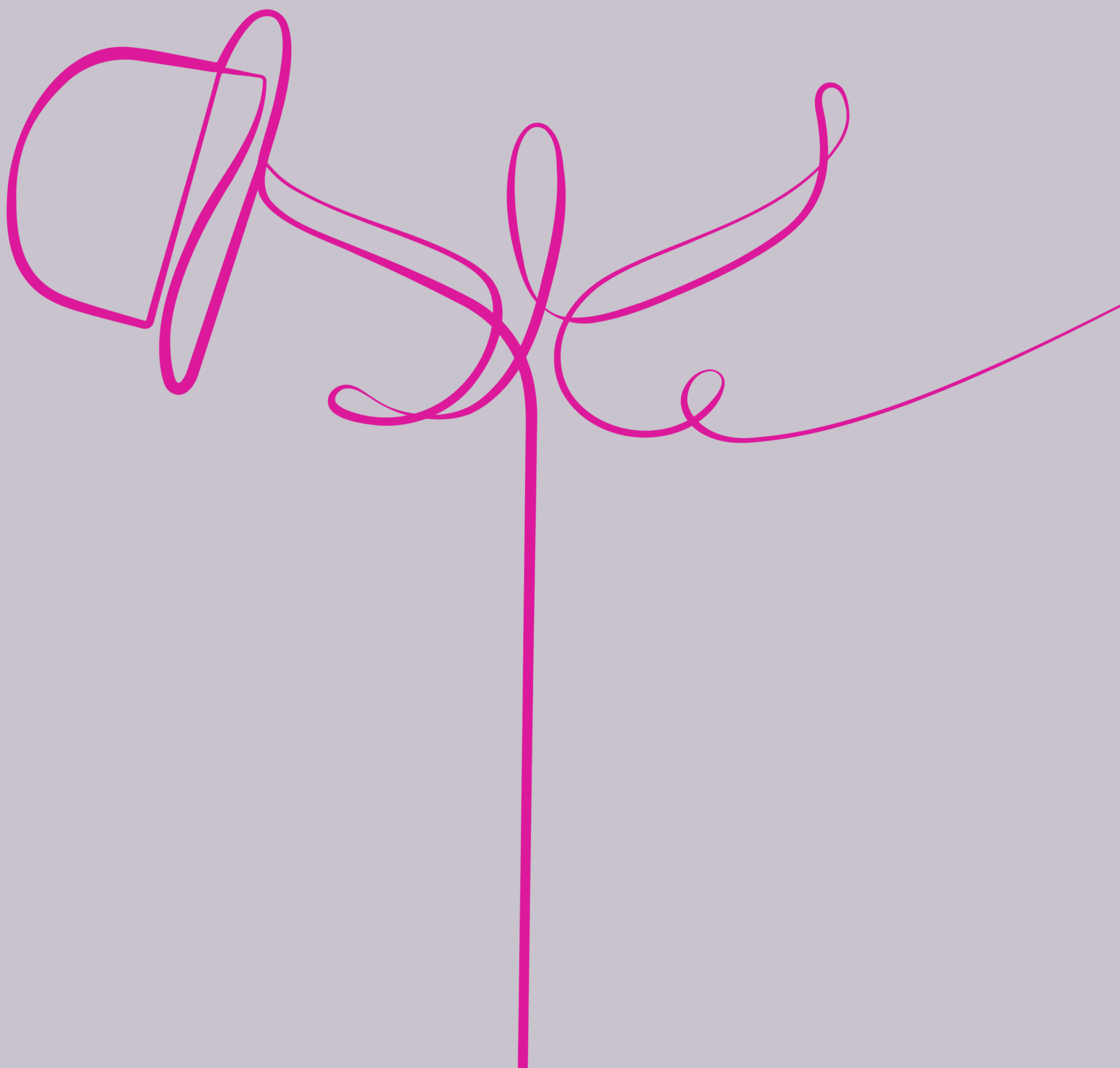
beazley

Beazley plc | Interim Report 2023

Insurance. Just different.



We live in a world facing new levels of known risks and complex, novel risks. We believe the role and responsibility of a leading sustainable specialist insurer is to equip and support its clients with ways to mitigate these risks so that their businesses can thrive.

Fear of risk limits creativity and stifles progress. The services and products that we provide deliver peace of mind. But more than this, our purpose at Beazley is to inspire our clients and people with the confidence and freedom to explore, create and build – to enable people and businesses to thrive. Our clients want to live and work freely and fully, knowing they are benefiting from the most advanced thinking in the insurance market.

We are passionate about bringing innovative and progressive thinking to the challenges of the insurance market. We have deep experience, and our approach is bold and non-conformist. We choose to be different and are not afraid to challenge the status quo in order to bring better and more enabling solutions to the market. We harness an enviable bench of expert solvers, intuitive tech-driven solutions and the hunger to go beyond expectations in everything we do. We expect our people to do the right thing in all situations – to act with integrity, respect and empathy.

At Beazley we are driven by enabling potential in our clients and our people, contributing to a brighter and more sustainable world.

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About Beazley

Beazley plc is the parent company of our specialist insurance business with operations in Europe, the US, Canada, Latin America and Asia. Beazley is a proud participant in the Lloyd's market, one of the largest and oldest insurance markets in the world. Through the Lloyd's broker network and the market's trading licences, we are able to access a wide range of insurance and reinsurance business from around the world. Many of the lines of business we underwrite, such as Marine, Political Risks and Contingency, were pioneered at Lloyd's.

Beazley manages seven Lloyd's syndicates: syndicates 2623 and 623 underwrite a broad range of insurance and reinsurance business worldwide; syndicate 3622 is a dedicated life syndicate; syndicate 3623 previously wrote personal accident and facilities business; syndicate 6107 is a special purpose syndicate which writes reinsurance business; syndicate 5623 writes facilities business; and syndicate 4321 is a Lloyd's syndicate in a box, which focuses on writing business on a consortium basis led by syndicate 2623/623 based on ESG scores of insureds.

We also underwrite business directly in the US-admitted market through Beazley Insurance Company, Inc. ("BICI"), an admitted carrier licensed to write in all 50 states, and Beazley America Insurance Company, Inc. ("BAIC"), an admitted carrier licensed to write in 49 states.

Our European insurance company, Beazley Insurance dac ("BIdac") underwrites business throughout the European Economic Area, the United Kingdom and Switzerland. BIdac is licensed to write direct business through its branches in the UK, France, Germany, Spain and Switzerland. BIdac also acts as an internal reinsurer for a portion of the Group syndicates' business.

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

Highlights

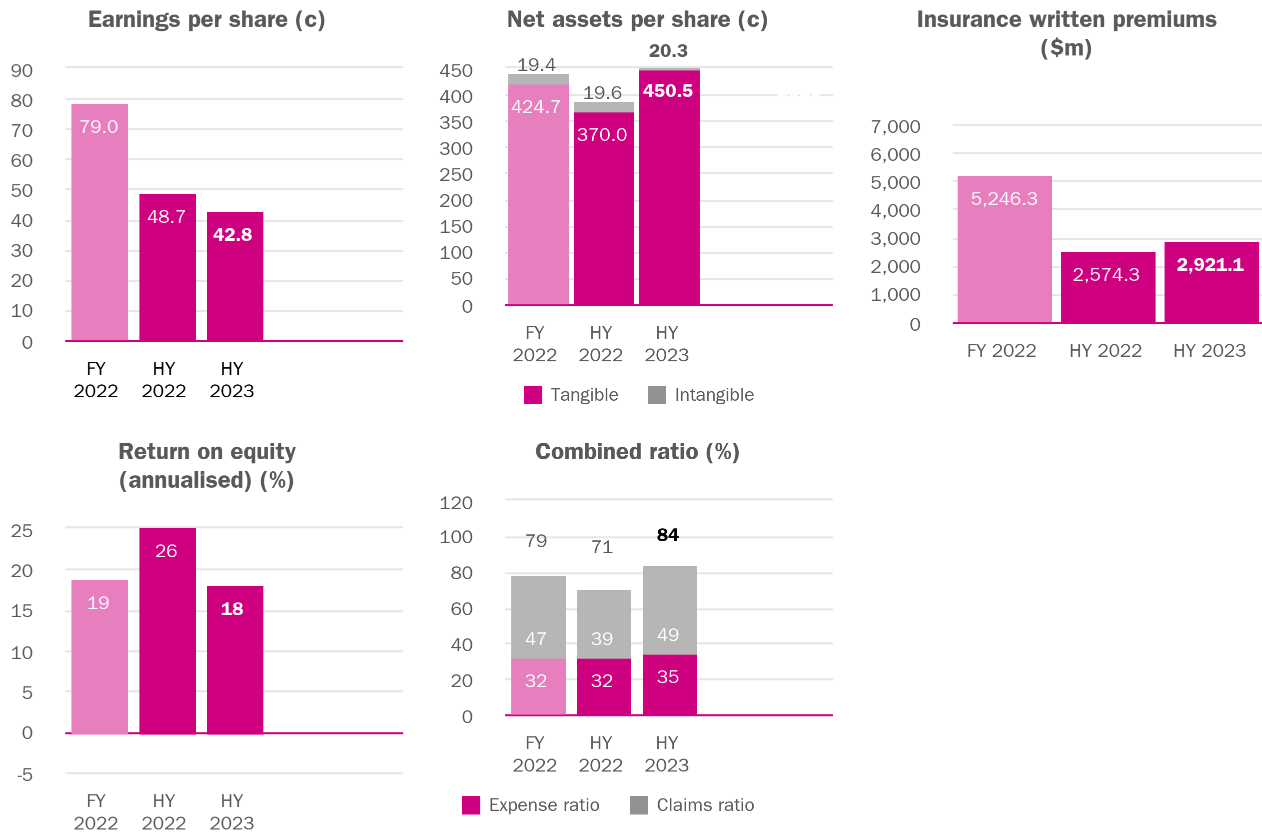
	6 months ended 30 June 2023	6 months ended 30 June 2022[1]	Year to 31 December 2022[1]
Insurance written premiums ($m)	2,921.1	2,574.3	5,246.3
Net insurance written premiums ($m)	2,349.6	1,808.2	3,772.4
Insurance service result ($m)	342.2	540.6	822.9
Profit before tax ($m)	366.4	364.9	584.0
Claims ratio	49%	39%	47%
Expense ratio	35%	32%	32%
Combined ratio	84%	71%	79%
Basic earnings per share (cents)	42.8	48.7	79.0
Net assets per share (cents)	470.8	389.6	444.1
Net tangible assets per share (cents)	450.5	370.0	424.7
Basic earnings per share (pence)	34.9	37.1	63.4
Net assets per share (pence)	376.6	319.5	364.2
Net tangible assets per share (pence)	360.4	303.4	348.3
Return on equity (annualised)	18%	26%	19%
Premium renewal rate change	5%	18%	14%
Investment return (annualised)	3.0%	(5.0)%	(2.1)%

1 As a result of the adoption of IFRS 17, comparative information has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022. This applies to income statement figures in addition to net assets (total equity).

The Beazley Group ("the Group") uses alternative performance measures ("APMs") to help explain its financial performance and position. The Group views some of the information contained above (in addition to its key performance indicators) to be APMs. Further information on these can be found on pages 49 to 51.

Key performance indicators

Financial[1]



1 As a result of the adoption of IFRS 17, comparative information has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022. This applies to income statement figures in addition to net assets (total equity).

Interim results statement

"I am confident in our ability to deliver high growth and strong profits, not just at the full year, but consistently as we move forward."

Adrian Cox
Chief Executive Officer

2023 marks the first year of reporting under IFRS 17 and under the new standard, Beazley delivered a profit before tax of $366.4m for the first half of 2023 (30 June 2022: $364.9m). This included an insurance service result of $342.2m (30 June 2022: $540.6m), resulting in a discounted combined ratio of 84% (30 June 2022: 71%) and an undiscounted combined ratio of 88% (30 June 2022: 74%). Our investment team achieved a strong investment result of $143.9m (30 June 2022: loss of $193.0m) or 3.0% annualised (30 June 2022: loss of 5.0%). In Property, Insurance written premiums grew by 65% to $805.2m, alongside ongoing growth in Cyber which saw insurance written premiums increase by 14%. We have also achieved this growth at returns exceeding our long-term targets, with an annualised return on equity of 18% (30 June 2022: 26%).

2023 has been a moment of opportunity for Beazley allowing us to demonstrate the success of our diversified strategy, and our ability to adapt and effectively allocate capital to the best growth and return opportunities as the underwriting price cycle changes.

So far this year, this has seen us lean into the significant upswing in the property market with premiums up 65%, with stronger than expected growth seen in the direct property market, while reinsurance performed very positively, as expected. We continue to grow our cyber business, with a growth rate of 14%, even as the cyber war wordings issue has created unsettled market dynamics, in particular we are pleased with the growth we are generating internationally. Equally importantly, we have maintained our position in our key liability businesses within Specialty Risks despite the highly competitive market conditions in certain lines that we have highlighted since late 2022. Our MAP Risks division continued to deliver as expected with gross growth being curtailed as planned due to our portfolio underwriting no longer needing to be fronted by the Group as syndicate 5623 became a standalone syndicate.

It is at moments like these, when the economic situation is unpredictable and technology is asking challenging questions of us, that the strength and benefits of our diversified platform, product and geography strategy comes to the fore. In May 2023, we added a US domestic Excess & Surplus lines carrier to our North American platform. Subject to obtaining approvals, we will begin underwriting excess and surplus lines insurance originating from the US in 2024 in addition to transferring to it similar business already written within our managed syndicates. We expect approximately $600m of premiums by the end of 2024 with a further $1.38bn by the end of 2026.

Combining this environment with our diversified product and tri-platform strategy, and the increased awareness of, and demand for, our underwriting and claims expertise, allows me to remain confident in our ability to deliver high

Interim results statement continued

growth and strong profits, not just at the full year but consistently as we move forward.

World leading innovation

We led the market in January 2023 with the launch of the first cyber catastrophe bond, followed by a second tranche in May. This innovation was recognised at the British Insurance Awards, where Beazley received the 2023 Industry Impact award for the cyber catastrophe bond. Although relatively small at this stage, we have a strong pipeline of investor demand and expect further issuance through 2024. In April we gained widespread praise for projecting the world's first QR code into the sky, a way to showcase our brand attributes at an event on the River Thames making use of 400 sustainable drones for the projection, rather than an environmentally costly fireworks display.

Changes to management

I want to welcome two new senior colleagues to Beazley. The first is Clive Bannister, who became Chair at our AGM on 20 April 2023 and brings a wealth of public company and insurance sector experience. The second is Fred Kleiterp who joined as European General Manager on 01 June 2023 and will lead the next phase of growth in our European business, which will accelerate in the coming years.

After 18 years at Beazley, Sally Lake has decided to leave in 2024. For the last five years she has been Group Finance Director and has made an important contribution to Beazley's performance. We have started an external search for her successor.

Cyber Risks

Cyber Risks performed well in the year-to-date with 14% growth, despite a slight reduction in rates. The headwinds around war wordings began to recede, although the market remains competitive. We continue to view cyber as having exciting long-term growth prospects, particularly in Europe, where performance was strong in the first half of 2023.

Digital

Digital remained broadly stable for the first half, as we continued the build out of our Specialty insurance offering for small businesses around the world.

Marine, Accident and Political ("MAP") Risks

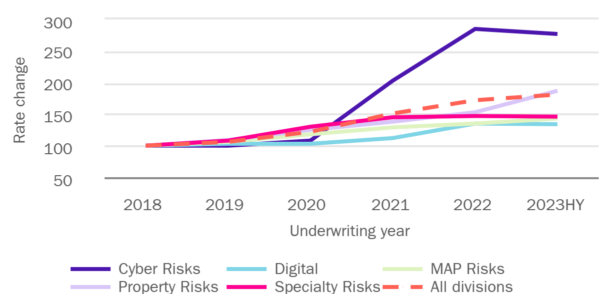
MAP Risks continues to grow in line with expectations. As expected, insurance written premiums reduced as a result of syndicate 5623 becoming a standalone syndicate, where we now only take a circa 18% share of its underwriting, as it is predominantly backed by third party capital.

Property Risks

There was significant growth in Property Risks (65% in the first half), as we continued to take advantage of the excellent market conditions. As expected, property reinsurance performed well in the first six months, while our property insurance book of business delivered stronger than anticipated growth, as the hardening reinsurance market drove increases in the primary market.

Specialty Risks

In Specialty Risks the very challenging conditions continued in Directors and Officers ("D&O"). We remained focused on areas which are less exposed to social inflation, such as environmental liability and programs business, as we continued our work to diversify the division's mix of business.



Platform and product strength

Beazley's strategy is to achieve a successful intersection of platforms and products and we believe that a mix of international, wholesale and domestic business will deliver better access to the highest quality risks in markets where we can add real value.

There are three core elements to our platform strategy – our North America platform, European platform and our wholesale platforms. These represent 36%, 9% and 55% of our 2023 half year premiums respectively.

Our wholesale platforms in London, Singapore and Miami continue to perform well, and seize growth opportunities as they emerge. In the domestic markets we see substantial opportunities for growth, where we are at different development stages of building significant domestic platforms in the two largest regions, North America and Europe.

Our US domestic business has underwritten $1,051.6m of insurance written premiums in the first half 2023, and has over 800 staff. There remain plenty of opportunities for growth and I am confident that we have the right infrastructure and product suite to capitalise on them.

In Europe, our business is at an earlier stage of development, in the first half 2023 it achieved insurance written premiums of $262.9m and we see positive opportunities across the rest of the year. We are committed to long term investment across Europe and strongly believe that having more direct access to risk which provides us with a more diverse portfolio and less volatile results is an investment worth making.

This platform strength is complemented by a product set focused on markets such as technology, healthcare,

environmental, political risks, events and cyber, that have key attributes we covet such as long-term demand growth and which present specialist risks, where we can add value and good margin over the cycle.

By investing over time in strengthening our position from both a platform and product perspective we believe we have ensured we are primed for growth and are confident in our ability to achieve it.

IFRS 17

2023 is the first year we have reported our results under the new Insurance accounting standard, IFRS 17.

This has no impact on strategy or cash generation. This also has no impact on our regulatory capital position or our dividend paying capacity. Separately to IFRS 17 we have also chosen to make changes to our capital disclosures.

We have taken a fully retrospective approach to transition and prior period comparable numbers have been restated.

Reserving

With the transition from IFRS 4 to IFRS 17, we took the opportunity to revisit our reserving strategy and have set a preferred confidence level range of between the 80th and 90th percentile. This metric gives an indication about where the reserves sit compared to the best estimate and the capital requirement. IFRS 17 requires that the level of this additional amount above a best estimate reserve, known as the risk adjustment for non-financial risk, needs to be considered against a number of principles of which two are dominant. First, the level needs to be consistent with how risk is managed, contracts are priced and the portfolios are managed. The second principle states that the risk adjustment level should make the firm neutral to running off the obligations or selling them.

As at 30 June 2023, our reserve confidence level was at the 89th percentile (30 June 2022: 85th percentile, 31 December 2022: 85th percentile), which is towards the upper end of our preferred confidence level range.

Performance

Both underwriting and investment performance have been strong in the first half of 2023, leading to generation of own funds increasing our solvency ratio. Under IFRS 17, there have been some effects which have reduced the insurance result when compared to our IFRS4 measure. In Property Risks, where there has been a significant increase in expected returns on this division, as well as increasing the risk appetite for this business, the IFRS 17 risk adjustment increased significantly. This is because the cost of capital approach leads to the risk adjustment correlating to the expected return on capital on each line of business. At the same time, with large rate increases within the market, and continued good attritional experience, we see an improvement on best estimate loss ratios. Given the short tail nature of the class we anticipate that this risk adjustment will reduce between now and the end of the year. On MAP Risks, whilst we have seen positive claims development leading to improvements within the best estimate, we have also increased the risk adjustment in specific areas to ensure that the underlying risks are fully reflected.

Investments

Our investments returned $143.9m, or 1.5% in the first half of 2023 (30 June 2022: a loss of $193.0m, or (2.5%)). Yields on our fixed income investments are higher than for many years and this has supported returns in the period. However, risk-free yields remain volatile and have continued to rise in recent months, generating some capital losses and reducing fixed income returns below yield based expectations. This development has been most significant in Sterling bond markets, where 2-year Gilt yields have risen by nearly 2 percentage points in the year-to-date, generating losses of 1.4% on these bonds. This has impacted our overall return, notwithstanding that only 7.6% of our investments are in Sterling denominated bonds. Corporate credit exposures within our fixed income portfolio have added to returns as credit spreads generally declined in this period. Overall, our fixed income investments, which make up 79% of the total, returned 1.2% in the first half of 2023. Elsewhere, our capital growth investments have performed well, returning 4.6% overall in this period, led by our equity exposures, which returned 16.5%. Looking ahead, our fixed income portfolio yield (5.3% at 30 June 2023) continues to promise a good level of return, but the macro environment remains uncertain, characterised by significant volatility, making it particularly difficult to predict investment outcomes.

Investment performance

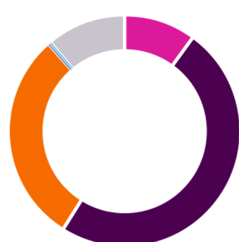
	30 June 2023 $m	30 June 2023 %	30 June 2022 $m	30 June 2022 %
Cash and cash equivalents	964.3	10.0	629.0	7.9
Fixed and floating rate debt securities				
– Government	4,724.1	49.0	4,344.2	54.8
– Corporate bonds				
– Investment grade	2,500.9	25.9	1,811.2	22.8
– High yield	362.7	3.8	304.9	3.8
Syndicate loans	33.2	0.3	32.2	0.4
Derivative financial assets	6.8	0.1	20.0	0.3
Core portfolio	8,592.0	89.1	7,141.5	90.0
Equity funds	251.2	2.6	63.7	0.8
Hedge funds	564.5	5.8	482.6	6.0
Illiquid credit assets	236.4	2.5	250.8	3.2
Capital growth assets	1,052.1	10.9	797.1	10.0
Investment portfolio total	**9,644.1**	**100.0**	**7,938.6**	**100.0**

	30 June 2023 $m	30 June 2023 annualised return %	30 June 2022 $m	30 June 2022 annualised return %
Core portfolio	100.7	2.5	(177.7)	(5.1)
Capital growth assets	43.2	9.1	(15.3)	(3.5)
Overall return	143.9	3.0	(193.0)	(5.0)

Interim results statement continued

Investment by asset type

Investments portfolio split



Cash and cash equivalents	10.0%
Government	49.0%
Corporate debt	29.7%
Syndicate loans	0.3%
Derivative financial assets	0.1%
Capital growth assets	10.9%

Expenses

The expense ratio, which under IFRS 17 includes only expenses directly attributed to insurance activities, increased to 35% for the first half of the year (30 June 2022: 32%). For the first six months of the year, non-directly attributable expenses of $137.6m (30 June 2022: $103.0m) fall outside the insurance result. Taking these items together, total expenses for the first six months of the year were $862.7m (30 June 2022: $686.7m).

We continue to focus on our total expense base, allowing for additional expenses where aligned to underlying business growth or to enhancement to our business model. The latter includes execution of our three platform strategy, modernisation of our underwriting and finance platforms, setting up of on an onshore E&S carrier and digital trading capabilities.

Interest rate sensitivity

The Group has conducted a sensitivity analysis for debt and fixed income holdings, and recalculated the discounting impact for the reinsurance contract assets and insurance contract liabilities, to estimate that a movement in interest rates may affect the Group's profit after tax for the period/year as follows:

	Assets	
	30 June 2023 $m	31 December 2022 $m
Shift in yield (basis points)		
150 basis point increase	(157.3)	(185.8)
100 basis point increase	(104.9)	(123.8)
50 basis point increase	(52.5)	(61.9)
50 basis point decrease	52.5	61.9
100 basis point decrease	104.9	123.8
150 basis point decrease	157.3	185.8

	Liabilities	
	30 June 2023 $m	31 December 2022 $m
Shift in yield (basis points)		
150 basis point increase	122.4	133.5
100 basis point increase	82.5	110.1
50 basis point increase	41.7	45.6
50 basis point decrease	(42.7)	(46.7)
100 basis point decrease	(86.5)	(94.6)
150 basis point decrease	(132.7)	(143.7)

Capital

We have a number of requirements for capital at a Group and subsidiary level. Capital is required to support underwriting at Lloyd's, within the US and through our European company and is subject to prudential regulation by local regulators (PRA, Lloyd's, CBI, and the US state level supervisors). Further capital requirements come from rating agencies who provide ratings for BICI and BIdac. Beazley aims to manage its capital and leverage levels to obtain the ratings necessary to trade with its preferred client base. As at 30 June 2023, the Group's leverage was 15% (31 December 2022: 16%).

The following table sets out the Group's capital requirements of our Lloyd's and US businesses.

	Projected 31 December 2023 $m	31 December 2022 $m
Lloyd's economic capital requirement ("ECR")	3,289.8	2,577.1
Capital for US insurance company	180.4	180.9
Total	**3,470.2**	**2,758.0**

We estimate the surplus above ECR to be 23% at 31 December 2023 pre-dividend (31 December 2022: 40% post dividend). The Lloyd's capital requirement shown includes an initial view of the 2024 business plan, and thus already takes into account the additional growth expected next year. We are in the early stages of the 2024 business planning process, and the current estimate included within the ECR calculation assumes growth net of reinsurance of around 20%. We will conclude the business planning process later this year. The surplus capital ratio also takes into account adjustments made under Solvency II.

We continue to utilise $225m of the $450m banking facility as a letter of credit to support our Funds at Lloyd's ("FAL").

Going forward, we will no longer be disclosing our capital surplus position above Lloyd's ECR. As we continue growing our business in the US and Europe, we have taken the decision to evolve our approach toward capital disclosures and focus primarily on the capital measure that covers the Group's business across a number of territories. We have chosen to use Group Solvency II coverage ratio (Solvency II ratio) as the key capital measure for the Group going forward. The calculation of Solvency II ratio is regulated and is subject to the capital

adequacy requirements of the European Union Solvency II regime. This makes it comparable with Solvency II Capital disclosures made by our peers both in the UK and Europe, and aligned with the market practice.

We aim to maintain a Solvency II ratio in excess of 170% of Solvency Capital Requirement ("SCR"). As we remain committed to active capital management, the level of excess capital will continue to be driven by opportunities for organic growth, market environment, prudence, regulatory framework and a desire to maximise returns for investors.

As at 31 December 2022, our Solvency II coverage ratio was 244%. We estimate our 30 June 2023 Solvency II ratio to be at 273%. We generally expect half year Solvency II ratios to be higher than those at the end of the year, due to the end of year ratios including a projection for the following year's growth.

The half year ratio is a result of good underwriting performance and a strong return on investments driving significant own funds generation, while capital requirements are aligned with 2022 year end and represent the current year business plan.

	30 June 2023 Estimate $m	31 December 2022 Actual $m
Eligible Tier 1 capital after foreseeable distributions	3,782.5	3,330.5
Eligible Tier 2 capital – subordinated debt	516.7	506.2
Total Solvency II Eligible own funds	4,299.2	3,836.7
Capital requirement	1,573.8	1,573.8
Group Solvency II ratio	**273%**	**244%**

In the second half of the year, our capital requirements will be recalculated to reflect the growth expected in the business during 2024 as well as own fund generation in the period. We also expect to make a number of model changes/refinements at that time. When considered together, these factors are expected to increase our capital requirements, which will result in a decreased Solvency II ratio at 31 December 2023 when compared to 30 June 2023. Our current expectation is that the Solvency II ratio at year end 2023 will be below that for year end 2022.

Scenario sensitivity analysis

The table below shows the impact on the Group's estimated Solvency II ratio in the event of the following scenarios as at 30 June 2023.

	Impact on Solvency II ratio
Cyber Largest RDS	(7)%
One-off Catastrophe loss equivalent to a 1-in-250 US windstorm	(32)%
50 bps decrease in interest rates[1]	(13)%

1This considers the impact on the SCR in isolation to the impact on eligible own funds.

The changes in capital disclosures do not impact our dividend strategy. When determining the level of dividend, the Board will continue to consider the Group's capital position, future investment and growth opportunities and our ability to generate cash flows. To the extent that our capital levels are significantly in excess of what we need to invest in profitable growth, we will look to return capital to shareholders.

Outlook

We have confidence in the ability of our diversified platform, product and geographic strategy to continue to deliver and look forward to achieving mid-teens growth. We also reiterate our guidance for the full year combined ratio on an IFRS 4 basis of high eighties. This is equivalent to a combined ratio guidance of low eighties on an undiscounted IFRS 17 basis.

Adrian Cox

Chief Executive Officer

11 September 2023

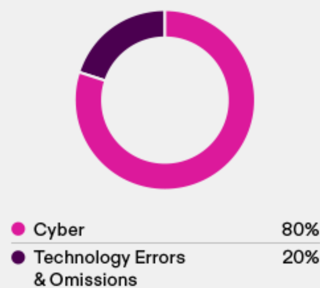
Performance by division

Cyber Risks

Paul Bantick
Head of Cyber Risks

Our market leading Cyber insurance offering protects businesses against cyber threats by building resilience and minimising risk. Beazley is a pioneer in cyber insurance and has led the way in the development of an effective cyber ecosystem which protects clients, before, during and after a cyber incident and in the creation of the market's first cyber catastrophe bond.

Portfolio mix



Cyber	80%
Technology Errors & Omissions	20%

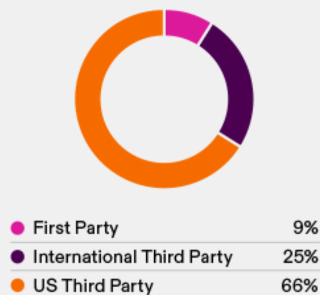
	2023 HY $m	2022 HY $m
Insurance written premiums	541.4	473.7
Net insurance written premiums	426.2	331.6
Segmental result	135.8	134.0
Claims ratio	50%	26%
Expense ratio	24%	23%
Combined ratio	74%	49%
Rate change	-3%	71%

Digital

Ian Fantozzi
Head of Digital
Executive Sponsor of the Beazley Proud Network

Working closely alongside our four divisions, Digital offers cross class specialist digital underwriting capabilities to the small business market. It gives brokers one Beazley point of contact, supported by a cross functional team, to access multiple product lines and digital services via their preferred platform or channel.

Portfolio mix



First Party	9%
International Third Party	25%
US Third Party	66%

	2023 HY $m	2022 HY $m
Insurance written premiums	110.8	111.3
Net insurance written premiums	97.2	94.9
Segmental result	20.4	8.4
Claims ratio	36%	37%
Expense ratio	44%	39%
Combined ratio	80%	76%
Rate change	-1%	16%

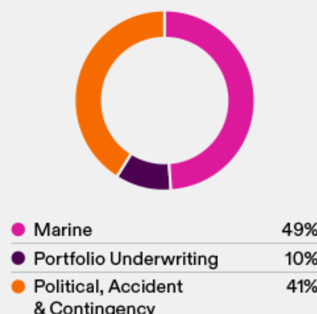
Performance by division continued

MAP Risks

Tim Turner
Head of MAP Risks

Beazley's Marine, Aviation, Political, Accident, Contingency and Portfolio underwriting came together in 2022. These highly specialist classes are mainly underwritten on a wholesale basis via our Lloyd's platform and our expert underwriters are often the market leader.

Portfolio mix



Marine	49%
Portfolio Underwriting	10%
Political, Accident & Contingency	41%

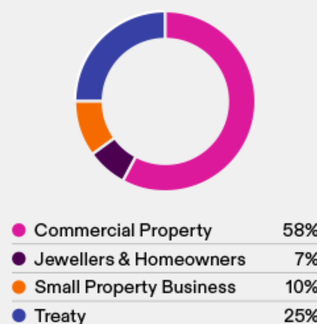
	2023 HY $m	2022 HY $m
Insurance written premiums	522.4	551.0
Net insurance written premiums	429.2	362.2
Segmental result	6.9	-8.4
Claims ratio	52%	53%
Expense ratio	47%	43%
Combined ratio	99%	96%
Rate change	6%	5%

Property Risks

Richard Montminy
Head of Property Risks
Executive Sponsor of the Responsible Business Committee

Bringing together our direct and reinsurance Property underwriting, the division gives strategic insight of both site level insights and high-level trends, delivering a bird's eye view of property market dynamics. Business is underwritten around the globe with an emphasis on North American based property risks.

Portfolio mix



Commercial Property	58%
Jewellers & Homeowners	7%
Small Property Business	10%
Treaty	25%

	2023 HY $m	2022 HY $m
Insurance written premiums	805.2	487.4
Net insurance written premiums	643.0	355.5
Segmental result	76.9	11.3
Claims ratio	46%	50%
Expense ratio	36%	36%
Combined ratio	82%	86%
Rate change	22%	9%

Performance by division continued

Specialty Risks

Bethany Greenwood
Head of Specialty Risks
Executive Sponsor of the Race at Work Charter

Specialty Risks offers scale and diversification over 27 different product lines, including Directors and Officers (D&O), Mergers and Acquisitions (M&A), Environmental Liability and specialist insurance for the life sciences industries. The division was formed in 2022 combining the previous Executive Risk and Specialty Lines divisions.

Portfolio mix

Small Business	21%
Healthcare	14%
Executive Risks	22%
Global Treaty	12%
International Specialties	31%

	2023 HY $m	2022 HY $m
Insurance written premiums	941.3	950.9
Net insurance written premiums	754.0	664.0
Segmental result	147.7	238.9
Claims ratio	50%	36%
Expense ratio	34%	29%
Combined ratio	84%	65%
Rate change	-1%	4%

Spotlight on capital CEO Q&A

Can you explain your thinking on the allocation of capital across the business?

Our focus is on allocating capital to the most profitable areas of our book; where market conditions are positive, we can add real value with underwriting expertise, and we see long-term potential for growth. This relatively straightforward approach is made possible by our interconnected strategy across different platforms, products and geographies. In 2023, this is being realised by our investment into opportunities in the property market, our decision to hold back on growth due to the competitive market conditions and lack of demand in D&O, and our "hold strategy" against social inflation exposed classes in Specialty Risks. We are also focused on growing at a more sustained pace in Cyber in international markets and maintaining our position across MAP Risks.

Has Beazley's capital management strategy changed since 2021?

Our approach to capital remains focused on stability and capital discipline, but we are updating the way we communicate our capital surplus going forward. This has been changed to better align with how the business has evolved. Whilst we have previously discussed publicly that our strategy is to manage to a capital surplus of 15% - 25% above the Lloyd's ECR, in fact it has also been a multi-dimensional strategy contemplating several factors.

The key factors are to retain a prudent capital surplus above that which is required under the solvency regime in which we have been operating, managing key underwriting risks' exposure to equity (for example natural catastrophe risk to a 1:250 event) and consideration of prospects for profitable deployment of capital generated into the future of the company versus returning capital to shareholders. The influence that each of these has played has varied considerably over the decades across different market cycles and solvency regimes but our way of thinking has not.

How does the capital raise in November 2022 fit into this way of thinking?

We raised capital for three clear and consistent reasons. Firstly, to seize the imminent market opportunity in Property insurance and reinsurance. Secondly, to allow us to retain more Cyber and Specialty risk on our balance sheet by reducing our quota share reinsurance and finally, to improve the sustainability of our balance sheet resilience following an extreme event.

Has the capital raised been fully deployed?

There has been strong investment into the property business which is coming through both the primary and reinsurance market. In addition, we are seeing a higher retention on the balance sheet of Cyber and Specialty Risks. This work started during the first half of 2023 and will come to fruition as we move through the year. I am pleased with the progress of the capital deployment plan so far and the greater balance sheet strength and reduced volatility that this has brought to us.

Why have you changed the way you look at capital requirements?

As we have become a bigger and more global business, the role of Lloyd's continues to be of vital importance. However, we are also seeing substantial growth in our US and European companies and our position in the FTSE has also grown. It is therefore right that we choose to use a capital measure that is better understood by a wider audience of investors, analysts and insurers, and better reflects the Group's business as a whole. The measure we believe best achieves this is based on our Solvency II ratio, a widely understood capital measure used across the insurance industry. We believe this will be a more effective and better understood capital measure for external parties when comparing our business against peers.

How long do you expect your current approach to capital to last?

We constantly review our capital adequacy and deployment, as this is fundamental to the success of a speciality insurance business like Beazley. As a result, there is no fixed horizon for the new measure, but we can be confident that it is widely understood and provides stability, comparability and transparency.

Condensed consolidated statement of profit or loss

for the six months ended 30 June 2023

	Note	6 months ended 30 June 2023 $m	6 months ended 30 June 2022[1] $m	Year to 31 December 2022[1] $m
Insurance revenue	3	2,628.1	2,360.9	4,848.4
Insurance service expenses	4	(2,080.5)	(1,740.2)	(4,014.0)
Allocation of reinsurance premium	5	(538.6)	(503.1)	(965.4)
Amounts recoverable from reinsurers for incurred claims	5	333.2	423.0	953.9
Insurance service result		**342.2**	**540.6**	**822.9**
Net investment income/(loss)	6	143.9	(193.0)	(179.7)
Net insurance finance (expense)/income	6	(1.4)	141.3	183.0
Net insurance and financial result		**484.7**	**488.9**	**826.2**
Other income	7	36.9	22.4	32.1
Operating expenses[2]		(137.6)	(103.0)	(217.6)
Foreign exchange gains/(losses)		3.7	(24.1)	(17.3)
Results from operating activities		**387.7**	**384.2**	**623.4**
Finance costs	8	(21.3)	(19.3)	(39.4)
Profit before tax		**366.4**	**364.9**	**584.0**
Tax expense	9	(82.3)	(70.2)	(100.7)
Profit after tax for the period		**284.1**	**294.7**	**483.3**
Earnings per share (cents per share):				
Basic	10	42.8	48.7	79.0
Diluted	10	42.1	48.0	78.0
Earnings per share (pence per share):				
Basic	10	34.9	37.1	63.4
Diluted	10	34.3	36.6	62.6

1 The Group has restated its condensed consolidated statement of profit or loss for the 6 months ended 30 June 2022 and year to 31 December 2022 following the adoption of IFRS 17. The earnings per share for these periods has also been restated - refer to Note 10 for further details.
2 The Group has not presented its impairment losses determined in accordance with IFRS 9 separately in the statement of profit or loss as the amounts are not material. These are disclosed in operating expenses - refer to Note 18 for further details.

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2023

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022[1] $m	Year to 31 December 2022[1] $m
Profit after tax for the period	284.1	294.7	483.3
Items that will never be reclassified to profit or loss:			
Loss on remeasurement of retirement benefit obligations	—	(2.5)	(12.5)
Tax credit on defined benefit obligation	0.7	0.2	2.7
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation gains/(losses)	4.0	(14.7)	(12.6)
Total other comprehensive income/(expense)	4.7	(17.0)	(22.4)
Total comprehensive income recognised	**288.8**	**277.7**	**460.9**

1 Profit after tax for the period and foreign exchange translation differences have been restated for the 6 months ended 30 June 2022 and year to 31 December 2022 following the adoption of IFRS 17.

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2023

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance as at 31 December 2021 (previously reported)	42.9	5.3	(97.2)	(4.0)	2,183.8	2,130.8
IFRS 17 adjustment[1]	—	—	—	—	59.4	59.4
Restated balance as at 01 January 2022	**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,243.2**	**2,190.2**
Total comprehensive income/(expense)	—	—	(14.7)	—	292.4	277.7
Dividends paid	—	—	—	—	(103.0)	(103.0)
Equity settled share based payments	—	—	—	5.3	—	5.3
Acquisition of own shares held in trust	—	—	—	(17.8)	—	(17.8)
Transfer of shares to employees	0.1	—	—	(4.1)	4.3	0.3
Balance as at 30 June 2022	**43.0**	**5.3**	**(111.9)**	**(20.6)**	**2,436.9**	**2,352.7**
Total comprehensive income/(expense)	—	—	2.1	—	181.1	183.2
Issue of shares	—	0.8	—	—	—	0.8
Equity raise	3.6	3.6	—	397.2	—	404.4
Transfer of merger reserve to retained earnings	—	—	—	(397.2)	397.2	—
Equity settled share based payments	—	—	—	10.4	—	10.4
Tax on share option vesting	—	—	—	3.1	0.6	3.7
Transfer of shares to employees	—	—	—	(0.5)	0.3	(0.2)
Balance as at 31 December 2022	**46.6**	**9.7**	**(109.8)**	**(7.6)**	**3,016.1**	**2,955.0**
IFRS 9 adjustment[1]	—	—	—	—	(1.0)	(1.0)
Balance as at 01 January 2023	**46.6**	**9.7**	**(109.8)**	**(7.6)**	**3,015.1**	**2,954.0**
Total comprehensive income/(expense)	—	—	4.0	—	284.8	288.8
Dividends paid	—	—	—	—	(107.7)	(107.7)
Issue of shares	0.1	0.3	—	—	—	0.4
Equity settled share based payments	—	—	—	12.9	—	12.9
Acquisition of own shares held in trust	—	—	—	(27.2)	—	(27.2)
Tax on share option vesting	—	—	—	0.6	1.8	2.4
Transfer of shares to employees	—	—	—	(9.1)	9.1	—
Balance as at 30 June 2023	**46.7**	**10.0**	**(105.8)**	**(30.4)**	**3,203.1**	**3,123.6**

1 Refer to Note 18c which shows the opening balance sheet ("OBS") positions and equity adjustments on adoption of both IFRS 17 and IFRS 9.

Condensed consolidated statement of financial position

as at 30 June 2023

	Note	30 June 2023 $m	30 June 2022[1] $m	31 December 2022[1] $m
Assets				
Intangible assets		134.8	118.0	128.8
Plant and equipment		15.3	16.3	14.9
Right-of-use assets		62.4	65.5	60.5
Deferred tax asset		35.7	16.4	30.8
Retirement benefit asset		4.7	14.4	4.6
Insurance contract assets	15	92.2	131.5	84.1
Reinsurance contract assets	15	2,492.8	1,809.9	2,175.3
Financial assets at fair value	12	8,679.8	7,309.6	8,345.6
Other assets	13	370.7	277.4	204.2
Current tax asset		6.4	3.7	11.7
Cash and cash equivalents	14	964.3	629.0	652.5
Total assets		**12,859.1**	**10,391.7**	**11,713.0**
Equity				
Share capital		46.7	43.0	46.6
Share premium		10.0	5.3	9.7
Foreign currency translation reserve		(105.8)	(111.9)	(109.8)
Other reserves		(30.4)	(20.6)	(7.6)
Retained earnings		3,203.1	2,436.9	3,016.1
Total equity		**3,123.6**	**2,352.7**	**2,955.0**
Liabilities				
Deferred tax liability		112.0	63.2	79.2
Financial liabilities	12	559.5	565.4	562.5
Lease liabilities	12	77.7	75.6	72.7
Insurance contract liabilities	15	7,858.3	6,561.4	7,349.8
Reinsurance contract liabilities	15	293.6	225.1	161.2
Current tax liability		30.7	19.7	8.6
Other liabilities	13	803.7	528.6	524.0
Total liabilities		**9,735.5**	**8,039.0**	**8,758.0**
Total equity and liabilities		**12,859.1**	**10,391.7**	**11,713.0**

1 The Group has restated its condensed consolidated statement of financial position as at 30 June 2022 and 31 December 2022 following the adoption of IFRS 17. Refer to Note 18c which sets out the full impact by balance sheet line item.

Condensed consolidated statement of cash flows

for the six months ended 30 June 2023

	Notes	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Cash flows from operating activities:				
Profit before tax[1]		**366.4**	**364.9**	**584.0**
Adjustments for:				
Net fair value (gains)/losses on financial assets	6	(44.5)	239.5	274.4
Other non-cash items		(13.9)	21.5	62.6
Increase/(decrease) in net insurance and reinsurance contracts	15	315.3	(179.8)	226.7
Increase in other liabilities	13	279.7	42.6	38.0
(Increase)/decrease in other assets	13	(166.5)	(39.3)	33.9
Interest and dividends received on financial assets	6	(103.5)	(41.6)	(101.1)
Finance costs	8	21.3	17.7	39.4
Tax paid		(14.9)	(18.1)	(61.1)
Net cash inflows from operating activities		**639.4**	**407.4**	**1,096.8**
Cash flows from investing activities:				
Purchase of plant and equipment		(1.8)	(0.3)	(1.0)
Expenditure on software development and other intangible assets		(12.5)	4.2	(22.7)
Purchase of investments		(3,216.5)	(3,199.7)	(6,645.4)
Proceeds from sale of investments		2,971.2	2,922.3	5,325.3
Interest and dividends received	6	99.4	38.3	94.2
Net cash outflows from investing activities		**(160.2)**	**(235.2)**	**(1,249.6)**
Cash flows from financing activities:				
Acquisition of own shares in trust		(27.2)	(17.8)	(17.8)
Payment of lease liabilities		(6.6)	(5.6)	(11.6)
Equity raise		—	—	404.4
Finance costs	8	(19.5)	(17.8)	(36.3)
Dividend paid	11	(107.7)	(103.0)	(103.0)
Net cash (out)/inflows from financing activities		**(161.0)**	**(144.2)**	**235.7**
Net increase in cash and cash equivalents		318.2	28.0	82.9
Opening cash and cash equivalents		652.5	591.8	591.8
Effect of exchange rate changes on cash and cash equivalents		(6.4)	9.2	(22.2)
Closing cash and cash equivalents	**14**	**964.3**	**629.0**	**652.5**

1 Profit before tax has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022 following the adoption of IFRS 17. Refer to the condensed consolidated statement of profit or loss for further details.

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2023

1 Statement of accounting policies

Beazley plc ("the Group") is a company incorporated in England and Wales. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 comprise the parent company, its subsidiaries and the Group's interest in associates.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, the UK-adopted International Accounting Standard, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. Aside from the new and amended standards noted below, these have been prepared using the same accounting policies as those applied in the preparation of the Group's consolidated financial statements for the year to 31 December 2022.

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of Section 434 of the Companies Act 2006 ("the Act"). The external auditor's report on the Group's annual report and accounts ("ARA") for the year to 31 December 2022 was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not include a statement under s.498(2) or (3) of the Companies Act 2006.

The comparative results for the year to 31 December 2022 and 30 June 2022 have been taken from the Group's 2022 ARA and 2022 Interim financial statements, with the exception of certain balances which have been restated but not audited following the implementation of IFRS 17 *Insurance Contracts* (see Note 18). They should be read in conjunction with the audited consolidated financial statements of the Group for the year to 31 December 2022.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. New key judgements and estimates were made by management in the period to 30 June 2023 in applying IFRS 17 for the first time. Refer to Note 18a below for further details. With the exception of these, the significant judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year to 31 December 2022.

a. New and amended standards and interpretations

In these condensed consolidated financial statements, Beazley has applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time. The Group has also applied amendments to IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the UK Endorsement Board ("UKEB") that are mandatorily effective for accounting periods that begin on or after 01 January 2023. The new effective amendments are:

- Amendment to IAS 8 - Definition of Accounting Estimates;
- Amendment to IAS 1 - Disclosure of Accounting Policies;
- Amendment to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- Amendment to IAS 12 - International Tax Reform (applied the temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules).

None of the amendments issued by the IASB and endorsed by the UKEB have had a material impact on the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. With the exception of the new and amended standards and interpretations outlined above, the accounting policies and methods of computation applied by management in preparing the condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements as at and for the year to 31 December 2022.

International Financial Reporting Standard 17, Insurance Contracts ("IFRS 17")

IFRS 17 replaces IFRS 4 for annual periods beginning on or after 01 January 2023. The Group has applied the transitional provisions per Appendix C of IFRS 17 and taken a fully retrospective approach, restating comparative information for 2022.

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and became effective for accounting periods beginning on or after 01 January 2018. The Group previously applied the amendment to IFRS 4 issued by the IASB which exempted eligible entities from applying IFRS 9 until accounting periods beginning on or after 01 January 2023. IFRS 9 has been adopted for the first time in these condensed consolidated financial statements using a prospective approach with effect from 01 January 2023.

For details on the nature and effect of these new accounting standards, including the OBS, refer to Note 18.

Notes to the condensed consolidated interim financial statements continued

b. Principal risks and uncertainties

The Group's principal risks and uncertainties are outlined in the risk management and compliance section of the Group's annual report and accounts 2022 (pages 68 and 69). These are insurance, market, credit, group, liquidity, regulatory and legal, operational, strategic, and enterprise. The Group's exposure to and management of these risks has not changed since the last reporting date, with the exception of market (interest rate) risk which has been impacted by the adoption of IFRS 17. Refer to Note 18 for further details.

Additionally, further discussion of climate change risk and how it interacts with the principal risks and uncertainties is discussed in the Task Force on Climate-Related Financial Disclosures ("TCFD") Section of Group's annual report and accounts 2022 (pages 29 to 49).

c. Going concern

The going concern assessment performed as at 30 June 2023 concluded that the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of the interim condensed consolidated financial statements being authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

The Directors did not identify any factors that could change the conclusions made in the going concern and viability assessment conducted for the Group's annual report and accounts 2022, therefore this is still considered to be relevant as at 30 June 2023. This assessment included a best estimate forecast with scenario analysis covering the impact of reserve releases, attritional, large and catastrophic loss events alongside optimistic and pessimistic investment return scenarios. To further stress the financial stability of the Group, additional scenario testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the Group's exposure to climate change-related risks, global events and counterparty credit risk, the occurrence of a number of high severity loss events impacting our underwriting platforms and a reverse stress test scenario designed to render the business model unviable. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

2 Segmental analysis

Segmental information is presented based on the Group's management and internal reporting structures which represent the level at which financial information is reported, performance is analysed and resources are allocated by the Group's Executive Committee, being the chief operating decision maker as defined by IFRS 8.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis are split based on each segment's capital requirement which is taken from the Group's most up-to-date business plan. The reporting segments do not cross-sell business to each other. Whilst the performance of individual business lines may be seasonal, particularly with respect to exposure to insurance claims, the Group does not consider its overall result to be impacted by seasonality.

Finance costs and taxation have not been allocated to operating segments as these items are determined at a consolidated level and do not relate to operating performance.

As a result of the adoption of IFRS 17, comparative information has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022.

Underwriting performance

Cyber Risks
In the first half of 2022 we saw a significant decrease in best estimate claims following the deployment of our new underwriting ecosystem, on-going rate increases and continued ransomware frequency reductions. This resulted in a strong profit at the 2022 half year result. In 2023 rates are generally flat, and we have not seen any movement in ransomware frequency, thus the result is more subdued. However, given the significant rate changes we have seen in the last few years, we continue to be satisfied with the margin within this book.

Digital
Digital continues to perform well, with best estimate reserves and risk adjustments development as expected.

MAP
During 2023, we have seen positive claims development leading to improvements within the best estimate but have also increased the risk adjustment in specific areas to ensure that the underlying risks are fully reflected.

Property Risks
Given the significant increase in expected returns on this division, as well as increasing the risk appetite for this business, we have seen the risk adjustment on property increase significantly, given the cost of capital approach leads to the risk adjustment correlating to the expected return on capital on each line of business. At the same time, with large rate increases within the market, and continued good attritional experience, we see an improvement on best estimate loss ratios. Given the short tail nature of the class we anticipate that this risk adjustment will reduce between now and the end of the year.

Specialty Risks
We have seen deterioration within our Hospitals books over the past year, leading to both an increase in best estimate reserves as well as an increase to the risk adjustment held within this area. Other areas continue to perform as expected and our reserves continue to make allowance for the effects of the current high economic & social inflation environment as well as potential recession related impacts.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2023

	6 months ended 30 June 2023					
	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
2023	$m	$m	$m	$m	$m	$m
Insurance revenue	602.1	113.4	498.5	454.4	959.7	2,628.1
Insurance service expenses	(447.7)	(86.6)	(383.1)	(293.3)	(869.8)	(2,080.5)
Allocation of reinsurance premium	(118.2)	(14.0)	(152.5)	(75.1)	(178.8)	(538.6)
Amounts recoverable from reinsurers for incurred claims	89.1	6.8	38.9	(16.8)	215.2	333.2
Insurance service result	125.3	19.6	1.8	69.2	126.3	342.2
Net investment income	26.4	5.0	16.7	22.0	73.8	143.9
Net insurance finance income/(expenses)	(0.4)	3.5	4.6	5.5	(14.6)	(1.4)
Net insurance and investment result	151.3	28.1	23.1	96.7	185.5	484.7
Other income	5.5	3.3	10.8	4.5	12.8	36.9
Other operating expenses	(21.9)	(11.2)	(27.7)	(24.9)	(51.9)	(137.6)
Foreign exchange gains	0.9	0.2	0.7	0.6	1.3	3.7
Segment result	135.8	20.4	6.9	76.9	147.7	387.7
Finance costs						(21.3)
Profit before tax						366.4
Tax expense						(82.3)
Profit after tax						284.1
Claims ratio	50 %	36 %	52 %	46 %	50 %	49 %
Expense ratio	24 %	44 %	47 %	36 %	34 %	35 %
Combined ratio	74 %	80 %	99 %	82 %	84 %	84 %

	6 months ended 30 June 2022 (restated)					
	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
2022	$m	$m	$m	$m	$m	$m
Insurance revenue	430.2	99.5	437.2	395.1	998.9	2,360.9
Insurance service expense	(294.4)	(74.8)	(466.9)	(233.1)	(671.0)	(1,740.2)
Allocation of reinsurance premium	(92.5)	(18.5)	(139.7)	(85.9)	(166.5)	(503.1)
Amounts recoverable from reinsurers for incurred claims	130.5	13.6	180.1	(33.9)	132.7	423.0
Insurance service result	173.8	19.8	10.7	42.2	294.1	540.6
Net investment loss	(33.2)	(8.2)	(21.8)	(27.9)	(101.9)	(193.0)
Net insurance finance income	16.3	4.4	16.8	14.2	89.6	141.3
Net insurance and investment result	156.9	16.0	5.7	28.5	281.8	488.9
Other income	5.7	0.9	1.8	4.3	9.7	22.4
Other operating expenses	(24.2)	(7.5)	(11.4)	(17.5)	(42.4)	(103.0)
Foreign exchange (losses)	(4.4)	(1.0)	(4.5)	(4.0)	(10.2)	(24.1)
Segment result	134.0	8.4	(8.4)	11.3	238.9	384.2
Finance costs						(19.3)
Profit before tax						364.9
Tax expense						(70.2)
Profit after tax						294.7
Claims ratio	26 %	37 %	53 %	50 %	36 %	39 %
Expense ratio	23 %	39 %	43 %	36 %	29 %	32 %
Combined ratio	49 %	76 %	96 %	86 %	65 %	71 %

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2023

2 Segmental analysis continued

	Year to 31 December 2022 (restated)					
	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
2022	$m	$m	$m	$m	$m	$m
Insurance revenue	1,013.5	211.3	970.3	807.2	1,846.1	4,848.4
Insurance service expenses	(750.9)	(161.3)	(859.5)	(699.5)	(1,542.8)	(4,014.0)
Allocation of reinsurance premium	(198.3)	(27.2)	(250.1)	(175.7)	(314.1)	(965.4)
Amounts recoverable from reinsurers for incurred claims	208.4	21.5	296.3	108.5	319.2	953.9
Insurance service result	272.7	44.3	157.0	40.5	308.4	822.9
Net investment loss	(34.5)	(8.7)	(20.5)	(27.1)	(88.9)	(179.7)
Net insurance finance income	21.2	3.9	25.7	19.3	112.9	183.0
Net insurance and investment result	259.4	39.5	162.2	32.7	332.4	826.2
Other income	7.9	2.3	1.0	7.4	13.5	32.1
Other operating expenses	(33.7)	(9.9)	(34.8)	(35.5)	(103.7)	(217.6)
Foreign exchange (losses)	(3.6)	(0.8)	(3.5)	(2.9)	(6.5)	(17.3)
Segment result	230.0	31.1	124.9	1.7	235.7	623.4
Finance costs						(39.4)
Profit before tax						584.0
Tax expense						(100.7)
Profit after tax						483.3
Claims ratio	44 %	40 %	39 %	60 %	49 %	47 %
Expense ratio	23 %	36 %	39 %	34 %	31 %	32 %
Combined ratio	67 %	76 %	78 %	94 %	80 %	79 %

3 Insurance revenue

The table below shows the consideration to which the Group expects to be entitled in exchange for providing insurance cover and other services. This includes insurance acquisition cash flow amounts.

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Insurance revenue			
Amounts relating to changes in the liability for remaining coverage:			
– Expected incurred claims and other expenses after loss component allocation	1,400.8	1,282.4	2,723.8
– Change in risk adjustment for non-financial risk for the risk expired after loss component allocation	146.2	127.2	274.7
– Contractual service margin (“CSM”) recognised in profit or loss for services provided	320.1	253.6	565.2
– Other amounts including experience adjustments	314.8	276.4	434.6
Insurance acquisition cash flows recovery	446.2	421.3	850.1
Total insurance revenue	**2,628.1**	**2,360.9**	**4,848.4**

4 Insurance service expenses

The table below shows the insurance service expenses recognised on groups of insurance contracts issued by Beazley. These are recognised in the statement of profit or loss as they are incurred.

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Insurance service expenses			
Current & incurred past service claims	1,355.4	1,156.5	2,798.2
Insurance acquisition cashflows & directly attributable cashflows	725.1	583.7	1,215.8
Total insurance service expenses	**2,080.5**	**1,740.2**	**4,014.0**

Included within insurance service expenses are reversals of losses on onerous contracts of $0.4m (30 June 2022: $8.5m, 31 December 2022: $24.1m).

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5 Net income / expenses from reinsurance contracts held

The table below shows the net income/expenses from reinsurance contracts held, including amounts recoverable from reinsurers for incurred claims and the allocation of reinsurance premium.

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Amounts relating to changes in the remaining coverage:			
– Expected claims and other expenses recovery	(377.7)	(359.7)	(731.8)
– Changes in the risk adjustment recognised for the risk expired	(51.7)	(24.5)	(74.3)
– CSM recognised for the services received	(208.6)	(150.5)	(195.3)
– Other amounts including experience adjustments	99.4	31.6	36.0
Allocation of reinsurance premium	**(538.6)**	**(503.1)**	**(965.4)**
Current claims recovered & past service movements	334.1	424.8	955.5
Current expense recovered & past service movements	(0.9)	(1.8)	(1.6)
Amounts recoverable from reinsurers for incurred claims	**333.2**	**423.0**	**953.9**
Total net expenses from reinsurance contracts held	**(205.4)**	**(80.1)**	**(11.5)**

6 Net financial result

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Interest and dividends on financial assets	103.5	41.6	101.6
Net realised fair value (losses)/gains on financial assets at FVTPL	(49.7)	8.3	(7.6)
Net unrealised fair value gains/(losses) on financial assets at FVTPL	94.2	(239.5)	(266.8)
Investment income/(expense) from financial assets	148.0	(189.6)	(172.8)
Investment management expenses	(4.1)	(3.4)	(6.9)
Net investment income/(loss)	**143.9**	**(193.0)**	**(179.7)**
Interest accreted	(162.8)	(36.7)	(153.7)
Effect of changes in financial assumptions	165.6	250.3	433.2
Net finance income from (re)insurance contracts issued	2.8	213.6	279.5
Interest accreted	39.3	0.7	28.5
Effect of changes in financial assumptions	(43.5)	(73.0)	(125.0)
Net finance expense from (re)insurance contracts held	(4.2)	(72.3)	(96.5)
Net insurance finance (expense)/income	**(1.4)**	**141.3**	**183.0**
Net financial result	**142.5**	**(51.7)**	**3.3**

Investment income by category of financial asset

The tables below show the Group's investment income/(expense), split by category of financial asset. Note that 'Other financial assets' includes cash and cash equivalents & derivative financial assets.

6 months ended 30 June 2023	Debt securities and syndicate loans $m	Capital growth assets $m	Other financial assets $m	Total $m
Interest and dividends received	94.5	3.3	5.7	103.5
Net realised (losses)/gains	(50.9)	5.4	(4.2)	(49.7)
Net unrealised fair value gains	54.3	36.0	3.9	94.2
Total investment income from financial assets	**97.9**	**44.7**	**5.4**	**148.0**

6 months ended 30 June 2022	Debt securities and syndicate loans $m	Capital growth assets $m	Other financial assets $m	Total $m
Interest and dividends received	38.2	3.8	(0.4)	41.6
Net realised (losses)/gains	(61.6)	20.3	49.6	8.3
Net unrealised fair value (losses)/gains	(200.8)	(39.5)	0.8	(239.5)
Total investment (expense)/income from financial assets	**(224.2)**	**(15.4)**	**50.0**	**(189.6)**

Year to 31 December 2022	Debt securities and syndicate loans $m	Capital growth assets $m	Other financial assets $m	Total $m
Interest and dividends received	96.6	3.6	1.4	101.6
Net realised (losses)/gains	(93.3)	31.9	53.8	(7.6)
Net unrealised fair value (losses)	(235.6)	(30.9)	(0.3)	(266.8)
Total investment (expense)/income from financial assets	**(232.3)**	**4.6**	**54.9**	**(172.8)**

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7 Other income

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Commissions received by Beazley service companies	22.8	15.5	20.0
Profit commissions from syndicates	8.8	4.8	7.2
Managing agent fees from third party syndicates	4.8	2.1	4.0
Other income	0.5	—	0.9
Total other income	**36.9**	**22.4**	**32.1**

8 Finance costs

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Interest expense on financial liabilities	15.7	15.7	31.5
Interest and charges related to letters of credit	3.8	2.0	4.1
Interest expense on lease liabilities	1.8	1.6	3.1
Equity raise costs not charged to share premium	—	—	0.7
Total finance costs	**21.3**	**19.3**	**39.4**

9 Tax expense

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year to 31 December 2022
	$m	$m	$m
Current tax expense	54.5	23.1	53.2
Prior year adjustment	0.8	(2.6)	(9.9)
Current tax expense	55.3	20.5	43.3
Origination and reversal of temporary differences	18.7	46.3	58.5
Impact of change in UK tax rates	1.1	2.0	(1.0)
Prior year adjustments	7.2	1.4	(0.1)
Deferred tax expense	27.0	49.7	57.4
Tax charge	**82.3**	**70.2**	**100.7**

Reconciliation of tax expense

The weighted average of statutory tax rates applied to the profits earned in each country in which the Group operates is 19.3% (30 June 2022: 19.2%, 31 December 2022: 19.0%), whereas the tax charged for the period ending 30 June 2023 as a percentage of profit before tax[1] is 22.5% (30 June 2022: 19.2%, 31 December 2022: 17.2%). The reasons for the difference are explained below:

	6 months ended 30 June 2023	6 months ended 30 June 2023	6 months ended 30 June 2022	6 months ended 30 June 2022	Year to 31 December 2022	Year to 31 December 2022
	$m	%	$m	%	$m	%
Profit before tax[1]	366.4		364.9		584.0	
Tax calculated at the weighted average of statutory tax rate	70.7	19.3 %	70.1	19.2 %	111.0	19.0 %
Effects of:						
– (non-taxable income)/non-deductible expenses	(1.6)	(0.4)%	—	— %	1.9	0.3 %
– tax charge/(relief) on remuneration	4.1	1.1 %	(0.6)	(0.2)%	(1.2)	(0.2)%
– under/(over) provided in prior years	8.0	2.2 %	(1.3)	(0.4)%	(10.0)	(1.7)%
– change in UK/US tax rates	1.1	0.3 %	2.0	0.5 %	(1.0)	(0.2)%
Tax charge for the period	**82.3**	**22.5 %**	**70.2**	**19.2 %**	**100.7**	**17.2 %**

1 Profit before tax has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022 following the adoption of IFRS 17. Refer to the condensed consolidated statement of profit or loss for further details.

The Group is monitoring the impact of the implementation of a Global Minimum Tax Rate of 15%. The UK legislation was substantively enacted on 20 June 2023 to take effect from 31 December 2023. The Group has applied the temporary mandatory exemption from accounting for deferred tax arising from the Pillar Two model rules.

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10 Earnings per share

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year to 31 December 2022
Profit after tax[1] ($m)	284.1	294.7	483.3
Weighted average number of shares in issue (millions)	664.3	604.7	611.7
Adjusted weighted average number of shares in issue (millions)	675.0	613.5	619.7
Basic (cents)	42.8c	48.7c	79.0c
Diluted (cents)	42.1c	48.0c	78.0c
Basic (pence)	34.9p	37.1p	63.4p
Diluted (pence)	34.3p	36.6p	62.6p

1 The Profit after tax figures have been restated for the 6 months ended 30 June 2022 and year to 31 December 2022 following the adoption of IFRS 17. The adoption of IFRS 9 has not had a material impact on the Group's basic and diluted Earnings per Share in the period ended 30 June 2023.

Basic earnings per share is calculated by dividing profit after tax by the weighted average number of shares in issue. Diluted earnings per share is calculated by dividing profit after tax by the adjusted weighted average number of shares in issue. This assumes conversion of dilutive potential ordinary shares, being shares from equity settled employee compensation schemes. Further details of equity compensation plans can be found in the Group's annual report and accounts 2022. Refer to Note 23 as well as in the Directors' remuneration report on pages 111 to 138. Note that both calculations exclude the shares held in the Employee Share Options Plan of 7.5m (30 June 2022: 5.0m; 31 December 2022: 5.7m) until such time as they vest unconditionally with the employees.

11 Dividends

It is the Group's policy to assess whether to declare and pay a dividend covering the full year at the time of the Group's full year results. Accordingly no dividend has been declared in respect of the 6 months ended 30 June 2023 (6 months ended 30 June 2022: nil).

A dividend of 13.5p per ordinary share was paid to eligible shareholders on 28 April 2023 in respect of the year ended 31 December 2022.

12 Financial assets and liabilities

12a Carrying values of financial assets and liabilities

Set out below are the carrying values of the Group's 'financial assets at fair value' and 'financial liabilities' per the statement of financial position. These amounts exclude the following financial assets and liabilities which are presented separately:
– Cash and cash equivalents carried at amortised cost (refer to Section d and Note 14); and
– Other receivables, lease liabilities, and other payables carried at amortised cost (refer to Section d).

	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Debt securities:			
– Government issued	4,724.1	4,344.2	5,006.3
– Corporate bonds			
– Investment grade	2,500.9	1,811.2	2,050.5
– High yield	362.7	304.9	308.7
Syndicate loans	33.2	32.2	32.5
Total debt securities and syndicate loans	7,620.9	6,492.5	7,398.0
Equity funds	251.2	63.7	159.4
Hedge funds	564.5	482.6	530.6
Illiquid credit assets	236.4	250.8	222.9
Total capital growth assets	1,052.1	797.1	912.9
Total financial investments at fair value through statement of profit or loss	**8,673.0**	**7,289.6**	**8,310.9**
Derivative financial assets	6.8	20.0	34.7
Total financial assets at fair value	**8,679.8**	**7,309.6**	**8,345.6**

Investment corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid credit assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 30 June 2023 excludes an unfunded commitment of $30.6m (30 June 2022: $40.3m, 31 December 2022: $30.5m).

	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Tier 2 subordinated debt (2026)	249.4	249.3	249.4
Tier 2 subordinated debt (2029)	298.7	298.5	298.6
Derivative financial liabilities	11.4	17.6	14.5
Total financial liabilities	**559.5**	**565.4**	**562.5**

12 Financial assets and liabilities continued

12b Valuation hierarchy

i) Overview

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as described below. If the inputs used to measure the fair value of an asset or a liability vary across different levels of the fair value hierarchy, categorisation is based on the lowest level input that is significant to the fair value measurement as a whole.

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

Level 2 – Valuations are based on quoted prices in markets that are not active, or on pricing models for which significant inputs can be corroborated by observable market data, either directly or indirectly. Inputs include:
- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); and
- Market corroborated inputs.

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

ii) Group approach

Our valuation approach for fair value assets and liabilities classified at level 2 is as follows:
- Debt securities: Our fund administrator obtains the prices used in the valuation from independent pricing vendors. The independent pricing vendors derive an evaluated price from observable market inputs. These inputs are verified in their pricing assumptions such as weighted average life, discount margins, default rates, and recovery and prepayments assumptions for mortgage securities.
- Hedge funds: The pricing and valuation of each fund is undertaken by administrators in accordance with each underlying fund’s valuation policy. Individual fund prices are communicated by the administrators to all investors via the monthly investor statements. The fair value of the hedge fund portfolios are calculated by reference to the underlying net asset values of each of the individual funds.
- Tier 2 subordinated debt: Based on quoted market prices.

Our valuation approach for fair value assets and liabilities classified at level 3 is as follows:
- Illiquid credit fund investments: Managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments. The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple.
- Syndicate loans: These are provided by our Group syndicates to the Central Fund at Lloyd’s in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and liquidity risk of the instruments.

There were no changes in the valuation techniques applied during the year compared to those described in the Group's 2022 annual report and accounts.

12c Fair values of financial assets and liabilities

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

30 June 2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	3,544.9	1,179.2	—	4,724.1
– Corporate bonds				
– Investment grade	1,656.0	844.9	—	2,500.9
– High yield	76.8	285.9	—	362.7
Syndicate loans	—	—	33.2	33.2
Equity funds	251.2	—	—	251.2
Hedge funds	—	564.5	—	564.5
Illiquid credit assets	—	—	236.4	236.4
Derivative financial assets	6.8	—	—	6.8
Total financial assets carried at fair value	**5,535.7**	**2,874.5**	**269.6**	**8,679.8**
Financial liabilities carried at fair value				
Derivative financial liabilities	11.4	—	—	11.4
Total financial liabilities carried at fair value	**11.4**	**—**	**—**	**11.4**
Fair value of financial liabilities carried at amortised cost				
Tier 2 subordinated debt (2026)	—	240.8	—	240.8
Tier 2 subordinated debt (2029)	—	275.8	—	275.8
Total fair value of financial liabilities carried at amortised cost	**—**	**516.6**	**—**	**516.6**

30 June 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	3,498.4	845.8	—	4,344.2
– Corporate bonds				
– Investment grade	1,288.7	522.5	—	1,811.2
– High yield	34.2	270.7	—	304.9
Syndicate loans	—	—	32.2	32.2
Equity funds	63.7	—	—	63.7
Hedge funds	—	482.6	—	482.6
Illiquid credit assets	—	—	250.8	250.8
Derivative financial assets	20.0	—	—	20.0
Total financial assets carried at fair value	**4,905.0**	**2,121.6**	**283.0**	**7,309.6**
Financial liabilities carried at fair value				
Derivative financial liabilities	17.6	—	—	17.6
Total financial liabilities carried at fair value	**17.6**	**—**	**—**	**17.6**
Fair value of financial liabilities carried at amortised cost				
Tier 2 subordinated debt (2026)	—	247.6	—	247.6
Tier 2 subordinated debt (2029)	—	281.3	—	281.3
Total fair value of financial liabilities carried at amortised cost	**—**	**528.9**	**—**	**528.9**

12 Financial assets and liabilities continued

31 December 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	4,022.5	983.8	—	5,006.3
– Corporate bonds				
– Investment grade	893.8	1,156.7	—	2,050.5
– High yield	34.2	274.5	—	308.7
Syndicate loans	—	—	32.5	32.5
Equity funds	159.4	—	—	159.4
Hedge funds	—	530.6	—	530.6
Illiquid credit assets	—	—	222.9	222.9
Derivative financial assets	34.7	—	—	34.7
Total financial assets carried at fair value	**5,144.6**	**2,945.6**	**255.4**	**8,345.6**
Financial liabilities carried at fair value				
Derivative financial liabilities	14.5	—	—	14.5
Total financial liabilities carried at fair value	**14.5**	**—**	**—**	**14.5**
Fair value of financial liabilities carried at amortised cost				
Tier 2 subordinated debt (2026)	—	240.3	—	240.3
Tier 2 subordinated debt (2029)	—	265.9	—	265.9
Total fair value of financial liabilities carried at amortised cost	**—**	**506.2**	**—**	**506.2**

12d Financial assets and liabilities measured at amortised cost

The tables above exclude the following financial assets and liabilities that are, in accordance with the Group's accounting policies, measured at amortised cost. For all of these, the carrying amounts included below are deemed to be reasonable approximations of fair values at the reporting date.

	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Cash and cash equivalents	964.3	629.0	652.5
Other receivables[1]	322.7	245.4	181.8
Total assets at amortised cost	**1,287.0**	**874.4**	**834.3**
Lease liabilities	77.7	75.6	72.7
Other payables	803.7	528.6	524.0
Total liabilities at amortised cost	**881.4**	**604.2**	**596.7**

1 The Group has recognised an expected credit loss ("ECL") of $1.7m on its other receivables as at 30 June 2023. Refer to Note 18 for further details, including the ECL recognised on adoption of IFRS 9 as at 01 January 2023.

12e Transfers

The Group determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period. The following transfers between levels 1 & 2 for the period ended 30 June 2023 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool.

30 June 2023 vs 31 December 2022 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	537.0	(537.0)

30 June 2023 vs 31 December 2022 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	(217.8)	217.8
– Government issued	(48.4)	48.4

The values shown in the transfer tables above are translated using foreign exchange rates as at 30 June 2023. There were no transfers into or out of Level 3 in the 6 months ended 30 June 2023 (30 June 2022: nil, 31 December 2022: nil).

12f Level 3 investment reconciliations

The table below shows a reconciliation from opening to closing of the Group's level 3 investments. All realised and unrealised gains/(losses) are recognised through net investment income in the statement of profit or loss (refer to Note 6).

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Opening position as at 01 January	255.4	315.8	315.8
Purchases	16.3	3.7	13.0
Sales	(12.6)	(34.1)	(81.4)
Realised gain	7.0	—	13.2
Unrealised gains/(losses)	3.5	(2.4)	(5.2)
Closing position	**269.6**	**283.0**	**255.4**

13 Other assets and liabilities

	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Prepayments	47.7	31.6	22.0
Investment in associates	0.3	0.4	0.4
Other receivables	322.7	245.4	181.8
Total other assets	**370.7**	**277.4**	**204.2**
Other payables	803.7	528.6	524.0
Total other liabilities	**803.7**	**528.6**	**524.0**

14 Cash and cash equivalents

	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Cash at bank and in hand	964.3	629.0	652.5
Total cash at bank and in hand	**964.3**	**629.0**	**652.5**

Included within Cash and cash equivalents held by the Group are balances totalling $260.5m (30 June 2022: $221.3m, 31 December 2022: 184.0m) not available for immediate use by the Group outside of the Lloyd's syndicate within which they are held. Additionally, $68.2m (30 June 2022: $59.8m, 31 December 2022: $66.0m) is pledged cash held against Funds at Lloyd's, and $57.7m (30 June 2022: $59.6m, 31 December 2022: $43.6m) is held in Lloyd's Singapore trust accounts which are only available for use by the Group to meet local claim and expense obligations.

15 Insurance and reinsurance contract assets and liabilities

15a Reconciliations by measurement component

This section shows how the net carrying amounts of (re)insurance contracts issued and reinsurance contracts held by the Group have changed during the year, as a result of changes in cash flows and amounts recognised in profit or loss. Insurance and reinsurance assets and liabilities included within the Group's statement of financial position are made up of multiple components. The liability for remaining coverage includes an element of the present value of future cash flows ("PVFCF"), a risk adjustment for non-financial risk and the contractual service margin. The liability for incurred claims includes the remainder of the present value of future cash flows and a risk adjustment for non-financial risk. For portfolios of issued insurance contracts that are onerous, a loss component is included within the liability for remaining coverage and recognised in profit or loss upon initial recognition. No loss component is recorded for reinsurance contracts held.

The present value of future cash flows is sensitive to changes in accounting estimates, in particular the estimation of future cash flows, which are made on a best estimate basis and discount rates. As estimates of premiums, expenses and claims change, this is reflected within the PVFCF, in addition to the incorporation of cashflows relating to new business and crystallisation of expected cashflows relating to in-force business. The risk adjustment changes as amounts are released from in-force business, offset by the recognition of new business and any changes to the cost of capital applied.
An explanation of how amounts have moved in the year is set out in Note 2, Segmental analysis.

i) (Re)insurance contracts issued

The tables below set out the estimated present value ("PV") of future cash flows, the risk adjustment for non-financial risk and the CSM for (re)insurance contracts issued.

30 June 2023	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening insurance contract liabilities	6,324.0	711.3	314.5	7,349.8
Opening insurance contract assets	(123.5)	12.9	26.5	(84.1)
Net opening balance at 01 January 2023	6,200.5	724.2	341.0	7,265.7
Closing insurance contract liabilities	6,624.6	883.0	350.7	7,858.3
Closing insurance contract assets	(99.3)	1.7	5.4	(92.2)
Net closing balance at 30 June 2023	**6,525.3**	**884.7**	**356.1**	**7,766.1**

30 June 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening insurance contract liabilities	5,628.3	740.3	190.9	6,559.5
Opening insurance contract assets	—	—	—	—
Net opening balance at 01 January 2022	5,628.3	740.3	190.9	6,559.5
Closing insurance contract liabilities	5,719.8	606.8	234.8	6,561.4
Closing insurance contract assets	(237.0)	55.2	50.3	(131.5)
Net closing balance at 30 June 2022	**5,482.8**	**662.0**	**285.1**	**6,429.9**

31 December 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening insurance contract liabilities	5,628.3	740.3	190.9	6,559.5
Opening insurance contract assets	—	—	—	—
Net opening balance at 01 January 2022	5,628.3	740.3	190.9	6,559.5
Closing insurance contract liabilities	6,324.0	711.3	314.5	7,349.8
Closing insurance contract assets	(123.5)	12.9	26.5	(84.1)
Net closing balance at 31 December 2022	**6,200.5**	**724.2**	**341.0**	**7,265.7**

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2023

15 Insurance and reinsurance contract assets and liabilities continued

ii) Reinsurance contracts held

The tables below set out the estimates of the PV of future cash flows, risk adjustment for non-financial risk and CSM for reinsurance contracts held.

30 June 2023	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening reinsurance contract assets	1,853.3	184.6	137.4	2,175.3
Opening reinsurance contract liabilities	(193.8)	12.7	19.9	(161.2)
Net opening balance at 01 January 2023	1,659.5	197.3	157.3	2,014.1
Closing reinsurance contract assets	2,000.0	288.3	204.5	2,492.8
Closing reinsurance contract liabilities	(298.3)	(3.5)	8.2	(293.6)
Net closing balance at 30 June 2023	**1,701.7**	**284.8**	**212.7**	**2,199.2**

30 June 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening reinsurance contract assets	1,505.8	171.4	(2.9)	1,674.3
Opening reinsurance contract liabilities	(156.6)	13.8	3.1	(139.7)
Net opening balance at 01 January 2022	1,349.2	185.2	0.2	1,534.6
Closing reinsurance contract assets	1,366.4	184.7	258.8	1,809.9
Closing reinsurance contract liabilities	(265.3)	22.2	18.0	(225.1)
Net closing balance at 30 June 2022	**1,101.1**	**206.9**	**276.8**	**1,584.8**

31 December 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening reinsurance contract assets	1,505.8	171.4	(2.9)	1,674.3
Opening reinsurance contract liabilities	(156.6)	13.8	3.1	(139.7)
Net opening balance at 01 January 2022	1,349.2	185.2	0.2	1,534.6
Closing reinsurance contract assets	1,853.3	184.6	137.4	2,175.3
Closing reinsurance contract liabilities	(193.8)	12.7	19.9	(161.2)
Net closing balance at 31 December 2022	**1,659.5**	**197.3**	**157.3**	**2,014.1**

15b Analysis of the liability for remaining coverage and the liability for incurred claims

i) (Re)insurance contracts issued

The tables below analyse insurance contract assets and liabilities between the Liability for Remaining Coverage ("LRC") and the Liability for Incurred claims ("LIC") for (re)insurance contracts issued.

	LRC			
	Excluding Loss Component	Loss Component	LIC	Total
30 June 2023	$m	$m	$m	$m
Opening insurance contract liabilities	846.4	56.4	6,447.0	7,349.8
Opening insurance contract assets	(87.2)	—	3.1	(84.1)
Net opening balance at 01 January 2023	**759.2**	**56.4**	**6,450.1**	**7,265.7**
Closing insurance contract liabilities	733.5	19.4	7,105.4	7,858.3
Closing insurance contract assets	(92.0)	—	(0.2)	(92.2)
Net closing balance at 30 June 2023	**641.5**	**19.4**	**7,105.2**	**7,766.1**

	LRC			
	Excluding Loss Component	Loss Component	LIC	Total
30 June 2022	$m	$m	$m	$m
Opening insurance contract liabilities	733.9	71.6	5,754.0	6,559.5
Opening insurance contract assets	—	—	—	—
Net opening balance at 01 January 2022	**733.9**	**71.6**	**5,754.0**	**6,559.5**
Closing insurance contract liabilities	764.4	67.9	5,729.1	6,561.4
Closing insurance contract assets	(130.2)	—	(1.3)	(131.5)
Net closing balance at 30 June 2022	**634.2**	**67.9**	**5,727.8**	**6,429.9**

	LRC			
	Excluding Loss Component	Loss Component	LIC	Total
31 December 2022	$m	$m	$m	$m
Opening insurance contract liabilities	733.9	71.6	5,754.0	6,559.5
Opening insurance contract assets	—	—	—	—
Net opening balance at 01 January 2022	**733.9**	**71.6**	**5,754.0**	**6,559.5**
Closing insurance contract liabilities	846.4	56.4	6,447.0	7,349.8
Closing insurance contract assets	(87.2)	—	3.1	(84.1)
Net closing balance at 31 December 2022	**759.2**	**56.4**	**6,450.1**	**7,265.7**

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2023

15 Insurance and reinsurance contract assets and liabilities continued

ii) Reinsurance contracts held

The tables below analyse reinsurance contract assets and liabilities between the LRC and LIC for reinsurance contracts held.

30 June 2023	Remaining coverage $m	Incurred claims $m	Total $m
Opening reinsurance contract assets	(186.2)	2,361.5	2,175.3
Opening reinsurance contract liabilities	(254.7)	93.5	(161.2)
Net opening balance at 01 January 2023	**(440.9)**	**2,455.0**	**2,014.1**
Closing reinsurance contract assets	(28.5)	2,521.3	2,492.8
Closing reinsurance contract liabilities	(359.3)	65.7	(293.6)
Net closing balance at 30 June 2023	**(387.8)**	**2,587.0**	**2,199.2**

30 June 2022	Remaining coverage $m	Incurred claims $m	Total $m
Opening reinsurance contract assets	(188.5)	1,862.8	1,674.3
Opening reinsurance contract liabilities	(223.4)	83.7	(139.7)
Net opening balance at 01 January 2022	**(411.9)**	**1,946.5**	**1,534.6**
Closing reinsurance contract assets	(244.2)	2,054.1	1,809.9
Closing reinsurance contract liabilities	(306.2)	81.1	(225.1)
Net closing balance at 30 June 2022	**(550.4)**	**2,135.2**	**1,584.8**

31 December 2022	Remaining coverage $m	Incurred claims $m	Total $m
Opening reinsurance contract assets	(188.5)	1,862.8	1,674.3
Opening reinsurance contract liabilities	(223.4)	83.7	(139.7)
Net opening balance at 01 January 2022	**(411.9)**	**1,946.5**	**1,534.6**
Closing reinsurance contract assets	(186.2)	2,361.5	2,175.3
Closing reinsurance contract liabilities	(254.7)	93.5	(161.2)
Net closing balance at 31 December 2022	**(440.9)**	**2,455.0**	**2,014.1**

15c Future CSM release

The tables below show when the Group expects to release the closing CSM to the profit or loss in appropriate future time bands. It is presented for both (re)insurance contracts issued and reinsurance contracts held.

(Re)insurance contracts issued	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Number of years until expected to be recognised			
1	241.6	183.4	301.7
2	82.7	75.2	12.5
3	10.4	8.5	8.9
4	7.4	6.4	6.6
5	5.5	4.7	4.8
6-10	8.5	6.9	6.5
>10	—	—	—
Total	**356.1**	**285.1**	**341.0**

Reinsurance contracts held	30 June 2023 $m	30 June 2022 $m	31 December 2022 $m
Number of years until expected to be recognised			
1	113.8	117.9	143.0
2	82.2	152.2	4.4
3	4.9	2.7	3.0
4	3.3	1.4	2.2
5	2.6	1.0	1.7
6-10	5.9	1.6	3.0
>10	—	—	—
Total	**212.7**	**276.8**	**157.3**

16 Related party transactions

The related party transactions of the Group are consistent in nature and scope with those disclosed in note 30 of the Group's consolidated financial statements for the year ended 31 December 2022.

From 01 January 2023, Syndicate 5623 began underwriting as a standalone syndicate with the Group providing approximately 18% capacity for the 2023 year of account. Remaining capacity is provided by third parties. The Group will receive managing agents' fees and commissions from 5623. Previously, the Group ceded a portion of portfolio underwriting policies to Syndicate 5623. From the 2023 year of account onwards no premium will be ceded to Syndicate 5623 from other Group syndicates, however previous reinsurance arrangements will remain in place and run off accordingly.

17 Subsequent events

There have been no events that have occurred since the reporting date which require adjustment to or disclosure in these Interim Financial Statements.

18 Impact of new accounting standards

18a IFRS 17

IFRS 17 *Insurance Contracts* is a new accounting standard applicable for reporting periods beginning on or after 01 January 2023. The accounting policies applied by the Group on adoption of IFRS 17 have been disclosed below.

i) Changes to classification and measurement

- The adoption of IFRS 17 has not significantly impacted the classification of the Group's insurance contracts. The Group has elected to apply the General Measurement Model ("GMM") to the insurance and reinsurance contracts that it issues, and applies the GMM with certain modifications to the reinsurance contracts that it holds.
- The Group identifies and recognises as (re)insurance contracts issued, those contracts under which it accepts significant insurance risk from another party (either the policyholder or the cedant) by agreeing to compensate the policyholder or cedant if a specified uncertain future event (the insured event) adversely affects the policyholder or cedant.
- Where the Group holds reinsurance contracts, i.e. acts as cedant as opposed to reinsurer, the Group is required to measure these contracts separately from the underlying contracts to which the arrangement relates.
- The Group identifies and separates specified embedded derivatives and distinct goods or services other than insurance contract services from insurance contracts (if any) and accounts for them in accordance with other standards.
- The Group allocates insurance contracts to groups (portfolios) based on whether they share similar risk characteristics and are managed together. Generally, all insurance contracts within a product line represent a portfolio of contracts.
- For each portfolio, the Group further disaggregates by grouping contracts that are issued within a calendar year (annual cohorts) and are:
  - contracts that are onerous at initial recognition, meaning the expected costs of meeting contractual obligations will exceed the expected economic benefits;
  - contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
  - a group of remaining contracts.
- These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groupings are not subsequently reconsidered.
- The Group measures the groups of (re)insurance contracts, based on:
  - the estimated present value of future cash flows, discounted in order to account for the time value of money;
  - a risk adjustment for non-financial risks that are expected to arise as the Group fulfils its contractual obligations ("fulfilment cash flows"); and
  - a contractual service margin ("CSM"), which represents unearned profit.
- The Group recognises profit through release of the CSM for a group of insurance contracts over each period as insurance contract services are provided. The amount of CSM released is based on assumptions around coverage units, which typically correspond to the length of cover on a policy. Assumptions include the number of coverage units included in a group of insurance contracts, the allocation of CSM to each coverage unit, and the number of coverage units provided in the period. If a group of contracts is expected to be onerous on day one or subsequently becomes so, a loss is recognised immediately in the profit or loss account.
- Insurance contract liabilities are now represented by the Liability for Remaining Coverage ("LRC") and the Liability for Incurred Claims ("LIC") and one net asset / liability balance for reinsurance portfolios.

18 Impact of new accounting standards continued

ii) Changes to presentation

- On adoption of IFRS 17, the Group has derecognised and transferred balances that would have existed under the previous GAAP for insurance contract liabilities, including the unearned premium reserve ("UPR"), gross claims, and reinsurance premiums payable.
- The Group has also derecognised balances that would not have existed if IFRS 17 had always been applied, primarily being deferred acquisition costs ("DAC").
- Insurance revenue in each reporting period represents the changes in the LRC that relate to services for which the Group expects to receive consideration, and an allocation of premiums that relate to the recovery of insurance acquisition cash flows. Refer to Note 3 for further details.
- The effect of / changes in discounting of future cash flows and the effect of financial risk are presented as insurance finance income or expense.
- Income and expenses from reinsurance contracts are presented separately from income and expenses from underlying insurance contracts. The Group has elected to present income and expenses from reinsurance contracts, other than insurance finance income or expenses, separately as the allocation of reinsurance premium and amounts recoverable from reinsurers for incurred claims.

iii) Transition

The Group has applied the transition provisions under IFRS 17. Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. This approach required assumptions (including those on discount rates and the risk adjustment for non-financial risk) to be made based on what management's intentions would have been in previous periods.

Under the fully retrospective approach as at 01 January 2022, the Group:

- Identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied, resulting in the recognition of the LRC, LIC and reinsurance contract asset on the statement of financial position.
- Derecognised and transferred balances under previous GAAP for insurance contract liabilities, including the unearned premium reserve ("UPR"), gross claims, and reinsurance premiums payable.
- Derecognised previously reported balance for deferred acquisition costs ("DAC") that would not have existed if IFRS 17 had always been applied.
- Recognised the effects of adopting IFRS 17 on the consolidated financial statements as at 01 January 2022 through the statement of changes in equity. Refer to Section c below for further details.

iv) Key judgements and estimates

Below are the key judgements and estimates made in determining the IFRS 17 result for these interim condensed consolidated financial statements.

Key judgements

- The level of aggregation applied in the measurement of insurance contracts, including determination of:
  - the criteria for aggregating contracts into portfolios;
  - the criteria for aggregating portfolios into groups; and
  - the method of splitting profitability into three classes.
- Application of the Cost of Capital ("CoC") approach in the calculation of the risk adjustment, based on expected return on capital figures from the annual business plan.
- Application of the 'bottom-up' estimation technique in determining appropriate discount rates applied to expected future cash flows in measuring insurance contract liabilities.
- Application of the expense principles under IFRS 17, including allocating expenses to the 'insurance services expense' line based on those which are 'directly attributable'.

Key estimates and assumptions

- Future cash flows: The Group has estimated the amount, timing and probability of future cash flows which include premium revenue, gross and reinsured claims payments, expenses, and lapses/cancellations. Estimates are formed by applying assumptions about past events, current conditions and forecasts of future conditions.
- Risk adjustment: Estimation of the risk adjustment for non-financial risk is based on the underwriting risk element of the Solvency II internal model which captures all of the material exposure elements for the Group. IFRS 17 does not prescribe a specific methodology for the calculation of the risk adjustment for non-financial risk and the Group has elected to use a cost of capital approach. The Group's cost of capital represents the return required to compensate for the exposure to

non-financial risk, in order to comply with internal economic capital requirements. Under this method the risk adjustment is determined by applying a cost rate to the present value of projected capital relating to non-financial risk. The risk adjustment for insurance contracts is expected to have a reserve confidence level in the 80th to 90th percentile range. As at 30 June 2023, our reserve confidence level was at the 89th percentile, which is based on the outcomes of the recent Q1 2023 reserve review exercise; the results of this reserve review underpin the HY23 IFRS17 financials.

- Discount rates: The discount rates applied to expected future cash flows in measuring insurance contract liabilities have been determined using the bottom-up approach. This method takes the risk-free rates and adjusts for an illiquidity premium. Risk-free rates are derived using government yield curves denominated in the same currency as the product being measured. The illiquidity premium represents the differences in the liquidity characteristics between the financial assets used to derive the risk-free yield and the insurance contract liability characteristics. Judgement has been applied by management in determining these liquidity characteristics. The illiquidity premium is sourced from Moody's and adjusted to reflect the Group's own asset portfolio. The discount rates applied in determining the Group's IFRS 17 results are as follows:

30 June 2023	1 Year	3 Year	5 Year
USD	5.73 %	5.04 %	4.57 %
CAD	5.69 %	4.96 %	4.45 %
GBP	6.10 %	5.75 %	5.39 %
EUR	3.77 %	3.36 %	3.15 %

31 December 2022	1 Year	3 Year	5 Year
USD	5.23 %	4.81 %	4.54 %
CAD	5.30 %	4.64 %	4.32 %
GBP	4.40 %	4.44 %	4.45 %
EUR	2.87 %	3.10 %	3.10 %

v) Risk management

Interest rate risk

Interest rate risk refers to the possible fluctuation in the fair value of future cash flows of a financial instrument or insurance contract due to changes in market interest rates. At 31 December 2022, the Group was primarily exposed to this risk through its debt securities, syndicate loans, cash and cash equivalents, derivative assets, and subordinated debt. However in the period to 30 June 2023, the Group's exposure to and management of this risk has changed due to the adoption of IFRS 17. Under this new standard, there is a requirement to apply discounting to expected future cash flows when measuring insurance contract liabilities. This has resulted in greater exposure to the risks arising from fluctuations in interest rates. On the other hand, changes in yields will now impact both insurance contract assets and liabilities, meaning the impact will be offset on a net basis.

18b IFRS 9

i) Classification of financial assets and financial liabilities

Under IFRS 9, financial instruments are classified based on the business model in which these are managed and the characteristics of the associated contractual cash flows. Its implementation has had a limited impact on the classification of the Group's financial assets. Almost all of these were previously held at FVTPL (designated) under IAS 39, and are now held at FVTPL (mandatory) under IFRS 9. This is with the exception of the following:

- Cash and cash equivalents, which were classified at FVTPL (designated) under IAS 39 and are now carried at amortised cost under IFRS 9; and
- Other receivables, which were held at amortised cost under IAS 39 and maintain the same classification under IFRS 9.

The new standard has also had a limited impact on the treatment of the Group's financial liabilities as these are consistently held at amortised cost under both IAS 39 and IFRS 9. This is with the exception of derivatives, which are held at FVTPL (designated) under IAS 39 and FVTPL (mandatory) under IFRS 9.

18 Impact of new accounting standards continued

Due to the limited impact on the classification of financial instruments, we do not consider this to be an area of significant judgement. For further information on how the Group classifies and measures its financial instruments (and accounts for related gains and losses) under IFRS 9, refer to Note 12.

ii) Impairment of financial assets

IFRS 9 has introduced new methodology for calculating impairment losses for financial assets not held at FVTPL. The 'incurred loss' model in IAS 39 has been replaced with a forward-looking 'expected credit losses' ("ECL") model under IFRS 9. This applies to financial assets measured at amortised cost and requires an entity to calculate an allowance for credit losses by taking the sum of various probability weighted outcomes. A simplified approach is permitted for trade receivables, contract assets and lease receivables where there is no significant financing component. This results in an entity recognising an ECL that is always equal to a lifetime ECL, rather than assessing periodically whether there has been an increase in credit risk. Refer to Section vi of this note for further details. The main impact of this new IFRS 9 impairment model is that credit losses are based on the risk of default, as opposed to whether a loss has been incurred, and consequently credit losses are recognised earlier than under IAS 39. Refer to the Risk management and compliance section of the Group's annual report and accounts 2022 (page 67) for further details. Note that the Group has been able to determine the credit risk of financial assets on transition using reasonable and supportable information, rather than placing reliance on transitional provisions.

iii) Hedge accounting

The Group does not apply hedge accounting and has not adopted the new general hedge accounting model under IFRS 9.

iv) Transition

The Group has chosen not to apply the optional IFRS 9 classification overlay. As a result, changes to accounting policies resulting from the adoption of IFRS 9 have been applied prospectively from 01 January 2023. The classification and measurement of financial instruments under IFRS 9 has been determined based on facts and circumstances that existed at this date. E.g., if a financial asset had low credit risk as at 01 January 2023, then the Group determined that the credit risk of that asset had not increased significantly since initial recognition. The difference between the carrying amounts of financial instruments before and after the adoption of IFRS 9 has been posted as an adjustment to the opening retained earnings balance for the period. Refer to Section c for a table showing the impact of IFRS 9 on the Group's consolidated statement of financial position as at 01 January 2023.

v) Changes to the classification of financial assets

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 01 January 2023 is shown below:

	Under IAS 39 $m	ECL $m	Under IFRS 9 $m
Fixed and floating rate debt securities:			
– Government issued	5,006.3	—	5,006.3
– Corporate bonds			
– Investment grade	2,050.5	—	2,050.5
– High yield	308.7	—	308.7
Syndicate loans	32.5	—	32.5
Total fixed and floating rate debt securities	**7,398.0**	**—**	**7,398.0**
Capital growth assets:			
Equity funds	159.4	—	159.4
Hedge funds	530.6	—	530.6
Illiquid credit assets	222.9	—	222.9
Total capital growth assets	**912.9**	**—**	**912.9**
Total financial investments at fair value through profit or loss	**8,310.9**	**—**	**8,310.9**
Derivative financial assets not designated as hedging instruments	34.7	—	34.7
Total financial assets at fair value through profit or loss	**8,345.6**	**—**	**8,345.6**
Financial assets at amortised cost			
Cash and cash equivalents	652.5	—	652.5
Other receivables	181.8	(1.3)	180.5
Total financial assets at amortised cost	**834.3**	**(1.3)**	**833.0**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	14.5	—	14.5
Total financial liabilities at fair value through profit or loss	**14.5**	**—**	**14.5**
Financial liabilities at amortised cost			
Tier 2 subordinated debt (2026)	249.4	—	249.4
Tier 2 subordinated debt (2029)	298.6	—	298.6
Lease liabilities	72.7	—	72.7
Other liabilities	524.0	—	524.0
Total financial liabilities at amortised cost	**1,144.7**	**—**	**1,144.7**

vi) Expected credit losses ("ECLs")

The tables below show the receivables for which loss allowances have been measured using the lifetime ECL, as permitted by the simplified approach. These loss allowances have been estimated by applying inputs and assumptions in relation to the following:

- the period of assessment for other receivables;
- the creditworthiness of counterparties;
- the probability of default by these counterparties over the lifetime of the assets; and
- the loss given default based on historical rates.

We have determined that a reasonable change in any of these assumptions would not have a material impact on the ECLs recognised in the financial statements.

as at 30 June 2023	Under IAS 39 $m	ECL $m	Under IFRS 9 $m
Investment receivables	154.5	(0.7)	153.8
Accrued investment income	43.9	(0.3)	43.6
Other receivables	126.0	(0.7)	125.3
Total other receivables	**324.4**	**(1.7)**	**322.7**

as at 01 January 2023	Under IAS 39 $m	ECL $m	Under IFRS 9 $m
Investment receivables	53.9	(0.3)	53.6
Accrued investment income	35.7	(0.3)	35.4
Other receivables	92.2	(0.7)	91.5
Total other receivables	**181.8**	**(1.3)**	**180.5**

18c Opening Equity Adjustment

The following table sets out the impact of the adoption of IFRS 17 and IFRS 9 on the Group’s consolidated statement of financial position as at both 01 January 2022 and 01 January 2023, with the net position posted as an adjustment to retained earnings.

The overall increase in equity is largely due to the following valuation differences between IFRS 4 and IFRS 17.

– There is a requirement under IFRS 17 to discount technical provisions to reflect the time value of money, whereas under IFRS 4 no such discounting was applied. This change ultimately causes a timing difference as the discount unwinds throughout the claims settlement period. As a result, there will initially be a favourable impact on profit as the discount is established, followed by an unfavourable impact as the initial credit from discounting unwinds (assuming a positive interest rate environment).
– In order to cover claims expected to be paid, the Group has historically held reserves within a range of 5-10% over an actuarial estimate. This actuarial estimate itself had an embedded level of prudence. Under IFRS 17, reserves are held at a best estimate with an additional risk adjustment calculated to a specified confidence level. This percentile indicates where reserves sit compared to the best estimate and the capital requirement. Under IFRS 4 at the date of transition, the level of prudence within reserves equated to a confidence level at the upper end of an 80th to 90th percentile range. Under IFRS 17, the confidence level on transition is in the middle of this range. Accordingly, the provision for claims recognised on adoption of IFRS 17 is lower than under IFRS 4.
– Under IFRS 4, unearned premium reserves (“UPR”) and deferred acquisition costs (“DAC”) were treated as non-monetary items and were translated to the Group’s functional currency using historic exchange rates. Under IFRS 17, all insurance contract balances are considered to be monetary items and are revalued using spot rates at each reporting date.

In addition, the adoption of IFRS 17 has caused a number of temporary differences for tax purposes, resulting in the recognition of an additional deferred tax asset of $1.7m and deferred tax liability of $15.0m. Refer to Note 9 for further details. The adoption of IFRS 9 has had a limited impact on the classification and measurement of the Group’s financial assets and liabilities – refer to Section b(v) above for a reconciliation between IAS 39 and IFRS 9. The most significant change is the recognition of $1.3m in ECLs as at 01 January 2023, offset by $0.3m in deferred tax assets – refer to Section b(vi) above for further details.

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for the six months ended 30 June 2023

Consolidated statement of financial position

	31 December 2021 (previously reported) $m	IFRS 17 reclassification $m	IFRS 17 measurement $m	01 January 2022 (under IFRS 17) $m	31 December 2022 (under IFRS 17) $m	IFRS 9 adjustment $m	01 January 2023 (under IFRS 9) $m
Assets							
Intangible assets	123.5	—	—	123.5	128.8	—	128.8
Plant and equipment	19.2	—	—	19.2	14.9	—	14.9
Right-of-use assets	75.5	—	—	75.5	60.5	—	60.5
Deferred tax asset	16.3	—	1.7	18.0	30.8	0.3	31.1
Deferred acquisition costs	477.8	(477.8)	—	—	—	—	—
Retirement benefit asset	18.1	—	—	18.1	4.6	—	4.6
Reinsurance assets	2,386.4	(2,386.4)	—	—	—	—	—
Insurance receivables	1,696.1	(1,696.1)	—	—	—	—	—
Insurance contract assets	—	—	—	—	84.1	—	84.1
Reinsurance contract assets	—	2,386.4	(712.1)	1,674.3	2,175.3	—	2,175.3
Financial assets at fair value	7,283.5	—	—	7,283.5	8,345.6	—	8,345.6
Other assets	107.3	130.8	—	238.1	204.2	(1.3)	202.9
Current tax asset	11.9	—	—	11.9	11.7	—	11.7
Cash and cash equivalents	591.8	—	—	591.8	652.5	—	652.5
Total assets	**12,807.4**	**(2,043.1)**	**(710.4)**	**10,053.9**	**11,713.0**	**(1.0)**	**11,712.0**
Liabilities							
Insurance liabilities	8,871.8	(8,871.8)	—	—	—	—	—
Insurance contract liabilities	—	6,828.7	(269.2)	6,559.5	7,349.8	—	7,349.8
Reinsurance contract liabilities	—	655.3	(515.6)	139.7	161.2	—	161.2
Financial liabilities	554.7	—	—	554.7	562.5	—	562.5
Lease liabilities	84.3	—	—	84.3	72.7	—	72.7
Deferred tax liabilities	—	—	15.0	15.0	79.2	—	79.2
Current tax liability	24.5	—	—	24.5	8.6	—	8.6
Other liabilities	1,141.3	(655.3)	—	486.0	524.0	—	524.0
Total liabilities	**10,676.6**	**(2,043.1)**	**(769.8)**	**7,863.7**	**8,758.0**	**—**	**8,758.0**
Equity							
Share capital	42.9	—	—	42.9	46.6	—	46.6
Share premium	5.3	—	—	5.3	9.7	—	9.7
Foreign currency translation reserve	(97.2)	—	—	(97.2)	(109.8)	—	(109.8)
Other reserves	(4.0)	—	—	(4.0)	(7.6)	—	(7.6)
Retained earnings	2,183.8	—	59.4	2,243.2	3,016.1	(1.0)	3,015.1
Total equity	**2,130.8**	**—**	**59.4**	**2,190.2**	**2,955.0**	**(1.0)**	**2,954.0**
Total liabilities and equity	**12,807.4**	**(2,043.1)**	**(710.4)**	**10,053.9**	**11,713.0**	**(1.0)**	**11,712.0**

Responsibility statement of the Directors in respect of the interim report

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that six months; and any changes in the related party transactions described in the last annual report that could do so.

S M Lake
Group Finance Director

11 September 2023

Independent review report to Beazley plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed consolidated statement of profit or loss, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of financial position, Condensed consolidated statement of cash flows and the related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE") issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK-adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
11 September 2023

Alternative performance measures ("APMs")

Beazley plc uses APMs to help explain its financial performance and position. These measures are not defined under IFRS. The Group is of the view that the use of these measures enhances the usefulness of our financial reporting and allows for improved comparison to industry peers.

Information on APMs used by the Group are set out below. Unless otherwise stated, amounts are disclosed in millions of dollars ($m). The return on equity and investment return APMs for the 6 months ended 30 June 2022 and 30 June 2023 have been annualised to allow for comparison with the full year result.

As a result of the adoption of IFRS 17, comparative information has been restated for the 6 months ended 30 June 2022 and year to 31 December 2022. This applies to income statement figures in addition to net assets (total equity). Amounts which have been restated are indicated with an asterisk (*).

Insurance written premiums & net insurance written premiums

Insurance written premiums ($m) is calculated by deducting the reinstatement premiums and profit commissions from the gross premiums written. Net insurance written premiums ($m) is calculated by adding insurance ceded premiums to this result. These APMs represent management's view of premiums written in each period, similar to the previous "Gross premiums written" metric reported under IFRS 4.

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Insurance written premiums	2,921.1	2,574.3	5,246.3
Earnings adjustment	293.0	213.4	397.9
Insurance revenue	**2,628.1**	**2,360.9**	**4,848.4**

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Insurance ceded premiums	(571.5)	(766.1)	(1,473.9)
Earnings adjustment	(32.9)	(263.0)	(508.5)
Allocation of reinsurance premiums	**(538.6)**	**(503.1)**	**(965.4)**

	6 months ended 30 June 2023 $m	6 months ended 30 June 2022 $m	Year to 31 December 2022 $m
Insurance written premiums	2,921.1	2,574.3	5,246.3
Add insurance ceded premiums	(571.5)	(766.1)	(1,473.9)
Net insurance written premiums	**2,349.6**	**1,808.2**	**3,772.4**

APMs continued

Claims, expense & combined ratios

Claims ratio (%) is calculated as the incurred claims and losses on onerous contracts net of reinsurance recoveries, divided by the insurance revenue net of reinsurance ceded revenue. Expense ratio (%) is calculated as the sum of acquisition costs and other attributable expenses, divided by net insurance revenue. Combined ratio (%) is calculated as insurance service expenses net of reinsurance recoveries, divided by the insurance revenue net of reinsurance ceded revenue. This is also the sum of the claims and expense ratios.

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year to 31 December 2022
Insurance service expenses ($m)	2,080.5	1,740.2	4,014.0
Less other directly attributable expenses ($m)	(725.1)	(583.7)	(1,215.8)
Less amounts recoverable from reinsurers for incurred claims ($m)	(333.2)	(423.0)	(953.9)
Net claims ($m)	1,022.2	733.5	1,844.3
Insurance revenue ($m)	2,628.1	2,360.9	4,848.4
Less allocation of reinsurance premium ($m)	(538.6)	(503.1)	(965.4)
Divided by net insurance revenue ($m)	2,089.5	1,857.8	3,883.0
Claims ratio	**49%**	**39%**	**47%**
Directly attributable expenses ($m)	725.1	583.7	1,215.8
Divided by net insurance revenue ($m)	2,089.5	1,857.8	3,883.0
Expense ratio	**35%**	**32%**	**32%**
Combined ratio (discounted)	**84%**	**71%**	**79%**
Effect of discounting	4%	3%	3%
Combined ratio (undiscounted)	**88%**	**74%**	**82%**

Net assets per share & net tangible assets per share

Net assets per share is the ratio (in pence and cents) calculated by dividing the net assets or total equity of the Group by the number of shares in issue at the end of the period, excluding those held by the employee benefits trust. Net tangible assets per share excludes intangible assets from net assets in the above calculation.

	30 June 2023	30 June 2022	31 December 2022
Net assets* ($m)	**3,123.6**	2,352.7	2,955.0
Less intangible assets ($m)	**(134.8)**	(118.0)	(128.8)
Net tangible assets* ($m)	**2,988.8**	2,234.7	2,826.2
Divided by the shares in issue at the period end (millions):	**663.5**	603.9	665.4
Net assets per share (cents)*	**470.8**	389.6	444.1
Net tangible assets per share (cents)*	**450.5**	370.0	424.7
Converted at spot rate:	**0.80**	0.82	0.82
Net assets per share (pence)*	**376.6**	319.5	364.2
Net tangible assets per share (pence)*	**360.4**	303.4	348.3

Return on equity

Return on equity (%) is calculated by dividing the consolidated profit after tax by the average equity for the period. Average equity for the period was previously calculated as the monthly weighted average closing equity position. In the current period we have opted to update our approach to use an average of the opening and closing equity positions.

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year to 31 December 2022
Profit after tax* ($m)	**284.1**	294.7	483.3
Divided by average total equity* ($m)	**3,038.8**	2,271.5	2,572.6
Annualised return on equity*	**18 %**	**26 %**	**19 %**

Investment return

Investment return (%) is calculated by dividing the net investment income by the average financial assets at fair value and cash and cash equivalents held by the Group over the period.

	6 months ended 30 June 2023	6 months ended 30 June 2022	Year to 31 December 2022
Net investment income/(loss) ($m)	**143.9**	(193.0)	(179.7)
Opening invested assets:			
Financial assets at fair value ($m)	**8,345.6**	7,283.5	7,283.5
Cash and cash equivalents ($m)	**652.5**	591.8	591.8
Invested assets at the beginning of the period ($m):	**8,998.1**	7,875.3	7,875.3
Closing invested assets:			
Financial assets at fair value ($m)	**8,679.8**	7,309.6	8,345.6
Cash and cash equivalents ($m)	**964.3**	629.0	652.5
Invested assets at the end of the period: ($m)	**9,644.1**	7,938.6	8,998.1
Divided by average invested assets ($m)	**9,321.1**	7,907.0	8,436.7
Annualised investment return	**3.0 %**	**(5.0)%**	**(2.1)%**

Leverage

Leverage (%) is calculated by dividing the carrying value of debt by the closing equity for the period plus the carrying value of debt.

	30 June 2023	30 June 2022	31 December 2022
Carrying value of debt ($m)	**548.1**	547.8	548.0
Divided by closing total equity and carrying value of debt ($m)	**3,671.7**	2,900.5	3,503.0
Leverage	**15 %**	**19 %**	**16 %**

Company information

Directors
Clive Bannister[1] (Chair)
Adrian P Cox (Chief Executive Officer)
Sally M Lake (Group Finance Director)
Christine LaSala[1]
Pierre-Olivier Desaulle[1]
Robert A Stuchbery[1]
A John Reizenstein[1]
Nicola Hodson[1]
Raj Agrawal[1]
Fiona Muldoon[1]
Cecilia Reyes[1]

[1] Non-Executive Director

Company secretary
Christine P Oldridge

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