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REG - Beazley PLC -Beazley plc interim results

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Beazley PLC
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Press Release

Strong underwriting performance in increasingly competitive market

Dublin, 23 July 2013

Beazley plc results for six months ended 30 June 2013

- Profit before income tax of $82.3m (2012: $112.9m)
- Gross premiums written increased by 5% to $1,066.7m (2012: $1,013.1m)
- Combined ratio of 89% (2012: 91%)
- Rate change on renewal business of 1% (2012: 3%)
- Prior year reserve releases of $60.8m (2012: $47.6m)
- Investment return of $0.3m (2012: $36.1m)
- Annualised return on equity of 12% (2012: 18%)
- Interim dividend up 7% to 2.9p (2012: 2.7p)

	Six months ended 30 June 2013	Six months ended 30 June 2012	% movement
Gross premiums written ($m)	**1,066.7**	1,013.1	5%
Net premiums written ($m)	**758.0**	650.8	16%
Net earned premiums ($m)	**758.8**	703.3	8%
Profit before income tax ($m)	**82.3**	112.9	(27%)
Earnings per share (pence)	**9.3**	12.5	
Net assets per share (pence)	**152.0**	142.2	
Net tangible assets per share (pence)	**138.0**	126.0	
Dividend per share (pence)	**2.9**	2.7	

Andrew Horton, Chief Executive Officer, said:

"Beazley delivered a strong underwriting result in the first half of the year. Gross premiums written grew by 5% and we achieved a combined ratio of 89% despite increasing competition in a number of classes of business. Investment returns were down due to mark to market losses in our fixed income holdings caused by rising interest rates. Looking forward, however, higher interest rates promise enhanced investment returns."

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, the US, Asia and Australia. Beazley manages five Lloyd's syndicates and, in 2012, underwrote gross premiums worldwide of $1,895.9 million. All Lloyd's syndicates are rated A by A.M. Best.

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

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

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

Interim results statement

Overview

Beazley performed well during the first half of the year. Profit before tax in the first half of $82.3m (2012: $112.9m) was down due to reduced investment income and the impact of foreign exchange losses. This has been somewhat mitigated by a stronger underwriting performance both in terms of increased premiums and a lower combined ratio of 89% (2012: 91%). Rates rose on average in our portfolio and the better than expected economic recovery in the United States, our largest market, is an additional fillip.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	HY 2012	HY 2013
Life, accident & health	-	-	-	-	-	-	-	-	100%	100%	101%	101%	100%
Marine	100%	117%	128%	127%	130%	140%	131%	123%	131%	127%	128%	127%	124%
Political risk & contingency	100%	120%	122%	114%	107%	101%	94%	89%	88%	86%	85%	83%	82%
Property	100%	128%	133%	126%	124%	140%	137%	128%	135%	130%	134%	142%	146%
Reinsurance	100%	144%	150%	149%	150%	192%	200%	188%	205%	199%	205%	216%	214%
Specialty lines	100%	138%	167%	175%	177%	177%	168%	158%	157%	155%	154%	159%	165%
Total	100%	132%	146%	146%	147%	156%	149%	140%	144%	141%	142%	146%	148%

Gross written premiums rose by 5% over the equivalent period in 2012. Rates continue to rise across our portfolio but these increases and our overall premium growth slowed in the second quarter. In specialty lines, our largest division accounting for 36% of group premiums, rates rose by an average of 4%. Our view is that, for many insurers of professional and management liability risks, the strain of writing underpriced business at a time of weak investment returns has produced losses; we expect rates to continue to rise modestly in these lines.

A strong influx of new non traditional capital into global reinsurance markets is likely to slow growth in catastrophe affected short tail lines in the months ahead. During the first half of the year, our reinsurance division, our fourth largest, accounting for 16% of group premiums, saw rates reduce slightly by 1%. While reinsurance rates remain at historically high levels, we expect growth opportunities in this area to be constrained in the absence of significant losses impacting the industry's large capital surplus.

Claims activity was in line with our expectations and our loss reserves continued to perform well, enabling a prior year reserve release of $60.8m. We maintain a conservative reserving approach with a margin in net held reserves of between 5% and 10% over our actuaries' estimate: the margin currently stands at 7.1% (31 December 2012: 6.9%).

In the first half of the year we took a number of steps to improve the net profitability of our US excess and surplus lines property insurance business based on a detailed underwriting review of our portfolio. Under the leadership of Mark Bernacki, the property division has also secured substantial savings through consolidating reinsurance programmes with no loss of cover. We see significant potential for the profitable development of our property business both in the US and at Lloyd's.

Within our specialty lines division, Beazley Breach Response, our market-leading product to address the multiple challenges confronting businesses that have suffered a data breach, continues to show strong growth. In the first half of the year we launched the product in the UK, France and Italy. Expected changes in European regulations governing how companies should handle a data breach and notify affected customers should increase demand for the product still further.

Growth opportunities for our life, accident and health division have proved challenging to achieve beyond our core London account, which continues to perform well. Christian Tolle, previously head of ceded reinsurance, has succeeded Chris Branch as head of the division and will focus on the development of this business in the United States and Australia.

Regulation and regulatory change remain high on the agenda. In the first half year we saw the creation of two new authorities, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in the UK. In the second half of 2013 we expect to learn more about the timetable for Solvency II and the interim measures that the European Insurance and Occupational Pensions Authority (EIOPA) propose in the run up to the implementation. We will also continue to work closely with the new regulatory authorities.

Growth at Lloyd's, in Europe and in the US

Our focus during the first half of the year has been on organic growth in lines of business that present attractive opportunities, while continuing to hire experienced underwriters with strong track records who can broaden our skills base. One advantage of our Lloyd's platform is that new underwriters can hit the ground running, writing business from their first days with the company, as our aviation team began to do in the final quarter of 2012. This year the team, under the leadership of David Oates, expects to write premiums of approximately $20m.

While the Lloyd's market possesses the skills and the infrastructure to underwrite the largest and most complex risks, it is occasionally challenged to offer the capacity to compete for the largest risks with non Lloyd's insurance companies. This was the case for large scale construction risks until the formation in May of the Construction Consortium at Lloyd's. The consortium comprises syndicates managed by Beazley, Canopius, Hardy and Talbot, all organisations with long experience of writing construction risks. Through the consortium they will be able to provide capacity up to a maximum of $166m per risk, offering an alternative to the largest non-Lloyd's insurers.

In other lines of business we have found that the experience and expertise gained by our underwriters at Lloyd's is transferable to other markets. In January, Christian Phillips, an experienced underwriter of event cancellation and other contingency risks who joined Beazley's contingency team in 2005, relocated to the US, where he will focus on risks that would not normally be seen by our contingency underwriters in London.

Continental Europe presents further opportunities, particularly for small scale professional indemnity business. The insurance needs of technology, media and consulting companies are evolving rapidly, particularly among smaller firms. Matthew Norris, one of the most experienced technology underwriters in the London market, will be joining Beazley in August to help us capture a larger share of this business.

Investment performance

The first half of 2013 has been an eventful one in investment markets. The year started with strong returns for most classes of risk asset and this continued until the middle of May. The last six weeks of the half were marked by significant rises in US interest rates. Whilst higher interest rates are good for our underwriting business, the rise in rates created mark to market losses in the fixed income portfolio that cancelled out the profits we had made earlier in the year. We in fact made a nil investment return in the first half of the year (2012: 1.8%). These mark to market losses will, of course, unwind and as a result, the current yield on our portfolio has risen to 2%.

There have been no major changes to the investment portfolio over the last six months. Our strategy has been to maintain a conservative approach with the majority of investment assets (80% - 90%) being held in a core portfolio of cash and sovereign and corporate bonds. The balance (10% - 20%) is allocated to a portfolio of capital growth assets, which is diversified across several different strategies and managers.

The breakdown of our investment portfolio at 30 June 2013 was:

	30 June 2013	30 June 2013	31 December 2012	31 December 2012
	$m	%	$m	%
Cash and cash equivalents	618	14.7	636	14.7
Bonds: sovereign and supranational	2,000	47.7	2,111	48.8
Investment grade credit	1,002	23.9	1,083	25.1
Other credit	95	2.3	74	1.7
Core portfolio	**3,715**	**88.6**	**3,904**	**90.3**
Capital growth assets	480	11.4	418	9.7
Total	**4,195**	**100.0**	**4,322**	**100.0**

The weighted average duration of our core portfolio is 2.0 years (31 December 2012: 1.9 years) and the average rating of the investment grade credit is A+. The weighted average yield to maturity of the portfolio is 1.8% (31 December 2012: 1.0%).

Investment return by major asset class

Analysis of returns on major asset classes are set out below:

	30 June 2013	30 June 2013 annualised return	30 June 2012	30 June 2012 annualised return
	$m	%	$m	%
Core portfolio	(7.9)	(0.4)	29.9	1.7
Capital growth assets	8.2	3.7	6.2	3.0
Overall return	**0.3**	**-**	**36.1**	**1.8**

Capital position

Beazley's approach of active capital management has again been demonstrated through the payment of the special dividend announced alongside the 2012 results as well as by our buying back a further $39.7m

(£26.2m) of debt in the form of fixed/floating rate subordinated notes falling due in 2026, at a price of 100% of par.

The company has also renewed its syndicated banking facility which provides the ability to issue a letter of credit as regulatory capital for the 2013, 2014 and 2015 underwriting years. We believe we have sufficient capital resources to take advantage of any potential growth opportunities without retaining an excessive level.

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

	2013 HY $m	2012 FY $m
Sources of funds		
Shareholders' funds	1,157.6	1,204.5
Tier 2 subordinated debt	115.5	166.3
Retail bond	114.0	122.3
Long-term subordinated debt	18.0	18.0
	1,405.1	1,511.1
Uses of funds		
Lloyd's underwriting	876.0	876.0
Capital for US insurance company	107.7	107.7
	983.7	983.7
Surplus	**421.4**	**527.4**
Unavailable surplus*	(123.9)	(145.0)
Fixed and intangible assets	(112.2)	(122.1)
Available surplus	**185.3**	**260.3**
Unutilised banking facility	**225.0**	**225.0**

* Unavailable surplus primarily represents profits earned that have not yet been transferred from the Lloyd's syndicates.

Dividend

The board has declared a first interim dividend of 2.9 pence (2012: 2.7 pence), in line with our strategy of delivering 5-10% dividend growth. This will be paid on 30 August 2013 to shareholders on the register at 5.00pm on 2 August 2013.

Outlook

Looking forward we see an environment that continues to present profitable growth opportunities for our underwriters. Capacity is likely to continue to be abundant for catastrophe reinsurance and for other short tail risks, particularly those that are heavily affected by the availability of catastrophe reinsurance. Changes in distribution are also occurring with a number of major brokers creating facilities that will also add to competition. But this is not an unfamiliar pattern and the spread and balance of our portfolio continue to insulate us to some extent from such pressures. We will maintain underwriting discipline in those lines that are becoming more competitive while continuing to identify and exploit growth opportunities in other areas.

We expect US interest rates have further to rise and whilst this will suppress our investment return when it happens it will ultimately benefit our business as we will enjoy higher investment yields. In the short term, the increases that have already occurred mean we should earn an increased yield (an annualised 2%) in the second half of 2013.

Andrew Horton
Chief executive

23 July 2013

Condensed consolidated statement of profit or loss

for the six months ended 30 June 2013

	Note	Unaudited 6 months ended 30 June 2013 $m	Unaudited 6 months ended 30 June 2012 $m	Audited Year to 31 December 2012 $m
Gross premiums written	2	1,066.7	1,013.1	1,895.9
Written premiums ceded to reinsurers		(308.7)	(362.3)	(353.2)
Net premiums written	2	**758.0**	**650.8**	**1,542.7**
Change in gross provision for unearned premiums		(143.6)	(144.9)	(82.5)

Reinsurer's share of change in the provision for unearned premiums		144.4	197.4	18.3
Change in net provision for unearned premiums		**0.8**	**52.5**	**(64.2)**
Net earned premiums	2	**758.8**	**703.3**	**1,478.5**
Net investment income	3	0.3	36.1	82.6
Other income	4	14.4	11.1	24.7
		14.7	47.2	107.3
Revenue	2	**773.5**	**750.5**	**1,585.8**
Insurance claims		474.7	469.5	902.8
Insurance claims recovered from reinsurers		(78.6)	(92.3)	(124.4)
Net insurance claims	2,9	**396.1**	**377.2**	**778.4**
Expenses for the acquisition of insurance contracts		208.5	190.7	408.5
Administrative expenses		71.7	74.5	155.0
Foreign exchange loss/(gain)	2	8.8	(2.6)	(11.0)
Operating expenses		**289.0**	**262.6**	**552.5**
Expenses	2	**685.1**	**639.8**	**1,330.9**
Share of loss in associate	2	(0.1)	(0.3)	(0.5)
Results of operating activities		**88.3**	**110.4**	**254.4**
Finance costs	5	(6.0)	2.5	(3.2)
Profit before income tax		**82.3**	**112.9**	251.2
Income tax expense	8	(10.2)	(12.8)	(36.6)
Profit after income tax - all attributable to the owners of the parent		**72.1**	**100.1**	**214.6**
Earnings per share (cents per share):				
Basic	6	14.3	19.8	42.4
Diluted	6	14.0	18.7	41.3
Earnings per share (pence per share):				
Basic	6	9.3	12.5	26.7
Diluted	6	9.1	11.8	26.0

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2013

	Unaudited 6 months to 30 June 2013 $m	Unaudited 6 months to 30 June 2012 $m	Audited Year to 31 December 2012 (restated)* $m
Profit after income tax	72.1	100.1	214.6
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Loss on remeasurement of retirement benefit obligations	-	-	(1.8)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(1.8)	0.4	2.3
Total other comprehensive income	(1.8)	0.4	0.5
Total comprehensive income recognised - all attributable to the owners of the parent	**70.3**	**100.5**	**215.1**

he restatement is in respect of the changes to IAS19. For further information see note 1.

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2013

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings (restated)* $m	Total $m
Balance as at 1 January 2012	**42.8**	**1.1**	**(88.5)**	**(50.1)**	**1,160.3**	**1,065.6**
Total comprehensive income recognised	-	-	0.4	-	100.1	100.5
Dividends paid	-	-	-	-	(43.3)	(43.3)
Issue of shares	0.1	0.1	-	-	-	0.2
Equity settled share-based payments	-	-	-	5.1	-	5.1
Acquisition of own shares held in trust	-	-	-	(4.3)	-	(4.3)
Cancellation of treasury shares	(1.4)	-	-	30.1	(28.7)	-
Balance as at 30 June 2012	**41.5**	**1.2**	**(88.1)**	**(19.2)**	**1,188.4**	**1,123.8**
Total comprehensive income recognised	-	-	1.9	-	112.7	114.6
Dividends paid	-	-	-	-	(21.8)	(21.8)
Issue of shares	0.1	1.5	-	(0.2)	-	1.4
Equity settled share-based payments	-	-	-	7.3	-	7.3
Acquisition of own shares held in trust	-	-	-	(20.8)	-	(20.8)
Reclassification of reserves	-	9.3	-	(9.7)	0.4	-
Balance as at 31 December 2012	**41.6**	**12.0**	**(86.2)**	**(42.6)**	**1,279.7**	**1,204.5**
Total comprehensive income recognised	-	-	(1.8)	-	72.1	70.3
Dividends paid	-	-	-	-	(107.3)	(107.3)
Equity settled share-based payments	-	-	-	7.5	-	7.5
Acquisition of own shares held in trust	-	-	-	(17.7)	-	(17.7)
Transfer of shares to employees	-	-	-	2.9	(2.6)	0.3
Balance as at 30 June 2013	**41.6**	**12.0**	**(88.0)**	**(49.9)**	**1,241.9**	**1,157.6**

he restatement is in respect of the changes to IAS19. For further information see note 1.

Condensed consolidated statement of financial position

as at 30 June 2013

	Note	Unaudited 30 June 2013 $m	Unaudited 30 June 2012 (restated)* $m	Audited 31 December 2012 (restated)* $m
Assets				
Intangible assets and goodwill		106.7	127.6	115.1
Plant and equipment		5.5	7.4	7.0
Investments in associates		9.9	10.2	10.0
Deferred acquisition costs		214.8	172.5	185.0
Deferred tax asset		10.4	11.4	11.0
Retirement benefit asset*		0.9	0.9	-
Current income tax asset		-	-	1.2
Reinsurance assets		1,335.6	1,411.4	1,187.3
Financial assets at fair value		3,577.4	3,420.8	3,685.4
Insurance receivables		635.7	553.0	578.0
Other receivables		26.9	37.4	32.4
Cash and cash equivalents		617.9	596.5	636.5
Total assets		**6,541.7**	**6,349.1**	**6,448.9**
Equity				
Share capital		41.6	41.5	41.6
Share premium		12.0	1.2	12.0
Foreign currency translation reserve		(88.0)	(88.1)	(86.2)
Other reserves		(49.9)	(19.2)	(42.6)
Retained earnings*		1,241.9	1,188.4	1,279.7
Total equity		**1,157.6**	**1,123.8**	**1,204.5**

Liabilities				
Insurance liabilities	9	4,639.4	4,493.3	4,483.8
Financial liabilities		252.3	217.6	315.0
Other payables		419.1	431.7	360.9
Deferred tax liabilities		59.1	77.3	84.0
Retirement benefit liability*		-	-	0.7
Current income tax liabilities		14.2	5.4	-
Total liabilities		**5,384.1**	**5,225.3**	**5,244.4**
Total equity and liabilities		**6,541.7**	**6,349.1**	**6,448.9**

he restatement is in respect of the changes to IAS19. For further information see note 1.

Condensed consolidated statement of cash flows

for the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 $m	Unaudited 6 months ended 30 June 2012 $m	Audited Year to 31 December 2012 $m
Cash flow from operating activities			
Profit before income tax	**82.3**	**112.9**	**251.2**
Adjustments for:			
Amortisation of intangibles	7.9	7.0	15.0
Equity settled share based compensation	7.5	5.1	12.4
Net fair value loss/(gain) on financial investments	28.7	(7.5)	(17.3)
Share of loss on associate	0.1	0.3	0.5
Depreciation of plant and equipment	1.3	1.2	2.9
Impairment of reinsurance assets (written back)/recognised	(0.2)	1.3	2.3
Increase in insurance and other liabilities	193.5	226.1	157.4
Increase in insurance, reinsurance and other receivables	(200.3)	(224.6)	(21.5)
Increase in deferred acquisition costs	(29.8)	(12.8)	(25.3)
Interest and dividend income	(34.5)	(33.7)	(77.0)
Interest expense	8.1	7.7	16.1
Profit on debt buy back	(2.1)	(10.2)	(12.9)
Income tax paid	(19.1)	(0.5)	(22.7)
Net cash from operating activities	**43.4**	**72.3**	**281.1**
Cash flow from investing activities			
Purchase of plant and equipment	(0.1)	(1.5)	(2.6)
Expenditure on software development	(3.0)	(3.3)	(5.8)
Purchase of investments	(2,250.1)	(2,159.1)	(4,579.0)
Proceeds from sale of investments	2,329.3	2,103.0	4,267.7
Investment in associate	-	(1.6)	(1.6)
Interest and dividends received	34.5	33.7	77.0
Net cash from/(used in) investing activities	**110.6**	**(28.8)**	**(244.3)**
Cash flow from financing activities			
Proceeds from issue of shares	-	0.2	1.6
Acquisition of own shares in trust	(17.7)	(4.3)	(25.1)
Proceeds from issue of debt	-	-	121.0
Repayment of borrowings	(39.5)	(41.9)	(66.7)
Interest paid	(8.1)	(7.7)	(14.3)
Dividends paid	(107.3)	(43.3)	(65.1)
Net cash used in financing activities	**(172.6)**	**(97.0)**	**(48.6)**
Net decrease in cash and cash equivalents	(18.6)	(53.5)	(11.8)
Cash and cash equivalents at beginning of period	636.5	650.1	650.1
Effect of exchange rate changes on cash and cash equivalents	-	(0.1)	(1.8)
Cash and cash equivalents at end of period	**617.9**	**596.5**	**636.5**

	Unaudited 6 months ended 30 June 2013 $m	Unaudited 6 months ended 30 June 2012 $m	Audited Year to 31 December 2012 $m
Cash flow from operating activities			
Profit before income tax	**82.3**	**112.9**	**251.2**
Adjustments for:			
Amortisation of intangibles	7.9	7.0	15.0
Equity settled share based compensation	7.5	5.1	12.4

Net fair value loss/(gain) on financial investments	28.7	(7.5)	(17.3)
Share of loss on associate	0.1	0.3	0.5
Depreciation of plant and equipment	1.3	1.2	2.9
Impairment of reinsurance assets (written back)/recognised	(0.2)	1.3	2.3
Increase in insurance and other liabilities	193.5	226.1	157.4
Increase in insurance, reinsurance and other receivables	(200.3)	(224.6)	(21.5)
Increase in deferred acquisition costs	(29.8)	(12.8)	(25.3)
Interest and dividend income	(34.5)	(33.7)	(77.0)
Interest expense	8.1	7.7	16.1
Profit on debt buy back	(2.1)	(10.2)	(12.9)
Income tax paid	(19.1)	(0.5)	(22.7)
Net cash from operating activities	**43.4**	**72.3**	**281.1**
Cash flow from investing activities			
Purchase of plant and equipment	(0.1)	(1.5)	(2.6)
Expenditure on software development	(3.0)	(3.3)	(5.8)
Purchase of investments	(2,250.1)	(2,159.1)	(4,579.0)
Proceeds from sale of investments	2,329.3	2,103.0	4,267.7
Investment in associate	–	(1.6)	(1.6)
Interest and dividends received	34.5	33.7	77.0
Net cash from/(used in) investing activities	**110.6**	**(28.8)**	**(244.3)**
Cash flow from financing activities			
Proceeds from issue of shares	–	0.2	1.6
Acquisition of own shares in trust	(17.7)	(4.3)	(25.1)
Proceeds from issue of debt	–	–	121.0
Repayment of borrowings	(39.5)	(41.9)	(66.7)
Interest paid	(8.1)	(7.7)	(14.3)
Dividends paid	(107.3)	(43.3)	(65.1)
Net cash used in financing activities	**(172.6)**	**(97.0)**	**(48.6)**
Net decrease in cash and cash equivalents	(18.6)	(53.5)	(11.8)
Cash and cash equivalents at beginning of period	636.5	650.1	650.1
Effect of exchange rate changes on cash and cash equivalents	–	(0.1)	(1.8)
Cash and cash equivalents at end of period	**617.9**	**596.5**	**636.5**

Notes to the financial statements

for the six months ended 30 June 2013

1 Statement of accounting policies

Beazley plc is a group incorporated in Jersey and domiciled in Ireland. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2013 comprise the parent company and its subsidiaries and the group's interest in associates.

The condensed consolidated financial statements have been prepared and approved by the directors in accordance with IAS 34Interim Financial Reporting as adopted by the EU ('Adopted IFRS').

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the group's 2012 annual report.

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 31 December 2012. Any changes in accounting policies are also expected to be reflected in the group's consolidated financial statements as at and for the year ending 31 December 2013.

The group has adopted the following new standards and amendments to standards with a date of initial application of 1 January 2013:

- IFRS 7 Amendment: Offsetting financial assets and financial liabilities
- IFRS 13 Fair value measurement
- IAS 1 Amendment: Presentation of items of other comprehensive income
- IAS 19 Amendment: Employee benefits

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs. Some of these disclosures are specifically required in interim financial statements for financial instruments. In accordance with the transitional provisions of IFRS 13, the group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities. However, additional disclosures have been made in these condensed consolidated financial statements.

As a result of the amendments to IAS 1, the group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of comprehensive income, to present separately items that would be reclassified to profit and loss in the future from those that would never be. Comparative information has also been re-presented accordingly. The adoption of the amendment to IAS1 has no impact on the recognised assets, liabilities and comprehensive income of the group.

IAS 19 was amended effective 1 January 2013, the applicable impact being that actuarial gains and losses that have previously not been recognised in accordance with the "corridor method" permitted in the old standard must be reflected in financial statements for both the current and prior reporting periods. The impact of this change is a restatement of the pension asset, in respect of the defined benefit pension scheme, in the statement of financial position with a corresponding restatement in the statement of comprehensive income and statement of changes in equity to the value of $7.2m as at 31 December 2012 and $5.4m as at 30 June 2012.

Under the amended IAS 19, the group also determines the net interest expense/(income) for the period on the net defined benefit liability/(asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the defined liability/(asset) now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest on the effect of the asset ceiling

Previously, the group determined interest income on plan assets based on their long-term rate of expected return.

The financial information included in this document does not comprise statutory financial statements within the meaning of Companies (Jersey) Law 1991. The comparative figures for the financial year ended 31 December 2012 are those for the group and are not the company's statutory financial statements for that financial year. Those financial statements have been reported on by the company's auditors and delivered to the Jersey Financial Services Commission. The report of the auditors was unqualified.

2 Segmental analysis

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

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

	30 June 2013						
	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Gross premiums written	56.4	197.1	63.3	199.0	170.3	380.6	1,066.7
Net premiums written	39.0	165.2	46.0	130.1	121.1	256.6	758.0
Net earned premiums	45.4	131.5	46.3	150.2	70.8	314.6	758.8
Net investment income	-	-	-	-	-	0.3	0.3
Other income	1.0	1.5	0.9	4.9	0.6	5.5	14.4
Revenue	**46.4**	**133.0**	**47.2**	**155.1**	**71.4**	**320.4**	**773.5**
Net insurance claims	34.2	57.2	15.6	77.8	17.3	194.0	396.1
Expenses for the acquisition of insurance contracts	12.9	35.1	11.9	48.8	13.9	85.9	208.5
Administrative expenses	5.9	11.9	7.8	10.5	7.0	28.6	71.7
Foreign exchange loss	0.5	1.6	0.5	1.7	1.0	3.5	8.8
Expenses	**53.5**	**105.8**	**35.8**	**138.8**	**39.2**	**312.0**	**685.1**
Share of loss in associate	-	0.2	-	-	-	(0.3)	(0.1)
Segment result	**(7.1)**	**27.2**	**11.6**	**16.3**	**32.2**	**8.1**	**88.3**
Finance costs							(6.0)
Profit before income tax							**82.3**
Income tax expense							(10.2)
Profit after income tax							**72.1**
Claims ratio	76%	43%	33%	52%	24%	62%	52%
Expense ratio	41%	36%	43%	39%	30%	36%	37%

Combined ratio	117%	79%	76%	91%	54%	98%	89%
Segment assets and liabilities							
Segment assets	224.6	1,072.6	778.6	1,013.3	382.2	3,070.4	6,541.7
Segment liabilities	(181.0)	(725.9)	(627.4)	(890.0)	(306.1)	(2,653.7)	(5,384.1)
Net assets	**43.6**	**346.8**	**151.1**	**123.3**	**76.1**	**416.7**	**1,157.6**

	30 June 2012						
	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Gross premiums written	49.7	184.6	71.9	201.5	139.8	365.6	1,013.1
Net premiums written	45.3	156.8	58.2	98.7	96.7	195.1	650.8
Net earned premiums	43.7	135.9	49.8	130.2	59.6	284.1	703.3
Net investment income	0.5	3.5	1.9	4.8	3.9	21.5	36.1
Other income	-	1.2	0.6	4.7	0.2	4.4	11.1
Revenue	**44.2**	**140.6**	**52.3**	**139.7**	**63.7**	**310.0**	**750.5**
Net insurance claims	26.3	63.8	11.1	65.7	30.3	180.0	377.2
Expenses for the acquisition of insurance contracts	10.1	34.6	11.5	54.2	13.3	67.0	190.7
Administrative expenses	11.1	10.2	7.0	11.8	6.0	28.4	74.5
Foreign exchange gain	(0.2)	(0.5)	(0.2)	(0.5)	(0.3)	(0.9)	(2.6)
Expenses	**47.3**	**108.1**	**29.4**	**131.2**	**49.3**	**274.5**	**639.8**
Share of loss in associate	-	-	-	-	-	(0.3)	(0.3)
Segment result	**(3.1)**	**32.5**	**22.9**	**8.5**	**14.4**	**35.2**	**110.4**
Finance costs							2.5
Profit before income tax							**112.9**
Income tax expense							(12.8)
Profit after income tax							**100.1**
Claims ratio	60%	47%	22%	50%	51%	63%	54%
Expense ratio	49%	33%	37%	51%	32%	34%	37%
Combined ratio	109%	80%	59%	101%	83%	97%	91%
Segment assets and liabilities							
Segment assets	210.4	1,017.2	755.3	987.1	374.7	3,004.4	6,349.1
Segment liabilities	(158.9)	(689.0)	(619.8)	(879.4)	(324.1)	(2,554.1)	(5,225.3)
Net assets	**51.5**	**328.2**	**135.5**	**107.7**	**50.6**	**450.3**	**1,123.8**

	31 December 2012						
	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Gross premiums written	94.4	311.2	116.6	376.7	188.6	808.4	1,895.9
Net premiums written	75.3	283.1	102.3	275.7	146.7	659.6	1,542.7
Net earned premiums	80.3	279.6	98.1	266.4	139.0	615.1	1,478.5
Net investment income	1.1	8.0	4.4	11.1	8.9	49.1	82.6
Other income	1.1	3.1	1.9	10.2	0.4	8.0	24.7
Revenue	**82.5**	**290.7**	**104.4**	**287.7**	**148.3**	**672.2**	**1,585.8**
Net insurance claims	46.4	116.9	11.7	140.4	87.3	375.7	778.4
Expenses for the acquisition of insurance contracts	20.8	71.6	25.6	103.0	27.5	160.0	408.5
Administrative expenses	18.6	20.7	14.1	24.4	12.7	64.5	155.0
Foreign exchange gain	(0.6)	(1.9)	(0.7)	(2.1)	(1.1)	(4.6)	(11.0)
Expenses	**85.2**	**207.3**	**50.7**	**265.7**	**126.4**	**595.6**	**1,330.9**
Share of loss in associate	-	-	(0.2)	-	-	(0.3)	(0.5)
Segments result	**(2.7)**	**83.4**	**53.5**	**22.0**	**21.9**	**76.3**	**254.4**
Finance costs							(3.2)
Profit before income tax							**251.2**

Income tax expense							(36.6)
Profit after income tax							**214.6**
Claims ratio	58%	42%	12%	53%	63%	61%	53%
Expense ratio	49%	33%	40%	48%	29%	37%	38%
Combined ratio	107%	75%	52%	101%	92%	98%	91%
Segment assets and liabilities							
Segment assets	214.6	1,046.6	767.2	1,002.4	377.9	3,040.2	6,448.9
Segment liabilities	(166.0)	(685.9)	(609.7)	(882.3)	(323.8)	(2,576.7)	(5,244.4)
Net assets	**48.6**	**360.7**	**157.5**	**120.1**	**54.1**	**463.5**	**1,204.5**

3 Net investment income

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year to 31 December 2012 $m
Interest and dividends on financial investments at fair value through profit or loss	34.5	33.7	77.0
Realised losses on financial investments at fair value through profit or loss	(2.6)	(8.8)	(10.8)
Net unrealised fair value (loss)/gain on financial investments at fair value through profit or loss	(26.1)	16.3	28.1
Investment income from financial investments	**5.8**	**41.2**	**94.3**
Fair value gain on derivative financial instruments	-	0.2	0.1
Investment income	**5.8**	**41.4**	**94.4**
Investment management expenses	(5.5)	(5.3)	(11.8)
	0.3	**36.1**	**82.6**

4 Other income

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year to 31 December 2012 $m
Commission income	9.9	8.5	17.0
Profit commissions	3.5	1.7	5.8
Agency fees	1.0	0.9	1.9
	14.4	**11.1**	**24.7**

5 Finance costs

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year to 31 December 2012 $m
Interest expense	8.1	6.9	16.1
Profit on debt buy back	(2.1)	(10.2)	(12.9)
Other finance costs	-	0.8	-
	6.0	**(2.5)**	**3.2**

During the period Beazley bought back a total nominal amount of $39.7m (30 June 2012: $46.9m; 31 December 2012: $77.1m) of debt at a market value of $37.6m (30 June 2012: $36.7m; 31 December 2012: $64.2m) in the form of fixed/floating rate subordinated notes falling due in 2026. A profit of $2.1m (30 June 2012: $10.2m; 31 December 2012: $12.9m) was realised on the difference between the carrying value and the nominal amount of the debt bought back.

6 Earnings per share

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year to 31 December 2012
Basic (cents)	14.3	19.8	42.4
Diluted (cents)	14.0	18.7	41.3
Basic (pence)	9.3	12.5	26.7
Diluted (pence)	9.1	11.8	26.0

Basic
Basic earnings per share are calculated by dividing profit after income tax of $72.1m (30 June 2012: $100.1m; 31 December 2012: $214.6m) by the weighted average number shares in issue during the six months of 503.1m (30 June 2012: 506.4m; 31 December 2012: 506.4m). The shares held in the Employee Share Options Plan (ESOP) of 17.8m (30 June 2012: 12.4m; 31 December 2012: 13.3m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

Diluted
Diluted earnings per share are calculated by dividing profit after income tax of $72.1m (30 June 2012: $100.1m; 31 December 2012: $214.6m) by the adjusted weighted average number of shares of 515.6m (30 June 2012: 535.4m; 31 December 2012: 519.5m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE, retention and deferred share schemes. The shares held in the ESOP of 17.8m (30 June 2012: 12.4m; 31 December 2012: 13.3m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

7 Dividends
A first interim dividend of 2.9p per ordinary share (2012: 2.7p) is payable in respect of the six months to 30 June 2013. These financial statements do not provide for this dividend as a liability.

A second interim dividend of 5.6p per ordinary share and a special dividend of 8.4p was paid on 2 April 2013 to shareholders registered at 5.00pm on 1 March 2013 in respect of the six months ended 31 December 2012.

The first interim dividend will be payable on 30 August 2013 to shareholders registered at 5.00pm on 2 August 2013 (save to the extent that shareholders on the register of members on 2 August 2013 are to be paid a dividend by a subsidiary of the company (being Beazley DAS Limited) resident for tax purposes in the United Kingdom pursuant to elections made in which case such shareholders shall have a right to be paid the aforementioned dividend but shall have no right to the first interim dividend).

8 Income tax expense

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Year to 31 December 2012 $m
Current tax expense			
Current year	32.8	14.3	30.7
Prior year adjustments	1.6	0.5	0.5
	34.4	14.8	31.2
Deferred tax expense			
Origination and reversal of temporary differences	(20.7)	5.8	7.2
Impact of change in UK tax rates	-	(3.6)	(1.8)
Prior year adjustments	(3.5)	(4.2)	-
	(24.2)	(2.0)	5.4
Income tax expense	**10.2**	**12.8**	**36.6**
Profit before tax	**82.3**	**112.9**	**251.2**
Tax calculated at Irish tax rate (12.5%)	10.3	14.1	31.4
Effects of:			
- Tax rates in foreign jurisdictions	1.9	4.7	10.2
- Non-deductible expenses	0.3	0.6	0.9
- Tax relief on share based payments - current and future years	-	-	0.6
- Over provided in prior years	(1.9)	(3.7)	(1.3)
- Change in UK tax rates*	-	(3.6)	(6.1)
- Foreign exchange on tax	(0.4)	(0.4)	0.7
- Restriction of foreign tax recoverable	-	1.9	1.7
- Utilisation of tax losses brought forward	-	(0.8)	(1.5)
Tax charge for the period	**10.2**	**12.8**	**36.6**

* The Finance Bill 2012 introduced a UK corporation tax rate of 23% effective from 1 April 2013, with this rate decrease being substantively enacted on 3 July 2012. Budget 2013 announced that the UK corporation tax rate will reduce further to 21% at 1 April 2014, with a further reduction to 20% expected in 2015. As the rate reduction has not been substantively enacted at the reporting date, the deferred tax liability of the UK group companies has been calculated based on the UK tax rate of 23%. The estimated impact of the proposed reduction in UK corporation tax rate to 21% would be a reduction of USD$1.3m in the group's net deferred tax liability.

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

The top part of the table illustrates how the group's estimated claims ratio for each underwriting year has changed at successive year-ends. The bottom half of the table reconciles the gross and net claims to the amount included in the statement of financial position.

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2013 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	2003 ae	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
		%	%	%	%	%	%	%	%	%	%	
Life, accident & health												
12 months		-	-	-	-	-	53.1	52.6	56.1	56.7		
24 months		-	-	-	-	-	52.4	52.3	52.2			
36 months		-	-	-	-	-	45.2	48.8				
48 months		-	-	-	-	-	43.2					
60 months		-	-	-	-	-						
72 months		-	-	-	-							
84 months		-	-	-								
96 months		-	-									
108 months		-										
Position at 30 June 2013		-	-	-	-	-	42.9	48.2	57.6	62.0		
Marine												
12 months		62.1	82.7	57.1	58.1	69.1	55.7	50.6	54.9	55.9		
24 months		65.7	80.8	42.3	60.1	65.2	52.0	49.7	47.7			
36 months		62.5	71.1	32.6	50.5	59.1	45.2	43.9				
48 months		62.0	69.2	28.9	48.1	62.9	41.6					
60 months		60.8	66.9	28.7	49.5	62.6						
72 months		56.3	65.0	26.3	50.1							
84 months		56.0	64.3	26.2								
96 months		55.7	63.9									
108 months		55.7										
Position at 30 June 2013		55.5	63.9	26.2	49.8	59.2	41.5	44.6	42.3	55.9		
Political risks & contingency												
12 months		67.2	61.0	57.5	57.2	57.5	61.1	61.3	58.7	62.4		
24 months		55.7	38.2	36.2	38.9	68.7	38.6	40.2	38.5			
36 months		52.4	28.5	32.6	56.4	73.6	35.2	32.9				
48 months		38.4	24.9	43.3	52.8	87.4	30.5					
60 months		37.3	18.3	39.3	53.5	72.3						
72 months		35.2	17.9	39.1	49.7							
84 months		26.7	17.9	36.2								
96 months		26.5	12.2									
108 months		26.3										
Position at 30 June 2013		26.3	12.2	31.6	48.3	66.6	29.2	33.1	37.7	62.0		
Property												
12 months		65.6	88.1	58.4	58.2	70.9	53.9	58.5	59.1	55.7		
24 months		65.3	84.7	43.9	56.3	65.8	42.6	61.6	51.3			
36 months		66.0	83.3	42.9	54.1	64.7	37.5	59.6				
48 months		64.1	88.3	50.1	54.9	62.7	36.3					
60 months		64.6	87.8	50.3	58.4	61.2						
72 months		63.3	86.1	50.1	67.2							
84 months		63.0	85.3	49.4								
96 months		63.6	84.5									
108 months		63.7										
Position at 30 June 2013		63.5	84.1	48.1	67.2	61.1	36.0	58.6	50.4	55.9		

Gross ultimate claims	2003 ae	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
		%	%	%	%	%	%	%	%	%	%	
Reinsurance												
12 months		88.2	198.6	52.4	59.6	60.0	60.8	68.1	77.4	62.9		
24 months		82.8	190.8	25.4	25.9	52.1	48.5	148.3	77.5			
36 months		77.5	188.2	24.9	21.5	43.1	40.5	136.1				
48 months		75.0	181.8	23.3	19.7	39.8	40.0					
60 months		73.0	178.0	21.4	18.8	39.4						
72 months		72.0	175.3	21.1	18.7							
84 months		70.9	174.2	21.3								
96 months		69.9	174.0									
108 months		69.5										
Position at 30 June 2013		69.3	173.6	21.3	17.9	40.0	38.2	133.5	76.3	50.8		

Specialty lines												
12 months		71.8	72.0	72.6	72.8	72.2	72.7	73.9	75.6	74.1		
24 months		71.3	72.0	72.7	72.4	72.2	72.7	73.9	75.7			
36 months		67.5	69.7	72.6	72.4	71.9	71.8	72.8				
48 months		64.4	66.3	72.6	72.1	71.9	71.3					
60 months		59.4	62.9	70.8	72.3	71.5						
72 months		58.3	56.1	65.7	72.2							
84 months		56.5	52.3	61.8								
96 months		54.5	49.1									
108 months		52.7										
Position at 30 June 2013		51.9	48.5	58.9	72.2	71.5	71.7	73.5	75.3	74.1		
Total												
12 months		69.1	91.0	62.9	63.6	68.7	62.5	64.7	67.2	64.6		
24 months		69.3	88.4	53.0	59.2	67.8	57.4	72.6	62.9			
36 months		66.7	84.6	50.6	58.0	66.2	53.6	68.5				
48 months		63.6	83.0	52.3	58.4	67.5	52.0					
60 months		61.1	80.2	51.8	59.5	65.6						
72 months		59.3	76.4	49.1	61.3							
84 months		58.0	74.5	47.1								
96 months		57.1	72.5									
108 months		56.3										
Position at 30 June 2013		55.8	72.1	45.2	61.1	64.6	51.9	68.5	61.8	63.6		
Total ultimate losses ($m)	2,201.9	743.7	1,083.5	745.2	1,087.1	1,147.3	1,018.4	1,357.5	1,195.6	1,315.1	1,446.9	13,342.2
Less paid claims ($m)	(2,079.7)	(648.3)	(973.9)	(561.7)	(770.5)	(795.1)	(562.6)	(658.1)	(346.5)	(74.2)	(0.2)	(7,470.8)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(30.6)	(232.1)	(1,253.9)	(1,516.6)
Gross claims liabilities (100% level) ($m)	122.2	95.4	109.6	183.5	316.6	352.2	455.8	699.4	818.5	1,008.8	192.8	4,354.8
Less unaligned share ($m)	(19.9)	(16.1)	(18.8)	(34.9)	(60.2)	(66.9)	(86.6)	(122.9)	(132.5)	(160.7)	(30.1)	(749.6)
Gross claims liabilities, group share ($m)	102.3	79.3	90.8	148.6	256.4	285.3	369.2	576.5	686.0	848.1	162.7	3,605.2

Net ultimate claims	2003 ae	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
		%	%	%	%	%	%	%	%	%	%	
Life, accident & health												
12 months		-	-	-	-	-	51.7	51.3	55.1	58.0		
24 months		-	-	-	-	-	50.7	51.8	54.2			
36 months		-	-	-	-	-	44.5	51.8				
48 months		-	-	-		-	44.9					
60 months		-	-	-	-	-						
72 months		-	-	-	-							
84 months		-	-	-								
96 months		-	-									
108 months		-										
Position at 30 June 2013		-	-	-	-	-	44.8	51.3	60.4	61.6		
Marine												
12 months		57.8	55.4	54.0	55.3	61.3	54.3	52.2	55.9	55.4		
24 months		53.2	49.1	41.9	56.4	57.0	48.3	49.4	47.9			
36 months		48.6	42.9	32.7	49.4	50.7	39.5	44.7				
48 months		47.8	39.7	31.3	46.6	47.6	35.9					
60 months		46.6	39.2	30.8	47.4	47.2						
72 months		44.2	38.1	29.0	47.6							
84 months		43.8	36.7	28.9								
96 months		43.1	36.3									
108 months		43.0										
Position at 30 June 2013		42.9	36.3	28.9	47.0	46.9	35.7	44.4	42.3	55.4		
Political risks & contingency												
12 months		63.9	63.4	56.1	55.4	55.9	59.0	57.3	54.8	59.3		
24 months		58.4	46.6	40.4	39.5	76.5	35.1	37.7	37.3			
36 months		54.2	36.0	37.0	55.1	76.0	32.6	30.4				
48 months		41.3	30.1	47.1	53.9	80.1	27.9					

60 months	40.9	24.4	41.3	52.1	69.1				
72 months	36.1	23.3	39.8	48.8					
84 months	26.3	23.3	39.8						
96 months	25.5	15.3							
108 months	24.4								
Position at 30 June 2013	24.5	15.3	38.2	47.2	63.6	26.4	29.7	35.7	60.0
Property									
12 months	59.7	65.0	61.1	61.0	67.2	53.6	58.9	60.4	58.7
24 months	60.8	62.0	48.6	59.4	67.1	48.4	65.8	57.9	
36 months	60.3	58.4	47.0	58.6	64.9	44.9	66.3		
48 months	58.5	61.1	50.6	59.1	63.9	42.6			
60 months	58.2	61.7	49.8	62.0	62.8				
72 months	57.4	60.0	49.9	62.6					
84 months	57.2	59.1	49.4						
96 months	57.2	59.1							
108 months	57.5								
Position at 30 June 2013	57.2	58.1	48.1	62.6	62.3	42.6	64.3	56.7	60.8

Net ultimate claims	2003 ae	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
		%	%	%	%	%	%	%	%	%	%	
Reinsurance												
12 months		88.7	152.5	54.3	55.2	67.6	55.6	76.9	87.1	67.1		
24 months		86.6	134.4	37.0	30.0	58.1	52.7	133.1	87.8			
36 months		83.3	128.4	34.8	24.9	48.7	46.8	126.1				
48 months		77.0	119.4	32.5	22.6	46.5	46.2					
60 months		73.7	113.1	31.1	22.0	45.9						
72 months		72.1	111.8	31.0	21.9							
84 months		71.4	106.4	31.4								
96 months		70.1	105.9									
108 months		70.3										
Position at 30 June 2013		70.1	105.8	31.4	20.9	46.6	44.2	126.5	86.5	58.8		
Specialty lines												
12 months		68.7	69.2	68.6	69.7	70.1	69.8	71.2	72.7	71.3		
24 months		68.5	69.2	68.5	68.8	70.1	69.7	71.2	72.7			
36 months		65.7	67.4	68.6	68.8	70.0	69.0	70.6				
48 months		62.1	63.8	68.6	67.4	68.6	66.0					
60 months		56.9	58.8	63.8	67.3	68.1						
72 months		53.5	53.7	57.5	67.3							
84 months		51.0	50.2	54.1								
96 months		48.7	47.9									
108 months		47.4										
Position at 30 June 2013		46.4	47.0	51.3	67.0	67.9	66.2	70.1	72.3	71.0		
Total												
12 months		65.3	73.0	62.1	63.1	66.3	60.3	64.4	66.8	64.0		
24 months		65.4	69.0	54.2	59.2	66.9	56.8	69.6	63.6			
36 months		62.7	65.1	51.6	58.6	64.4	53.3	67.2				
48 months		59.4	62.4	52.2	57.5	63.2	50.7					
60 months		56.4	59.3	49.9	58.1	61.7						
72 months		53.9	56.4	46.9	57.9							
84 months		52.1	53.9	45.4								
96 months		50.7	52.2									
108 months		50.1										
Position at 30 June 2013		49.6	51.6	43.8	57.6	61.1	50.4	66.5	62.4	63.8		
Total ultimate losses ($m)	1,310.8	540.1	602.3	567.6	899.4	945.2	816.9	1,103.1	987.1	1,087.0	1,146.6	10,006.1
Less paid claims ($m)	(1,243.5)	(476.2)	(521.0)	(461.4)	(656.2)	(677.5)	(486.8)	(580.6)	(318.8)	(69.8)	(0.2)	(5,492.0)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(85.6)	(228.9)	(1,014.3)	(1,328.8)
Net claims liabilities (100% level) ($m)	67.3	63.9	81.3	106.2	243.2	267.7	330.1	522.5	582.7	788.3	132.1	3,185.3
Less unaligned share ($m)	(12.8)	(12.1)	(15.4)	(20.2)	(42.2)	(50.9)	(62.8)	(79.6)	(107.1)	(127.0)	(21.0)	(551.1)
Net claims liabilities, group share ($m)	54.5	51.8	65.9	86.0	201.0	216.8	267.3	442.9	475.6	661.3	111.1	2,634.2

Analysis of movements in loss development tables
We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2013 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of each table.

The reserves established in respect of the 2010, 2011 and 2012 catastrophe events remain appropriate in light of development to date.

Life, accident & health
The 2011 and 2012 reserves were strengthened on the income protection segment of the portfolio, as emerging claims experience has been heavier than expected.

Marine
Following continued favourable development, all years have exhibited a stable or reducing net ultimate loss ratio trend. The gross only increase on the 2010 underwriting year was the result of a downward revision in premium.

Political risks & contingency
The 2006 through 2008 underwriting years benefitted from continued favourable development on trade credit-related claims. The net only increase on the 2012 underwriting year relates to a reduced expectation of reinsurance recovery potential. Net development on other years was also broadly positive.

Property
With the exception of the 2012 underwriting year, which has been strengthened to reflect a reduced expectation of reinsurance recovery potential, the net development was positive.

Reinsurance
The 2008 underwriting year increased with a reserve strengthening on a hurricane Ike claim. The net only increase on the 2010 year of account was due to a reduced expectation of reinsurance recovery potential. While there is still uncertainty related to the development of the claims associated with the 2010 through 2012 catastrophe events, we have either maintained or reduced our reserves based on development to date.

Specialty lines
The trend of releases, in particular from the 2003 to 2006 underwriting years, has continued. The gross strengthening on the 2010 underwriting year is the result of a downward revision of premium.

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

The main contributions to the prior year release come from 2011, 2010 and earlier on marine, political risks and contingency, reinsurance and specialty lines. The releases are the result of both generally favourable development and recoveries on specific claims.

The movements shown on 2010 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2013	Life accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	29.5	74.2	25.8	83.3	32.2	211.9	456.9
Prior year							
- 2010 and earlier	(0.9)	(2.9)	(9.2)	(4.2)	(1.3)	(17.9)	(36.4)
- 2011 underwriting year	4.9	(14.1)	(1.0)	(3.0)	(3.9)	-	(17.1)
- 2012 underwriting year	0.7	-	-	1.7	(9.7)	-	(7.3)
	4.7	(17.0)	(10.2)	(5.5)	(14.9)	(17.9)	(60.8)
Net insurance claims	34.2	57.2	15.6	77.8	17.3	194.0	396.1

6 months ended 30 June 2012	Life accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	26.0	72.7	24.9	69.7	31.9	199.6	424.8
Prior year							
- 2009 and earlier	(0.9)	(8.0)	(10.2)	(9.8)	(1.1)	(17.3)	(47.3)
- 2010 underwriting year	0.5	(0.2)	(2.3)	4.2	(0.2)	(2.3)	(0.3)
- 2011 underwriting year	0.7	(0.7)	(1.3)	1.6	(0.3)	-	-

	0.3	(8.9)	(13.8)	(4.0)	(1.6)	(19.6)	(47.6)
Net insurance claims	26.3	63.8	11.1	65.7	30.3	180.0	377.2

Year to 31 December 2012	Life accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	46.9	144.6	44.8	146.6	94.3	427.2	904.4
Prior year							
- 2009 and earlier	-	(9.4)	(22.4)	(6.7)	(4.8)	(47.8)	(91.1)
- 2010 underwriting year	-	(10.3)	(4.3)	5.4	(3.8)	(3.7)	(16.7)
- 2011 underwriting year	(0.5)	(8.0)	(6.4)	(4.9)	1.6	-	(18.2)
	(0.5)	(27.7)	(33.1)	(6.2)	(7.0)	(51.5)	(126.0)
Net insurance claims	46.4	116.9	11.7	140.4	87.3	375.7	778.4

10 Related party transactions
The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 30 of the group's consolidated financial statements for the year ended 31 December 2012.

There were no transactions with related parties during the six months ended 30 June 2013 which have had a material effect on the results or financial position of the group.

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

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year to 31 December 2012
Average			
Pound sterling	0.65	0.63	0.63
Canadian dollar	1.02	1.01	0.99
Euro	0.77	0.77	0.77

	30 June 2013	30 June 2012	31 December 2012
Spot			
Pound sterling	0.66	0.64	0.61
Canadian dollar	1.05	1.02	0.99
Euro	0.77	0.80	0.75

Glossary

Admitted carrier
An insurance company authorised to do business in the US. An agreement is entered into which stipulates the terms and conditions under which a business must conduct within a state in the US.
Aggregates/aggregations
Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss.
Aggregate excess of loss
The reinsurer indemnifies an insurance company (the reinsured) for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount.
A.M. Best
A.M. Best is a worldwide insurance-rating and information agency whose ratings are recognised as an ideal benchmark for assessing the financial strength of insurance related organisations, following a rigorous quantitative and qualitative analysis of a company's statement of financial position strength, operating performance and business profile.
Binding authority
A contracted agreement between a managing agent and a coverholder under which the coverholder is authorised to enter into contracts of insurance for the account of the members of the syndicate concerned, subject to specified terms and conditions.
Capacity
This is the maximum amount of premiums that can be accepted by a syndicate. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.
Capital growth assets

These are assets that do not pay a regular income and target an increase in value over the long-term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge fund assets.
Catastrophe reinsurance
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a catastrophic event or series of events.
Claims
Demand by an insured for indemnity under an insurance contract.
Claims ratio
Ratio, in percent, of net insurance claims to net earned premiums.
Combined ratio
Ratio, in percent, of the sum of net insurance claims, expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. This is also the sum of the expense ratio and the claims ratio. The calculation is performed excluding the impact of foreign exchange on non-monetary items.
Coverholder/managing general agent
A firm either in the United Kingdom or overseas authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance in the name of the members of the syndicate concerned, subject to certain written terms and conditions. A Lloyd's broker can act as a coverholder.
Deferred acquisition costs (DAC)
Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage, premium levy and staff related costs) which are capitalised and amortised over the term of the contracts.
Earnings per share (EPS) - basic/diluted
Ratio, in pence and cents, calculated by dividing the consolidated profit after tax by the weighted average number of ordinary shares issued, excluding shares owned by the group. For calculating diluted earnings per share the number of shares and profit or loss for the year is adjusted for all dilutive potential ordinary shares, such as share options granted to employees.
Excess per risk reinsurance
A form of excess of loss reinsurance which, subject to a specified limit indemnifies the reinsured company against the amount of loss in excess of a specified retention with respect of each risk involved in each loss.
Expense ratio
Ratio, in percent, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items.
Facultative reinsurance
A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty.
Gross premiums written
Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.
Hard market
An insurance market where prevalent prices are high, with restrictive terms and conditions offered by insurers.
Horizontal Limits
Reinsurance coverage limits for multiple events.
Incurred but not reported (IBNR)
These are anticipated or likely claims that may result from an insured event although no claims have been reported so far.
International accounting standards board (IASB)
An international panel of accounting experts responsible for developing IAS/IFRS.
International accounting standards (IAS)/International financial reporting standards (IFRS)
Standards formulated by the IASB with the intention of achieving internationally comparable financial statements. Since 2002, the standards adopted by the IASB have been referred to as International Financial Reporting Standards (IFRS). Until existing standards are renamed, they continue to be referred to as International Accounting Standards (IAS).
Lead underwriter
The underwriter of a syndicate who is responsible for setting the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate and who generally has primary responsibility for handling any claims arising under such a contract.
Line
The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept.
Managing agent
A company that is permitted by Lloyd's to manage the underwriting of a syndicate.
Managing general agent (MGA)
An insurance intermediary acting as an agent on behalf of an insurer.
Medium tail
A type of insurance where the claims may be made a few years after the period of insurance has expired.
Net assets per share
Ratio, in pence and cents calculated by dividing the net assets (total equity) by the number of shares issued.
Net premiums written
Net premiums written is equal to gross premiums written less outward reinsurance premiums written.
Provision for outstanding claims
Provision for claims that have already been incurred at the statement of financial position date but have either not yet been reported or not yet been fully settled.
Rate
The premium expressed as a percentage of the sum insured or limit of indemnity.
Reinsurance special purpose syndicate
A special purpose syndicate (SPS) created to operate as a reinsurance 'sidecar' to Beazley's treaty account, capitalisingon Beazley's position in the treaty reinsurance market.
Reinsurance to close (RITC)
A reinsurance which closes a year of account by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to buy any

income due to the closing year of account into an open year of account in return for a premium.

Retention limits

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

Return on equity (ROE)

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

Retrocessional reinsurance

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

Risk

This term may variously refer to:

a) the possibility of some event occurring which causes injury or loss;
b) the subject matter of an insurance or reinsurance contract; or
c) an insured peril.

Special purpose syndicate

Specialty reinsurance company designed to provide additional capacity to a specific insurance company. They operate by purchasing a portion or all of a group of insurance policies, typically cat exposures. They have become quite prominent in the aftermath of Hurricane Katrina as a vehicle to add risk-bearing capacity, and for investors to participate in the potential profits resulting from sharp price increases.

Short tail

A type of insurance where claims are usually made during the term of the policy or shortly after the policy has expired. Property insurance is an example of short tail business.

Soft market

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

Surplus lines insurer

An insurer that underwrites surplus lines insurance in the USA. Lloyd's underwriters are surplus lines insurers in all jurisdictions of the USA except Kentucky and the US Virgin Islands.

Total shareholder return (TSR)

The increase in the share price plus the value of any dividends paid and proposed during the year.

Treaty reinsurance

A reinsurance contract under which the reinsurer agrees to offer and to accept all risks of certain size within a defined class.

Unearned premiums reserve

The portion of premium income in the business year that is attributable to periods after the balance date is accounted for as unearned premiums in the underwriting provisions.