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REG - Beazley PLC -Results for year ended 31st December 2014

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Press Release

Beazley delivers strong performance in a competitive market

Dublin, 5 February 2015

Beazley plc results for year ended 31st December 2014

- Profit before income tax of $261.9m (2013: $313.3m)
- Return on equity of 17% (2013: 21%)
- Gross premiums written increased by 3% to $2,021.8m (2013: $1,970.2m)
- Combined ratio of 89% (2013: 84%)
- Rate reduction on renewal portfolio of 2% (2013: increase of 1%)
- Prior year reserve releases of $158.1m (2013: $218.0m)
- Net investment income of $83.0m (2013: $43.3m)
- Second interim dividend of 6.2p (2013: 5.9p), taking full year dividends for the year to 9.3p (2013: full year 8.8p). Special dividend of 11.8p (2013: 16.1p)

	Year ended 31 December 2014	**Year ended 31 December 2013**	% movement
Gross premiums written ($m)	**2,021.8**	**1,970.2**	3%
Net written premiums ($m)	**1,732.7**	**1,676.5**	3%
Profit before income tax ($m)	**261.9**	**313.3**	(16%)
Earnings per share (pence)	**26.1**	**33.6**	
Net assets per share (pence)	**170.3**	**160.6**	
Net tangible assets per share (pence)	**158.3**	**149.6**	
Dividend per share (pence)	**9.3**	**8.8**	
Special dividend (pence)	**11.8**	**16.1**	

Andrew Horton, Chief Executive Officer, said:

"Beazley delivered another strong performance in 2014. Our business grew while achieving a combined ratio of 89% in an increasingly competitive market.

"During the course of the year, we celebrated the tenth anniversary of our business in the United States. Premium underwritten by our US operations grew by 19% in 2014 to $537 million.

"We continue to make long term investments in our businesses around the world, looking beyond the pressures of this underwriting cycle. We hired 40 new underwriters in the course of 2014 and opened new offices in Dubai and Dallas."

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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, Latin America, Asia, Middle East and Australia. Beazley manages five Lloyd's syndicates and, in 2014, underwrote gross premiums worldwide of $2,021.8 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

Chairman's statement

I am pleased to report that your company delivered another very strong performance in 2014, recording a return on average shareholders' equity of 17% (2013: 21%) against a continuing background of declining premium rates.

Beazley's combined ratio of 89% (2013: 84%) was in line with the average achieved over the past five years, once again demonstrating the effectiveness of our well balanced portfolio in delivering consistent high quality underwriting returns. Earnings per share were 43.1c and net tangible assets per share remained flat at 247.0c.

The board is pleased to announce a second interim dividend of 6.2p per ordinary share plus a special dividend of 11.8p per ordinary share. Together with the first interim dividend of 3.1p this takes the total dividends declared in 2014 to 21.1p per ordinary share (2013: first interim dividend of 2.9p, second interim dividend of 5.9p plus a special dividend of 16.1p, totalling 24.9p).

As this once again demonstrates, Beazley is committed to capital management. We continue to invest in profitable growth opportunities but when capital is not fully deployed, beyond a prudent buffer, we return funds to shareholders. Employing this approach, we have maintained focus on our total shareholder return (TSR) which, on a cumulative basis, is in excess of 300% over the last five years. Premiums underwritten by our US operation, which now constitutes a strong platform to complement our presence at Lloyd's, have risen by 19% to $537.0m during the year.

We have signalled for some time now the intensifying headwinds affecting our short tail, catastrophe exposed business underwritten at Lloyd's. These have been given added impetus by the low level of catastrophe claims in 2014. Nonetheless, our response to competitive pressures is never passive: we do not simply wait for the underwriting cycle to turn. We seek to manage our portfolio dynamically, adjusting our exposures to individual lines of business, geographies and distribution channels to maximise risk-adjusted returns.

This may mean making challenging underwriting decisions that not everyone is prepared to do. In the past year there has been more talk about how the reinsurance market has too much capacity, rather than on the action needed to address the risks that this presents. However, Beazley has acted. Our reinsurance division underwrote 9% less in gross premium in 2014 than in 2013 and we will prune the book further in 2015. Other catastrophe-exposed accounts, such as our large commercial property insurance book in London and our energy insurance book, also shrank, by 12% and 18% respectively, last year.

The business underwritten by our largest division, specialty lines, is in a different pricing phase, particularly with regard to the smaller risks to which we now have access through our US underwriters. Two years ago, many insurers of professional indemnity and management liability business had yet to adjust their pricing to take account of very weak investment returns. That process began in 2012 and has continued through 2013 and 2014: we believe it still has a little way to run.

As rates return to more attractive levels, we have been working hard to improve our access to the best business that brokers can show us. Our distribution strategy is deliberately flexible: we work closely with both retail brokers and wholesale brokers, as well as with managing general agents or Lloyd's coverholders whom we know and trust. These relationships take time to develop. With a ten year track record in the US and a proven commitment to our selected lines of business, we are now regarded by US brokers as we have long been regarded by London brokers - as a dependable and knowledgeable partner.

Wherever we operate, innovative products and well designed services are key elements of the Beazley value proposition for brokers. For example in Europe we have two particularly attractive offerings: Beazley Breach Response, our data breach policy that has developed since 2009 into a market leader in the US, and MyBeazley.com, an e-trading platform for small scale professional indemnity business meticulously designed to enhance the service brokers can offer to their small business clients.

As these examples illustrate, innovation in our markets can take varied forms. If our innovations can make brokers' lives easier or help them to better look after their clients, they will strengthen the relationships that have been critical to Beazley's success since it was founded in 1986. These are constants in the history of the company that transcend market cycles.

Dividend policy and capital management

The board strategy is to grow the dividend by between 5% and 10% per year and this has always been achieved. In addition, our capital management strategy is to carry some surplus capital to enable us to take advantage of growth opportunities that may arise; this is further supported by our fully undrawn banking facility. As the implementation of Solvency II approaches, we now measure our capital using a Solvency II balance sheet where we are targeting a surplus capital buffer in the range of 15-25%. We continue to manage our capital actively and to the extent that we have surplus capital outside of this range the board will consider means to return this capital to shareholders, as demonstrated through the announcement of a special dividend in 2014.

Outlook

Beazley's vision is to become, and be recognised as, the highest performing specialist insurer. Clearly we are at a juncture that requires tight underwriting and expense discipline. Alongside this, however, the most successful insurers will have the confidence and capacity to invest in profitable growth opportunities at a time when competitors may be holding back. It is a difficult balance but the board is confident that your company possesses the skills and resources required and remains on track to achieve its vision.

Dennis Holt
Chairman

4 February 2015

Chief executive's statement

Beazley performed very strongly in 2014, delivering a profit before income tax of $261.9m (2013: $313.3m) on gross premiums of $2,021.8m (2013: $1,970.2m). Our combined ratio of 89% (2013: 84%) was in line with our five year average. This reflected a benign claims environment, particularly for catastrophe exposed business, but at a time of falling premium rates across many lines of business, specialist expertise and disciplined underwriting also played key roles.

In July we celebrated the tenth anniversary of our local presence in the United States, Beazley's largest market since the company's earliest days. It was fitting that these celebrations occurred at a time of strong growth in our locally underwritten US business, which accounted for more than a quarter of our premiums last year ($537.0m, up 19% on $451.8m in 2013). We now have a well developed underwriting and claims platform in the US that offers an alternative - and increasingly valuable - source of profitable growth opportunities to complement our London business.

Broadly speaking, we saw the most attractive growth opportunities in 2014 in the small and mid sized professional indemnity, management liability and property business that has been a key focus for our underwriters in the US since we established our operation there a decade ago. Competition for large risks, most of which we underwrite in London, was more intense, particularly for catastrophe exposed lines of business such as treaty reinsurance, commercial property and energy.

Given this split, it is not surprising that specialty lines, our largest division, which focuses on professional indemnity and management liability risks, grew 8% to $895.7m in 2014. We secured significant rate rises for our life, accident & health division in Australia following losses in 2013, helping to boost that division's premiums overall by 32%. Two of our divisions, reinsurance and political risk & contingency, saw gross premiums shrink by 9% and 6% respectively under the pressure of falling rates. The silver lining for the group as a whole was that the cost of our own reinsurance protections also fell.

The steady diversification of Beazley's portfolio that we have been pursuing over a number of years showed its value in 2014 with the contrasting fortunes of different segments of our business. Divisions that have historically focused heavily on a single line of business are now far more diversified and therefore have more scope to manoeuvre in challenging markets. This is true of our property division, which as recently as 2011 was dominated by large risk, or 'open market', property business underwritten in London. Our open market property account has since shrunk in relative terms from 67% of the property division's premiums in 2010 to 54% today. We have seen similar diversification within our marine division, which now underwrites satellite and aviation business as well as a far larger book of marine liability business than was the case a few years ago.

Prior year reserve releases contributed $158.1m to our 2014 underwriting result (2013: $218.0m). We maintain a consistent and conservative approach to reserving which enables us to make prior year reserve releases as we get more certainty on our view of how ultimate claims will develop across underwriting years.

Claims activity
The year was distinguished by a low incidence of catastrophe claims, particularly from meteorological or seismic causes. An exception was Hurricane Odile, which hit the Baja California peninsula of Mexico in September, causing severe damage to hotel properties in Cabo San Luca. The cost to Beazley, net of reinsurance, is estimated at $12.5m.

The aviation war risks market had a turbulent year, paying out claims equivalent to nearly a decade's worth of premiums following the destruction of aircraft at Tripoli airport in July and the downing of Malaysia Airlines flight MH17 over Ukraine in the same month. Beazley has been underwriting aviation war risks for a number of years and accordingly had some exposure to these events. We also incurred a share of claims from the failure of two satellite launches in the course of the year.

Beazley is a major insurer of professional indemnity and management liability business through our specialty lines division. Claims activity was generally subdued for these portfolios, particularly for the small and mid sized risk business that we access through retail brokers in the United States. Large risk business underwritten in London for clients such as major US law firms and hospital systems saw a higher level of claims. Evidence of the strengthening US economy was apparent in our claims experience for employment practices liability (EPL) business, which continued to fall after spiking during the recession. EPL claims tend to increase when employers are under severe economic strain and abate when economic conditions improve.

Data breaches remained a major focus of attention in corporate America during 2014 as a string of large retailers and one bank announced breaches affecting, in many cases, tens of millions of individuals. Beazley is well known as a pioneer of data breach insurance but our principal focus has been on assisting small and mid sized organisations manage the consequences of breaches and defend themselves against third party lawsuits that might arise. We had modest exposure to the large scale breaches that took place during the year.

Investment performance
The investment world entered 2014 expecting government bond yields in developed markets to rise as monetary stimulus was removed and as rate rises in the US and the UK became increasingly imminent. In fact yields fell across almost all jurisdictions where we have significant bond positions - particularly in Europe, where monetary stimulus was increased, but also in the US and the UK where it was reduced or removed. The fall in yields was beneficial to our investment portfolio and contributed to an increase in overall investment return from 1.0% in 2013 to 1.9% in 2014. All main components of our investment portfolio generated positive returns in 2014, notably the hedge fund portfolio which had an excellent year.

During 2014 we took the management of our core rates portfolio and oversight of our external managers in house. We continue to work with Falcon Money Management on our hedge fund and illiquid credit portfolios.

Risk management
We monitor the risks that could affect the group very closely. The biggest risks to our financial performance relate to our insurance business: at a time of declining premium rates and increasing competition, the margin for error for insurers in pricing risk naturally diminishes. That said, we are very familiar with the pricing dynamics of our lines of business and have always been willing to let business go if it does not meet our criteria. In accordance with this principle, we scaled back our reinsurance treaty business by 9% in 2014 following a large influx of capital from pension funds that drove down premium rates.

Growth opportunities
We practice a consistent and rigorous approach to evaluating growth opportunities at Beazley, critical in a market that is growing increasingly competitive. On the whole we have preferred organic growth to growth by acquisition; we have also preferred to branch into new lines of business that are related to our existing lines. With our broad range of products and geographies there are frequently opportunities to offer products developed in one location to brokers in another. This was something our construction & engineering team did in 2014 when, in alliance with three other Lloyd's insurers, they established the Construction Consortium at Lloyd's Asia, based in Singapore - an initiative that followed the success of the consortium established by the same partners in London in 2013. Providing capacity up to a maximum of $212.5m per risk, the Construction Consortium at Lloyd's Asia will offer an attractive new alternative for the insurance of the region's largest construction projects.

Above all, our growth depends on the recruitment of talented individuals who have a track record of identifying profitable underwriting opportunities. We know that we will not always be able to hire such individuals at a time when market conditions are optimal, but we are confident that, over time, we can offer them attractive opportunities to build profitable books of business.

This approach was exemplified in 2014 in our property division. In July, we announced that Simon Jackson and John Brown, two of the most respected underwriters of large scale commercial property risks at Lloyd's, would be joining Beazley at the beginning of 2015. Under the direction of Jonathan Gray, who founded our property division in 1992, open market property has been an area in which Beazley has carved a strong leadership position. Simon will be succeeding Jonathan as head of the open market property team in June this year: we are deeply grateful to Jonathan for all his contributions to Beazley over the years.

Market conditions for large property risks are unquestionably challenging at present, but we are confident that we have in place an open market property team that is well equipped to navigate this environment.

Other segments of our property portfolio enjoyed more favourable rates in 2014. These included our small business book, comprising both small scale commercial property risks written through Lloyd's coverholders, principally in the US, and homeowners accounts in the US and UK. This book grew 7% in the course of 2014 to $69.7m. A potential future growth area is our excess & surplus (E&S) lines commercial property business in the US, comprising mid sized commercial property risks that have proved better insulated from competitive pressures than our large risk book.

The US was also the focus of growth opportunities for specialty lines, our largest division, led by the continuing success of our data breach product, Beazley Breach Response (BBR). In 2014, our technology, media & business services (TMB) team outstripped treaty reinsurance as our largest single focus group. The TMB team has a longstanding leadership position in technology errors and omissions insurance, but its recent growth has derived principally from BBR, an impressive achievement for a form of cover that was in its infancy only five years ago.

The ability to innovate rapidly to meet changing client needs, exemplified by BBR, is essential to a specialist insurer.
At a time of falling premium rates, it is also a bulwark against commoditisation, amply demonstrated in 2014 by our healthcare team, which developed new products for the insurance of clinical trials and for manufacturers of nutraceutical (suppliers of dietary supplements and other food products promoted as offering specific health benefits) products. Our miscellaneous medical book, comprising a wide range of insurance offerings for diverse healthcare providers, grew by 15% in 2014 to $24.5m, rivalling our long established hospital professional liability book. With the US healthcare market accounting for almost 18% of the country's gross domestic product - a larger share than in any other developed economy - we see significant growth opportunities ahead.

To take advantage of these and other opportunities requires talented underwriters and claims professionals, as well as strong back office systems and expertise to ensure high quality service and to commercialise promising new products swiftly. We continued to invest in these areas in the US in 2014.

The third prerequisite for profitable growth is strong broker relationships. We decided in 2013 to refocus our US distribution on a smaller number of brokers who understood our appetite and had consistently brought us good business. This approach paid off last year and we saw bound premium from our top nine brokers in the US climb by $51.4m.

Our business model relies heavily on face to face interaction between our underwriters and brokers to develop tailored solutions that meet the needs of the brokers' clients. We are increasing the opportunities for such interaction with new hires and new offices: in 2014 we opened an office in Dallas and we will shortly be opening our second office on the west coast, in Los Angeles. Six locations - New York, Chicago, Atlanta, Dallas, Los Angeles and San Francisco - have been designated for 'hub' offices, offering multiple products to local brokers.

Claims service
Underwriting skills are of course only half of the picture for clients who also rely on our claims teams to provide swift and sure service in the event of a loss or a lawsuit. Large sums can ride on the judgement of our claims professionals and the lawyers we work with to defend our clients against third party claims. Last year we worked closely with two hospital clients in California to defeat class action lawsuits relating to data breaches that could have cost them, in aggregate, more than $4.5bn.

In the summer we invited Brunswick Research to interview 50 brokers with whom we work in London and the US. The brokers, all of whom had extensive experience of Beazley's claims service, were interviewed anonymously. Four years previously, we had conducted a similar study, also through Brunswick, with 30 brokers: then the findings were mixed, highlighting a number of areas for improvement. Last year, the feedback was much more positive: 68% of the participating brokers said they had a very positive view of Beazley deriving from their experience of our claims service and a further 28% said their view was positive. Brunswick reported that many of the brokers 'struggled to suggest ways for Beazley to further improve the service it provides'.

I am certain that there are ways in which we can improve our claims service and, under the leadership of Anthony Hobkinson, our claims teams will certainly not be resting on their laurels.

Nevertheless, it is encouraging to know that our service is appreciated by the brokers we work with.

Outlook
Insurance companies exist to pay claims. Subdued claims activity of the kind we have seen in many lines of business for the past two years casts an artificially rosy light on the economics of our business. Beazley's response has been consistent throughout our history: we will focus on specialist products that command higher margins and walk away from underpriced business; we will keep a keen focus on expenses while continuing to invest prudently for the future; and we will return capital that we cannot profitably deploy to our investors. We are doing all these things now.

Andrew Horton
Chief executive

4 February 2015

Chief underwriting officer's report
Beazley's balanced portfolio, with its diverse spread of business, enabled the group to deliver another strong underwriting result in 2014. In a market experiencing increasing competitive pressure, which we expect to continue into 2015, the group achieved a combined ratio of 89% in 2014 (2013: 84%) while gross premiums written increased by 3% to $2,021.8m (2013: $1,970.2m).

Rating environment
Premium rates charged for renewal business decreased by 2% during 2014 across the portfolio (2013: an increase of 1%). Rates on renewals in our largest division, specialty lines, were flat on average in 2014 and moderate rate increases were achieved in five of its seven sub-divisions. Rate increases of 9% were seen in our life, accident & health division. All other divisions experienced falling rates on renewal business in 2014, with rates decreasing by 1% in property, 2% in political risk & contingency, 6% in marine and 10% in reinsurance.

Cumulative renewal rate changes since 2008 below:

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Life, accident & health		100%	100%	101%	101%	100%	109%
Marine	100%	106%	104%	103%	103%	98%	92%
Political risks & contingency	100%	99%	97%	95%	94%	92%	91%
Property	100%	105%	102%	104%	110%	114%	112%
Reinsurance	100%	109%	106%	109%	115%	112%	101%
Specialty lines	100%	99%	98%	97%	100%	103%	103%
All divisions	100%	103%	100%	101%	104%	104%	103%

Premium retention rates
Retention of business from existing brokers and clients is a key feature of Beazley's strategy. It enables us to develop a deep understanding of our clients' businesses and requirements, affording greater insight into the risks involved in each policy we write and enabling us to price risk sustainably. The table below shows our retention rates by division compared to 2013.

Retention rates*	**2014**	**2013**
Life, accident & health	86%	92%
Marine	85%	86%
Political risks & contingency	76%	67%
Property	77%	74%
Reinsurance	81%	88%
Specialty lines	82%	80%
Overall	81%	81%

* Based on premiums due for renewal in each calendar year.

Despite some volatility at individual division level, our overall premium retention rate in 2014 was consistent with the prior year and in line with our five year average.

Divisional commentary
Buoyed by the steady economic recovery in the US, specialty lines wrote gross premiums of $895.7m (2013: $829.8m), representing growth of 8% compared to 2013. We have continued to invest in our growing US platform, focusing on our ability to offer a full range of products in our key US locations.

We have found that small to mid-sized risks have offered the best opportunities for profitable growth and, in its tenth year, our US platform offers excellent access to such business to compliment our larger risk business seen in London. In Europe, MyBeazley.com, an online platform that makes it easier for brokers to transact small business with Beazley, was launched.

The improved performance of our life, accident & health division in 2014 was pleasing. In Australia, the team achieved significant rate rises following severe losses reported on a number of accounts in 2013 while in the US business began to flow through our local platform. We have invested in these lines of business in both markets over the past three years and expect to see increasing returns from these investments in 2015.

Our marine division recorded a combined ratio of 78% (2013: 72%) against a backdrop of increased competition and rate pressure, particularly relating to hull, war and energy risks. While margins have tightened in these classes, our marine division continued its strong performance relative to the market as a whole. Having entered the aviation market in 2012, disciplined underwriting has contributed to the establishment of a strong premium base. In 2014, we wrote gross premiums of $25.4m while having limited exposure to the loss activity which has taken place in 2014. Denis Bensoussan joined Beazley in 2014 to write satellite risks and we see opportunities to achieve moderate growth in this area in 2015.

Our political risks & contingency division, while delivering strong profitability in 2014, has been growing our presence outside London. We located two underwriters in our New York office to begin underwriting terrorism risks, while we opened a new office in Dubai in November to access local political risk & contingency business. This office represents the sixth country in which the division has an underwriting presence.

In 2014, our property division achieved a combined ratio of 86% (2013: 84%) and contributed $54.3m to the group's profit. We saw the best market conditions in small and medium risks, and were able to grow this portion of our property book compared to prior years. This growth was offset by our decision to write less large risk, catastrophe exposed business, where we see more competitive markets and rate pressure.

Aided by lower than usual natural catastrophe activity, our reinsurance division achieved a combined ratio of 69% (2014: 49%) while experiencing significant rate pressure on renewal business. We have maintained our underwriting discipline and scaled back our catastrophe budget while continuing to develop a global presence for reinsurance business with offices in Munich, Singapore and Miami contributing gross premiums written of $39.9m in 2014 (2013: $29.6m).

Outlook
We anticipate the increasingly competitive market conditions in the large risk market to continue in 2015. The lower rates experienced in 2014 were driven by an over-capitalised reinsurance market and further encouraged by the relatively favourable natural catastrophe claims experience of the last 2-3 years. Balancing these competitive pressures, the prospect of real economy growth in the UK and in the US, where we sell most of our products, is positive for our business written in those markets.

We will retain focus on segmenting our portfolio and optimising our underwriting returns. Having achieved premium growth in locally underwritten US premium of 19% in 2014, coupled with growth in specialty lines as a whole of 8%, our 2015 business plan concentrates on these areas where we see the best opportunities for profitable growth. Beazley's underwriting expertise, experience of multiple market cycles and well-balanced geographically diverse portfolio should allow us to remain well placed to deliver another positive underwriting result in 2015.

Neil Maidment
Chief underwriting officer

4 February 2015

Financial review

Statement of profit or loss

	2014 $m	**2013 $m**	**Movement %**
Gross premiums written	2,021.8	1,970.2	3%
Net premiums written	1,732.7	1,676.5	3%
Net earned premiums	1,658.9	1,590.5	4%
Net investment income	83.0	43.3	92%
Other income	26.6	36.4	(27%)

Revenue	**1,768.5**	**1,670.2**	**6%**
Net insurance claims	817.9	719.1	14%
Acquisition and administrative expenses	658.9	619.3	6%
Foreign exchange loss	12.3	3.0	
Expenses	**1,489.1**	**1,341.4**	**11%**
Share of loss of associates	(1.1)	(0.3)	
Finance costs	(16.4)	(15.2)	
Profit before tax	**261.9**	**313.3**	**(16%)**
Income tax expense	(44.1)	(49.3)	(11%)
Profit after tax	**217.8**	**264.0**	**(18%)**
Claims ratio	49%	45%	
Expense ratio	40%	39%	
Combined ratio	89%	84%	
Rate (decrease)/increase	(2%)	1%	
Investment return	1.9%	1.0%	

Profit
Profit before tax is down 16% in 2014 to $261.9m (2013: $313.3m). There are two significant performance differences between the two years. Firstly, the combined ratio, whilst still very good at 89%, is 5% higher than the exceptional result achieved in 2013. As explained in the reserve releases section, all the difference in combined ratio was driven by the above average prior year reserve releases in 2013. This change in the combined ratio, coupled with a slightly higher FX impact, reduced profits by about $80m, although this was partially compensated by achieving about $30m more investment and other income than in 2013.

Premiums
Gross premiums written have increased by 3% in 2014 to $2,021.8m. Rates on renewal business on average decreased by 2% across the portfolio. We have continued to adjust our underwriting appetite in areas where competition is most intense.

Our portfolio by business division has remained broadly unchanged from 2013. We continue to operate a diversified portfolio by type of business and geographical location, and have grown our business across three of the six divisions during 2014.

Reinsurance purchased
Reinsurance is purchased for a number of reasons:

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

The amount the group spent on reinsurance in 2014 was $289.1m (2013: $293.7m).

Combined ratio
The combined ratio of an insurance company is a measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium. A combined ratio under 100% indicates an underwriting profit. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer. Beazley's combined ratio has increased in 2014 to 89% (2013: 84%), maintaining our five year historic average of 90%. It is worth pointing out that the calculation of the combined ratio for Beazley includes all claims and other costs to the group but excludes foreign exchange gains or losses. We believe this represents the most transparent and useful measure of operating performance as it ensures that all of the costs of being in business are captured, whether directly linked to underwriting activity or not.

Claims
Overall, claims have developed favourably during 2014, with claims notifications at normalised levels. There has been minimal exposure to natural catastrophes throughout the year, with a small exposure to Hurricane Odile seen on the property and reinsurance books.

Reserve releases
Beazley has a consistent reserving philosophy, with initial reserves being set to include risk margins that may be released over time as and when any uncertainty reduces. Historically these margins have given rise to held reserves within the range 5-10% above the actuarial estimates, which

themselves include some margin for uncertainty. The margin held above the actuarial estimate was 7.1% at the end of 2014 (2013: 8.2%). This margin has remained stable over time and is a lead indicator for the sustainability of reserve releases. It is, however, important to recognise that claims reserve uncertainty is the most significant risk within Beazley and a positive lead indicator will not always equate to future releases.

Reserve monitoring is performed at a quarterly 'peer review', which involves a challenge process contrasting the claims reserves of underwriters and claim managers, who make detailed claim-by-claim assessments, and the actuarial team, who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment.

Prior year reserve adjustments across all divisions over the last five years are show below:

	2010 $m	**2011 $m**	**2012 $m**	**2013 $m**	**2014 $m**	**5 year average $m**
Life, accident & health	(1.3)	4.5	0.5	(4.6)	4.4	0.7
Marine	30.7	39.9	27.7	47.3	40.2	37.2
Political risks & contingency	18.8	22.1	33.1	39.4	20.1	26.7
Property	17.4	20.2	6.2	33.7	35.9	22.7
Reinsurance	22.1	38.0	7.0	55.6	27.8	30.1
Specialty lines	56.9	61.8	51.5	46.6	29.7	49.3
Total	**144.6**	**186.5**	**126.0**	**218.0**	**158.1**	**166.6**
Releases as a percentage of net earned premium	10.3%	13.5%	8.5%	13.7%	9.5%	11.1%

The reserve releases in 2014 totalled $158.1m. There was an overall reduction in reserve releases in 2014 compared to 2013. This was driven by the political risks & contingency, reinsurance and specialty lines divisions. The 2013 reserve releases in reinsurance benefited from an incredibly benign year, superstorm Sandy aside, whilst the equivalent release during 2014 was affected by the mid sized catastrophes of 2013, a number of individual risk losses and adverse development on the New Zealand earthquake loss.

Reserve releases decreased in specialty lines in 2014, which was in line with our expectations. The 2014 releases came mainly from the 2003 through 2006 underwriting years as these years continued their exceptional development. Additionally, releases were seen on the 2012 underwriting year, with favourable development being recognised on the short tail cyber classes.

The political risks & contingency reserve releases of 2013 benefitted from favourable development on our financial crisis-exposed 2006-2008 underwriting years and in addition the release of catastrophe margin during 2014 were lower than the recent past due to the terrorist attack in Nairobi in September 2013

Acquisition costs and administrative expenses
Business acquisition costs and administrative expenses increased during 2014 to $658.9m from $619.3m in 2013.

The breakdown of these costs is shown below:

	2014 $m	**2013 $m**
Brokerage costs	349.7	337.2
Other acquisition costs	91.5	94.3
Total acquisition costs	**441.2**	**431.5**
Administrative expenses	217.7	187.8
Total acquisition costs and administrative expenses	**658.9**	**619.3**

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

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

Administrative expenses comprise primarily personnel costs including variable incentives for all staff, IT costs, facilities costs, Lloyd's central costs and other support costs. These have increased more than our gross premiums written over a five year period and, as a consequence, the company's expense ratio has edged upwards by 1% per annum from 36% to 40%.

The main causes of this are an increase in both long term and short term incentive payments triggered by the company's outstanding success during this period, investment in Solvency II and investment in our infrastructure aimed at securing future growth. We manage underlying costs tightly and target growing expenses less than the top line over the medium term.

Foreign exchange
The majority of Beazley's business is transacted in US dollar which is the currency we have reported in since 2010 and the currency in which we hold the company's net assets. Changes in the US dollar exchange rate with sterling, the Canadian dollar and the euro do have an impact as we receive premiums in those currencies and the majority of our staff still receive their salary in sterling. Part of this impact, generated by IFRS's treatment of the unearned premium reserve as a non-monetary item, is purely timing with FX profits and losses which unwind in the subsequent period. Beazley's FX loss taken through the profit and loss in 2014 was $12.3m (2013: $3.0m).

Investment performance
Investment income for the year ended 31 December 2014 was $83.0m, or an annualised return of 1.9%, compared with $43.3m or 1.0% over the same period in 2013. In 2014 the portfolio benefited from falling yields in all regions where we have significant fixed rate exposure, i.e. the US, UK and especially in Europe - where yields fell to record low levels across the curve. Our credit investments also contributed positive performance, benefiting from the fall in yields, even though investment grade and high yield credit spreads widened during the course of the year. Our hedge funds with uncorrelated strategies were also a significant contributor to returns.

During the year our management of core fixed income assets transferred from Falcon Money Management to an in house team. This portfolio, comprising AAA/AA Government and Agency bonds, returned 1.3% in 2014, generating strong returns in Europe and positive results in the US and the UK as yields fell and curves flattened. The other element of the core portfolio, credit, is outsourced to four managers and generated a 1.4% return. The credit assets are predominantly investment grade, including a small allocation to investment grade emerging market corporates, but also include small exposures to high yield and senior secured loans. Cash assets, totalling 8.2% of the portfolio, generated a 0.2% return.

The remaining elements of the portfolio - equal to approximately 14% of the total - consist of funds with an equity component (3%); hedge funds with uncorrelated strategies (8%) and illiquid credit (1%). We continue to work with Falcon Money Management on this section of the portfolio where we have set a target allocation of being equally distributed between the three sub-strategies.

The weighted average duration of our fixed income portfolio (including cash, government bonds and credit investments) at the end of 2014 was 1.8 years (2013: 1.8 years).

We are cautious about the outlook for investment returns in 2015 which will be limited by extremely low yields across the curve, and, in some cases even negative yields at shorter durations.

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

	31 Dec 2014		**31 Dec 2013**	
	$m	%	$m	%
Cash and cash equivalents	364.2	8.2	382.7	8.6
Fixed and floating rate debt securities				
- Government, quasi-government and supranational	1,845.6	41.6	1,892.2	42.7
- Corporate bonds				
- Investment bonds	1,111.5	25.0	1,268.4	28.7
- High yield	80.1	1.8	-	-
- Syndicated bank loans	101.5	2.3	-	-
- Asset backed securities	378.6	8.5	362.3	8.2
Derivative financial instruments	1.3	-	4.4	0.1
Core portfolio	3,882.8	87.4	3,910.0	88.3
Equity linked funds	145.9	3.3	139.7	3.2
Hedge funds (uncorrelated strategies)	367.0	8.3	369.8	8.4
Illiquid credit assets	45.9	1.0	6.8	0.1
Total capital growth assets	558.8	12.6	516.3	11.7
Total	**4,441.6**	**100.0**	**4,426.3**	**100.0**

Comparison of return by major asset class:

	31 Dec 2014		31 Dec 2013	
	$m	%	$m	%
Core portfolio	46.4	1.2	21.3	0.5
Capital growth assets	36.6	6.8	22.0	4.7
Overall return	**83.0**	**1.9**	**43.3**	**1.0**

In 2014, the funds managed by the Beazley group remained in line with the prior year, with financial assets at fair value and cash and cash equivalents of $4,441.6m at the end of the year (2013: $4,426.3m).

Tax
Beazley is liable to corporation tax in a number of jurisdictions, notably the UK and Ireland. Our effective tax rate is thus a composite tax rate between the Irish and UK tax rates. Our effective tax rate for the year was 16.9% (2013: 15.7%).

In 2013, it was announced that the UK corporation tax rate will be reduced to 20% by 2015. This rate reduction in the UK tax rate has been applied to our UK deferred tax balance brought forward.

Summary statement of financial position

	2014 $m	2013 $m	Movement %
Intangible assets	94.6	91.6	3%
Reinsurance assets	1,053.2	1,178.2	(11%)
Insurance receivables	587.0	617.7	(5%)
Other assets	266.3	270.8	(2%)
Financial assets at fair value and cash and cash equivalents	4,441.6	4,426.3	-
Total assets	**6,442.7**	**6,584.6**	**(2%)**
Insurance liabilities	4,547.4	4,577.3	(1%)
Financial liabilities	256.8	274.9	(7%)
Other liabilities	295.8	393.7	(25%)
Total liabilities	**5,100.0**	**5,245.9**	**(3%)**
Net assets	1,342.7	1,338.7	-
Net assets per share (cents)	265.7c	266.5c	-
Net tangible assets per share (cents)	247.0c	248.3c	(1%)
Net assets per share (pence)	170.3p	160.6p	6%
Net tangible assets per share (pence)	158.3p	149.6p	6%
Number of shares*	505.3m	502.2m	1%

* Excludes shares held in the employee share trust and treasury shares.

Intangible assets
Intangible assets consist of goodwill on acquisitions of $62.0m, purchased syndicate capacity of $10.7m, US admitted licences of $9.3m and capitalised expenditure on IT projects of $12.6m.

Reinsurance assets
Reinsurance assets represent recoveries from reinsurers in respect of incurred claims of $860.7m, and the unearned reinsurance premiums reserve of $192.5m. The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $195.0m and an actuarial estimate of recoveries on claims that have not yet been reported of $665.7m. The group's exposure to reinsurers is managed through:

- minimising risk through selection of reinsurers who meet strict financial criteria (e.g. minimum net assets, minimum 'A' rating by S&P). These criteria vary by type of business (short vs medium tail);
- timely calculation and issuance of reinsurance collection notes from our ceded reinsurance team; and
- regular monitoring of the outstanding debtor position by our reinsurance security committee and credit control committee.

We continue to provide against impairment of reinsurance recoveries, and at the end of 2014 our provision had reduced to $14.1m (2013: $14.5m) in respect of reinsurance recoveries, following a partial recovery during the year in relation to Lehman Re.

Insurance receivables
Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2014 was $587.0m, a decrease of 5% compared to 2013 ($617.7m). We continue to outsource the majority of the collection of our Lloyd's broker premium balances to Randall and Quilter Investment Holdings plc, which operates within the Lloyd's market as a specialist credit controller, the remainder of the balances are controlled and monitored internally.

Other assets
Other assets are analysed separately in the notes to the financial statements. The largest items included comprise:

- deferred acquisition costs of $222.7m;
- profit commissions of $11.4m and other balances of $7.3m receivable from syndicate 623; and
- deferred tax assets available for use against future taxes payable of $9.0m.

Insurance liabilities
Insurance liabilities of $4,547.4m consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities.

Our UPR has increased by 7% to $1,022.5m. The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that this business is profitable.

Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $984.7m and an estimate of claims incurred but not yet reported (IBNR) of $2,540.2m. These are estimated as part of the quarterly reserving process involving the underwriters and group actuary. Gross insurance claims reserves have decreased by 3% to $3,524.9m.

Financial liabilities
Financial liabilities comprise borrowings and derivative financial liabilities. The group utilises three long term debt facilities:

- in 2006 we raised £150m of lower tier 2 unsecured fixed rate debt that is payable in 2026 and callable in 2016. In 2013 we bought back £26.2m of this debt. The initial interest rate payable is 7.25% and the nominal value of this debt as at 31 December 2014 is £76.5m (2013: £76.5m);
- a US$18m subordinated debt facility raised in 2004. This loan is also unsecured and interest is payable at the US$ London interbank offered rate (LIBOR) plus 3.65%. These subordinated notes are due in 2034 and have been callable at the group's option since 2009; and
- during September 2012 we issued a sterling denominated 5.375% retail bond under a £250m euro medium term note programme which raised £75m for the group and is due in 2019. This diversified the source and maturity profile of the group's debt financing.

A syndicated short term banking facility led by Lloyds Banking Group Plc provides potential borrowings up to $225m. Under the facility $225m may be drawn as letters of credit to support underwriting at Lloyd's. Of this, $175m may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.6% per annum and any amounts drawn are charged at a margin of 1.75% per annum. The cash element of the facility will expire on 31 December 2016, whilst letters of credit issued under the facility can be used to provide support for the 2013, 2014 and 2015 underwriting years. The facility is currently unutilised.

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

Beazley is subject to the capital adequacy requirements of the European Union (EU) Insurance Groups Directive (IGD). We comply with all IGD requirements.

Further capital requirements come from rating agencies who provide ratings for Beazley Insurance Company Inc. We aim to manage our capital levels to obtain the ratings necessary to trade with our preferred client base.

Beazley holds a level of capital over and above its regulatory requirements. The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework, (and expected changes in regulation, i.e. Solvency II) and opportunities for organic or acquisitive growth and a desire to maximise returns for investors.

The group actively seeks to manage its capital structure. Our preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when the group will generate excess capital and not have the opportunity to deploy it. At such points in time the board will consider returning capital to shareholders.

In 2014, Beazley acquired 3.1m of its own shares into the employee benefit trust. These were acquired at an average price of 245.0p and the cost to the group was £7.5m.

The following table sets out the group's sources of funds:

	2014 $m	2013 $m
Shareholders' funds	1,342.7	1,338.7
Tier 2 subordinated debt (2026)	122.5	132.1
Retail bond (2019)	115.8	123.0
Long -term subordinated debt (2034)	18.0	18.0
	1,599.0	**1,611.8**

Our funding comes from a mixture of our own equity (on a Solvency II basis) alongside $122.5m of tier 2 subordinated debt, $18.0m subordinated long term debt, a $115.8m retail bond and an undrawn banking facility of $225.0m.

The following table sets out the group's capital requirement:

	2014 $m	2013 $m
Lloyd's economic capital requirement (ECR)	1,359.0	1,321.8
Capital for US insurance company	107.7	107.7
	1,466.7	**1,429.5**

At 31 December 2014, we have surplus capital of 30% of ECR, including expected Solvency II adjustments. We will therefore be paying a special dividend of 11.8p, reducing the surplus to 20% which is within our current target range 15% to 25% of ECR.

Individual capital assessment
The group is required to produce an individual capital assessment (ICA) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews this assessment to ensure that ICAs are consistent across the market.

The current capital assessment has been established using our Solvency II internal model which has been run within the ICA regime as prescribed by Lloyd's. In order to determine the capital assessment, we have made significant investments in both models and process:

- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and
- the internal model process is embedded so that teams can see the direct and objective link between underwriting decisions and the capital allocated to that team. This gives a consistent and comprehensive picture of the risk reward profile of the business and allows teams to focus on strategies that improve return on capital.

Solvency II
It is now confirmed that the Solvency II regime will be implemented from 1 January 2016, with the passing of the Omnibus II Directive by the European Parliament in 2014. We welcome this definitive start date and, while some final detail of requirements remains to be confirmed, we believe that we are strongly positioned for full compliance. Beazley's programme to prepare for Solvency II began in 2008 and will remain in place through to completion.

Beazley, having indicated to the Central Bank of Ireland (CBI) the intention to seek approval to calculate the Solvency Capital Requirement using a group internal model, has been engaging with the CBI in a pre-application review. This was materially completed in 2014 and we are on track to submit a formal application for approval at the earliest opportunity, in April 2015.

During 2014, Beazley has continued to benefit from participation in the Lloyd's Solvency II programme and the use of the internal model for Lloyd's capital setting has been a strong driver for the embedding of the model into business as usual.

Group structure
The group operates across both Lloyd's and the US through a variety of legal entities and structures. The main entities within the legal entity structure are as follows:

- Beazley plc - group holding company and investment vehicle, quoted on the London Stock Exchange;
- Beazley Underwriting Limited - corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- Beazley Furlonge Limited - managing agency for the five syndicates managed by the group (623, 2623, 3622, 3623 and 6107);
- Beazley Re Limited - reinsurance company that accepts reinsurances premiums ceded by the corporate member, Beazley Underwriting Limited;
- Syndicate 2623 - corporate body regulated by Lloyd's through which the group underwrites its general insurance business excluding accident and life. Business is written in parallel with

syndicate 623;
- Syndicate 623 - corporate body regulated by Lloyd's which has its capital supplied by third-party names;
- Syndicate 6107 - special purpose syndicate writing reinsurance business on behalf of third-party names;
- Syndicate 3622 - corporate body regulated by Lloyd's through which the group underwrites its life insurance and reinsurance business;
- Syndicate 3623 - corporate body regulated by Lloyd's through which the group underwrites its personal accident and BICI reinsurance business;
- Beazley Insurance Company, Inc. (BICI) - insurance company regulated in the US. Licensed to write insurance business in all 50 states; and
- Beazley USA Services, Inc. (BUSA) - managing general agent based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates and BICI.

Consolidated statement of profit or loss for the year ended 31 December 2014

	2014 $m	**2013 $m**
Gross premiums written	2,021.8	1,970.2
Written premiums ceded to reinsurers	(289.1)	(293.7)
Net premiums written	**1,732.7**	**1,676.5**
Change in gross provision for unearned premiums	(67.9)	(64.2)
Reinsurer's share of change in the provision for unearned premiums	(5.9)	(21.8)
Change in net provision for unearned premiums	**(73.8)**	**(86.0)**
Net earned premiums	**1,658.9**	**1,590.5**
Net investment income	83.0	43.3
Other income	26.6	36.4
	109.6	**79.7**
Revenue	**1,768.5**	**1,670.2**
Insurance claims	899.5	877.1
Insurance claims recoverable from reinsurers	(81.6)	(158.0)
Net insurance claims	**817.9**	**719.1**
Expenses for the acquisition of insurance contracts	441.2	431.5
Administrative expenses	217.7	187.8
Foreign exchange loss	12.3	3.0
Operating expenses	**671.2**	**622.3**
Expenses	**1,489.1**	**1,341.4**
Share of loss in associates	(1.1)	(0.3)
Results of operating activities	**278.3**	**328.5**
Finance costs	(16.4)	(15.2)
Profit before income tax	**261.9**	**313.3**

Income tax expense	(44.1)	(49.3)
Profit for year attributable to equity shareholders	**217.8**	**264.0**
Earnings per share (cents per share):		
Basic	43.1	52.4
Diluted	41.8	51.2
Earnings per share (pence per share):		
Basic	26.1	33.6
Diluted	25.3	32.8

Statement of comprehensive income for the year ended 31 December 2014

	2014 $m	2013 $m
Group		
Profit for the year attributable to equity shareholders	217.8	264.0
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Loss on remeasurement of retirement benefit obligations	(1.6)	(3.1)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(2.6)	3.1
Total other comprehensive income	(4.2)	-
Total comprehensive income recognised	**213.6**	**264.0**

Statement of comprehensive income for the year ended 31 December 2014

	2014 $m	2013 $m
Company		
Profit for the year attributable to equity shareholders	207.8	112.7
Total comprehensive income recognised	**207.8**	**112.7**

Statement of changes in equity for the year ended 31 December 2014

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group						
Balance at 1 January 2013	**41.6**	**12.0**	**(86.2)**	**(42.6)**	**1,279.7**	**1,204.5**
Total comprehensive income recognised	-	-	3.1	-	260.9	264.0
Dividends paid	-	-	-	-	(129.9)	(129.9)
Equity settled share based payments	-	-	-	19.1	(2.1)	17.0
Acquisition of own shares in trust	-	-	-	(17.7)	-	(17.7)
Transfer of shares to employees	-	-	-	3.4	(2.6)	0.8
Balance at 31 December 2013	**41.6**	**12.0**	**(83.1)**	**(37.8)**	**1,406.0**	**1,338.7**

Total comprehensive income recognised	-	-	(2.6)	-	216.2	213.6
Dividends paid	-	-	-	-	(212.6)	(212.6)
Equity settled share based payments	-	-	-	15.3	0.6	15.9
Acquisition of own shares in trust	-	-	-	(12.5)	-	(12.5)
Transfer of shares to employees	-	-	-	2.9	(3.3)	(0.4)
Balance at 31 December 2014	**41.6**	**12.0**	**(85.7)**	**(32.1)**	**1,406.9**	**1,342.7**

Statement of changes in equity for the year ended 31 December 2014

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company						
Balance at 1 January 2013	**41.6**	**12.0**	**(35.9)**	**(51.8)**	**724.9**	**690.8**
Total comprehensive income recognised	-	-	-	-	112.7	112.7
Dividends paid	-	-	-	-	(129.9)	(129.9)
Equity settled share based payments	-	-	-	19.1	(2.1)	17.0
Acquisition of own shares in trust	-	-	-	(17.7)	-	(17.7)
Transfer of shares to employees	-	-	-	3.4	(2.6)	0.8
Balance at 31 December 2013	**41.6**	**12.0**	**(35.9)**	**(47.0)**	**703.0**	**673.7**
Total comprehensive income recognised	-	-	-	-	207.8	207.8
Dividends paid	-	-	-	-	(212.6)	(212.6)
Equity settled share based payments	-	-	-	15.3	0.6	15.9
Acquisition of own shares in trust	-	-	-	(12.5)	-	(12.5)
Transfer of shares to employees	-	-	-	2.9	(3.3)	(0.4)
Balance at 31 December 2014	**41.6**	**12.0**	**(35.9)**	**(41.3)**	**695.5**	**671.9**

Statements of financial position as at 31 December 2014

	2014		2013	
	Group $m	Company $m	Group $m	Company $m
Assets				
Intangible assets	94.6	-	91.6	-
Plant and equipment	3.9	0.9	6.0	1.1
Deferred tax asset	9.0	-	8.7	-
Investment in subsidiaries	-	747.2	-	747.2
Investment in associates	10.5	-	8.4	-
Deferred acquisition costs	222.7	-	206.0	-
Reinsurance assets	1,053.2	-	1,178.2	-
Financial assets at fair value	4,077.4	-	4,043.6	-
Insurance receivables	587.0	-	617.7	-

Other receivables	20.2	40.4	41.7	49.2
Cash and cash equivalents	364.2	1.2	382.7	1.2
Total assets	**6,442.7**	**789.7**	**6,584.6**	**798.7**
Equity				
Share capital	41.6	41.6	41.6	41.6
Share premium	12.0	12.0	12.0	12.0
Foreign currency translation reserve	(85.7)	(35.9)	(83.1)	(35.9)
Other reserves	(32.1)	(41.3)	(37.8)	(47.0)
Retained earnings	1,406.9	695.5	1,406.0	703.0
Total equity	**1,342.7**	**671.9**	**1,338.7**	**673.7**
Liabilities				
Insurance liabilities	4,547.4	-	4,577.3	-
Financial liabilities	256.8	115.8	274.9	123.0
Retirement benefit liability	2.6	-	2.4	-
Deferred tax liabilities	8.5	-	65.0	-
Current income tax liability	29.2	-	18.5	0.2
Other payables	255.5	2.0	307.8	1.8
Total liabilities	**5,100.0**	**117.8**	**5,245.9**	**125.0**
Total equity and liabilities	**6,442.7**	**789.7**	**6,584.6**	**798.7**

Statements of cash flows for the year ended 31 December 2014

		2014		**2013**
	Group $m	**Company $m**	**Group $m**	**Company $m**
Cash flow from operating activities				
Profit before income tax	**261.9**	**207.8**	**313.3**	**112.7**
Adjustments for:				
Amortisation of intangibles	4.6	-	14.2	-
Equity settled share based compensation	15.3	15.3	19.1	19.1
Net fair value gains on financial assets	25.6	-	15.0	-
Share of loss in associates	1.1	-	0.3	-
Depreciation of plant and equipment	2.4	0.2	2.4	0.2
Impairment of reinsurance assets (written back)/recognised	(0.4)	-	(3.5)	-
Impairment loss recognised on intangible assets	-	-	11.5	-
Impairment loss recognised on investment in associates	-	-	1.4	1.4
(Decrease)/increase in insurance and other liabilities	(103.3)	(7.0)	37.1	1.3
Decrease/(increase) in insurance, reinsurance and other receivables	177.6	8.8	(36.4)	12.7
Increase in deferred acquisition costs	(16.7)	-	(21.0)	-
Financial income	(67.7)	-	(68.7)	-
Financial expense	16.4	6.7	17.3	6.7
Profit on debt buyback	-	-	(2.1)	-
Income tax paid	(89.7)	-	(46.4)	-

Net cash from operating activities	**227.1**	**231.8**	**253.5**	**154.1**
Cash flow from investing activities				
Purchase of plant and equipment	(0.4)	-	(1.5)	-
Expenditure on software development	(5.3)	-	(5.1)	-
Purchase of investments	(2,832.7)	-	(3,079.5)	-
Proceeds from sale of investments	2,773.3	-	3,026.3	-
Investment in associate	(3.2)	-	(0.1)	-
Interest and dividends received	67.7	-	68.7	-
Net cash (used in)/from investing activities	**(0.6)**	**-**	**8.8**	**-**
Cash flow from financing activities				
Acquisition of own shares in trust	(12.5)	(12.5)	(17.7)	(17.7)
Repayment of borrowings	-	-	(39.5)	-
Interest paid	(14.8)	(6.7)	(13.5)	(6.7)
Dividends paid	(212.6)	(212.6)	(129.9)	(129.9)
Net cash (used in) financing activities	**(239.9)**	**(231.8)**	**(200.6)**	**(154.3)**
Net (decrease)/increase in cash and cash equivalents	(13.4)	-	61.7	(0.2)
Cash and cash equivalents at beginning of year	382.7	1.2	316.5	1.3
Effect of exchange rate changes on cash and cash equivalents	(5.1)	-	4.5	0.1
Cash and cash equivalents at end of year	**364.2**	**1.2**	**382.7**	**1.2**

1 Statement of accounting policies

Beazley plc is a company incorporated in Jersey and domiciled in Ireland. The group financial statements for the year ended 31 December 2014 comprise the parent company and its subsidiaries and the group's interest in associates.

Both the financial statements of the parent company, Beazley plc, and the group financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the EU ('Adopted IFRSs'). On publishing the parent company financial statements together with the group financial statements, the company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

As a result of IFRS 10 (consolidated financial statements), with a date of initial application of 1 January 2014, the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the group reassessed the control conclusion, including a review of relationships influencing the group's associates, subsidiaries and other related parties for its investees at 1 January 2014. The group has not changed any of its control conclusion in respect of any investments in subsidiaries or associates. As the Lloyds syndicates do not carry out business in their own right, they are not considered entities and therefore fall outside the scope of IFRS 10. The syndicate structure, used by underwriters at Lloyd's, is a means for the spreading of risk where each investor provides separate and distinct collateral of its own, and has several and direct liability for losses rather than joint and several liability. The group's consolidation conclusions in respect of its syndicates remains unchanged from previous periods. Therefore, there is no impact on the profit or loss for the current or prior year or on equity reported. There is also no impact on the total assets or liabilities in the comparative period.

In addition to IFRS 10, all other new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered. Of these the following new and amended standards have been adopted by the group during the period:

- IFRS 11: Joint arrangements;
- IFRS 12: Disclosure of interests in other entities;

- IAS 27: Amendment: Separate financial statements;
- IAS 28: Amendment: Investments in associates and joint ventures;
- IAS 32: Amendment: Offsetting financial assets and financial liabilities;
- IAS 36: Amendment: Recoverable amount disclosures for non financial assets;
- IAS 39: Amendment: Novation of derivatives and continuation of hedge accounting; and
- IFRIC 21: Levies.

IFRS 11 replaces IAS 31 Interests in joint ventures and SIC-13 Jointly-controlled entities - nonmonetary contributions by venturers. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. The predecessor standard, IAS 31, focused to a greater extent on the legal form to determine the presence of 'jointly controlled entities' (JCEs) which would then have been equity accounted for or proportionately consolidated. IFRS 11 may result in some of these JCEs instead being seen as joint operations which will be subject to a requirement for the party to directly account for its own assets and liabilities, when additional factors (other than legal form) are taken into account. All investee entities determined under the new criteria to be 'joint ventures' will be equity accounted for, with the option for the investor to proportionately consolidate being removed from the new standard. The adoption of IFRS 11 has no impact on the consolidated financial statements in the current or prior periods.

IFRS 12 sets out more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity or operation.

IAS 27 carries forward the existing accounting requirements for separate financial statements; the requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27. This amendment did not result in a material impact on the financial statements of the company.

IAS 28 previously discussed how to apply equity accounting to associates in consolidated financial statements. The revised IAS 28 continues to include that guidance but it is now extended to also apply that accounting to entities that qualify as joint ventures under IFRS 11.

IAS 32 was amended to clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. This amendment did not result in a material impact on the financial statements of the company.

IAS 36 was amended to reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. This amendment did not result in a material impact on the financial statements of the company.

IAS 39 was amended to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief was introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in a consistent manner. This amendment did not result in a material impact on the financial statements of the company.

IFRIC 21 provides guidance on the accounting for levies imposed by governments under legislation in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation confirms that an entity recognises a liability for a levy when and only when the triggering event specified in the legislation occurs. An entity does not recognise a liability at an earlier date, even if commercially it has no realistic opportunity to avoid the triggering event. This standard did not result in a material impact on the financial statements of the company.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2014, and have not been applied in preparing these financial statements. The group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The group is still reviewing the impact of the upcoming standards to determine their impact:

- IFRS 9: Financial instruments (1 January 2018);
- IFRS 10: Amendment: Sale or contribution of assets between an investor and its associate or joint venture (1 January 2016);
- IFRS 11: Amendment: Accounting for acquisitions on interests in joint operations (1 January 2016);
- IFRS 14: Regulatory deferral accounts (1 January 2016);
- IFRS 15: Revenue from contracts with customers (1 January 2017);
- IAS 1: Amendment: Disclosure Initiative (1 January 2016);
- IAS 16: Amendment: Clarification of acceptable methods of depreciation and amortisation (1 January 2016);
- IAS 19: Amendment: Defined benefit plans (1 July 2014)*;

- IAS 27: Amendment: Equity method in separate financial statements (1 January 2016);
- IAS 28: Amendment: Sale or contribution of assets between an investor and its associate or joint venture (1 January 2016);
- IAS 38: Amendment: Clarification of acceptable methods of depreciation and amortisation (1 January 2016);
- annual improvement to IFRSs - 2010-2012 cycle (1 July 2014)*;
- annual improvement to IFRSs - 2011-2013 cycle (1 July 2014)*; and
- annual improvement to IFRSs - 2012-2014 cycle (1 January 2016).

* Standards that have been endorsed by the EU.

Basis of presentation
The group financial statements are prepared using the historical cost convention except that financial assets and derivative financial instruments are stated at their fair value. All amounts presented are stated in US dollars and millions, unless stated otherwise.

The financial statements of Beazley plc have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

- note 1a: accounting treatment for the group's interest in managed syndicates;
- note 12: intangible assets (assumptions underlying recoverable amounts);
- note 16: financial assets and liabilities (valuations based on models and unobservable inputs);
- note 23: equity compensation plans (assumptions used to calculate fair value of share options granted);
- note 24: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported); and
- note 27: retirement benefit obligations (actuarial assumptions).

The most critical estimate included within the group's financial position is the estimate for insurance losses incurred but not reported. The total estimate net of reinsurers' share as at 31 December 2014 is $1,874.5m (2013: $1,872.8m) and is included within total insurance liabilities in the statement of financial position.

2 Segmental analysis
a) Reporting segments
Segment information is presented in respect of reportable segments. These are based on the group's management and internal reporting structures and represent the level at which financial information is reported to the board, being the chief operating decision-maker as defined in IFRS 8.

The operating segments are based upon the different types of insurance risk underwritten by the group, as described below:

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

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

Political risks & contingency
This segment underwrites terrorism, political violence, expropriation and credit risks as well as contingency and risks associated with contract frustration.

Property
The property segment underwrites commercial, high-value homeowners' and construction and engineering property insurance on a worldwide basis.

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

Specialty lines
This segment underwrites professional liability, management liability and environmental liability, including architects and engineers, healthcare, lawyers, technology, media and business services, directors and officers and employment practices risks.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The reporting segments do not cross-sell business to each other. There are no individual policyholders who comprise greater than 10% of the group's total gross premiums written.

b) Segment information

2014	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Segment results							
Gross premiums written	132.2	325.2	123.2	344.7	200.8	895.7	2,021.8
Net premiums written	113.7	289.9	101.2	297.6	153.8	776.5	1,732.7
Net earned premiums	103.0	282.6	96.9	287.9	160.1	728.4	1,658.9
Net investment income	1.0	8.9	3.8	10.2	7.8	51.3	83.0
Other income	1.0	3.4	1.8	6.6	3.8	10.0	26.6
Revenue	**105.0**	**294.9**	**102.5**	**304.7**	**171.7**	**789.7**	**1,768.5**
Net insurance claims	62.2	106.6	25.7	121.3	60.0	442.1	817.9
Expenses for the acquisition of insurance contracts	33.9	78.3	29.2	87.1	35.6	177.1	441.2
Administrative expenses	13.9	36.8	20.4	39.9	14.9	91.8	217.7
Foreign exchange loss	0.8	2.1	0.7	2.1	1.2	5.4	12.3
Expenses	**110.8**	**223.8**	**76.0**	**250.4**	**111.7**	**716.4**	**1,489.1**
Share of loss of associates	-	-	(0.3)	-	-	(0.8)	(1.1)
Segment result	**(5.8)**	**71.1**	**26.2**	**54.3**	**60.0**	**72.5**	**278.3**
Finance costs							(16.4)
Profit before income tax							**261.9**
Income tax expense							(44.1)
Profit for the year attributable to equity shareholders							**217.8**
Claims ratio	60%	38%	27%	42%	37%	61%	49%
Expense ratio	47%	40%	51%	44%	32%	37%	40%
Combined ratio	107%	78%	78%	86%	69%	98%	89%
Segment assets and liabilities							
Segment assets	216.8	1,048.9	767.9	999.1	372.1	3,037.9	6,442.7
Segment liabilities	(188.8)	(673.7)	(629.6)	(808.2)	(233.2)	(2,566.5)	(5,100.0)
Net assets	**28.0**	**375.2**	**138.3**	**190.9**	**138.9**	**471.4**	**1,342.7**
Additional information							
Investment in associates	-	-	2.8	-	-	7.7	10.5
Impairment of non-financial assets	-	-	-	-	-	-	-
Capital expenditure	0.3	1.1	0.5	0.9	2.0	0.9	5.7

Amortisation and depreciation	(0.4)	(1.3)	(0.6)	(1.1)	(1.1)	(2.5)	(7.0)
Net cash flow	(0.5)	(5.4)	(2.4)	(2.3)	(1.6)	(6.4)	(18.5)

2013	**Life, accident & health $m**	**Marine $m**	**Political risks & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Segment results							
Gross premiums written	100.3	315.9	131.2	371.4	221.6	829.8	1,970.2
Net premiums written	96.1	282.1	110.1	308.7	171.5	708.0	1,676.5
Net earned premiums	95.4	264.4	98.6	302.6	165.3	664.2	1,590.5
Net investment income	0.5	4.6	2.2	5.9	4.7	25.4	43.3
Other income	5.8	4.1	2.6	10.5	2.2	11.2	36.4
Revenue	**101.7**	**273.1**	**103.4**	**319.0**	**172.2**	**700.8**	**1,670.2**
Net insurance claims	70.8	88.7	4.7	122.2	29.5	403.2	719.1
Expenses for the acquisition of insurance contracts	27.7	71.3	26.8	99.5	34.1	172.1	431.5
Administrative expenses	21.0	29.6	17.4	31.5	17.5	70.8	187.8
Foreign exchange loss	0.1	0.5	0.2	0.6	0.4	1.2	3.0
Expenses	**119.6**	**190.1**	**49.1**	**253.8**	**81.5**	**647.3**	**1,341.4**
Share of profit/(loss) of associates	-	-	0.1	-	-	(0.4)	(0.3)
Segment result	**(17.9)**	**83.0**	**54.4**	**65.2**	**90.7**	**53.1**	**328.5**
Finance costs							(15.2)
Profit before income tax							**313.3**
Income tax expense							(49.3)
Profit for the year attributable to equity shareholders							**264.0**
Claims ratio	74%	34%	5%	40%	18%	61%	45%
Expense ratio	51%	38%	45%	44%	31%	36%	39%
Combined ratio	125%	72%	50%	84%	49%	97%	84%
Segment assets and liabilities							
Segment assets	221.4	1,089.8	785.7	1,016.9	384.2	3,086.6	6,584.6
Segment liabilities	(187.1)	(701.2)	(614.9)	(852.6)	(269.8)	(2,620.3)	(5,245.9)
Net assets	**34.3**	**388.6**	**170.8**	**164.3**	**114.4**	**466.3**	**1,338.7**
Additional information							
Investment in associates	-	-	1.5	-	-	6.9	8.4
Impairment of non-financial assets	(7.5)	(0.1)	(0.1)	(0.2)	(0.2)	(4.8)	(12.9)
Capital expenditure	0.3	1.0	0.5	2.1	0.8	1.9	6.6
Amortisation and depreciation	(0.6)	(1.3)	(0.6)	(1.6)	(1.1)	(11.4)	(16.6)
Net cash flow	2.7	19.9	8.7	6.5	3.0	25.4	66.2

c) Information about geographical areas

The group's operating segments are also managed geographically by placement of risk. UK earned premium in the analysis below represents all risks placed at Lloyd's and US earned premium represents all risks placed at the group's US insurance company, Beazley Insurance Company, Inc.

	2014 $m	2013 $m
Net earned premiums		
Non US	1,617.2	1,556.2
US	41.7	34.3
	1,658.9	**1,590.5**

	2014 $m	2013 $m
Segment assets		
UK (Lloyd's)	6,133.0	6,263.5
US (Non-Lloyd's)	309.7	321.1
	6,442.7	**6,584.6**

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

	2014 $m	2013 $m
Capital expenditure		
Non US	5.5	5.4
US	0.2	1.2
	5.7	**6.6**

3 Net investment income

	2014 $m	2013 $m
Interest and dividends on financial investments at fair value through profit or loss	67.1	68.0
Interest on cash and cash equivalents	0.6	0.7
Realised losses on financial investments at fair value through profit or loss	(16.3)	(7.1)
Net unrealised fair value gains/(losses) on financial investments at fair value through profit or loss	41.9	(7.9)
Investment income from financial investments	**93.3**	**53.7**
Investment management expenses	(10.3)	(10.4)
	83.0	**43.3**

4 Other income

	2014 $m	2013 $m
Commissions received from Beazley service companies	14.2	23.2
Profit commissions from syndicates 623/6107	9.9	11.0
Agency fees from 623	2.3	2.0
Other income	0.2	0.2
	26.6	**36.4**

5 Operating expenses

	2014 $m	2013 $m
Operating expenses include:		
Amounts receivable by the auditor and associates in respect of:		

- the auditing of accounts of the company's subsidiaries	1.2	1.2
- taxation compliance services	0.1	0.2
- all other assurance services not included above	0.4	0.3
- all other non-audit services not included above	-	-
	1.7	1.7
Impairment loss written back on reinsurance assets	(0.4)	(3.5)
Impairment loss recognised on intangible assets	-	11.5
Impairment loss recognised on investment in associates	-	1.4
Operating leases	9.2	8.8

Other than the fees disclosed above, no other fees were paid to the company's auditor.

6 Employee benefit expenses

	2014 $m	2013 $m (restated)
Wages and salaries	120.7	111.7
Short-term incentive payments	68.7	62.4
Social security	18.7	11.8
Share-based remuneration	15.6	16.3
Pension costs*	10.0	8.7
	233.7	210.9
Recharged to syndicate 623	(34.5)	(31.6)
	199.2	**179.3**

* Pension costs refer to the contributions made under the defined contribution scheme.

7 Finance costs

	2014 $m	2013 $m
Interest expense	16.4	16.2
Profit on debt buyback	-	(2.1)
Other finance costs	-	1.1
	16.4	**15.2**

During 2013, Beazley bought back a total nominal amount of $39.5m of debt at market value of $37.4m in the form of fixed/floating rate subordinated notes falling due in 2026. A profit of $2.1m was realised in the difference between the carrying value and the nominal amount of the debt bought back.

8 Income tax expense

	2014 $m	2013 $m
Current tax expense		
Current year	95.6	60.6
Prior year adjustments	5.5	4.3
	101.1	64.9
Deferred tax expense		
Origination and reversal of temporary differences	(55.2)	(12.1)
Impact of change in UK tax rates	0.4	-
Prior year adjustments	(2.2)	(3.5)
	(57.0)	(15.6)

Income tax expense	**44.1**	**49.3**

Profit before tax	**261.9**	**313.3**
Tax calculated at Irish rate	32.7	39.2
Rates applied	12.5%	12.5%
Effects of:		
- tax rates in foreign jurisdictions	4.9	10.5
- non-deductible expenses	3.5	1.7
- tax relief on share based payments - current and future years	(1.4)	(0.3)
- under/(over) provided in prior years	3.3	0.8
- change in UK tax rates*	0.4	(3.8)
- foreign exchange on tax	0.7	2.9
- foreign tax recoverable	-	(1.7)
Tax charge for the period	**44.1**	**49.3**

The weighted average applicable tax rate was 14.8% (2013: 15.9%). This is the weighted average of the tax rate applied to the profits earned in each country in which the group operates.

* The Budget 2013 announced that the UK corporation rate would reduce to 21% at 1 April 2014, with a further reduction to 20% in 2015. The reductions in the UK tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The reduction to 20% will reduce the company's future current tax charge and the deferred tax liability as at 31 December 2014 has been calculated based on this tax rate.

9 Earnings per share

	2014	2013
Basic (cents)	43.1c	52.4c
Diluted (cents)	41.8c	51.2c
Basic (pence)	26.1p	33.6p
Diluted (pence)	25.3p	32.8p

Basic

Basic earnings per share are calculated by dividing profit after tax of $217.8m (2013: $264.0m) by the weighted average number of shares in issue during the year of 505.4m (2013: 503.7m). The shares held in the Employee Share Options Plan (ESOP) of 16.0m (2013: 17.3m) 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 tax of $217.8m (2013: $264.0m) by the adjusted weighted average number of shares of 521.2m (2013: 515.4m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE, retention and deferred share schemes. The shares held in the ESOP of 16.0m (2013: 17.3m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

10 Dividends per share

A second interim dividend of 6.2p per ordinary share (2013: 5.9p) and a special dividend of 11.8p (2013: 16.1p) will be payable on 27 March 2015 to shareholders registered at 5.00pm on 27 February 2015 in respect of the six months ended 31 December 2014. The company expects the total amount to be paid in respect of the second interim and special dividend to be approximately £91m. These financial statements do not provide for the second interim dividend and the special dividend as a liability.

Together with the interim dividend of 3.1p (2013: 2.9p) this gives a total dividend for the year of 21.1p (2013: 24.9p).

The aforementioned interim and special dividends will be payable on 27 March 2015 to shareholders registered at 5.00pm on 27 February 2015 (save to the extent that shareholders on the register of members on 27 February 2015 are to be paid a dividend by a subsidiary of the company (being Beazley DAS Limited) resident for tax purposes in the United Kingdom pursuant to elections made or deemed to have been made and such shareholders shall have no right to this second interim dividend).

11 Insurance liabilities and reinsurance assets

	2014 $m	2013 $m
Gross		
Claims reported and loss adjustment expenses	984.7	1,023.0
Claims incurred but not reported	2,540.2	2,597.5
Gross claims liabilities	3,524.9	3,620.5
Unearned premiums	1,022.5	956.8
Total insurance liabilities, gross	**4,547.4**	**4,577.3**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	195.0	253.7
Claims incurred but not reported	665.7	724.7
Reinsurers' share of claims liabilities	860.7	978.4
Unearned premiums	192.5	199.8
Total reinsurers' share of insurance liabilities	**1,053.2**	**1,178.2**
Net		
Claims reported and loss adjustment expenses	789.7	769.3
Claims incurred but not reported	1,874.5	1,872.8
Net claims liabilities	2,664.2	2,642.1
Unearned premiums	830.0	757.0
Total insurance liabilities, net	**3,494.2**	**3,399.1**

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

11.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2014			2013		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Claims reported and loss adjustment expenses	1,023.0	(253.7)	769.3	1,058.9	(266.7)	792.2
Claims incurred but not reported	2,597.5	(724.7)	1,872.8	2,533.3	(699.4)	1,833.9
Balance at 1 January	3,620.5	(978.4)	2,642.1	3,592.2	(966.1)	2,626.1
Claims paid	(924.8)	186.5	(738.3)	(860.3)	146.3	(714.0)
Increase in claims						
- Arising from current year claims	1,156.5	(180.5)	976.0	1,160.9	(223.8)	937.1
- Arising from prior year claims	(257.0)	98.9	(158.1)	(283.8)	65.8	(218.0)
Net exchange differences	(70.3)	12.8	(57.5)	11.5	(0.6)	10.9
Balance at 31 December	**3,524.9**	**(860.7)**	**2,664.2**	**3,620.5**	**(978.4)**	**2,642.1**
Claims reported and loss adjustment expenses	984.7	(195.0)	789.7	1,023.0	(253.7)	769.3
Claims incurred but not reported	2,540.2	(665.7)	1,874.5	2,597.5	(724.7)	1,872.8
Balance at 31 December	**3,524.9**	**(860.7)**	**2,664.2**	**3,620.5**	**(978.4)**	**2,642.1**

b) Unearned premiums reserve

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net

	$m	$m	$m	$m	$m	$m
Balance at 1 January	956.8	(199.8)	757.0	891.6	(221.2)	670.4
Increase in the year	2,021.8	(297.9)	1,723.9	1,970.2	(313.5)	1,656.7
Release in the year	(1,956.1)	305.2	(1,650.9)	(1,905.0)	334.9	(1,570.1)
Balance at 31 December	**1,022.5**	**(192.5)**	**830.0**	**956.8**	**(199.8)**	**757.0**

11.2 Assumptions, changes in assumptions and sensitivity analysis
a) Process used to decide on assumptions

The peer review reserving process
Beazley uses a quarterly dual track process to set its reserves:

- the actuarial team uses several actuarial and statistical methods to estimate the ultimate premium and claims costs, with the most appropriate methods selected depending on the nature of each class of business; and
- the underwriting teams concurrently review the development of the incurred loss ratio over time, work with our claims managers to set reserve estimates for identified claims and utilise their detailed understanding of both risks underwritten and the nature of the claims to establish an alternative estimate of ultimate claims cost, which is compared to the actuarially established figures.

A formal internal peer review process is then undertaken to determine the reserves held for accounting purposes which, in totality, are not lower than the actuarially established figure. The group also commissions an annual independent review to ensure that the reserves established are reasonable or within a reasonable range.

The group has a consistent reserving philosophy with initial reserves being set to include risk margins which may be released over time as uncertainty reduces.

Actuarial assumptions
Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years that are still at immature stages of development where there is a higher level of assumption volatility.

The Bornhuetter-Ferguson method uses a combination of a benchmark/market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations where developed claims experience was not available for the projection (e.g. recent underwriting years or new classes of business).

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

We also review triangulations of the paid/outstanding claim ratios as a way of monitoring any changes in the strength of the outstanding claim estimates between underwriting years so that adjustments can be made to mitigate any subsequent over/(under)reserving. To date, this analysis indicates no systematic change to the outstanding claim strength across underwriting years.

Where significant large losses impact an underwriting year (e.g. the events of 11 September 2001, the hurricanes in 2004, 2005, 2008 and 2012, or the earthquakes in 2010 and 2011), the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected.

Further assumptions are required to convert gross of reinsurance estimates of ultimate claims cost to a net of reinsurance level and to establish reserves for unallocated claims handling expenses and reinsurance bad debt.

b) Major assumptions

The main assumption underlying these techniques is that the group's past claims development experience (with appropriate adjustments for known changes) can be used to project future claims development and hence ultimate claims costs. As such these methods extrapolate the development of premiums, paid and incurred losses, average costs per claim and claim numbers for each underwriting year based on the observed development of earlier years.

Throughout, judgement is used to assess the extent to which past trends may or may not apply in the future; for example, to reflect changes in external or market factors such as economic conditions, public attitudes to claiming, levels of claims inflation, premium rate changes, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

c) Changes in assumptions
As already discussed, general insurance business requires many different assumptions. The diagram below illustrates the main categories of assumptions used for each underwriting year and class combinations.

Given the range of assumptions used, the group's profit or loss is relatively insensitive to changes to a particular assumption used for an underwriting year/class combination. However, the group's profit or loss is potentially more sensitive to a systematic change in assumptions that affect many classes, such as judicial changes or when catastrophes produce more claims than expected. The group uses a range of risk mitigation strategies to reduce the volatility including the purchase of reinsurance. In addition, the group holds capital to absorb volatility.

d) Sensitivity analysis
The estimation of IBNR reserves for future claim notifications is subject to a greater degree of uncertainty than the estimation of the outstanding claims already notified. This is particularly true for the specialty lines business, which will typically display greater variations between initial estimates and final outcomes as a result of the greater degree of difficulty in estimating these reserves. The estimation of IBNR reserves for other business written is generally subject to less variability as claims are generally reported and settled relatively quickly.

As such, our reserving assumptions contain a reasonable margin for prudence given the uncertainties inherent in the insurance business underwritten, particularly on the longer tailed specialty lines classes.

Since year end 2004, we have identified a range of possible outcomes for each class and underwriting year combination directly from our individual capital assessment (ICA) process. Comparing these with our pricing assumptions and reserving estimates gives our management team increased clarity into our perceived reserving strength and the relative uncertainties of the business written.

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

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

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimate of total claims liabilities as at 31 December 2014 is 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	**2004 ae %**	**2005 %**	**2006 %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**
Life, accident & health											
12 months						53.1	52.8	56.0	56.7	63.3	64.4
24 months						52.4	52.5	52.2	68.1	64.6	
36 months						45.3	49.0	59.7	65.9		
48 months						43.5	48.0	56.9			
60 months						42.6	47.5				
72 months						41.6					
84 months											
96 months											

108 months										
120 months										
Marine										
12 months	82.9	57.2	58.3	69.2	55.3	50.6	55.1	56.0	56.7	57.7
24 months	81.4	42.4	60.3	65.2	51.6	49.7	47.8	46.2	51.9	
36 months	71.6	32.8	50.7	59.1	44.9	44.0	39.7	34.7		
48 months	69.7	29.0	48.2	63.0	41.3	42.4	34.3			
60 months	67.4	28.8	49.6	62.6	41.0	40.8				
72 months	65.5	26.4	50.2	59.0	49.3					
84 months	64.7	26.3	46.9	55.3						
96 months	64.3	25.7	44.2							
108 months	64.4	25.4								
120 months	64.0									
Political risks & contingency										
12 months	61.0	57.3	57.2	57.5	61.1	61.4	58.7	62.5	57.3	56.0
24 months	38.3	36.3	39.4	67.9	38.6	40.3	39.0	43.0	42.4	
36 months	28.7	32.5	56.5	74.0	35.1	33.0	34.1	39.7		
48 months	24.7	43.5	53.2	87.5	30.4	23.8	28.5			
60 months	18.5	39.5	53.7	72.3	24.6	22.5				
72 months	18.1	39.3	49.9	61.4	18.7					
84 months	18.1	36.4	47.4	58.1						
96 months	12.4	30.8	49.3							
108 months	12.4	28.2								
120 months	12.2									
Property										
12 months	88.2	58.5	58.3	71.2	53.9	58.6	59.2	55.8	55.3	53.3
24 months	84.9	44.2	56.4	65.9	42.5	61.9	51.4	48.1	49.5	
36 months	83.5	43.2	53.8	64.8	37.5	59.8	49.3	40.4		
48 months	88.5	50.5	54.6	62.9	36.4	57.1	47.4			
60 months	87.9	50.7	57.9	61.3	35.3	54.4				
72 months	86.3	50.5	66.6	60.3	34.3					
84 months	85.5	49.8	66.8	59.1						
96 months	84.7	47.6	66.0							
108 months	83.5	46.6								
120 months	83.3									
Reinsurance										
12 months	199.2	52.4	59.6	60.1	60.8	68.1	77.8	62.9	59.1	60.9
24 months	191.8	25.4	25.7	52.3	48.0	150.7	77.6	36.4	45.2	
36 months	188.4	25.0	21.4	43.4	40.1	139.0	71.8	31.1		
48 months	182.8	23.4	19.7	40.1	39.6	133.0	68.0			
60 months	178.9	21.5	18.8	39.7	35.4	137.0				
72 months	176.1	21.2	18.7	39.9	32.6					
84 months	175.1	21.4	17.2	39.1						
96 months	174.8	20.9	16.3							
108 months	171.2	20.3								
120 months	170.1									
Specialty lines										
12 months	72.1	72.6	72.9	72.1	72.7	73.9	75.7	74.1	73.5	68.5
24 months	72.1	72.7	72.4	72.0	72.7	74.0	75.7	74.1	73.3	

36 months		69.9	72.6	72.3	72.0	71.9	72.9	76.5	72.2			
48 months		66.5	72.9	72.3	72.1	71.4	73.3	75.4				
60 months		63.0	70.9	72.4	71.7	71.6	69.2					
72 months		56.2	65.9	72.3	72.0	68.2						
84 months		52.5	61.9	72.3	70.2							
96 months		49.2	58.3	71.3								
108 months		47.5	57.1									
120 months		46.4										
Total												
12 months		91.1	63.8	64.5	69.3	63.1	64.7	67.4	64.6	63.9	62.1	
24 months		88.7	53.9	60.2	67.7	57.3	72.9	63.0	58.1	59.3		
36 months		84.8	51.5	59.0	66.3	53.5	68.9	61.0	53.2			
48 months		83.4	53.4	58.4	67.6	52.0	67.0	58.4				
60 months		80.6	52.0	59.4	65.7	51.0	64.8					
72 months		76.8	49.3	61.2	64.1	50.0						
84 months		74.8	47.3	60.3	62.1							
96 months		72.8	44.7	59.4								
108 months		71.5	43.6									
120 months		70.7										
Total ultimate losses ($m)	2,966.8	1,055.2	730.1	1,086.8	1,204.9	1,054.3	1,334.1	1,113.0	1,151.7	1,314.7	1,448.6	14,460.2
Less paid claims ($m)	(2,791.6)	(995.6)	(612.1)	(885.8)	(1,013.1)	(749.0)	(966.4)	(691.9)	(420.9)	(322.0)	(48.3)	(9,496.7)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	-	(12.2)	(720.6)	(732.8)
Gross claims liabilities (100% level) ($m)	175.2	59.6	118.0	201.0	191.8	305.3	367.7	421.1	730.8	980.5	679.7	4,230.7
Less unaligned share ($m)	(33.5)	(11.3)	(21.6)	(38.9)	(35.0)	(52.1)	(62.3)	(81.2)	(111.4)	(154.5)	(104.0)	(705.8)
Gross claims liabilities, group share ($m)	**141.7**	**48.3**	**96.4**	**162.1**	**156.8**	**253.2**	**305.4**	**339.9**	**619.4**	**826.0**	**575.7**	**3,524.9**

Net ultimate claims	**2004 ae %**	**2005 %**	**2006 %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**
Life, accident & health											
12 months						51.7	51.5	55.1	58.0	65.5	62.7
24 months						50.7	52.1	54.2	65.0	68.1	
36 months						44.5	52.0	62.9	63.5		
48 months						45.2	51.0	59.9			
60 months						44.4	50.4				
72 months						43.3					
84 months											
96 months											
108 months											
120 months											
Marine											
12 months		55.4	54.1	55.5	61.4	54.1	52.3	56.0	55.4	56.3	56.6
24 months		49.5	42.1	56.6	56.9	48.1	49.4	48.0	46.0	53.1	
36 months		43.1	32.9	49.6	50.7	39.5	44.7	39.3	37.4		

48 months	39.9	31.4	46.7	47.6	35.8	42.9	35.1			
60 months	39.3	30.9	47.5	47.1	35.5	41.6				
72 months	38.3	29.1	47.6	46.6	39.1					
84 months	36.8	29.0	45.1	45.3						
96 months	36.4	28.5	43.2							
108 months	36.6	28.1								
120 months	36.1									
Political risks & contingency										
12 months	63.6	56.0	55.4	55.9	59.0	57.3	54.9	59.3	54.7	52.9
24 months	46.9	40.5	40.1	75.8	35.1	37.9	37.8	41.4	41.5	
36 months	36.3	36.9	55.2	76.5	32.5	30.6	32.3	38.2		
48 months	29.9	47.3	54.3	80.0	27.9	21.6	29.8			
60 months	24.6	41.5	52.4	69.3	22.4	20.4				
72 months	23.6	40.0	49.1	58.8	17.5					
84 months	23.6	39.9	47.0	55.3						
96 months	15.5	37.2	48.6							
108 months	15.5	33.7								
120 months	15.3									
Property										
12 months	65.1	61.2	61.1	67.3	53.7	59.0	60.5	58.7	56.8	54.6
24 months	62.3	48.9	59.4	67.3	48.3	66.2	57.9	53.3	56.4	
36 months	58.7	47.3	58.6	65.0	44.9	66.6	54.4	46.4		
48 months	61.3	51.0	59.0	64.0	42.7	60.7	51.1			
60 months	61.9	50.1	62.0	62.9	42.1	58.6				
72 months	60.2	50.2	62.3	61.6	40.8					
84 months	59.3	49.8	62.3	60.9						
96 months	59.4	48.2	61.9							
108 months	57.8	47.5								
120 months	57.2									
Reinsurance										
12 months	152.3	54.3	55.3	67.8	55.6	76.8	87.7	67.1	56.8	58.1
24 months	135.2	37.0	29.8	58.4	52.2	136.4	87.9	43.7	51.5	
36 months	127.9	34.9	24.9	49.0	46.4	129.6	82.3	37.5		
48 months	120.2	32.7	22.7	47.0	45.8	124.8	76.5			
60 months	113.8	31.2	22.1	46.4	41.0	131.0				
72 months	112.4	31.3	21.9	46.6	37.7					
84 months	107.0	31.6	20.1	45.5						
96 months	106.6	30.9	19.1							
108 months	101.7	29.9								
120 months	100.7									
Specialty lines										
12 months	69.3	68.6	69.8	70.2	69.9	71.3	72.7	71.3	69.6	66.0
24 months	69.3	68.6	68.7	70.2	69.8	71.3	72.7	70.8	69.1	
36 months	67.6	68.7	68.6	70.1	69.1	70.7	71.9	68.9		
48 months	64.0	67.8	67.5	68.8	66.1	69.7	69.7			
60 months	59.0	63.9	67.4	68.2	65.9	69.1				
72 months	53.9	57.6	67.4	68.1	64.9					
84 months	50.4	54.1	67.5	68.1						

96 months		47.9	50.8	67.2								
108 months		45.9	49.7									
120 months		44.7										
Total												
12 months		73.2	62.1	63.1	66.8	60.8	64.4	67.0	64.1	62.3	60.6	
24 months		69.4	54.4	59.3	66.7	56.8	70.0	63.7	58.2	60.1		
36 months		65.4	51.8	58.6	64.5	53.3	67.7	60.7	53.6			
48 months		62.9	52.5	57.6	63.4	50.7	64.7	57.6				
60 months		59.8	50.1	58.2	61.9	49.7	64.5					
72 months		56.7	47.1	58.0	60.6	48.9						
84 months		54.1	45.5	57.2	59.9							
96 months		52.4	43.4	56.7								
108 months		50.7	42.4									
120 months		49.9										
Total ultimate losses ($m)	1,849.5	588.8	586.5	894.9	941.9	812.2	1,094.4	941.3	938.2	1,116.9	1,192.9	10,957.5
Less paid claims ($m)	(1,736.0)	(540.2)	(502.5)	(749.5)	(795.4)	(619.4)	(825.8)	(609.4)	(387.1)	(294.5)	(45.3)	(7,105.1)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	-	(21.0)	(630.4)	(651.4)
Net claims liabilities (100% level) ($m)	113.5	48.6	84.0	145.4	146.5	192.8	268.6	331.9	551.1	801.4	517.2	3,201.0
Less unaligned share ($m)	(21.6)	(9.2)	(16.0)	(25.7)	(25.8)	(36.7)	(46.2)	(60.7)	(86.0)	(128.1)	(80.8)	(536.8)
Net claims liabilities, group share ($m)	**91.9**	**39.4**	**68.0**	**119.7**	**120.7**	**156.1**	**222.4**	**271.2**	**465.1**	**673.3**	**436.4**	**2,664.2**

Analysis of movements in loss development tables
We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2014 for each
underwriting year.

Life, accident & health
Ultimate net loss ratio reductions were observed on the 2012 and prior underwriting years, due to favourable claims developments on PA Reinsurance. The 2013 underwriting year deteriorated due to worse than expected experience on Life Direct and PA Direct.

Marine
The 2011, 2012 and 2013 underwriting years have seen reductions in net ultimate loss ratios due to benign claims experience. A strengthening was seen on the 2009 underwriting year due to a large claim on Energy PD.

Political risks & contingency
Positive development was observed across the majority of years, with the exception of 2007, which saw a slight deterioration on trade credit-related claims. Improvements were seen on the political book, in particular on 2009 due to a material reduction in claims exposure.

Property
There have been positive developments across all underwriting years, driven by reserve releases on previous natural catastrophes, favourable attritional experience and benign natural catastrophe experience on the 2013 underwriting year.

Reinsurance
There were releases across all years with the exception of 2010. This was caused by an increase in reserves held in respect of the New Zealand earthquakes, due to a revision of market estimates. Reductions were made to reserves held for previous natural catastrophes. Margin was released from the 2012 and 2013 underwriting years following benign catastrophe experience.

Specialty lines
Releases from the 2003 to 2006 underwriting years continued following increased certainty on remaining claims. The 2012 and 2013 underwriting years also saw releases as a result of run off of risk on the cyber business. The recession exposed years remain stable.

Claim releases
The table below analyses our net claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by department and period. Beazley's reserving policy is to maintain catastrophe reserve margins either until the end of the exposure period or until

catastrophe events occur. Therefore margins have been released from prior year reserves where risks have expired during 2014.

The net of reinsurance estimates of ultimate claims costs on the 2013 and prior underwriting years has improved by $158.1m during 2014 (2013: $218.0m). This movement arose from a combination of better than expected claims experience coupled with small changes to the many assumptions resulting from the observed experience and anticipating any changes as a result of the new business written.

The movements shown on 2011 and earlier are absolute claim movements and are not impacted by any current year movements in premium on those underwriting years.

2014	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	66.6	146.8	45.8	157.2	87.8	471.8	976.0
Prior year							
- 2011 underwriting year and earlier	(3.8)	(15.0)	(12.8)	(19.6)	(9.1)	(18.3)	(78.6)
- 2012 underwriting year	(1.0)	(19.6)	(0.8)	(17.3)	(8.6)	(11.4)	(58.7)
- 2013 underwriting year	0.4	(5.6)	(6.5)	1.0	(10.1)	-	(20.8)
	(4.4)	(40.2)	(20.1)	(35.9)	(27.8)	(29.7)	(158.1)
Net insurance claims	**62.2**	**106.6**	**25.7**	**121.3**	**60.0**	**442.1**	**817.9**

2013	Life, accident & health $m	Marine $m	Political risks & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	66.2	136.0	44.1	155.9	85.1	449.8	937.1
Prior year							
- 2010 underwriting year and earlier	(1.4)	(14.8)	(27.8)	(18.9)	(18.4)	(43.4)	(124.7)
- 2011 underwriting year	7.0	(21.4)	(3.8)	(8.0)	(9.6)	(3.2)	(39.0)
- 2012 underwriting year	(1.0)	(11.1)	(7.8)	(6.8)	(27.6)	-	(54.3)
	4.6	(47.3)	(39.4)	(33.7)	(55.6)	(46.6)	(218.0)
Net insurance claims	**70.8**	**88.7**	**4.7**	**122.2**	**29.5**	**403.2**	**719.1**

12 Subsequent events
There are no events that are material to the operations of the group that have occurred since the reporting date.

Glossary

Aggregates/aggregations
Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss.

Aggregate excess of loss
The reinsurer indemnifies an insurance company (the reinsured) for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount.

A.M. Best
A.M. Best is a worldwide insurance-rating and information agency whose ratings are recognised as an ideal benchmark for assessing the financial strength of insurance related organisations, following a rigorous quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile.

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 funds, equity linked funds and illiquid credit 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 percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange.

Combined ratio
Ratio, in percentage terms, 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.

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 certain dilutive potential ordinary shares such as share options granted to employees.

Economic Capital Requirement (ECR)
The capital required by a syndicate's members to support their underwriting. Calculated as the uSCR 'uplifted' by 35% to ensure capital is in place to support Lloyd's ratings and financial strength.

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 to each risk involved in each loss.

Expense ratio
Ratio, in percentage terms, 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 independent accounting body responsible for developing IFRS (see below).

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.

Private enterprise
The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to $35million and up to 500 employees.

Provision for outstanding claims
Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

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

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

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

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

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

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

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.

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.

Sidecar special purpose syndicate

Specialty reinsurance company designed to provide additional capacity to a specific insurance company. It operates by purchasing a portion or all of a group of insurance policies, typically cat exposures. These companies 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.

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

Solvency Capital Requirement on an ultimate basis (uSCR)
The capital requirement under Solvency II calculated by Beazley's internal model which captures the risk in respect of the planned underwriting for the prospective year of account in full covering ultimate adverse development and all exposures.

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 first and second dividends paid and proposed during the year.

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

Unearned premiums reserve
The portion of premium income in the business year that is attributable to periods after the reporting date in the underwriting provisions.

END

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