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REG - Beazley PLC -Half Year Results

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Press Release

Strong growth and profits mark a successful half year

Dublin, 20 July 2012

Beazley plc results for six months ended 30 June 2012

- Profit before income tax of $112.9m (2011 loss: $24.2m)
- Gross written premiums increased by 10% to $1,013.1m (2011: $924.8m)
- Combined ratio of 91% (2010: 108%)
- Rate increase on renewal business of 3% (2011: 0%)
- Prior year reserve releases of $47.6m (2011: $88.6m)
- Investment income increased to $36.1m (2011: $22.5m)
- Annualised return on equity of 18% (2011: loss 3%)
- Interim dividend up 8% to 2.7p (2011: 2.5p) to be paid on 30 August 2012

	Six months ended 30 June 2012	**Six months ended 30 June 2011**
Gross premiums written ($m)	**1,013.1**	**924.8**
Net premiums written ($m)	**650.8**	**635.5**
Profit/(loss) before income tax ($m)	**112.9**	**(24.2)**
Earnings/(loss) per share (pence)	**12.5**	**(1.7)**
Net assets per share (pence)	**142.9**	**123.8**
Net tangible assets per share (pence)	**126.7**	**107.8**
Dividend per share (pence)	**2.7**	**2.5**

Andrew Horton, Chief Executive Officer, said:

"Beazley performed strongly in the first half, delivering a return on equity of 18% and a combined ratio of 91%. Rates rose by an average of 3%, with increases of 5% in catastrophe exposed lines and 3% on our large professional and management liability book."

"We launched a series of new products to meet underserved client needs, including new data breach insurance solutions, and these are proving popular with brokers and clients. Looking ahead, we expect to grow profitably during the remainder of the year, with further modest premium rate rises across the portfolio."

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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 2011, underwrote gross premiums worldwide of $1,712.5 million. All Lloyd's syndicates are rated A by A.M. Best.

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

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

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

Interim results statement

Overview

The first six months of 2012 saw written premiums rise as our growth initiatives start to bear fruit. Rates also rose by an average of 3% across our portfolio. Rate rises were highest on our catastrophe exposed lines of business, averaging an increase of 5%, as the insurance industry responded to the heavy catastrophe losses of last year. We also saw rates rise, for the first time since 2006, by 3% on the large professional and management liability book underwritten by our specialty lines division.

The following table shows cumulative rate changes since 2001 by business division.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	HY 2012
Life, accident & health	-	-	-	-	-	-	-	-	100%	100%	101%	100%
Marine	100%	117%	128%	127%	130%	140%	131%	123%	131%	127%	128%	128%
Political risk & contingency	100%	120%	122%	114%	107%	101%	93%	89%	88%	86%	85%	84%
Property	100%	128%	133%	126%	124%	140%	137%	128%	135%	130%	134%	143%
Reinsurance	100%	143%	150%	149%	150%	190%	198%	186%	202%	196%	202%	212%
Specialty lines	100%	137%	166%	174%	176%	177%	168%	158%	157%	155%	153%	157%
Total	100%	132%	145%	146%	147%	155%	149%	140%	144%	141%	141%	145%

Gross written premiums rose 10% to $1,013.1m (2011: a decline of 2%). The group recorded a profit before income tax of $112.9m (2011: a loss of $24.2m).

At year end, we estimated the total cost to the group of catastrophe losses in 2011 at $215m. Although the estimated industry losses from the Thai floods in November 2011 have since increased, our own estimate for the cost of these events remains unchanged.

Claims experience in the first half of 2012 has been relatively benign, with claims notifications lower than normal and loss development in line with our expectations. Our well established reserving approach entails maintaining a margin of between 5% and 10% in our net held reserves over our actuaries' estimate: the margin currently stands at 7.7% (31 December 2011: 7.4%). We were able to release $47.6m (2011: $88.6m) from prior year reserves in the first half of 2012 despite having little or no release from the short tail classes that were impacted by catastrophe events in 2011.

As underwriting conditions improve, we remain alert to attractive growth opportunities, principally through the organic expansion of our existing portfolio but also through acquisitions that meet our demanding criteria.

Growth through innovation

As a specialist insurer, we are constantly developing new products to meet underserved client needs. This also enhances our value to brokers seeking to deliver new products to their clients.

The first half of 2012 has been a very active period for new product launches, including:

- A new version of our highly successful Beazley Breach Response (BBR) data breach insurance solution, tailored to meet the needs of small US firms.
- A new data breach solution for non-US companies that handle large volumes of personally identifiable customer data.
- A healthcare regulatory liability policy for US healthcare organisations.
- Weather Guard, a range of weather-related insurance products (backed by an exceptionally rich meteorological database).
- Beazley Bridge, a single insurance contract providing flexible and convenient D&O insurance coverage for US multinationals needing to protect their executives outside the United States.

Our marine division has announced plans to expand its underwriting of aviation risks (hitherto confined to aviation war risks) and kidnap and ransom risks. In the US we are now underwriting a variety of 'gap protection' accident and health insurance products.

We are very selective in all of these areas, targeting underserved niches where we can offer a valuable service at a fair price. Through our broker relations team, which has been growing in the US and Europe, we work hard to communicate our underwriting appetite to brokers.

Lloyd's, Europe and the US

The position of Lloyd's as the pre-eminent global hub for international insurance and reinsurance business was reconfirmed in early 2012 with the announcement of plans by Aon to relocate its global headquarters to London. The expertise and energy of Lloyd's brokers continues to account for a strong and steady flow of business to our Lloyd's underwriters from around the world.

Our expansion in the US since 2005 and in continental Europe has been driven by a desire to access business that would not normally be seen by our underwriters at the Beazley box at Lloyd's. In this vein, we have begun to underwrite credit and political risks business locally from our Paris office.

Our US business will be boosted by the admitted accident and health business referred to above where our products enable employers to offer their employees supplementary healthcare and disability protection not provided by employer-funded benefit programmes.

We have continued to build our in-house claims expertise, enabling us to deliver a differentiated claims service to our clients. The Beazley claims team now has 116 professionals around the world, located close to our clients and brokers.

Investment performance

Our investment strategy yielded an annualised return of 1.8% in the first half of the year (2011: 1.1%).

There have been no major changes to the strategy, which continues to be conservative and holds the majority of investment assets (80% - 90%) in a core portfolio of fixed income assets. We have increased the credit allocation within this portfolio which also includes cash equivalents, and sovereign, agency or supranational bonds. The balance of 10% to 20% of the portfolio is allocated to capital growth assets.

The eurozone crisis continues to cast a shadow on the investment environment and in light of the on-going turmoil, we are paying particular attention to avoiding risks arising from the banking sector and focussing our sovereign holdings in the most strongly rated countries.

The breakdown of our investment portfolio at 30 June 2012 was:

	30 June 2012	30 June 2012	31 December 2011	31 December 2011
	$m	%	$m	%
Cash and cash equivalents	597	14.9	650	16.2
Fixed income: sovereign and supranational	1,918	47.8	2,623	65.4

Investment grade credit	987	24.5	239	6.0
Other credit	86	2.1	84	2.1
Core portfolio	**3,588**	**89.3**	**3,596**	**89.7**
Capital growth assets	429	10.7	411	10.3
Total	**4,017**	**100.0**	**4,007**	**100.0**

The weighted average duration of our core portfolio is 1.8 years (31 December 2011: 1.3 years) and the average rating of the investment grade credit is A+. The weighted average yield to maturity of the portfolio is 1.1% (31 December 2011: 0.8%).

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

	30 June 2012	30 June 2012 annualised return	30 June 2011	30 June 2011 annualised return
	$m	%	$m	%
Core portfolio	29.9	1.7	18.3	1.0
Capital growth assets	6.2	3.0	4.2	2.0
Overall return	**36.1**	**1.8**	**22.5**	**1.1**

Capital position
We continue to manage our capital actively, retaining the flexibility to capitalise on attractive investment opportunities without retaining excessive capital in the company.

In May we bought back a total nominal amount of $46.9m (£30m) of debt in the form of fixed/floating rate subordinated notes falling due in 2026, representing 20% of the total outstanding issue of $234m (£150m), realising a profit of $10.2m (£6.4m) based on the difference between the fair value and the nominal amount of the debt bought back.

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

	2012 HY $m	2011 FY $m
Sources of funds		
Shareholders' funds	1,129.2	1,071.0
Tier 2 subordinated debt	188.4	231.0
Long-term subordinated debt	18.0	18.0
	1,335.6	1,320.0
Uses of funds		
Lloyd's underwriting	757.3	742.9
US insurance company	107.7	107.7
	865.0	850.6
Surplus	**470.6**	**469.4**
Unavailable surplus*	(158.0)	(129.5)
Fixed and intangible assets	(135.0)	(137.8)
Available surplus	177.6	202.1
Unutilised banking facility	225.0	225.0

*Unavailable surplus primarily represents profits yet to be released by Lloyd's.

Solvency II
Beazley is well prepared for the introduction of the new European capital adequacy and monitoring requirements known as Solvency II. Lloyd's has graded Beazley's Solvency II programme green and the group is well advanced in its discussions with

Lloyd's, the Financial Services Authority (FSA) and the Central Bank of Ireland (CBI) in relation to its application for internal model approval.

Dividend

The board has declared a first interim dividend of 2.7 pence (2011: 2.5 pence). This will be paid on 30 August 2012 to shareholders on the register at 5.00pm on 3 August 2012.

Outlook

We expect to see continued top line growth for the remainder of 2012 fuelled by the investments we have made to launch innovative products and build our underwriting teams.

We also expect the remainder of 2012 to show a continuation of the modestly rising premium rates, across our portfolio, that characterised the first half of the year, albeit that rate rises for catastrophe exposed lines of business appear to be slowing.

In the absence of an exceptional level of catastrophe losses such as we saw last year, we would expect our 2012 full year combined ratio to be in line with pre 2011 levels at approximately 90%.

Condensed consolidated income statement
For the six months ended 30 June 2012

	Note	Unaudited 6 months ended 30 June 2012 $m	Unaudited 6 months ended 30 June 2011 $m	Audited Year to 31 December 2011 $m
Gross premiums written	2	1,013.1	924.8	1,712.5
Written premiums ceded to reinsurers		(362.3)	(289.3)	(338.5)
Net premiums written	2	**650.8**	**635.5**	**1,374.0**
Change in gross provision for unearned premiums		(144.9)	(88.0)	20.6
Reinsurer's share of change in the provision for unearned premiums		197.4	123.0	(9.6)
Change in net provision for unearned premiums		52.5	35.0	11.0
Net earned premiums	2	**703.3**	**670.5**	**1,385.0**
Net investment income	3	36.1	22.5	39.3
Other income	4	11.1	14.0	28.1
		47.2	36.5	67.4
Revenue	2	**750.5**	**707.0**	**1,452.4**
Insurance claims		469.5	708.8	1,168.9
Insurance claims recovered from reinsurers		(92.3)	(231.5)	(318.4)
Net insurance claims	2,9	**377.2**	**477.3**	**850.5**
Expenses for the acquisition of insurance contracts		190.7	190.2	390.7
Administrative expenses		74.5	60.6	126.6
Foreign exchange (gain)/loss	2	(2.6)	(5.2)	4.1
Operating expenses		**262.6**	**245.6**	**521.4**
Expenses	2	**639.8**	**722.9**	**1,371.9**
Share of loss in associate	2	(0.3)	(0.4)	(1.0)
Results of operating activities		**110.4**	**(16.3)**	**79.5**
Finance costs	5	2.5	(7.9)	(16.8)
Profit/(loss) before income tax		**112.9**	**(24.2)**	**62.7**

Income tax (expense)/credit	8	(12.8)	10.1	3.1
Profit/(loss) after income tax - all attributable to the owners of the parent		**100.1**	**(14.1)**	**65.8**
Earnings/(loss) per share (cents per share):				
Basic	6	19.8	(2.8)	13.0
Diluted	6	18.7	(2.8)	12.4
Earnings/(loss) per share (pence per share):				
Basic	6	12.5	(1.7)	8.1
Diluted	6	11.8	(1.7)	7.7

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Unaudited 6 months to 30 June 2012 $m	Unaudited 6 months to 30 June 2011 $m	Audited Year to 31 December 2011 $m
Profit/(loss) after income tax	100.1	(14.1)	65.8
Other comprehensive income			
Foreign exchange translation differences	0.4	4.1	2.5
Total other comprehensive income	0.4	4.1	2.5
Total comprehensive income recognised - all attributable to the owners of the parent	**100.5**	**(10.0)**	**68.3**

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2012

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance as at 1 January 2011	**42.7**	**0.7**	**(91.0)**	**(52.2)**	**1,182.7**	**1,082.9**
Total comprehensive income recognised	-	-	4.1	-	(14.1)	(10.0)
Dividends paid	-	-	-	-	(62.1)	(62.1)
Equity settled share-based payments	-	-	-	4.6	-	4.6
Acquisition of own shares held in trust	-	-	-	(2.4)	-	(2.4)
Purchase of treasury shares	-	-	-	(1.2)	-	(1.2)
Balance as at 30 June 2011	**42.7**	**0.7**	**(86.9)**	**(51.2)**	**1,106.5**	**1,011.8**
Total comprehensive income recognised	-	-	(1.6)	-	79.9	78.3
Dividends paid	-	-	-	-	(20.7)	(20.7)
Issue of shares	0.1	0.4	-	-	-	0.5
Equity settled share-based payments	-	-	-	4.7	-	4.7
Acquisition of own shares held in trust	-	-	-	(3.6)	-	(3.6)
Balance as at 31 December 2011	**42.8**	**1.1**	**(88.5)**	**(50.1)**	**1,165.7**	**1,071.0**
Total comprehensive income recognised	-	-	0.4	-	100.1	100.5
Dividends paid	-	-	-	-	(43.3)	(43.3)
Issue of shares	0.1	0.1	-	-	-	0.2

Equity settled share-based payments	-	-	-	5.1	-	5.1
Acquisition of own shares held in trust	-	-	-	(4.3)	-	(4.3)
Cancellation of treasury shares	(1.4)	-	-	30.1	(28.7)	-
Balance as at 30 June 2012	**41.5**	**1.2**	**(88.1)**	**(19.2)**	**1,193.8**	**1,129.2**

Condensed consolidated statement of financial position
As at 30 June 2012

	Unaudited 30 June 2012 $m	Unaudited 30 June 2011 $m	Audited 31 December 2011 $m
Assets			
Intangible assets and goodwill	127.6	133.6	130.7
Plant and equipment	7.4	8.9	7.1
Investments in associates	10.2	6.1	8.9
Deferred acquisition costs	172.5	156.3	159.7
Deferred tax asset	11.4	14.1	12.5
Retirement benefit asset	6.3	4.8	4.6
Current income tax asset	-	4.2	9.8
Reinsurance assets	1,411.4	1,329.0	1,197.9
Financial assets*	3,420.8	3,214.8	3,356.8
Insurance receivables	553.0	613.8	558.7
Other receivables	37.4	52.3	21.9
Cash and cash equivalents*	596.5	786.4	650.1
Total assets	6,354.5	6,324.3	6,118.7
Equity			
Share capital	41.5	42.7	42.8
Share premium	1.2	0.7	1.1
Foreign currency translation reserve	(88.1)	(86.9)	(88.5)
Other reserves	(19.2)	(51.2)	(50.1)
Retained earnings	1,193.8	1,106.5	1,165.7
Total equity	1,129.2	1,011.8	1,071.0
Liabilities			
Insurance liabilities	4,493.3	4,508.1	4,334.6
Financial liabilities	217.6	278.5	266.9
Other payables	431.7	446.4	366.0
Deferred tax liabilities	77.3	79.5	80.2
Current income tax liabilities	5.4	-	-
Total liabilities	5,225.3	5,312.5	5,047.7
Total equity and liabilities	6,354.5	6,324.3	6,118.7

* The composition of group cash and cash equivalents and financial assets have been restated as at 30 June 2011.

Condensed consolidated statement of cash flows
For the six months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012 $m	Unaudited 6 months ended 30 June 2011 $m	Audited Year to 31 December 2011 $m
Cash flow from operating activities			
(Loss)/profit before income tax	112.9	(24.2)	62.7
Adjustments for:			
Amortisation of intangibles	7.0	3.8	11.1

Equity settled share based compensation	5.1	4.6	9.3
Net fair value losses on financial assets	(8.8)	(13.6)	(6.3)
Share of loss on associate	0.3	0.4	1.0
Depreciation of plant and equipment	1.2	1.9	3.8
Increase in insurance and other liabilities	227.7	657.3	367.1
Increase in insurance, reinsurance and other receivables	(223.3)	(433.9)	(182.6)
(Decrease)/increase in deferred acquisition costs	(12.8)	7.7	4.3
Financial income	(33.7)	(29.7)	(64.8)
Financial expense	7.7	7.9	16.8
Profit on debt buy back	(10.2)	-	-
Income tax (paid)/received	(0.5)	16.2	5.9
Contribution to pension fund	(1.6)	(1.6)	(1.6)
Net cash from operating activities	71.0	196.8	226.7
Cash flow from investing activities			
Purchase of plant and equipment	(1.5)	(1.2)	(1.0)
Purchase of syndicate capacity	-	-	(1.4)
Acquisition of subsidiary (net of cash acquired)	-	(7.1)	(3.8)
Sale of business unit	-	5.0	5.0
Expenditure on software development	(3.3)	(7.0)	(11.1)
Purchase of investments*	(2,159.1)	(2,721.5)	(3,912.4)
Proceeds from sale of investments	2,104.3	2,617.6	3,649.2
Investment in associate	(1.6)	-	(3.4)
Interest and dividends received	33.7	29.7	64.8
Net cash used in investing activities	(27.5)	(84.5)	(214.1)
Cash flow from financing activities			
Proceeds from issue of shares	0.2	-	0.5
Purchase of treasury shares	-	(1.2)	(1.2)
Acquisition of own shares in trust	(4.3)	(2.4)	(6.0)
Repayment of borrowings	(41.9)	-	-
Interest paid	(7.7)	(7.9)	(16.8)
Dividends paid	(43.3)	(62.1)	(82.8)
Net cash used in financing activities	(97.0)	(73.6)	(106.3)
Net (decrease)/ increase in cash and cash equivalents	(53.5)	38.7	(93.7)
Cash and cash equivalents at beginning of period*	650.1	745.0	745.0
Effect of exchange rate changes on cash and cash equivalents	(0.1)	2.7	(1.2)
Cash and cash equivalents at end of period*	596.5	786.4	650.1

* The composition of group cash and cash equivalents and the related effects on the purchase of investments have been restated as at 30 June 2011.

Notes to the financial statements
For the six months ended 30 June 2012

1. Statement of accounting policies

Beazley plc is a group incorporated in Jersey and domiciled in Ireland. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2012 comprise the parent company and its subsidiaries and the group's interest in associates.

The condensed consolidated financial statements have been prepared and approved by the directors in accordance with IFRS as adopted by the EU ('Adopted IFRS').

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 2011 and have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU . Our full accounting policies are set out in the group's 2011 annual report. There have been no amendments to accounting policies as a result of new standards or interpretations that have become effective during 2012.

The financial information included in this document does not comprise statutory financial statements within the meaning of Companies (Jersey) Law 1991. The comparative figures for the financial year ended 31 December 2011 are those for the group and are not the company's statutory financial statements for that financial year. Those financial statements have been reported on by the company's auditors and delivered to the Jersey Financial Services Commission. The report of the auditors was unqualified.

2. Segmental analysis

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

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

	30 June 2012						
	Life, accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total reportable segments $m
Gross premiums written	49.7	184.6	71.9	201.5	139.8	365.6	1,013.1
Net premiums written	45.3	156.8	58.2	98.7	96.7	195.1	650.8
Net earned premiums	43.7	135.9	49.8	130.2	59.6	284.1	703.3
Net investment income	0.5	3.5	1.9	4.8	3.9	21.5	36.1
Other income	-	1.2	0.6	4.7	0.2	4.4	11.1
Revenue	**44.2**	**140.6**	**52.3**	**139.7**	**63.7**	**310.0**	**750.5**
Net insurance claims	26.3	63.8	11.1	65.7	30.3	180.0	377.2
Expenses for the acquisition of insurance contracts	10.1	34.6	11.5	54.2	13.3	67.0	190.7
Administrative expenses	11.1	10.2	7.0	11.8	6.0	28.4	74.5
Foreign exchange gain	(0.2)	(0.5)	(0.2)	(0.5)	(0.3)	(0.9)	(2.6)
Expenses	**47.3**	**108.1**	**29.4**	**131.2**	**49.3**	**274.5**	**639.8**
Share of loss in associate	-	-	-	-	-	(0.3)	(0.3)
Segments result	**(3.1)**	**32.5**	**22.9**	**8.5**	**14.4**	**35.2**	**110.4**
Finance costs							2.5
Loss before income tax							**112.9**
Income tax expense							(12.8)
Loss after income tax							**100.1**
Claims ratio	60%	47%	22%	50%	51%	63%	54%
Expense ratio	49%	33%	37%	51%	32%	34%	37%
Combined ratio	109%	80%	59%	101%	83%	97%	91%

	30 June 2011						
	Life, accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total reportable segments $m
Gross premiums written	39.6	154.1	48.8	195.4	135.6	351.3	924.8
Net premiums written	34.9	127.3	34.4	111.2	89.2	238.5	635.5
Net earned premiums	34.1	110.8	38.5	140.4	55.1	291.6	670.5
Net investment income	0.4	2.1	1.2	3.3	2.1	13.4	22.5
Other income	2.9	0.7	0.6	5.1	-	4.7	14.0
Revenue	**37.4**	**113.6**	**40.3**	**148.8**	**57.2**	**309.7**	**707.0**
Net insurance claims	17.7	47.3	37.8	76.3	119.3	178.9	477.3
Expenses for the acquisition of insurance contracts	10.5	30.6	10.3	52.3	12.1	74.4	190.2

Administrative expenses	6.9	7.4	3.8	13.6	5.2	23.7	60.6
Foreign exchange gain	(0.2)	(0.9)	(0.4)	(1.1)	(0.4)	(2.2)	(5.2)
Expenses	**34.9**	**84.4**	**51.5**	**141.1**	**136.2**	**274.8**	**722.9**
Share of loss in associate	-	-	-	-	-	(0.4)	(0.4)
Segments result	**2.5**	**29.2**	**(11.2)**	**7.7**	**(79.0)**	**34.5**	**(16.3)**
Finance costs							(7.9)
Loss before income tax							**(24.2)**
Income tax credit							10.1
Loss after income tax							**(14.1)**
Claims ratio	52%	43%	98%	54%	217%	61%	71%
Expense ratio	51%	34%	37%	47%	31%	34%	37%
Combined ratio	103%	77%	135%	101%	248%	95%	108%

	31 December 2011						
	Life, accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total reportable segments $m
Gross premiums written	86.9	274.2	102.5	359.4	178.3	711.2	1,712.5
Net premiums written	80.3	245.1	85.2	273.9	130.4	559.1	1,374.0
Net earned premiums	74.0	231.7	84.3	283.7	131.7	579.6	1,385.0
Net investment income	1.3	3.4	2.0	5.7	4.0	22.9	39.3
Other income	1.6	2.4	1.2	11.0	0.7	11.2	28.1
Revenue	**76.9**	**237.5**	**87.5**	**300.4**	**136.4**	**613.7**	**1,452.4**
Net insurance claims	35.6	82.6	35.4	179.0	171.7	346.2	850.5
Expenses for the acquisition of insurance contracts	21.2	66.5	22.6	104.4	25.6	150.4	390.7
Administrative expenses	13.4	18.4	8.6	25.6	10.0	50.6	126.6
Foreign exchange gain	0.2	0.7	0.2	0.9	0.4	1.7	4.1
Expenses	**70.4**	**168.2**	**66.8**	**309.9**	**207.7**	**548.9**	**1,371.9**
Share of loss in associate	-	-	-	-	-	(1.0)	(1.0)
Segments result	**6.5**	**69.3**	**20.7**	**(9.5)**	**(71.3)**	**63.8**	**79.5**
Finance costs							(16.8)
Profit before income tax							**62.7**
Income tax credit							3.1
Profit after income tax							**65.8**
Claims ratio	48%	36%	42%	63%	130%	60%	62%
Expense ratio	47%	36%	37%	46%	27%	34%	37%
Combined ratio	95%	72%	79%	109%	157%	94%	99%

3. Net investment income

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year to 31 December 2011 $m
Interest and dividends on financial investments at fair value through income statement	33.7	29.7	64.8
Realised losses on financial investments at fair value through income statement	(8.8)	(13.6)	(22.0)
Net unrealised fair value gain on financial investments at fair value through the income statement	16.3	13.1	10.0
Investment income from financial investments	**41.2**	**29.2**	**52.8**

Fair value gain/(loss) on derivative financial instruments	0.2	-	(3.7)
Investment income	**41.4**	**29.2**	**49.1**
Investment management expenses	(5.3)	(6.7)	(9.8)
	36.1	**22.5**	**39.3**

4. Other income

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year to 31 December 2011 $m
Commissions	8.5	10.0	19.2
Profit commissions	1.7	2.3	5.0
Agency fees	0.9	1.1	2.1
Other income	-	0.6	1.8
	11.1	**14.0**	**28.1**

5. Finance costs

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year to 31 December 2011 $m
Interest expense	6.9	7.4	15.8
Profit on debt buy back	(10.2)	-	-
Other finance costs	0.8	0.5	1.0
	(2.5)	**7.9**	**16.8**

6. Earnings per share

	6 months ended 30 June 2012	6 months ended 30 June 2011	Year to 31 December 2011
Basic (cents)	19.8	(2.8)	13.0
Diluted (cents)	18.7	(2.8)	12.4
Basic (pence)	12.5	(1.7)	8.1
Diluted (pence)	11.8	(1.7)	7.7

Basic

Basic earnings per share are calculated by dividing profit after income tax of $100.1m (30 June 2011: $14.1m loss; 31 December 2011: $65.8m profit) by the weighted average number shares in issue during the six months of 506.4m (30 June 2011: 505.7m; 31 December 2011: 505.4m). The shares held in the Employee Share Options Plan (ESOP) of 12.4m (30 June 2011: 12.6m; 31 December 2011: 12.6m) have been excluded from the calculation until, such time as they vest unconditionally with the employees. Treasury shares were cancelled during the period and had no impact on the calculation. The weighted average number of treasury shares of 16.9m at 30 June 2011 (30 December 2011: 17.4m) have been excluded from the prior calculations.

Diluted

Diluted earnings per share is calculated by dividing profit after income tax of $100.1m (31 December 2011: $65.8m profit) by the adjusted weighted average number of shares of 535.4m (31 December 2011: 530.4m). 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 of 12.4m (31 December 2011: 12.6m) have been excluded from the calculation, until such time as they vest unconditionally with the employees. The weighted average number of treasury shares of 17.4m at 31 December 2011 has been excluded from the prior calculation.

In accordance with IAS 33 Earnings per share, when a loss after income tax is reported the diluted impact on shares is excluded when it decreases the loss per share. Accordingly, diluted earnings per share for the 6 months ended 30 June 2011 is calculated by dividing loss after income tax of $14.1m by the weighted average number of issued shares during the six months of 505.7m.

7. Dividends

A first interim dividend of 2.7 pence (2011: 2.5 pence) per ordinary share is payable on 30 August 2012 to shareholders registered on 3 August 2012 in respect of the six months to 30 June 2012. These financial statements do not provide for this dividend as a liability.

A second interim dividend of 5.4 pence per ordinary share was paid on 30 March 2012 to shareholders registered at 5.00pm on 2 March 2012 in respect of the six months ended 31 December 2011.

8. Income tax expense

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year to 31 December 2011 $m
Current tax expense			
Current year	14.3	4.1	8.4
Prior year adjustments	0.5	(0.3)	(0.5)
	14.8	3.8	7.9
Deferred tax expense			
Origination and reversal of temporary differences	5.8	(10.9)	(1.3)
Impact of change in UK tax rates	(3.6)	(3.0)	-
Prior year adjustments	(4.2)	-	(9.7)
	(2.0)	(13.9)	(11.0)
Income tax expense/(credit)	**12.8**	**(10.1)**	**(3.1)**
Profit/(loss) before tax	**112.9**	**(24.2)**	**62.7**
Tax calculated at Irish tax rate (12.5%)	14.1	(3.0)	7.8
Effects of:			
- Tax rates in foreign jurisdictions	4.7	(4.7)	0.7
- Non-deductible expenses	0.6	0.9	(0.1)
- Tax relief on share based payments - current and future years	-	-	(0.3)
- Over provided in prior years	(3.7)	(0.3)	(2.8)
- Restriction of foreign tax recoverable	1.9	-	-
-Change in UK tax rates*	(3.6)	(3.0)	(7.5)
-Foreign exchange on tax	(0.4)		(0.9)
-Utilisation of tax losses forward	(0.8)	-	-
Tax for the period	**12.8**	**(10.1)**	**(3.1)**

* Budget 2012 announced that the main rate of UK corporation tax for the financial year beginning 1 April 2012 would drop to 24%. The Finance Bill 2012, introducing a reduction in the UK corporation tax rate to 23% was substantively enacted on 3 July 2012. As this lower rate of 23% was not substantively enacted on or before the balance sheet date, the rate of 24% has been reflected in the deferred tax liability which forms part of the statement of financial position as at 30 June 2012.

9. Insurance claims

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

The top part of the table illustrates how the group's estimated claims ratio for each underwriting year has changed at successive year-ends. 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 tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2012 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	2008	2009	2010	2011	2012
		%	%	%	%	%	%	%	%	%	%
Life, accident and health											
12 months		-	-	-	-	-	-	53.1	52.8	50.3	-
24 months		-	-	-	-	-	-	52.4	52.3	-	-
36 months		-	-	-	-	-	-	45.1	-	-	-
48 months		-	-	-	-	-	-	-	-	-	-
60 months		-	-	-	-	-	-	-	-	-	-
72 months		-	-	-	-	-	-	-	-	-	-
84 months		-	-	-	-	-	-	-	-	-	-
96 months		-	-	-	-	-	-	-	-	-	-
108 months		-	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		-	-	-	-	-	-	44.1	50.6	49.5	-
Marine											
12 months		59.2	62.0	82.8	57.1	58.1	69.1	56.0	50.6	55.0	-
24 months		45.1	65.6	80.9	42.3	60.2	65.1	52.2	49.7	-	-
36 months		39.0	62.5	71.3	32.8	50.7	59.1	45.4	-	-	-
48 months		36.2	61.9	69.3	29.1	48.2	62.9	-	-	-	-
60 months		35.8	60.8	67.1	28.8	49.5	-	-	-	-	-
72 months		35.7	56.3	65.2	26.4	-	-	-	-	-	-
84 months		34.9	56.0	64.2	-	-	-	-	-	-	-
96 months		35.4	55.7	-	-	-	-	-	-	-	-
108 months		34.8	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		35.2	55.7	64.2	26.3	48.7	62.5	43.4	48.6	53.5	-
Political risks and contingency											
12 months		59.1	67.4	61.0	57.4	57.2	57.5	61.1	61.4	58.7	-
24 months		36.3	55.7	38.2	36.3	39.2	68.0	38.6	40.2	-	-
36 months		31.6	52.5	28.6	32.6	56.4	73.7	35.3	-	-	-
48 months		28.7	38.6	24.8	43.4	53.0	87.3	-	-	-	-
60 months		31.1	37.5	18.4	39.4	53.5	-	-	-	-	-
72 months		25.2	35.5	18.0	39.0	-	-	-	-	-	-
84 months		24.3	26.9	17.9	-	-	-	-	-	-	-
96 months		21.3	26.5	-	-	-	-	-	-	-	-
108 months		21.4	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		21.4	26.5	12.3	36.9	50.6	80.0	34.0	36.1	59.1	-
Property										-	
12 months		50.9	65.5	87.9	58.5	58.3	71.0	54.0	58.6	59.1	-
24 months		37.5	65.3	84.6	44.2	56.4	65.9	42.7	61.7	-	-
36 months		34.7	66.0	83.2	43.2	54.2	64.8	37.6	-	-	-
48 months		34.1	64.1	88.1	50.5	55.0	62.7	-	-	-	-
60 months		33.7	64.6	87.6	50.6	58.6	-	-	-	-	-
72 months		33.8	63.2	85.9	50.2	-	-	-	-	-	-
84 months		34.9	63.0	85.1	-	-	-	-	-	-	-
96 months		34.6	63.6	-	-	-	-	-	-	-	-
108 months		34.3	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		34.3	63.5	85.1	50.2	60.6	62.4	37.3	62.1	59.2	-
Reinsurance											
12 months		58.7	88.3	198.7	52.4	59.6	60.0	60.8	68.1	77.3	-
24 months		34.2	82.9	190.7	25.3	25.9	52.0	48.2	148.9	-	-
36 months		28.4	77.6	188.2	25.0	21.5	43.1	40.4	-	-	-
48 months		28.6	75.1	181.8	23.4	19.8	39.8	-	-	-	-
60 months		25.6	73.1	178.0	21.4	18.9	-	-	-	-	-
72 months		25.6	72.1	175.3	21.1	-	-	-	-	-	-
84 months		24.5	71.0	173.8	-	-	-	-	-	-	-
96 months		23.7	69.8	-	-	-	-	-	-	-	-
108 months		23.7	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		23.2	69.6	173.8	21.3	18.8	39.7	40.0	148.9	77.3	-
Specialty lines											
12 months		72.9	71.7	72.0	72.6	72.8	72.2	72.7	73.9	75.6	-
24 months		70.2	71.4	72.1	72.7	72.4	72.2	72.7	73.9	-	-
36 months		68.9	67.6	69.8	72.6	72.5	71.9	71.8	-	-	-
48 months		60.0	64.4	66.3	72.6	72.2	71.9	-	-	-	-
60 months		53.2	59.4	62.8	70.8	72.3	-	-	-	-	-
72 months		52.4	58.3	56.1	65.7	-	-	-	-	-	-
84 months		50.5	56.5	52.3	-	-	-	-	-	-	-
96 months		47.2	54.5	-	-	-	-	-	-	-	-
108 months		46.2	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		44.8	54.0	51.9	63.2	72.3	71.9	71.0	73.3	75.6	-

Total												
12 months		63.0	69.0	91.0	62.9	63.6	68.7	62.6	64.7	67.0	-	
24 months		52.6	69.3	88.4	53.1	59.3	67.7	57.4	72.7	-	-	
36 months		49.4	66.7	84.6	50.7	58.1	66.3	53.6	-	-	-	
48 months		44.9	63.7	83.0	52.4	58.4	67.5	-	-	-	-	
60 months		41.5	61.1	80.2	51.9	59.5	-	-	-	-	-	
72 months		40.9	59.4	76.4	49.1	-	-	-	-	-	-	
84 months		40.1	58.0	74.4	-	-	-	-	-	-	-	
96 months		38.4	57.1	-	-	-	-	-	-	-	-	
108 months		37.8	-	-	-	-	-	-	-	-	-	
Position at 30 June 2012		37.2	56.9	73.9	48.0	59.5	66.7	52.8	72.1	66.5	-	
Total ultimate losses($m)	1,822.9	446.5	762.6	1,114.8	798.8	1,063.5	1,253.4	1,042.1	1,489.5	1,229.1	1,392.1	12,415.3
Less paid claims ($m)	(1,712.9)	(385.7)	(652.7)	(960.2)	(531.7)	(693.1)	(706.9)	(486.9)	(459.3)	(136.1)	(13.2)	(6,738.7)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(70.0)	(142.0)	(1,165.8)	(1,377.8)
Gross claims liabilities (100% level) ($m)	110.0	60.8	109.9	154.6	267.1	370.4	546.5	555.2	960.2	951.0	213.1	4,298.8
Less unaligned share ($m)	(20.9)	(11.6)	(20.9)	(29.4)	(50.7)	(70.4)	(103.8)	(100.9)	(161.4)	(161.5)	(27.2)	(758.7)
Gross claims liabilities, group share ($m)	89.1	49.2	89.0	125.2	216.4	300.0	442.7	454.3	798.8	789.5	185.9	3,540.1

Net ultimate claims	2002ae	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
		%	%	%	%	%	%	%	%	%	%
Life, accident and health											
12 months		-	-	-	-	-	-	51.7	51.4	49.1	-
24 months		-	-	-	-	-	-	50.6	51.8	-	-
36 months		-	-	-	-	-	-	44.5	-	-	-
48 months		-	-	-	-	-	-	-	-	-	-
60 months		-	-	-	-	-	-	-	-	-	-
72 months		-	-	-	-	-	-	-	-	-	-
84 months		-	-	-	-	-	-	-	-	-	-
96 months		-	-	-	-	-	-	-	-	-	-
108 months		-	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		-	-	-	-	-	-	45.9	52.5	49.5	-
Marine											
12 months		55.4	57.7	55.5	54.0	55.3	61.3	54.5	52.3	55.9	-
24 months		44.8	53.1	49.3	42.0	56.5	56.9	48.4	49.4	-	-
36 months		40.2	48.6	43.1	32.9	49.5	50.7	39.6	-	-	-
48 months		39.1	47.8	39.8	31.4	46.7	47.7	-	-	-	-
60 months		39.0	46.6	39.3	30.9	47.4	-	-	-	-	-
72 months		39.1	44.2	38.2	29.1	-	-	-	-	-	-
84 months		38.0	43.9	36.7	-	-	-	-	-	-	-
96 months		37.5	43.1	-	-	-	-	-	-	-	-
108 months		37.3	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		37.0	43.1	36.6	29.0	46.5	47.2	36.9	49.6	54.9	-
Political risks and contingency											
12 months		56.7	64.1	63.5	56.1	55.4	55.9	59.0	57.3	54.9	-
24 months		37.4	58.5	46.8	40.4	39.9	75.8	35.1	37.7	-	-
36 months		34.8	54.3	36.2	36.9	55.1	76.2	32.6	-	-	-
48 months		33.0	41.5	30.0	47.1	54.1	80.0	-	-	-	-
60 months		35.1	41.2	24.5	41.4	52.1	-	-	-	-	-
72 months		27.3	36.4	23.5	39.8	-	-	-	-	-	-
84 months		25.7	26.4	23.3	-	-	-	-	-	-	-
96 months		22.6	25.5	-	-	-	-	-	-	-	-
108 months		22.6	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		22.3	24.7	15.6	39.7	49.9	75.6	31.2	33.4	55.1	-
Property											
12 months		48.6	59.7	65.1	61.2	61.1	67.2	53.7	59.0	60.4	-
24 months		41.5	60.9	62.1	48.9	59.4	67.2	48.5	65.9	-	-
36 months		39.1	60.4	58.5	47.3	58.6	65.0	45.0	-	-	-
48 months		38.4	58.6	61.1	51.0	59.2	63.9	-	-	-	-
60 months		38.0	58.3	61.7	50.1	62.0	-	-	-	-	-
72 months		38.1	57.5	60.0	50.0	-	-	-	-	-	-
84 months		39.6	57.3	59.0	-	-	-	-	-	-	-
96 months		39.4	57.2	-	-	-	-	-	-	-	-
108 months		39.1	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		39.1	57.2	58.8	50.0	60.4	63.5	44.3	66.9	60.7	-
Reinsurance											
12 months		60.1	88.7	152.5	54.3	55.3	67.6	55.6	76.9	86.9	-
24 months		39.5	86.6	134.4	36.9	30.0	58.0	52.4	133.8	-	-
36 months		33.9	83.4	128.4	34.9	25.0	48.7	46.7	-	-	-
48 months		34.6	77.1	119.5	32.6	22.7	46.4	-	-	-	-
60 months		31.7	73.8	113.2	31.1	22.1	-	-	-	-	-
72 months		31.7	72.3	111.9	31.0	-	-	-	-	-	-
84 months		30.3	71.6	106.2	-	-	-	-	-	-	-
96 months		29.4	70.0	-	-	-	-	-	-	-	-
108 months		29.4	-	-	-	-	-	-	-	-	-
Position at 30 June 2012		29.3	70.5	106.1	31.4	22.0	46.3	46.2	133.8	86.9	-
Specialty lines											
12 months		68.6	68.5	69.2	68.6	69.7	70.1	69.9	71.3	72.7	-
24 months		67.2	68.6	69.2	68.5	68.7	70.2	69.7	71.2	-	-

36 months		66.0	65.8	67.5	68.6	68.8	70.1	69.0	-	-	-	
48 months		57.8	62.1	63.8	68.5	67.3	70.0	-	-	-	-	
60 months		52.7	56.9	58.8	63.8	67.3	-	-	-	-	-	
72 months		50.8	53.5	53.7	56.6	-	-	-	-	-	-	
84 months		49.0	51.0	49.3	-	-	-	-	-	-	-	
96 months		45.2	48.7	-	-	-	-	-	-	-	-	
108 months		45.0	-	-	-	-	-	-	-	-	-	
Position at 30 June 2012		43.7	48.6	48.8	55.4	67.3	69.9	68.2	70.8	72.7	-	
Total												
12 months		60.1	65.2	73.1	62.1	63.1	66.3	60.4	64.4	66.5	-	
24 months		53.0	65.4	69.1	54.3	59.3	66.9	56.9	69.7	-	-	
36 months		50.5	62.8	65.2	51.7	58.7	64.4	53.3	-	-	-	
48 months		46.4	59.4	62.4	52.3	57.6	63.9	-	-	-	-	
60 months		43.7	56.4	59.4	50.1	58.1	-	-	-	-	-	
72 months		42.7	54.0	56.5	46.5	-	-	-	-	-	-	
84 months		41.8	52.1	53.4	-	-	-	-	-	-	-	
96 months		39.8	50.8	-	-	-	-	-	-	-	-	
108 months		39.6	-	-	-	-	-	-	-	-	-	
Position at 30 June 2012		39.0	50.7	52.6	46.1	57.3	63.3	52.4	69.5	66.4	-	
Total ultimate losses($m)	985.5	373.7	571.9	619.5	629.3	899.9	958.8	840.4	1,125.9	1,050.5	1,038.3	9,093.7
Less paid claims ($m)	(922.2)	(331.2)	(483.5)	(513.8)	(435.2)	(619.7)	(625.4)	(434.7)	(453.9)	(159.9)	(14.6)	(4,994.1)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	15.6	(141.9)	(895.3)	(1,021.6)
Net claims liabilities (100% level) ($m)	63.3	42.5	88.4	105.7	194.1	280.2	333.4	405.7	687.6	748.7	128.4	3,078
Less unaligned share ($m)	(12.0)	(8.1)	(16.8)	(20.1)	(36.9)	(53.2)	(63.4)	(75.5)	(116.6)	(128.9)	(18.2)	(549.7)
Net claims liabilities, group share ($m)	51.3	34.4	71.6	85.6	157.2	227.0	270.0	330.2	571.0	619.8	110.2	2,528.3

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 2012 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 reserves established in respect of the 2011 catastrophe events remain appropriate in light of development to date.

Life, accident and health
There was a net strengthening on 2009 and 2010 due to a downward revision of premium for little change in the expected ultimate claims cost.

Marine
Following continued favourable development, all years have exhibited a stable or reducing net ultimate loss ratio trend.

Political risks and contingency
The 2005 underwriting year benefitted from a favourable outcome on a product recall claim and the 2008 underwriting year benefitted from a significant recovery on a trade credit claim. Development on other years was also positive.

Property
The 2010 underwriting year was strengthened due to an engineering claim and the presence of the run-off of the US admitted property business in this year. There was a gross only movement on the 2007 underwriting year due to a reserve increase for an engineering claim.

Reinsurance
The 2010 and 2011 underwriting years reflect the reserves established in respect of catastrophes. While there is still uncertainty related to the development of the claims associated with these events, we have maintained our reserves based on development to date.

Specialty lines
The trend of releases, in particular from the 2003 to 2006 underwriting years, has continued. There has also been a contribution from the 2009 underwriting year and an initial release from the growing short-tailed business in 2010 underwriting year.

Claims releases

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

The main contributions to the prior year release come from 2009 and earlier on marine, political risks and contingency, property and specialty lines. The releases are the result of both generally favourable development and recoveries on specific claims.

The movements shown on 2009 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2012	Life, Accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	26.0	72.7	24.9	69.7	31.9	199.6	424.8
Prior underwriting year							
- 2009 and earlier	(0.9)	(8.0)	(10.2)	(9.8)	(1.1)	(17.3)	(47.3)
- 2010	0.5	(0.2)	(2.3)	4.2	(0.2)	(2.3)	(0.3)
- 2011	0.7	(0.7)	(1.3)	1.6	(0.3)	-	-
	0.3	(8.9)	(13.8)	(4.0)	(1.6)	(19.6)	(47.6)
Net insurance claims	**26.3**	**63.8**	**11.1**	**65.7**	**30.3**	**180.0**	**377.2**

6 months ended 30 June 2011	Life, Accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	21.1	59.1	51.5	98.0	135.7	200.5	565.9
Prior underwriting year							
- 2008 and earlier	(0.1)	(4.0)	(6.8)	(1.5)	(3.2)	(21.6)	(37.2)
- 2009	(1.5)	(8.5)	(5.9)	(14.1)	(5.7)	-	(35.7)
- 2010	(1.8)	0.6	(1.0)	(6.1)	(7.4)	-	(15.7)
	(3.4)	(11.9)	(13.7)	(21.7)	(16.3)	(21.6)	(88.6)
Net insurance claims	**17.7**	**47.2**	**37.8**	**76.3**	**119.4**	**178.9**	**477.3**

Year to 31 December 2011	Life, Accident and health $m	Marine $m	Political risks and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	40.1	122.5	57.5	199.2	209.7	408.0	1,037.0
Prior underwriting year							
- 2008 and earlier	0.7	(11.4)	(10.2)	4.6	(10.1)	(61.8)	(88.2)
- 2009	(3.9)	(24.6)	(2.8)	(15.9)	(10.0)	-	(57.2)
- 2010	(1.3)	(3.9)	(9.1)	(8.9)	(17.9)	-	(41.1)
	(4.5)	(39.9)	(22.1)	(20.2)	(38.0)	(61.8)	(186.5)

Net insurance claims	**35.6**	**82.6**	**35.4**	**179.0**	**171.7**	**346.2**	**850.5**

10. Related party transactions

The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 31 of the group's consolidated financial statements for the year ended 31 December 2011.

There were no transactions with related parties during the six months ended 30 June 2012 which have had a material effect on the results or financial position of the group.

11. Foreign exchange rates

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

	6 months ended 30 June 2012 $m	6 months ended 30 June 2011 $m	Year to 31 December 2011 $m
Average			
Pound sterling	0.63	0.62	0.62
Canadian dollar	1.01	0.98	0.99
Euro	0.77	0.71	0.72
Spot			
Pound sterling	0.64	0.62	0.65
Canadian dollar	1.02	0.98	1.02
Euro	0.80	0.69	0.77

Glossary

Admitted carrier
An insurance company authorised to do business in the US. An agreement is entered into which stipulates the terms and conditions under which a business must conduct within a state in the US.
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 statement of financial position strength, operating performance and business profile. Beazley plc obtained an A rating as did Beazley Insurance Company, Inc.
Binding authority
A contracted agreement between a managing agent and a coverholder under which the coverholder is authorised to enter into contracts of insurance for the account of the members of the syndicate concerned, subject to specified terms and conditions.
Capacity
This is the maximum amount of premiums that can be accepted by a syndicate. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Capital growth assets

These are assets that do not pay a regular income and target an increase in value over the long-term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge 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.
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, such as 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 board (IASB)
An international panel of accounting experts responsible for developing IAS/IFRS.
International accounting standards (IAS)/International financial reporting standards (IFRS)
Standards formulated by the IASB with the intention of achieving internationally comparable financial statements. Since 2002, the standards adopted by the IASB have been referred to as International Financial Reporting Standards (IFRS). Until existing standards are renamed, they continue to be referred to as International Accounting Standards (IAS).
Lead underwriter
The underwriter of a syndicate who is responsible for setting
the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate and who generally has primary responsibility for handling any claims arising under such a contract.
Line

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

Managing agent

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

Managing general agent (MGA)

An insurance intermediary acting as an agent on behalf of an insurer.

Medium tail

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

Net assets per share

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

Net premiums written

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

Provision for outstanding claims

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

Rate

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

Reinsurance special purpose syndicate

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

Reinsurance to close (RITC)

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

Retention limits

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

Return on equity (ROE)

Ratio, in percent calculated by dividing the consolidated profit after tax by the average daily 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.

Special purpose 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 (TSR)

The increase in the share price plus the value of any 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.

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