

Interim Report - period ending 30 June 2018

Beazley Ireland Holdings plc interim report and unaudited condensed consolidated financial statements for the six month period ended 30 June 2018

Company information

Directors

C Jones
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Secretary

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Interim management report

The directors present their interim management report for Beazley Ireland Holdings plc ('the group') that accompanies the unaudited condensed consolidated financial statements for the six month period ended 30 June 2018.

Business review and principal activity

Beazley Ireland Holdings plc is an intermediate holding company within the Beazley group which holds £75m sterling denominated debt. It is also the parent company of Beazley Group Limited, which is the intermediate holding company for the majority of the subsidiaries of the Beazley group, and Beazley Insurance dac, which provides capital and reinsurance to the group's non-life syndicates as well as writing direct insurance business through branches in Germany, France, Spain and the UK.

Performance overview

The group delivered strong growth in the first half of 2018, with gross premiums rising 15% to \$1,323.8m (2017: \$1,149.3m). We achieved a combined ratio of 95% (2017: 90%) and pre-tax profits of \$57.4m (2017: \$160.3m) which were dampened by reserve strengthening in our property division and, more importantly, a much lower investment return than the same period in 2017. The drop in investment performance was caused by the marked rise in US interest rates and these higher yields should benefit investment returns for the remainder of the year and beyond.

The group saw top line growth across all five of its underwriting divisions, with property – one of the two divisions most impacted by last year's natural catastrophe events – growing fastest with a 25%

increase to \$243.4m (2017: \$194.1m). This marks a turnaround from last year, when rates for many of our lines of business were continuing to fall after several years of price erosion. We saw rates overall rise by 3% in the first half of 2018, buoyed by increases of 10% for property business, 7% for reinsurance, and 2% for marine. In the first half of 2017, by contrast, rates across our portfolio fell by 2%.

The extent of price firming for catastrophe exposed lines of business was in line with our expectations. Our market was awash with capital prior to the onslaught of last year's hurricanes, earthquakes and wildfires and we did not expect to see the dramatic reduction in capacity that some had predicted. By and large, the non-traditional capital providers, who shouldered some of the largest reinsurance losses last year, have maintained their commitment to the market.

Our US business continues to perform very well, showing premium growth of 23% in the first half. More than three quarters of the business we underwrite locally in the US is specialty lines, with our environmental, healthcare and cyber business all showing very strong growth in the first half. We now have underwriters in 11 US cities, and teams offering a full range of Beazley products in six hub cities (New York, Chicago, San Francisco, Los Angeles, Dallas and Atlanta). Brokers continue to rate the responsiveness of our service very highly.

We have to date disbursed \$238m to help businesses and communities rebuild in the wake of last year's natural catastrophes in the US and Mexico, in line with our expectations and the reserves we had set aside. In our property portfolio, we have seen an increase in attritional losses, unrelated to last year's catastrophe events, on business written in 2016 and 2017, which required us to strengthen reserves by \$33.7m. Our consistent approach is to reserve prudently, but reserving is not an exact science and from time to time losses in individual lines of business will exceed expectations. We have taken remedial action, where required, to tighten pricing and the terms of the book and have also decided not to renew some loss making business. Overall, prior year reserve releases contributed \$48.1m (2017: \$83.4m) to our profits in the first half of the year, with releases for specialty lines – our largest division – increasing 17% compared to last year.

Specialty lines continued to grow strongly in the first half, with premiums up 16% to \$649.9m (2017: \$560.4m). This division benefits from our brand and market position in the US, where demand for many of our specialist lines of business is more mature; but we have also found increasingly receptive markets for these products elsewhere. In Canada, the acquisition of Creechurch Underwriters last year gave us a strong local platform and we have also been building our local teams in Europe; Asia (from our hub office in Singapore); and Latin America (from our hub office in Miami).

In May, the European Union's General Data Protection Regulation came into force, which we expect to boost demand for cyber insurance in Europe substantially over time.

Management changes

In March it was announced that Neil Maidment will be retiring at the end of this year and will step down from the Beazley plc board on 31 December 2018. Neil has been with Beazley since 1990 and has been Beazley plc's chief underwriting officer for the past 10 years. We are enormously grateful to him for his many contributions to Beazley, including his skill and dedication in guiding the development of Beazley's well-balanced underwriting portfolio.

Neil will be succeeded by Adrian Cox, who has been running the group's specialty lines division since 2008. Specialty lines has grown significantly in recent years and the division now accounts for 49% of Beazley's total premiums. Effective from 1 January 2019 our technology, media and business services team (which includes our cyber business) will align with our management liability team, under the leadership of Mike Donovan and will form a new division. Our remaining specialty lines teams, including the bulk of our professional indemnity business, will remain as our specialty lines division under the leadership of James Eaton.

Penny Malik, Beazley's head of talent management, also retired in June. Since 2005, Penny has guided the growth and development of our workforce around the world, making Beazley a magnet for talent in our industry. Her contribution to Beazley has been immense.

Penny has been succeeded by Pippa Vowles, previously Beazley's head of internal communications. It is very satisfying to be able to source leadership roles internally as it shows our succession planning and continued investment in people brings strength and depth to Beazley.

On 20 July 2018, Martin Bride, Beazley plc's group finance director, announced his decision to retire from Beazley in the first half of 2019. We echo the comments of the Beazley plc directors and are immensely grateful to Martin for his many contributions throughout the years.

New strategic initiatives

Beazley's profitable growth has been driven by the skill and energy of our underwriters, our claims professionals and the teams around them, but we have also pursued a series of strategic initiatives designed to boost our performance still further. These strategic initiatives are set by the Beazley plc board and cascaded across the business. These initiatives are constantly reviewed and are retired when it's considered that they have delivered their objectives and have become sufficiently embedded in our processes and culture to be classed as business as usual.

In May the Beazley plc board approved the launch of new strategic initiatives focusing on our use of technology to make our business more efficient (for both large and small risks); on enhancing the client's overall experience of our products and services (an area in which insurers have lagged other service businesses); and in increasing the productivity of our London market business.

London remains by a large margin the world's leading wholesale insurance and reinsurance market but its cost base is currently too high for the volume of business written. Work is being undertaken by the London Market Group to address this; and at Beazley we plan to play our part, working closely with our brokers and with other insurers in the market to generate access to more business and more capital efficiently.

Investment performance

	30 June 2018 \$m	30 June 2018 %	30 June 2017 \$m	30 June 2017 %
Cash and cash equivalents	430.7	8.9	461.4	9.9
Government, quasi-government and supranational	1,352.1	27.8	955.0	20.6
Asset backed securities	-	-	11.3	0.2
Corporate bonds				
- Investment grade	2,175.5	44.7	2,322.1	50.1
- High yield	59.0	1.2	106.0	2.3
Senior secured loans	135.4	2.8	91.3	2.0
Derivative financial assets	11.6	0.2	12.6	0.3
Core portfolio	4,164.3	85.6	3,959.7	85.4
Equity linked funds	101.9	2.1	167.0	3.6
Hedge funds	420.9	8.6	344.0	7.4
Illiquid credit assets	178.2	3.7	168.4	3.6
Capital growth assets	701.0	14.4	679.4	14.6
Total	4,865.3	100.0	4,639.1	100.0

Our investments returned \$8.0m, or 0.2% in the first half of 2018 (30 June 2017: \$79.4m, 1.7%). Rising US interest rates have had the most significant impact on returns in this period: higher yields generated capital losses on our fixed income investments in this period and widening credit spreads also detracted from returns on corporate debt exposures. As a result, although our short duration helped protect asset values, fixed income investments produced a barely positive return overall. Investor sentiment towards risk assets was also affected by tighter US monetary policy: equity volatility

increased dramatically from the low levels seen in recent periods and equity returns were close to zero overall. Better returns from our other capital growth investments, including hedge funds and illiquid credit exposures, helped ensure that the total return in the first half was positive, though modest. Looking ahead, rising interest rates have more positive implications. The average yield on our fixed income investments has risen significantly in recent months, to 2.9% currently, and this should support better investment returns in the remainder of the year, and beyond.

Investment return by asset type

Analysis of returns on the core portfolio and the capital growth assets are set out below:

	30 June 2018	30 June 2018 annualised return	30 June 2017	30 June 2017 annualised return
	\$m	%	\$m	%
Core portfolio	(1.3)	–	44.2	2.2
Capital growth assets	9.3	2.6	35.2	10.4
Overall return	8.0	0.4	79.4	3.4

Capital position

Our funding comes from a mixture of our own equity alongside \$248.6m of tier 2 subordinated debt, \$18.0m of subordinated long term debt and a £75.0m retail bond. We also have access to an undrawn banking facility of \$225.0m that may be drawn as letters of credit by Beazley Ireland Holdings plc's parent company, Beazley plc, to support underwriting at Lloyd's.

	30 June 2018 \$m	30 June 2017 \$m
Shareholders' funds	1,474.0	1,492.6
Tier 2 subordinated debt (2026)	248.6	248.4
Retail bond (2019)	100.0	95.5
Long term subordinated debt (2034)	18.0	18.0
Total	1,840.6	1,854.5

The changes in US tax legislation towards the end of 2017 have led us to reconsider how risk is distributed across the group. We expect that we will retain more risk within the US and as such the capital in our US admitted carrier BICI will increase by circa \$80.0m. There will be an offsetting reduction in our Lloyd's capital requirement and we expect a net effect on the Beazley plc group capital requirement of circa \$30.0m. We intend to implement this in the second half of 2018, effective from 1 January 2018.

Dividend

The board has declared a 2018 first interim dividend of £21.0m payable to the company's immediate parent company, Beazley plc. This will be paid in August 2018. These financial statements do not provide for the 2018 first interim dividend as a liability.

A second interim dividend of £40.0m was paid in March 2018 to the company's immediate parent company, Beazley plc, in respect of the six months ended 31 December 2017.

Group auditors

Beazley plc's auditor, KPMG, will be subject to mandatory rotation in Ireland after the 2018 year end and therefore the Beazley plc board decided to conduct a tender for the audit services for the whole group. Following a rigorous process, Beazley Ireland Holdings plc is pleased to announce that it has appointed EY as its auditor for financial periods incepting on or after 1 January 2019. This is subject to Beazley plc receiving approval for EY's appointment from Beazley plc shareholders at its next AGM.

Outlook

In recent years, the diversity of our portfolio has given us the flexibility to grow in profitable areas

while maintaining pricing discipline in lines of business where rates have been falling. We now see a better rating environment in which we can seek growth across a broader range of business lines.

We remain on target to achieve double digit premium growth this year, led by our specialty lines and catastrophe related business. Following the catastrophes of 2017, we will experience below average reserve releases from prior years during 2018. Provided that the claims environment is reasonably in line with our expectations, a combined ratio in the low to mid nineties should be achievable for the full year.

Social, environmental and ethical risks

Social, environmental and ethical risks are managed by Beazley plc on a group basis. More information can be obtained from the 2017 annual report and accounts of Beazley plc on how these risks are managed.

Responsibility statement of the directors in respect of the interim report

We confirm that to the best of our knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

C Jones
Director
2 August 2018

Unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2018

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Gross premiums written	1,323.8	1,149.3	2,343.8
Written premiums ceded to reinsurers	(218.5)	(212.9)	(365.0)
Net premiums written	1,105.3	936.4	1,978.8
Change in gross provision for unearned premiums	(162.1)	(100.1)	(118.4)
Reinsurer's share of change in the provision for unearned premiums	47.0	50.4	9.0
Change in net provision for unearned premiums	(115.1)	(49.7)	(109.4)
Net earned premiums	990.2	886.7	1,869.4
Net investment income	8.0	79.4	138.3
Other income	16.6	17.0	35.5

	24.6	96.4	173.8
Revenue	1,014.8	983.1	2,043.2
Insurance claims	624.2	541.3	1,388.0
Insurance claims recovered from reinsurers	(74.7)	(102.4)	(312.3)
Net insurance claims	549.5	438.9	1,075.7
Expenses for the acquisition of insurance contracts	258.6	241.5	519.7
Administrative expenses	131.1	121.6	253.4
Foreign exchange loss	3.2	10.5	1.9
Operating expenses	392.9	373.6	775.0
Expenses	942.4	812.5	1,850.7
Share of profit in associates	–	0.1	0.1
Impairment of investment in associate	(4.2)	–	–
Results of operating activities	68.2	170.7	192.6
Finance costs	(10.8)	(10.4)	(21.1)
Profit before income tax	57.4	160.3	171.5
Income tax expense	(9.9)	(27.2)	(38.8)
Profit after income tax – all attributable to equity shareholders	47.5	133.1	132.7

Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2018

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Profit after income tax	47.5	133.1	132.7
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Loss on remeasurement of retirement benefit obligations	–	–	(0.6)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences	0.9	(0.8)	2.9
Total other comprehensive income	0.9	(0.8)	2.3
Total comprehensive income recognised	48.4	132.3	135.0

Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2018

	Share capital \$m	Share premium \$m	Foreign currency translation reserve \$m	Other reserves \$m	Retained earnings \$m	Total \$m
Balance as at 1 January 2017	37.2	12.0	(97.4)	(10.9)	1,529.7	1,470.6
Total comprehensive income recognised	-	-	(0.8)	-	133.1	132.3
Dividends paid	-	-	-	-	(110.3)	(110.3)
Tax on share option vestings	-	-	-	-	-	-
Balance as at 30 June 2017	37.2	12.0	(98.2)	(10.9)	1,552.5	1,492.6
Total comprehensive income recognised	-	-	3.7	-	(1.0)	2.7
Dividends paid	-	-	-	-	(26.5)	(26.5)
Tax on share option vestings	-	-	-	-	8.3	8.3
Balance as at 31 December 2017	37.2	12.0	(94.5)	(10.9)	1,533.3	1,477.1
Total comprehensive income recognised	-	-	0.9	-	47.5	48.4
Dividends paid	-	-	-	-	(55.2)	(55.2)
Tax on share option vestings	-	-	-	-	3.7	3.7
Balance as at 30 June 2018	37.2	12.0	(93.6)	(10.9)	1,529.3	1,474.0

Unaudited condensed consolidated statement of financial position as at 30 June 2018

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Assets			
Intangible assets	131.5	127.1	133.5
Plant and equipment	5.4	5.4	4.4
Deferred tax asset	18.6	11.8	6.9
Investments in associates	2.8	10.0	7.0
Deferred acquisition costs	323.5	274.1	281.4
Reinsurance assets	1,193.5	1,153.3	1,231.1
Financial assets at fair value	4,434.6	4,177.7	4,449.6
Insurance receivables	970.2	868.6	918.0
Current income tax assets	4.3	3.8	17.2
Other receivables	73.6	81.6	68.5
Cash and cash equivalents	430.7	461.4	439.8
Total assets	7,588.7	7,174.8	7,557.4
Equity			
Share capital	37.2	37.2	37.2
Share premium	12.0	12.0	12.0
Foreign currency translation reserve	(93.6)	(98.2)	(94.5)

Other reserves	(10.9)	(10.9)	(10.9)
Retained earnings	1,529.3	1,552.5	1,533.3
Total equity	1,474.0	1,492.6	1,477.1
Liabilities			
Insurance liabilities	5,299.2	4,802.4	5,167.8
Financial liabilities	387.3	380.2	367.3
Retirement benefit liability	0.9	5.0	2.3
Deferred tax liabilities	1.8	9.7	9.9
Other payables	425.5	484.9	533.0
Total liabilities	6,114.7	5,682.2	6,080.3
Total equity and liabilities	7,588.7	7,174.8	7,557.4

C Jones
Director

C Oldridge
Director
2 August 2018

Unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2018

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Cash flow from operating activities			
Profit before income tax	57.4	160.3	171.5
Adjustments for:			
Amortisation of intangibles	6.1	6.2	11.6
Net fair value loss/(gain) on financial investments	32.2	(45.1)	(69.6)
Share of profit in associates	-	(0.1)	(0.1)
Depreciation of plant and equipment	1.1	1.2	2.7
Impairment of investment in associate	4.2	-	-
Impairment of reinsurance assets recognised	0.3	0.7	0.6
Increase in insurance and other liabilities	22.6	147.8	542.2
Increase in insurance, reinsurance and other receivables	(20.0)	(181.5)	(295.5)
Increase in deferred acquisition costs	(42.1)	(31.3)	(38.6)
Financial income	(44.4)	(37.4)	(76.6)
Finance expense	10.8	10.4	21.1

Income tax paid	(4.0)	(17.9)	(27.9)
Net cash from operating activities	24.2	13.3	241.4
Cash flow from investing activities			
Purchase of plant and equipment	(1.8)	(1.2)	(1.7)
Expenditure on software development	(4.0)	(0.7)	(9.3)
Purchase of investments	(1,743.4)	(1,215.4)	(3,299.3)
Proceeds from sale of investments	1,738.3	1,272.8	3,093.7
Sale of associate	-	-	3.0
Sale of LAH renewal rights	-	0.8	0.8
Acquisition of subsidiaries (net of cash)	-	(31.2)	(31.8)
Interest and dividends received	43.2	37.4	74.5
Net cash from investing activities	32.3	62.5	(170.1)
Cash flow from financing activities			
Finance costs	(10.6)	(10.4)	(20.7)
Foreign exchange of financial liabilities	0.3	-	4.6
Dividends paid	(55.2)	(110.3)	(136.8)
Net cash used in financing activities	(65.5)	(120.7)	(152.9)
Net decrease in cash and cash equivalents	(9.0)	(44.9)	(81.6)
Cash and cash equivalents at beginning of period	439.8	507.2	507.2
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(0.9)	14.2
Cash and cash equivalents at end of period	430.7	461.4	439.8

1 Statement of accounting policies

Beazley Ireland Holdings plc is a company incorporated in Jersey and is resident for tax purposes in Ireland. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 comprise the parent company, its subsidiaries and the subsidiaries' interest in associates. Beazley Ireland Holdings plc's immediate parent company is Beazley plc, a company registered in England and Wales and listed on the London Stock Exchange.

The unaudited condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with IAS 34 Interim Financial Reporting as adopted by the EU ('Adopted IFRS'). The unaudited condensed consolidated interim financial statements of Beazley Ireland Holdings plc have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The principal risks and uncertainties faced by the group remain consistent with those risks and uncertainties discussed and disclosed on pages 40 to 45 of the group's 2017 annual report and accounts.

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies of Beazley Ireland Holdings plc and its subsidiaries and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of Beazley Ireland Holdings plc as at, and for, the year ended 31 December 2017. As required by IFRS 13 (Fair Value Measurement) information relating to the fair value measurement of financial assets and liabilities is outlined in note 8 to the unaudited condensed consolidated interim financial statements.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of unaudited financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2017.

An additional standard, IFRS 15: Revenue from contracts with customers, has been applied when preparing these financial statements. The new standard has no impact on the financial statements. Note 4 provides an income breakdown for each contract type within the scope of IFRS 15. No significant judgements were made when recognising income from these contracts and all related balances are classified as receivables and included within the other receivables line in the statement of financial position.

The comparative figures for the financial year ended 31 December 2017 are extracted from the financial statements of Beazley Ireland Holdings plc for that financial year. Those financial statements have been reported on by the company's auditor and delivered to the Jersey Financial Services Commission. The report of the auditor was unqualified.

2 Segmental analysis

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

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

30 June 2018	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	158.0	120.0	243.4	152.5	649.9	1,323.8
Net premiums written	133.6	101.8	198.0	95.5	576.4	1,105.3
Net earned premiums	125.0	86.2	163.9	59.1	556.0	990.2
Net investment income	0.9	0.3	0.9	0.4	5.5	8.0
Other income	1.5	1.0	2.7	0.8	10.6	16.6
Revenue	127.4	87.5	167.5	60.3	572.1	1,014.8
Net insurance claims	73.9	47.5	125.3	17.7	285.1	549.5
Expenses for the acquisition of insurance contracts	36.2	28.7	46.2	15.2	132.3	258.6
Administrative expenses	13.8	11.1	19.3	7.4	79.5	131.1
Foreign exchange loss	0.4	0.2	0.5	0.2	1.9	3.2
Expenses	124.3	87.5	191.3	40.5	498.8	942.4
Share of profit in associate	-	-	-	-	-	-
Impairment of investment in associate	-	-	-	-	(4.2)	(4.2)
Segment result	3.1	-	(23.8)	19.8	69.1	68.2
Finance costs						(10.8)
Profit before income tax						57.4

Income tax expense (9.9)

Profit after income tax 47.5

Claims ratio	59%	55%	76%	30%	51%	56%
Expense ratio	40%	46%	40%	38%	38%	39%
Combined ratio	99%	101%	116%	68%	89%	95%

Segment assets and liabilities

Segment assets	685.7	454.1	869.6	643.8	4,935.5	7,588.7
Segment liabilities	(569.3)	(367.5)	(715.3)	(481.3)	(3,981.3)	(6,114.7)
Net assets	116.4	86.6	154.3	162.5	954.2	1,474.0

	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
30 June 2017						
Gross premiums written	145.6	108.4	194.1	140.8	560.4	1,149.3
Net premiums written	118.9	94.9	149.6	82.9	490.1	936.4
Net earned premiums	114.0	91.5	147.6	55.6	478.0	886.7
Net investment income	7.1	4.0	8.0	5.6	54.7	79.4
Other income	0.7	2.1	2.4	0.6	11.2	17.0
Revenue	121.8	97.6	158.0	61.8	543.9	983.1
Net insurance claims	60.5	48.8	74.9	20.9	233.8	438.9
Expenses for the acquisition of insurance contracts	33.6	32.6	43.2	14.2	117.9	241.5
Administrative expenses	15.3	15.4	19.6	6.4	64.9	121.6
Foreign exchange loss	1.4	1.1	1.7	0.7	5.6	10.5
Expenses	110.8	97.9	139.4	42.2	422.2	812.5
Share of (loss)/profit in associates	-	(0.2)	-	-	0.3	0.1
Segment result	11.0	(0.5)	18.6	19.6	122.0	170.7
Finance costs						(10.4)
Profit before income tax						160.3
Income tax expense						(27.2)
Profit after income tax						133.1

Claims ratio	53%	53%	51%	38%	49%	49%
Expense ratio	43%	53%	42%	37%	38%	41%
Combined ratio	96%	106%	93%	75%	87%	90%

Segment assets and liabilities

Segment assets	642.1	492.5	865.9	713.6	4,460.7	7,174.8
Segment liabilities	(507.5)	(355.4)	(640.8)	(488.2)	(3,690.3)	(5,682.2)
Net assets	134.6	137.1	225.1	225.4	770.4	1,492.6

31 December 2017	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	267.6	214.3	362.9	206.8	1,292.2	2,343.8
Net premiums written	233.2	190.8	300.0	134.6	1,120.2	1,978.8
Net earned premiums	227.9	188.7	293.8	136.9	1,022.1	1,869.4
Net investment income	12.7	6.7	14.1	9.4	95.4	138.3
Other income	3.2	3.6	7.3	3.7	17.7	35.5
Revenue	243.8	199.0	315.2	150.0	1,135.2	2,043.2
Net insurance claims	124.7	96.2	251.6	97.5	505.7	1,075.7
Expenses for the acquisition of insurance contracts	68.9	67.2	95.3	32.9	255.4	519.7
Administrative expenses	30.4	27.6	35.9	15.5	144.0	253.4
Foreign exchange loss	0.2	0.2	0.3	0.1	1.1	1.9
Expenses	224.2	191.2	383.1	146.0	906.2	1,850.7
Share of profit/(loss) in associates	-	0.4	-	-	(0.3)	0.1
Segment result	19.6	8.2	(67.9)	4.0	228.7	192.6
Finance costs						(21.1)
Profit before income tax						171.5
Income tax expense						(38.8)
Profit after income tax						132.7

Claims ratio	55%	51%	86%	71%	50%	58%
Expense ratio	43%	50%	44%	36%	39%	41%
Combined ratio	98%	101%	130%	107%	89%	99%

Segment assets and liabilities

Segment assets	694.0	448.8	841.6	665.2	4,907.8	7,557.4
Segment liabilities	(575.8)	(345.4)	(679.1)	(487.9)	(3,992.1)	(6,080.3)
Net assets	118.2	103.4	162.5	177.3	915.7	1,477.1

3 Net investment income

6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
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Interest and dividends on financial investments at fair value through profit or loss	44.2	37.2	76.1
Interest on cash and cash equivalents	0.2	0.2	0.5
Net realised gains on financial investments at fair value through profit or loss	9.1	5.4	23.1
Net unrealised fair value (losses)/gains on financial investments at fair value through profit or loss	(41.3)	39.7	46.5
Investment income from financial investments	12.2	82.5	146.2
Investment management expenses	(4.2)	(3.1)	(7.9)
	8.0	79.4	138.3

4 Other income

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Commission income	9.8	10.6	22.7
Profit commissions ¹	4.8	4.5	8.0
Agency fees	1.3	1.1	2.2
Other income	0.7	0.8	2.6
	16.6	17.0	35.5

¹ As at 30 June 2018 there is \$2.0m (30 June 2017: \$7.9m; 31 December 2017: \$0.7m) of accrued profit commission at risk of being reversed if there was to be an adverse impact on syndicate 623's profit.

5 Finance costs

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Interest expense	10.8	10.4	21.1
	10.8	10.4	21.1

6 Dividends

The board has declared a 2018 first interim dividend of £21.0m payable to the company's immediate parent company, Beazley plc. This will be paid in August 2018. These financial statements do not provide for the 2018 first interim dividend as a liability.

A second interim dividend of £40.0m was paid in March 2018 to the company's immediate parent company, Beazley plc, in respect of the six months ended 31 December 2017.

7 Income tax expense

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Current tax expense			
Current year	32.1	32.8	35.8
Prior year adjustments	(3.9)	0.8	(0.2)
	28.2	33.6	35.6
Deferred tax expense			
Origination and reversal of temporary differences	(19.3)	(6.0)	(3.6)
Impact of change in UK/US tax rates	0.3	-	5.3

Prior year adjustments	0.7	(0.4)	1.5
	(18.3)	(6.4)	3.2
Income tax expense	9.9	27.2	38.8

In line with IAS 34: Interim Financial Reporting, income tax expense for the interim period ended 30 June 2018 has been accrued using the estimated average annual effective income tax rate.

The weighted average of statutory tax rates applied to the profits earned in each country in which the group operates is 20.7% (30 June 2017: 16.8%), whereas the tax charged for the period 30 June 2018 as a percentage of profit before tax (effective income tax rate) is 17.2% (30 June 2017: 17.0%).

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2018 %	6 months ended 30 June 2017 \$m	6 months ended 30 June 2017 %	Year to 31 December 2017 \$m	Year to 31 December 2017 %
Profit before tax	57.4		160.3		171.5	
Tax calculated at the weighted average of statutory tax rates	11.9	20.7	26.9	16.8	32.0	18.7
Effects of:						
Non-deductible expenses	1.1	1.9	0.6	0.4	0.7	0.4
Non-taxable gains on foreign exchange	-	-	(0.7)	(0.4)	(0.5)	(0.3)
Tax relief on share based payments – current and future years	(0.2)	(0.3)	-	-	-	-
(Over)/under provided in prior years	(3.2)	(5.6)	0.4	0.2	1.3	0.7
Change in UK/US tax rates ¹	0.3	0.5	-	-	5.3	3.1
Tax charge for the period	9.9	17.2	27.2	17.0	38.8	22.6

¹ The Finance Act 2015, which provided for a reduction in the UK corporation tax rate to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015. The Finance Act 2016, which provides for a reduction in the UK corporation tax rate to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. These rate reductions to 19% and 17% will reduce the group's future current tax charge and has been reflected in the calculation of the deferred tax balance as at 30 June 2018.

A change in the effective corporation tax rates in the US from 35% to 21% was substantively enacted in December 2017. This resulted in a \$5m reduction to the carrying value of the group's US deferred tax asset at 31 December 2017.

The group has assessed the potential impact of diverted profits tax (DPT) following the enactment of new legislation in April 2015 and is of the view that no liability arises. The ultimate outcome may differ and any profits that did fall within scope of DPT would potentially be taxed at a rate of 25% rather than 12.5% (the current rate of tax on corporate earnings in Ireland).

8 Financial assets and liabilities

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Financial assets at fair value			
Government issued	1,318.0	908.2	1,345.4
Quasi-government	29.1	28.7	24.1
Supranational	5.0	18.1	21.1
Asset backed securities	-	11.3	-
Senior secured loans	135.4	91.3	85.6
Corporate bonds			
- Investment grade	2,175.5	2,322.1	2,179.7

- High yield	59.0	106.0	58.8
Total fixed and floating rate debt securities	3,722.0	3,485.7	3,714.7
Equity linked funds	101.9	167.0	168.3
Hedge funds	420.9	344.0	377.4
Illiquid credit assets	178.2	168.4	180.4
Total capital growth	701.0	679.4	726.1
Total financial investments at fair value through statement of profit or loss	4,423.0	4,165.1	4,440.8
Derivative financial assets	11.6	12.6	8.8
Total financial assets at fair value	4,434.6	4,177.7	4,449.6

Quasi-government securities include securities which are issued by government agencies or entities supported by government guarantees. Supranational securities are issued by institutions sponsored by more than one sovereign issuer. Asset backed securities are backed by financial assets, including corporate loans. Investment grade corporate bonds include debt instruments of corporate issuers rated BBB-/Baa3 or better by one or more major rating agency and high yield corporate bonds have credit ratings below this level. Equity linked funds are investment vehicles which are predominantly exposed to equity securities. Our illiquid credit assets are described in further detail below. The fair value of these assets at 30 June 2018 excludes an unfunded commitment of \$107.0m (30 June 2017: \$59.6m).

	30 June 2018	30 June 2017	31 December 2017
	\$m	\$m	\$m
The amount expected to mature before and after one year are:			
Within one year	891.2	981.2	935.3
After one year	2,842.4	2,517.1	2,788.2
Total	3,733.6	3,498.3	3,723.5

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, 85% (30 June 2017: 92%) of equity linked funds could be liquidated within two weeks and the balance within six months, 72% (30 June 2017: 80%) of hedge fund assets within six months and the remaining 28% (30 June 2017: 20%) of hedge fund assets within 18 months. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to ten years.

	30 June 2018	30 June 2017	31 December 2017
	\$m	\$m	\$m
Financial liabilities			
Retail bond	100.0	95.5	99.5
Subordinated debt	18.0	18.0	18.0
Tier 2 subordinated debt	248.6	248.4	248.5
Derivative financial liabilities	20.7	18.3	1.3
Total financial liabilities	387.3	380.2	367.3

	30 June 2018	30 June 2017	31 December 2017
	\$m	\$m	\$m
The amount expected to mature before and after one year are:			
Within one year	20.7	18.3	1.3
After one year	366.6	361.9	366.0
Total	387.3	380.2	367.3

Fair value measurement

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

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

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

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

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

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

Level 2 investments

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

The group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. We also review our valuation policy on a regular basis to ensure it is fit for purpose. As at 30 June 2018, no adjustments have been made to the prices obtained from the independent administrator.

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

monthly investor statements.

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds and equity linked funds. This shows that 81% (30 June 2017: 67%, 31 December 2017: 67%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund and equity linked fund investments as level 2.

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

Level 3 investments

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

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

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

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

30 June 2018	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Government issued	1,318.0	-	-	1,318.0
Quasi-government	27.0	2.1	-	29.1
Supranational	4.5	0.5	-	5.0
Senior secured loans	-	135.4	-	135.4
Corporate bonds				
- Investment grade	13.5	2,162.0	-	2,175.5
- High yield	-	59.0	-	59.0
Equity linked funds	-	101.9	-	101.9
Hedge funds	-	420.9	-	420.9
Illiquid credit assets	-	-	178.2	178.2
Derivative financial assets	11.6	-	-	11.6
Total financial assets measured at fair value	1,374.6	2,881.8	178.2	4,434.6
Financial liabilities measured at fair value				
Derivative financial liabilities	20.7	-	-	20.7

Financial liabilities not measured at fair value

Retail bond	-	104.8	-	104.8
Tier 2 subordinated debt	-	248.9	-	248.9
Total financial liabilities not measured at fair value	-	353.7	-	353.7

30 June 2017	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Government issued	908.2	-	-	908.2
Quasi-government	28.5	0.2	-	28.7
Supranational	18.1	-	-	18.1
Asset backed securities	-	11.3	-	11.3
Senior secured loans	-	91.3	-	91.3
Corporate bonds				
- Investment grade	17.7	2,304.4	-	2,322.1
- High yield	-	106.0	-	106.0
Equity linked funds	-	167.0	-	167.0
Hedge funds	-	344.0	-	344.0
Illiquid credit assets	-	-	168.4	168.4
Derivative financial assets	12.6	-	-	12.6
Total financial assets measured at fair value	985.1	3,024.2	168.4	4,177.7

Financial liabilities measured at fair value

Derivative financial liabilities	18.3	-	-	18.3
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Financial liabilities not measured at fair value

Retail bond	-	101.3	-	101.3
Tier 2 subordinated debt	-	256.8	-	256.8
Total financial liabilities not measured at fair value	-	358.1	-	358.1

31 December 2017	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Government issued	1,345.4	-	-	1,345.4
Quasi-government	24.1	-	-	24.1
Supranational	21.1	-	-	21.1
Senior secured loans	-	85.6	-	85.6
Corporate bonds				
- Investment grade	15.2	2,164.5	-	2,179.7
- High yield	-	58.8	-	58.8
Equity linked funds	-	168.3	-	168.3
Hedge funds	-	377.4	-	377.4
Illiquid credit assets	-	-	180.4	180.4
Derivative financial assets	8.8	-	-	8.8
Total financial assets measured at fair value	1,414.6	2,854.6	180.4	4,449.6

Financial liabilities measured at fair value

Derivative financial liabilities	1.3	-	-	1.3
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Financial liabilities not measured at fair value

Retail bond	-	104.1	-	104.1
Tier 2 subordinated debt	-	266.6	-	266.6
Total financial liabilities not measured at fair value	-	370.7	-	370.7

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

Unconsolidated structured entities

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

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

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

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
High yield bond funds	59.0	106.0	58.8
Asset backed securities	-	11.3	-
Equity linked funds	101.9	167.0	168.3
Hedge funds	420.9	344.0	377.4
Illiquid credit assets	178.2	168.4	180.4
Investments through unconsolidated structured entities	760.0	796.7	784.9

Transfers and level 3 investment reconciliations

There were no transfers in either direction between level 1, level 2 and level 3 in either 2017 or 2018.

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. The total net unrealised gains recognised in the profit or loss of \$8.6m (30 June 2017: \$9.8m) is included in the net investment income number of \$8.0m (30 June 2017: \$79.4m) shown in the condensed consolidated statement of profit or loss.

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
As at 1 January	180.4	126.1	126.1
Purchases	19.0	41.0	55.4
Sales	(29.8)	(8.5)	(21.1)
Total net unrealised gains recognised in profit or loss	8.6	9.8	20.0
As at period end	178.2	168.4	180.4

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

30 June 2018	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	8.4	164.1	–	172.5	3,549.5	3,722.0
Equity linked funds	–	–	26.1	26.1	75.8	101.9
Hedge funds	–	–	–	–	420.9	420.9
Illiquid credit assets	–	–	15.4	15.4	162.8	178.2
Derivative financial assets	–	–	–	–	11.6	11.6
Total	8.4	164.1	41.5	214.0	4,220.6	4,434.6

30 June 2017	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	13.4	160.3	–	173.7	3,312.0	3,485.7
Equity linked funds	–	–	35.7	35.7	131.3	167.0
Hedge funds	–	–	–	–	344.0	344.0
Illiquid credit assets	–	–	10.9	10.9	157.5	168.4
Derivative financial assets	–	–	–	–	12.6	12.6
Total	13.4	160.3	46.6	220.3	3,957.4	4,177.7

31 December 2017	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	12.4	161.1	–	173.5	3,541.2	3,714.7
Equity linked funds	–	–	39.9	39.9	128.4	168.3
Hedge funds	–	–	–	–	377.4	377.4
Illiquid credit assets	–	–	13.7	13.7	166.7	180.4
Derivative financial assets	–	–	–	–	8.8	8.8
Total	12.4	161.1	53.6	227.1	4,222.5	4,449.6

The above qualitative and quantitative disclosures, along with the risk management disclosure included in note 2 of the annual report for the year ending 31 December 2017, enables more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments.

9 Cash and cash equivalents

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Cash at bank and in hand	370.9	417.2	375.5
Short-term deposits and highly liquid investments	59.8	44.2	64.3
	430.7	461.4	439.8

Total cash and cash equivalents include \$15.9m (31 December 2017: \$9.0m) held in Lloyd's Singapore trust accounts. These funds are only available for use by the group to meet local claim and expense obligations.

10 Insurance claims

The loss development tables below provide information about historical claims development by the five segments – marine, political, accident and contingency, property, reinsurance and specialty lines. The tables are by underwriting year which in our view provides the most transparent reserving basis. We

have supplied tables for both ultimate gross claims ratios and ultimate net claims ratios.

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

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2018 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	2008ae	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	Total
Marine												
12 months		54.5	50.5	54.7	55.9	56.6	57.6	56.7	59.5	68.0		
24 months		51.0	49.7	47.4	46.2	52.0	46.9	54.0	70.2			
36 months		44.3	44.0	39.1	34.7	44.5	47.2	47.4				
48 months		40.7	42.3	33.8	32.1	42.8	46.8					
60 months		40.4	40.4	35.4	31.4	42.2						
72 months		48.7	40.2	31.8	30.6							
84 months		47.9	42.2	31.0								
96 months		49.2	40.8									
108 months		49.1										
Position at 30 June 2018		49.3	41.1	29.6	30.3	42.6	45.8	47.9	65.6	60.3		
Political, accident & contingency												
12 months		58.3	57.8	57.5	60.0	59.2	59.3	59.8	61.3	58.0		
24 months		43.4	44.8	44.4	54.4	49.7	51.2	58.8	54.3			
36 months		38.1	39.0	44.3	51.4	45.3	46.9	56.9				
48 months		33.9	32.7	39.6	49.1	44.3	50.2					
60 months		29.5	31.7	37.8	46.0	46.4						
72 months		25.1	30.5	35.7	45.3							
84 months		25.3	29.5	35.3								
96 months		25.3	29.8									
108 months		25.5										
Position at 30 June 2018		25.4	29.8	35.3	44.9	46.2	51.5	57.4	54.3	57.6		
Property												
12 months		53.7	57.9	58.4	55.5	55.2	53.2	55.0	59.0	72.4		
24 months		41.7	60.6	50.6	47.6	49.2	47.8	49.1	68.5			
36 months		36.5	58.6	48.1	39.9	45.8	41.4	46.0				
48 months		35.4	55.9	46.3	36.8	45.8	40.7					
60 months		34.4	53.2	45.4	36.2	45.7						
72 months		33.4	52.2	44.3	35.7							
84 months		32.8	51.3	43.8								
96 months		32.4	51.1									
108 months		32.2										
Position at 30 June 2018		32.1	51.2	43.7	35.8	46.5	40.5	45.7	69.5	83.5		
Reinsurance												
12 months		60.8	68.1	78.7	62.9	59.5	61.4	65.8	67.7	123.0		

24 months	48.2	142.7	77.7	37.3	45.6	33.5	33.6	41.6				
36 months	40.1	129.8	69.9	31.9	43.0	30.9	25.7					
48 months	39.6	122.3	66.1	31.0	41.7	27.7						
60 months	35.4	125.9	63.3	31.0	38.8							
72 months	32.5	124.6	63.1	30.7								
84 months	31.9	124.7	58.3									
96 months	31.9	123.7										
108 months	31.7											
Position at 30 June 2018	31.2	123.6	58.4	30.9	38.7	27.5	25.7	40.7	123.4			
Specialty lines												
12 months	72.5	73.8	75.5	73.9	73.4	68.5	67.4	65.4	63.3			
24 months	72.5	73.8	75.5	74.0	73.2	68.4	67.8	65.2				
36 months	71.6	72.9	76.5	72.1	72.9	65.0	64.7					
48 months	71.3	73.3	75.5	70.2	69.3	63.4						
60 months	71.6	69.5	74.2	67.4	65.4							
72 months	68.6	69.6	69.4	65.8								
84 months	69.7	69.3	68.2									
96 months	70.3	66.2										
108 months	69.1											
Position at 30 June 2018	68.7	64.2	67.5	65.3	64.1	63.6	62.9	64.1	63.0			
Total												
12 months	62.9	64.5	67.2	64.6	63.9	62.2	62.7	63.4	70.5			
24 months	57.0	71.6	62.8	58.2	59.3	55.8	58.3	62.9				
36 months	53.2	67.6	60.5	53.2	56.5	52.5	54.5					
48 months	51.7	65.6	57.9	51.0	54.5	51.5						
60 months	50.8	63.4	57.0	49.2	52.5							
72 months	49.8	62.9	53.9	48.1								
84 months	50.0	62.8	52.6									
96 months	50.4	61.1										
108 months	49.8											
Position at 30 June 2018	49.6	60.4	52.0	47.8	52.2	51.5	53.7	61.9	71.2			
Total ultimate losses (\$m)	6,618.6	1,050.4	1,262.6	1,005.6	941.5	1,133.6	1,197.1	1,341.9	1,583.8	2,030.4	1,935.2	20,100.7
Less paid claims (\$m)	(6,298.1)	(874.9)	(1,174.6)	(898.5)	(822.8)	(881.1)	(827.2)	(680.4)	(607.5)	(387.1)	(18.0)	(13,470.2)
Less unearned portion of ultimate losses (\$m)	-	-	-	-	-	-	-	-	(13.9)	(294.8)	(1,692.3)	(2,001.0)
Gross claims liabilities (100% level) (\$m)												
	320.5	175.5	88.0	107.1	118.7	252.5	369.9	661.5	962.4	1,348.5	224.9	4,629.5
Less unaligned share (\$m)	(59.7)	(26.4)	(17.8)	(21.1)	(27.0)	(43.3)	(60.6)	(102.5)	(145.6)	(211.0)	(35.3)	(750.3)
Gross claims liabilities, group share (\$m)												
	260.8	149.1	70.2	86.0	91.7	209.2	309.3	559.0	816.8	1,137.5	189.6	3,879.2
Net ultimate	2008ae	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total

claims	%	%	%	%	%	%	%	%	%	%
Marine										
12 months	53.4	52.1	55.6	55.4	56.2	56.5	56.7	56.7	57.6	
24 months	47.7	49.2	47.6	46.0	53.2	48.6	52.5	62.5		
36 months	38.9	44.7	38.7	37.3	47.6	46.6	47.2			
48 months	35.2	42.6	34.5	35.0	46.0	45.7				
60 months	34.9	41.1	35.6	33.9	45.4					
72 months	38.6	40.2	32.3	33.2						
84 months	37.9	42.4	31.4							
96 months	37.2	40.8								
108 months	37.0									
Position at 30 June 2018	36.9	41.2	30.2	33.1	45.9	44.9	47.2	63.3	59.6	
Political, accident & contingency										
12 months	56.3	54.4	54.9	58.7	58.7	57.0	57.5	60.2	56.9	
24 months	41.4	43.7	45.0	52.4	51.2	49.8	56.1	53.1		
36 months	36.6	39.6	45.5	49.9	47.7	44.9	55.1			
48 months	33.8	33.4	42.3	46.9	45.2	49.8				
60 months	29.8	32.5	40.3	43.8	45.6					
72 months	26.3	31.3	38.2	42.9						
84 months	26.4	29.8	37.7							
96 months	26.4	30.4								
108 months	26.6									
Position at 30 June 2018	26.3	29.4	37.7	42.7	45.5	50.4	53.9	53.3	56.3	
Property										
12 months	53.4	58.8	60.3	58.6	56.7	54.5	55.0	57.7	76.3	
24 months	47.5	65.2	57.7	53.0	56.3	51.2	50.3	69.6		
36 months	43.9	65.8	53.7	46.0	52.3	44.3	46.9			
48 months	41.7	59.9	50.5	41.3	50.2	43.0				
60 months	41.1	57.7	49.1	40.7	49.9					
72 months	39.8	56.7	48.0	40.2						
84 months	39.3	56.2	47.7							
96 months	39.0	55.9								
108 months	38.9									
Position at 30 June 2018	38.8	55.9	47.7	40.3	50.6	42.7	46.0	69.7	85.8	
Reinsurance										
12 months	55.5	76.8	89.3	67.0	57.4	58.7	61.4	61.0	105.6	
24 months	52.7	127.0	87.9	45.1	52.2	37.1	34.1	38.8		
36 months	46.9	117.8	80.5	38.7	48.7	33.4	24.2			
48 months	46.1	111.9	74.9	37.3	47.4	30.6				
60 months	41.3	120.9	72.7	37.3	43.8					
72 months	38.0	116.1	72.6	37.0						
84 months	37.2	116.2	67.3							
96 months	37.2	115.6								
108 months	37.0									
Position at 30 June 2018	36.4	115.0	67.5	37.1	43.8	30.4	24.0	38.3	99.1	

30 June 2018

Specialty lines

12 months	69.6	71.0	72.5	71.1	69.5	66.0	63.6	63.0	61.6
24 months	69.4	71.1	72.5	70.6	69.0	66.0	63.9	62.8	
36 months	68.8	70.5	71.8	68.7	68.5	63.6	60.8		
48 months	65.9	69.5	69.6	65.8	63.6	60.3			
60 months	65.8	68.9	70.2	63.9	59.7				
72 months	64.9	69.0	68.9	63.2					
84 months	65.5	68.9	67.9						
96 months	65.5	66.5							
108 months	64.7								
Position at 30 June 2018	64.6	64.6	67.3	63.2	58.8	60.2	57.0	61.6	61.2

Total

12 months	60.6	64.2	67.0	64.0	62.3	60.6	60.1	60.8	66.2
24 months	56.5	68.7	63.6	58.3	60.2	56.0	56.5	60.9	
36 months	52.9	66.3	60.2	53.7	57.4	52.5	52.7		
48 months	50.4	63.2	57.1	50.7	54.3	50.9			
60 months	49.4	63.1	56.8	49.3	52.2				
72 months	48.7	62.1	55.2	48.6					
84 months	48.6	62.1	54.0						
96 months	48.4	60.8							
108 months	48.0								
Position at 30 June 2018	47.9	60.0	53.5	48.6	52.0	50.7	50.7	60.5	67.3

Total ultimate losses (\$m)	4,623.1	778.5	1,031.0	850.1	823.4	954.2	1,000.9	1,062.8	1,294.1	1,630.8	1,630.0	15,678.9
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Less paid claims (\$m)	(4,333.8)	(704.8)	(972.6)	(774.8)	(728.7)	(753.8)	(706.3)	(581.6)	(525.9)	(306.1)	(17.8)	(10,406.2)
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Less unearned portion of ultimate losses (\$m)	-	-	-	-	-	-	-	-	(11.4)	(279.5)	(1,440.0)	(1,730.9)
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Net claims liabilities (100% level) (\$m)

	289.3	73.7	58.4	75.3	94.7	200.4	294.6	481.2	756.8	1,045.2	172.2	3,541.8
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Less unaligned share (\$m)	(39.5)	(15.3)	(14.6)	(16.6)	(21.7)	(35.1)	(47.7)	(75.6)	(114.7)	(163.3)	(27.0)	(571.1)
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Net claims liabilities, group share (\$m)	249.8	58.4	43.8	58.7	73.0	165.3	246.9	405.6	642.1	881.9	145.2	2,970.7
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Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2018 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of the table.

Marine

Gross improvements were seen on the 2016 and 2017 underwriting years in respect of the 2017 catastrophe events, with negligible net impact.

Political, accident & contingency

A deterioration of a specific claim has led to a small strengthening on the 2014 underwriting year.

Property

The 2016 and 2017 underwriting years are reflecting increases in the reserves for the recent catastrophe events as well as some deterioration on the non-cat elements of the property book.

Reinsurance

The 2017 underwriting year has seen releases on reserves held in respect of the 2017 catastrophe events. This can be seen on a net basis, but is offset by some non-cat losses on a gross basis, which are heavily reinsured.

Specialty lines

The 2015 and 2016 underwriting years see further releases from the shorter tail cyber elements of the book following continued positive experience to date.

Claims releases

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

The net of reinsurance claims release on 2017 and prior underwriting years fell to \$48.1m (2017: \$83.4m). There was a significant prior year reserve strengthening in the property division related to both attritional claims and claims from the 2017 natural catastrophes. Our view of the overall costs of the 2017 events has not changed materially and there were releases in other teams, particularly reinsurance, from the reserves from these events. Our specialty lines division continued to produce substantial releases.

The movements shown on 2015 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2018	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	73.8	49.7	91.6	29.1	353.4	597.6
Prior year						
– 2015 and earlier	(1.4)	(1.3)	0.7	(1.4)	(53.9)	(57.3)
– 2016 underwriting year	1.6	(0.8)	0.5	(0.3)	(14.6)	(13.6)
– 2017 underwriting year	(0.1)	(0.1)	32.5	(9.7)	0.2	22.8
	0.1	(2.2)	33.7	(11.4)	(68.3)	(48.1)
Net insurance claims	73.9	47.5	125.3	17.7	285.1	549.5

6 months ended 30 June 2017	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	63.8	48.8	82.1	35.2	292.4	522.3
Prior year						
– 2014 and earlier	(0.8)	2.9	(4.1)	(2.9)	(37.5)	(42.4)
– 2015 underwriting year	(5.6)	(1.7)	(3.0)	(11.3)	(20.9)	(42.5)
– 2016 underwriting year	3.1	(1.2)	(0.1)	(0.1)	(0.2)	1.5
	(3.3)	–	(7.2)	(14.3)	(58.6)	(83.4)
Net insurance claims	60.5	48.8	74.9	20.9	233.8	438.9

Year to 31 December 2017	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	135.4	100.1	264.8	152.2	627.1	1,279.6
Prior year						

- 2014 and earlier	(5.8)	5.8	(6.3)	(16.1)	(91.1)	(113.5)
- 2015 underwriting year	(9.3)	(3.5)	(9.1)	(12.6)	(30.5)	(65.0)
- 2016 underwriting year	4.4	(6.2)	2.2	(26.0)	0.2	(25.4)
	(10.7)	(3.9)	(13.2)	(54.7)	(121.4)	(203.9)
Net insurance claims	124.7	96.2	251.6	97.5	505.7	1,075.7

11 Related party transactions

The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 29 of the group's consolidated financial statements for the year ended 31 December 2017. On 1 January 2018, syndicate 5623, which is managed by the group, started reinsuring facility business written by syndicate 3623. The capacity of syndicate 5623 consists mainly of third party capital with Beazley providing a 33.85% share via Beazley Corporate Member (No.3) Limited.

12 Foreign exchange rates

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

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year to 31 December 2017
Average			
Pound sterling	0.73	0.80	0.78
Canadian dollar	1.27	1.34	1.30
Euro	0.82	0.94	0.89
Spot			
Pound sterling	0.75	0.78	0.75
Canadian dollar	1.30	1.33	1.29
Euro	0.85	0.89	0.85

13 Subsequent events

On the 20 July 2018 Martin Bride, Beazley plc's finance director, announced his decision to retire in the first half of 2019.

On the 19 July 2018 the Beazley Ireland Holdings plc board appointed EY as the company's auditor for financial periods incepting on or after 1 January 2019. This is subject to Beazley plc receiving approval for EY's appointment from Beazley plc shareholders at its next AGM.

14 Impairment of associate

In March 2018, management received information which led them to conclude that the recoverable amount of the group's investment in Capson was lower than its carrying value. Consequently a \$4.2m write down has been taken to the value of the investment. The remaining value of the investment is \$2.8m.

Group	2018 \$m
As at 1 January	7.0
Impairment of Capson	(4.2)
As at 30 June	2.8

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.

Alternative performance measures (APMs)

The group uses APMs to help explain its financial performance and position. These measures, such as combined ratio, expense ratio, claims ratio and investment return, are not defined under IFRS. The group is of the view that the use of these measures enhances the usefulness of the financial statements. Definitions of key APMs are included within the glossary.

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 statement of financial position 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. As at 30 June 2018, this ratio was 56% (30 June 2017: 49%; 31 December 2017: 58%). This represented total claims of \$549.5m (30 June 2017: \$438.9m; 31 December 2017: \$1,075.7m) divided by net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m).

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. At 30 June 2018, this ratio was 95% (30 June 2017: 90%; 31 December 2017: 99%). This represents the sum of net insurance claims of \$549.5m (30 June 2017 \$438.9m; 31 December 2017: \$1,075.7m), expenses for acquisition of insurance contracts of \$258.6m (30 June 2017: \$241.5m; 31 December 2017: \$519.7m) and administrative expenses of \$131.1m (30 June 2017: \$121.6m; 31 December 2017: \$253.4m) to net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m). This is also the sum of the expense ratio 39% (30 June 2017: 41%; 31 December 2017: 41%) and the claims ratio 56% (30 June 2017: 49%; 31 December 2017: 58%).

Coverholder

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.

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. At 30 June 2018, the expense ratio was 39% (30 June 2017: 41%; 31 December 2017: 41%). This represents the sum of expenses for acquisition of insurance contracts of \$258.6m (30 June 2017: \$241.5m; 31 December 2017: \$519.7m) and administrative expenses of \$131.1m (30 June 2017: \$121.6m; 31 December 2017: \$253.4m) to net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m).

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).

Investment return

Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. As at 30 June 2018, this was calculated as net investment income

of \$8.0m (30 June 2017: \$79.4m; 31 December 2017: \$138.3m) divided by average financial assets at fair value, including cash, of \$4,877.4m (30 June 2017: \$4,670.9m; 31 December 2017: \$4,796.0m).

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 premiums written

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

Private enterprise

The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to \$35.0m 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.

Rate change

The percentage change in premium income we are charging relative to the level of risk on renewals.

Reinsurance special purpose syndicate

A special purpose syndicate (SPS) created to operate as a reinsurance 'sidecar' to Beazley's core syndicates.

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.

Risk

This term may 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.

Sidcar 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 catastrophe 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.

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.