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REG - Beazley PLC -Preliminary Results

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Beazley PLC
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Press Release

Beazley reports excellent 2010 results

Dublin, 8 February 2011

Beazley plc results for year ended 31st December 2010

- Profit before income tax of $250.8m (2009: $158.1m)
- Profit excluding exceptional foreign exchange gain of $217.1m and return on equity of 18.7%
- Return on equity 21.4% (2009:16.0%)
- Gross written premiums reduced by 1% to $1,741.6m
- Combined ratio of 88% (2009: 90%)
- Rate decrease on renewal portfolio of 2% (2009: 3% increase)
- Prior year reserve releases of $144.6m (2009: $105.5m)
- Investment income of $37.5m (2009: $88.1m)
- Second interim dividend of 5.1p plus special dividend of 2.5p, taking total dividends paid for the year to 10.0p (2009: 7.0p)

	Year ended 31 December 2010	Year ended 31 December 2009	% movement
Gross premiums written ($m)	**1,741.6**	1,751.3	(1%)

Net premiums written ($m)	**1,402.1**	1,331.3	5%
Profit before income tax ($m)	**250.8**	158.1	59%
Earnings per share (pence)	**27.4p**	18.4p	
Net assets per share (pence)	**139.5p**	119.0p	
Net tangible assets per share (pence)	**124.4p**	105.5p	
Dividend per share (pence)	**10.0p**	7.0p	

Andrew Horton, Chief Executive Officer, said:

"Our 25th year in business was distinguished by excellent profits and an enhanced underwriting result in the teeth of worsening market conditions. The expertise of our underwriters helped us achieve a combined ratio of 88%, an improvement of two percentage points over 2009. Since we began underwriting in 1986, we have achieved an unbroken track record of profitability through often turbulent market conditions. Our underwriting teams have shown they possess the skills needed to perform strongly in the current challenging environment."

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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, Asia and Australia. Beazley manages five Lloyd's syndicates and, in 2010, underwrote gross premiums worldwide of $1,741.6 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

Annual Statement

2010 saw an exceptional performance from the company that Andrew Beazley and Nick Furlonge founded twenty five years ago, maintaining our track record of unbroken profitability with a pre tax profit of $250.8m (2009: $158.1m) on gross premiums that fell 1% from 2009 to $1,741.6m. Excluding a one-off foreign exchange gain of $33.7m, the pretax profit was $217.1m and despite competition increasing across most of our lines of business, we achieved an improved combined ratio of 88% (2009: 90%).

The board is pleased to announce a second interim dividend of 5.1 pence per ordinary share (2009: 4.7 pence per ordinary share) and a special dividend of 2.5 pence per ordinary share. Together with the first interim dividend of 2.4 pence per ordinary share, these dividends give a total of 10.0 pence.

Premium rates on renewal business fell by 2% (2009: 3% increase), placing increased emphasis on the skill of our underwriters in identifying profitable underwriting opportunities. Competitive markets are not new to Beazley: through our history we have experienced multiple market cycles. The peaks and troughs vary by line of business, geography and size of risk, so the task for a diversified business such as ours is to optimise the portfolio mix to achieve healthy returns across the cycle. Our combined ratio of 88% and our return on equity of 21.4% in 2010 (2009: 16.0%) reflects our success in achieving this.

Our investments returned $37.5m or 1.0% (2009: $88.1m, 2.7%) in an environment characterised by continuing macro-economic uncertainty, weak global demand and very low interest rates. Our investment returns increased in the course of the year, but our focus remains on capital preservation given the continuing risk of severe market downturns. Accordingly, the majority of our invested assets (63.8% at year end) are cash, cash equivalents and sovereign or supranational bonds and the duration of our overall fixed income portfolio is just over one year. We seek some return above risk free rates via a portfolio of capital growth assets.

Growth opportunities for the insurance industry as a whole proved limited in 2010. At Beazley we identified and capitalised on three, two organic and one the result of a prior acquisition. Organically, our reinsurance business grew by 23% to $174.4m, supported by our new special purpose syndicate (6107), backed by third party capital. By the end of December our reinsurance team had written $16.4m for the account of this syndicate.

We also continued to see strong growth in demand for data breach insurance in the US. Publicity surrounding corporate data breaches involving the loss of personal customer information continues at a high level. Beazley Breach Response has been successfully introduced in the US market as a comprehensive solution to this growing risk.

Our third area of growth was in our life, accident and health business, following our acquisition in 2008 of Momentum Underwriting Management Limited (MUM). Premiums underwritten by this division grew by 15% to $78.1m and the business performed better than we had expected, contributing $4.7m to profits. As we had hoped, the conjunction of the skills of the team, most of whom have worked together for more than a decade, and the Beazley name has proved very attractive to brokers.

A further recent acquisition, that of the First State underwriting agency in the US, is now fully integrated into Beazley. The highly experienced team led by Judy Patterson focuses on surplus lines commercial property risks and forms the core of our excess and surplus (E&S) commercial property business in the US, which underwrote premiums of $110.0m last year (2009:$102.8m).

Demand was also strong for energy insurance in 2010, following the Deepwater Horizon disaster in the Gulf of Mexico. We expect demand for our products to remain strong in 2011 as a result of rising commodity prices, customer awareness of risk and, in some cases, regulators requiring additional financial security from oil and gas companies. Paul Dawson and his team are respected heads of this class and will look to increase their share of the market if conditions remain attractive.

Change in functional currency

In April 2010, we announced a change in our functional currency for Beazley plc and its principal operating entities from sterling to the US dollar, reflecting the growth of our dollar denominated premiums and the fact that the regulatory capital supporting the business is largely held in dollars. We believe that this change will give investors a clearer understanding of the group's performance over time. Accounting in dollars will significantly reduce the future volatility of Beazley's reported earnings due to foreign exchange movements - and in particular due to foreign exchange on non-monetary items.

Irish domicile

In June 2009 we redomiciled our holding company to Ireland. The move has achieved all the objectives we described in last year's annual report, affording us a strong regulatory environment, and a competitive tax regime. Our effective tax rate in 2010 was 13%. We take comfort in the Irish government's strong commitment to the existing corporate tax rate, which has proved an incentive to investment by many companies in the insurance industry, among others.

Claims experience

Our claims experience was positive in 2010, with a claims ratio of 52% that was an improvement on 55% in 2009, despite the impact of two major earthquakes. Our balanced underwriting portfolio gives us the ability to offset the impact of catastrophe losses with profits from other lines of business. This also improves the capital efficiency of our business.

In 2010 the US hurricane season passed without incident but there were two significant earthquakes along the Pacific "ring of fire", the first in Chile and the second in New Zealand. Our estimate of the claims cost from the Chilean earthquake remains in the range of $55m to $75m. In the case of New Zealand we initially estimated a group loss of $15m- $30m based on a market loss of $2bn- $4bn. We have subsequently increased this to a group loss of $35m, based on the updated market view of losses to $3bn-$5bn.

The number of claims in our political risks book, which had risen in 2009 due to the impact of the global economic crisis on trade credit business, returned to long-term average levels in 2010.

Specialty lines, our largest single division, also saw a reduction in the frequency of claims for directors' and officers' (D&O) and employment practices liability (EPL) business, two of our more recession-exposed lines. Our approach to recession planning and cycle management in specialty lines has been rigorous, reducing our exposures in areas such as EPL, D&O and mid market architects and engineers (A&E) professional liability while increasing our underwriting in areas such as data breach insurance and parts of our healthcare account.

The end of 2010 and the start of 2011 have been marked by heavy rains and flooding in Queensland, Australia as well as a significant tropical storm, Yasi. We do not expect the cost to Beazley of the insured losses occurring in 2010 from these events to be material. Whilst it is too early to be able to make any definitive statement concerning the events that have occurred so far during 2011 due to the uncertainty, we believe they will be contained within our first half 2011 catastrophe budgets.

Delivery against strategic priorities

Our strategy focuses on three areas: prudent capital allocation to achieve sustainable profitability across the group; nurturing and enhancing our skills base; and scaling our operations so that, as growth opportunities arise, we can continue to provide the high level of service that our clients and brokers have the right to expect.

In the second half of 2010 we made an approach to acquire Hardy Underwriting Bermuda Limited (Hardy), a small, complementary and high quality specialty insurer. Whilst our indicative offer represented a significant premium to Hardy's net tangible assets, we would have been able to achieve our target rate of return. However, Hardy's board were of the view that our proposals did not fully value the company and so we withdrew. Seeking to acquire teams of underwriters, underwriting agents or small or medium sized insurance companies in our target markets and product sets remains one of our key priorities.

We have never been reluctant to return capital to shareholders in circumstances where we are not confident that we can allocate it to meet or exceed our pretax cross-cycle return on equity target rate of 18%. During the course of 2010 Beazley plc acquired 16.8m of its own shares to be held in treasury at an average price of 112.1p.

Our markets are becoming more competitive but in 2010 we planted the seeds for a number of growth opportunities that we expect to bear fruit in 2011 and future years. John McNally, one of the most experienced underwriters of M&A-related transaction liability insurance in London, joined our management liability team at Lloyd's. The team has since encountered a strong appetite from private equity investors looking to reduce some of the risks to which merger and acquisitions (M&A) transactions are exposed. We are fast becoming a leading market in London for these specialist types of insurance, which are increasingly appealing to clients in Europe and Asia, as well as to the traditional buyers in the US.

In the US, our newly formed environmental liability team led by John Beauchamp unveiled three new products in the course of the year. Environmental risks threaten a wide variety of commercial organisations, including owners of property; industrial and commercial operations; general and specialty contractors; and the environmental services industry. The claims can be complex and benefit from strong risk management and claims support. They play to the strengths of Beazley and of Lloyd's - and we will begin underwriting environmental risks from the Beazley box at Lloyd's in 2011.

A third area in which we see considerable growth potential for Beazley is the specialist accident and health market in the US. In January 2010, we were delighted to welcome Paul Gulstrand, who joined us from UnitedHealth Group to develop our accident and health insurance business in the US. We have to date been underwriting accident and health risks on a reinsurance basis locally in the US. In the course of 2011, Paul and his team will begin to offer a range of simple and streamlined insurance products to US employers that wish to offer "gap protection" to their employees in an affordable manner, providing cover not normally afforded under company health care plans.

All of our product lines, old and new, rely on the skills of seasoned underwriting and claims professionals, working closely together, to deliver profitable growth over time. Beazley is not a hierarchical or bureaucratic company: over our 25 years we have found that the greatest success comes from taking highly motivated and experienced individuals and giving them the entrepreneurial freedom to develop their business. This is the approach that has governed the growth of our Lloyd's business and we have found it holds particular appeal in the US where our marketing tag line is "straight answers".

A consequence of this approach is that we make hiring decisions very carefully. Entrepreneurial freedom is not to everyone's taste and some underwriters lack the experience to exercise it with confidence and success. But the payback for investing time in identifying these individuals is high: good people tend to stay with Beazley for many years.

Growth of locally underwritten US business
In March, we celebrated our fifth anniversary as a local US insurer. In our first year, 2005, we underwrote $15m through our US operations; last year we underwrote $393.6m, 23% of total group premiums up from $370.7m in 2009.

Our local US business focuses on smaller scale risks in lines of business with which we were already very familiar through our Lloyd's syndicates. Our position at Lloyd's in large risk business has proved a powerful source of credibility for our US underwriters in targeting smaller clients.

Board and executive changes
We made a series of additions to the Beazley board in 2010. In November Ken Sroka joined the board as a non-executive director. He was formerly head of product development at Zurich Financial Services, where he created and directed Zurich's financial lines business in North America and more recently focused on the development of specialist products.

Rolf Tolle and Adrian Cox were appointed to the board in December. Rolf had joined the board of Beazley Furlonge Ltd, the Lloyd's managing agency which forms part of the Beazley Group, in June. He retired as franchise performance director at Lloyd's in December 2009 after seven years in the role. Adrian has headed our largest division, specialty lines, since 2008.

We also made two appointments to the Beazley executive committee in 2010. Strong broker relationships are the lifeblood of Beazley and we were delighted to welcome Dan Jones as a member of the senior management team in June. In his new role, Dan - who stood down as a non-executive director on the Beazley plc board - is focusing on deepening relationships with key business producers around the world. Dan brings extensive knowledge of the insurance broking sector on both sides of the Atlantic. Between 1997 and 2005, he served as a senior executive at Marsh, Inc.

Andrew Pryde has also joined the executive committee as chief risk officer. As group actuary, Andrew has been leading our efforts to ensure compliance with Solvency II, which are well advanced.

Andrew Beazley

Andrew Beazley, who co-founded the company with Nick Furlonge and led it successfully for 22 years, died on 13th October. Andrew was a powerful source of inspiration to us and, through his career, to hundreds of people at Beazley and in the broader insurance market. We will miss him deeply as a colleague and as a friend.

Andrew co-founded and led a company that has achieved a 25 year record of unbroken profitability and steady growth through often turbulent market conditions, built on mutual trust, openness, respect and a strong sense of fun. It is a legacy we cherish.

Jonathan Agnew
Chairman

Andrew Horton
Chief executive

8 February 2011

Financial review

Income statement

	2010 $m	2009 $m	Movement %
Gross premiums written	1,741.6	1,751.3	(1%)
Net premiums written	1,402.1	1,331.3	5%
Net earned premiums	1,405.2	1,313.6	7%
Net investment income	37.5	88.1	(57%)
Other income	28.1	19.6	43%
Revenue	1,470.8	1,421.3	3%
Net insurance claims	738.2	742.6	(1%)
Acquisition and administrative expenses	500.6	472.4	6%
One off foreign exchange gain *	(33.7)	-	-
Foreign exchange(gain)/loss	(0.9)	34.4	-
Expenses	1,204.2	1,249.4	(4%)
Share of loss of associate	(0.9)	-	-

Finance costs	(14.9)	(13.8)	8%
Profit before tax	250.8	158.1	59%
Claims ratio	52%	55%	-
Expense ratio	36%	35%	-
Combined ratio	88%	90%	-
Rate (reduction)/ increase	(2%)	3%	-
Investment return	1.0%	2.7%	-

* The $33.7m non-recurring foreign exchange gain arose as a result of the decision to more closely match our regulatory capital position in US dollars prior to the change in our functional currency from sterling to US dollars, for further details please refer to note 3 to the financial statements.

Premiums
Gross premiums written have reduced by 1% in 2010 to $1,741.6m. Renewal rates held up better than expected, but on average fell by 2% across the portfolio. We have continued to adjust our underwriting appetite in areas where competition is most intense.

The balance of our business has continued to evolve providing further diversification by type of business and geographical location. Our life accident and health business continued to grow in 2010 writing $78.1m. Our reinsurance division has also grown supported by business underwritten by our special purpose syndicate (6107), writing $16.4m on behalf of this syndicate in 2010. Locally underwritten US business has continued to grow from $370.7m in 2009 to $393.6m in 2010.

Premium retention rates
Retention of business from existing brokers and clients is a key feature of Beazley's strategy. It not only enables us to maintain a deep understanding of our clients' businesses and requirements it also provides greater insight into the risks involved in each policy we write, enabling us to price risk most accurately to achieve profit. The table below shows our retention rates by division compared to 2009.

Retention rates*	2010	2009
Life, accident and health	83%	N/A
Marine	78%	74%
Political and contingency group	60%	63%
Property	73%	78%
Reinsurance	93%	89%
Specialty lines	84%	87%
Overall	80%	81%

* based on premiums due for renewal in each calendar year

Rating environment
As anticipated rates charged for business we renewed decreased by 2% during 2010 across the portfolio (2009: an increase of 3%). The largest rate changes were seen within our marine business (3% decrease), property business (4% decrease) and reinsurance teams (3% decrease). Whilst market conditions remain competitive, we have recently seen signs of recovery in a number of classes - notably energy, UK homeowners and political risks. Our specialty lines division has seen rates reduce overall by 2% in 2010.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%	%
Life Accident & Health	-	-	-	-	-	-	-	-	100	100
Marine	100	117	128	128	130	140	131	123	132	128
PCG	100	120	122	114	107	101	93	87	88	

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Property	100	127	132	125	124	139	136	128	137	132
Reinsurance	100	143	149	148	149	188	195	183	203	197
Specialty Lines	100	137	165	173	175	175	166	155	156	153
Total	100	131	145	145	146	154	148	139	144	141

Reinsurance purchased
The group reduced the amount it spent on reinsurance in 2010 to $339.5m (2009: $420.0m). Reinsurance is purchased for a number of reasons:

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

The cost of reinsurance purchased in 2010 has reduced due to a number of factors:

- 2009 included First State's reinsurance programme as a standalone; efficiencies were made when this was combined with Beazley's own property reinsurance programme;

- Our specialty lines reinsurance programme was reduced in 2010 through an increased retention of losses on certain risks.

- Some of our admitted lines US business was no longer ceded to our third party syndicate 623; and

- A continued strategy to reduce reinsurance purchases in areas where Beazley has risk appetite to retain business and rating is attractive

Combined ratio
The combined ratio of an insurance company is a common measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer and Beazley's combined ratio has reduced in 2010 to 88% (2009: 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 effects. 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
The two most prominent claims to have been reported in the Lloyd's market in 2010 related to earthquakes in Chile and New Zealand. As explained in our interim management statement earthquakes typically have a longer reporting pattern than hurricanes.

The Chilean earthquake, which occurred in February 2010, caused a significant insured loss. We estimated the market loss to be around $5bn - $8bn, which we still maintain. This equated to a loss of between $55m and $75m to the Beazley group.

The New Zealand earthquake in September 2010 proved more difficult to quantify. Original market estimates of the loss of between $2bn - $4bn, have recently been updated to $3bn-5bn with our own estimate updated to reflect this. We have increased our held reserves on New Zealand to $35m from an initial estimate of $15m-$30m.

2010 has been a benign year for hurricane related claims. Despite significant hurricane activity, with some 18 named windstorms, the majority of hurricanes remained offshore.

The level of claims notifications from our political risks account fell to normal levels at the start of 2010 and we retain the view that the level of reserves we hold for this class is strong. At this stage we have maintained the reserves we initially established in 2009 although we are optimistic that we will see positive developments in 2011 and beyond.

Reserve releases
Beazley has a consistent reserving philosophy with initial reserves being set to include risk margins which 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 best estimate.

Reserve monitoring is performed at a quarterly 'peer review', which involves a consultative process between the underwriters who take a detailed claim by claim view, and the actuarial team who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment.

During 2010 we were able to make the following prior year reserve adjustments across divisions, with the overall net impact being a release to the group.

	2010	**2009**
	$m	**$m**
Life, accident and health	(1.3)	-
Marine	30.7	25.0
Political risks and contingency	18.8	3.4
Property	17.4	(6.6)
Reinsurance	22.1	25.9
Specialty lines	56.9	57.8
Total	**144.6**	**105.5**
Releases as a percentage of net earned premium	**10.3%**	**8.0%**

Reserve releases remained steady on specialty lines reflecting the continuing satisfactory development of the significant volumes of business underwritten over the last ten years. The releases in 2009 came mainly from the 2004 and 2005 underwriting years, which seem to be following the profitable outcomes already experienced in 2003 and confirming that all the underwriting years from 2003 to 2006 are exceptionally profitable.

The political and contingency reserve release increased significantly as the 2009 underwriting year has developed very favourably, while the impact of last year's increased claims provision on our trade credit book has not been repeated. Marine and property reserve releases also increased following the unwinding of catastrophe reserves on the relatively benign 2009 underwriting year. Despite the impact of earthquakes, the treaty account released in line with last year.

Acquisition and administrative expenses
Business acquisition costs and administrative expenses increased to $500.6m from $472.4m in 2009. The breakdown of these costs is shown below:

	2010	**2009**
	$m	**$m**
Brokerage costs	292.9	268.8
Other acquisition costs	88.5	73.8
Total acquisition costs	**381.4**	**342.6**
Administrative expenses	119.2	129.8
Total acquisition costs and administrative expenses	**500.6**	**472.4**

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

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

Administrative expenses comprise primarily IT costs, facilities costs, Lloyd's central costs and other support costs. These reduced in 2010 due to**:**

- Legal fees incurred in 2009 as part of the First State acquisition and redomiliciation to the Republic of Ireland, not recurring in 2010
- Increased reinsurance written through programmes attracting over-rider commission. Certain types of reinsurance contract provide a contribution as part of their fee to our expenses. Under IFRS these contributions are required to be accounted for as a credit within administration expenses.

Investment performance

Investment income for the period ended 31 December 2010 was $37.5m, or an annualised return of 1.0%, compared with $88.1m (2.7%) over the same period in 2009.

Falcon Money Management Ltd ("Falcon"), an associate firm providing investment management services was founded in 2009. It is an FSA authorised investment management firm, comprising an experienced team of 15 professionals.

Falcon is aiming to enhance our investment returns whilst at the same time minimising risk. Initially, investment management and advisory services are offered solely to Beazley and only at a later stage to third party institutional investors. Falcon's approach to managing the assets has been to hold the bulk (88.7% at the end of 2010) in a core portfolio consisting primarily of sovereign fixed income assets, or short duration high quality credit with a duration not exceeding that of Beazley's insurance liabilities. The balance will be invested in a diversified portfolio of capital growth assets. Falcon's benchmark is to deliver an absolute return equal to T-bills plus a margin which depends upon the capital growth asset allocation.

In the last quarter the bond portfolio duration has been moderately increased. At 31 December 2010 the weighted average duration of our core portfolio was 12 months (31 December 2009: 8 months). The weighted average yield to maturity of our overall portfolio was 0.7% (31 December 2009: 0.7%). Our portfolio duration is currently short to protect against a sudden rise in interest rates as the outlook remains challenging with interest rates close to all time lows.

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

	31 December 2010		31 December 2009	
	$m	%	$m	%
Cash and cash equivalents	1,265	32.9	813	22.2
Government, Agency and Supranational	1,187	30.9	1,579	43.1
AAA	743	19.3	842	23.0
AA+ to AA-	105	2.7	82	2.3
A+ to A-	94	2.5	72	2.0
BBB+ to BBB-	15	0.4	5	0.1
Core portfolio	3,409	88.7	3,393	92.7
Capital growth assets	433	11.3	269	7.3
Total	3,842	100.0	3,662	100.0

Comparison of return by major asset class:

	31 December 2010		31 December 2009	
	$m	%	$m	%
Core portfolio	17.0	0.5%	68.8	2.4%
Capital growth assets	20.5	4.7%	19.3	7.6%
Overall return	37.5	1.0%	88.1	2.7%

Change in functional currency

In April 2010, we announced a change in our functional currency of Beazley plc and its principal operating entities to the US dollar, reflecting the growth of our dollar denominated premiums and the fact that the regulatory capital supporting the business is largely held in dollars. We believe that this change will give investors and other stakeholders a clearer understanding of the group's performance over time. Accounting in dollars will significantly reduce the future volatility of Beazley's reported earnings due to foreign exchange movements - and in particular due to foreign exchange on non-monetary items.

As reported in previous annual and interim reports significant foreign exchange volatility arising from the translation of 'non-monetary' items exists under IFRS, has been substantially reduced as a result of the change in our functional currency to the US dollar. The foreign exchange adjustment on non-monetary items gave rise to a decrease in group profit of $4.3m in 2010.

Tax

Beazley plc and Beazley Re Limited, our Irish reinsurance company, are both tax resident in Ireland. Our ongoing tax rate is consequently a blended rate of around 13%.

Balance sheet management

Summary statement of financial position

	2010 $m	2009 $m	**Movement %**
Intangible assets	**117.0**	113.5	3%
Reinsurance assets	**1,034.9**	1,156.1	(10%)
Insurance receivables	**527.1**	498.0	6%
Other assets	**253.0**	214.7	18%
Investments and cash	**3,842.3**	3,661.7	5%
Total assets	**5,774.3**	5,644.0	**2%**
Insurance liabilities	**4,046.8**	4,023.7	1%
Borrowings	**268.2**	278.7	(4%)
Other liabilities	**376.4**	345.7	9%
Total liabilities	**4,691.4**	4,648.1	**1%**
Net assets	**1,082.9**	995.9	**9%**
Net assets per share (cents)	**214.6c**	**191.7c**	**12%**
Net tangible assets per share (cents)	**191.4c**	**169.8c**	**13%**
Net assets per share (pence)	**139.5p**	**119.0p**	**17%**
Net tangible assets per share (pence)	**124.4p**	**105.5p**	**18%**
Number of shares *	**504.6m**	**519.6m**	**-**

* excludes shares held in the employee share trust and treasury shares

Intangible assets

Intangible assets consist of goodwill on acquisitions $77.1m, purchased syndicate capacity $9.4m, US admitted licences $9.3m and capitalised expenditure on IT projects $21.2m. The increase in intangibles in the period is primarily due to spending on IT projects of $7.9m.

Reinsurance assets

Reinsurance assets represent recoveries from reinsurers in respect of incurred claims $823.8m, and the unearned reinsurance premiums reserve $211.1m. The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $202.4m and an actuarial estimate of recoveries on claims that have not yet been reported of $621.4m. 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 outstanding debtor position by our reinsurance security committee and credit control committees.

We continue to provide against impairment of reinsurance recoveries, and at the end of 2010 we had provided $17.3m (2009: $15.8m) in respect of reinsurance recoveries.

Insurance receivables
Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2010 was $527.1m, a growth of 5.8% over 2009 ($498.0m). We continue to outsource the collection of our Lloyd's premium broker balances to JMD Specialist Insurance Services Limited, which operates within the Lloyd's market as specialist credit controllers.

Other assets
The largest items included comprise:

- Deferred acquisition costs of $164.0m
- Deferred tax assets available for use against future taxes payable of $9.5m
- Profit commissions receivable from syndicate 623 of $13.2m

Insurance liabilities
Insurance liabilities of $4,046.8m consist of two main elements being the unearned premium reserve (UPR) and gross insurance claims liabilities.

Our unearned premiums reserve has reduced by 6% to $824.2m. 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 and an estimate of claims incurred but not yet reported (IBNR). These are estimated as part of the quarterly reserving process involving the underwriters and group actuary. Gross insurance claims reserves have increased by 2.4% to $3,222.6m.

Borrowings
The group utilises two 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. The initial interest rate payable is 7.25% and the current carrying value of this debt is $250.2m; and
- A US$18m subordinated debt facility raised in 2004. This loan is also unsecured and interest is payable at the US 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.

In April 2010 we traded out of the interest and currency derivatives transactions resulting in a realised gain of $1.4m without any impact on the income statement. The effect of exiting the derivative on the group's cost of financing the £150m of debt was to move from paying a floating rate of interest, based on LIBOR plus a margin, to a fixed interest payment with an annualised effective rate of less than 6%. We traded out of the currency component of the original derivative transaction since this was originally intended to act as a hedge against the group's investment in its US subsidiaries. Following the switch in functional currency to US dollars this hedge was no longer required.

In October 2010 we renewed our existing syndicated short-term banking facility led by Lloyds Banking Group Plc. The facility provides potential borrowings up to $150m. The new agreement is based on a commitment fee of 0.7% per annum and any amounts drawn are charged at a margin of 1.75% per annum. The cash element of the facility will last for three years, expiring on 31 December 2013, whilst letters of credit issued under the facility can be used to provide support for the 2010, 2011 and 2012 underwriting years. The facility is currently unutilised.

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

Further capital requirements come from rating agencies on a group wide basis and for Beazley Insurance Company Inc. (BICI) and the Lloyd's syndicates on a standalone basis. In both cases we aim to manage our capital to obtain a financial 'A' rating from the rating agencies for these entities.

Beazley holds a level of capital over and above its regulatory requirements and targets a level of surplus capital that would enable it to take advantage of new underwriting opportunities such as the acquisition of insurance companies or managing general agents (MGA's) whose strategic goals are aligned with our own.

The group actively seeks to manage its capital base to target capital levels. Our preferred use of capital is to re-deploy it on opportunities to underwrite profitably. However there may be times in the cycle when the company will generate excess capital and not have the opportunity to deploy it. If such a point were reached the board would consider returning capital to shareholders.

During the year to date Beazley plc has acquired 16.8m of its own shares, at an average price of 112.1p, the total cost to the group was $28.9m.

In January 2010, we matched our capital base to the principal underlying currencies of our written premiums. This ensures that the group's capacity to underwrite business is unaffected by any future movements in exchange rates. To achieve this, the group has increased the US dollar component of its capital base by US$492.7m with an equivalent decrease in the sterling component.

Our funding comes from a mixture of our own equity of $1,082.9m alongside £150m of tier 2 subordinated debt and $18m subordinated long-term debt and an undrawn banking facility of $150m mentioned above. This facility was renewed in October 2010 to cover the 2011 and 2012 underwriting years and converted to a $150m facility. Prior to this date the facility was £100m and has been disclosed at a USD rate of 1.61 (31 December 2009 spot rate) in the table below for comparative purposes.

The following table sets out the group's sources and uses of capital:

	2010 **$m**	**2009** **$m**
Sources of funds		
Shareholders' funds	1,082.9	995.9
Tier 2 subordinated debt	230.8	241.5
Long-term subordinated debt	18.0	18.0
	1,331.7	1,255.4
Uses of funds		
Lloyd's underwriting	776.9	792.4
Capital for US insurance company	107.7	110.9
	884.6	903.3
Surplus	**447.1**	**352.1**
Unavailable surplus*	(80.2)	(74.2)
Fixed and intangible assets	(126.6)	(125.9)
Available surplus	**240.3**	**152.0**
Un-utilised banking facility	**$150.0**	**$161.0**

*Unavailable surplus primarily represents profits earned that have not yet been transferred from the Lloyd's syndicates. The cash transfers occur half yearly in arrears and are reflected as unavailable until the cash is received into Beazley corporate accounts. In addition certain items other than fixed and intangible assets such as deferred tax assets are not immediately realisable as cash and have also accordingly been reflected as unavailable surplus.

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.

In order to determine the ICA, we made significant investment 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 ICA process is embedded so that the 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.

The ICA has increased in line with the premium and catastrophe risk appetite. The increase from £494.4m to £505.0m reflects the changes in the rating environment and the reduction in expected interest rates. These numbers are presented in the table above in US dollars being $776.9m and $792.4m respectively which have been translated at the spot rate at the reporting dates

Solvency II

Solvency II is an EU-wide proposal on capital adequacy and risk management for insurers due to come into effect from 1 January 2013. The central elements of Solvency II are:

Pillar 1: Demonstrating adequate financial resources - quantification
Pillar 2: Demonstrating an adequate system of governance - risk assessment
Pillar 3: Public disclosure and regulatory reporting requirements

The Beazley Board has set two guiding principles for Solvency II, namely:

- to develop a framework that can be used to inform management and assist with business decision making; and
- to hold an appropriate and efficient level of capital for the agreed risk appetite through risk identification and mitigation.

At Beazley, the strong risk management culture already embedded throughout the business means that Solvency II is an evolution rather than a new direction. As such, we continue to sponsor and closely monitor the programme of work that is building the framework required for such a Solvency II implementation against the 38 identified objectives. This programme is fully resourced and comprises subject matter experts that have been with Beazley for many years working alongside a dedicated project management team. Throughout this process, we have maintained a collaborative dialogue with all our regulators, including Lloyd's, the FSA and the Central Bank of Ireland to demonstrate that our proposed approach meets the requirements of the Solvency II Directive. We continue to meet the regulatory deadlines, having recently submitted QIS5 results and the remaining qualitative submissions for the Lloyd's Dry Run process.

Activity undertaken so far during 2010 has meant that we have made significant progress in our Pillar II activities by enhancing our corporate governance and developing our assurance functions. We have refreshed our expression of risk appetite to not only control risk but exploit it and have updated our control environment and risk management reporting to reflect that. We have also embarked on a programme of detailed training sessions tailored to educate all our staff on what business as usual will look like under Solvency II.

Although we are still in the detailed phase of the implementation plan, we are already seeing benefits from Solvency II in terms of improved data quality and enhanced management information that feeds our strategic and tactical decision making. We continue to tackle Solvency II implementation in the same determined way that we tackle underwriting opportunities.

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $m	2009 $m
Gross premiums written	2	1,741.6	1,751.3
Written premiums ceded to reinsurers		(339.5)	(420.0)
Net premiums written	**2**	**1,402.1**	**1,331.3**
Change in gross provision for unearned premiums		38.4	(97.5)
Reinsurer's share of change in the provision for unearned premiums		(35.3)	79.8
Change in net provision for unearned premiums		3.1	(17.7)
Net earned premiums	**2**	**1,405.2**	**1,313.6**
Net investment income	4	37.5	88.1
Other income	5	28.1	19.6
		65.6	107.7
Revenue		**1,470.8**	**1,421.3**
Insurance claims		860.6	1,007.6
Insurance claims recoverable from reinsurers		(122.4)	(265.0)
Net insurance claims	**2**	**738.2**	**742.6**
Expenses for the acquisition of insurance contracts	2	381.4	342.6
Administrative expenses		119.2	129.8
Foreign exchange(gain)/ loss	2	(34.6)	34.4
Operating expenses		**466.0**	**506.8**
Expenses	**2**	**1,204.2**	**1,249.4**
Share of loss of associate	**2**	(0.9)	-
Results of operating activities		**265.7**	**171.9**
Finance costs	8	(14.9)	(13.8)
Profit before income tax		**250.8**	**158.1**
Income tax expense	9	(33.8)	(19.3)
Profit for the year attributable to equity shareholders		**217.0**	**138.8**
Earnings per share (cents per share):			
Basic	10	42.1	28.9
Diluted	10	40.2	27.9
Earnings per share (pence per share):			
Basic	10	27.4	18.4
Diluted	10	26.1	17.8

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

Group	31 December 2010 $m	31 December 2009 $m
Profit for the year attributable to equity shareholders	217.0	138.8
Other comprehensive income		
Change in net investment hedge	(5.4)	11.9
Foreign exchange translation differences	12.6	(24.0)
Reversal of exceptional foreign exchange gain	(33.7)	-
Foreign exchange (loss)/ gain arising on change in presentational currency	(22.0)	92.8
Total other comprehensive income	(48.5)	80.7
Total comprehensive income recognised	**168.5**	**219.5**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

Company	31 December 2010 $m	31 December 2009 $m
Profit for the year attributable to equity shareholders	59.6	8.9

Other comprehensive income		
Foreign exchange translation differences	(44.3)	7.6
Total other comprehensive income	(44.3)	7.6
Total comprehensive income recognised	**15.3**	**16.5**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Group	**Notes**	**Share capital $m**	**Share premium $m**	**Other reserves $m**	**Retained earnings $m**	**Total $m**
Balance at 1 January 2009		**35.9**	**405.6**	**(199.4)**	**352.2**	**594.3**
Total comprehensive income recognised		-	-	80.7	138.8	219.5
Dividends paid	11	-	-	-	(41.3)	(41.3)
Issue of shares		13.5	208.1	-	-	221.6
Equity settled share based payments		-	-	8.1	-	8.1
Acquisition of own shares in trust		-	-	(6.3)	-	(6.3)
Cancellation of treasury shares		(1.5)	(41.6)	43.1	-	-
Transfer on scheme of arrangement and reverse acquisition		(5.3)	(571.6)	5.4	571.5	-
Balance at 31 December 2009		**42.6**	**0.5**	**(68.4)**	**1,021.2**	**995.9**
Total comprehensive income recognised		-	-	(48.5)	217.0	168.5
Dividends paid	11	-	-	-	(55.5)	(55.5)
Issue of shares		0.1	0.2	-	-	0.3
Equity settled share based payments		-	-	9.1	-	9.1
Acquisition of own shares in trust		-	-	(6.5)	-	(6.5)
Purchase of treasury shares		-	-	(28.9)	-	(28.9)
Balance at 31 December 2010		**42.7**	**0.7**	**(143.2)**	**1,182.7**	**1,082.9**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Company	**Notes**	**Share capital $m**	**Share premium $m**	**Other reserves $m**	**Retained earnings $m**	**Total $m**
Balance on incorporation at 9 June 2009		**-**	**-**	**-**	**-**	**-**
Transfer on scheme of arrangement and reverse acquisition		42.6	-	(35.4)	788.2	795.4
Total comprehensive income recognised		-	-	7.6	8.9	16.5
Foreign exchange		-	-	0.8	-	0.8
Dividends paid	11	-	-	-	(19.3)	(19.3)
Issue of shares		-	0.5	-	-	0.5
Equity settled share based payments		-	-	4.4	-	4.4
Acquisition of own shares in trust		-	-	(4.1)	-	(4.1)
Balance at 31 December 2009		**42.6**	**0.5**	**(26.7)**	**777.8**	**794.2**
Total comprehensive income recognised		-	-	(44.3)	59.6	15.3
Dividends paid	11	-	-	-	(55.5)	(55.5)
Issue of shares		0.1	0.2	-	-	0.3
Equity settled share based payments		-	-	9.1	-	9.1
Purchase of treasury shares		-	-	(28.9)	-	(28.9)
Acquisition of own shares in trust		-	-	(6.5)	-	(6.5)
Balance at 31 December 2010		**42.7**	**0.7**	**(97.3)**	**781.9**	**728.0**

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

2010	**2009**	**2008**

	Group $m	Company $m	Group $m	Company $m	Group $m
Assets					
Intangible assets	117.0	-	113.5	-	75.6
Plant and equipment	9.6	1.7	12.4	0.5	11.7
Investment in subsidiaries	-	747.2	-	791.5	-
Investment in associates	6.5	1.4	1.4	1.4	-
Deferred acquisition costs	164.0	-	155.5	-	131.8
Deferred tax assets	9.5	-	8.9	-	9.8
Current income tax asset	26.4	-	-	-	-
Retirement benefit asset	3.1	-	1.6	-	-
Reinsurance assets	1,034.9	-	1,156.1	-	775.6
Financial investments	2,577.6	-	2,848.3	-	2,232.9
Derivative financial instruments	-	-	9.3	-	3.9
Insurance receivables	527.1	-	498.0	-	414.4
Other receivables	33.9	0.5	25.6	0.8	21.9
Cash and cash equivalents	1,264.7	4.0	813.4	-	638.8
Total assets	**5,774.3**	**754.8**	**5,644.0**	**794.2**	**4,316.4**
Equity					
Share capital	42.7	42.7	42.6	42.6	35.9
Share premium	0.7	0.7	0.5	0.5	405.6
Other reserves	(143.2)	(97.3)	(68.4)	(26.7)	(199.4)
Retained earnings	1,182.7	781.9	1,021.2	777.8	352.2
Total equity	**1,082.9**	**728.0**	**995.9**	**794.2**	**594.3**
Liabilities					
Insurance liabilities	4,046.8	-	4,023.7	-	3,235.2
Borrowings	268.2	-	278.7	-	255.6
Other payables	285.4	26.8	289.3	-	166.6
Deferred tax liabilities	91.0	-	35.1	-	53.4
Current income tax liabilities	-	-	21.3	-	11.3
Total liabilities	**4,691.4**	**26.8**	**4,648.1**	**-**	**3,722.1**
Total equity and liabilities	**5,774.3**	**754.8**	**5,644.0**	**794.2**	**4,316.4**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010		**2009**	
	Group $m	**Company $m**	**Group $m**	**Company $m**
Cash flow from operating activities				
Profit before tax	**250.8**	**59.6**	**158.1**	**8.9**
Adjustments for:				
Amortisation of intangibles	3.5		2.2	-
Equity settled share based compensation	9.1	9.1	8.1	-
Retranslation of overseas net assets	1.4	-	5.8	-
Net fair value losses/(gains) on financial assets	(6.2)	-	(10.4)	-
Loss on disposal of plant and equipment	0.3	-	-	-
Loss in associate	0.9	-	-	-
Depreciation of plant & equipment	4.2	0.4	5.0	-
Increase in insurance and other liabilities	19.2	26.8	509.5	-
(Decrease)/increase in insurance, reinsurance and other receivables	83.8	0.3	(312.0)	(0.8)
Increase in deferred acquisition costs	(8.5)	-	(8.1)	-
Financial income	(60.2)	-	(63.6)	-
Financial expense	14.9	-	13.8	-
Income tax paid	(26.2)	-	(34.6)	-
Contribution to pension fund	(1.5)	-	(1.4)	-
Net cash from operating activities	**285.5**	**96.2**	**272.4**	**8.1**
Cash flow from investing activities				
Purchase of plant and equipment	(2.0)	(1.6)	(5.0)	(0.5)
Purchase of syndicate capacity	(0.2)	-	(1.8)	-
Acquisition of subsidiary (net of cash acquired)	-	-	(33.6)	-

Purchase of investments	(4,523.0)	-	(10,090.7)	(791.5)
Expenditure on software development	(7.9)	-	(11.1)	-
Proceeds from sale of investments	4,799.9	-	9,749.4	-
Investment in associate	(6.0)	-	(1.5)	(1.5)
Interest and dividends received	60.2	-	63.7	-
Net cash from/(used in) investing activities	**321.0**	**(1.6)**	**(330.6)**	**(793.5)**
Cash flow from financing activities				
Proceeds from issue of shares	0.3	0.3	221.6	804.7
Purchase of treasury shares	(28.9)	(28.9)		
Acquisition of own shares in trust	(6.5)	(6.5)	(6.3)	-
Interest paid	(14.9)	-	(13.8)	-
Dividends paid	(55.5)	(55.5)	(41.3)	(19.3)
Net cash from/(used in) financing activities	**(105.5)**	**(90.6)**	**160.2**	**785.4**
Net increase in cash and cash equivalents	**501.0**	**4.0**	**102.0**	**-**
Cash and cash equivalents at beginning of year	813.4	-	638.8	-
Effect of exchange rate changes on cash and cash equivalents	(49.7)	-	72.6	-
Cash and cash equivalents at end of year	**1,264.7**	**4.0**	**813.4**	**-**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

Beazley plc is a company incorporated in Jersey and domiciled in the Republic of Ireland. The annual financial statements of the group for the year ended 31 December 2010 comprise the parent company and its subsidiaries and the group's interest in associates.

Both 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 the recognition and measurement principles of International Financial Reporting Standards adopted by the EU. The Group's results for the year ended 31 December 2010 and the financial position as at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2009 Annual Report and Accounts, except for the revisions as set out below. 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 has adequate resources to continue in operational existence for the forseeable future.

The financial information set out in this Announcement does not constitute the group or company's statutory accounts for the years ended 31 December 2010 or 2009. The financial information for 2010 and for 2009 is derived from the statutory group and company accounts for 2010 and 2009. The auditors have reported on the 2010 and 2009 accounts; their reports were (i) unqualified and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

New standards and interpretations

All new standards and interpretations released by International Accounting Standards Board (IASB) have been considered and of these the following new and amended standards have been adopted by the group during the period.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company has applied IAS 1 (amendment) from 1 January 2010. It has not had a material impact on the group or company's financial statements.

IFRS 2 (amended) "Group Cash-settled share based payments transactions" This amendment defines vesting conditions as service and performance conditions only, the standard states that features of a share based payment that are not vesting conditions should be included in the grant date fair value of the share based payment. The standard also requires that all cancellations are accounted for as an acceleration of the vesting period and as such amounts unrecognised at the cancellation date that would have been otherwise charged should be recognised immediately.

IFRS 3(revised) 'Business Combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group decide to apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010 and therefore there is no impact on prior periods in the group's 2010 group financial statements.

IAS 27 (amended) "Consolidated and Separate Financial Statements" This amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides for a group of entities under its control.

IAS 39 (amended) "Financial Instruments: Recognition and Measurement - Eligible Hedged Items". The amendment was issued in July 2008. IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. It does not have a material impact on the group or company's financial statements.

IAS 39 (amended) "Reclassification of financial assets: Effective Date and Transition" permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through income by the entity upon initial recognition) out of the fair value through income category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The group did not elect to reclassify any financial assets following adoption of these standards.

IAS 24 Related parties. The amendment relaxes the disclosures of transactions between government-related entities and clarifies related-party definition. The amendment does not have an impact on the group or company's financial statements.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. This interpretation does not have a material impact on the group's financial statements.

In addition, the following is a list of standards or interpretations that are in issue and endorsed by the EU but have not yet been adopted by the Company, together with the effective date of application to the Company:

- IAS 32 Amendment: Classification of Rights Issues (effective 1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective 1 January 2011)
- IFRIC 14 Amendment: Prepayment of a Minimum Funding Requirement (relating to IAS 19) (effective 1 January 2011).

The implementation of these standards and interpretations is not currently expected to have a material impact on the Company.

Change in functional currency

IAS 21 (The effect of Changes in Foreign Exchange Rates) describes functional currency as 'the currency of the primary economic environment in which entity operates'. Taking into consideration all the changes listed, Beazley plc has concluded that its functional currency and those of its principal operating entities has changed to US dollars:

- The group's regulatory capital is primarily held in US dollars. On 5 January 2010 the group aligned its underwriting capital to US dollars. Consequently our funds at

Lloyd's consisted of $491m and £152m, reflecting the currency mix of our underlying business in 2010.

- The group has increased the scale of its US operation. The group acquired Omaha Property and Casualty Inc. in 2005 which was renamed Beazley Insurance Company Inc., this entity is licensed to write insurance business in all 50 US states. The US managing general agent, Beazley USA Services Inc., was established at the same time and over the past 5 years has grown from a staff of 7 individuals in 2005 to 302 employees in 2010. The number of office locations in the US has increased from 2 in 2005 to 11 in 2010.

- The group has increased its locally written premiums in US dollars from $269.1m in 2008 to $370.7m in 2009. This increase was largely driven by the acquisition of First State Management Inc., on 1 April 2009, which contributed $93.9m of premium in 2009.

- A proportionate increase over time in the relative amount of US dollar premiums written. US dollar premiums are invested in US dollar denominated assets. In 2005, the group wrote 70% of its premiums in US dollars, this has grown to 76% in 2009 partly attributable to the expansion of our locally underwritten US business.

- A majority of costs are incurred in US dollars (i.e. claims, brokerage and operating expenses). In line with the point explained above on premium growth in US dollars, associated acquisition costs and claims are largely incurred in US dollars.

- The group has grown its US dollar asset base. The group's exposure to US dollars has grown considerably since 2004, where around 40% of the group's total assets were US dollar denominated, this has grown to around 80% at the end of 2009.

In Beazley's case the change in functional currency reflects the accumulation over time of those factors which are the main determinants of an entity's functional currency. It is inevitably a matter of judgement as to when the weight of evidence is such that a change must be made. Having considered the aggregate effect of all the factors listed above building up over time, the Directors concluded in the board meeting on 24 March 2010 that this point was reached in the first quarter and accordingly, that the functional currency of Beazley plc and that of its principal operating entities had permanently changed to the US dollar. This change was effected from 1 April 2010. In accordance with IAS 21 this change has been accounted for prospectively from this date. Foreign exchange volatility is expected to be significantly reduced following the transition as the group's currency exposures are more closely matched to its functional currency.

Change in presentation currency

From 1 January 2010 the group has changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise. Comparative information has been restated in US dollars in accordance with the guidance defined in IAS 21. The 2009 full year primary statements and associated notes along with the third statement of financial position as presented, have been retranslated from Pounds Sterling to US Dollars using the procedures outlined below:

- Assets and liabilities were translated into US dollars at closing rates of exchange. Trading results were translated into US Dollars at the rates of exchange prevailing at the dates of the transactions or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves;

- The cumulative translation reserve was set to nil at 1 January 2005 (i.e. the transition date to IFRS). Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions;

All exchange rates used were extracted from the group's underlying financial records.

New holding company

Beazley plc was incorporated in Jersey on 20 February 2009 under the Jersey Companies Law as a public company limited by shares and with registered number 102680. With effect from 9 June 2009, under a scheme of arrangement involving a share exchange with the members of Beazley group plc, the company became the new holding company of the Beazley group of companies.

Throughout the period from incorporation to 9 June 2009 Beazley plc was a shell company with no material revenues and assets and did not constitute a 'business' as defined by IFRS

3 *Business combinations.* Consequently, due to the relative values of both companies, the shareholders of Beazley group plc immediately before the share exchange acquired, in effect, 100 per cent of the share capital of Beazley plc on completion of the transaction.

In order to appropriately reflect the substance of the transaction outlined above, the new holding company has been accounted for using the reverse acquisition principles outlined in IFRS 3. Consequently, Beazley group plc is deemed to be the acquirer for accounting purposes and the legal parent company, Beazley plc is treated as a subsidiary whose identifiable assets and liabilities are incorporated into the group at fair value.

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 the Group's Annual Report and Accounts in the accounting policies and notes to the accounts that set out the details of the Group's approach to risk management, its insurance liabilities and reinsurance assets.

2 Segmental analysis

a) Reporting segments

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. During 2010 the decision was taken to separately report the life, accident and health division due to its growth and significant contribution to the group's result. This segment was previously disclosed as part of reinsurance, however for consistency all prior year comparatives for the life, accident and health division have been removed from the reinsurance division and separately disclosed. The operating segments are based upon the different types of insurance risk underwritten by the group as described below:

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

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

Political risks and 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 engineering property insurance on a worldwide basis.

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

Specialty lines
This segment mainly underwrites professional lines, employment practices liability, specialty liability, directors' and officers' liability and healthcare.

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 between each other. There are no individual policy holders that comprise greater than ten percent of the group's total gross premiums written.

b) Segment results

2010	Life, accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total reportable segments $m	Unallocated $m	Total $m
Segment results									
Gross premiums written	78.1	261.7	100.9	382.5	174.4	744.0	1,741.6	-	1,741.6
Net premiums written	71.4	235.6	79.9	283.8	134.4	597.0	1,402.1	-	1,402.1
Net earned premiums	65.9	234.7	87.7	286.9	132.1	602.7	1,410.0	(4.8)	1,405.2
Net investment income	0.9	3.3	2.2	4.9	2.9	23.3	37.5	-	37.5
Other income	2.0	3.1	1.3	10.3	2.3	9.1	28.1	-	28.1
Revenue	**68.8**	**241.1**	**91.2**	**302.1**	**137.3**	**635.1**	**1,475.6**	**(4.8)**	**1,470.8**
Net insurance claims	35.1	89.6	25.1	140.6	82.9	364.9	738.2	-	738.2
Expenses for the acquisition of insurance contracts	20.0	59.8	24.0	107.2	25.2	150.8	387.0	(5.6)	381.4
Administrative expenses	9.3	17.2	7.8	31.4	10.6	42.9	119.2	-	119.2
Non recurring Foreign exchange gain	-	-	-	-	-	-	-	(33.7)	(33.7)
Foreign exchange (gain)/ loss	(0.3)	(0.9)	(0.4)	(1.3)	(0.6)	(2.6)	(6.1)	5.2	(0.9)
Expenses	**64.1**	**165.7**	**56.5**	**277.9**	**118.1**	**556.0**	**1,238.3**	**(34.1)**	**1,204.2**
Share of loss of associate	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Segments result	**4.7**	**75.4**	**34.7**	**24.2**	**19.2**	**78.2**	**236.4**	**29.3**	**265.7**
Finance costs									(14.9)
Profit before income tax									**250.8**
Income tax expense									(33.8)
Profit for the year attributable to equity shareholders									**217.0**
Claims ratio	53%	38%	29%	49%	63%	61%	52%		
Expense ratio	44%	33%	36%	48%	27%	32%	36%		
Combined ratio	97%	71%	65%	97%	90%	93%	88%		

Segment assets and liabilities

Segment assets	180.6	860.2	692.7	921.7	323.1	2,768.5	5,746.8	27.5	5,774.3
Segment liabilities	(124.8)	(605.6)	(587.3)	(796.9)	(201.8)	(2,375.0)	(4,691.4)	-	(4,691.4)
Net assets	**55.8**	**254.6**	**105.4**	**124.8**	**121.3**	**393.5**	**1,055.4**	**27.5**	**1,082.9**
Additional information									
Capital expenditure	0.2	0.7	0.4	1.9	0.5	6.4	10.1	-	10.1
Depreciation	0.1	0.2	0.3	1.8	0.3	5.0	7.7	-	7.7
Net cash flow	25.2	98.9	39.8	56.1	58.1	173.2	451.3	-	451.3

2009	Life, accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total reportable Segments $m	Unallocated $m	Total $m

Gross premiums written	67.9	265.0	127.6	394.4	142.2	754.2	1,751.3	-	1,751.3
Net premiums written	63.4	228.9	98.6	283.1	117.3	540.1	1,331.4	-	1,331.4
Net earned premiums	35.4	239.9	112.9	272.4	117.0	571.3	1,348.9	(35.3)	1,313.6
Net investment income	0.6	8.5	4.1	10.8	5.8	58.3	88.1	-	88.1
Other income	-	2.4	1.1	6.3	1.7	8.1	19.6	-	19.6
Revenue	**36.0**	**250.8**	**118.1**	**289.5**	**124.5**	**637.7**	**1,456.6**	**(35.3)**	**1,421.3**
Net insurance claims	19.3	92.8	85.9	159.4	38.5	346.7	742.6	-	742.6
Expenses for the acquisition of insurance contracts	10.5	66.7	28.7	89.3	23.4	129.5	348.1	(5.5)	342.6
Administrative expenses	8.5	18.5	11.8	32.3	10.2	48.5	129.8	-	129.8
Foreign exchange (gain)	(0.3)	(1.4)	(0.6)	(2.0)	(0.8)	(3.8)	(8.9)	43.3	34.4
Expenses	**38.0**	**176.6**	**125.8**	**279.0**	**71.3**	**520.9**	**1,211.6**	**37.8**	**1,249.4**
Segments result	**(2.0)**	**74.2**	**(7.7)**	**10.5**	**53.2**	**116.8**	**245.0**	**(73.1)**	**171.9**
Finance costs									(13.8)
Profit before income tax									**158.1**
Income tax expense									(19.3)
Profit for the year attributable to equity shareholders									**138.8**
Claims ratio	54%	39%	76%	58%	33%	61%	55%		
Expense ratio	54%	35%	36%	45%	29%	31%	35%		
Combined ratio	108%	74%	112%	103%	62%	92%	90%		

Segment assets and liabilities

Segment assets	177.7	836.7	683.6	909.3	307.1	2,727.7	5,642.1	1.9	5,644.0
Segment liabilities	(122.3)	(618.8)	(596.0)	(785.8)	(179.1)	(2,346.1)	(4,648.1)	-	(4,648.1)
Net assets	**55.4**	**217.9**	**87.6**	**123.5**	**128.0**	**381.6**	**994.0**	**1.9**	**995.9**
Additional information									
Capital expenditure	0.3	1.2	1.1	23.4	0.8	13.5	40.3	-	40.3
Depreciation	0.3	0.2	0.2	1.9	0.8	3.5	6.9	-	6.9
Net cash flow	9.3	37.0	23.1	23.2	17.0	65.0	174.6	-	174.6

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.

	2010	2009

	$m	$m
Net earned premiums		
UK (Lloyd's)	1,369.4	1,276.9
US (Non-Lloyd's)	35.8	36.7
	1,405.2	**1,313.6**

	2010 $m	2009 $m
Segment assets		
UK (Lloyd's)	5,431.9	5,231.5
US (Non-Lloyd's)	342.4	412.5
	5,744.3	**5,644.0**

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

	2010 $m	2009 $m
Capital expenditure		
UK (Lloyd's)	8.1	40.3
US (Non-Lloyd's)	2.0	-
	10.1	**40.3**

3 Foreign Exchange

The following note is presented to explain the impact of foreign exchange differences on the group's reported results to the period ended 31 December 2010. During 2010 the group changed both the presentation currency of the group and the functional currency of Beazley plc and its underlying principal operating entities to the US dollar. Please refer to note 1 for further details.

The foreign exchange components in the income statement for the period ended 31 December 2010, comprise:

1. A $33.7m non-recurring gain arose in the first quarter 2010. On 5 January 2010, the group more closely matched its regulatory capital base through the sale of £308.8m and the purchase of US $492.7m. This foreign exchange gain arose as a result of the US dollar strengthening against sterling in the first quarter, in entities that for the first quarter had a sterling functional currency. This gain should be viewed as one-off as it arose as part of the transition in matching our capital to its underlying US dollar exposures. With a functional currency of the US dollar going forward these currency fluctuations are not likely to recur. In the segmental analysis this gain is not allocated to reportable segments and is included in the unallocated column.

2. A $6.1m foreign exchange gain arising on trading items. This relates to non US dollar denominated monetary assets and liabilities in the group's trading entities that are included in the group's statement of financial position. This gain, as it relates to trading activity, has been allocated to the reportable segments.

3. A loss of $4.3m in respect of foreign exchange adjustments on non-monetary items that still continue to arise in currencies other than the functional currency of the operating entities concerned. Of this loss, a gain of $0.9m is reported through net earned premiums and acquisition costs with the remaining $5.2m reported as foreign exchange loss. All foreign exchange differences on non-monetary items have been left unallocated for segmental reporting purposes. This has been separately disclosed as it provides a more transparent representation of the loss ratios, which would otherwise be distorted by the mismatch arising under IFRSs caused by unearned premium reserve, reinsurer's share of unearned premium reserve and DAC being treated as non-monetary items while claims reserves are treated as monetary items.

4. In summary, the foreign exchange gain of $34.6m shown on the face of the income statement therefore comprises: a gain of $33.7m arising from the change in

functional currency, a gain of $6.1m arising on trading activity and a loss of $5.2m in respect of foreign exchange on non-monetary items.

The foreign exchange movements recognised in other comprehensive income in the period ended 31 December 2010 comprise a foreign exchange loss on translating of $55.7m. The $55.7m has been disclosed in two captions in the statement of comprehensive income; $33.7m described in point 1 above effectively reverses through other comprehensive income with the remaining $22.0m being the impact on net assets of translating the results and assets and liabilities of foreign operations into the group's presentation currency. The $33.7m is disclosed separately to highlight that. This arises from the movement in the US dollar to sterling exchange rate between 1 January 2010 and 31 March 2010, being the date immediately prior to the change in the functional currency of certain of the group's operating entities. In Beazley's case, the opening statement of financial position was translated at a US dollar to sterling exchange rate of 1.61, whilst the rate on the date of the change in functional currency was 1.52.

4 Net investment income

	2010 $m	2009 $m
Interest and dividends on financial investments at fair value through income statement	60.2	63.8
Realised (losses)/ gains on financial investments at fair value through income statement	(19.3)	23.2
Net unrealised fair value gains on financial investments at fair value through income statement	6.2	10.4
Investment management expenses	(9.6)	(9.3)
	37.5	**88.1**

5 Other income

	2010 $m	2009 $m
Commissions received	15.4	9.7
Profit commissions	10.5	8.0
Agency fees	1.8	1.6
Other income	0.4	0.3
	28.1	**19.6**

6 Operating expenses

	2010 $m	2009 $m
Fees payable to the company's auditor for the audit of the group's annual accounts	0.4	0.3
Fees payable to the company's auditor and its associates for other services:		
- Audit of the company's subsidiaries	0.6	0.5
- Tax services	0.1	-
- Fees in respect of rights issue and re-domiciliation to Ireland	-	0.3
- Actuarial services	0.2	0.2
- Other services	0.3	0.2
Operating leases	9.4	6.3

7 Employee benefit expenses

	2010 Group $m	2009 Group $m
Wages and salaries	83.9	77.5
Short-term incentive payments	34.0	35.0
Social security	8.5	8.9
Share-based remunerations	9.3	8.2
Pension costs	6.1	6.0

	141.8	135.6
Recharged to syndicate 623	(14.4)	(13.0)
	127.4	**122.6**

8 Finance costs

	2010 $m	2009 $m
Interest expense	13.0	13.8
Other finance costs	1.9	-
	14.9	**13.8**

9 Income tax expense

	2010 $m	2009 $m
Current tax expense		
Current year	23.4	45.7
Prior year adjustments	(44.9)	(3.5)
	(21.5)	42.2
Deferred tax expense		
Origination and reversal of temporary differences	11.5	(27.0)
Prior year adjustments	43.8	4.1
	55.3	(22.9)
Income tax expense	**33.8**	**19.3**
Profit before tax	**250.8**	**158.1**
Tax calculated at Irish rate	31.4	19.8
Rates applied	12.5%	12.5%
Effects of:		
- Tax rates in foreign jurisdictions	7.8	7.1
– - Retranslation of deferred tax balances on re-domiciliation	-	(11.5)
- Non-deductible expenses	0.7	0.5
- Tax relief on share based payments - current and future years	0.7	2.8
- Under/(over) provided in prior years	(1.2)	0.6
- Change in UK tax rates*	(3.4)	-
- Foreign exchange on tax	(2.2)	
Tax charge for the period	**33.8**	**19.3**

The weighted average applicable tax rate was 12.5% (2009: 12.5%).

* The emergency budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction to 27% was enacted on 22 July 2010 and will be effective from 1 April 2011. Accordingly, this rate reduction has been reflected in the deferred tax liability which forms part of the statement of financial position.

10 Earnings per share

	2010	2009
Basic (cents)	42.1c	28.9c
Diluted (cents)	40.2c	27.9c
Basic (pence)	27.4p	18.4p
Diluted (pence)	26.1p	17.8p

Basic

Basic earnings per share are calculated by dividing profit after tax of $217.0m (2009: $138.8m) by the weighted average number of issued shares during the year of 515.1m (2009: 479.5m). The shares held in the Employee Share Options Plan (ESOP) 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 $217.0m (2009: $138.8m) by the adjusted weighted average number of shares of 540.2m (2009: 497.4m). 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 have been excluded from the calculation, until such time as they vest unconditionally with the employees.

11 Dividends per share

A second interim dividend of 7.6 pence (2009: 4.7 pence) per ordinary share, will be payable on 30 March 2011 to shareholders registered at 5.00pm on 4 March 2011 in respect of the six months ended 31 December 2011. This second interim dividend consists of a regular dividend of 5.1p, together with a special dividend of 2.5p. These financial statements do not provide for the second interim dividend as a liability.

Together with the interim dividend of 2.4 pence (2009: 2.3 pence), this gives a total dividend for the year of 10p (2009: 7.0 pence).

The second interim and special dividends will be paid on 30 March 2011 to shareholders on the register on 4 March 2011 (save to the extent that shareholders on the register of members on 4 March 2011 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).

12 Insurance liabilities and reinsurance assets

	2010 $m	2009 $m
Gross		
Claims reported and loss adjustment expenses	818.5	888.7
Claims incurred but not reported	2,404.1	2,258.3
Gross claims liabilities	3,222.6	3,147.0
Unearned premiums	824.2	876.7
Total insurance liabilities, gross	**4,046.8**	**4,023.7**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	202.4	255.3
Claims incurred but not reported	621.4	640.9
Reinsurers share of claims liabilities	823.8	896.2
Unearned premiums	211.1	259.9
Total reinsurers' share of insurance liabilities	**1,034.9**	**1,156.1**
Net		
Claims reported and loss adjustment expenses	616.1	633.4
Claims incurred but not reported	1,782.7	1,617.4
Net claims liabilities	2,398.8	2,250.8
Unearned premiums	613.1	616.8
Total insurance liabilities, net	**3,011.9**	**2,867.6**

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

Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2010			2009		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Claims reported and loss adjustment expenses	888.7	(255.3)	633.4	716.1	(157.5)	558.6

Claims incurred but not reported	2,258.3	(640.9)	1,617.4	1,859.9	(494.4)	1,365.5
Balance at 1 January	3,147.0	(896.2)	2,250.8	2,576.0	(651.9)	1,924.1
Claims paid	(702.4)	161.3	(541.1)	(645.6)	151.5	(494.1)
Increase in claims						
- Arising from current year claims	1,091.6	(208.8)	882.8	1,083.3	(235.2)	848.1
- Arising from prior year claims	(231.0)	86.4	(144.6)	(75.7)	(29.8)	(105.5)
- Reinsurance to close	-	-	-	59.2	(18.7)	40.5
Net exchange differences	(82.6)	33.5	(49.1)	(160.9)	(31.1)	(192.0)
Foreign Exchange gain/loss arising on change in presentational currency	-	-	-	310.7	(81.0)	229.7
Balance at 31 December	**3,222.6**	**(823.8)**	**2,398.8**	**3,147.0**	**(896.2)**	**2,250.8**
Claims reported and loss adjustment expenses	818.5	(202.4)	616.1	888.7	(255.3)	633.4
Claims incurred but not reported	2,404.1	(621.4)	1,782.7	2,258.3	(640.9)	1,617.4
Balance at 31 December	**3,222.6**	**(823.8)**	**2,398.8**	**3,147.0**	**(896.2)**	**2,250.8**

b) *Unearned premiums reserve*

	2010			**2009**		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Balance at 1 January	876.7	(259.9)	616.8	659.2	(123.7)	535.5
				-	-	-
Increase in the year	1,741.6	(339.5)	1,402.1	1,751.4	(420.0)	1,331.4
Release in the year	(1,794.1)	388.3	(1,405.8)	(1,653.7)	340.2	(1,313.5)
Net exchange differences arising in overseas subsidiary	-	-	-	38.5	(38.8)	(0.3)
Foreign Exchange gain/loss arising on change in presentational currency	-	-	-	81.3	(17.6)	63.7
Balance at 31 December	**824.2**	**(211.1)**	**613.1**	**876.7**	**(259.9)**	**616.8**

12.1 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. The most appropriate methods are 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 specific reserve estimates for identified claims and utilise their detailed understanding of the risks underwritten to

establish an alternative estimate of ultimate claims cost which are 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.

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 (i.e. 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 or under reserving. To date, this analysis indicates no systematic change to the outstanding claim strength across underwriting years.

Where a significantly large loss impacts an underwriting year (e.g. the events of 11 September 2001, the hurricanes in 2004, 2005 and 2008, and the earthquakes in 2010), its development is usually very different from the attritional losses. In these situations, the large loss 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 groups 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 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.

Assumptions may vary based on whichever underwriting year or class of business is being reviewed
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.

The net of reinsurance estimates of ultimate claims costs on the 2009 and prior underwriting years has improved by $144.6m during 2010 (2009: $105.5m). This movement has arisen from a combination of better than expected claims experience coupled with small changes to the many assumptions reacting to the observed experience and anticipating any changes as a result of the new business written.

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 ICA process. Comparing these with our pricing assumptions and reserving estimates gives our management team increased clarity into our perceived reserving strength and 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 and health, marine, political risks and contingency, property, reinsurance and specialty lines. The tables are by underwriting year which in our view provides the most transparent reserving basis. We have supplied tables for both ultimate gross claims and ultimate net claims.

The top part of the table illustrates how the group's estimate of 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 2010 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	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%
Life, accident and health								
12 months	-	-	-	-	-	-	53.1	52.7
24 months	-	-	-	-	-	-	52.3	
36 months	-	-	-	-	-	-		
48 months	-	-	-	-	-			
60 months	-	-	-	-				
72 months	-	-	-					
84 months	-	-						
96 months	-							
Marine								
12 months	59.2	62.3	82.6	57.0	57.9	69.0	56.1	50.6
24 months	45.0	65.4	80.3	42.5	60.1	65.2	52.3	
36 months	39.0	62.3	70.8	32.8	50.5	59.1		
48 months	36.2	61.8	68.8	29.1	48.1			

60 months	35.8	60.7	66.6	28.8					
72 months	35.7	56.2	64.7						
84 months	34.9	55.9							
96 months	35.4								
Political risks and contingency									
12 months	59.1	67.4	61.0	57.6	57.2	57.5	61.1	61.4	
24 months	36.3	55.6	38.1	36.2	38.8	68.2	38.6		
36 months	31.6	52.3	28.5	32.8	56.4	73.1			
48 months	28.6	38.1	25.0	43.2	52.7				
60 months	31.1	37.1	18.2	39.2					
72 months	25.1	35.1	17.8						
84 months	24.2	26.6							
96 months	21.3								
Property									
12 months	50.9	65.5	87.6	58.5	58.3	71.0	54.0	58.7	
24 months	37.5	65.2	84.3	44.3	56.5	65.9	42.8		
36 months	34.7	65.9	82.8	43.3	54.3	64.8			
48 months	34.1	64.0	87.8	50.6	55.2				
60 months	33.8	64.5	87.2	50.7					
72 months	33.8	63.2	85.6						
84 months	34.9	63.0							
96 months	34.7								
Reinsurance									
12 months	58.7	88.0	197.5	52.4	59.6	60.0	60.8	68.2	
24 months	34.2	82.2	189.2	25.2	26.2	51.6	48.6		
36 months	28.4	76.9	187.3	24.9	21.7	42.8			
48 months	28.6	74.4	180.4	23.3	19.9				
60 months	25.6	72.5	176.6	21.4					
72 months	25.6	71.5	174.0						
84 months	24.5	70.4							
96 months	23.7								
Specialty lines									
12 months	72.9	72.2	72.1	72.6	72.8	72.2	72.7	75.1	
24 months	70.2	71.4	72.1	72.7	72.4	72.2	72.7		
36 months	68.9	67.6	69.8	72.7	72.5	71.9			
48 months	60.0	64.4	66.3	72.5	72.2				
60 months	53.2	59.4	62.8	70.8					
72 months	52.3	58.3	56.0						
84 months	50.5	56.5							
96 months	47.2								
Total									
12 months	63.0	69.3	90.7	62.9	63.5	68.7	62.6	65.2	
24 months	52.6	69.2	88.0	53.1	59.2	67.7	57.5		
36 months	49.4	66.6	84.3	50.7	58.1	66.2			
48 months	44.9	63.5	82.7	52.4	58.4				
60 months	41.5	61.0	79.8	51.9					
72 months	40.9	59.3	76.1						
84 months	40.1	57.9							
96 months	38.4								
Total ultimate losses($m)	2,358.6	800.6	1,153.7	869.0	1,066.6	1,259.3	1,203.9	1,313.5	10,025.2
Less paid claims ($m)	(2,045.6)	(632.3)	(928.0)	(444.6)	(571.3)	(511.6)	(244.5)	(37.1)	(5,415.0)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	(48.0)	(630.2)	(678.2)
Gross claims liabilities (100% level) ($m)	313.0	168.3	225.7	424.4	495.3	747.7	911.4	646.2	3,932.0
Less unaligned share ($m)	(59.5)	(32.0)	(42.9)	(80.6)	(93.6)	(133.4)	(164.0)	(103.4)	(709.4)

Gross claims liabilities, group share	253.5	136.3	182.8	343.8	401.7	614.3	747.4	542.8	3,222.6

Net ultimate claims	2003 %	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %	2010 %
Life, accident and health								
12 months	-	-	-	-	-	-	51.7	51.4
24 months	-	-	-	-	-	-	50.5	
36 months	-	-	-	-	-	-		
48 months	-	-	-	-	-			
60 months	-	-	-	-				
72 months	-	-	-					
84 months	-	-						
96 months	-							
Marine								
12 months	55.4	58.0	55.5	53.9	55.1	61.3	54.6	52.3
24 months	44.7	53.1	49.0	42.0	56.4	57.0	48.5	
36 months	40.2	48.6	42.8	32.8	49.4	50.8		
48 months	39.1	47.8	39.7	31.4	46.6			
60 months	39.0	46.6	39.1	30.9				
72 months	39.1	44.2	38.1					
84 months	38.0	43.9						
96 months	37.5							
Political risks and contingency								
12 months	56.7	64.0	63.4	56.2	55.4	55.9	58.9	57.3
24 months	37.4	58.2	46.6	40.3	39.4	75.9	35.1	
36 months	34.8	54.1	36.0	37.1	55.1	75.5		
48 months	32.9	41.1	30.2	47.0	53.7			
60 months	35.1	40.7	24.3	41.2				
72 months	27.3	36.1	23.2					
84 months	25.7	26.2						
96 months	22.6							
Property								
12 months	48.7	59.7	65.0	61.2	61.1	67.2	53.7	59.0
24 months	41.5	60.9	62.0	48.9	59.5	67.2	48.6	
36 months	39.1	60.3	58.4	47.4	58.7	65.0		
48 months	38.5	58.6	61.1	51.1	59.4			
60 months	38.1	58.3	61.7	50.3				
72 months	38.2	57.5	59.9					
84 months	39.7	57.3						
96 months	39.5							
Reinsurance								
12 months	60.2	88.7	152.7	54.3	55.2	67.3	55.6	77.0
24 months	39.5	86.0	133.1	36.9	30.3	57.4	52.7	
36 months	33.9	82.7	128.2	34.8	25.1	48.1		
48 months	34.6	76.5	118.5	32.4	22.7			
60 months	31.7	73.3	112.2	31.0				
72 months	31.7	71.7	111.0					
84 months	30.3	71.0						
96 months	29.4							

Specialty lines								
12 months	68.7	69.1	69.2	68.6	69.7	70.2	69.9	73.0
24 months	67.2	68.6	69.2	68.5	68.8	70.2	69.8	
36 months	66.0	65.8	67.4	68.6	68.8	70.1		
48 months	57.7	62.1	63.8	68.5	67.3			

60 months	52.7	56.9	58.8	63.8					
72 months	50.8	53.6	53.7						
84 months	48.9	51.0							
96 months	45.2								
Total									
12 months	60.1	65.5	73.1	62.1	63.1	66.3	60.4	65.1	
24 months	53.0	65.4	68.9	54.3	59.2	66.9	56.9		
36 months	50.6	62.7	65.1	51.7	58.7	64.3			
48 months	46.4	59.3	62.3	52.3	57.5				
60 months	43.7	56.4	59.2	50.1					
72 months	42.7	53.9	56.3						
84 months	41.8	52.1							
96 months	39.8								
Total ultimate losses($m)	1,382.1	591.3	683.2	680.3	907.3	998.2	942.3	1,028.2	7,212.9
Less paid claims net of reinsurance ($m)	(1,227.3)	(469.5)	(488.7)	(379.2)	(507.4)	(434.6)	(216.7)	(45.7)	(3,769.1)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	(35.7)	(478.5)	(514.2)
Net claims liabilities (100% level) ($m)	154.8	121.8	194.5	301.1	399.9	563.6	689.9	504.0	2,929.6
Less unaligned share ($m)	(29.4)	(23.1)	(34.7)	(57.2)	(76.0)	(104.8)	(126.4)	(79.2)	(530.8)
Net claims liabilities, group share ($m)	125.4	98.7	159.8	243.9	323.9	458.8	563.5	424.8	2,398.8

Analysis of movements in loss development tables

We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2010 for each underwriting year.

Generally, the claims experience has been in line with that expected in an average year. We are cautiously reserved for natural catastrophes and the claims frequency on our specialty lines classes has been relatively stable.

Life, accident and health
This year we show our life, accident and health business in a separate loss development table.

The 2009 underwriting year has developed favourably and the claims development to date has been in line with or better than that experienced historically by the team.

Marine
All years have continued to exhibit a reducing net ultimate loss ratio trend. The late gross development on the 2003 underwriting year, albeit of relatively low quantum, has arisen on a war account claim.

This team continues to report profitable loss ratios on all underwriting years despite the impact of increased piracy, that the 2005 and 2008 hurricanes and the Deepwater Horizon disaster.

Political risks and contingency
In 2009 we reported that the ultimate claims on the 2006, 2007 and 2008 underwriting years had increased as a result of the deterioration in the claims environment of our political class, particularly from trade credit related contracts. During 2010, our claim estimates have remained robust and we have begun to see modest improvement in 2006 and 2007 underwriting years.

The 2009 underwriting year shows a reversion to more benign claims experience. We continue to monitor claim frequency on a calendar month basis as an early indicator for future development.

Property
There was a marginal gross only increase on the 2006 underwriting year due to a loss at a steelworks facility. The increase in ultimate claims on the 2007 underwriting year arose on our engineering class from a project delay in the refurbishment of a nuclear power facility.

All other underwriting years showed downward movement in claim estimates.

Reinsurance
All years have continued to reduce. The reserves for hurricanes Katrina and Ike have been reassessed and reduced during 2010. For both, this is a continuation of the releases made in 2009.

The 2010 underwriting year ultimate loss ratio has been set higher to reflect the New Zealand and Chilean earthquake loss estimates.

The life, accident & health business is no longer included in the reinsurance loss development table.

Specialty lines
The trend of consistent releases across underwriting years has continued, particularly on the 2003, 2004 and 2005 underwriting years.

While we continue to take a more conservative view on the 2006 underwriting year, we have begun to release reserves during 2010. The incurred claims development continues to track prior underwriting years.

During 2010 the team undertook a comprehensive review of the potential impact of the recession on claims experience in the 2007, 2008 and 2009 underwriting years. The conclusion of the review is that the ultimate loss ratios remain robust.

Our 2010 underwriting year loss ratio has been set slightly higher than in previous years. This reflects rate reductions and is consistent with our cautious reserving philosophy.

Claim releases

2010	Life, accident and health **$m**	Marine **$m**	Political risks and contingency **$m**	Property **$m**	Reinsurance **$m**	Specialty lines **$m**	Total **$m**
Current year	33.8	120.3	43.9	158.1	105.0	421.7	882.8
Prior year							
- 2007 underwriting year and earlier	-	(10.2)	(8.0)	(2.0)	(6.8)	(56.9)	(83.9)
- 2008 underwriting year	1.8	(12.6)	1.3	(9.5)	(12.0)	-	(31.0)
- 2009 underwriting year of account	(0.5)	(7.9)	(12.1)	(5.9)	(3.3)	-	(29.7)
	1.3	(30.7)	(18.8)	(17.4)	(22.1)	(56.9)	(144.6)
Net insurance claims	**35.1**	**89.6**	**25.1**	**140.7**	**82.9**	**364.8**	**738.2**

2009	Life, accident and health **$m**	Marine **$m**	Political risks and contingency **$m**	Property **$m**	Reinsurance **$m**	Specialty lines **$m**	Total **$m**
Current year	19.3	117.8	89.3	152.8	64.4	404.5	848.1
Prior year							
- 2006 underwriting year and earlier	-	(11.0)	(7.2)	9.1	(11.3)	(57.8)	(78.2)
- 2007 underwriting year	-	(13.8)	6.0	(2.5)	(4.9)	-	(15.2)
- 2008 underwriting year	-	(0.2)	(2.2)	-	(9.7)	-	(12.1)
	-	(25.0)	(3.4)	6.6	(25.9)	(57.8)	(105.5)
Net insurance claims	**19.3**	**92.8**	**85.9**	**159.4**	**38.5**	**346.7**	**742.6**

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 period.

13 Subsequent events

The end of 2010 and the start of 2011 have been marked by heavy rains and flooding in Queensland, Australia as well as a significant tropical storm, Yasi. We do not expect the cost to Beazley of the insured losses occurring in 2010 from these events to be material. Whilst it is too early to be able to make any definitive statement concerning the events that have occurred so far during 2011 due to the uncertainty, we believe they will be contained within our first half 2011 catastrophe budgets.

This event is a non-adjusting event in that it has not been reflected in the financial statements of the group for the year ended 31 December 2010.

Glossary of Terms

Admitted carrier
An insurance company licensed by a particular US state, monitored by the state for financial stability, covered by the state's guarantee fund, and subject to the state's regulations for licensed insurance companies.
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. Beazley plc obtained an A rating, while Beazley Insurance Company, Inc., received a rating of A.
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 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 over that of the core portfolio. Currently these are the hedge fund 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 percent, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items.
Combined ratio
Ratio, in percent, 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 on non-monetary items.
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 all dilutive potential ordinary shares like share options granted to employees.

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 of each risk involved in each loss.

Expense ratio
Ratio, in percent, 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 (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).

International accounting standards board (IASB)
An international panel of accounting experts responsible for developing IAS/IFRS.

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.

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 sidecar
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.

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

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

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.

Sidecar syndicate
Specialty reinsurance company designed to provide additional capacity to a specific insurance company. They operate by purchasing a portion or all of a group of insurance policies, typically cat exposures. They 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.

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.

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

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
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 balance date is accounted for as unearned premiums in the underwriting provisions.

END

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