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REG - Beazley PLC -Beazley plc results for period ended 30 June 2020

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Press Release

Beazley delivers 12% top line growth

London, 23 July 2020

Beazley plc results for period ended 30 June 2020

- Loss before tax of $13.8m (30 June 2019: profit before tax of $166.4m)
- Return on equity (annualised) of (1%) (30 June 2019: 19%)
- Gross premiums written increased by 12% to $1,663.9m (30 June 2019: $1,483.6m)
- Combined ratio of 107% (30 June 2019: 100%)
- Rate increase on renewal portfolio of 11% (30 June 2019: increase of 5%)
- Prior year reserve releases of $58.6m (30 June 2019: $3.4m)
- Net investment income of $83.2m (30 June 2019: $170.3m)
- No first interim dividend (30 June 2019: 4.1p)

	Period ended 30 June 2020	**Period ended 30 June 2019**	**% movement**
Gross premiums written ($m)	**1,663.9**	1,483.6	12%
Net premiums written ($m)	**1,317.8**	1,225.5	8%
(Loss)/profit before tax ($m)	**(13.8)**	166.4	
(Loss)/earnings per share (pence)	**(1.7)**	20.4	
Net assets per share (pence)	**239.0**	232.3	

Net tangible assets per share (pence)	**222.9**	214.2
(Loss)/earnings per share (cents)	**(2.2)**	26.4
Net assets per share (cents)	**303.0**	295.4
Net tangible assets per share (cents)	**282.6**	272.4
Dividend per share (pence)	**-**	4.1

Andrew Horton, Chief Executive Officer, said:

"Beazley achieved strong premium growth of 12% in the first half of 2020, with three of our seven divisions achieving double digit growth. Rates on renewals continue to increase across the market with average rate increases of 11% seen across our business as a whole. Our investments returned 1.4% for the first six months against the backdrop of a volatile investment market."

"The first half of 2020 was defined by COVID-19 and claims arising from the pandemic have driven the combined ratio to 107%, with Beazley recording a loss before tax of $13.8m. Despite this we expect a combined ratio of around 100% should be achievable for the full year."

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, North America, Latin America and Asia. Beazley manages six Lloyd's syndicates and, in 2019, underwrote gross premiums worldwide of $3,003.9 million. All Lloyd's syndicates are rated A by A.M. Best.

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

Beazley's European insurance company, Beazley Insurance dac, is regulated by the Central Bank of Ireland and is A rated by A.M. Best and A+ by Fitch.

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

COVID-19: navigating the biggest change

Much is at stake for the insurance industry in this decisive year. As we navigate the many challenges that 2020 continues to present, there are unique opportunities to prove our value and make a positive and lasting impact on our clients and in our communities.

Since we published our 2019 annual report and accounts we have been living under the shadow of COVID-19. Social distancing, health and welfare concerns, the economic fallout and anticipated recession have created multiple challenges for our clients, our industry and for Beazley. Our risk management and business planning processes have been thoroughly put to the test. Nevertheless we have adapted, continued to operate effectively and continued to grow.

The grave impact of the pandemic on lives and businesses has placed the insurance industry's reputation and very purpose - to be there for clients in their hours of need - under scrutiny. What we say and what we do should always be aligned. However, at a time when our actions are under close examination versus the expectations of our clients, integrity and the quality of the service we deliver have never been more important.

These strange, unprecedented times have also afforded us an opportunity to question accepted norms and do things differently. In an environment where there are many problems to solve, innovation can flourish. How we grasp the opportunities, and to what ends, will define our business, our values and our long-term health and stability.

At Beazley our focus is always on how we add value to our stakeholders. One of the key ways is how Beazley differentiates itself through its diversified business, entrepreneurial spirit and strong partnerships.

When we published our annual report and accounts in February, we noted how change came thick and fast in 2019 and the steps we took to navigate those changes. Our actions were designed to improve resilience to external factors such as more fierce and frequent natural disasters; the growing litigiousness driving claims inflation; and political-economic unrest including resurgent trade wars. We strengthened our operational efficiency to begin 2020 ready for the challenges ahead and to be able to take advantage of changing market dynamics.

Although we could not foresee how events would unfold, the foundations we built meant we have been better positioned to adapt and respond to the changing needs of our clients and brokers.

From the beginning of social distancing through to planning the phased return to our offices, the priority has been our clients and our colleagues. There was an urgent need to focus on the welfare of our people, to understand their individual circumstances and pressures, and to ensure they had the resources to effectively work remotely. By doing this we have also been able to meet the needs of our clients and brokers more effectively. Life under lockdown has caused physical and mental health strains for many and as a business we have aimed to mitigate this through direct support and open discussion. We have encouraged colleagues to work flexibly to help manage workloads and to take time off when they need it, providing extra wellness days to everyone. We have also expanded our network of Beazley Mental Health first aiders to ensure our colleagues are supported through this stressful time.

We have been working from home since 17 March and most of our colleagues remain so as of July 2020. The smooth transition of our largely office-based 1600+ workforce to homeworkers is a testament to the professionalism and tireless efforts of our teams.

We entered lockdown in the advantageous position of having upgraded IT systems over the past two years to support our evolution to a more flexible, activity-based working environment. Therefore colleagues had the equipment and secure systems in place to work from home with minimal disruption. Without question the enforced remote working has pushed us further and faster along this road, opening up possibilities for greater flexibility and control over work-life balance. We believe this is the right direction for our business and we intend to continue on this route long-term.

During this period colleagues have been taking time out of their day jobs to volunteer in their communities and to help COVID-19 relief efforts. From preparing food packages for hard-hit communities to sewing scrubs for health workers and volunteering in hospitals newly built for COVID-19 victims, we have been proud of their considerable efforts. Fundraising has also stepped up during lockdown, particularly during May when we took part in the 2.6 Challenge initiative, raising money for our global charity partner, Renewable World.

Again we are reminded of how the pandemic has brought about cultural shifts within weeks that might have taken years to achieve. Adaptation to new technology, greater personal responsibility for cyber security and more global interconnectedness among colleagues succeeded quickly under lockdown. This is a trend repeated across the insurance market and particularly in London where ingrained ways of doing business have been undone almost overnight.

Time apart has also reminded us of the value of meeting face to face, and the ways in which we frequently help each other in the small exchanges previously taken for granted or in healthy boardroom debates. Personal interactions may be fewer even in the long-term but perhaps more meaningful.

Our colleagues at Beazley have pulled together during 2020 to support one another, overcome challenges and deliver consistent service standards for clients and brokers. Ongoing investment that is transforming how we work has enabled us to adapt and drive growth as we navigate change.

In addition, we have received fantastic support from our broking partners and the relationships we have with them and with our insureds, have been crucial over the past few months. We have always emphasised the importance of strong partnerships and the last few months have further highlighted the benefit of forging these.

The importance we place on being an agile and responsive organisation has also been borne out in our pandemic response. We understand the need for clear and timely communication and open channels with our broker partners, particularly now. We have made sure that brokers can speak to the right people and access the information they need without undue delay. We have increased the amount of informative content we have been sharing with our partners.

Unsurprisingly our claims team was among the first to feel the pressure of an additional workload during the pandemic. A 'Beazley Citizen' initiative was quickly triggered to invite colleagues from across the business with spare capacity to volunteer to support the team. This call was answered by dozens of people who continue to provide additional hands-on-deck administrative or technical support, freeing up our dedicated claims specialists to apply their expertise in the best possible ways. We have endeavoured to maintain our high claims standards, pay claims quickly and where there has not been coverage in place, to communicate the decision swiftly and clearly.

Understanding clients' unique circumstances and providing clear and current information, particularly on claims and points of coverage, has been an important element of our service in this pandemic. An early decision to implement a 60-day 'premium pause' for any client was positively received. A subsequent option to suspend a policy with agreement of the underwriter for an agreed period has also been implemented to help to ease the financial pressures of our clients in these very difficult times.

In responding to this crisis, the insurance industry faces record losses on a par with major natural catastrophes. Having a well-diversified portfolio means our COVID-19-related claims are neither excessive nor restricted in any particular line of business. We have estimated that Beazley's pandemic-related losses will amount to $170m net of reinsurance split between political, accident & contingency ($70m) and marine, property and reinsurance ($100m). There is still uncertainty around how COVID-19 will impact liability lines of business.

We have increased the opening claim ratios for specialty lines and cyber & executive risk over the last few years in preparation for a likely recession. Both of these books are on a claims made basis and we have been re-underwriting the more recession prone lines of business to reduce the potential impact of future claims. In the last recession, which affected our 2007 to 2010 underwriting years, we did not need to further increase our claims ratios from where they opened.

We have long been mindful of the potential impact that systemic issues have on our liability business. There are many examples of the impact they can have including the DotCom crash, high profile bankruptcies and the sub-prime crisis. Part of our mitigation strategy is to protect the business with reinsurance which will respond if overall losses in specialty lines and cyber & executive risk reach a predetermined level. For the 2020 underwriting year, if the combination of claims arising from COVID-19 and recession increased claims by around $10m we would begin to recover under this reinsurance contract. The limit of this contract is $140m of which we would bear 20% of any losses. The reinsurance programme is a multiyear programme and has been purchased for the 2021 underwriting year already.

As many businesses change their models to adapt to a new normal, their risk management and risk transfer needs will change. We have seen growth in areas that we were targeting before COVID-19 including e-sports and the rapidly expanding digital health space. These sectors are far from unique in seeing growth during lockdown. It is incumbent on our industry to ensure we are tuned into the changing needs of our clients and to provide innovative solutions that keep pace.

Keeping ahead of the curve in difficult times is not always straightforward but we have continued to differentiate ourselves by developing strong propositions for our clients throughout lockdown. This includes the launch of several innovative products including the roll-out in Canada, Spain and Singapore of virtual care, which provides comprehensive cover for healthcare, lifestyle & wellness and technology organisations in the rapidly expanding digital health sector. We have also launched product recall and media liability cover in the US, and media influencer liability cover in the UK. Media liability insurance offers holistic protection for the technology, media and cyber risks facing media organisations from the traditional methods through to online publishers, independent bloggers and influencers. In June we also launched enhanced cyber and MediaTech policy wordings in Spain. In addition we rolled out our myBeazley broker e-trading platform to Singapore, enabling brokers to place smaller risks more efficiently. We are also pleased to have continued attracting great talent and making key underwriting and claims hires and promotions in Asia Pacific, Europe and North America.

Our resolve to push forward in developing flexible and innovative solutions where there are opportunities to add value remains steadfast. Although faced with our own challenges, we must demonstrate through our actions how our values and deep understanding of risk enable us to continue to provide expert and consistent service and support to our partners through this tumultuous time.

The impacts of COVID-19 will remain long after the lockdown and virus have subsided. Technological advancements, change in working habits and economic recession are just a few of the areas which will have a lasting legacy; some for the better and some for the worse. However, with every challenge comes opportunities and by utilising our key differentiators in our business model and strategy we will be able to successfully navigate these impacts. This approach has put us in good stead over the last six months, rising to the unprecedented challenges which have crossed our path. As a result, Beazley enters this unknown post-COVID-19 world in a strong position, ready for the challenge of embracing the changes which will inevitably arise in the future.

Diversified business

Interim results statement

Beazley achieved strong growth of 12% with premiums increasing to $1,663.9m (2019: $1,483.6m) in the first half of 2020. High volumes of claims arising from COVID-19 impacted lines, as well an investment return of 1.4%, meant that a loss before tax of $13.8m was recorded for the period (2019: profit of $166.4m). The combined ratio for the first half of 2020 deteriorated to 107% (2019: 100%).

We are seeing pleasing growth in addition to rate change in many areas, but at the same time have been taking a number of underwriting actions, including withdrawal from classes of business such as UK marine, as well as our recession planning actions. As such, the 12% growth seen in the first half of 2020 is only slightly ahead of the average rate change seen across the group of 11%. We also raised $292.6m of capital in May 2020, in part, to aid our growth ambitions. This capital will be deployed in the areas we see most growth opportunities and will allow us to build upon the rate increases seen in the first half.

Growth was achieved across six of our seven divisions. Two areas of significant growth were in our specialty lines and cyber & executive risk divisions which saw increases of 15% and 21% respectively driven by a strong performance from our US insurance company.

Our marine division has made a strong start to the year, with growth of 7% despite the withdrawal from our US trucking and UK marine portfolios at the end of 2019 and the start of 2020 respectively. We currently see steady growth opportunities across our cargo, hull and aviation lines, all of which have seen double digit rate increases in 2020.

Our political, accident and contingency division, which has been hardest hit due to the mass cancellation of events caused by COVID-19, also saw growth of 3% writing gross premiums of $150.8m (2019: $145.9m) driven primarily by our personal accident business.

Our property division has seen strong growth in the second quarter, bringing the year to date growth to 1%. This has primarily been driven by our commercial property team, where rates have continued to increase and we have increased our risk appetite.

The largest growth was seen in our newly formed market facilities division with premiums increasing by 173%, albeit from a small base. At the start of 2020 we took the decision to split out this business from specialty lines into its own division. This new division, under the leadership of Will Roscoe, underwrites entire portfolios of business with the aim of offering a low cost mechanism for placing follow business within the Lloyd's market. The expense ratio for this business is expected to reduce as we gain economies of scale from writing this business.

Our reinsurance division experienced a reduction in premium year on year. We have taken prompt action in our reinsurance division to actively manage the portfolio to ensure we are maximising profitability. This involved reducing our risk appetite for catastrophe reinsurance after the large natural catastrophes seen in 2017, 2018 and 2019 did not lead to large enough rate movements meaning that the margins for this business did not meet our profitability expectations. However, at the July renewals we have started to see rates improving and so have decided to allocate more of our overall risk appetite for the second half of the year.

The total claims arising from COVID-19 are predicted by some to be the largest insurance market losses of all time. Our estimated share of this remains at $170m net of reinsurance, split between our political, accident and contingency book ($70m) and our marine, property and reinsurance books ($100m). We continue to be mindful of the potential claims on our liability business arising from the likely economic recession caused by COVID-19. While it is too early to provide guidance on the value of claims arising from business written pre-COVID-19, we have been actively adjusting our underwriting strategy on business written post the COVID-19 outbreak. These adjustments include proactively minimising the exposure by carefully assessing renewals as well as making amendments to the cover provided and wording of policies.

Rating environment

Growth in gross premiums written has been supported by rate increases across all of our divisions. On average rates have increased by 11%. These increases are primarily due to the recalibration seen across the market to the heightened claims activity present since 2017. Primarily led by catastrophe losses, the claims activity also includes the claims inflation experienced in several of our liability lines which has been developing over the last few years. COVID-19 has also had its part to play, with many affected lines seeing a spike in the rates on the renewals.

The following table shows the cumulative rate changes (%) since 2015 by business division.

	2015	2016	2017	2018	2019	2020HY
Cyber and executive risk	100	100	100	99	104	118

Marine	100	93	90	93	103	118
Market facilities	-	-	-	100	103	116
Political, accident & contingency	100	96	92	91	91	93
Property	100	96	96	106	117	135
Reinsurance	100	96	94	100	105	114
Specialty Lines	100	101	102	103	107	116
All divisions	100	98	97	100	106	118

Innovating change

The COVID-19 pandemic has demonstrated the need for robust systems and processes, coupled with stable infrastructure to facilitate remote working. I am pleased to see that our effort over the past few years in building a platform and encouraging the behaviours that enable colleagues to work remotely - through our shift to activity-based working - has aided our transition from an office based environment to a home based environment in the first half of 2020.

I am a firm believer that a company is only as strong as its people and am pleased to report that our staff took the change to home working in their stride. Their dedication and resilience meant we were able to continue to deliver for our stakeholders across the globe. They also allowed us to facilitate the product innovation which has become key to our business model.

In April 2020 we announced that we were introducing a new product recall insurance policy for private enterprises within the US. Our initial team of four are based in our Farmington office and will focus on writing US SME business. As well as new products, we have also looked at extending our reach by rolling out existing products across more territories. This year we launched our virtual care product in Canada, Spain and Singapore. The demand for virtual care - from medical practitioners to health & wellness app developers - has seen a steady increase year on year. This demand has been further compounded by COVID-19 and the industry has seen an explosion of both providers across the care spectrum.

Executive management changes

As mentioned in our March 2020 trading statement, Bethany Greenwood took over from Mike Donovan as head of our cyber & executive risk division in June 2020, and has also joined the group's executive committee. Bethany joined Beazley in September 2019 and has already clearly demonstrated the expertise and skills required to drive this division forward.

I would like to take this opportunity to thank Mike for his leadership of the cyber & executive risk division and dedication to Beazley over the past 16 years. Mike joined Beazley in 2004 and led Beazley's global cyber and technology errors & omissions underwriting business from its inception. In 2008, he developed the Beazley Breach Response policy which became Beazley's flagship product and the leading cyber offering in the market. Mike has played an instrumental role in Beazley's growth in the US and also across the group as a member of the executive committee since 2015.

Investment performance

	30 June 2020 $m	30 June 2020 %	30 June 2019 $m	30 June 2019 %
Cash and cash equivalents	359.7	5.8	293.7	5.7
Fixed and floating rate debt securities				
-Government, quasi-government and supranational	2,335.7	37.4	1,654.3	31.8
-Corporate bonds				
- Investment grade	2,720.3	43.5	2,468.3	47.6
- High yield	169.1	2.7	143.9	2.8
-Senior secured loans	-	-	0.6	-
Syndicate loans	16.7	0.3	7.1	0.1

Derivative financial assets	10.2	0.1	3.0	0.1
Core portfolio	5,611.7	89.8	4,570.9	88.1
Equity funds	86.9	1.4	115.1	2.2
Hedge funds	340.1	5.4	285.8	5.5
Illiquid credit assets	211.3	3.4	219.8	4.2
Capital growth assets	638.3	10.2	620.7	11.9
Total	**6,250.0**	**100.0**	**5,191.6**	**100.0**

Our investments returned $83.2m, or 1.4%, in the first half of 2020 (30 June 2019: $170.3m, 3.3%). This return is consistent with expectations at the beginning of the year and hides the dramatic financial market volatility we have seen in the interim. Falling risk-free yields in the first quarter generated significant capital gains on our fixed income exposures, but these were offset by the losses arising from risk assets. Risk assets have recovered much of their losses in the second quarter, while risk-free yields remained low, so the earlier fixed income gains have driven the year to date return. Looking ahead, available fixed income yields are very low and likely to remain so in the medium term. More volatile asset classes, including equities, look increasingly expensive in the context of unprecedented economic weakness. We see elevated risks of further market volatility and expect returns to be modest in the remainder of the year. As such our investment strategy remains cautious in the current environment.

Investment return by asset type

	30 June 2020 $m	30 June 2020 annualised return %	30 June 2019 $m	30 June 2019 annualised return %
Core portfolio	102.1	3.8	141.3	6.3
Capital growth assets	(18.9)	(5.5)	29.0	9.4
Overall return	**83.2**	**2.8**	**170.3**	**6.6**

Capital position

Our funding comes from a mixture of our own equity alongside $547.0m of tier 2 subordinated debt. We also have a banking facility of $450m (31 December 2019: $225m) of which, $225m has been drawn down and placed as a letter of credit at Lloyd's to support our Funds at Lloyd's (FAL).

	30 June 2020 $m	30 June 2019 $m
Shareholders' funds	1,827.6	1,551.6
Tier 2 subordinated debt (2029)	298.1	-
Tier 2 subordinated debt (2026)	248.9	248.8
Retail bond (2019)	-	95.3
Total	**2,374.6**	**1,895.7**

In May 2020, we successfully raised $292.6m of new capital through a non-pre-emptive share issuance.

	Projected 31 December 2020 $m	31 December 2019 $m
Lloyd's economic capital requirement (ECR)	1,996.5	1,828.4
Capital for US insurance company	301.4	203.9
Total	**2,297.9**	**2,032.3**

At 30 June 2020, we have surplus capital of 22% of projected year end ECR on a Solvency II basis (31 December 2019: 22%). This capital surplus position allows for our increased expectation of growth into 2021 as well as Solvency II

adjustments which include an allowance for future claims arising from COVID-19 and recession.

Dividend
The board has taken the decision not to declare a dividend for the first half of 2020. The board will assess the dividend for the second half of 2020 based on the results of the company as at 31 December 2020.

Outlook
Rates continue to increase across a number of the lines of business we currently write. We also see good growth opportunities where we are seeking to write new business, particularly through our European insurance company, Beazley Insurance dac, and US insurance company, Beazley Insurance Company Inc, where the growth year on year is 92% (excluding the internal reinsurance contract with Beazley Underwriting Limited) and 33% respectively.

As we move into the second half of the year, we enter this period with a strong balance sheet, bolstered by the capital raise in May of $292.6m. This extra capital means we can continue to make the most of the many planned growth opportunities present in the market whilst ensuring we remain in a strong position to address any developments in liability claims arising from COVID-19 in the second half of the year.

This additional capital, and rate momentum, should allow us to maintain low double digit top line growth by 31 December 2020. We also anticipate that a full year combined ratio around 100% will be achievable.

The events of the last six months have been unprecedented and a number of changes have occurred, and will continue to occur. However I believe that by keeping our stakeholders, whether that be our insureds, our brokers, our employees or our shareholders at the forefront of what we do at Beazley, we will be well-positioned to adapt to face the challenges of an ever-changing post lockdown world.

Andrew Horton
Chief executive officer

22 July 2020

Condensed consolidated statement of profit or loss for the six months ended 30 June 2020

	6 months ended 30 June 2020 $m	**6 months ended 30 June 2019 $m**	**Year to 31 December 2019 $m**
Gross premiums written	1,663.9	1,483.6	3,003.9
Written premiums ceded to reinsurers	(346.1)	(258.1)	(500.4)
Net premiums written	**1,317.8**	**1,225.5**	**2,503.5**
Change in gross provision for unearned premiums	(202.6)	(183.4)	(184.5)
Reinsurer's share of change in the provision for unearned premiums	118.6	75.9	28.0
Change in net provision for unearned premiums	**(84.0)**	**(107.5)**	**(156.5)**
Net earned premiums	**1,233.8**	**1,118.0**	**2,347.0**
Net investment income	83.2	170.3	263.7
Other income	12.2	14.1	25.8

	95.4	184.4	289.5
Revenue	**1,329.2**	**1,302.4**	**2,636.5**
Insurance claims	1,195.8	834.1	1,842.5
Insurance claims recovered from reinsurers	(326.7)	(141.0)	(390.0)
Net insurance claims	**869.1**	**693.1**	**1,452.5**
Expenses for the acquisition of insurance contracts	327.9	298.4	645.4
Administrative expenses	121.8	129.6	244.3
Foreign exchange loss/(gain)	5.5	3.7	(1.1)
Operating expenses	**455.2**	**431.7**	**888.6**
Expenses	**1,324.3**	**1,124.8**	**2,341.1**
Results of operating activities	**4.9**	**177.6**	**295.4**
Finance costs	(18.7)	(11.2)	(27.7)
(Loss)/profit before income tax	**(13.8)**	**166.4**	**267.7**
Income tax credit/(expense)	1.1	(27.8)	(33.6)
(Loss)/profit after income tax - all attributable to equity shareholders	**(12.7)**	**138.6**	**234.1**
(Loss)/earnings per share (cents per share):			
Basic	(2.2)	26.4	44.6
Diluted	(2.2)	26.0	44.0
(Loss)/earnings per share (pence per share):			
Basic	(1.7)	20.4	35.0
Diluted	(1.7)	20.1	34.5

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2020

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year to 31 December 2019 $m
(Loss)/profit after income tax	(12.7)	138.6	234.1
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
(Loss)/gain on remeasurement of retirement benefit obligations	(9.3)	-	6.6
Income tax on defined benefit obligation	0.8	-	(0.4)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(2.1)	(0.4)	1.8
Total other comprehensive (expense)/income	(10.6)	(0.4)	8.0
Total comprehensive (expense)/income recognised	**(23.3)**	**138.2**	**242.1**

Condensed consolidated statement of changes in equity for the six months ended 30 June 2020

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance as at 1 January 2019	**38.0**	**1.6**	**(95.9)**	**16.5**	**1,507.0**	**1,467.2**
Total comprehensive income recognised	-	-	(0.4)	-	138.6	138.2
Dividends paid	-	-	-	-	(52.7)	(52.7)
Equity settled share-based payments	-	-	-	4.5	-	4.5
Issue of shares	0.1	-	-	-	-	0.1
Acquisition of own shares held in trust	-	-	-	(6.9)	-	(6.9)
Tax on share option vestings	-	-	-	(0.7)	2.1	1.4
Transfer of shares to employees	-	-	-	(4.1)	3.9	(0.2)
Balance as at 30 June 2019	**38.1**	**1.6**	**(96.3)**	**9.3**	**1,598.9**	**1,551.6**
Total comprehensive income recognised	-	-	2.2	-	101.7	103.9
Dividends paid	-	-	-	-	(26.8)	(26.8)
Equity settled share-based payments	-	-	-	0.2	-	0.2
Issue of shares	-	1.6	-	-	-	1.6
Acquisition of own shares held in trust	-	-	-	(6.9)	-	(6.9)
Tax on share option vestings	-	-	-	1.7	0.5	2.2
Transfer of shares to employees	-	-	-	(0.7)	0.2	(0.5)
Balance as at 31 December 2019	**38.1**	**3.2**	**(94.1)**	**3.6**	**1,674.5**	**1,625.3**
Total comprehensive expense recognised	-	-	(2.1)	-	(21.2)	(23.3)
Dividends paid	-	-	-	-	(50.2)	(50.2)
Equity settled share-based payments	-	-	-	1.2	-	1.2
Equity raise[1]	4.8	-	-	-	287.8	292.6
Acquisition of own shares held in trust	-	-	-	(13.6)	-	(13.6)
Tax on share option vestings	-	-	-	-	(5.5)	(5.5)
Transfer of shares to employees	-	0.1	-	4.9	(3.9)	1.1
Balance as at 30 June 2020	**42.9**	**3.3**	**(96.2)**	**(3.9)**	**1,881.5**	**1,827.6**

1 During the six months to 30 June 2020, the group raised $292.6m through a share issuance via a cash box structure. Merger relief under the Companies Act 2006, section 612 was available, and thus no share premium was recognised. As the redemption of the cash box entity's shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be immediately distributable and can be recognised within retained earnings. The funds raised are net of issuance costs

Condensed consolidated statement of financial position as at 30 June 2020

	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Assets			
Intangible assets	123.3	120.7	122.2
Plant and equipment	12.9	7.3	8.9
Right of use assets	52.0	40.1	35.9
Deferred tax asset	41.5	29.2	41.0

Investments in associates	-	-	0.1
Deferred acquisition costs	391.7	356.6	350.7
Reinsurance assets	1,649.4	1,243.3	1,338.2
Retirement benefit asset	-	-	5.4
Financial assets at fair value	5,890.3	4,897.9	5,572.8
Insurance receivables	1,258.6	1,107.6	1,048.0
Other receivables	86.9	76.3	72.0
Cash and cash equivalents	359.7	293.7	278.5
Total assets	**9,866.3**	**8,172.7**	**8,873.7**
Equity			
Share capital	42.9	38.1	38.1
Share premium	3.3	1.6	3.2
Foreign currency translation reserve	(96.2)	(96.3)	(94.1)
Other reserves	(3.9)	9.3	3.6
Retained earnings	1,881.5	1,598.9	1,674.5
Total equity	**1,827.6**	**1,551.6**	**1,625.3**
Liabilities			
Insurance liabilities	6,697.9	5,657.8	6,059.0
Financial liabilities	554.9	353.8	554.8
Lease liabilities	55.7	43.2	39.4
Retirement benefit liability	2.8	1.1	-
Deferred tax liabilities	20.3	7.8	19.5
Current income tax liabilities	3.6	7.6	9.3
Other payables	703.5	549.8	566.4
Total liabilities	**8,038.7**	**6,621.1**	**7,248.4**
Total equity and liabilities	**9,866.3**	**8,172.7**	**8,873.7**

Condensed consolidated statement of cash flows for the six months ended 30 June 2020

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year to 31 December 2019 $m
Cash flow from operating activities			
(Loss)/profit before income tax	**(13.8)**	**166.4**	**267.7**
Adjustments for:			
Amortisation of intangibles	8.2	6.2	14.1
Equity settled share based compensation	2.3	4.5	4.7
Net fair value gain on financial investments	(25.5)	(116.2)	(151.6)
Depreciation of plant and equipment	1.6	1.0	2.4
Depreciation of right of use assets	5.2	4.9	10.1
Impairment of reinsurance assets (written back)/recognised	(1.7)	(2.5)	1.5
Increase in insurance and other liabilities	768.9	306.2	722.8
Increase in insurance, reinsurance and other receivables	(531.5)	(235.0)	(265.0)
Increase in deferred acquisition costs	(41.0)	(49.2)	(43.3)
Financial income	(60.5)	(60.3)	(120.9)
Finance expense	18.7	11.2	27.7
Foreign exchange of financial liabilities	-	(0.4)	(3.2)
Income tax paid	(1.1)	(1.2)	(6.8)
Net cash from operating activities	**129.8**	**35.6**	**460.2**

Cash flow from investing activities			
Purchase of plant and equipment	(4.0)	(1.2)	(6.3)
Expenditure on software development	(10.0)	(3.2)	(12.3)
Purchase of investments	(3,355.0)	(1,911.2)	(4,824.5)
Proceeds from sale of investments	3,063.0	1,853.2	4,125.3
Interest and dividends received	57.0	55.8	112.0
Net cash used in investing activities	**(249.0)**	**(6.6)**	**(605.8)**
Cash flow from financing activities			
Acquisition of own shares in trust	(13.6)	(6.9)	(13.8)
Finance costs	(17.6)	(10.3)	(25.8)
Payment of lease liabilities	(6.8)	(5.6)	(10.8)
Issuance of debt	-	-	297.8
Equity raise	292.6	-	-
Repayment of borrowings	-	-	(92.6)
Issuance of shares	-	0.1	1.7
Dividends paid	(50.2)	(52.7)	(79.5)
Net cash from/(used in) financing activities	**204.4**	**(75.4)**	**77.0**
Net increase/(decrease) in cash and cash equivalents	**85.2**	**(46.4)**	**(68.6)**
Cash and cash equivalents at beginning of period	278.5	336.3	336.3
Effect of exchange rate changes on cash and cash equivalents	(4.0)	3.8	10.8
Cash and cash equivalents at end of period	**359.7**	**293.7**	**278.5**

1 Statement of accounting policies

Beazley plc is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2020 comprise the parent company, its subsidiaries and the group's interest in associates.

The condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with IAS 34 Interim Financial Reporting as adopted by the EU ('Adopted IFRS'). The majority of the principal risks and uncertainties faced by the group remain consistent with those risks and uncertainties faced at year end 31 December 2019. These risks are discussed and disclosed on pages 44 to 50 of the group's 2019 annual report and accounts.

In the first half of 2020 COVID-19 has added an additional layer of uncertainty to several of the principle risks. A risk assessment of the impact which COVID-19 has had on the business is disclosed in note 11 and note 12. The disclosure addresses the impact of COVID-19 on the business for the six months ended 30 June 2020.

The financial information included in this document does not comprise statutory financial statements within the meaning of the Companies Act 2006.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The potential impact of COVID-19 on the group has been considered in the preparation of the interim financial statements including our evaluation of critical accounting estimates and judgements. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for, the year ended 31 December 2019.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial

Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2019.

The independent auditor's report on the group accounts for the year ended 31 December 2019 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

In the current year, the group have applied amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2020. None of the amendments issued by the IASB have had an impact to the group.

Going concern
The condensed consolidated interim 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. The principal risks and uncertainties faced by the group remain consistent
with those risks and uncertainties discussed and disclosed on pages 44 to 50 of the group's 2019 annual report and accounts.

The group continues to monitor and respond to the global COVID-19 outbreak, in particular in relation to the impact on the group that is expected to relate to claims on the business previously written. The current assessment is an exposure of $170m net of reinsurance across our political, accident and contingency, property, marine and reinsurance divisions. It is too early to say what the quantum of claims within our liability classes will be as these will emerge as the impact of the pandemic is fully realised over the next few years. The group has taken a number of underwriting actions which should reduce this impact. The group's investment portfolio at 31 December 2019 was heavily weighted toward government issued and investment grade corporate debt, however the group took further action throughout the first quarter of 2020 to reduce its exposures to equities and to lengthen the duration of the investment portfolio as a whole. The group expects this action will help reduce the impact of the current market volatility on the group.

The capital raised from the share issuance in May 2020 ($292.6m), while predominantly held to better position the business for future growth opportunities, also provides additional strength to the balance sheet in light of the continued uncertainty from COVID-19.

The directors are mindful of the risks associated with COVID-19 and have a plan in place to ensure the continuation of the group's operations during COVID-19 and we have no reason to believe it will impact the going concern of the company.

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

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

30 June 2020	Cyber & executive risk	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Gross premiums written	419.6	176.3	60.7	150.8	233.5	151.0	472.0	1,663.9
Net premiums written	360.7	153.8	17.5	110.8	183.8	92.1	399.1	1,317.8

Net earned premiums	367.9	141.3	12.1	97.0	177.5	50.8	387.2	1,233.8
Net investment income	24.1	5.4	0.4	5.4	8.5	5.1	34.3	83.2
Other income	2.8	0.5	-	0.6	2.2	1.0	5.1	12.2
Revenue	**394.8**	**147.2**	**12.5**	**103.0**	**188.2**	**56.9**	**426.6**	**1,329.2**
Net insurance claims	217.3	87.9	3.5	116.7	194.8	27.8	221.1	869.1
Expenses for the acquisition of insurance contracts	79.1	39.1	8.1	36.5	48.4	15.1	101.6	327.9
Administrative expenses	31.1	11.4	2.2	12.1	17.3	5.2	42.5	121.8
Foreign exchange loss	1.6	0.7	0.1	0.5	0.8	0.2	1.6	5.5
Expenses	**329.1**	**139.1**	**13.9**	**165.8**	**261.3**	**48.3**	**366.8**	**1,324.3**
Segment result	**65.7**	**8.1**	**(1.4)**	**(62.8)**	**(73.1)**	**8.6**	**59.8**	**4.9**
Finance costs								(18.7)
Loss before income tax								**(13.8)**
Income tax credit								1.1
Loss after income tax								**(12.7)**
Claims ratio	59%	62%	29%	120%	110%	55%	57%	71%
Expense ratio	30%	36%	85%	50%	37%	40%	37%	36%
Combined ratio	89%	98%	114%	170%	147%	95%	94%	107%
Segment assets and liabilities								
Segment assets	2,624.0	681.8	174.3	747.5	1,147.2	824.2	3,667.3	9,866.3
Segment liabilities	(2,061.0)	(600.3)	(166.1)	(641.8)	(917.5)	(670.0)	(2,982.0)	(8,038.7)
Net assets	**563.0**	**81.5**	**8.2**	**105.7**	**229.7**	**154.2**	**685.3**	**1,827.6**

30 June 2019	**Cyber & executive risk**	**Marine $m**	**Market facilities1 $m**	**Political, accident & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Gross premiums written	348.1	165.1	22.2	145.9	230.9	161.4	410.0	1,483.6
Net premiums written	303.9	138.4	9.5	126.0	180.7	97.8	369.2	1,225.5
Net earned premiums	296.1	134.2	5.6	109.4	176.8	57.2	338.7	1,118.0
Net investment income	50.2	14.4	-	8.7	19.3	11.3	66.4	170.3
Other income	3.5	0.6	-	0.7	2.3	0.5	6.5	14.1

Revenue	**349.8**	**149.2**	**5.6**	**118.8**	**198.4**	**69.0**	**411.6**	**1,302.4**
Net insurance claims	186.1	91.6	2.4	56.0	90.6	55.3	211.1	693.1
Expenses for the acquisition of insurance contracts	62.7	39.4	3.5	35.0	52.1	17.9	87.8	298.4
Administrative expenses	33.1	13.8	1.4	11.3	19.4	6.9	43.7	129.6
Foreign exchange loss	1.0	0.4	-	0.4	0.6	0.2	1.1	3.7
Expenses	**282.9**	**145.2**	**7.3**	**102.7**	**162.7**	**80.3**	**343.7**	**1,124.8**
Segment result	**66.9**	**4.0**	**(1.7)**	**16.1**	**35.7**	**(11.3)**	**67.9**	**177.6**
Finance costs								(11.2)
Profit before income tax								**166.4**
Income tax expense								(27.8)
Profit after income tax								**138.6**
Claims ratio	63%	68%	43%	51%	51%	97%	62%	62%
Expense ratio	32%	40%	87%	43%	41%	43%	39%	38%
Combined ratio	95%	108%	130%	94%	92%	140%	101%	100%
Segment assets and liabilities								
Segment assets	2,116.7	704.7	37.9	496.3	880.7	721.6	3,214.8	8,172.7
Segment liabilities	(1,710.5)	(586.0)	(30.6)	(397.3)	(723.4)	(559.7)	(2,613.6)	(6,621.1)
Net assets	**406.2**	**118.7**	**7.3**	**99.0**	**157.3**	**161.9**	**601.2**	**1,551.6**

1 From 1 January 2020, the market facilities business has been split out of the specialty lines division to form a separate division. The prior year comparatives have been re-presented to allow comparison.

31 December 2019	**Cyber & executive risk**	**Marine $m**	**Market facilities1 $m**	**Political, accident & contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty lines $m**	**Total $m**
Gross premiums written	823.0	306.4	60.5	272.7	428.7	206.0	906.6	3,003.9
Net premiums written	712.2	222.1	22.3	245.8	365.6	123.0	812.5	2,503.5
Net earned premiums	644.5	222.2	15.1	237.4	361.8	123.0	743.0	2,347.0
Net investment income	76.8	21.8	0.9	13.0	28.7	17.0	105.5	263.7
Other income	6.2	1.3	-	1.7	5.1	1.2	10.3	25.8
Revenue	**727.5**	**245.3**	**16.0**	**252.1**	**395.6**	**141.2**	**858.8**	**2,636.5**
Net insurance claims	395.7	126.8	5.5	110.5	207.3	144.6	462.1	1,452.5
Expenses for the acquisition of insurance contracts	143.2	82.4	9.9	76.4	110.3	30.6	192.6	645.4

Administrative expenses	62.2	27.8	1.8	24.1	34.9	14.3	79.2	244.3
Foreign exchange loss	(0.2)	(0.1)	-	(0.1)	(0.2)	(0.1)	(0.4)	(1.1)
Expenses	**600.9**	**236.9**	**17.2**	**210.9**	**352.3**	**189.4**	**733.5**	**2,341.1**
Segment result	**126.6**	**8.4**	**(1.2)**	**41.2**	**43.3**	**(48.2)**	**125.3**	**295.4**
Finance costs								(27.7)
Profit before income tax								**267.7**
Income tax expense								(33.6)
Profit after income tax								**234.1**
Claims ratio	61%	57%	36%	47%	57%	118%	62%	62%
Expense ratio	32%	50%	78%	42%	40%	36%	37%	38%
Combined ratio	93%	107%	114%	89%	97%	154%	99%	100%
Segment assets and liabilities								
Segment assets	2,481.2	633.3	68.1	479.0	976.5	767.5	3,468.1	8,873.7
Segment liabilities	(1,980.5)	(560.8)	(60.8)	(385.0)	(772.2)	(630.5)	(2,858.6)	(7,248.4)
Net assets	**500.7**	**72.5**	**7.3**	**94.0**	**204.3**	**137.0**	**609.5**	**1,625.3**

1 From 1 January 2020, the market facilities business has been split out of the specialty lines division to form a separate division. The prior year comparatives have been re-presented to allow comparison.

3 Net investment income

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year to 31 December 2019 $m
Interest and dividends on financial investments at fair value through profit or loss	60.4	60.1	120.6
Interest on cash and cash equivalents	0.2	0.2	0.3
Net realised (losses)/gains on financial investments at fair value through profit or loss	(0.1)	8.1	21.5
Net unrealised fair value gains on financial investments at fair value through profit or loss	25.6	108.1	130.1
Investment income from financial investments	**86.1**	**176.5**	**272.5**
Investment management expenses	(2.9)	(6.2)	(8.8)
	83.2	**170.3**	**263.7**

4 Other income

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year to 31 December 2019 $m
Commission income	11.6	10.5	21.2
Profit commissions	(1.0)	2.0	1.0
Agency fees	1.5	1.3	2.5

Other income	0.1	0.3	1.1
	12.2	**14.1**	**25.8**

As at 30 June 2020 there is nil (30 June 2019: nil; 31 December 2019: nil) accrued profit commission at risk of being reversed if there was to be an adverse impact on syndicate 623's profit.

As at 30 June 2020 $1.0m of previously recognised profit commissions from business written by Beazley Canada Limited prior to acquisition by Beazley in 2017 was reversed due to adverse impacts on profit.

5 Finance costs

	6 months ended 30 June 2020 $m	**6 months ended 30 June 2019 $m**	**Year to 31 December 2019 $m**
Interest expense on financial liabilities	17.6	10.5	25.8
Interest expense on lease liabilities	1.1	0.7	1.9
	18.7	**11.2**	**27.7**

The increase in interest expense on financial liabilities is due to the issuance of $300m of tier 2 subordinated debt in September 2019, as well as increasing the banking facility from $225m to $450m in the first half of 2020. These increases were partially offset by redemption of a $75m retail bond in September 2019.

6 (Loss)/earnings per share

	6 months ended 30 June 2020	**6 months ended 30 June 2019**	**Year to 31 December 2019 $m**
Basic (cents)	(2.2)	26.4	44.6
Diluted (cents)	(2.2)	26.0	44.0
Basic (pence)	(1.7)	20.4	35.0
Diluted (pence)	(1.7)	20.1	34.5

Basic
Basic earnings per share are calculated by dividing loss after income tax of $12.7m (30 June 2019: profit of $138.6m; 31 December 2019: profit of $234.1m) by the weighted average number of shares in issue during the six months of 573.6m (30 June 2019: 525.0m; 31 December 2019: 525.1m). The shares held in the Employee Share Options Plan (ESOP) of 3.9m (30 June 2019: 3.9m; 31 December 2019: 4.8m) 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 loss after income tax of $12.7m (30 June 2019: profit of $138.6m; 31 December 2019: profit of $234.1m) by the adjusted weighted average number of shares of 579.0m (30 June 2019: 533.4m; 31 December 2019: 532.4m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE (Save As You Earn), retention and deferred share schemes. The shares held in the ESOP of 3.9m (30 June 2019: 3.9m; 31 December 2019: 4.8m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

7 Dividends
The board has taken the decision not to declare a first interim dividend in respect of the six months to 30 June 2020 (2019: 4.1p).

A second interim dividend of 8.2p per ordinary share was paid on 30 March 2020 to shareholders registered at 5.00pm on 28 February 2020 in respect of the six months ended 31 December 2019. No special dividend was declared for 2019.

8 Income tax (credit)/expense

	6 months ended 30 June 2020 $m	6 months ended 30 June 2019 $m	Year to 31 December 2019 $
Current tax expense			
Current year	9.2	32.3	38.8
Prior year adjustments	(4.8)	(2.1)	(4.0)
	4.4	30.2	34.8
Deferred tax expense			
Origination and reversal of temporary differences	(5.7)	(3.7)	2.3
Impact of change in UK tax rates	(0.7)	(0.3)	(0.5)
Prior year adjustments	0.9	1.6	(3.0)
	(5.5)	(2.4)	(1.2)
Income tax (credit)/expense	**(1.1)**	**27.8**	**33.6**

Reconciliation of tax expense

The weighted average of statutory tax rates applied to the (losses)/profits earned in each country in which the group operates is 23.9% (30 June 2019: 16.6%), whereas the tax charged for the period ending 30 June 2020 as a percentage of (loss)/profit before tax is 8.0% (30 June 2019: 16.7%). The reasons for the difference are explained below:

	6 months ended 30 June 2020 $m	6 months ended 30 June 2020 %	6 months ended 30 June 2019 $m	6 months ended 30 June 2019 %	Year to 31 December 2019 $m	Year to 31 December 2019 %
(Loss)/profit before tax	**(13.8)**		**166.4**		**267.7**	
Tax calculated at the weighted average of statutory tax rates	3.3	(23.9)	27.7	16.6	40.3	15.0
Effects of:						
Non-deductible expenses	0.2	(1.4)	0.9	0.6	1.5	0.6
Non-taxable gains on foreign exchange	-	-	0.6	0.4	-	-
Tax relief on share based payments - current and future years	-	-	(0.6)	(0.4)	(0.7)	(0.3)
Over provided in prior years	(3.9)	28.3	(0.5)	(0.3)	(7.0)	(2.6)
Change in UK tax rates[1]	(0.7)	5.0	(0.3)	(0.2)	(0.5)	(0.1)
(Credit)/charge for the period	**(1.1)**	**8.0**	**27.8**	**16.7**	**33.6**	**12.6**

1 A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent. The 19 percent tax rate has been reflected in the calculation of the deferred tax balances as at 30 June 2020.

The group has assessed the potential impact of the diverted profits tax (DPT) following the enactment of new legislation in April 2015 and is of the view that no liability arises. The ultimate outcome may differ and any profits that did fall within the scope of the DPT would potentially be taxed at a rate of 25% rather than 12.5% (the current rate of tax on corporate earnings in Ireland). The earnings that would potentially be taxed at 25% are the relevant earnings from 2015 to 2020. The relevant earnings are determined in relation to 75% of the profits and losses in Beazley's syndicates potentially starting with a proportion of the profits on the 2013, 2014 and 2015 years of account and 75% of all profits and losses in Beazley's syndicates on years of account from 2016 onwards.

A new Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti-avoidance tax provisions (the "BEAT"). We have performed an assessment for our intra-group transactions potentially in scope of BEAT. The application of this new BEAT legislation is still uncertain for some types of transaction and we are keeping developments under review. With support from external advisors, we believe that the BEAT impact on the group is not significant. For the six months ended 30 June 2020 $0.5m was provided in the group accounts for BEAT liabilities (for the year ended 2019 the group paid BEAT tax of $1.9m). The ultimate outcome may differ and if any additional amounts did fall within the scope of BEAT, incremental tax at 10% might arise on some or all of those amounts.

Amounts recognised directly in equity
Aggregate current and deferred tax arising in the reporting period and not recognised in net profits or loss or other comprehensive income but directly debited or credited to equity:

	2020 HY $m	2019 HY $m	2019 FY $m
Current tax: share based payments	(1.3)	(2.1)	(2.6)
Deferred tax: share based payments	6.8	0.7	(1.0)
	5.5	(1.4)	(3.6)

9 Financial assets and liabilities

	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Financial assets at fair value			
Government issued	2,335.7	1,629.5	1,870.9
Quasi-government	-	17.2	-
Supranational	-	7.6	-
Senior secured loans	-	0.6	-
Corporate bonds			
- Investment grade	2,720.3	2,468.3	2,698.4
- High yield	169.1	143.9	235.8
Syndicate loans	16.7	7.1	8.0
Total fixed and floating rate debt securities and syndicate loans	**5,241.8**	**4,274.2**	**4,813.1**
Equity funds	86.9	115.1	163.6
Hedge funds	340.1	285.8	354.0
Illiquid credit assets	211.3	219.8	216.6
Total capital growth	**638.3**	**620.7**	**734.2**
Total financial investments at fair value through statement of profit or loss	**5,880.1**	**4,894.9**	**5,547.3**
Derivative financial assets	10.2	3.0	25.5
Total financial assets at fair value	**5,890.3**	**4,897.9**	**5,572.8**

Quasi-government securities include securities which are issued by non-sovereign entities but which have an explicit sovereign guarantee. Supranational securities are issued by institutions sponsored by more than one sovereign issuer. Investment corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Senior secured loans are tradeable, floating rate debt obligations of corporate issuers, with credit ratings of BB+/Ba1 or below. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid credit assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 30 June 2020 excludes an unfunded commitment of $67.3m (30 June 2019: $72.9m). Syndicate loans have been introduced and collected by Lloyd's of

London to support underwriting at Lloyd's Brussels on the 2019 and 2020 years of account.

The amount expected to mature before and after one year are:

	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Within one year	1,383.9	871.9	1,037.3
After one year	3,868.1	3,405.3	3,801.3
Total	**5,252.0**	**4,277.2**	**4,838.6**

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, $86.9m (30 June 2019: $115.1m) of equity funds could be liquidated within two weeks, $277.5m (30 June 2019: $213.8m) of hedge fund assets within six months and the remaining $62.6m (30 June 2019: $72.0m) of hedge fund assets within 18 months, in normal market conditions. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to 12 years.

Financial liabilities	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Retail bond	-	95.3	-
Tier 2 subordinated debt (2029)	298.1	-	297.9
Tier 2 subordinated debt (2026)	248.9	248.8	248.9
Derivative financial liabilities	7.9	9.7	8.0
Total financial liabilities	**554.9**	**353.8**	**554.8**

The amount expected to mature before and after one year are:	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
Within one year	7.9	105.0	8.0
After one year	547.0	248.8	546.8
Total	**554.9**	**353.8**	**554.8**

Valuation hierarchy

The table below summarises financial assets carried at fair value using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds, treasury bills of government and government agencies, corporate bonds and equity funds which are measured based on quoted prices in active markets.

Level 2 - Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates and exchange rates). Included within level 2 are government bonds and treasury bills, equity funds and corporate bonds, which are not actively traded, hedge funds and senior secured loans.

Level 3 - Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

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

If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group has an established control framework and valuation policy with respect to the measurement of fair values.

Level 2 investments

For the group's level 2 debt securities our fund administrator obtains the prices used in the valuation from independent pricing vendors such as Bloomberg, Standard & Poor's, Reuters, Markit and International Data Corporation. The independent pricing vendors derive an evaluated price from observable market inputs. The market inputs include trade data, two-sided markets, institutional bids, comparable trades, dealer quotes, news media, and other relevant market data. These inputs are verified in their pricing engines and calibrated with the pricing models to calculate spread to benchmarks, as well as other pricing assumptions such as Weighted Average life (WM), Discount Margins (DM), Default rates, and recovery and prepayments assumptions for mortgage securities. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

The group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. This generally results in the vendor updating their inputs. We also review our valuation policy on a regular basis to ensure it is fit for purpose. As at 30 June 2020, no adjustments have been made to the prices obtained from the independent sources.

For our hedge funds and equity funds, the pricing and valuation of each fund is undertaken by administrators in accordance with each underlying fund's valuation policy. For the equity funds, the individual fund prices are published on a daily, weekly or monthly basis via Bloomberg and other market data providers such as Reuters. For the hedge funds, the individual fund prices are communicated by the administrators to all investors via the monthly investor statements. The fair value of the hedge fund and equity fund portfolios are calculated by reference to the underlying net asset values of each of the individual funds.

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 82% (30 June 2019: 83%, 31 December 2019: 83%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund as level 2.

Prior to any new hedge fund investment, extensive due diligence is undertaken on each fund to ensure that pricing and valuation is undertaken by an independent administrator and that each fund's valuation policy is appropriate for the financial instruments the manager will be employing to execute the investment strategy. Fund liquidity terms are reviewed prior to the execution of any investment to ensure that there is no mismatch between the liquidity of the underlying fund assets and the liquidity terms offered to fund investors. As part of the monitoring process, underlying fund subscriptions and redemptions are assessed by reconciling the increase or decrease in fund assets with the investment performance in any given period.

Level 3 investments

The group's level 3 investments consist of a diversified portfolio of illiquid credit fund investments managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments and are therefore classified as level 3 investments. Although there have been no additional fund commitments made in 2020 to date, existing funds that are in their investment period continue to draw down capital, whilst funds that are in their harvest period distribute capital as the underlying investments are realised.

The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple.

We take the following steps to ensure accurate valuation of these level 3 assets. A substantial part of the pre-investment due diligence process is dedicated to a comprehensive review of each fund's valuation policy and the internal controls of the manager. In addition to this, confirmation that the investment reaches a minimum set of standards relating to the independence of service providers, corporate governance, and transparency is sought prior to approval. Post investment, quarterly capital statements are reviewed to ensure consistency between audited and unaudited valuations and compare the updated values to the estimated figures used in previous valuations in order to highlight and explain any discrepancies. Particular emphasis is placed on identifying assets that have been either marked up or down, as well as whether any specific assets are at particular risk due to prevailing economic/market conditions. The review also involves regular conversations with the managers and industry sources, particularly in times of market stress. Audited financial statements are received and reviewed on an annual basis, with the valuation of each transaction being confirmed.

For the group's annual and interim accounts, we use the latest fund valuation statements, which are typically as at the previous quarter or month end. To ensure that values are materially correct at the reporting date, all fund managers are contacted to confirm whether there has been a material impairment to the fund valuations since the most recent valuation date. In the event that a manager confirms a material impairment since the latest valuation date, we would make a downwards revision to the value of our fund holding based on the manager's assessment. Furthermore, during major stress events in public financial markets (defined as >10% fall in leveraged loan market indices), such as the macroeconomic uncertainty caused by COVID-19, we would consider adjusting the valuations of all level 3 fund holdings to account for material impairment in the valuation between the latest valuation date and the reporting date. The magnitude and breadth of any broader portfolio impairment would be dependent on the specific situation.

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

30 June 2020	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets measured at fair value				
Government issued	2,263.1	72.6	-	2,335.7
Corporate bonds				
- Investment grade	1,647.8	1,072.5	-	2,720.3
- High yield	164.6	4.5	-	169.1
Syndicate loans	-	-	16.7	16.7
Equity funds	82.0	4.9	-	86.9
Hedge funds	-	340.1	-	340.1
Illiquid credit assets	-	-	211.3	211.3
Derivative financial assets	10.2	-	-	10.2
Total financial assets measured at fair value	**4,167.7**	**1,494.6**	**228.0**	**5,890.3**
Financial liabilities measured at fair value				
Derivative financial liabilities	7.9	-	-	7.9

Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	-	310.9	-	310.9
Tier 2 subordinated debt (2026)	-	262.5	-	262.5
Total financial liabilities not measured at fair value	**-**	**573.4**	**-**	**573.4**

30 June 2019	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets measured at fair value				
Government issued	1,626.2	3.3	-	1,629.5
Quasi-government	9.2	8.0	-	17.2
Supranational	7.6	-	-	7.6
Senior secured loans	0.6	-	-	0.6
Corporate bonds				
- Investment grade	1,460.8	1,007.5	-	2,468.3
- High yield	4.5	139.4	-	143.9
Syndicate loans	7.1	-	-	7.1
Equity funds	-	115.1	-	115.1
Hedge funds	-	285.8	-	285.8
Illiquid credit assets	-	-	219.8	219.8
Derivative financial assets	3.0	-	-	3.0
Total financial assets measured at fair value	**3,119.0**	**1,559.1**	**219.8**	**4,897.9**
Financial liabilities measured at fair value				
Derivative financial liabilities	9.7	-	-	9.7
Financial liabilities not measured at fair value				
Retail bond	-	96.1	-	96.1
Tier 2 subordinated debt	-	249.9	-	249.9
Total financial liabilities not measured at fair value	**-**	**346.0**	**-**	**346.0**

31 December 2019	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets measured at fair value				
Government issued	1,839.1	31.8	-	1,870.9
Corporate bonds				
- Investment grade	1,244.1	1,454.3	-	2,698.4
- High yield	-	235.8	-	235.8
Syndicate loans	-	8.0	-	8.0
Equity funds	-	163.6	-	163.6
Hedge funds	-	354.0	-	354.0
Illiquid credit assets	-	-	216.6	216.6
Derivative financial assets	25.5	-	-	25.5
Total financial assets measured at fair value	**3,108.7**	**2,247.5**	**216.6**	**5,572.8**
Financial liabilities measured at fair value				
Derivative financial liabilities	8.0	-	-	8.0
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	-	318.6	-	318.6
Tier 2 subordinated debt (2026)	-	276.8	-	276.8
Total financial liabilities not measured at fair value	**-**	**595.4**	**-**	**595.4**

The table above does not include financial assets and liabilities that are, in accordance with the group's accounting policies, recorded at amortised cost, if the carrying amount of these financial assets and liabilities approximates their fair values at the reporting date. Cash and cash equivalents have not been included in the table above; however, the full amount of cash and cash equivalents would be classified under level 2 in both the current and prior year.

Transfers

The group determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period.

For the period ended 30 June 2020, enhanced understanding of vendor pricing methodologies and the purchase of a new valuation tool in 2019 have provided better quality data used in determining the fair value hierarchy classification, which has resulted in the following transfers between level 1,2 & 3 for the period ended 30 June 2020:

30 June 2020 vs 30 June 2019 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
- Investment grade	(491.7)	491.7
- Government issued	(71.9)	71.9
- High yield	(4.5)	4.5

30 June 2020 vs 30 June 2019 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
- Investment grade	395.2	(395.2)
- Equity funds	66.7	(66.7)

30 June 2020 vs 30 June 2019 transfer from level 1 to level 3	Level 1 $m	Level 3 $m
Syndicate loans	(7.6)	7.6

The values shown in the transfer tables above are translated at foreign exchange rate as at 30 June 2020.

30 June 2020 vs 31 December 2019 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
- Investment grade	(367.0)	367.0
- Government issued	(24.5)	24.5

30 June 2020 vs 31 December 2019 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
- Investment grade	600.9	(600.9)
- Equity funds	66.7	(66.7)
- High yield	142.4	(142.4)

30 June 2020 vs 31 December 2019 transfer from level 2 to level 3	Level 2 $m	Level 3 $m
Syndicate loans	(7.6)	7.6

The values shown in the transfer tables above are translated at foreign exchange rate as at 30 June 2020.

Level 3 investment reconciliations

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. The total net unrealised losses recognised in the profit or loss of $4.7m (30 June 2019: gain of $4.9m) is included in the net investment income number of $83.2m (30 June 2019: $170.3m) shown in the condensed consolidated statement of profit or loss.

	30 June 2020	30 June 2019	31 December

	$m	$m	2019 $m
As at 1 January	216.6	186.6	186.6
Purchases	28.7	50.7	68.9
Sales	(20.2)	(22.4)	(48.0)
Transfer from level 2	7.6	-	-
Total net unrealised (losses)/gains recognised in profit or loss	(4.7)	4.9	9.1
As at period end	**228.0**	**219.8**	**216.6**

Unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. As part of its standard investment activities the group holds investments in high yield bond funds, equity funds, hedge funds and illiquid credit assets which in accordance with IFRS 12 are classified as unconsolidated structured entities. The group does not sponsor any of the unconsolidated structured entities. The assets classified as unconsolidated structured entities are held at fair value on the statement of financial position.

The investments comprising the group's unconsolidated structured entities are as follows:

	30 June 2020 $m	30 June 2019 $m	31 December 2019 $m
High yield	169.1	143.9	235.8
Equity funds	86.9	115.1	163.6
Hedge funds	340.1	285.8	354.0
Illiquid credit assets	211.3	219.8	216.6
Investments through unconsolidated structured entities	**807.4**	**764.6**	**970.0**

Currency exposures

The currency exposures of our financial assets held at fair value are detailed below:

30 June 2020	**UK £ $m**	**CAD $ $m**	**EURO € $m**	**Subtotal $m**	**US $ $m**	**Total $m**
Financial assets at fair value						
Fixed and floating rate debt securities	12.4	211.1	-	223.5	5,001.6	5,225.1
Syndicate loans	16.7	-	-	16.7	-	16.7
Equity funds	-	-	-	-	86.9	86.9
Hedge funds	-	-	-	-	340.1	340.1
Illiquid credit assets	5.3	-	27.4	32.7	178.6	211.3
Derivative financial assets	-	-	-	-	10.2	10.2
Total	**34.4**	**211.1**	**27.4**	**272.9**	**5,617.4**	**5,890.3**

30 June 2019	**UK £ $m**	**CAD $ $m**	**EURO € $m**	**Subtotal $m**	**US $ $m**	**Total $m**
Financial assets at fair value						
Fixed and floating rate debt securities	13.2	194.4	-	207.6	4,059.5	4,267.1
Syndicate loans	7.1	-	-	7.1	-	7.1
Equity funds	-	-	26.4	26.4	88.7	115.1
Hedge funds	-	-	-	-	285.8	285.8
Illiquid credit assets	0.6	-	21.7	22.3	197.5	219.8

Derivative financial assets	-	-	-	-	3.0	3.0
Total	**20.9**	**194.4**	**48.1**	**263.4**	**4,634.5**	**4,897.9**

31 December 2019	**UK £ $m**	**CAD $ $m**	**EURO € $m**	**Subtotal $m**	**US $ $m**	**Total $m**
Financial assets at fair value						
Fixed and floating rate debt securities	13.7	198.8	-	212.5	4,592.6	4,805.1
Syndicate loans	8.0	-	-	8.0	-	8.0
Equity funds	-	-	28.1	28.1	135.5	163.6
Hedge funds	-	-	-	-	354.0	354.0
Illiquid credit assets	4.8	-	25.9	30.7	185.9	216.6
Derivative financial assets	-	-	-	-	25.5	25.5
Total	**26.5**	**198.8**	**54.0**	**279.3**	**5,293.5**	**5,572.8**

The above qualitative and quantitative disclosures along with the risk management disclosure included in note 2 of the annual report for the year ending 31 December 2019, enables more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments.

10 Cash and cash equivalents

	30 June 2020 $m	**30 June 2019 $m**	**31 December 2019 $m**
Cash at bank and in hand	312.0	281.4	276.9
Short-term deposits and highly liquid investments	47.7	12.3	1.6
	359.7	**293.7**	**278.5**

Total cash and cash equivalents include $9.4m (31 December 2019: $9.8m) held in Lloyd's Singapore trust accounts. These funds are only available for use by the group to meet local claim and expense obligations.

11 Insurance claims

The loss development tables below provide information about historical claims development by the seven segments - cyber & executive risk, market facilities, marine, political, accident & 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 ratios and ultimate net claims ratios.

The top part of the table illustrates how the group's estimated claims ratio for each underwriting year has changed at successive year ends.

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2020 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	**2010ae2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	**Total**
Cyber & executive risk											
12 months	75.3	71.9	71.4	66.6	64.9	62.3	59.7	61.3	62.1		
24 months	74.5	72.1	71.7	66.9	64.9	62.2	61.4	62.2			
36 months	79.6	69.4	71.4	63.7	59.6	58.9	56.9				
48 months	77.5	64.1	69.0	64.9	55.0	58.5					
60 months	78.5	62.1	66.8	69.5	56.8						
72 months	70.9	59.8	63.3	68.2							
84 months	74.3	59.1	63.4								

96 months	76.8	58.0							
108 months	78.8								
Position at 30 June 2020	79.0	58.0	62.4	68.6	59.5	57.8	56.9	60.8	62.7
Marine									
12 months	54.5	55.9	56.5	57.5	56.7	59.5	68.1	61.9	60.0
24 months	47.3	46.3	52.0	46.8	54.0	70.4	62.4	68.2	
36 months	38.9	34.7	44.4	47.0	47.3	65.4	61.7		
48 months	33.6	32.2	42.7	46.6	45.4	63.9			
60 months	35.2	31.4	42.1	55.5	43.2				
72 months	31.6	30.6	41.4	52.9					
84 months	30.8	29.9	40.2						
96 months	29.3	29.7							
108 months	29.2								
Position at 30 June 2020	29.2	29.8	39.0	52.1	42.8	63.6	59.2	67.9	61.1
Market facilities									
12 months	-	-	-	-	-	-	-	65.9	72.9
24 months	-	-	-	-	-	-	-	66.1	
36 months	-	-	-	-	-	-	-		
48 months	-	-	-	-	-	-			
60 months	-	-	-	-	-				
72 months	-	-	-	-					
84 months	-	-	-						
96 months	-	-							
108 months	-								
Position at 30 June 2020	-	-	-	-	-	-	-	58.7	72.9
Political, accident & contingency									
12 months	57.5	60.0	59.1	59.2	59.8	61.3	57.9	59.1	57.3
24 months	44.5	54.4	49.4	51.2	58.7	54.3	49.2	55.1	
36 months	44.1	51.2	44.9	46.9	57.0	49.2	45.9		
48 months	39.2	48.9	43.8	50.1	57.7	47.7			
60 months	37.5	45.8	45.9	51.4	53.7				
72 months	35.4	45.1	45.7	52.6					
84 months	34.9	44.1	45.5						
96 months	35.0	44.1							
108 months	35.0								
Position at 30 June 2020	34.8	43.9	45.8	52.6	53.0	47.4	46.2	70.7	122.4
Property									
12 months	58.1	55.4	55.1	53.2	55.0	58.9	72.5	63.4	53.1
24 months	50.3	47.4	49.1	47.7	49.0	68.4	88.7	63.1	
36 months	47.7	39.7	45.7	41.3	45.9	71.3	91.3		
48 months	45.9	36.6	45.7	40.6	44.8	71.7			
60 months	45.1	36.1	45.6	39.7	43.7				
72 months	43.9	35.5	47.3	40.1					
84 months	43.4	35.4	46.6						
96 months	43.0	36.7							
108 months	43.0								
Position at 30 June 2020	43.1	37.7	46.6	40.5	44.2	72.4	91.4	65.7	66.1
Reinsurance									
12 months	79.2	62.9	59.1	61.5	65.9	67.0	124.9	95.2	101.8
24 months	77.7	37.6	45.3	33.7	33.7	41.5	117.5	123.9	
36 months	69.4	32.2	42.7	31.1	25.7	40.4	130.4		
48 months	65.7	31.3	41.3	27.8	25.5	41.2			
60 months	62.9	31.3	38.3	27.6	25.4				
72 months	62.7	31.0	38.1	27.1					

84 months		57.9	31.1	37.2								
96 months		57.9	30.7									
108 months		58.4										
Position at 30 June 2020		58.3	30.7	37.1	27.2	24.7	41.1	134.0	123.4	77.8		
Specialty lines												
12 months		75.5	75.1	74.8	70.0	69.7	67.8	65.8	68.4	66.5		
24 months		76.0	75.2	74.3	69.7	70.1	67.7	65.9	68.8			
36 months		74.7	73.9	74.1	66.1	68.8	64.9	66.0				
48 months		74.3	74.2	69.5	62.1	68.0	63.2					
60 months		71.6	70.8	64.3	58.5	69.9						
72 months		68.6	69.7	62.2	56.1							
84 months		64.7	69.1	61.5								
96 months		62.7	71.6									
108 months		60.9										
Position at 30 June 2020		60.8	71.7	61.2	55.2	76.1	60.6	64.6	68.2	67.0		
Total												
12 months		67.2	64.6	63.8	62.2	62.7	63.3	70.5	66.7	64.9		
24 months		62.7	58.2	59.3	55.8	58.4	62.9	71.5	69.5			
36 months		60.3	53.2	56.4	52.5	54.5	60.6	71.5				
48 months		57.8	51.0	54.4	51.5	52.4	59.9					
60 months		56.8	49.1	52.4	52.7	52.7						
72 months		53.7	48.1	51.5	51.9							
84 months		52.4	47.4	50.9								
96 months		52.2	48.2									
108 months		51.8										
Position at 30 June 2020		51.8	48.5	50.4	51.7	54.9	59.1	71.0	70.4	70.5		
Total ultimate losses ($m)	8,619.7	996.1	964.4	1,104.0	1,207.3	1,271.5	1,563.2	1,943.4	2,206.7	2,475.5	2,546.0	24,897.8
Less paid claims ($m)	(8,406.4)	(909.6)	(869.5)	(958.2)	(1,070.0)	(986.1)	(1,104.9)	(1,142.0)	(842.6)	(359.6)	(106.1)	(16,755.0)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(21.4)	(286.2)	(2,041.9)	(2,349.5)
Gross claims liabilities (100% level) ($m)	**213.3**	**86.5**	**94.9**	**145.8**	**137.3**	**285.4**	**458.3**	**801.4**	**1,342.7**	**1,829.7**	**398.0**	**5,793.3**
Less unaligned share ($m)	(41.6)	(15.0)	(17.5)	(22.1)	(22.7)	(55.4)	(68.7)	(131.4)	(200.2)	(269.0)	(54.4)	(898.0)
Gross claims liabilities, group share ($m)	**171.7**	**71.5**	**77.4**	**123.7**	**114.6**	**230.0**	**389.6**	**670.0**	**1,142.5**	**1,560.7**	**343.6**	**4,895.3**

Net ultimate claims	**2010ae**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	**Total**
Cyber & executive risk												
12 months		72.8	69.1	67.3	64.1	61.3	59.8	58.2	58.6	60.2		
24 months		72.0	67.9	67.0	64.6	61.1	59.8	59.2	60.5			
36 months		72.8	65.0	65.8	62.4	57.0	56.4	55.6				
48 months		70.4	59.6	62.2	61.3	51.2	56.6					
60 months		71.2	58.6	59.9	65.7	52.4						
72 months		67.5	56.2	57.4	64.9							
84 months		69.9	55.6	56.9								
96 months		71.7	54.6									
108 months		74.0										

Position at 30 June 2020	73.9	53.8	56.0	64.9	52.9	54.6	55.5	59.6	61.0
Marine									
12 months	55.5	55.4	56.0	56.4	56.7	56.7	57.6	59.4	56.5
24 months	47.5	46.0	53.2	48.4	52.5	62.6	61.5	67.8	
36 months	38.5	37.4	47.5	46.5	47.1	61.5	61.8		
48 months	34.3	35.0	45.9	45.5	46.7	62.1			
60 months	35.3	33.9	45.3	46.7	45.4				
72 months	32.1	33.2	44.7	44.9					
84 months	31.1	32.8	42.6						
96 months	30.0	32.6							
108 months	30.0								
Position at 30 June 2020	29.9	32.7	42.1	44.6	45.1	61.7	60.6	70.4	57.6
Market facilities									
12 months	-	-	-	-	-	-	-	38.5	26.8
24 months	-	-	-	-	-	-	-	39.2	
36 months	-	-	-	-	-	-	-		
48 months	-	-	-	-	-	-			
60 months	-	-	-	-	-				
72 months	-	-	-	-					
84 months	-	-	-						
96 months	-	-							
108 months	-								
Position at 30 June 2020	-	-	-	-	-	-	-	34.7	26.8
Political, accident & contingency									
12 months	54.8	58.6	58.6	56.9	57.5	60.2	56.9	58.3	56.6
24 months	45.1	52.5	50.9	49.8	56.1	53.2	48.6	54.1	
36 months	45.3	49.8	47.3	44.9	55.2	49.6	45.0		
48 months	42.1	46.8	44.7	49.9	54.5	47.1			
60 months	40.0	43.7	45.2	50.4	51.5				
72 months	37.9	42.9	45.4	51.4					
84 months	37.4	42.4	45.5						
96 months	37.4	42.7							
108 months	37.6								
Position at 30 June 2020	37.5	42.5	45.7	51.4	51.2	46.8	44.7	58.2	78.4
Property									
12 months	60.2	58.5	56.7	54.5	55.0	57.6	76.5	64.5	56.4
24 months	57.6	52.9	56.3	51.1	50.2	69.6	94.0	66.7	
36 months	53.5	45.9	52.2	44.2	46.8	71.4	95.8		
48 months	50.2	41.2	50.1	42.8	44.7	70.8			
60 months	48.9	40.6	49.9	41.9	44.4				
72 months	47.8	40.1	51.6	42.9					
84 months	47.5	39.9	51.7						
96 months	47.3	41.4							
108 months	47.2								
Position at 30 June 2020	47.5	42.2	51.6	43.1	44.8	71.1	94.4	69.0	67.1
Reinsurance									
12 months	90.1	67.0	57.1	58.9	61.4	60.5	107.3	84.5	87.2
24 months	87.9	45.6	52.0	37.5	34.2	38.7	93.8	99.5	
36 months	80.1	39.2	48.6	33.7	24.2	38.1	105.7		
48 months	74.6	37.8	47.1	30.8	24.1	39.9			
60 months	72.3	37.8	43.5	30.5	24.3				
72 months	72.3	37.5	43.2	30.1					
84 months	67.0	37.5	42.3						
96 months	67.0	37.1							

108 months		67.7										
Position at 30 June 2020		67.8	37.1	42.2	30.1	23.9	40.7	109.2	98.2	74.6		
Specialty lines												
12 months		72.3	71.9	70.9	67.4	65.7	65.5	63.8	66.1	64.5		
24 months		72.6	72.0	70.3	67.0	66.2	65.5	63.6	67.0			
36 months		71.2	70.7	70.4	64.5	64.0	61.3	63.5				
48 months		69.1	69.0	64.5	59.7	59.3	56.7					
60 months		69.5	66.8	59.5	56.4	59.7						
72 months		69.4	67.1	58.2	55.0							
84 months		66.8	66.8	57.9								
96 months		65.5	68.2									
108 months		64.2										
Position at 30 June 2020		64.2	68.3	57.6	54.2	62.0	53.6	60.0	66.3	65.0		
Total												
12 months		67.0	64.0	62.2	60.7	60.1	60.7	66.2	63.6	61.8		
24 months		63.5	58.3	60.2	56.1	56.5	61.0	68.0	66.2			
36 months		60.1	53.7	57.4	52.5	52.7	58.8	68.0				
48 months		57.0	50.7	54.2	50.9	49.7	57.4					
60 months		56.6	49.3	52.1	51.0	49.6						
72 months		55.0	48.6	51.5	50.5							
84 months		53.8	48.3	50.9								
96 months		53.4	48.8									
108 months		53.4										
Position at 30 June 2019		53.4	48.8	50.6	50.3	50.3	56.1	66.7	66.6	64.8		
Total ultimate losses ($m)	6,145.6	863.3	840.8	928.3	990.2	1,031.4	1,182.1	1,544.3	1,610.0	1,899.8	1,934.2	18,970.0
Less paid claims ($m)	(5,988.7)	(799.7)	(766.0)	(831.2)	(884.6)	(823.6)	(896.8)	(900.4)	(563.6)	(331.3)	(104.2)	(12,890.1)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(8.9)	(230.8)	(1,546.4)	(1,786.1)
Net claims liabilities (100% level) ($m)	**156.9**	**63.6**	**74.8**	**97.1**	**105.6**	**207.8**	**285.3**	**643.9**	**1,037.5**	**1,337.7**	**283.6**	**4,293.8**
Less unaligned share ($m)	(29.8)	(11.9)	(13.7)	(17.8)	(19.0)	(35.9)	(48.6)	(98.5)	(151.3)	(194.9)	(38.4)	(659.8)
Net claims liabilities, group share ($m)	**127.1**	**51.7**	**61.1**	**79.3**	**86.6**	**171.9**	**236.7**	**545.4**	**886.2**	**1,142.8**	**245.2**	**3,634.0**

Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2020 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of the table.

Cyber & executive risk

All years continue to perform well with the 2016 underwriting year releasing as claims experience crystalises.

Marine

Releases continue on older underwriting years as the risks expire. The 2018 underwriting year saw an overall strengthening net of reinsurance driven by the marine hull account, and the 2019 saw adverse development in the UK marine book which is currently in run off.

Market facilities

The loss development tables are presented gross of acquisition costs. Due to the market facilities division being significantly reinsured and this reinsurance being ceded net of acquisition costs, the net of reinsurance loss development values are much lower than the gross of reinsurance. The release on the 2018 underwriting year arises as the risk expires.

Political, accident & contingency
This division has been significantly affected by COVID-19 claims. The contingency, accident and life classes have been strengthened on the 2019 underwriting years. The contingency class benefits from clash reinsurance, causing this effect to be less pronounced net of reinsurance.

Property
The mature underwriting years continue to see adverse development from the construction and engineering book, which is now in run off. There was strengthening in commercial property on the 2018 underwriting year, and the increase on the 2019 underwriting year is caused by COVID-19 experience.

Reinsurance
Favourable development on established catastrophes has led to positive reductions on the 2018 and 2019 underwriting years. The increase in 2017 is due to a reduction in expectation for further reinsurance premiums relating to the catastrophes within that year.

Specialty lines
The 2015 underwriting year continues to see claims development in excess of expectations, however this year is now recovering under aggregate excess of loss reinsurance programmes so the effect is lower net of reinsurance. Other underwriting years continue to release as the risks expire.

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

The net of reinsurance claims release on 2019 and prior underwriting years totalled $58.6m (2019: $3.4m). We saw a significant overall release on the 2017 and earlier years of account driven by releases of $39.6m and $13.6m on our specialty lines and cyber & executive risk divisions respectively. Both our political, accident and contingency division and our property division saw overall strengthenings at 30 June 2020. Our political, accident and contingency division strengthened by $2.2m on the 2018 underwriting year and by $5.9m on the 2019 underwriting year. The property team saw strengthening on both the 2017 and 2018 underwriting years driven by deterioration on engineering claims and adverse large loss experience from 2018 catastrophes. Our reinsurance division saw an overall release of $18.1m driven by a large release of $16.2m on the 2019 underwriting year due to a reduction in the overall estimate for Typhoons Hagibis and Faxai claims.

Historically our reserves have been within the range of 5-10% above our actuarial estimates, which themselves include some margin for uncertainty. The margin held above actuarial estimate was 7.0% at 30 June 2020 (30 June 2019: 5.2%).

The movements shown on 2017 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2020	Cyber & executive risk $m	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	230.0	88.1	3.8	109.0	188.5	45.9	262.4	927.7
Prior year								
- 2017 and earlier	(13.6)	(5.8)	-	(0.4)	6.9	2.1	(39.6)	(50.4)
- 2018 underwriting year	3.9	5.3	(0.3)	2.2	3.6	(4.0)	(1.0)	9.7
- 2019 underwriting year	(3.0)	0.3	-	5.9	(4.2)	(16.2)	(0.7)	(17.9)
	(12.7)	(0.2)	(0.3)	7.7	6.3	(18.1)	(41.3)	(58.6)

Net insurance claims	**217.3**	**87.9**	**3.5**	**116.7**	**194.8**	**27.8**	**221.1**	**869.1**

6 months ended 30 June 2019	Cyber & executive risk $m	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	187.2	84.6	2.4	60.2	93.7	33.4	235.0	696.5
Prior year								
- 2016 and earlier	(2.9)	(5.4)	-	(1.4)	(3.7)	1.8	(23.4)	(35.0)
- 2017 underwriting year	(0.9)	8.2	-	(3.5)	3.3	10.4	(0.4)	17.1
- 2018 underwriting year	2.7	4.2	-	0.7	(2.7)	9.7	(0.1)	14.5
	(1.1)	7.0	-	(4.2)	(3.1)	21.9	(23.9)	(3.4)
Net insurance claims	**186.1**	**91.6**	**2.4**	**56.0**	**90.6**	**55.3**	**211.1**	**693.1**

Year to 31 December 2019	Cyber & executive risk $m	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Current year	405.1	120.4	5.4	127.3	190.2	114.5	499.1	1,462.0
Prior year								
- 2016 and earlier	4.3	(11.1)	-	(6.6)	9.3	(3.6)	(34.2)	(41.9)
- 2017 underwriting year	(13.2)	6.1	-	(7.8)	8.4	17.4	(3.4)	7.5
- 2018 underwriting year	(0.5)	11.4	-	(2.4)	(0.6)	16.3	0.7	24.9
	(9.4)	6.4	-	(16.8)	17.1	30.1	(36.9)	(9.5)
Net insurance claims	**395.7**	**126.8**	**5.4**	**110.5**	**207.3**	**144.6**	**462.2**	**1,452.5**

12 Risk management - COVID-19

Operational risk

The operational risks are consistent with those disclosed within the 2019 annual report on pages 162 to 163. COVID-19 has caused a temporary shift in the operational strategy of Beazley from an office based environment to a completely remote working environment. This has meant that internal processes, capability of people and systems have been put to the test. The group have adapted to the changes in the operational environment and business processes have continued to be carried out. The group continues to actively manage the operational risks, while engaging in open communication with staff. The group also continues to regularly monitor the performance of its controls through the risk management reporting process.

Insurance risk

The insurance risks are consistent with those disclosed within the 2019 annual report on pages 155 to 159. The group assesses its insurance risk and runs various realistic disaster scenarios (RDS) to monitor exposure to catastrophe risk. The group believes that the largest individual RDS modelled is higher than the net impact of COVID-19.

Credit risk

The credit risks are consistent with those disclosed within the 2019 annual report on pages 163 to 165. COVID-19 has caused economic disruption around the world with many businesses and individuals forced to cease business activity in light of government lockdowns. As a result the risk that counterparties fail to meet their financial obligations as they fall due has increased.

As at 30 June 2020, the group has not seen an increase in defaults but continues to monitor this closely.

The group has offered extended credit terms between 30 and 60 days to a number of its insured to aid them during this challenging time.

To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

	A.M. Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D, E, F, S	Ca to C	R, (U,S) 3

The following tables summarise the group's concentrations of credit risk:

30 June 2020	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
- fixed and floating rate debt securities	4,558.0	667.1	-	-	-	5,225.1
- syndicate loans	16.7	-	-	-	-	16.7
- equity funds	-	-	-	-	86.9	86.9
- hedge funds	-	-	-	-	340.1	340.1
- illiquid credit assets	-	-	-	-	211.3	211.3
- derivative financial instruments	-	-	-	-	10.2	10.2
Insurance receivables	-	-	-	-	1,258.6	1,258.6
Reinsurance assets	1,649.4	-	-	-	-	1,649.4
Other receivables	86.9	-	-	-	-	86.9
Cash and cash equivalents	355.2	4.5	-	-	-	359.7
Total	**6,666.2**	**671.6**	**-**	**-**	**1,907.1**	**9,244.9**

31 December 2019	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
- fixed and floating rate debt securities	3,536.0	1,269.1	-	-	-	4,805.1
- syndicate loans	8.0	-	-	-	-	8.0
- equity funds	-	-	-	-	163.6	163.6
- hedge funds	-	-	-	-	354.0	354.0
- illiquid credit assets	-	-	-	-	216.6	216.6
- derivative financial instruments	-	-	-	-	25.5	25.5
Insurance receivables	-	-	-	-	1,048.0	1,048.0
Reinsurance assets	1,338.2	-	-	-	-	1,338.2
Other receivables	72.0	-	-	-	-	72.0
Cash and cash equivalents	278.5	-	-	-	-	278.5
Total	**5,232.7**	**1,269.1**	**-**	**-**	**1,807.7**	**8,309.5**

The largest counterparty exposure within tier 1 is $2,006.0m of US treasuries (31 December 2019: $1,599.9m).

Financial investments falling within the unrated category comprise hedge funds and illiquid credit assets for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated, due to premium debtors not being credit rated.

The timing and level of impact of business failures as a result of COVID-19 is uncertain. Current and expected collection of trade receivables since the start of the COVID-19 pandemic have been modelled on a region-specific basis, taking into account macroeconomic factors, such as revised GDP outlooks, government support available, and other regional specific microeconomic factors. Compared to historical receivable collection rates, management have recognised a $2.1m provision against insurance receivables. This provision is in light of an increase in balances over 90 days as a proportion of total insurance receivables over the past three months.

Insurance receivables in respect of coverholder business are credit controlled by third-party managers. We monitor third-party coverholders' performance and their financial processes through the group's coverholder management team. These assets are individually impaired after considering information such as the occurrence of significant changes in the counterparties' financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the overall credit risk exposure indicates that the group has reinsurance assets that are impaired at the reporting date. The total impairment in respect of the reinsurance assets, including reinsurer's share of outstanding claims, at 30 June 2020 was as follows:

	Individual impairment $m	Collective impairment $m	Total $m
Balance at 1 January 2019	2.8	9.4	12.2
Impairment loss recognised	0.3	1.2	1.5
Balance at 31 December 2019	3.1	10.6	13.7
Impairment loss (written back)/recognised	(0.1)	1.8	1.7
Balance at 30 June 2020	**3.0**	**12.4**	**15.4**

The group has insurance receivables and reinsurance assets that are past due at the reporting date. An aged analysis of these is presented below:

30 June 2020	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	79.8	15.1	16.1	39.6	150.6
Reinsurance assets	32.6	5.9	1.0	13.7	53.2

31 December 2019	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	59.2	26.0	8.6	31.9	125.7
Reinsurance assets	3.0	5.6	0.9	7.3	16.8

The total impairment provision in the statement of financial position in respect of reinsurance assets past due (being reinsurance recoverables due on paid claims) by more than 30 days at 30 June 2020 was $3.0m (2019: $3.1m). This $3.0m provision in respect of overdue reinsurance recoverables is included within the total provision of $15.4m shown in the table above.

The group believes that the unimpaired amounts that are past due more than 30 days are still collectable in full, based on historic payment behaviour and analyses of credit risk.

Liquidity risk
The liquidity risks are consistent with those disclosed within the 2019 annual report on pages 165 to 167. COVID-19 has meant that there has been an increase in claims in 2020 across several of the group's divisions. Many of these claims will be settled in 2020 meaning that cash will need to be available. The group has

actively monitored and adjusted its liquidity by utilising $225m of its banking facility by placing a letter of credit to meet its Funds at Lloyd's requirement. As a result of this, assets previously used to meet the Funds at Lloyd's requirement were brought back into the portfolio, thus aiding liquidity if required. The group also raised additional capital of $292.6m primarily to make the most of any growth opportunities, but also to strengthen the balance sheet and liquidity position of the group.

The following is an analysis by business segment of the estimated timing of the net cash flows based on the net claims liabilities balance held:

30 June 2020	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Cyber & executive risk	234.7	427.5	215.0	80.8	958.0	2.4
Marine	110.9	124.3	39.8	20.1	295.1	1.9
Market facilities	0.6	2.5	2.2	3.5	8.8	4.9
Political, accident & contingency	79.4	79.9	17.9	14.0	191.2	1.9
Property	164.4	190.7	44.3	25.2	424.6	1.9
Reinsurance	101.2	96.8	27.1	20.2	245.3	2.0
Specialty lines	218.7	468.5	348.1	475.7	1,511.0	4.2
Net claims liabilities	**909.9**	**1,390.2**	**694.4**	**639.5**	**3,634.0**	

31 December 2019	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Cyber & executive risk	263.2	431.0	177.8	58.4	930.4	2.2
Marine	112.2	100.5	35.1	16.5	264.3	1.8
Market facilities	0.5	1.9	1.6	2.0	6.0	4.4
Political, accident & contingency	69.9	51.1	13.1	12.2	146.3	1.9
Property	159.5	129.0	31.9	20.9	341.3	1.7
Reinsurance	106.8	93.8	26.0	19.4	246.0	1.9
Specialty lines	245.8	481.5	339.8	390.1	1,457.2	3.8
Net claims liabilities	**957.9**	**1,288.8**	**625.3**	**519.5**	**3,391.5**	

The following table is an analysis of the net contractual cash flows based on all the liabilities held:

30 June 2020	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Net claims liabilities	909.9	1,390.2	694.4	639.5	3,634.0
Borrowings	-	-	-	547.0	547.0
Other payables	703.5	-	-	-	703.5

31 December 2019	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Net claims liabilities	957.9	1,288.8	625.3	519.5	3,391.5
Borrowings	-	-	-	546.8	546.8
Other payables	566.4	-	-	-	566.4

The group makes additional interest payments for borrowings.

The next two tables summarise the carrying amount at reporting date of financial instruments analysed by maturity date.

Maturity 30 June 2020	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m

Fixed and floating rate debt securities	1,600.4	1,767.6	809.3	403.7	587.9	32.4	23.8	5,225.1
Syndicate loans	-	-	-	-	-	-	16.7	16.7
Derivative financial instruments	10.2	-	-	-	-	-	-	10.2
Cash and cash equivalents	359.7	-	-	-	-	-	-	359.7
Insurance receivables	1,258.6	-	-	-	-	-	-	1,258.6
Other receivables	86.9	-	-	-	-	-	-	86.9
Other payables	(703.5)	-	-	-	-	-	-	(703.5)
Borrowings	-	-	-	-	-	(547.0)	-	(547.0)
Total	**2,612.3**	**1,767.6**	**809.3**	**403.7**	**587.9**	**(514.6)**	**40.5**	**5,706.7**

31 December 2019	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	1,229.5	1,686.6	954.2	410.2	471.2	27.5	25.9	4,805.1
Syndicate loans	-	-	-	-	-	-	8.0	8.0
Derivative financial instruments	25.5	-	-	-	-	-	-	25.5
Cash and cash equivalents	278.5	-	-	-	-	-	-	278.5
Insurance receivables	1,048.0	-	-	-	-	-	-	1,048.0
Other receivables	72.0	-	-	-	-	-	-	72.0
Other payables	(566.4)	-	-	-	-	-	-	(566.4)
Borrowings	-	-	-	-	-	(546.8)	-	(546.8)
Total	**2,087.1**	**1,686.6**	**954.2**	**410.2**	**471.2**	**(519.3)**	**33.9**	**5,123.9**

Borrowings consist of two items. The first is $250m of subordinated tier 2 debt raised in November 2016. This debt is due in 2026 and has annual interest of 5.875% payable in May and November of each year. The second comprises $300m of subordinate tier 2 debt raised in September 2019. This debt is due in 2029 and has annual interest of 5.5% payable in March and September each year.

Illiquid credit assets, hedge funds and equity funds are not included in the maturity profile because the basis of maturity profile cannot be determined with any degree of certainty.

Government grant COVID-19 specific
The group has received $0.1m of government grants relating to COVID-19 for wage relief for our Singapore employees (30 June 2019: nil; 31 December 2019: nil). These grants are deemed to be tax free in the hands of the employer. Under IAS 20: Government Grants, government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Impairment testing of goodwill
Beazley's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

Due to COVID-19 having a large impact on both the economic market and insurance market, driving a reduction in investment income and high claims, the forecast on which the impairment analysis at the end of 2019 was based is no longer appropriate.

As a result, management performed an impairment test as at 30 June 2020 across all divisions which have goodwill, with the updated value in use numbers derived from amended forecasts and an amended discount rate of 8.4% (31 December 2019: 7.0%). The discount rate has been adjusted to reflect the current market assessment of the risks specific to the insurance industry and was estimated based on the weighted average cost of capital for the group. As a result of the updated analysis, management did not identify impairment across any of the cash-generating units.

To test the segment's sensitivity to variances from forecast profits, the discount rate has been flexed to 5% above and 5% below the central assumption. Within this range, the recovery of goodwill was stress tested and remains supportable across all cash generating units.

2020	Cyber & executive risk $m	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Goodwill	1.5	2.3	-	29.6	24.9	0.8	2.9	62.0
Capacity	1.7	1.6	-	1.0	2.5	0.8	3.1	10.7
Licences	3.3	-	-	-	1.9	-	4.1	9.3
Total	**6.5**	**3.9**	**-**	**30.6**	**29.3**	**1.6**	**10.1**	**82.0**

2019	Cyber & executive risk $m	Marine $m	Market facilities $m	Political, accident & contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Total $m
Goodwill	1.5	2.3	-	29.6	24.9	0.8	2.9	62.0
Capacity	1.7	1.6	-	1.0	2.5	0.8	3.1	10.7
Licences	3.3	-	-	-	1.9	-	4.1	9.3
Total	**6.5**	**3.9**	**-**	**30.6**	**29.3**	**1.6**	**10.1**	**82.0**

13 Share capital

On 19 May 2020, the group successfully completed the placing of new ordinary shares in the capital of the company. A total of 78,501,420 new ordinary shares of five pence each in the capital of the group were placed at a price of 315 pence per Placing Share. A total of 13,085 Subscription Shares were subscribed through the Subscription. The placing raised total net proceeds of $292.6m.

The Placing Price of 315 pence represented a discount of 4.95 per cent to the closing share price of 331.4 pence on 18 May 2020. The Placing Shares and the Subscription Shares being issued together represented approximately 15 per cent of the existing issued ordinary share capital of Beazley prior to the Placing and Subscription.

This equity was raised through a cash box structure. Pre-emptive rights were not considered with the placing, however prior to issuance, senior management consulted with approximately 85% of existing shareholders (calculated by voting rights) who were given the option to participate. The shares issued are classified as ordinary shares and carry the same voting rights as previously issued ordinary shares. The group considered it an appropriate time to raise equity in order to position the business for future growth opportunities. It also provides further strength to the balance sheet in light of the continued uncertainty from COVID-19.

	2020	
	No. of shares (m)	$m
Ordinary shares of 5p each		
Placing	78.5	4.8
Total	**78.5**	**4.8**

The total net proceeds received in respect to the cash box structure were $292.6m and were credited as follows:

	2020
Share capital	4.8
Retained earnings[1]	287.8

Balance at 30 June	**292.6**

1 The amount attributed to retained earnings is net of $9.6m relating to expenses incurred from the equity issuance.

The following table illustrates the movement in loss per share before and after the issuance.

	6 months ended June 2020 (incl. share issuance)	6 months ended June 2020 (excl. share issuance)
Basic (cents)	(2.2)	(2.4)
Diluted (cents)	(2.2)	(2.4)
Basic (pence)	(1.7)	(1.9)
Diluted (pence)	(1.7)	(1.9)

14 Related party transactions

The related party transactions of the group are consistent in nature and scope with those disclosed in note 30 of the group's consolidated financial statements for the year ended 31 December 2019.

15 Foreign exchange rates

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

	6 months ended 30 June 2020	**6 months ended 30 June 2019**	**Year to 31 December 2019**
Average			
Pound sterling	0.79	0.77	0.79
Canadian dollar	1.36	1.34	1.33
Euro	0.91	0.88	0.89
Spot			
Pound sterling	0.79	0.79	0.76
Canadian dollar	1.35	1.33	1.32
Euro	0.88	0.88	0.90

16 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.

Alternative performance measures (APMs)

The group uses APMs to help explain its financial performance and position. These measures, such as combined ratio, expense ratio, claims ratio and investment return, are not defined under IFRS. The group is of the view that the use of these measures enhances the usefulness of the financial statements. Definitions of key APMs are included within the glossary.

A.M. Best

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

Binding authority
A contracted agreement between a managing agent and a coverholder under which the coverholder is authorised to enter into contracts of insurance for the account of the members of the syndicate concerned, subject to specified terms and conditions.

Capacity
This is the maximum amount of premiums that can be accepted by a syndicate. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Capital growth assets
These are assets that do not pay a regular income and target an increase in value over the long term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge 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. In 2020, this ratio was 71% (30 June 2019: 62%; 31 December 2019: 62%). This represented total claims of $869.1m (30 June 2019: $693.1m; 31 December 2019: $1,452.5m) divided by net earned premiums of $1,233.8m (30 June 2019: $1,118.0m; 31 December 2019: $2,347.0m).

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. In 2020, this ratio was 107% (30 June 2019: 100%; 31 December 2019: 100%). This represents the sum of net insurance claims of $869.1m (30 June 2019: $693.1m; 31 December 2019: $1,452.5m), expenses for acquisition of insurance contracts of $327.9m (30 June 2019: $298.4m; 31 December 2019: $645.4m) and administrative expenses of $121.8m (30 June 2019: $129.6m; 31 December 2019: $244.3m) to net earned premiums of $1,233.8m (30 June 2019: $1,118.0m; 31 December 2019: $2,347.0m). This is also the sum of the expense ratio 36% (30 June 2019: 38%; 31 December 2019: 38%) and the claims ratio 71% (30 June 2019: 62%; 31 December 2019: 62%).

Coverholder
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. In 2020, the expense ratio was 36% (30 June 2019: 38%; 31 December 2019: 38%). This represents the sum of expenses for acquisition of insurance contracts of $327.9m (30 June 2019: $298.4m; 31 December 2019: $645.4m) and administrative expenses of $121.8m (30 June 2019: $129.6m; 31 December 2019: $244.3m) to net earned premiums of $1,233.8m (30 June 2019: $1,118.0m; 31 December 2019: $2,347.0m).

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, but 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 but which have not yet been reported.

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).

Investment return
Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. In 2020, this was calculated as net investment income of $83.2m (30 June 2019: $170.3m; 31 December 2019: $263.7m) divided by average financial assets at fair value, including cash, of $6,050.7m (30 June 2019: $5,122.1m; 31 December 2019: $5,452.0m).

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.

Market facilities
Market facilities come in many forms and have existed in the Lloyd's market for decades. They involve the broker seeking capacity to underwrite a portfolio of risks often from a specific class or geography, though multi class facilities also exist. They have similarities with lines slips, quota shares and binders.

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 $35.0m 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.

Rate change
The percentage change in premium income charged relative to the level of risk on renewals.

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 or loss after tax by the average daily total equity. In 2020, this was calculated as loss after tax of $12.7m (30 June 2019: profit of $138.6m; 31 December 2019: profit of $234.1m) divided by average equity of $1,726.5m (30 June 2019: $1,494.2m; 31 December 2019: $1,538.6m).

Risk
This term may 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 US. Lloyd's underwriters are surplus lines insurers in all jurisdictions of the US 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.

Underwriting profit
This is calculated as net earned premiums, less net insurance claims, acquisition costs and administrative expenses.

END

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