, delivering a combined ratio of 87% (2014: 89%) with gross premiums written increasing by 3% to $2,080.9m (2014:

$2,021.8m). While the market continued to soften in 2015, resulting in further reductions in premium rates across most lines of business, Beazley was fortunate to identify opportunities for profitable growth. This was particularly the case in our largest division, specialty lines, where gross premiums written increased by 13% year on year.

This growth in specialty lines has helped offset the more difficult market conditions experienced in our short-tail, catastrophe-exposed, lines of business such as marine and reinsurance. We continue to employ a disciplined approach to our underwriting across all divisions, particularly where we are experiencing rating pressure.

Rating environment
Premium rates on renewal business across our portfolio as a whole fell by an average of 2% during 2015 (2014: a decrease of 2%). Specialty lines, our largest division, saw rates increase by 2% year on year, while our life, accident and health division saw rates drop by only 1%. In our other divisions, rates declined by varying degrees: 4% for property business; 8% for our marine division, 6% for our political risks & contingency division; and 7% for reinsurance.

Cumulative renewal rate changes since 2008 below:

	2008	2009	2010	2011	2012	2013	2014	2015
Life, accident & health		100%	100%	101%	101%	100%	109%	108%
Marine	100%	106%	104%	103%	103%	98%	92%	85%
Political risks & contingency	100%	99%	97%	95%	94%	92%	91%	85%
Property	100%	105%	102%	104%	110%	114%	112%	108%
Reinsurance	100%	109%	106%	109%	115%	112%	101%	94%
Specialty lines	100%	99%	98%	97%	100%	103%	103%	105%
All divisions	100%	103%	100%	101%	104%	104%	103%	101%

Premium retention rates
Retention of business from existing brokers and clients continues to be a key feature of Beazley's strategy. It enables us to develop a deep understanding of our clients' businesses and requirements, affording greater insight into the risks involved in each policy we write and enabling us to price risk substantially. The table below shows our retention rates by division compared to 2014.

Retention rates*	2015	2014
Life, accident & health	92%	86%
Marine	84%	85%
Political risks & contingency	72%	76%
Property	78%	77%
Reinsurance	85%	81%
Specialty lines	84%	82%
Overall	83%	81%

* Based on premiums due for renewal in each calendar year.

We would generally expect some level of volatility at individual division level; however we are pleased that our overall premium retention rate remains broadly in line with our five year average.

Divisional commentary
Specialty lines, our largest division, wrote gross premiums of $1,015.2m in 2015 (2014: $895.7m), representing growth of 13% over the prior year. A key contributor to this growth was the continued development of our US platform, where growth was particularly evident in our cyber, management liability and miscellaneous medical product lines. In recent years, we have strengthened our distribution channels for small and mid-sized businesses and, during 2015, we found that these clients often provided us with the best opportunities for growth.

While the US was the main growth market for specialty lines in 2015, we did see modest growth in London as well. Demand for data breach and cyber cover and response services have increased in Europe and we were delighted to partner with other Lloyd's syndicates to form the Lloyd's cyber consortium, targeting large scale European risks, in September. We also established a European media team to complement the strong media errors and omissions capability we have long had in the US.

The performance of our life, accident & health division continued to improve in 2015, with the division returning a modest profit in the past year (2014: an operating loss of $5.8m). The key drivers of this improved result were a significant increase in US gross premiums written from $3.1m in 2014 to $14.8m in the current year, and an improved distribution model in Australia. Overall, gross premiums written by the division in 2015 fell by approximately 9% compared to the prior year, although much of this premium reduction was due to sterling and Australian dollar exchange rate movements. We continue to see significant growth potential in the US for the 'gap protection' medical cover that employers are increasingly purchasing to supplement standard employee benefits. This cover helps people protect themselves against the risk of out of pocket medical expenses.

Our property division performed well in 2015, achieving a combined ratio of 84% (2014: 86%) on gross premiums of $353.1m (2014: $344.7m). Demonstrating our focus on segmenting our portfolio, the fastest growing segment of our property portfolio was the division's small business unit, which derives most of its business from Lloyd's coverholders around the world. This grew by 3% to $123.7m (2014: $120.3m) and retains, we believe, further growth potential for 2016. We were also pleased to be able to deliver modest growth in our large risk business seen at Lloyd's, despite seeing rates on renewal business fall by 8% on this business.

Market conditions were markedly tougher for much of our marine division, which in addition to a broad range of marine covers also underwrites energy, aviation and - since 2013 - satellite business. A number of factors, including the absence of material large loss activity and the falling price of oil have led to significant pressure on premium rates. The strongest downward rating pressure was felt by our energy team, where rates declined by 17%. The division nevertheless made another substantial contribution to Beazley's overall result, with a combined ratio of 77% (2014: 78%) on gross premiums of $269.3m (2014: $325.2m).

Our political risks and contingency division underwrites three main categories of business: political risks and trade credit; terrorism and political violence; and contingency. Despite significant pressure on premium rates, the division achieved a strong result in 2015, delivering a combined ratio of 76% (2014: 78%). We continue to invest in new opportunities and products such as the launch of our Beazley Weather Guard product in Australia and our participation in a Lloyd's terrorism consortium which commenced in early 2015. While we continue to commit capital cautiously, our wide geographic footprint leaves us well placed to take advantage of profitable growth opportunities where they arise.

The same is true of our reinsurance business, which saw premium rates on renewal business fall by 7% in 2015. Aided by a relatively benign claims environment, our reinsurance team nonetheless achieved a combined ratio of 57% in 2015 on gross premiums of $199.9m (2014: $200.8m). During the year, the team continued to improve our access to business that we might not otherwise see in London by recruiting a new underwriter in Paris and by nominating Tom Yang as an underwriter for the Beazley Underwriting Division of Lloyd's China to facilitate the placement of business through the Lloyd's China platform. In addition, we agreed to provide reinsurance to Korean Re, a top ten global reinsurer, as part of a reinsurance swap and we expect that this collaboration will provide us with opportunities to write more business in Asia in the coming years.

Outlook

We expect the highly competitive market conditions experienced in 2015, particularly in relation to large risk business, to continue in 2016. In the current environment, segmenting our portfolio will become increasingly important in delivering strong underwriting results.

Beazley benefits from a well-diversified portfolio which has allowed us to exercise efficient cycle management. We proactively adjust our risk appetite both in areas where we find premium rates have contracted so that certain risks are underpriced, and in markets where we encounter less competitive pressures. The emphasis on disciplined underwriting in areas where competition is greatest will remain a key part of our underwriting strategy as we continue to identify areas of our portfolio where we see the best opportunities for profitable growth.

Neil Maidment
Chief underwriting officer

3 February 2016

Financial review

Statement of profit or loss

	2015 $m	2014 $m	Movement %
Gross premiums written	2,080.9	2,021.8	3%
Net premiums written	1,713.1	1,732.7	(1%)
Net earned premiums	1,698.7	1,658.9	2%
Net investment income	57.6	83.0	(31%)
Other income	30.9	26.6	16%
Revenue	**1,787.2**	**1,768.5**	**1%**
Net insurance claims	813.9	817.9	-
Acquisition and administrative expenses	663.8	658.9	1%
Foreign exchange loss	9.7	12.3	
Expenses	**1,487.4**	**1,489.1**	**-**
Share of loss of associates	(0.5)	(1.1)	
Finance costs	(15.3)	(16.4)	
Profit before tax	**284.0**	**261.9**	**8%**
Income tax expense	(35.0)	(44.1)	(21%)
Profit after tax	**249.0**	**217.8**	**14%**
Claims ratio	48%	49%	
Expense ratio	39%	40%	
Combined ratio	87%	89%	
Rate (decrease)	(2%)	(2%)	
Investment return	1.3%	1.9%	

Profit
Profit before tax is up 8% in 2015 to $284.0m (2014: $261.9m). This increase in profit was driven by an improved combined ratio aided by an increase in releases from prior year claim reserves as well as experiencing a smaller foreign exchange loss in 2015 relative to the prior year, which had a favourable impact on profit of $2.6m. These effects more than compensated for the lower investment return.

Premiums
Gross premiums written have increased by 3% in 2015 to $2,080.9m. Rates on renewal business on average decreased by 2% across the portfolio. We have continued to adjust our underwriting appetite in areas where competition is most intense.

Our portfolio by business division has remained broadly unchanged from 2014. We continue to operate a diversified portfolio by type of business and geographical location, and have grown our business across three of the six divisions during 2015.

Reinsurance purchased
Reinsurance is purchased for a number of reasons:

- to mitigate the impact of catastrophes such as hurricanes;
- to enable the group to put down large, lead lines on the risks we underwrite; and
- to manage capital to lower levels.

The amount the group spent on reinsurance in 2015 was $367.8m (2014: $289.1m). The increased purchases in 2015 reflects Beazley's strategy of implementing reductions in risk appetite by increasing reinsurance rather than reducing our market profile via lower gross writings.

Combined ratio
The combined ratio of an insurance company is a measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium. A combined ratio under 100% indicates an underwriting profit. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer.

Beazley's combined ratio has decreased in 2015 to 87% (2014: 89%), maintaining our five year historic average of 90%. It is worth pointing out that the calculation of the combined ratio for Beazley includes all claims and other costs to the group but excludes foreign exchange gains or losses. We believe this represents the most transparent and useful measure of operating performance as it ensures that all of the costs of being in business are captured, whether directly linked to underwriting activity or not.

Claims
Overall, claims have developed favourably during 2015, with claims notifications at normalised levels. There has been minimal exposure to natural catastrophes throughout the year.

Reserve releases
Beazley has a consistent reserving philosophy, with initial reserves being set to include risk margins that may be released over time as and when any uncertainty reduces. Historically these margins have given rise to held reserves within the range 5-10% above the actuarial estimates, which themselves include some margin for uncertainty. The margin held above the actuarial estimate was 8.2% at the end of 2015 (2014: 7.1%). This margin has remained stable over time and is a lead indicator for the sustainability of reserve releases. However, it is important to recognise that claims reserve uncertainty is significant for Beazley and a positive lead indicator will not always equate to future releases.

Reserve monitoring is performed at a quarterly 'peer review', which involves a challenge process contrasting the claims reserves of underwriters and claim managers, who make detailed claim-by-claim assessments, and the actuarial team, who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment.

Prior year reserve adjustments across all divisions over the last five years are shown below:

	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	5 year average $m
Life, accident & health	4.5	0.5	(4.6)	4.4	5.6	2.1
Marine	39.9	27.7	47.3	40.2	31.2	37.3
Political risks & contingency	22.1	33.1	39.4	20.1	18.1	26.6
Property	20.2	6.2	33.7	35.9	37.8	26.8
Reinsurance	38.0	7.0	55.6	27.8	44.9	34.7
Specialty lines	61.8	51.5	46.6	29.7	38.7	45.7
Total	**186.5**	**126.0**	**218.0**	**158.1**	**176.3**	**173.2**
Releases as a percentage of net earned premium	13.5%	8.5%	13.7%	9.5%	10.4%	11.1%

The reserve releases in 2015 totalled $176.3m. There was an overall increase in reserve releases in 2015 compared to 2014. This was driven by the reinsurance division experiencing a benign claims environment in both 2014 and 2015, thus allowing further reserves to be released. The increase was also attributable to our specialty lines division increasing their reserve releases as the post recession portfolio from 2012 onwards matures; a trend which we expect to see continuing.

Acquisition costs and administrative expenses
Business acquisition costs and administrative expenses increased during 2015 to $663.8m from $658.9m in 2014.

The breakdown of these costs is shown below:

	2015 $m	2014 $m
Brokerage costs	362.8	349.7
Other acquisition costs	85.8	91.5
Total acquisition costs	**448.6**	**441.2**
Administrative expenses	215.2	217.7
Total acquisition costs and administrative expenses	**663.8**	**658.9**

Brokerage costs are the premium commissions paid to insurance intermediaries for providing business. As a percentage of net earned premium they remain consistent at 21% year on year. Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting standards.

Other acquisition costs comprise costs that have been identified as being directly related to underwriting activity
(e.g. underwriters' salaries and Lloyd's box rental). These costs are also deferred in line with premium earning patterns.

In 2015 the expense ratio reduced for the first time for a number of years. Exchange rates helped, but not withstanding that, this was a testament to the company's expense control and was achieved despite increasing the level of investment in the business.

Foreign exchange
The majority of Beazley's business is transacted in US dollar which is the currency we have reported in since 2010 and the currency in which we hold the company's net assets. Changes in the US dollar exchange rate with sterling, the Canadian dollar and the euro do have an impact as we receive premiums in those currencies and the majority of our staff still receive their salary in sterling. Part of this impact, generated by IFRS's treatment of the unearned premium reserve as a non-monetary item, is purely timing with FX profits and losses which unwind in the subsequent period. Beazley's FX loss taken through the profit and loss in 2015 was $9.7m (2014: $12.3m).

Investment performance
Financial markets saw significant volatility in 2015, influenced by slowing economic growth in China, and emerging markets more generally, as well as the associated fall in commodity, and particularly energy, prices. The prospects for an increase in US interest rates, which eventually happened in December, also affected markets throughout the year. Against this background global equities, in local currency terms, ended 2015 just 1.3% higher, having been down more than 6% earlier in the year. Credit spreads on corporate debt widened significantly, particularly at lower credit ratings, where deteriorating conditions for energy related issuers had a significant effect. Risk free yields in the US also moved higher, with shorter maturities most impacted as the yield curve flattened in anticipation of higher interest rates.

Rising yields and higher credit spreads resulted in modest, but still positive, returns on the fixed income investments which form the largest part of our investment portfolio. These assets returned 0.7% in 2015, helped by having no material exposure to the worst affected high yield debt issuers. An element of our assets is invested in more volatile asset classes, seeking to generate additional return in the medium term. This part of our portfolio performed well in 2015 as equity linked investments returned 4.5% and significantly outperformed the global equity market, while our hedge fund portfolio produced a strong 7.2% return. Our illiquid credit investments have grown, but remain limited, at 2% of portfolio value. They returned 1.4% in this period. Our overall investment return for the year ended 31 December 2015 was 1.3%, or $57.6m (2014: $83.0m; 1.9%). Although the contribution from investments is lower than last year, we believe this is a good outcome in the context of difficult investment conditions.

At 31 December 2015, the weighted average duration of our fixed income investments was 1.7 years (2014: 1.8 years).

Looking ahead to 2016, available yields on high quality debt investments remain low, but are generally expected to rise, whilst ongoing concerns about the prospects for global economic growth will create continuing headwinds for equity and corporate debt investments. In this environment it will remain very difficult to generate significant investment returns.

The table below details the breakdown of our portfolio by asset class:

	31 Dec 2015		**31 Dec 2014**	
	$m	%	$m	%
Cash and cash equivalents	676.9	15.0	364.2	8.2
Fixed and floating rate debt securities				
- Government, quasi-government and supranational	1,857.1	41.1	1,845.6	41.6
- Corporate bonds				
- Investment grade	1,215.8	26.9	1,111.5	25.0
- High yield	68.3	1.5	80.1	1.8
- Senior secured loans	114.9	2.5	101.5	2.3
- Asset backed securities	12.7	0.3	378.6	8.5
Derivative financial instruments	4.6	0.1	1.3	-
Core portfolio	3,950.3	87.4	3,882.8	87.4
Equity linked funds	147.5	3.3	145.9	3.3

Hedge funds	329.0	7.3	367.0	8.3
Illiquid credit assets	92.3	2.0	45.9	1.0
Total capital growth assets	568.8	12.6	558.8	12.6
Total	**4,519.1**	**100.0**	**4,441.6**	**100.0**

Comparison of return by major asset class:

	31 Dec 2015		31 Dec 2014	
	$m	%	$m	%
Core portfolio	27.4	0.7	46.4	1.2
Capital growth assets	30.2	5.4	36.6	6.8
Overall return	**57.6**	**1.3**	**83.0**	**1.9**

In 2015, the funds managed by the Beazley group remained in line with the prior year, with financial assets at fair value and cash and cash equivalents of $4,519.1m at the end of the year (2014: $4,441.6m).

Beazley sold most of its asset backed securities during 2015 in preparation for revised regulatory requirements under Solvency II. The significant increase in the cash and cash equivalent position of $676.9m (2014: $364.2m) is temporary and was the result of some movements of funds between Beazley Re and Beazley plc in December in preparation for Solvency II going live on 1 January 2016. We expect the cash position to reduce back towards normal levels during 2016 following the significant special dividend payment and the reinvestment of the asset backed securities proceeds.

Tax
Beazley is liable to corporation tax in a number of jurisdictions, notably the UK and Ireland. Our effective tax rate is thus a composite tax rate driven by the Irish and UK tax rates. Our effective tax rate for the year was 12.3% (2014: 16.9%). The reduction compared to 2014 was due to a number of prior year tax adjustments in 2015 that were all in the group's favour where as in 2014 the reverse was true.

In 2015, it was announced that the UK corporation tax rate will be reduced to 18% by 2020. This reduction in the UK tax rate will reduce the group's future current tax charge. The UK government also passed the diverted profits tax early in 2015. We have considered the implication of this and are of the view that this tax should not apply to Beazley.

Summary statement of financial position

	2015 $m	2014 $m	Movement %
Intangible assets	91.0	94.6	(4%)
Reinsurance assets	1,099.7	1,053.2	4%
Insurance receivables	732.7	587.0	25%
Other assets	302.9	266.3	14%
Financial assets at fair value and cash and cash equivalents	4,519.1	4,441.6	2%
Total assets	**6,745.4**	**6,442.7**	**5%**
Insurance liabilities	4,586.7	4,547.4	1%
Financial liabilities	247.3	256.8	(4%)
Other liabilities	470.0	295.8	59%
Total liabilities	**5,304.0**	**5,100.0**	**4%**
Net assets	1,441.4	1,342.7	7%
Net assets per share (cents)	281.7c	265.7c	6%
Net tangible assets per share (cents)	263.9c	247.0c	7%
Net assets per share (pence)	186.5p	170.3p	10%
Net tangible assets per share (pence)	174.8p	158.3p	11%
Number of shares*	511.7m	505.3m	1%

* Excludes shares held in the employee share trust and treasury shares.

Intangible assets
Intangible assets consist of goodwill on acquisitions of $62.0m, purchased syndicate capacity of $10.7m, US admitted licences of $9.3m and capitalised expenditure on IT projects of $9.0m.

Reinsurance assets
Reinsurance assets represent recoveries from reinsurers in respect of incurred claims of $868.4m, and the unearned reinsurance premiums reserve of $231.3m. The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $210.3 m and an actuarial estimate of recoveries on claims that have not yet been reported of $658.1 m. The group's exposure to reinsurers is managed through:

- minimising risk through selection of reinsurers who meet strict financial criteria (e.g. minimum net assets, minimum 'A' rating by S&P). These criteria vary by type of business (short vs medium tail);
- timely calculation and issuance of reinsurance collection notes from our ceded reinsurance team; and
- regular monitoring of the outstanding debtor position by our reinsurance security committee and credit control committee.

We continue to provide against impairment of reinsurance recoveries, and at the end of 2015 our provision had reduced to $13.7m (2014: $14.1m) in respect of reinsurance recoveries, following a partial recovery during the year in relation to Lehman Re.

Insurance receivables
Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2015 was $732.7m (2014: $587.0m). In order to meet with the accelerated regulatory reporting deadlines under Solvency II, Beazley now makes an earlier determination of how much of written premiums are received versus receivable. As a result, our premium receivables have grown by 25% year on year whilst gross premiums written have only grown 3% relative to the prior year.

Other assets
Other assets are analysed separately in the notes to the financial statements. The largest items included comprise:

- deferred acquisition costs of $226.2m;
- profit commissions of $12.6m; and
- deferred tax assets available for use against future taxes payable of $7.1m.

Insurance liabilities
Insurance liabilities of $4,586.7m consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities.

Our UPR has increased by 4% to $1,060.8m. The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that this business is profitable.

Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $937.5m and an estimate of claims incurred but not yet reported (IBNR) of $2,588.4m. These are estimated as part of the quarterly reserving process involving the underwriters and group actuary. Gross insurance claims reserves are broadly unchanged from 2014 at $3,525.9m.

Financial liabilities
Financial liabilities comprise borrowings and derivative financial liabilities. The group utilises three long term debt facilities:

- in 2006 we raised £150m of lower tier 2 unsecured fixed rate debt that is payable in 2026 and callable in 2016. In 2012, we bought back a total of £47.3m in two tranches. In 2013 we bought back £26.2m of this debt. The initial interest rate payable is 7.25% and the nominal value of this debt as at 31 December 2015 is £76.5m (2014: £76.5m);
- a US$18m subordinated debt facility raised in 2004. This loan is also unsecured and interest is payable at the US$ London interbank offered rate (LIBOR) plus 3.65%. These subordinated notes are due in 2034 and have been callable at the group's option since 2009; and
- during September 2012 we issued a sterling denominated 5.375% retail bond under a £250m euro medium term note programme which raised £75m for the group and is due in 2019. This diversified the source and maturity profile of the group's debt financing.

A syndicated short term banking facility led by Lloyds Banking Group Plc provides potential borrowings up to $225m. Under the facility $225m may be drawn as letters of credit to support underwriting at Lloyd's. Of this, 75% may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.4375% per annum and any amounts drawn are charged at a margin of 1.25% per annum. The cash element of the facility will expire on 31 July 2017, whilst letters of credit issued under the facility can be used to provide support for the 2015, 2016 and 2017 underwriting years. The facility is currently unutilised.

Capital structure
Beazley has a number of requirements for capital at a group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's and in the US and is subject to prudential regulation by local regulators (PRA, Lloyd's, Central Bank of Ireland, and the US state level supervisors).

Beazley is subject to the capital adequacy requirements of the European Union (EU) Insurance Groups Directive (IGD). We comply with all IGD requirements. These requirements will be replaced by Solvency II for year end 2016.

Further capital requirements come from rating agencies who provide ratings for Beazley Insurance Company Inc. We aim to manage our capital levels to obtain the ratings necessary to trade with our preferred client base.

Beazley holds a level of capital over and above its regulatory requirements. The amount of surplus capital held is considered on an on going basis in light of the current regulatory framework, (and the changes in regulation currently taking place, i.e. Solvency II) and opportunities for organic or acquisitive growth and a desire to maximise returns for investors.

The group actively seeks to manage its capital structure. Our preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when the group will generate excess capital and not have the opportunity to deploy it. At such points in time the board will consider returning capital to shareholders.

In 2015, Beazley acquired 0.8m of its own shares into the employee benefit trust. These were acquired at an average price of 326p and the cost to the group was £2.6m.

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

	2015 $m	**2014 $m**
Shareholders' funds	1,441.4	1,342.7
Tier 2 subordinated debt (2026)	116.9	122.5
Retail bond (2019)	112.3	115.8
Long -term subordinated debt (2034)	18.0	18.0
	1,688.6	**1,599.0**

Our funding comes from a mixture of our own equity (on a Solvency II basis) alongside $116.9m of tier 2 subordinated debt, $18.0m subordinated long term debt, a $112.3m retail bond and an undrawn banking facility of $225.0m.

The following table sets out the group's capital requirement:

	2015 $m	**2014 $m**
Lloyd's economic capital requirement (ECR)	1,326.9	1,359.0
Capital for US insurance company	107.7	107.7
	1,434.6	**1,466.7**

At 31 December 2015, we have surplus capital of 49% of ECR, including SII adjustments. Following payment of the second interim dividend of 6.6p and special dividend of 18.4p, this surplus reduces to 35% compared to our current target range of 15% to 25% of ECR.

Individual capital assessment
The group is required to produce an individual capital assessment (ICA) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews this assessment to ensure that ICAs are consistent across the market.

The current capital assessment has been established using our Solvency II internal model which has been run within the ICA regime as prescribed by Lloyd's. In order to determine the capital assessment, we have made significant investments in both models and process:

- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and

- the internal model process is embedded so that teams can see the direct and objective link between underwriting decisions and the capital allocated to that team. This gives a consistent and comprehensive picture of the risk reward profile of the business and allows teams to focus on strategies that improve return on capital.

Solvency II
The Solvency II regime was implemented on 1 January 2016. During 2015 Beazley obtained approval from the Central Bank of Ireland to calculate the Solvency Capital Requirement at a group level and for Beazley Re dac using our internal model. This model is also used to calculate the Solvency Capital Requirement on an ultimate basis for our managed syndicates, as required for Lloyd's capital setting. The Prudential Regulatory Authority has also approved the Lloyd's internal model.

Beazley's programme to prepare for Solvency II began in 2008 and is now substantially complete. Our project to prepare for the pillar 3 reporting requirements is ongoing and will remain in place until annual reporting for 31 December 2016 is complete. We believe we are strongly positioned to meet all the reporting requirements.

Group structure
The group operates across both Lloyd's and the US through a variety of legal entities and structures. The main entities within the legal entity structure are as follows:

- Beazley plc - group holding company and investment vehicle, quoted on the London Stock Exchange;
- Beazley Underwriting Limited - corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- Beazley Furlonge Limited - managing agency for the six syndicates managed by the group (623, 2623, 3622, 3623, 6107 and 6050);
- Beazley Re dac - reinsurance company that accepts reinsurances premiums ceded by the corporate member, Beazley Underwriting Limited;
- Syndicate 2623 - corporate body regulated by Lloyd's through which the group underwrites its general insurance business excluding accident and life. Business is written in parallel with syndicate 623;
- Syndicate 623 - corporate body regulated by Lloyd's which has its capital supplied by third-party names;
- Syndicate 6107 - special purpose syndicate writing reinsurance business on behalf of third-party names;
- Syndicate 3622 - corporate body regulated by Lloyd's through which the group underwrites its life insurance and reinsurance business;
- Syndicate 3623 - corporate body regulated by Lloyd's through which the group underwrites its personal accident and BICI reinsurance business;
- Syndicate 6050 - special purpose syndicate which has its capital provided by third-party names and providing reinsurance to syndicates 623 and 2623;
- Beazley Insurance Company, Inc. (BICI) - insurance company regulated in the US. Licensed to write insurance business in all 50 states; and
- Beazley USA Services, Inc. (BUSA) - managing general agent based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates and BICI.

Consolidated statement of profit or loss for the year ended 31 December 2015

	2015 $m	**2014 $m**
Gross premiums written	2,080.9	2,021.8
Written premiums ceded to reinsurers	(367.8)	(289.1)
Net premiums written	**1,713.1**	**1,732.7**
Change in gross provision for unearned premiums	(57.4)	(67.9)
Reinsurer's share of change in the provision for unearned premiums	43.0	(5.9)
Change in net provision for unearned premiums	**(14.4)**	**(73.8)**
Net earned premiums	**1,698.7**	**1,658.9**
Net investment income	57.6	83.0
Other income	30.9	26.6
	88.5	**109.6**

Revenue	**1,787.2**	**1,768.5**
Insurance claims	974.1	899.5
Insurance claims recoverable from reinsurers	(160.2)	(81.6)
Net insurance claims	**813.9**	**817.9**
Expenses for the acquisition of insurance contracts	448.6	441.2
Administrative expenses	215.2	217.7
Foreign exchange loss	9.7	12.3
Operating expenses	**673.5**	**671.2**
Expenses	**1,487.4**	**1,489.1**
Share of loss in associates	(0.5)	(1.1)
Results of operating activities	**299.3**	**278.3**
Finance costs	(15.3)	(16.4)
Profit before income tax	**284.0**	**261.9**
Income tax expense	(35.0)	(44.1)
Profit for year attributable to equity shareholders	**249.0**	**217.8**
Earnings per share (cents per share):		
Basic	48.8	43.1
Diluted	47.2	41.8
Earnings per share (pence per share):		
Basic	31.9	26.1
Diluted	30.9	25.3

Statement of comprehensive income for the year ended 31 December 2015

	2015 $m	2014 $m
Group		
Profit for the year attributable to equity shareholders	249.0	217.8
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Gain/(Loss) on remeasurement of retirement benefit obligations	0.3	(1.6)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(1.6)	(2.6)
Total other comprehensive income	(1.3)	(4.2)
Total comprehensive income recognised	**247.7**	**213.6**

Statement of comprehensive income for the year ended 31 December 2015

	2015 $m	2014 $m
Company		
Profit for the year attributable to equity shareholders	379.7	207.8
Total comprehensive income recognised	**379.7**	**207.8**

Statement of changes in equity for the year ended 31 December 2015

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group						
Balance at 01 January 2014	**41.6**	**12.0**	**(83.1)**	**(37.8)**	**1,406.0**	**1,338.7**
Total comprehensive income recognised	-	-	(2.6)	-	216.2	213.6
Dividends paid	-	-	-	-	(212.6)	(212.6)
Equity settled share based payments	-	-	-	15.3	0.6	15.9
Acquisition of own shares in trust	-	-	-	(12.5)	-	(12.5)
Transfer of shares to employees	-	-	-	2.9	(3.3)	(0.4)
Balance at 31 December 2014	**41.6**	**12.0**	**(85.7)**	**(32.1)**	**1,406.9**	**1,342.7**
Total comprehensive income recognised	-	-	(1.6)	-	249.3	247.7
Dividends paid	-	-	-	-	(164.2)	(164.2)
Equity settled share based payments	-	-	-	17.5	-	17.5
Acquisition of own shares in trust	-	-	-	(3.9)	-	(3.9)
Transfer of shares to employees	-	-	-	9.8	(8.2)	1.6
Balance at 31 December 2015	**41.6**	**12.0**	**(87.3)**	**(8.7)**	**1,483.8**	**1,441.4**

Statement of changes in equity for the year ended 31 December 2015

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company						
Balance at 01 January 2014	**41.6**	**12.0**	**(35.9)**	**(47.0)**	**703.0**	**673.7**
Total comprehensive income recognised	-	-	-	-	207.8	207.8
Dividends paid	-	-	-	-	(212.6)	(212.6)

Equity settled share based payments	-	-	-	15.3	0.6	15.9
Acquisition of own shares in trust	-	-	-	(12.5)	-	(12.5)
Transfer of shares to employees	-	-	-	2.9	(3.3)	(0.4)
Balance at 31 December 2014	**41.6**	**12.0**	**(35.9)**	**(41.3)**	**695.5**	**671.9**
Total comprehensive income recognised	-	-	-	-	379.7	379.7
Dividends paid	-	-	-	-	(164.2)	(164.2)
Equity settled share based payments	-	-	-	17.5	-	17.5
Acquisition of own shares in trust	-	-	-	(3.9)	-	(3.9)
Transfer of shares to employees	-	-	-	9.8	(8.2)	1.6
Balance at 31 December 2015	**41.6**	**12.0**	**(35.9)**	**(17.9)**	**902.8**	**902.6**

Statements of financial position as at 31 December 2015

		2015		**2014**
	Group $m	**Company $m**	**Group $m**	**Company $m**
Assets				
Intangible assets	91.0	-	94.6	-
Plant and equipment	4.5	0.7	3.9	0.9
Deferred tax asset	7.1	-	9.0	-
Investment in subsidiaries	-	747.2	-	747.2
Investment in associates	10.0	-	10.5	-
Deferred acquisition costs	226.2	-	222.7	-
Reinsurance assets	1,099.7	-	1,053.2	-
Financial assets at fair value	3,842.2	-	4,077.4	-
Insurance receivables	732.7	-	587.0	-
Other receivables	31.5	249.9	20.2	40.4
Current income tax asset	23.6	-	-	-
Cash and cash equivalents	676.9	18.4	364.2	1.2
Total assets	**6,745.4**	**1,016.2**	**6,442.7**	**789.7**
Equity				
Share capital	41.6	41.6	41.6	41.6
Share premium	12.0	12.0	12.0	12.0
Foreign currency translation reserve	(87.3)	(35.9)	(85.7)	(35.9)
Other reserves	(8.7)	(17.9)	(32.1)	(41.3)
Retained earnings	1,483.8	902.8	1,406.9	695.5
Total equity	**1,441.4**	**902.6**	**1,342.7**	**671.9**

Liabilities				
Insurance liabilities	4,586.7	-	4,547.4	-
Financial liabilities	247.3	112.3	256.8	115.8
Retirement benefit liability	0.7	-	2.6	-
Deferred tax liabilities	6.0	-	8.5	-
Current income tax liability	-	-	29.2	-
Other payables	463.3	1.3	255.5	2.0
Total liabilities	**5,304.0**	**113.6**	**5,100.0**	**117.8**
Total equity and liabilities	**6,745.4**	**1,016.2**	**6,442.7**	**789.7**

Statements of cash flows for the year ended 31 December 2015

		2015		**2014**
	Group $m	**Company $m**	**Group $m**	**Company $m**
Cash flow from operating activities				
Profit before income tax	**284.0**	**379.7**	**261.9**	**207.8**
Adjustments for:				
Amortisation of intangibles	5.0	-	4.6	-
Equity settled share based compensation	17.5	17.5	15.3	15.3
Net fair value gains on financial assets	3.0	-	25.6	-
Share of loss in associates	0.5	-	1.1	-
Depreciation of plant and equipment	2.1	0.2	2.4	0.2
Impairment of reinsurance assets recognised/(written back)	-	-	(0.4)	-
Increase/(decrease) in insurance and other liabilities	235.7	(4.2)	(103.3)	(7.0)
(Increase)/decrease in insurance, reinsurance and other receivables	(203.5)	(209.5)	177.6	8.8
Increase in deferred acquisition costs	(3.5)	-	(16.7)	-
Financial income	(70.8)	-	(67.7)	-
Financial expense	15.3	6.8	16.4	6.7
Income tax paid	(89.8)	-	(89.7)	-
Net cash from operating activities	**195.5**	**190.5**	**227.1**	**231.8**
Cash flow from investing activities				
Purchase of plant and equipment	(2.5)	-	(0.4)	-
Expenditure on software development	(5.0)	-	(5.3)	-
Purchase of investments	(3,659.7)	-	(2,832.7)	-
Proceeds from sale of investments	3,892.2	-	2,773.3	-
Investment in associate	-	-	(3.2)	-
Interest and dividends received	70.8	-	67.7	-
Net cash (used in)/from investing activities	**295.8**	**-**	**(0.6)**	**-**
Cash flow from financing activities				

Acquisition of own shares in trust	(3.9)	(3.9)	(12.5)	(12.5)
Repayment of borrowings	-	-	-	-
Interest paid	(15.3)	(6.8)	(14.8)	(6.7)
Dividends paid	(164.2)	(164.2)	(212.6)	(212.6)
Net cash used in financing activities	**(183.4)**	**(174.9)**	**(239.9)**	**(231.8)**
Net increase/(decrease) in cash and cash equivalents	307.9	15.6	(13.4)	-
Cash and cash equivalents at beginning of year	364.2	1.2	382.7	1.2
Effect of exchange rate changes on cash and cash equivalents	4.8	1.6	(5.1)	-
Cash and cash equivalents at end of year	**676.9**	**18.4**	**364.2**	**1.2**

1 Statement of accounting policies

Beazley plc is a company incorporated in Jersey and domiciled in Ireland. The group financial statements for the year ended 31 December 2015 comprise the parent company, its subsidiaries and the group's interest in associates.

The principal activity of the company and its subsidiaries (the group) is to participate as a specialist insurer which transacts primarily commercial lines of business through its subsidiaries and through Lloyd's syndicates.

The financial statements of the parent company, Beazley plc and the group financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the EU ('Adopted IFRSs'). On publishing the parent company financial statements together with the group financial statements, the company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

In the current year, the group has applied amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

The group has applied the amendments to IFRSs included in the annual improvements to IFRS: 2011-2013 cycle for the first time in the current year. The amendments include minor changes to the following standards:

- IFRS 1, 'First time adoption';
- IFRS 3, 'Business combinations' on clarification regarding joint arrangements;
- IFRS 13, 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13; and
- IAS 40, 'Investment property' on clarification that IAS 40 and IFRS 3 are not mutually exclusive.

These amendments did not result in a material impact on the financial statements of the company.

A number of new standards and interpretations adopted by the EU which are not mandatorily effective, as well as standards and interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing these financial statements. The group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The group is still reviewing the upcoming standards to determine their impact:

- IFRS 9: Financial instruments (IASB effective date: 1 January 2018);
- IFRS 11: Amendment: Accounting for acquisitions on interests in joint operations (EU effective date: 1 January 2016)*;
- IFRS 14: Regulatory deferral accounts (IASB effective date: 1 January 2016);
- IFRS 15: Revenue from contracts with customers (IASB effective date: 1 January 2018);
- IAS 1: Amendment: Disclosure Initiative (EU effective date: 1 January 2016)*;
- IAS 16: Amendment: Clarification of acceptable methods of depreciation and amortisation (EU effective date: 1 January 2016)*;
- IAS 19: Amendments: Defined benefits plans (EU effective date: 1 February 2015)*;
- IAS 27: Amendment: Equity method in separate financial statements (EU effective date: 1 January 2016)*;
- IAS 38: Amendment: Clarification of acceptable methods of depreciation and amortisation (EU effective date: 1 January 2016)*;

- annual improvement to IFRSs - 2010-2012 cycle (EU effective date: 1 February 2015)*;
- annual improvement to IFRSs - 2012-2014 cycle (EU effective date: 1 January 2016)*.

* standards that have been endorsed by the EU.

Of the upcoming accounting standard changes that we are aware of, we anticipate that IFRS 4 Phase II, IFRS 9 and IFRS 15 will have the most material impact to the financial statements presentation and disclosures. The accounting developments and implementation timelines of these standards are being closely monitored and the impacts of the standards themselves are being monitored. Full impact analysis in respect of these standards is expected to be completed at least 12 months prior to the effective date of each standard. A brief overview of these standards is provided below;

- IFRS 4 Phase II will replace IFRS 4 Phase I (An interim standard that allows insurers to continue to use various accounting practices already in place) with a single principle based accounting framework applicable to all types of insurance contracts (including reinsurance contracts);
- IFRS 9 provides a reform of financial instruments accounting to supersede IAS 39 financial instruments: recognition and measurement. The standard contains the requirements for a) the classification and measurement of financial liabilities; b) a new impairment methodology and c) general hedge accounting. EU endorsement of IFRS 9 may continue to be delayed for insurers to align better with the release and adoption of IFRS 4 Phase II; and
- IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Revenue from contracts accounted for under IFRS 4 is outside the scope of IFRS 15 however the group will have to apply the new revenue recognition standard to non-insurance contracts. Furthermore, the group may have to apply the new standard to non-insurance components of contracts traditionally considered to be insurance contracts. The new standard's requirement for accounting for variable consideration could change the timing of revenue recognition for non-insurance contracts issued by the group.

Basis of presentation
The group financial statements are prepared using the historical cost convention, with the exception of financial assets and derivative financial instruments which are stated at their fair value. All amounts presented are stated in US dollars and millions, unless stated otherwise.

The 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.

In accordance with the requirements of IAS 1 the financial statements assets and liabilities have been presented based on order of liquidity which provides information that is more reliable and relevant for a financial institution.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies.

The most critical estimate included within the group's financial position is the estimate for insurance losses incurred but not reported. The total estimate net of reinsurers' share as at 31 December 2015 is $1,930.3m (2014: $1,874.5m) and is included within total insurance liabilities and reinsurance assets in the statement of financial position.

2 Segmental analysis
a) Reporting segments
Segment information is presented in respect of reportable segments. These are based on the group's management and internal reporting structures and represent the level at which financial information is reported to the board, being the chief operating decision-maker as defined in IFRS 8.

The operating segments are based upon the different types of insurance risk underwritten by the group, as described below:

Life, accident & health

This segment underwrites life, health, personal accident, sports and income protection risks.

Marine
This segment underwrites a broad spectrum of marine classes including hull, energy, cargo and specie, piracy, aviation, kidnap & ransom and war risks.

Political risks & contingency
This segment underwrites terrorism, political violence, expropriation and credit risks as well as contingency and risks associated with contract frustration.

Property
The property segment underwrites commercial, high-value homeowners' and construction and engineering property insurance on a worldwide basis.

Reinsurance
This segment specialises in writing property catastrophe, property per risk, casualty clash, aggregate excess of loss and pro-rata business.

Specialty lines
This segment underwrites professional liability, management liability and environmental liability, including architects and engineers, healthcare, cyber, lawyers, technology, media and business services, directors and officers and employment practices risks.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The reporting segments do not cross-sell business to each other. There are no individual policyholders who comprise greater than 10% of the group's total gross premiums written.

b) Segment information

2015	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Segment results							
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 profit/(loss) of 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 for the year attributable to equity shareholders							**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**
Additional information							
Investment in associates	-	-	2.5	-	-	7.5	10.0
Impairment of non-financial assets	-	-	-	-	-	-	-
Capital expenditure	0.2	0.5	0.3	0.6	0.3	1.5	3.4
Amortisation and depreciation	(0.3)	(0.6)	(0.3)	(0.8)	(0.4)	(1.9)	(4.3)
Net cash flow	6.7	87.3	32.3	44.5	32.3	109.6	312.7

2014	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Segment results							
Gross premiums written	132.2	325.2	123.2	344.7	200.8	895.7	2,021.8
Net premiums written	113.7	289.9	101.2	297.6	153.8	776.5	1,732.7
Net earned premiums	103.0	282.6	96.9	287.9	160.1	728.4	1,658.9
Net investment income	1.0	8.9	3.8	10.2	7.8	51.3	83.0
Other income	1.0	3.4	1.8	6.6	3.8	10.0	26.6
Revenue	**105.0**	**294.9**	**102.5**	**304.7**	**171.7**	**789.7**	**1,768.5**
Net insurance claims	62.2	106.6	25.7	121.3	60.0	442.1	817.9
Expenses for the acquisition of insurance contracts	33.9	78.3	29.2	87.1	35.6	177.1	441.2
Administrative expenses	13.9	36.8	20.4	39.9	14.9	91.8	217.7
Foreign exchange loss	0.8	2.1	0.7	2.1	1.2	5.4	12.3
Expenses	**110.8**	**223.8**	**76.0**	**250.4**	**111.7**	**716.4**	**1,489.1**
Share of loss of associates	-	-	(0.3)	-	-	(0.8)	(1.1)
Segment result	**(5.8)**	**71.1**	**26.2**	**54.3**	**60.0**	**72.5**	**278.3**
Finance costs							(16.4)

Profit before income tax							**261.9**
Income tax expense							(44.1)
Profit for the year attributable to equity shareholders							**217.8**
Claims ratio	60%	38%	27%	42%	37%	61%	49%
Expense ratio	47%	40%	51%	44%	32%	37%	40%
Combined ratio	107%	78%	78%	86%	69%	98%	89%
Segment assets and liabilities							
Segment assets	216.8	1,048.9	767.9	999.1	372.1	3,037.9	6,442.7
Segment liabilities	(188.8)	(673.7)	(629.6)	(808.2)	(233.2)	(2,566.5)	(5,100.0)
Net assets	**28.0**	**375.2**	**138.3**	**190.9**	**138.9**	**471.4**	**1,342.7**
Additional information							
Investment in associates	-	-	2.8	-	-	7.7	10.5
Impairment of non-financial assets	-	-	-	-	-	-	-
Capital expenditure	0.3	1.1	0.5	0.9	2.0	0.9	5.7
Amortisation and depreciation	(0.4)	(1.3)	(0.6)	(1.1)	(1.1)	(2.5)	(7.0)
Net cash flow	(0.5)	(5.4)	(2.4)	(2.3)	(1.6)	(6.3)	(18.5)

c) Information about geographical areas
The group's operating segments are also managed geographically by placement of risk. UK earned premium in the analysis below represents all risks placed at Lloyd's and US earned premium represents all risks placed at the group's US insurance company, Beazley Insurance Company, Inc.

	2015 $m	2014 $m
Net earned premiums		
UK (Lloyd's)	1,637.8	1,617.2
US (Non-Lloyd's)	60.9	41.7
	1,698.7	**1,658.9**

	2015 $m	2014 $m
Segment assets		
UK (Lloyd's)	6,409.3	6,133.0
US (Non-Lloyd's)	336.1	309.7
	6,745.4	**6,442.7**

Segment assets are allocated based on where the assets are located.

	2015 $m	2014 $m

Capital expenditure		
Non-US	2.7	5.5
US	0.7	0.2
	3.4	**5.7**

3 Net investment income

	2015 $m	**2014 $m**
Interest and dividends on financial investments at fair value through profit or loss	70.3	67.1
Interest on cash and cash equivalents	0.5	0.6
Realised losses on financial investments at fair value through profit or loss	(18.5)	(16.3)
Net unrealised fair value gains on financial investments at fair value through profit or loss	15.5	41.9
Investment income from financial investments	**67.8**	**93.3**
Investment management expenses	(10.2)	(10.3)
	57.6	**83.0**

4 Other income

	2015 $m	**2014 $m**
Commissions received from Beazley service companies	16.4	14.2
Profit commissions from syndicates 623/6107	12.4	9.9
Agency fees from 623	1.9	2.3
Other income	0.2	0.2
	30.9	**26.6**

5 Operating expenses

	2015 $m	**2014 $m**
Operating expenses include:		
Amounts receivable by the auditor and associates in respect of:		
- the auditing of accounts of the company's subsidiaries	1.3	1.2
- taxation compliance services	0.1	0.1
- all other assurance services not included above	0.4	0.4
- all other non-audit services not included above	-	-
	1.8	1.7
Impairment loss written back on reinsurance assets	-	(0.4)
Operating leases	9.4	9.2

Other than the fees disclosed above, no other fees were paid to the company's auditor.

6 Employee benefit expenses

	2015 $m	**2014 $m**
Wages and salaries	123.6	120.7
Short-term incentive payments	75.6	68.7

Social security	17.7	18.7
Share-based remuneration	17.5	15.6
Pension costs*	10.4	10.0
	244.8	233.7
Recharged to syndicate 623	(36.1)	(34.5)
	208.7	**199.2**

* Pension costs refer to the contributions made under the defined contribution scheme.

7 Finance costs

	2015 $m	2014 $m
Interest expense	15.3	16.4
	15.3	**16.4**

8 Income tax expense

	2015 $m	2014 $m
Current tax expense		
Current year	44.6	95.6
Prior year adjustments	(8.8)	5.5
	35.8	101.1
Deferred tax expense		
Origination and reversal of temporary differences	(2.9)	(55.2)
Impact of change in UK tax rates	(0.2)	0.4
Prior year adjustments	2.3	(2.2)
	(0.8)	(57.0)
Income tax expense	**35.0**	**44.1**

Profit before tax	**284.0**	**261.9**
Tax calculated at Irish rate	35.5	32.7
Rates applied	12.5%	12.5%
Effects of:		
- tax rates in foreign jurisdictions	7.7	4.9
- non-deductible expenses	0.8	3.5
- tax relief on share based payments - current and future years	(2.3)	(1.4)
- under/(over) provided in prior years	(6.5)	3.3
- change in UK tax rates*	(0.2)	0.4
- foreign exchange on tax	-	0.7
Tax charge for the period	**35.0**	**44.1**

The weighted average applicable tax rate was 15.2% (2014: 14.8%). This is the weighted average of the statutory tax rates applied to the profits earned in each country in which the group operates.

The group has assessed the potential impact of diverted profits tax for the current year 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.

* 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 at 31 December 2015.

9 Earnings per share

	2015	2014
Basic (cents)	48.8c	43.1c
Diluted (cents)	47.2c	41.8c
Basic (pence)	31.9p	26.1p
Diluted (pence)	30.9p	25.3p

Basic
Basic earnings per share are calculated by dividing profit after tax of $249.0m (2014: $217.8m) by the weighted average number of shares in issue during the year of 510.4m (2014: 505.4m). The shares held in the Employee Share Options Plan (ESOP) of 9.7m (2014: 16.0m) 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 tax of $249.0m (2014: $217.8m) by the adjusted weighted average number of shares of 527.3m (2014: 521.2m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE, retention and deferred share schemes. The shares held in the ESOP of 9.7m (2014: 16.0m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

10 Dividends per share

A second interim dividend of 6.6p per ordinary share (2014: 6.2p) and a special dividend of 18.4p (2014: 11.8p) will be payable on 31 March 2016 to Beazley plc shareholders registered at 5.00pm on 26 February 2016 in respect of the six months ended 31 December 2015. The company expects the total amount to be paid in respect of the second interim and special dividend to be approximately £127.9m. These financial statements do not provide for the second interim dividend and the special dividend as a liability.

Together with the interim dividend of 3.3p (2014: 3.1p) this gives a total dividend for the year of 28.3p (2014: 21.1p).

The aforementioned interim and special dividends will be payable on 31 March 2016 to shareholders registered at 5.00pm on 26 February 2016 (save to the extent that shareholders on the register of members on 26 February 2016 are to be paid a dividend by a subsidiary of the company (being Beazley DAS Limited) resident for tax purposes in the United Kingdom pursuant to elections made or deemed to have been made and such shareholders shall have no right to this second interim dividend).

11 Insurance liabilities and reinsurance assets

	2015 $m	2014 $m
Gross		
Claims reported and loss adjustment expenses	937.5	984.7
Claims incurred but not reported	2,588.4	2,540.2
Gross claims liabilities	3,525.9	3,524.9
Unearned premiums	1,060.8	1,022.5
Total insurance liabilities, gross	**4,586.7**	**4,547.4**

Recoverable from reinsurers		
Claims reported and loss adjustment expenses	210.3	195.0
Claims incurred but not reported	658.1	665.7
Reinsurers' share of claims liabilities	868.4	860.7
Unearned premiums	231.3	192.5
Total reinsurers' share of insurance liabilities	**1,099.7**	**1,053.2**
Net		
Claims reported and loss adjustment expenses	727.2	789.7
Claims incurred but not reported	1,930.3	1,874.5
Net claims liabilities	2,657.5	2,664.2
Unearned premiums	829.5	830.0
Total insurance liabilities, net	**3,487.0**	**3,494.2**

The gross claims reported, the loss adjustment liabilities and the liabilities for claims incurred but not reported are net of recoveries from salvage and subrogation.

11.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2015			2014		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Claims reported and loss adjustment expenses	984.7	(195.0)	789.7	1,023.0	(253.7)	769.3
Claims incurred but not reported	2,540.2	(665.7)	1,874.5	2,597.5	(724.7)	1,872.8
Balance at 1 January	3,524.9	(860.7)	2,664.2	3,620.5	(978.4)	2,642.1
Claims paid	(916.1)	149.5	(766.6)	(924.8)	186.5	(738.3)
Increase in claims						
- Arising from current year claims	1,218.4	(228.3)	990.1	1,156.5	(180.5)	976.0
- Arising from prior year claims	(244.6)	68.3	(176.3)	(257.0)	98.9	(158.1)
Net exchange differences	(56.7)	2.8	(53.9)	(70.3)	12.8	(57.5)
Balance at 31 December	**3,525.9**	**(868.4)**	**2,657.5**	**3,524.9**	**(860.7)**	**2,664.2**
Claims reported and loss adjustment expenses	937.5	(210.3)	727.2	984.7	(195.0)	789.7
Claims incurred but not reported	2,588.4	(658.1)	1,930.3	2,540.2	(665.7)	1,874.5
Balance at 31 December	**3,525.9**	**(868.4)**	**2,657.5**	**3,524.9**	**(860.7)**	**2,664.2**

b) Unearned premiums reserve

	2015			2014		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Balance at 1 January	1,022.5	(192.5)	830.0	956.8	(199.8)	757.0
Increase in the year	2,080.9	(371.5)	1,709.4	2,021.8	(297.9)	1,723.9
Release in the year	(2,042.6)	332.7	(1,709.9)	(1,956.1)	305.2	(1,650.9)
Balance at 31 December	**1,060.8**	**(231.1)**	**829.5**	**1,022.5**	**(192.5)**	**830.0**

11.2 Assumptions, changes in assumptions and sensitivity analysis
a) Process used to decide on assumptions

The peer review reserving process
Beazley uses a quarterly dual track process to set its reserves:

- the actuarial team uses several actuarial and statistical methods to estimate the ultimate premium and claims costs, with the most appropriate methods selected depending on the nature of each class of business; and
- the underwriting teams concurrently review the development of the incurred loss ratio over time, work with our claims managers to set reserve estimates for identified claims and utilise their detailed understanding of both risks underwritten and the nature of the claims to establish an alternative estimate of ultimate claims cost, which is compared to the actuarially established figures.

A formal internal peer review process is then undertaken to determine the reserves held for accounting purposes which, in totality, are not lower than the actuarially established figure. The group also commissions an annual independent review to ensure that the reserves established are reasonable or within a reasonable range.

The group has a consistent reserving philosophy with initial reserves being set to include risk margins which may be released over time as uncertainty reduces.

Actuarial assumptions
Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for classes of business that have a relatively stable development pattern.
Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years that are still at immature stages of development where there is a higher level of assumption volatility.

The Bornhuetter-Ferguson method uses a combination of a benchmark/market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations where developed claims experience was not available for the projection (e.g. recent underwriting years or new classes of business).

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

We also review triangulations of the paid/outstanding claim ratios as a way of monitoring any changes in the strength of the outstanding claim estimates between underwriting years so that adjustments can be made to mitigate any subsequent over/(under)reserving. To date, this analysis indicates no systematic change to the outstanding claim strength across underwriting years.

Where significant large losses impact an underwriting year (e.g. the events of 11 September 2001, the hurricanes in 2004, 2005, 2008 and 2012, or the earthquakes in 2010 and 2011), the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected.

Further assumptions are required to convert gross of reinsurance estimates of ultimate claims cost to a net of reinsurance level and to establish reserves for unallocated claims handling expenses and reinsurance bad debt.

b) Major assumptions

The main assumption underlying these techniques is that the group's past claims development experience (with appropriate adjustments for known changes) can be used to project future claims development and hence ultimate claims costs. As such these methods extrapolate the development of premiums, paid and incurred losses, average costs per claim and claim numbers for each underwriting year based on the observed development of earlier years.

Throughout, judgement is used to assess the extent to which past trends may or may not apply in the future; for example, to reflect changes in external or market factors such as economic conditions, public attitudes to claiming, levels of claims inflation, premium rate changes, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

c) Changes in assumptions
As already discussed, general insurance business requires many different assumptions.

Given the range of assumptions used, the group's profit or loss is relatively insensitive to changes to a particular assumption used for an underwriting year/class combination. However, the group's profit or loss is potentially more sensitive to a systematic change in assumptions that affect many classes, such as judicial changes or when catastrophes produce more claims than expected.
The group uses a range of risk mitigation strategies to reduce the volatility including the purchase of reinsurance. In addition, the group holds capital to absorb volatility.

d) Sensitivity analysis
The estimation of IBNR reserves for future claim notifications is subject to a greater degree of uncertainty than the estimation of the outstanding claims already notified. This is particularly true for the specialty lines business, which will typically display greater variations between initial estimates and final outcomes as a result of the greater degree of difficulty in estimating these reserves. The estimation of IBNR reserves for other business written is generally subject to less variability as claims are generally reported and settled relatively quickly.

As such, our reserving assumptions contain a reasonable margin for prudence given the uncertainties inherent in the insurance business underwritten, particularly on the longer tailed specialty lines classes.

Since year end 2004, we have identified a range of possible outcomes for each class and underwriting year combination directly from our internal model (previously our individual capital assessment (ICA)) process. Comparing these with our pricing assumptions and reserving estimates gives our management team increased clarity into our perceived reserving strength and the relative uncertainties of the business written.

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the six segments - life, accident & health, marine, political risks & 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 and ultimate net claims.

The top part of the table illustrates how the group's estimate of the claims ratio for each underwriting year has changed at successive year ends. The bottom half of the table reconciles the gross and net claims to the amount appearing in the statement of financial position.

While the information in the table provides 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 estimate of total claims liabilities as at 31 December 2015 is 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	**2005 ae %**	**2006 %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**
Life, accident & health											
12 months					53.0	52.8	56.0	56.7	63.3	64.4	67.3

24 months				52.7	52.6	52.4	68.2	64.7	66.7	
36 months				45.6	49.1	60.0	63.6	64.7		
48 months				43.7	48.1	57.1	63.0			
60 months				42.8	47.5	55.0				
72 months				41.8	46.5					
84 months				41.8						
96 months										
108 months										
120 months										
Marine										
12 months	57.3	58.6	69.3	54.5	50.6	55.0	56.0	56.5	57.5	56.8
24 months	42.2	60.3	65.2	50.9	49.8	47.7	46.2	51.9	47.1	
36 months	32.7	50.8	59.2	44.3	44.1	39.5	34.7	44.2		
48 months	28.9	48.3	63.1	40.7	42.4	34.2	32.2			
60 months	28.6	49.6	62.8	40.4	40.8	35.8				
72 months	26.3	50.1	59.1	48.7	40.7					
84 months	26.2	46.9	55.3	47.8						
96 months	25.6	44.1	54.7							
108 months	25.3	43.6								
120 months	24.7									
Political risks & contingency										
12 months	57.1	57.2	57.5	61.1	61.4	58.7	62.4	57.2	56.0	54.9
24 months	36.4	39.8	68.3	38.6	40.4	39.4	43.3	42.0	40.9	
36 months	32.3	56.5	75.0	34.7	33.1	34.3	39.6	35.3		
48 months	43.8	53.5	88.1	30.1	23.9	28.6	38.1			
60 months	39.8	53.8	72.9	24.2	22.6	27.1				
72 months	39.6	50.0	61.8	18.5	21.2					
84 months	36.6	47.4	58.7	18.8						
96 months	31.1	49.5	59.2							
108 months	28.4	45.4								
120 months	28.8									
Property										
12 months	58.4	58.2	71.1	53.9	58.5	59.0	55.7	55.3	53.2	54.9
24 months	43.8	56.2	65.8	42.2	61.7	51.2	47.8	49.2	47.8	
36 months	42.8	53.5	64.7	37.1	59.6	49.0	40.2	45.8		
48 months	50.1	54.0	62.8	36.0	56.9	47.1	37.0			
60 months	50.3	56.9	61.2	34.9	54.2	46.2				
72 months	50.1	65.9	60.2	33.9	53.2					
84 months	49.4	66.0	59.0	33.3						
96 months	47.3	65.3	58.4							
108 months	46.3	64.5								
120 months	44.8									
Reinsurance										
12 months	52.4	59.6	60.1	60.8	68.0	78.6	62.9	57.3	60.9	65.5
24 months	25.5	25.2	53.1	47.6	150.0	77.7	36.5	43.5	32.8	
36 months	25.0	21.0	44.0	39.6	138.4	71.8	31.3	41.1		

48 months		23.5	19.5	40.7	39.2	132.4	68.0	30.3				
60 months		21.5	18.6	40.4	35.0	136.3	65.3					
72 months		21.3	18.5	40.5	32.2	134.8						
84 months		21.5	16.9	39.8	31.4							
96 months		21.0	16.1	39.5								
108 months		20.4	15.7									
120 months		20.2										
Specialty lines												
12 months		72.6	72.9	72.1	72.7	73.9	75.6	74.1	73.5	68.5	67.4	
24 months		72.7	72.4	72.0	72.7	74.0	75.7	74.1	73.2	68.4		
36 months		72.6	72.3	72.0	71.9	73.0	76.5	72.2	73.0			
48 months		73.0	72.4	72.2	71.5	73.4	75.5	70.2				
60 months		71.0	72.5	71.7	71.7	69.4	74.3					
72 months		65.9	72.2	72.1	68.2	69.4						
84 months		61.9	72.2	70.4	69.4							
96 months		58.2	71.3	73.8								
108 months		57.0	70.6									
120 months		54.6										
Total												
12 months		63.7	64.6	69.3	63.0	64.7	67.4	64.6	63.6	62.1	62.6	
24 months		53.9	60.1	67.8	57.1	72.7	63.0	58.2	59.1	55.7		
36 months		51.4	58.9	66.5	53.3	68.8	61.0	53.2	56.2			
48 months		53.4	58.4	67.8	51.8	66.9	58.4	51.0				
60 months		52.0	59.3	65.9	50.9	64.7	57.5					
72 months		49.3	61.0	64.3	49.8	64.1						
84 months		47.2	60.1	62.3	50.0							
96 months		44.6	59.2	63.7								
108 months		43.6	58.2									
120 months		42.1										
Total ultimate losses ($m)	3,898.5	692.7	1,046.4	1,222.4	1,057.4	1,305.2	1,108.0	1,024.1	1,262.5	1,283.6	1,501.1	15,401.9
Less paid claims ($m)	(3,754.5)	(616.1)	(911.3)	(1,030.0)	(784.4)	(1,042.1)	(765.7)	(616.1)	(560.3)	(310.3)	(49.9)	(10,440.7)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	-	(12.9)	(730.8)	(743.7)
Gross claims liabilities (100% level) ($m)	**144.0**	**76.6**	**135.1**	**192.4**	**273.0**	**263.1**	**342.3**	**408.0**	**702.2**	**960.4**	**720.4**	**4,217.5**
Less unaligned share ($m)	(27.4)	(13.7)	(26.4)	(30.4)	(43.0)	(45.0)	(63.9)	(75.4)	(110.2)	(146.5)	(109.7)	(691.6)
Gross claims liabilities, group share ($m)	**116.6**	**62.9**	**108.7**	**162.0**	**230.0**	**218.1**	**278.4**	**332.6**	**592.0**	**813.9**	**610.7**	**3,525.9**

Net ultimate claims	**2005 ae %**	**2006 %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**

Life, accident & health										
12 months				51.7	51.5	55.1	58.0	65.6	62.7	65.2
24 months				51.0	52.3	54.5	65.2	68.3	64.6	
36 months				44.6	52.2	63.3	63.7	67.0		
48 months				45.6	51.2	60.2	57.1			
60 months				44.8	50.6	58.0				
72 months				43.7	49.5					
84 months				43.7						
96 months										
108 months										
120 months										
Marine										
12 months	54.3	55.8	61.5	53.6	52.2	56.0	55.5	56.0	56.4	56.9
24 months	42.1	56.8	56.8	47.7	49.3	48.0	46.0	53.0	48.8	
36 months	32.8	49.7	50.6	39.2	44.8	39.1	37.5	47.2		
48 months	31.2	46.8	47.5	35.5	42.9	34.9	35.0			
60 months	30.8	47.5	46.9	35.2	41.6	36.0				
72 months	29.0	47.5	46.4	38.8	40.7					
84 months	28.9	45.1	45.1	38.1						
96 months	28.3	43.1	44.7							
108 months	28.0	42.6								
120 months	27.4									
Political risks & contingency										
12 months	55.9	55.4	55.9	59.2	57.3	54.9	59.3	54.7	52.9	51.9
24 months	40.6	40.7	76.2	35.2	38.0	38.2	41.8	41.5	39.0	
36 months	36.6	55.2	77.7	32.2	30.7	32.6	38.3	36.1		
48 months	47.6	54.9	80.4	27.7	21.7	30.1	38.2			
60 months	41.8	52.7	70.1	22.1	20.5	28.3				
72 months	40.2	49.4	59.5	17.4	19.3					
84 months	40.1	47.2	56.1	17.7						
96 months	37.5	48.9	56.3							
108 months	34.0	45.4								
120 months	34.0									
Property										
12 months	61.1	61.0	67.4	53.6	59.0	60.5	58.7	56.8	54.6	55.1
24 months	48.5	59.3	67.3	48.0	66.1	57.8	53.1	56.2	51.3	
36 months	46.8	58.4	65.0	44.5	66.5	54.2	46.3	52.2		
48 months	50.5	58.5	64.0	42.3	60.7	51.0	41.5			
60 months	49.7	61.7	62.9	41.7	58.6	49.5				
72 months	49.8	61.9	61.6	40.4	57.5					
84 months	49.3	61.9	60.9	39.9						
96 months	47.7	61.5	59.9							
108 months	47.1	61.4								
120 months	45.7									
Reinsurance										

12 months		54.3	55.3	68.2	55.6	76.7	89.0	67.1	55.0	58.2	61.1	
24 months		37.2	29.3	59.6	51.9	136.2	88.0	44.1	49.8	36.2		
36 months		35.1	24.5	50.0	46.2	128.7	82.6	37.9	46.4			
48 months		32.9	22.5	48.0	45.6	124.1	77.0	36.5				
60 months		31.4	21.9	47.4	40.9	131.1	74.5					
72 months		31.5	21.8	47.6	37.5	127.8						
84 months		31.8	19.9	46.5	36.6							
96 months		31.1	18.9	46.2								
108 months		30.2	18.4									
120 months		30.0										
Specialty lines												
12 months		68.7	69.9	70.2	69.8	71.3	72.7	71.3	69.6	66.0	63.6	
24 months		68.5	68.7	70.2	69.7	71.3	72.8	70.8	69.0	66.0		
36 months		68.7	68.6	70.1	69.2	70.8	71.9	68.9	68.6			
48 months		68.0	67.6	68.8	66.1	69.8	69.8	65.9				
60 months		64.0	67.6	68.3	66.0	69.2	70.4					
72 months		57.7	67.5	68.2	64.9	69.2						
84 months		54.1	67.5	68.3	65.7							
96 months		50.7	67.3	70.4								
108 months		49.6	66.5									
120 months		48.7										
Total												
12 months		62.2	63.2	66.9	60.7	64.4	67.1	64.1	62.0	60.6	60.1	
24 months		54.3	59.3	66.8	56.7	69.9	63.8	58.2	59.9	56.0		
36 months		51.7	58.6	64.6	53.2	67.6	60.7	53.7	57.2			
48 months		52.5	57.6	63.5	50.6	64.7	57.6	50.7				
60 months		50.1	58.2	62.0	49.6	64.5	57.3					
72 months		47.0	57.9	60.8	48.8	64.2						
84 months		45.4	57.2	60.1	48.8							
96 months		43.3	56.7	60.9								
108 months		42.3	55.9									
120 months		41.4										
Total ultimate losses ($m)	2,349.2	559.8	864.4	950.0	799.0	1,061.1	917.2	866.5	1,062.4	1,082.9	1,191.0	11,703.5
Less paid claims ($m)	(2,244.5)	(503.9)	(763.2)	(820.0)	(648.6)	(871.5)	(670.7)	(523.4)	(484.2)	(300.3)	(44.0)	(7,874.3)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	-	(18.3)	(628.0)	(646.3)
Net claims liabilities (100% level) ($m)	**104.7**	**55.9**	**101.2**	**130.0**	**150.4**	**189.6**	**246.5**	**343.1**	**578.2**	**764.3**	**519.0**	**3,182.9**
Less unaligned share ($m)	(19.8)	(10.7)	(17.3)	(20.8)	(28.5)	(34.0)	(46.9)	(56.5)	(88.8)	(121.0)	(81.1)	(525.4)
Net claims liabilities, group share ($m)	**84.9**	**45.2**	**83.9**	**109.2**	**121.9**	**155.6**	**199.6**	**286.6**	**489.4**	**643.3**	**437.9**	**2,657.5**

Analysis of movements in loss development tables

We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2015 for each underwriting year.

Life, accident & health
Most underwriting years have remained stable or have improved, with the exception of 2014 which strengthened marginally following worse than anticipated experience on personal accident and income protection books.

Marine
Positive claims experience on all underwriting years has led to improvements on the majority of underwriting years, in particular the release on earned catastrophe margin on 2014 due to benign experience. 2011 strengthened due to an increase within the Energy book.

Political risks & contingency
The 2014 underwriting year saw a significant improvement as the experience on the terrorism book continues to be positive compared to the opening position. All other underwriting years remained stable or had slight improvements.

Property
There has been positive developments across all underwriting years, driven by better than expected claims experience, including relatively benign natural catastrophe experience on the 2014 underwriting year.

Reinsurance
Due to the continued benign catastrophe environment, 2014 saw a large improvement over the year. Other years improved where certainty increased on outstanding claims. Despite a gross release on the 2010 and 2011 underwriting years, the reinsurance on the large losses in these years lead to the net position remaining broadly stable in aggregate.

Specialty lines
2006 and prior underwriting years continued to improve as certainty on the remaining claims increased. The recession exposed underwriting years of 2007 to 2011 have remained stable, with small increases on the 2008 and 2009 underwriting years. 2012 has continued to release as this year matures, and 2013 onwards have remained stable.

Claim releases
The table below analyses our net claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by department and underwriting year. Beazley's reserving policy is to maintain catastrophe reserve margins either until the end of the exposure period or until catastrophe events occur. Therefore margins have been released from prior year reserves where risks have expired during 2015.

The net of reinsurance estimates of ultimate claims costs on the 2014 and prior underwriting years have improved by $176.3m during 2015 (2014: $158.1m). This movement arose from a combination of better than expected claims experience coupled with small changes to the many assumptions resulting from the observed experience and anticipating any changes as a result of the new business written.

The movements shown on 2012 and earlier are absolute claim movements and are not impacted by any current year movements in premium on those underwriting years.

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 underwriting year 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**

2014	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	66.6	146.8	45.8	157.2	87.8	471.8	976.0
Prior year							
- 2011 underwriting year and earlier	(3.8)	(15.0)	(12.8)	(19.6)	(9.1)	(18.3)	(78.6)
- 2012 underwriting year	(1.0)	(19.6)	(0.8)	(17.3)	(8.6)	(11.4)	(58.7)
- 2013 underwriting year	0.4	(5.6)	(6.5)	1.0	(10.1)	-	(20.8)
	(4.4)	(40.2)	(20.1)	(35.9)	(27.8)	(29.7)	(158.1)
Net insurance claims	**62.2**	**106.6**	**25.7**	**121.3**	**60.0**	**442.1**	**817.9**

12 Subsequent events

The board has agreed to present a proposal to the shareholders of the company at the AGM held in March 2016 to complete a return of management of the group to the UK. This would result in no change to the operating structure, expected profits or tax rates of the group.

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 $35million 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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