BEAZLEY

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Press release

Beazley announces strong results for first half

Beazley Group plc, interim results for the six months ended 30 June 2007
London, 30 July, 2007

- Record profit before tax of £60.2m (2006: £28.3m)
- Gross premiums written up 10% to £434.1m (2006: £394.3m)
- Combined ratio 87% (2006: 90%)
- Gross written premiums from US operations up to US$77.9m (2006: US$27.4m)
- Prior year reserve releases of £25.2m (2006: £11.3m)
- Dividend increased 25% to 2.0p (2006: 1.6p)

	6 months ended 30 Jun 2007	6 months ended 30 Jun 2006	Year ended 31 Dec 2006
Gross premiums written (£m)	434.1	394.3	745.1
Net premiums written (£m)	325.6	255.2	574.3
Net earned premiums (£m)	290.4	225.7	509.6
Profit before tax (£m)	60.2	28.3	86.8
Profit before tax and foreign exchange adjustments on non monetary items (£m)	60.6	36.2	96.2
Profit after tax (£m)	41.6	19.9	59.9
Earnings per share (p)	11.6	5.5	16.8
Dividend per share (p)	2.0	1.6	4.8
Net assets per share (p)	98	80	89

Andrew Beazley, Chief Executive of Beazley, said:

"Our businesses performed well in the first half of 2007. Our Lloyd's underwriters continue to develop attractive business in a market where rates, although under pressure, remain at historically high levels. Our performance in the first half of the year provides a solid basis for continued selective but profitable underwriting during the second half."

"Our US operations, now just over two years old, are making an increasing contribution to our diversified and specialist business range, supporting our long term cycle management strategy. Beazley was the first Lloyd's business to establish a presence in the US admitted market.   Earlier this year we began underwriting commercial property insurance on an admitted basis, complementing the management and professional liability lines that are now beginning to show strong traction."

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Notes to editors:

Based in London, since 1986, Beazley (BEZ.L) is the parent company of a global specialist risk insurance and reinsurance business operating through Lloyd's syndicates 2623 and 623 in the UK and Beazley Insurance Company, Inc., a US admitted carrier in all 50 states. Both syndicates are rated A by A.M. Best with an aggregate capacity for 2006 of £830m (over US$1.4bn). Beazley Insurance Company, Inc. is rated A- by A.M. Best.

Beazley is a market leader in many of its chosen lines of business, which include professional indemnity, marine, reinsurance, commercial property and personal lines.

Further information about us is available at www.beazley.com

We are delighted to announce record profits for the first six months of 2007 of £60.2m (2006: £28.3m). High levels of premiums written through our Lloyd's syndicates, a substantial increase in contribution from our US operations and a benign claims environment have contributed to a good underwriting performance. Our investment income has risen to £32.6m (2006: £19.1m), a return of 5.2% (2006: 4.8%).

Underwriting

Gross premiums written have increased by 10% to £434.1m (2006: £394.3m), while net earned premiums have risen by 29% to £290.4m (2006: £225.7m). Written premiums were impacted by the devaluation of the US dollar, which for the period in question has fallen in value against sterling by approximately 11%. Net earned premiums have increased due to several factors. Firstly, our share of the combined syndicate premiums written rose from 70% in 2005 to 81% in 2007. Secondly, our reinsurance costs fell from £139.1m to £108.5m in 2007. Finally, our US operation continues to gain traction, generating written premiums of $77.9m in the first six months of 2007(2006: $27.4m).

Our combined ratio has reduced to 87% (2006: 90%). Within this the claims ratio has reduced from 56% to 51% in 2007 and our expense ratio has developed as we expected with an increase of 2% to 36%.

In 2007 we released £25.2m (2006: £11.3m) of prior year claims reserves. We made releases from the reserves we were holding at the end of 2006 within both our catastrophe exposed businesses and our specialty lines portfolio. There were few large claims in the first half of 2007, which enabled us to release £7.3m from our reinsurance, marine and commercial property accounts in respect of policies written in 2006. Our specialty lines claims reserves have also continued to develop well enabling us to make releases of £12.8m across a number of underwriting years.

Rating environment

	2001	2002	2003	2004	2005	2006	2007 YTD
Specialty Lines	100	135	160	167	166	165	161
Property	100	126	131	125	123	138	141
Reinsurance	100	143	149	148	149	190	205
Marine	100	118	129	128	131	142	133
Total	**100**	**131**	**145**	**145**	**146**	**154**	**153**

Over the past six months we have experienced an increasingly competitive rating environment and we expect this trend to continue. The property and reinsurance businesses have continued to see rate increases for catastrophe exposed business in areas such as Florida and the Gulf of Mexico whereas other parts of our account have experienced rate reductions. The combined effect is a reduction of only 1% across our portfolio which demonstrates the advantage of a diversified and specialist account. From an overall trading perspective rating levels in many of our lines are still at historic highs and continue to provide attractive underwriting opportunities. Nonetheless, we expect the trading environment to be more challenging during the coming months. However, we are also confident of the overall rating levels in our main areas of expertise remaining at levels that deliver good underwriting profits.

Our largest account, specialty lines, has seen rates easing by 2% in the past six months. We are able to maintain significant price stability in lines where we have a substantial market position such as errors and omissions insurance for US lawyers, architects and engineers. Close client relationships, risk management advice and investment in claims management all form part of our value proposition enabling us to differentiate ourselves and retain clients that value high quality service. This business continues to trade at historically high premium prices. The premium achieved in 2007 was 61% higher than for comparable risks in 2001.

US business

The US business continues to gather pace, writing $77.9m in the first six months of 2007 (2006: $27.4m). In the US we write business through our managing general agent (MGA), on behalf of both our syndicates at Lloyd's and our own US domestic insurance company. The strategy of having a presence on the ground in the US enables us to insure risks on behalf of clients who would not normally insure through London.

To support the growth in the US we injected a further $45m of capital into Beazley Insurance Company, Inc. in April taking the total capital to $105m.

Our largest business line in the US, specialty lines, has performed well, writing $60.3m (2006: $23.3m) in the six months. The focus for this business is professional indemnity and management liability insurance. Our medical malpractice book has recently been extended through the purchase of a managing general agent, Sapphire Blue, that specialises in professional liability insurance for US healthcare institutions. We know them well having participated in their underwriting facility for some years.

The property team in the US has also had a strong six months writing $16.5m (2006: $3.2m). The commercial property team started writing business through our domestic insurance company in February and wrote $2.8m in the first half of this year. The high value homeowners' insurance team also performed well, writing $7.1m during the period.

We have increased our overall premium expectation for the US business in 2007 from $130m to $150m.

Reinsurance protection

The reinsurance market has now settled down after the dislocation experienced in 2006 following the losses sustained from Hurricane Katrina. Retrocessional reinsurance protecting our reinsurance account remains scarce and expensive but for all the other areas of our business cover is available at realistic terms.

The overall reinsurance spend has decreased in 2007. The largest component of this reduction is the specialty lines proportional treaty arrangement where we have rebalanced the treaty reducing our spend by £20m. In addition we have been re-underwriting our reinsurance account to be less reliant on the reinsurance market. This year as pricing generally remains at uneconomic levels we have elected to buy less retrocessional cover.

We are particularly pleased with the reception by reinsurers of our new US domestic commercial property initiative. Their comprehensive backing of our new venture means that we are able to compete on level terms with the rest of the market.

Reserve releases

In the first six months of 2007 we released £25.2m (2006: £11.3m) of prior year reserve releases across a number of business lines. These reserve releases, illustrated in the table below, are a reflection of our view that claims development is better than we had previously estimated.

	2007	2006
	£m	£m
Specialty lines	12.8	7.4
Property	6.1	0.7
Reinsurance	1.2	0.4
Marine	5.1	2.8
TOTAL	25.2	11.3

Within our specialty lines business, the ultimate level of claims for any one underwriting year becomes more certain in time and the corridor of uncertainty narrows significantly after 4 to 6 years. The majority of the releases in the first half of 2007 are from the 2003 and 2004 underwriting years. We remain confident in the strength of reserves we hold for this business.

In addition to the specialty lines releases, we have also been able to lower reserves held for catastrophe business written in 2006. Much of this portfolio has now been earned which enabled us to release £7.3m across our reinsurance, commercial property and offshore energy lines of business.

As our business matures we will continue to re-evaluate the reserves. Current data indicates that our reserves are strong and a benign claims environment may lead to further adjustment.

Specialty lines

Premium income within specialty lines rose 15% over the comparable period in 2006. Renewal rates softened slightly but by less than previously anticipated, and through careful risk selection and market segmentation our underwriters continue to develop profitable opportunities.

Our local US underwriting operation continued to grow, writing $41.6m in the US admitted market through Beazley Insurance Company, Inc., and a further $18.7m in premiums for the account of our Lloyd's syndicates. Our professional liability business for architects and engineers grew particularly strongly, benefiting from investments in claims expertise and marketing as well as a 20 year track record in the class.

As noted above, our healthcare business took a significant step forward through the acquisition in March 2007 of Sapphire Blue, an MGA focusing on the long term health sector, which wrote $20 million in premiums in 2006.

We continue to focus on enhancing our claims services. During 2005 and 2006 we developed our in-house claims service capabilities with the aim of improving our client relationships by exceeding the service standards they have come to expect from the broader market. Importantly this strategy also enables us to gain a greater knowledge of the claims we manage, and hence settle claims more efficiently.

Property

Property rates entering 2007 were at a cyclical high, which has lead to significant increases in market capacity. Consequently, there has been a downward pressure on rates in most of the property classes and specifically in non-catastrophe areas. However, terms and conditions for catastrophe exposed risks in the US still remain strong and the overall trading environment remains favourable. In the absence of any major catastrophes, terms will continue to be challenged through the rest of the year. Beazley's profile as a noted lead underwriter allows us to see a wide range of business, but an emphasis on risk selection and profitability remains core.

Our US presence has increased as we began underwriting mid-sized commercial risks through our admitted insurance company. A focused approach based on the key differentiators of experienced underwriting, flexible terms and rapid policy delivery has received a positive reaction in the market.

Our surplus lines business based in Florida continues to grow its reputation as a provider of high valued homeowner insurance, and this year we have expanded into small commercial risks.

Reinsurance

2007 began well for our reinsurance team. Prices in the US improved with average rate changes of 15% on renewals, although pressure to flatten or reduce rates has increased as we have approached the middle of the year. Outside the US, prices are flat or down slightly. Gross premiums rose by 7% to £43.2m as we continued to grow the portfolio both through increased share on existing accounts and new business.

Windstorm Kyrill caused losses across a wide area of Europe in January. The impact on the Beazley reinsurance account is expected to be modest. The recent UK flooding is currently estimated to produce insured losses in the region of £3.0bn. Based on the limited information available at this early stage we anticipate a modest impact from these events on Beazley. However, we expect both these losses and Kyrill will be contained within reserves established for attritional claims.

Marine

The marine team had a solid start to 2007, writing gross premiums of £79.6m (2006: £81.7m). Net earned premiums increased by 29% to £55.3m. The team continues to develop the existing portfolio, consolidating their strong market position.

Renewal rates for hull, cargo and energy have been under pressure in 2007. Despite this we are confident that these areas are trading profitably. We have expanded our marine liability account through the acquisition of business from a large coverholder. We are constantly looking for ways to expand the account in a profitable manner, continuing to search out niche risks that we can fully understand and service.

Investment income

Invested assets continued to grow - cash and investments now amount to £1,310.9m which compares to £923.2m at the end of June 2006 and £1,167.8m at the end of December 2006. Investment income increased to £32.6m in the first six months of 2007, compared with £19.1m over the same period in 2006. This represents an annualised investment return of 5.2% on average assets for the period (4.8% in first half 2006). The increase in investment income has been the result of the continued growth in invested assets and higher yields on our fixed income investments, together with good results from both our alternative investments and our equity portfolio.

Dividend

The board is pleased to report that it will pay an increased interim dividend of 2.0p (2006: 1.6p). This will be paid on 31 August 2007 to shareholders on the register on 10 August 2007.

Outlook

So far 2007 has been a robust year in terms of premiums written and benign in terms of claims development. Reductions in rates have been in line with our expectations. We continue to grow the business in a controlled manner, searching out attractive risks to add to our portfolio. Lloyd's remains central to our business strategy, and this has been reaffirmed by the recent upgrade of Lloyd's financial strength rating by S&P to A+ from A. In addition, developing access to new markets and business, a strong claims management service and informed underwriting decisions remain central themes in our business vision.

We have been spending, and continue to spend, considerable management time planning for 2008 and beyond. Our expectation is that most areas of business will continue to soften and it is important that profitability is protected. The opportunities within our US business initiative, our reserving philosophy, our investment in claims management expertise, our growing investment balance and our underwriting experience of managing previous insurance cycles will help to maintain our track record of good profitability across the insurance cycle.

The first six months have been extremely positive with record premiums and profits, US business expansion and strong claims reserves. No doubt the next six months will bring a number of new as well as familiar challenges, which we look forward to with enthusiasm. We have an invigorated but seasoned team and a firm platform from which to trade. The excitement is the future.

Andrew Beazley
Chief Executive

Income Statement
For the period ended 30 June 2007

	Note	6 months ended 30 June 2007 (unaudited) £m	6 months ended 30 June 2006 (unaudited) £m	Year to 31 December 2006 (audited) £m
Gross premiums written	2	434.1	394.3	745.1
Written premiums ceded to reinsurers		(108.5)	(139.1)	(170.8)
Net premiums written	2	325.6	255.2	**574.3**
Change in gross provision for unearned premiums		(73.6)	(100.8)	(84.9)
Reinsurer's share of change in the provision for unearned premiums		38.4	71.3	20.2
Change in net provision for unearned premiums		(35.2)	(29.5)	(64.7)
Net earned premiums	2	290.4	225.7	**509.6**
Net investment income	3	32.6	19.1	48.3
Other income	4	4.8	3.4	7.1
		37.4	22.5	55.4
Revenue	2	327.8	248.2	**565.0**
Insurance claims		161.7	161.8	357.0
Insurance claims recovered from reinsurers		(13.2)	(34.5)	(86.3)
Net insurance claims	2,7	148.5	127.3	**270.7**
Expenses for the acquisition of insurance contracts		79.0	60.1	129.6
Administrative expenses		25.6	17.2	38.8
Other expenses		8.8	13.6	33.5
Operating expenses		113.4	90.9	**201.9**
Expenses	2	261.9	218.2	**472.6**
Results of operating activities		65.9	30.0	**92.4**
Finance costs		5.7	1.7	5.6
Profit before tax		60.2	28.3	**86.8**
Comprises:				
Profit before tax and foreign exchange adjustments on non monetary items		60.6	36.2	96.2
Foreign exchange on non-monetary items		(0.4)	(7.9)	(9.4)
Income tax expense		(18.6)	(8.4)	(26.9)
Profit after tax		41.6	19.9	**59.9**
Earnings per share (pence per share):				
Basic	5	11.6	5.5	16.8
Diluted	5	11.5	5.5	16.7

Balance Sheet
As at 30 June 2007

	30 June 2007 (unaudited) £m	30 June 2006 (unaudited) £m	31 December 2006 (audited) £m
Assets			
Intangible assets	29.2	19.8	21.9
Plant and equipment	7.0	6.1	7.0
Investments in associates	1.3	1.3	1.3
Deferred acquisition costs	89.6	70.5	78.9
Financial investments	956.3	802.4	958.4
Insurance receivables	259.5	234.0	244.0
Deferred tax assets	4.3	3.2	3.5
Reinsurance assets	410.2	420.5	345.3
Other receivables	17.0	36.4	14.5
Cash and cash equivalents	354.6	120.8	209.4
Total assets	**2,129.0**	**1,715.0**	**1,884.2**
Equity			
Share capital	18.4	18.0	18.1
Reserves	226.5	228.5	225.8
Retained earnings	105.7	41.3	75.6
Total equity	**350.6**	**287.8**	**319.5**
Liabilities			
Insurance liabilities	1,440.0	1,198.0	1,225.6
Borrowings	151.2	27.0	154.9
Derivative financial instrument	4.1	-	2.4
Deferred income tax	13.7	12.4	11.6
Current income tax liabilities	9.2	4.5	15.6
Creditors	159.3	183.4	152.7
Retirement benefit obligations	0.9	1.9	1.9
Total liabilities	**1,778.4**	**1,427.2**	**1,564.7**
Total equity and liabilities	**2,129.0**	**1,715.0**	**1,884.2**

Statement of movements in equity

For the period ended 30 June 2007

	Share Capital £m	Reserves £m	Retained Earnings £m	Total £m
Balance as at 1 January 2006	**18.0**	**232.1**	**30.3**	**280.4**
Retained profits for the period	-	-	19.9	19.9
2005 final dividends paid	-	-	(8.9)	(8.9)
Increase in employee share options	-	0.4	-	0.4
Acquisition of own shares held in trust	-	(2.8)	-	(2.8)
Foreign exchange translation differences	-	(1.2)	-	(1.2)
Balance as at 30 June 2006	**18.0**	228.5	41.3	287.8
Retained profits for the period	-	-	40.0	40.0
2006 interim dividends paid	-	-	(5.7)	(5.7)
Issue of shares	0.1	0.3	-	0.4
Increase in employee share options	-	0.4	-	0.4
Acquisition of own shares held in trust	-	(1.2)	-	(1.2)
Change in net investment hedge	-	(0.6)	-	(0.6)
Foreign exchange translation differences	-	(1.6)	-	(1.6)
Balance as at 31 December 2006	**18.1**	**225.8**	**75.6**	**319.5**
Retained profits for the period	-	-	41.6	41.6
2006 final dividends paid	-	-	(11.5)	(11.5)
Issue of shares	0.3	4.0	-	4.3
Increase in employee share options	-	1.1	-	1.1
Acquisition of own shares held in trust	-	(3.6)	-	(3.6)
Change in net investment hedge	-	(1.0)	-	(1.0)
Foreign exchange translation differences	-	0.2	-	0.2
Balance as at 30 June 2007	**18.4**	226.5	105.7	350.6

Cash flow statement

For the period ended 30 June 2007

	6 months ended 30 June 2007 (unaudited) £m	6 months ended 30 June 2006 (unaudited) £m	Year to 31 December 2006 (audited) £m
Cash flow from operating activities			
Profit before tax	**60.2**	**28.3**	**86.8**
Adjustments for non-cash items:			
Amortisation of intangibles	0.9	0.4	1.4
Depreciation of plant and equipment	0.7	0.3	1.2
Equity settled share based compensation	0.8	0.4	0.8
Foreign exchange on translation of foreign subsidiary	(1.8)	(1.3)	(4.6)
Foreign exchange on translation of borrowings	-	(2.1)	-
Net fair value losses/(gains) on financial investments	(1.0)	1.0	(8.8)
Changes in operating assets and liabilities			
Increase in insurance liabilities	214.4	101.6	129.2
Increase in insurance receivables	(15.5)	(75.1)	(85.1)
Decrease/(increase) in other receivables	(2.7)	(8.0)	13.9
Increase in deferred acquisition costs	(10.7)	(17.8)	(26.2)
Decrease/(increase) in reinsurance assets	(64.9)	(26.0)	49.2
Increase in other payables	3.4	64.3	37.6
Income tax paid	(22.1)	(2.9)	(11.5)
Contribution to pension fund	(1.0)	(1.0)	(1.0)
Acquisition of own shares in trust	(3.6)	(2.8)	(4.0)
Net cash from operating activities	**157.1**	**59.3**	**178.9**
Cash flow from investing activities			
Purchase of syndicate capacity	-	-	(0.2)
Acquisition of subsidiary (net of cash acquired)	(5.7)	-	(2.2)
Purchase of plant and equipment	(0.6)	(3.9)	(5.7)
Purchase of software development	(0.6)	(2.0)	(3.1)
Purchase of investments	(1,073.0)	(529.5)	(2,125.1)
Proceeds from sale of investments	1,076.2	498.0	1,947.2
Net cash used in investing activities	**(3.7)**	**(37.4)**	**(189.1)**
Cash flow from financing activities			
Proceeds from Tier 2 subordinated debt	-	-	148.1
Proceeds from issue of shares	4.5	-	0.4
Repayment of syndicated loan	-	-	(18.6)
Dividends paid	(11.5)	(8.9)	(14.6)
Net cash used in financing activities	**(7.0)**	**(8.9)**	**115.3**
Net increase in cash and cash equivalents	**146.4**	**13.0**	**105.1**
Cash and cash equivalents at beginning of period	209.4	112.6	112.6
Effect of exchange rate changes on cash and cash equivalents	(1.2)	(4.8)	(8.3)
Cash and cash equivalents at end of period	**354.6**	**120.8**	**209.4**

Notes to the financial statements
For the period ended 30 June 2007

1. Statement of accounting policies

Beazley Group plc is a group incorporated in England and Wales. The interim financial statements of the group for the six months ended 30 June 2007 comprise the parent company and its subsidiaries and the group's interest in associates.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The accounting policies applied by the group in these consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the year ended 31 December 2006. Our full accounting policies are set out in the group's 2006 annual report.

The comparative figures for the financial year ended 31 December 2006 are extracted from the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) of 237 (3) of the Companies Act 1985.

2. Segmental analysis

The principal activity of the group is insurance. The following primary business segments; specialty lines, property, reinsurance and marine have been applied. All foreign exchange differences on non-monetary items have been included within the unallocated totals. These have been split out as this provides a fairer representation of the loss ratios, which would otherwise be distorted by the mismatch arising under International Financial Reporting Standards (IFRS) whereby unearned premium reserves and deferred acquisition costs (DAC) are treated as non-monetary items and claims reserves are treated as monetary items.

2. Segmental analysis

	30 June 2007					
	Specialty Lines £m	Property £m	Reinsurance £m	Marine £m	Unallocated £m	Total £m
Gross premiums written	205.3	106.0	43.2	79.6	-	434.1
Net premiums written	157.0	78.2	32.7	57.7	-	325.6
Net earned premiums	140.7	73.3	19.5	55.3	1.6	290.4
Net investment income	22.2	4.1	3.2	3.1	-	32.6
Other income	2.4	1.4	0.6	0.4	-	4.8
Revenue	165.3	78.8	23.3	58.8	1.6	327.8
Net insurance claims	80.6	36.6	8.5	22.8	-	148.5
Expenses for the acquisition of insurance contracts	36.8	20.6	5.0	15.4	1.2	79.0
Administrative expenses	15.9	5.6	1.5	2.6	-	25.6
Other expenses	4.4	1.7	0.7	1.2	0.8	8.8
Expenses	137.7	64.5	15.7	42.0	2.0	261.9
Results from operating activities	27.6	14.3	7.6	16.8	(0.4)	65.9
Finance costs						(5.7)
Profit before tax						60.2
Tax expense						(18.6)
Profit after tax						41.6
Claims ratio	57%	50%	44%	41%	-	51%
Expense ratio	37%	36%	33%	33%	-	36%
Combined ratio	94%	86%	77%	74%	-	87%

	30 June 2006					
	Specialty Lines £m	Property £m	Reinsurance £m	Marine £m	Unallocated £m	Total £m
Gross premiums written	179.3	92.9	40.4	81.7	-	394.3
Net premiums written	108.0	64.3	20.9	62.0	-	255.2
Net earned premiums	114.3	51.6	17.4	42.9	(0.5)	225.7
Net investment income	12.3	2.7	1.5	2.6	-	19.1
Other income	1.5	0.8	0.4	0.7	-	3.4
Revenue	128.1	55.1	19.3	46.2	(0.5)	248.2
Net insurance claims	72.7	25.5	10.1	19.0	-	127.3
Expenses for the acquisition of insurance contracts	27.1	16.5	5.5	11.9	(0.9)	60.1
Administrative expenses	9.3	4.6	1.0	2.3	-	17.2
Other expenses	2.5	1.2	0.5	1.1	8.3	13.6
Expenses	111.6	47.8	17.1	34.3	7.4	218.2
Results from operating activities	16.5	7.3	2.2	11.9	(7.9)	30.0
Finance costs						(1.7)
Profit before tax						28.3
Tax expense						(8.4)
Profit after tax						19.9
Claims ratio	64%	49%	58%	44%	-	56%
Expense ratio	32%	41%	37%	33%	-	34%
Combined ratio	96%	90%	95%	77%	-	90%

	31 December 2006					
	Specialty Lines £m	Property £m	Reinsurance £m	Marine £m	Unallocated £m	Total £m
Gross premiums written	361.0	187.8	58.4	137.9	-	745.1
Net premiums written	267.3	149.9	40.5	116.6	-	574.3
Net earned premiums	234.6	123.1	42.1	101.5	8.3	509.6
Net investment income	35.9	4.2	4.1	4.1	-	48.3
Other income	4.0	1.3	0.7	1.1	-	7.1
Revenue	**274.5**	**128.6**	**46.9**	**106.7**	**8.3**	**565.0**
Net insurance claims	146.3	66.3	13.7	44.4	-	270.7
Expenses for the acquisition of insurance contracts	50.8	39.9	10.3	28.5	0.1	129.6
Administrative expenses	21.8	9.9	3.3	3.8	-	38.8
Other expenses	7.8	4.0	1.5	2.6	17.6	33.5
Expenses	**226.7**	**120.1**	**28.8**	**79.3**	**17.7**	**472.6**
Results from operating activities	**47.8**	**8.5**	**18.1**	**27.4**	**(9.4)**	**92.4**
Finance costs						(5.6)
Profit before tax						**86.8**
Tax expense						(26.9)
Profit after tax						**59.9**
Claims ratio	62%	54%	33%	44%	-	53%
Expense ratio	31%	40%	32%	32%	-	33%
Combined ratio	93%	94%	65%	76%	-	86%

3. Net investment return

	6 months ended 30 June 2007 (unaudited) £m	6 months ended 30 June 2006 (unaudited) £m	Year to 31 December 2006 (audited) £m
Investment income at fair value through income statement			
- interest income	24.6	19.0	28.0
Realised gains/(losses) on financial investments at fair value through income statement			
- realised gains	8.8	2.8	22.9
- realised losses	(8.2)	(0.9)	(9.9)
Net fair value gains/(losses) on financial investments through income statement			
- fair value gains	18.5	1.1	24.4
- fair value losses	(10.0)	(2.1)	(15.6)
Net fair value gains/(losses) on fair value hedge			
- change in interest rate swap	(2.6)	-	(3.0)
- change in borrowings	2.6	-	3.0
Investment management expenses	(1.1)	(0.8)	(1.5)
	32.6	**19.1**	**48.3**

4. Other income

	6 months ended 30 June 2007 (unaudited) £m	6 months ended 30 June 2006 (unaudited) £m	Year to 31 December 2006 (audited) £m
Profit commissions	3.6	2.9	5.5
Agency fees	0.5	0.5	1.1
Other income	0.7	-	0.5
	4.8	**3.4**	**7.1**

5. Earnings per share

	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)	Year to 31 December 2006 (audited)
Basic	11.6p	5.5p	16.8p
Diluted	11.5p	5.5p	16.7p

Basic

Basic earnings per share is calculated by dividing profit after tax of £41.6m (2006: £19.9m) by the weighted average number of issued shares during the period of 359.2m (2006: 360.6 m). The shares held in the ESOP have been excluded from the calculation until such time as they vest unconditionally with the employees.

Diluted

Diluted earnings per share is calculated by dividing profit after tax of £41.6m (2006: £19.9m) by the adjusted weighted average number of shares of 362.2m (2006: 364.0m). The adjusted weighted average number of shares assumes conversion of all dilutive potential ordinary shares, being share options. The shares held in the ESOP have been excluded from the calculation until such time as they vest unconditionally with the employees.

6. Dividends

An interim net dividend of 2.0p (2006: 1.6p) per ordinary share is payable on 31 August 2007 to shareholders registered on 10 August 2007 in respect of the six months to 30 June 2007. These financial statements do not provide for the dividends as a liability.

7. Insurance premiums and claims

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

The top part of the table illustrates how the group's 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 balance sheet.

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 redundancies or deficiencies of the past on current claims liabilities. The group believes that the estimate of total claims liabilities as at 30 June 2007 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	**2002ae**	**2003**	**2004**	**2005**	**2006**	**2007**	
		%	%	%	%		
Specialty lines							
12 months		71.4	70.9	71.2	69.0		
24 months		67.3	70.0	68.3	-		
36 months		65.0	66.4	-	-		
48 months		57.4	-	-	-		
Position at 30 June 2007		53.3	65.5	67.0	68.9		
Property							
12 months		51.3	65.1	85.1	59.4		
24 months		38.4	65.1	82.6	-		
36 months		35.8	65.5	-	-		
48 months		35.1	-	-	-		
Position at 30 June 2007		35.1	64.5	81.5	52.0		
Reinsurance							
12 months		58.6	86.7	192.2	52.5		
24 months		33.5	80.2	182.5	-		
36 months		28.0	75.5	-	-		
48 months		28.2	-	-	-		
Position at 30 June 2007		28.2	75.4	185.4	34.2		
Marine							
12 months		60.0	62.2	82.6	57.2		
24 months		44.7	64.2	79.8	-		
36 months		39.0	62.0	-	-		
48 months		36.2	-	-	-		
Position at 30 June 2007		35.8	62.1	75.1	52.2		
Total							
12 months		62.9	69.8	89.9	63.2		
24 months		52.6	69.0	87.0	-		
36 months		49.4	66.4	-	-		
48 months		45.2	-	-	-		
Position at 30 June 2007		43.1	65.7	85.6	59.1		
Total ultimate losses(£m)	1,048.3	276.8	477.3	667.5	529.0	599.4	3,598.3
Less paid claims net of reinsurance (£m)	(828.8)	(147.5)	(247.2)	(288.8)	(50.3)	(5.5)	(1,568.1)
Less unearned portion of ultimate losses (£m)	-	-	-	(6.9)	(111.2)	(491.8)	(609.9)
Gross claims liabilities (100% level) (£m)	219.5	129.3	230.1	371.8	367.5	102.1	1,420.3
Less unaligned share (£m)	(65.9)	(38.8)	(69.0)	(111.5)	(79.5)	(19.4)	(384.1)
Gross claims liabilities, group share	153.6	90.5	161.1	260.3	288.0	82.7	1,036.2

Net ultimate claims	2002ae	2003	2004	2005	2006	2007	
		%	%	%	%		
Specialty lines							
12 months		68.2	68.2	69.2	67.2		
24 months		64.9	67.9	67.5	-		
36 months		63.0	65.1	-	-		
48 months		55.9	-	-	-		
Position at 30 June 2007		52.0	63.7	66.1	67.2		
Property							
12 months		49.1	59.7	64.9	62.4		
24 months		42.6	61.7	62.8	-		
36 months		40.3	60.8	-	-		
48 months		39.8	-	-	-		
Position at 30 June 2007		39.8	60.5	60.6	56.9		
Reinsurance							
12 months		60.5	88.0	153.4	54.5		
24 months		38.2	84.1	127.8	-		
36 months		33.4	81.7	-	-		
48 months		34.1	-	-	-		
Position at 30 June 2007		34.2	81.8	131.0	49.7		
Marine							
12 months		55.5	57.9	55.7	54.3		
24 months		44.5	52.5	49.3	-		
36 months		39.6	48.7	-	-		
48 months		39.2	-	-	-		
Position at 30 June 2007		39.0	48.7	45.8	49.4		
Total							
12 months		60.4	66.4	73.5	62.6		
24 months		53.1	65.5	69.0	-		
36 months		50.5	63.1	-	-		
48 months		46.9	-	-	-		
Position at 30 June 2007		45.0	62.3	67.3	60.0		
Total ultimate losses(£m)	567.4	233.7	368.9	416.2	426.7	497.4	2,510.3
Less paid claims net of reinsurance (£m)	(462.0)	(134.7)	(191.3)	(140.3)	(47.1)	(5.5)	(980.9)
Less unearned portion of ultimate losses (£m)	-	-	-	(4.9)	(93.1)	(418.5)	(516.5)
Net claims liabilities (100% level) (£m)	105.4	99.0	177.6	271.0	286.5	73.4	1,012.9
Less unaligned share (£m)	(31.6)	(29.7)	(53.3)	(81.3)	(61.7)	(13.8)	(271.4)
Net claims liabilities, group share (£m)	73.8	69.3	124.3	189.7	224.8	59.6	741.5

Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2007 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of each table.

The benign claims experience during the first half of 2007 has produced a general trend of reducing loss ratios across our business. We comment on the other notable movements by team below.

In addition, we continue to maintain an element of our catastrophe loading on the 2006 underwriting year. This should be considered when comparing the interim 30 June 2007 position of the 2006 underwriting year against the development of the previous catastrophe free year, namely 2003.

Specialty Lines

The ultimate loss ratios on the 2003 underwriting year have continued to reduce in light of the benign claims environment and the year is turning out to be exceptional. The underlying claims developments on these classes do not follow smooth patterns. Consequently, our reserving policy in these classes of business is to move the ultimate loss ratios only when we have sufficient evidence to do so.

Reinsurance

The increase in our ultimate loss ratio on the 2005 underwriting year has been caused by a small reduction in expected ultimate premium income. The underlying claims reserves remain unchanged from 31 December 2006.

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

6 months ended 30 June 2007 (unaudited)	**Specialty Lines £m**	**Property £m**	**Reinsurance £m**	**Marine £m**	**Total £m**
Current year	93.4	42.7	9.7	27.9	173.7
Prior year					
- 2004 and earlier	(10.5)	(0.8)	0.1	0.2	(11.0)
- 2005 year of account	(2.3)	(2.0)	-	(2.6)	(6.9)
- 2006 year of account	-	(3.3)	(1.3)	(2.7)	(7.3)
	(12.8)	(6.1)	(1.2)	(5.1)	(25.2)
Net insurance claims	80.6	36.6	8.5	22.8	148.5

6 months ended 30 June 2006 (unaudited)	**Specialty Lines £m**	**Property £m**	**Reinsurance £m**	**Marine £m**	**Total £m**
Current year	80.1	26.2	10.5	21.8	138.6
Prior year					
- 2003 and earlier	(4.4)	(0.7)	0.1	(0.6)	(5.6)
- 2004 year of account	(3.0)	1.1	(0.5)	(2.2)	(4.6)
- 2005 year of account	-	(1.1)	-	-	(1.1)
	(7.4)	(0.7)	(0.4)	(2.8)	(11.3)
Net insurance claims	72.7	25.5	10.1	19.0	127.3

Year to 31 December 2006 (audited)	Specialty Lines £m	Property £m	Reinsurance £m	Marine £m	Total £m
Current year	164.3	68.2	19.6	49.6	301.7
Prior year					
- 2003 and earlier	(12.3)	(0.7)	(0.4)	(0.4)	(13.8)
- 2004 year of account	(4.7)	(0.7)	(0.8)	(3.0)	(9.2)
- 2005 year of account	(1.0)	(0.5)	(4.7)	(1.8)	(8.0)
	(18.0)	(1.9)	(5.9)	(5.2)	(31.0)
Net insurance claims	146.3	66.3	13.7	44.4	270.7