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REG - Beazley PLC -Beazley plc results for year end 31 December 2020

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Press Release

Strong premium growth in a challenging year

London, 5 February 2021

Beazley plc results for year ended 31 December 2020

- Loss before tax of $50.4m (2019: Profit $267.7m)
- Return on equity of (3%) (2019: 15%)
- Gross premiums written increased by 19% to $3,563.8m (2019: $3,003.9m)
- Combined ratio of 109% (2019: 100%)
- Rate increase on renewal portfolio of 15% (2019: 6%)
- Prior year reserve releases of $93.1m (2019: $9.5m)
- Net investment income of $188.1m (2019: $263.7m)

	Year ended 31 December 2020	Year ended 31 December 2019	% movement
Gross premiums written ($m)	**3,563.8**	3,003.9	19%
Net premiums written ($m)	**2,917.0**	2,503.5	17%
(Loss)/Profit before tax ($m)	**(50.4)**	267.7	(250%)
Earnings per share (pence)	**(6.3)**	35.0	(119%)
Net assets per share (pence)	**219.1**	235.0	(7%)

Net tangible assets per share (pence)	**203.8**	217.3	(6%)
Dividend per share (pence)	**0.0**	12.3	(100%)

Andrew Horton, Chief Executive Officer, said:

"Beazley's gross premiums written increased by 19% to $3,563.8m, supported by rate rises across most of our divisions. We also achieved a strong investment income in the face of volatile conditions.

I am very positive about the year ahead. We have the capital strength to support our growth plans and look forward to a continued favourable rate environment and expansion of our specialist products globally. I am confident we can return to paying dividends during the course of 2021".

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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 2020, underwrote gross premiums worldwide of $3,563.8 million. All Lloyd's syndicates are rated A by A.M. Best.

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

Beazley'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.

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

Statement of the Chair

Beazley delivered strong premium growth in 2020, with premiums rising 19% to $3,563.8m (2019: $3,003.9m) in a market that saw rates respond sharply to heightened claims activity in many lines of business. However, the pre-tax loss of $50.4m (2019: Profit $267.7m), driven by a combined ratio that deteriorated to 109% (2019: 100%), is disappointing.

Shareholders' support for our growth strategy and the benefit of the capital raised in May means we are well placed to capture the opportunities ahead of us. Beazley enters 2021 on a firm footing to deliver long-term growth across a diversified portfolio and your board is determined to resume delivery of consistent, market-leading returns.

The spread of COVID-19 has triggered a deep global recession and widened existing wealth and health divisions, having a more extensive effect on society than one could have imagined. It has tested the insurance industry and our role in protecting society against risk and unforeseen events. It has also demonstrated the need for collaboration across the industry and government to deliver solutions that protect populations from the biggest threats of our time, from pandemics to natural catastrophe, and from climate change to cyber-attack and terrorism.

The global pandemic impacted a number of lines of business, most notably our contingency book where we quickly settled claims arising from cancelled or postponed events. The global events and hospitality sector has been a very successful area for Beazley for many years and we are working closely with clients to provide financial support and flexibility around coverage ahead of its return to full strength in more normal times. In total our booked first-party losses related to COVID-19 have reached $340m. We took action when we saw that COVID-19 was likely to impact the economy, and this strategy, allied with our underwriting action over the previous year in anticipation of a future recession, will mitigate the impact in our longer tail liability classes, where claims are expected to materialise from 2021 onwards.

As an insurer we must manage our exposure to multiple, interconnected risks, including the actual and future effects of climate change. Beazley actively manages its carbon footprint and participates with industry to reduce our impact and support a lower carbon economy. In 2020 the board increased its focus on both the risks and opportunities arising from climate change and worked with management to refine and develop our Environmental, Social and Governance (ESG) strategy. Further details are contained later in this report.

The challenging events of the past 12 months have been the catalyst for improvements to how we work and trade. The pandemic has brought about lasting and positive change. As a board, our responsibility lies in protecting the financial health of our business and ensuring we have the right people, investment, and risk appetite to deliver on our promises. We depend on our motivated and engaged people supported by Beazley's strong culture, to continue growing and developing as a business. In the last 12 months we have focused extensively on the physical and mental wellbeing of our people. The resilience of colleagues and the positive attitude of management to understanding people's unique circumstances has shown the company at its best. We have made further progress in broadening the diversity of our workforce, with good progress against our current targets. However, we all recognise we have more to do and as such the board has agreed a set of new stretching targets for the business.

Throughout this year the board and management have adapted well to working together in this virtual environment. I thank my fellow board members for their deep commitment to the business and our stakeholders. We have benefitted from the expertise of John Sauerland and Sir Andrew Likierman over the past five and six years respectively. As they retire from the board, we wish them very well for the future and we thank them for their valued contribution.

In line with our board composition strategy we have sought to bolster the diversity of our board as well as seeking to ensure the board has access to the relevant skills and experience to support and challenge management as they execute our growth strategy. We are pleased to have appointed Pierre-Olivier Desaulle to the board, and are seeking to appoint an additional director with experience of US markets.

We have come through a very hard year for everyone and we look forward to the prospect of a return to some form of normality, while harnessing the best of the innovation and fresh thinking that has come out of this period. The insurance market has responded to the heightened risk and claims environment by increasing rate, and tightening conditions across most of the lines we participate in. These market movements, combined with Beazley's strong underwriting discipline and rigorous focus on capital allocation and returns, mean the company is well placed to take advantage of the market opportunities ahead. Given the financial result combined with the continued uncertainty surrounding COVID-19, the board decided not to declare a dividend at the end of 2020. The board remain fully committed to the progressive dividend strategy, and are focused on profitability and returning to paying dividends in 2021. 2021 begins on a trajectory of further strong sustainable growth and we are well placed to deliver the financial returns that have been synonymous with Beazley over the years.

David Roberts
Chair

Chief Executives statement

Beazley achieved a third year of double digit premium growth in 2020, with rate rises driving gross premiums written up 19% to $3,563.8m (2019: $3,003.9m). Loss before income tax of $50.4m (2019: Profit $267.7m) was softened by a strong investment return. Our combined ratio of 109% (2019: 100%) was heavily impacted by the volume of COVID-19 related claims in this unprecedented year.

As insurers our role is to be ready for unforeseen events and to expect and manage change. We are accustomed to a pace that continues to accelerate - reflective of a more technologically driven joined-up world - designing insurance solutions that flex and respond to evolving risk.

Yet despite the volume of information, data and predictive analytics at our fingertips, we didn't foresee the events of this year. As individuals and organisations, we have all been hit hard by the global pandemic, which has disrupted normal ways of life and doing business. In responding to this crisis, insurance has been one of the levers to help with economic and social recovery alongside government, community action and individual acts of care. We have paid claims quickly and efficiently and adapted to deliver insurance solutions that protect customers as they navigate the challenges of operating between the virtual and real worlds.

However we are still in the midst of the pandemic and its full impact will not be felt for some time. The unprecedented challenge has taught us valuable lessons, from how we operate to the need to review the stress testing of our realistic disaster scenarios.

Business performance

At Beazley we felt the impact of pandemic-related losses, reporting an estimated $340m in first-party claims net of reinsurance in 2020, largely driven by our exposure to cancelled events, and to have ultimately yielded a financial loss has been disappointing.

Yet this masks some real success and I am proud of the strength of the company and of the resilience of our people and their unwavering commitment to serve clients and support our business.

We entered 2020 on a strong foundation having taken action on underperforming areas of the book and invested in infrastructure. These measures to build a more efficient and agile organisation strengthened our core resilience and enabled us to make significant progress throughout the year. We continued to attract talented individuals, launch new products, expand our global footprint and make significant changes to how we work as a business. In March, we acted quickly to ensure we were well resourced to respond to the impact of the pandemic and we continued paying claims well and efficiently whilst finding new ways to support partners through these troubled times. Our commitment to delivering on our promise to customers and to acting as a responsible, consistent partner has not wavered and we look forward to returning to profit in 2021 and delivering our most ambitious growth plan in more than a decade.

Reflecting on 2020

We began the year on a strong footing prepped to respond to the improved rating environment and having remediated underperforming areas of our book. We took further rating and underwriting action in March to respond to the economic effects of the pandemic, particularly in recession-exposed lines, as rates began to increase more sharply in almost every class of business.

Throughout the year we have achieved strong targeted growth and taken responsible action to manage our exposure in lines where COVID-19 and recession-related claims have led to capacity withdrawal elsewhere.

To support renewed growth opportunities, and in response to COVID-19 losses we strengthened our capital position by raising $292.6m of new equity from shareholders in May and extended our debt facility from $225m to $450m. We also added additional reinsurance during the year to support our position in terms of growth opportunities and managing COVID-19 losses. Throughout the year we continued to optimise our capital position and our surplus capital remains within our target range at year end. In December, we set up a captive insurance company to more efficiently manage our capital requirements and support the growth of our US operation.

Our investment strategy has remained cautious, in response to renewed market weakness and elevated economic uncertainty. After actively reducing investment risk as markets fell during the first quarter, we added risk as markets recovered, achieving a return of 3%, exceeding our original expectations, notwithstanding the volatile conditions.

Another major issue for the insurance industry this year has been the rise of ransomware to become the biggest cyber risk currently facing organisations. In over a decade of managing tens of thousands of incidents on behalf of clients, we have consistently combined risk transfer and risk prevention to reduce the likelihood of an attack and to manage down the impact. As the forms of attack become more severe and complex, we need the clearest possible view of the routes that bad actors take and where the weaknesses are that they can target. We have therefore increased our investment in data and analytics to help build a clearer picture of clients' cyber security vulnerabilities and to improve their risk rating, enabling us to make more informed decisions on our exposure and rates, whilst offering clients the ability to identify their vulnerabilities and mitigate their risks.

Growth and opportunity
The return of rating discipline has been welcome after a prolonged soft rating environment, enabling us to continue strong growth in core markets and deliver against our long-term strategy to grow in a targeted way across Asia, Europe and Latin America.

In the US, premium growth was 23%, getting us closer to our US near-term target of $2bn. Growth was strongest across our Specialty Lines, Cyber & Executive Risk (CyEx) and Property books. We continued to launch new products including standalone liability cover for social media influencers and online publishers. We welcomed a Product Recall underwriting team mid-year who demonstrated the art of the possible by launching our new offering entirely remotely.

The improved ratings, responsive underwriting and rollout of innovative products has driven significant growth outside the US, particularly in financial lines, healthcare and cyber. In Asia Pacific we launched our etrading broker portal myBeazley, providing access to specialist digital products for smaller businesses through an efficient digital platform. In France we launched fine art and jewellers' block to support our strategy of growing in mainland Europe, where we see opportunities for our specialist insurance offering to add value to clients.

Beazley Virtual Care, a pioneering product that insures a multitude of risks facing organisations in the digital health space, came into its own in 2020 as many more healthcare providers moved to treat patients remotely. Already available in the US and UK, Virtual Care was launched in Singapore, Hong Kong, Canada, Spain, Chile and Colombia in 2020 and we also continued to expand our healthcare footprint by rolling out our more established medical malpractice and life sciences cover to more territories.

London market
We underwrite the majority of our Marine and Reinsurance risks as well as a significant portion of our Property business in London. Whilst we continue to build our footprint globally we continue to play a very active role in ensuring Lloyd's remains a competitive and thriving insurance hub. Progress comes more quickly where we work cohesively and we continue to support the Future at Lloyd's programme and particularly the strides made in driving efficiency in claims and electronic trading. London's ability to implement necessary change depends on the market's willingness to adapt and a healthy culture that fosters dynamism and a shared purpose. Along with Lloyd's, we are looking at how we can harness the best of both the remote and the real-world trading environments, building on the advances towards greater digital trading and slicker processes achieved during lockdown.

Our people
Maintaining a culture of openness and transparency as we grow does not happen on its own. We are fortunate we have many people across the company dedicated to keeping us connected with one another. The challenges of this year meant we focused many more resources on supporting the health and wellbeing of our employees. Additional wellbeing days were introduced, mental health first aiders were trained to provide confidential support, and a free app was made available that provides access to support and counselling when needed. Like most organisations we have further to go in building a more diverse workplace. Good data holds the key to driving meaningful change. Having met our original target of 36% female representation in our senior team by 2020, we have set a new target of at least 45% female representation by 2023. We are building a similar strategy to improve ethnic diversity within teams and aim to announce our targets in regards to this during the course of 2021.

Our people are what drives us forward and we continued to promote and hire talented individuals to our global teams. Bethany Greenwood, head of our Cyber & Executive Risk division joined the group's executive committee in June 2020 taking over from Mike Donovan, and continues to demonstrate the expertise and capabilities needed to drive the business forward. We have also created new roles that are key to our growth as a company. Among them, Chris Illman joined us as sustainability officer to work with the wider leadership team on developing our Environmental, Social and Governance (ESG) strategy. Further information can be found within the responsible business section of this report, as well as our standalone responsible business report. Our new underwriting incubation hub, led by George Beattie, is collaborating across the business to turn our fledgling ideas into our successful products and solutions of tomorrow.

There are now 168 people at Beazley who never stepped foot inside our offices in 2020 due to COVID-19 restrictions. Meeting up in person will be the real incentive to getting back in the office when circumstances allow it. However, we will not be returning to pre-pandemic 'business as usual'. Rather, we are looking forward to seeing how our new blended approach to working will evolve over time and how the wider market adapts. The new working practices we introduced in September make us a more flexible, productive and attractive place to work. The incredible resilience of our people during 2020, supported by prior years of investment in our IT systems and tools, has shown we are entirely capable of delivering consistently high service remotely to our brokers and clients.

Claims
One of the clearest demonstrations of collaboration and resilience in 2020 has been in the work of our claims team, led by Beth Diamond, to maintain service levels throughout the peak of the crisis. In the moment of truth for our clients, colleagues adopted an all-hands-on-deck approach to support claims service delivery. People across the business who had spare capacity volunteered to support claims in administrative or support roles to ease pressure on

our claims specialists. The slowdown of the court system due to social distancing allowed some opportunity to settle a number of outstanding claims.

Lessons learnt

There have been many opportunities to learn lessons in how to prepare for and respond to a significant crisis in the future. Even in the midst of a fast-moving situation, we are reminded of the critical importance of maintaining strong internal and external communication to manage both expectations and the clarity of our response. A review of our realistic disaster scenarios is also underway, looking at their ongoing efficacy and ability to respond to new information or to an event that escalates beyond the initial assumptions built into the stress test.

Outlook

The year demonstrated the importance of flexibility and the need for a clear and consistent strategy. The strength of our diversified business and significant growth in many classes in 2020 is a testament to the expertise of our people and a long-term strategic underwriting approach. We anticipate the favourable rating environment will continue throughout 2021 and we will continue to pursue growth in areas where we can deliver consistent value for brokers and clients while managing our claims and expenses.

Despite the harsh effects of the pandemic and a deep global recession, we are optimistic that the positive market change of the last 12 months and the resilience that we have demonstrated puts us on a strong financial and operational footing to support our clients and to grow profitably in 2021. We expect to deliver a low-90s combined ratio for 2021 assuming average claims experience.

Andrew Horton
Chief executive officer

Chief underwriting officer's report

Beazley achieved premium growth of 19% against a challenging claims environment driven by COVID-19 losses which hit our contingency book particularly hard. The combined ratio was 109%. Our premium growth exceeded plan to reach $3,563.8m, giving us a strong platform for growth in the future.

Never before has our role in society been so tested. How we responded as a market, as companies and indeed individuals was firmly under the spotlight and rightly scrutinised. As an organisation we have weathered this crisis well. We adapted to the new environment and, above all, our people and culture have ensured that we remained true to our core: taking responsibility for the needs of clients and partners, building resilience and delivering a consistent strategy in the face of adversity. Whilst we did not foresee a global pandemic, the optimisation of our portfolios that started in 2018 and 2019 in preparation for harsher economic conditions gave us a solid head start in responding to this crisis. Our swift action and core culture have enabled us to flex and adapt quickly to the new environment and continue to support our partners with confidence and consistency.

Our underwriting approach

Beazley has a history of building long-term partnerships with brokers and customers founded on mutual respect and trust. Throughout this period of upheaval our teams have demonstrated commitment to working with partners and doing the right thing through our consistent underwriting strategy and transparent, timely communication over cover and claims. Feedback over the past 12 months suggests that our partners and clients have appreciated how we have handled the crisis. We incurred $1,958.3m in claims in 2020, of which 17% was driven by COVID-19 and the impact on the economy, leading us to make an underwriting loss of $239.3m. Whilst our overall result was disappointing, our premium growth in the year has exceeded plan to reach $3,563.8m, giving us a strong platform for growth in the future.

Cancelled events were the main driver of our COVID-related losses, when the hospitality and events industries were shut by the enforced lockdown. Since March we have worked closely with clients and brokers to manage through the uncertainty by offering flexibility in our coverage, premium pauses and/or returns where rescheduled events have had to be cancelled or postponed, in order to support the viability of their businesses.

Recession exposure

We took swift action in March to re-underwrite certain parts of the business that would be exposed to COVID-19 and its subsequent impacts. Although liability claims are yet to manifest across the industry, our central assumption is that they will, and we have made provisions for them on our balance sheet. Where we were previously deliberately underweight in Directors' & Officers' (D&O) and Property we have been able to execute our growth plan to take a larger market share. In a period of elevated corporate risk, we are able to underwrite and appropriately price for it, allowing us to actively grow scale and relevance in this space.

Data focus

While the crisis has in many ways made trading more complex, and we have missed the ease of face-to-face interactions, it has also been a driver of innovation. In the last 12 months there has been a revolution in the adoption of digital technologies to transact business. Our underwriters increasingly incorporate data and analytics and modelling information into building a clearer overview of risk exposure. It is our responsibility to keep in step with this transformation to ensure we offer relevant risk mitigation and transfer solutions.

This year, despite the uncertainty, we were able to launch innovative products including Transmission Failure for virtual events. We rolled out our healthcare product for digital health providers, Virtual Care, to a further six countries - both examples of products designed to respond to the changing needs of clients that came into their own under lockdown. Increasingly we are meeting customers' appetite for solutions that offer more than risk transfer by designing products that incorporate service propositions to mitigate and manage risk as well.

In support of ongoing innovation, we formed a new incubation underwriting team specifically focused on developing ideas to manage new and emerging risks. This team both supports underwriters in evolving existing products and nurtures entirely new concepts, including underwriting new products in their infancy in order to drive focus and de-risk main business lines.

This uncertain climate is no time to shy away from investing in innovative ways to improve on what we deliver and how; hence the ongoing development of our digital strategy. Our Faster, Smarter Underwriting strategic initiative is driving teams across the business to apply data and analytics to risk selection and management. The aims of our strategic initiative are four-fold: to maximise underwriting performance by providing additional sources of data and management information dashboards; to extract more value from our existing data; to better leverage our investments in technology to help in areas such as workflow; and to transform our underwriting of complex risks. We have seen the benefits of this within our cyber book by using tools to scan client cyber security for weaknesses, in gaining clearer behavioural insights about individuals and boards to manage our D&O exposures, and through more advanced modelling of secondary perils such as wildfire or hail within our property book.

For smaller risks we are rolling out our etrading platform to more territories, while ensuring these platforms are robust and intuitive for brokers to use without losing the specialist underwriting advantage that Beazley is known for. At the larger end, our Smart Tracker business has achieved growth to $133.4m gross written premium. Designed to reduce underwriting costs in the Lloyd's market by making the follow-market work more efficiently, the tracker is now working with 30 facilities alongside some newer similarly styled syndicates within the market.

Within the Lloyd's market we are keen participants in the Product Innovation Facility (PIF), an initiative designed to speed up (re)insurance product development for new and emerging risks. Lloyd's commitment to accelerating the market has accelerated during lockdown, which has been a positive development in tandem with the much improved growth prospects. Lockdown has also reminded us that our resilience as a market depends on continued collaboration and an openness to disrupt how we do things to deliver greater value for clients and thus society. This will be achieved through more efficient and effective products and services coupled with enhanced standards that improve business resilience.

Few could have predicted the first pandemic in a century and its cataclysmic effect on the global economy. However, the economic downturn was exacerbated, not created, by the pandemic. Our recession planning began in 2018 and hence we have achieved targeted growth in lines of business where higher losses and changes in appetite among more exposed carriers contributed to a return to a more fair and favourable rating environment. The pandemic accelerated the hardening market across recession-prone lines. However, it has been more than a decade since the last hard market and therefore, for many underwriters, this is a new experience requiring a different skill set and approach. We have been investing in building our underwriting talent, in training, and in the products and platforms that enable us to trade more effectively with brokers and better serve clients. Feedback from brokers has been overwhelmingly positive regarding the service and clarity that our underwriters have been delivering. This is hugely important to us as we strive to demonstrate our commitment to building long-term partnerships and to deliver a consistent, sustainable strategy. We wish to be able to capitalise fully on the opportunities that a strong market presents, one of which is to grow the business at a faster pace than usual and for that accelerated growth to provide the base for Beazley for the next 5-10 years. In this situation, it is useful to have a number of capital levers available and we have therefore bought a contingent quota share reinsurance of our Specialty Lines and CyEx divisions which allows us to trigger unilaterally up to $200m of ceded premium.

Cyber & Executive Risk
Cyber & Executive Risk (CyEx) under a new leadership structure led by Bethany Greenwood, grew premiums by 24% to $1,020.1m, amid the long-awaited hard market. Profitability was impacted by losses in employment practices liability (EPL) and the rise in ransomware, producing a combined ratio of 101%.

Now in its second full year as a standalone division, CyEx brings together Beazley's executive risks (US D&O, EPL, and Crime insurance) with global M&A and Cyber and Technology underwriting. In a year of contrasts across the division, Executive Risk experienced its sharpest rate rises to date even as competition remained steady, with rates expected to hold strong into 2021. This came after more than a decade of market inertia in which premiums failed to keep pace with higher litigation costs, settlement amounts, jury payouts and increased claims aligned to high-profile social justice movements. Following several years in planning for the D&O market turn, rates grew by 53%, enabling us to grow while remaining highly selective and diversified in our appetite.

Crime, to a much lower extent, followed the D&O market up while M&A also saw rates rise following a slow start to the year when acquisition deals dried up in the first lockdown. Our EPL book has been the most heavily remediated area, where exposure to ongoing social inflation has meant increased frequency and higher claims costs.

By contrast Cyber rates began to harden in the second half of the year with over 20% rate increases in the fourth quarter. The past year has seen significant changes to the cyber market landscape, with reductions in capacity, underwriting restrictions, tightening of terms and conditions, and rate change. The biggest influence has been a significant rise in frequency and severity of ransomware claims, which our team had been anticipating and adjusting for in our underwriting. We continue to focus on a tailored approach for each client, which reduces loss frequency and improves profitability. Our approach includes scanning clients during the policy lifecycle for vulnerabilities to help identify risks and threats; offering advice to help proactively correct vulnerabilities; and increasing rate to fully reflect the risk. Our goal remains to improve overall risk management of our clients by raising the standards to better detect, prevent and respond to these events. As a leading insurer, we have access to data, expertise and insight that we are applying to support clients and brokers as best we can.

Marine
Following several years of careful cycle management amid soft pricing and market losses, the Marine division achieved premiums of $337.4m and a combined ratio of 90%, as market conditions improved across most of the portfolio.

Hardening rates in Marine have been a longtime coming and have been assisted by Lloyd's action to correct underperforming classes and a subsequent contraction of the market.

As most of the book is placed through Lloyd's, Marine has seen some benefit from the improved trading environment. Action has also been taken to remediate selected areas of the account, resulting in Beazley exiting the UK Marine portfolio in January 2020.

Rate hardening has been particularly strong across the aviation and cargo portfolios, with average rate rises of 30% and 18% respectively. Both had previously activated strong cycle management plans and have weathered turbulence over the past two years, which has seen a number of peers reducing capacity or withdrawing from the market altogether.

The marine war account also saw considerable growth in 2020, largely due to increased claims activity in and around the Persian Gulf driving additional premium payments.

The exception to the growth across the portfolio has been in the energy book where reduced global oil prices and a benign claims environment in the upstream account meant rate increases were subdued.

The marine division continues to explore opportunities to embed data and analytics tools to derive more insight into the drivers of loss and how to mitigate them, working with third parties and enhancing proprietary data while looking ahead to more consistent growth opportunities in 2021.

Market Facilities
In its first year as a standalone division outside Specialty Lines, Market Facilities, led by Will Roscoe, has reported gross premiums written of $133.4m, more than doubling over 2019.

The Beazley Smart Tracker launched in 2018 as the London market's first follow-only special purpose syndicate. It tracks the market with the same underwriting, reserving and pricing approach as one would find within the main Beazley syndicates. Backed by Beazley and third-party capital, the model has shown resilience in the hardening market environment, with investors over-subscribing to back the syndicate during this year's round of funding. This inspires confidence in the model as a diversification opportunity in the new trading environment as well as the old, attracting a range of investors from Lloyd's Names and hedge funds through to larger pension funds and traditional reinsurers.

Beazley Smart Tracker aims to deliver lower acquisition costs and fees, and greater efficiency for the follow market. Its future success hinges on ongoing appetite for market facilities and consortia to follow in the market, which have both grown in number in 2020. We anticipate and hope the influx of third-party capital will continue to fuel more similarly styled follow-only syndicates, which will only help to drive greater efficiency within the London market.

As the net premium increased by more than 60% compared to last year, the division reduced it claims ratio to 30% (2019: 36%) and its expense ratio to 76% (2019: 78%). Lloyd's has approved growth for Beazley Smart Tracker to $200m in 2021, and the expense ratio is expected to reduce further through scale.

Political, Accident & Contingency
Political, Accident & Contingency (PAC) had a challenging year as the division hardest hit by COVID-19, due to the high number of cancelled events insured within the Contingency book. However other parts of the business performed well, benefiting from positive prior year movements. PAC reported premium of $273.0m and a combined ratio of 212%.

Following controlled growth in recent years, Beazley writes a sizeable contingency book that has absorbed a sharp increase in claims due to the severe impact of the pandemic on the events and hospitality industries. COVID-19-related Contingency loss estimates of $70m net of reinsurance were reported in the first half of the year. In September, Beazley's overall loss estimate for first-party claims increased by a further $170m net of reinsurance, which was largely attributable to the ongoing cancellation of events into 2021.

Our underwriting and claims teams have been working tirelessly with clients and brokers to pay claims quickly and to ensure coverage meets the needs of policyholders in the new hybrid world we are entering. The development of our Transmission Failure product for virtual events is an excellent example of our team acting to respond to the changing environment to create solutions that address future risks.

Growth in our Political Risk product was also dampened due to COVID-19, reflecting a slowdown in activities within the financial services industry as major projects ground to a halt. While this book and its performance are correlated with global economic cycles, there were no significant losses in a relatively benign claims environment, while rates strengthened in response to more competitive market conditions.

Premium grew across the terrorism portfolio, where there were a number of new underwriting opportunities globally. Growth was in part driven by more property exclusions put in place, contributing to an increase in appetite for standalone cover. Rates remained flat following a number of years of declining rates. Our Deadly Weapons Protection (DWP) product continued to grow in the US and also internationally. In the second half we developed a new joint US distribution strategy for DWP and Safeguard, a specialist product that provides cover and prevention services to reduce incidents of abuse, given insureds are typically in similar sectors.

Growth in Accident & Health was positive throughout the year with the main growth coming from the insurance portfolio. Life business, which largely sells group life policies through employers, had an increase in claims due to COVID-19, which were managed promptly and paid quickly.

Property
The property division reported a combined ratio of 120%, reflecting claims due to COVID-19, which masked corrective actions taken throughout 2019 and early 2020 to improve performance, while premiums grew by 10% to $470.5m.

The overall property market has continued to see a second year of rate increases in 2020, following soft market conditions going back at least five years. During this time the global property team has been diligently remediating the book through tighter risk selection to better diversify the portfolio and reduce loss frequency.

The division began the year on a strong footing, having significantly improved the management of attritional losses and catastrophe-exposed areas of the book. It remained focused on delivering profit over top-line growth through consistent underwriting, supported by improved rating tools and data capture across the portfolio as well as a sharp focus on reviewing wordings to ensure policies provide clarity and certainty to clients. We continue to invest in tools to better understand and underwrite our risk exposures, while also continuing to optimise our natural catastrophe perils using a data-led analytical approach to managing these exposures. We were pleased to continue to welcome new talent to the team over the course of the year, including additional underwriting expertise and one of the sector's most highly regarded wordings specialists.

Continued enhancements and diligence in our risk analysis and selection have addressed and reduced exposure to attritional loss, including water losses, which remain a growing issue across the industry. In addition an innovative approach to mitigating risk in the small property book through wind and earthquake buy-down products has helped us continue to grow in a highly competitive technology-driven market segment.

The Jewellery, Fine Art & Specie (JFAS) sector remains fairly competitive, with rate increases lagging the overall property market. While largely a London market book for Beazley, in 2020 we began underwriting in Asia via the Lloyd's China platform and in November launched a new Fine Art & Jewellers' block offering in France targeting mainland Europe.

The actions taken throughout 2020 let us head into 2021 with confidence in achieving targeted growth opportunities and highly selective underwriting.

Reinsurance
High frequency of medium-range natural catastrophe activity impacted profitability in the reinsurance division; however, the portfolio benefited from more substantial rate rises during the mid-year renewals contributing to

premiums of $194.5m on a combined ratio of 105%.

A new dynamic in the market saw the reinsurance division refocus on core property catastrophe business and reduce exposure to niche areas including miscellaneous treaty and also crop, which is the area of the portfolio most exposed to climate change risk.

Reinsurance was slower to experience increased premium than the primary market, but low-level rate increases materialised at the start of the year in areas of the property treaty book directly impacted by natural catastrophes in prior years. Market hardening across the book began in earnest at the mid-year point in response to concern around under-pricing and the potential impact of COVID-19 overlaying a number of years of significant weather-related losses, notably Hurricane Irma in 2017 and Typhoon Jebi in 2018. Although wildfires continued to burn in 2020, the division was less impacted having re-underwritten exposed areas of the book using improved modelling around secondary perils. Wind continued to prove the greater driver of claims, this year, in the form of Hurricane Laura and Mid-west Derecho.

We are reserved prudently to manage the effects of COVID-19 on the secondary property market and we continue to observe legal decisions regarding the primary market to ensure we respond quickly to the impact on the reinsurance market.

Specialty Lines
This is the second full year of reporting since the launch of CyEx as a separate division and the first in which Market Facilities has been a standalone business line, both having started life within Specialty Lines.

The division wrote $1,134.9m of premiums and reported a profit of $151.6m achieving a combined ratio of 94%, in a year of much-needed rate hardening following several years of soft market conditions and heightened claims volatility.

Specialty Lines began the year in a relatively flat market, having prepared a portfolio and pricing strategy to grow the book in a disciplined manner with an active recession plan in place. As the economic impact of COVID-19 became more apparent from March, the division took rapid steps to manage exposure and re-underwrite exposed lines where necessary. Faced with a pandemic combined with ongoing social inflation, poor historical results and the prospect of a deeper than anticipated recession, the markets almost unanimously reacted by adjusting pricing, triggering a market reset that is expected to continue throughout 2021.

This market turn has also coincided with the significant planned expansion of our book in Europe, Asia, Canada and Latin America across international financial lines, management liability and healthcare, as well as small digital business via our myBeazley platform. Throughout the year the division launched more than 50 international products in over ten countries and in many different languages, as part of a long-term strategy of hiring regionally based underwriters and building a diversified footprint, to complement our Lloyd's operation.

We were also delighted to welcome a team of product recall specialists who launched our US offering virtually, providing strong cross-sell and growth opportunities in 2021.

Overall rates increased in the year by 15% on average with the sharpest premium growth across international financial lines and management liability, and particularly in those territories with traditionally higher litigation costs, including Australia, and risks exposed in the US. International D&O increased by more than 120% on top of rate hardening in 2018 and 2019.

Specialty Lines has continued to pursue consistent underwriting and careful risk selection in lines of heightened risk, mindful of the long development nature of both COVID-19 and recession-related losses. To date, we have seen few claims arising from either event; however, we have strengthened reserves in exposed classes in anticipation of such claims starting to materialise in the future.
The performance of the lawyers professional liability book continues to improve with increased pricing and limit management, while the economic downturn has slowed growth in Environmental Liability although this remains one of our most profitable areas.

Most areas of healthcare have seen steady growth and we have substantially increased the footprint of our pioneering Virtual Care product, which insures a multitude of risks facing digital health providers. We have rolled out the offering in six countries, at a time when remote health consultations have become commonplace under social distancing rules.

Rate adjustment in both Healthcare Management Liability and Hospital Medical Malpractice Liability came later in the year; although we anticipate that these will continue to strengthen in 2021.

The Architects and Engineers, professional liability book remains very competitive in a crowded marketplace; however, we are hopeful of change in the future as this sector begins to feel the impact of recession-related claims.

Specialty Treaty, which tends to reinsure other specialist insurers, has grown profitably in a steadily improving rating environment. The rollout and expansion of the myBeazley platform has also proved successful in digitally delivering our specialist products to SME clients across a large global footprint, with this business proving profitable and less volatile despite the harsh economic conditions facing many smaller businesses.

Looking into 2021 we expect consistent growth against our plan and we anticipate further product expansion internationally as well as the continued roll-out of our Global Programmes capabilities.

Cumulative renewal rate changes since 2015 below:

	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Cyber & Executive Risk	100%	100%	100%	99%	104%	122%
Marine	100%	93%	90%	93%	103%	120%
Market Facilities	-	-	-	100%	103%	123%
Political, Accident & Contingency	100%	96%	92%	91%	91%	95%
Property	100%	96%	96%	106%	117%	135%
Reinsurance	100%	96%	94%	100%	105%	118%
Speciality Lines	100%	101%	102%	102%	107%	122%

All Divisions	100%	98%	97%	100%	106%	122%

Adrian Cox
Chief underwriting officer

Q&A with the chief executive

Do you have sufficient capital to take advantage of the opportunities that deliver greater shareholder value while ensuring you still pay claims?

The short answer is yes. Our surplus capital is currently $476.3m, which at 23% is well within the range of the 15%-25% surplus we want to hold in excess of our Lloyd's capital requirements. Our capital is in place to support the growth in our Lloyd's, US and European businesses and we have enough capital for our planned 15%-20% growth this year in gross written premiums. We will be buying a bit more reinsurance in 2021 to take out the volatility in the areas of greatest growth, such as Directors' & Officers' liability and Financial Institutions. Regarding our claims-paying ability, this has never been in question. We have a thorough process in place that ensures that we sufficiently reserve for claims; and a strong, resilient review structure that ensures the amounts we set aside are fair given existing market conditions, yet robust enough to withstand any headwinds.

Why did you get your initial COVID-19 estimate of loss so wrong? Based on the fact you had to revise your loss estimate, how confident are you that it won't deteriorate further?

Our initial loss estimate was based on the assumption shared by many that lockdown would come to an end in late summer meaning that both conferences and sporting events would start again in September. We estimated our event cancellation loss on this basis, assuming around six months of events being cancelled or postponed. By the end of August we could see the situation was deteriorating in most countries, with most events being cancelled for the foreseeable future. It was clear the uncertainty would continue until at least the spring of 2021 and, therefore, we took action and doubled our loss estimate. This estimate will only be revised again if events continue to be cancelled in the second half of 2021. We estimated this potential deterioration to be a further $50m net of reinsurance. After the end of 2021 we have very little exposure for further deterioration.

Given ongoing uncertainty due to COVID-19 and the recession, how certain are you of returning to profit in 2021?

Beazley's strong track record of profitability has been achieved over the years through hard work, business acumen and a consistent underwriting approach. This year, the world was caught off guard - no one foresaw the global pandemic or envisaged the impact it would have. We are in the risk-taking business, which means we can end up with unexpected losses at times, and this is one of those times. Even through the turmoil of this year many of our business classes performed well, and in 2021 we expect to see the third year of rate increases across many lines of business. While we haven't seen an escalation in social inflation over the past year, this is still something we are keeping a keen eye on. The growth in 2020 should give us good earnings potential in 2021 and beyond. I personally am looking forward to a return to profitability.

Which geographic areas present the strongest opportunities for growth?

Our expectations are high and we expect to see growth across the majority of our geographies. Rates continue to rise at Lloyd's, offering us the opportunity to capitalise on a hardening market. In the US, market conditions are favourable and given the size of the specialty market within which we operate there is plenty of room for growth. Over the past five years we have been growing at an average rate of around 17% per annum. Our near-term target is to increase the premiums in that business to $2bn, a 56% increase on where we stand today. Our Canadian and European businesses continued to grow at around 30% and 40% respectively per annum and we expect further good growth in those businesses. Our smaller businesses writing into Latin America from Miami, and Singapore, are also anticipating good growth opportunities. This does not mean that all lines of businesses will grow in all geographies because we continue to be cautious about more recession-prone businesses. Across many of our lines we have seen capacity withdraw and related rate increases, and in many places we are a relatively small player in a large market. The outlook however is positive.

Are you concerned that action on climate change has been side-lined due to the health and economic crises?

One of the things the pandemic did was really shine a light on the positive impact we can make on the climate crisis as individuals, communities, industries and nations. Very quickly after the initial lockdown, photos were posted around the world of the improvement a lack of travel was having on the natural world. I think the demonstration of such marked recovery from all across the globe kept climate change very much on the agenda in 2020 and provided much-needed impetus for action. Within the insurance industry climate change has never been so topical or in the spotlight, and across the market discussions and debates are had in every boardroom and meeting space about the impact, society's response, and immediate plans to contribute to a better world. Beazley's ability to move forward at pace will be shaped by the appointment of our Sustainability Officer, Chris Illman. Chris is working across the business to ensure a sharp focus on the challenges of climate change including threats - in terms of determining increased losses and the impact on our business, and opportunities for the development of new products and services that protect against the potential impact of climate change. Naturally we are also interested in our own direct impact as a company on the world around us, which is why we as a management team are committed to harnessing the positive effects of the last year to drive real, sustained change for the future, including a commitment to maintaining significantly lower levels of travel going forward. We also support Lloyd's recently published ESG strategy, and we look forward to working with them to deliver their sustainability targets.

What actions has Beazley taken to improve inclusion and diversity outcomes?

We made great progress on our inclusion and diversity (I&D) initiatives in 2020. With regard to gender, currently 36% of our executive committee and our board members are women. Whilst the make-up of the company is gender-balanced (48% women, 52% men) our objective is to ensure that balance is achieved across all levels and, importantly, across all areas. We've also been talking about the need for greater focus on race and ethnicity for a while. Now that we have made great strides forward on gender and are comfortable that we have the right processes in place to maintain our trajectory, we are keen to shift our focus and resources to achieve the same levels of success in ethnic diversity too. Our longest-standing network, Proud@Beazley, continues to go from strength to strength, extending its reach across the business - the latest virtual global pride event attracted strong attendance with over 400 employees showing support for the network. In the midst of the pandemic we also launched our mental well being network, with the dual objective of encouraging colleagues to actively manage their mental health and supporting more open and honest conversations on the topic. By partnering with Thrive, the mental wellbeing app, we can now offer 24/7 support to our employee population and give them direct access to effective tools and support at the touch of a button. We will continue to use data and insight to drive our I&D agenda, and I look forward to updating you on our continued progress in next year's report.

Financial Review

Result

Loss before tax in 2020 was $50.4m (2019: $267.7m profit). The group's combined ratio deteriorated to 109% (2019: 100%) primarily due to high volumes of claims arising on COVID-19 impacted lines of business. Our investment team achieved an investment return of 3.0% (2019: 4.8%).

Premiums

Gross premiums written have increased by 19% in 2020 to $3,563.8m (2019: $3,003.9m). Rates on renewal business on average increased by 15% across the portfolio (2019: increased by 6%) with our Market Facilities and Cyber & Executive Risk divisions seeing the largest movement. During the year, we have been adding exposure in a number of areas and taking underwriting remediation action on certain areas of business.

Statement of profit or loss

	2020 $m	2019 $m	Movement %
Gross premiums written	3,563.8	3,003.9	19%
Net premiums written	2,917.0	2,503.5	17%
Net earned premiums	2,693.4	2,347.0	15%
Net investment income	188.1	263.7	(29%)
Other income	29.8	25.8	16%
Revenue	2,911.3	2,636.5	10%
Net insurance claims	1,958.3	1,452.5	35%
Acquisition and administrative expenses	974.4	889.7	10%
Foreign exchange (gain)/loss	(11.2)	(1.1)	918%
Expenses	2,921.5	2,341.1	25%
Finance costs	(40.2)	(27.7)	
Profit before tax	(50.4)	267.7	
Income tax expense	4.3	(33.6)	
Profit after tax	**(46.1)**	**234.1**	
Claims ratio	73%	62%	
Expense ratio	36%	38%	
Combined ratio	109%	100%	
Rate increase	15%	6%	
Investment return	3.0%	4.8%	

Reinsurance purchased

Reinsurance is purchased for a number of reasons:

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

The amount the group spent on reinsurance in 2020 was $646.8m (2019: $500.4m). As a percentage of gross premiums written it increased to 18% from 17% in 2019.

Combined ratio

The combined ratio of an insurance company is a measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium.

A combined ratio under 100% indicates an underwriting profit. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer. Beazley's combined ratio deteriorated in 2020 to 109% (2019: 100%) due to the impact of first-party COVID-19 losses and increases in ransomware reserves.

Claims

After a series of years with material natural catastrophes, COVID-19 brought a wave of event cancellation and business interruption claims that have particularly hit our contingency and property books. Our first-party COVID-19 claims estimate remains at $340m net of reinsurance (of which $82.5m has been treated as an unexpired risk reserve in respect of events dated after 31 December 2020). This figure assumes a resumption to some form of normality in the second half of 2021. Were this not to be the case, we estimate that there is potential for a further $50m of claims net of reinsurance to the end of 2021. We continue to see increases in attritional claims due to ransomware and social inflation. As a result of these trends as well as the COVID-19 related costs, our claims ratio for the year deteriorated to 73% (2019: 62%).

Reserve releases

Beazley has a consistent reserving philosophy, with initial reserves being set to include risk margins that may be released over time as and when any uncertainty reduces. Historically these margins have given rise to held reserves within the range of 5-10% above our actuarial estimates, which themselves include some margin for uncertainty. The margin held above the actuarial estimate was 6.3% at the end of 2020 (2019: 6.8%). Reserve monitoring is performed at a quarterly 'peer review', which involves a challenge process contrasting the claims reserves of underwriters and claim managers, who make detailed claim-by-claim assessments, and the actuarial team, who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment. During years where we experience large losses we tend to see the margin we monitor being lowered as often we hold the same estimates within both the actuarial and held reserve estimates. This year, there are a number of drivers which cause this effect. Firstly, the significant first-party losses resulting from COVID-19 are held at a similar level in both the held loss reserves and the actuarial estimates. This is also the case for the number of natural catastrophes that occurred in the second half of 2020. Finally, as the aggregate reinsurance is operating on a number of years with Specialty Lines and Cyber and Executive Risk, this also has the effect of the two measures being similar net of reinsurance. Allowing for these effects would move the surplus around the middle of the target range.

The reserve releases in 2020 increased to $93.1m (2019: $9.5m) with all divisions contributing releases except Cyber & Executive Risk where an uptick of cyber ransomware activity resulted in a strengthening of $4.4m this year (2019: $9.4m release). Our Specialty Lines division has seen an increase in releases to $58.0m (2019: $36.9m). Our newly separated division Market Facilities, which was previously within Specialty Lines, is also contributing a $0.9m release (2019: nil). Our Political, Accident and Contingency division provided $4.6m of releases (2019: $16.8m) and our Marine, Property and Reinsurance divisions have all seen a return to releases this year, with marine contributing $8.9m (2019: $6.4m strengthening), Property contributing $4.4m (2019: $17.1m strengthening) and reinsurance contributing $20.7m (2019: $30.1m strengthening).

Prior year reserve adjustments

	2016 $m	**2017 $m**	**2018 $m**	**2019 $m**	**2020 $m**	**5 year average $m**
Cyber & executive risk	6.9	32.5	25.7	9.4	(4.4)	14.0
Marine	15.9	10.7	12.5	(6.4)	8.9	8.3
Market facilities	n/a	n/a	n/a	-	0.9	0.3
Political, accident & contingency	27.2	3.9	14.8	16.8	4.6	13.5
Property	36.8	13.2	(47.3)	(17.1)	4.4	(2.0)
Reinsurance	32.3	54.7	23.8	(30.1)	20.7	20.3
Specialty lines	61.6	88.9	85.5	36.9	58.0	66.2
Total	180.7	203.9	115.0	9.5	93.1	120.6
Releases as a percentage of net earned premium	10.2%	10.9%	5.5%	0.4%	3.5%	6.1%

Prior year reserve adjustments across all divisions over the last five years are shown above.

Please refer to the financial statements for further information on reserve releases and loss development tables.

Acquisition costs and administrative expenses

Business acquisition costs and administrative expenses increased during 2020 to $974.4m from $889.7m in 2019. The breakdown of these costs is shown to the right.

	2020 $m	**2019 $m**
Brokerage costs	628.4	533.8
Other acquisition costs	110.5	111.6
Total acquisition costs	738.9	645.4
Administrative expenses	235.5	244.3
Total acquisition costs and administrative expenses	974.4	889.7

Brokerage costs are the premium commissions paid to insurance intermediaries for providing business. As a percentage of net earned premiums they have remained a steady 23% in the current year (2019: 23%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with the group's accounting policy. Other acquisition costs comprise costs that have been identified as being directly related to underwriting activity (e.g. underwriters' salaries and Lloyd's box rental). These costs are also deferred in line with premium earning patterns.

Beazley focuses on improving our expense ratio during times of strong growth. In addition, reduced travel during recent times have dampened expenses during 2020 compared to previous years. Finally, due to the overall financial result this year, there have been further reductions as a result of lower discretionary remuneration. These three effects have led to the overall expense ratio improving from 38% in 2019 to 36%, with actual administrative expenses decreasing to $235.5m (2019: $244.3m).

Foreign exchange

The majority of Beazley's business is transacted in US dollars, which is the currency we have reported in since 2010 and the currency in which we hold the company's net assets. Changes in the US dollar exchange rate with sterling, the Canadian dollar and the euro do have an impact as we receive premiums in those currencies and a material number of our staff receive their salary in sterling. Beazley's foreign exchange gain taken through the statement of profit or loss in 2020 was $11.2m (2019: $1.1m).

Investment performance

Our financial assets continued to grow in 2020: the total value of our investments, cash and cash equivalents reached $6,671.5m by the year end (2019: $5,851.3m). These generated an investment return of 3.0%, or $188.1m, in 2020 (2019: 4.8%, $263.7m). This outcome is ahead of our expectations at the beginning of the year, but belies the significant volatility which our investments have experienced during the period, reflecting the unprecedented global background.

Most of our fixed income securities, which form the majority of our investments, are exposed to movements in US risk-free yields. The value of these investments rose as risk-free yields declined to near zero in the first quarter, driven by expectations that COVID-19 would impair economic activity, requiring very low interest rates for an extended period. However, these gains were more than offset by losses on our other investments in the first quarter. Global equity markets declined by more than 20% in this period, but more significant for Beazley was a widening of credit spreads on our US corporate debt investments: even short-dated securities with investment grade credit ratings saw spreads increase by more than 200 basis points in Q1, generating significant losses in these securities. We acted quickly to reduce our exposures to the most volatile asset classes as losses developed, limiting the impact on our portfolio, but our investments still lost 1.0% in the first three months.

Notwithstanding the dramatic financial market volatility as COVID-19 emerged in the first part of the year, the subsequent recovery in investment performance has arguably been more remarkable. Fiscal intervention from governments, monetary support from central banks and the promise of an extended period of low interest rates have combined to generate strong positive sentiment from investors through the last three quarters of the year, despite the continuing impact of COVID-19 on the global economy. Global equities rallied by more than 45% in this period, while credit spreads on investment grade securities reversed all of their earlier widening and ended the year lower than they began.

Our core portfolio exposures returned 2.9% in 2020 overall (2019: 4.3%), ultimately driven by the decline in risk-free yields in the first quarter, while our more volatile capital growth investments returned 3.5% (2019: 8.6%), helped by the robust recovery in equities, as well as a strong performance from our hedge fund portfolio.

We added to our equity and credit exposures as these asset classes recovered from March and this has helped our investment return. However, our exposures to risk assets in 2020 have generally been below the levels we would normally maintain, reflecting our view that investment risk has remained elevated throughout this unusual year. As a result, our 2020 investment return is lower than could have been achieved by a more aggressive strategy, but the volatility of our return during the year
has also been reduced.

Looking ahead, available yields on the high credit quality debt securities in which we primarily invest are now very low (two-year US Treasury notes yield less than 0.2%), highlighting the modest level of returns we expect to be achievable in the near term. More volatile asset classes may offer better returns, but uncertainty about the global economic outlook remains elevated, increasing the risk of further volatility in these securities. We continue to develop our investment strategy to balance the search for return against the need to effectively control risk.

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

	31 Dec 2020		31 Dec 2019	
	$m	**%**	**$m**	**%**
Cash and cash equivalents	309.5	4.6	278.5	4.8
Fixed and floating rate debt securities				
- Government issued	2,723.7	40.8	1,862.9	31.9
- Corporate bonds				
- Investment grade	2,444.9	36.7	2,706.4	46.3
- High yield	251.1	3.8	235.8	4.0
Syndicate loans	40.6	0.7	8.0	0.1
Derivative financial instruments	28.5	0.4	25.5	0.4
Core portfolio	5,798.3	87.0	5,117.1	87.5
Equity funds	203.2	3.0	163.6	2.8
Hedge funds	442.1	6.6	354.0	6.0
Illiquid credit assets	227.9	3.4	216.6	3.7
Total capital growth assets	873.2	13.0	734.2	12.5
Total	6,671.5	100.0	5,851.3	100.0

Comparison of return by major asset class:

	31 Dec 2020		31 Dec 2019	
	$m	%	$m	%
Core portfolio	160.0	2.9	205.7	4.3
Capital growth assets	28.1	3.5	58.0	8.6
Overall return	**188.1**	**3.0**	**263.7**	**4.8**

Tax

Beazley is liable to corporation tax in a number of jurisdictions, notably the UK, the US and Ireland. Beazley's effective tax rate is thus a composite tax rate mainly driven by the Irish, UK and US tax rates. The weighted average of the statutory tax rates for the year was (2.0%) (2019: 15.0%). The tax rate of (2.0%) is significantly lower than previous years due to this year's composition of profits and losses across the group. Notwithstanding the overall loss before tax, some jurisdictions, notably with higher tax rates, were profitable. The effective tax rate has decreased in 2020 to 8.5% (2019: 12.6%). The decrease has been a result of, in addition to the lower weighted average of the statutory tax rates, lower favourable prior year tax adjustments in 2020 as compared to 2019.

The group has been monitoring the potential impact of the diverted profits tax (DPT) following the enactment of new legislation in April 2015 and has been of the view that no liability arises. Since 2015 the group has been exchanging correspondence with the UK's tax authority (HMRC) in relation to DPT applicability with respect to the intra-group transactions. These correspondence exchanges with HMRC have now reached a conclusion with no assessment to DPT being raised.

A 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 (the 'BEAT') provisions. We have performed an assessment for a number of our intra-group transactions for BEAT purposes. Although the application of this BEAT legislation is still not fully certain for some types of transactions we believe that the BEAT impact on the group is not significant. For the year 2020 the amount of $1.1m was provided for in the group financial statements for BEAT liabilities (for 2019 the group paid BEAT tax of $3.2m).

In addition, if BEAT encourages other governments to introduce similar legislation impacting cross-border transactions, Beazley's tax liability could consequently increase in those countries. We continue to assess the future impact of BEAT and other tax changes (including OECD's Pillar 1 and Pillar 2 proposals) on our business.

Balance sheet management

Summary statement of financial position

	2020 $m	2019 $m	Movement %
Intangible assets	126.3	122.2	3%
Reinsurance assets	1,684.7	1,338.2	26%
Insurance receivables	1,467.9	1,048.0	40%
Other assets	637.3	514.0	24%
Financial assets at fair value and cash and cash equivalents	6,671.5	5,851.3	14%
Total assets	10,587.7	8,873.7	19%
Insurance liabilities	7,378.4	6,059.0	22%
Financial liabilities	558.5	554.8	1%
Other liabilities	841.3	634.6	33%
Total liabilities	8,778.2	7,248.4	21%
Net assets	1,809.5	1,625.3	11%
Net assets per share (cents)	299.0c	309.6c	(3%)
Net tangible assets per share (cents)	278.0c	286.3c	(3%)
Net assets per share (pence)	219.1p	235.0p	(7%)
Net tangible assets per share (pence)	203.8p	217.3p	(6%)
Number of shares[1]	605.2m	524.9m	15%

1 Excludes shares held in the employee trust and treasury shares.

Intangible assets

Intangible assets consist of goodwill on acquisitions of $62.0m (2019: $62.0m), purchased syndicate capacity of $10.7m (2019: $10.7m), US admitted licences of $9.3m (2019: $9.3m), renewal rights of $8.7m (2019: $17.3m) and capitalised expenditure on IT projects of $35.6m (2019: $22.9m).

Reinsurance assets

Reinsurance assets represent recoveries from reinsurers in respect of incurred claims of $1,305.6m (2019: $1,068.8m), and the unearned reinsurance premiums reserve of $379.1m (2019: $269.4m). The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $262.2m (2019: $223.7m), an

actuarial estimate of recoveries on claims that have not yet been reported of $1,034.4m (2019: $845.1m), and unexpired risk reserve of $9.0m (2019: nil).
The group's exposure to reinsurers is managed through:

- minimising risk through selection of reinsurers who meet strict financial criteria (e.g. minimum net assets, minimum 'A' rating by S&P). These criteria vary by type of business (short vs medium tail). The chart below shows the profile of these assets (based on their S&P rating) at the end of 2020;
- timely calculation and issuance of reinsurance collection notes from our ceded reinsurance team; and
- regular monitoring of the outstanding debtor position by our reinsurance security committee and credit control committee. We continue to provide against impairment of reinsurance recoveries and at the end of 2020 our provision in respect of reinsurance recoveries totalled $14.8m (2019: $13.7m).

Insurance receivables

Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2020 was $1,467.9m (2019: $1,048.0m). The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2020 is $13.7m (2019: $11.5m).

Insurance liabilities

Insurance liabilities of $7,378.4m (2019: $6,059.0m) consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities. Our UPR has increased by 20% to $1,924.3m (2019: $1,598.7m). The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that apart from the specific provisions made in respect of the unexpired risk reserves detailed in note 11, the business is profitable. Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $1,507.3m (2019: $1,263.7m), an estimate of claims incurred but not yet reported (IBNR) of $3,855.3m (2019: $3,196.6m), and an unexpired risk reserve of $91.5m (2019: nil). These are estimated as part of the quarterly reserving process involving the underwriters and group actuary. Gross insurance claims reserves have increased 22% from 2019 to $5,454.1m (2019: $4,460.3m). Part of the first-party claims estimate of $340m has been treated as an unexpired risk reserve, in respect of those losses which were booked during 2020 in respect of events that were planned to happen during 2021.

Financial liabilities

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

- in November 2016, Beazley Insurance dac issued $250m of 5.875% subordinated tier 2 notes due in 2026; and
- In September 2019, Beazley Insurance dac issued $300m of 5.5% subordinated tier 2 notes due in 2029.

A syndicated short term banking facility led by Lloyds Banking Group plc provides potential borrowings up to $450m, up from $225m at the start of the year. Under the facility $393.8m may be drawn as letters of credit to support underwriting at Lloyd's, and up to $225m may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.4725% per annum and any amounts drawn are charged at a margin of 1.35% per annum.

The cash element of the facility will expire on 23 July 2022, whilst letters of credit issued under the facility can be used to provide support for the 2019, 2020 and 2021 underwriting years. In 2020 $225m has been drawn down under the facility and placed as a letter of credit as Funds at Lloyd's (FAL).

Other assets

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

- deferred acquisition costs of $384.9m (2019: $350.7m); and
- deferred tax assets available for use against future taxes payable of $26.8m (2019: $41.0m).

Judgement is required in determining the policy for deferring acquisition costs. Beazley's policy assumes that variable reward paid to underwriters relates to prior years' business and is not an acquisition cost. As a result, the quantum of costs classified as acquisition is towards the lower end of the possible range seen across the insurance market. Costs identified as related to acquisition are then deferred in line with premium earnings.

Capital structure

Beazley aims to hold capital in excess of regulatory requirements in order to be best placed to swiftly take advantage of growth opportunities arising outside of our business plan, as well as to provide additional protection against downside events.

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

During 2020 there were significant growth opportunities as many markets in which we operate saw conditions improving. The combination of this, along with the increased claims arising during the year from COVID-19 led to Beazley proceeding with an equity raise in May 2020. We successfully raised $292.6m of new capital through a non-pre-emptive share issuance, in part, to aid our growth ambitions.

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

Beazley is subject to the capital adequacy requirements of the European Union (EU) Solvency II regime (SII). We comply with all relevant SII requirements.

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

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

	2020 $m	**2019 $m**
Shareholders' funds	1,809.5	1,625.3
Tier 2 subordinated debt (2026)	249.0	248.9
Tier 2 subordinated debt (2029)	298.1	297.9
Drawdown of letter of credit	225.0	-
	2,581.6	2,172.1

Our funding comes from a mixture of our own equity alongside $547.1m ($550.0m gross of capitalised borrowing costs) 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).

The following table sets out the group's capital requirement selected for our internal measure of the group's capital surplus position:

	2020 $m	**2019 $m**
Lloyd's economic capital requirement (ECR)	2,116.5	1,828.4
Capital for US insurance companies	246.3	203.9
	2,362.8	2,032.3

The final Lloyd's economic capital requirement (ECR) at year end 2020, as confirmed by Lloyd's, reflects the business we expect to write through to the end of 2021 as per our business plan. Furthermore, rather than taking a one year view of this business, it assumes that all risks run to ultimate. Finally, Lloyds apply a 35% uplift to this number. These three factors make the ECR requirement considerably more onerous than the standard Solvency II measure which considers a one year time horizon and contains no uplift.

Overall we expect our capital requirement to grow broadly in line with the net written premiums in our business plan, which in the short-term should be mid double digit growth.

At Beazley we aim to hold excess capital over the Lloyd's ECR and US capital requirement, expressed as a % of Lloyd's ECR, and have a preferred range of 15-25%. At 31 December 2020, we have surplus capital (on a solvency II basis) of 23% of ECR, within our current target range of 15% to 25% of ECR. Given the stringent nature of the Lloyd's ECR as noted above, our group surplus capital ratio is not directly comparable to the standard Solvency II capital ratio which is based on a one year time horizon.

In addition to the surplus above, we have two further capital levers which may be called upon. Firstly, the remaining undrawn banking facility of $225m may be utilised and is not included within the capital stack used in the capital surplus calculation. We have also purchased additional contingent reinsurance of our Specialty Lines and CyEx lines of business.

Following changes to intragroup reinsurance during 2017 with the introduction of the US BEAT tax, and the continued successful growth of the US operations, we have seen a significant growth in capital requirements within Beazley Insurance Company, Inc (BICI) in recent years. During 2020 we set up a US captive insurer to continue to ensure capital efficiency is maintained within the group.

On issuance of tier 2 subordinated debt in 2016, Beazley Insurance dac was assigned an Insurer Financial Strength (IFS) rating of 'A+' by Fitch.

Beazley Insurance dac also issued tier 2 debt in September 2019 and maintained its 'A+' rating.

In 2020, Beazley acquired two million of its own shares into the employee benefit trust. These were acquired at an average price of 528.7p and the cost to the group was $13.6m.

Solvency II

The Solvency II regime came into force on 1 January 2016. Beazley continue to provide quarterly Solvency II pillar 3 reporting to both Lloyd's for the Beazley managed syndicates and the Central Bank of Ireland for Beazley Insurance dac and Beazley plc. During 2020 the fourth annual solvency financial condition report (SFCR) of Beazley plc was published.

Under Solvency II requirements, the group is required to produce a Solvency Capital Requirement (SCR) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews the syndicates' SCRs to ensure that SCRs are consistent across the market.

The current SCR has been established using our Solvency II approved internal model approved by Central Bank of Ireland (CBI) which has been run within the regime as prescribed by Lloyd's. In order to perform the capital assessment:

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

IFRS 17

The implementation of IFRS 17: Insurance contracts is currently scheduled for accounting periods commencing on or after 1 January 2023. Applying this standard is a major undertaking and so the company has established a multi-disciplinary project group to oversee this activity.

The project has made good progress during 2020 and Beazley's preparations for IFRS 17 are on schedule.

Group structure

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

- Beazley plc - group holding company and investment vehicle, quoted on the London Stock Exchange;
- Beazley Ireland Holdings plc - intermediate holding company;
- Beazley Underwriting Limited - corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- Beazley Furlonge Limited - managing agency for the six syndicates managed by the group (623, 2623, 3622, 3623, 6107, and 5623);
- Beazley Insurance dac - insurance company based in Ireland that accepts non-life reinsurance premiums ceded by the corporate member Beazley Underwriting Limited, and also writes business directly from Europe;
- Syndicate 2623 - corporate body regulated by Lloyd's through which the group underwrites its general insurance business excluding accident, life and facilities. Business is written in parallel with syndicate 623;
- Syndicate 623 - corporate body regulated by Lloyd's which has its capital supplied by third party names;
- Syndicate 6107 - special purpose syndicate writing reinsurance business, and from 2017 cyber, on behalf of third party names;
- Syndicate 3622 - corporate body regulated by Lloyd's through which the group underwrites its life insurance and reinsurance business;
- Syndicate 3623 - corporate body regulated by Lloyd's through which the group underwrites its personal accident, BICI reinsurance business and, from 2018, Market Facilities business;
- Syndicate 5623 - special purpose syndicate writing Market Facilities ceded from syndicate 3623;
- Beazley America Insurance Company, Inc. (BAIC) - insurance company regulated in the US. In the process of obtaining licenses to write insurance business in all 50 states;
- Beazley Insurance Company, Inc. (BICI) - insurance company regulated in the US. Licensed to write insurance business in all 50 states;
- Beazley USA Services, Inc. (BUSA) - managing general agent based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates, 2623 and 623, BICI and BAIC; and
- Beazley NewCo Captive Company, Inc - provides internal reinsurance to BICI for adverse development on older accident years.

Consolidated statement of profit or loss for the year ended 31 December 2020

	2020 $m	**2019 $m**
Gross premiums written	3,563.8	3,003.9
Written premiums ceded to reinsurers	(646.8)	(500.4)
Net premiums written	2,917.0	2,503.5
Change in gross provision for unearned premiums	(331.7)	(184.5)
Reinsurer's share of change in the provision for unearned premiums	108.1	28.0
Change in net provision for unearned premiums	**(223.6)**	**(156.5)**
Net earned premiums	2,693.4	2,347.0
Net investment income	188.1	263.7
Other income	29.8	25.8
	217.9	**289.5**

Revenue	2,911.3	2,636.5
Insurance claims	2,589.3	1,842.5
Insurance claims recoverable from reinsurers	(631.0)	(390.0)
Net insurance claims	1,958.3	1,452.5
Expenses for the acquisition of insurance contracts	738.9	645.4
Administrative expenses	235.5	244.3
Foreign exchange (gain)	(11.2)	(1.1)
Operating expenses	**963.2**	**888.6**
Expenses	**2,921.5**	**2,341.1**
Results of operating activities	**(10.2)**	**295.4**
Finance costs	(40.2)	(27.7)
(Loss)/profit before income tax	**(50.4)**	**267.7**
Income tax credit/(expense)	4.3	(33.6)
(Loss)/profit for year attributable to equity shareholders	**(46.1)**	**234.1**
Earnings per share (cents per share):		
Basic	(8.0)	44.6
Diluted	(8.0)	44.0
Earnings per share (pence per share):		
Basic	(6.3)	35.0
Diluted	(6.3)	34.5

Statement of comprehensive income for the year ended 31 December 2020

	2020 $m	**2019 $m**
Group		
(Loss)/profit for the year attributable to equity shareholders	(46.1)	234.1
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
(Loss)/gain on remeasurement of retirement benefit obligations	(2.0)	6.6
Income tax on defined benefit obligation	(0.5)	(0.4)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	2.8	1.8
Total other comprehensive income	0.3	8.0
Total comprehensive (loss)/income recognised	**(45.8)**	**242.1**

Statement of comprehensive income for the year ended 31 December 2020

	2020 $m	**2019 $m**
Company		
Profit for the year attributable to equity shareholders	47.9	75.7

Total comprehensive income recognised	**47.9**	**75.7**

Statement of changes in equity for the year ended 31 December 2020

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group						
Balance at 1 January 2019	**38.0**	**1.6**	**(95.9)**	**16.5**	**1,507.0**	**1,467.2**
Total comprehensive income recognised	-	-	1.8	-	240.3	242.1
Dividends paid	-	-	-	-	(79.5)	(79.5)
Issue of shares	0.1	1.6	-	-	-	1.7
Equity settled share based payments	-	-	-	4.7	-	4.7
Acquisition of own shares in trust	-	-	-	(13.8)	-	(13.8)
Tax on share option vestings	-	-	-	(1.0)	2.6	3.6
Transfer of shares to employees	-	-	-	(4.8)	4.1	(0.7)
Balance at 31 December 2019	**38.1**	**3.2**	**(94.1)**	**3.6**	**1,674.5**	**1,625.3**
Balance at 1 January 2020	**38.1**	**3.2**	**(94.1)**	**3.6**	**1,674.5**	**1,625.3**
Total comprehensive (loss)/income recognised	-	-	2.8	-	(48.6)	(45.8)
Dividends paid	-	-	-	-	(50.2)	(50.2)
Issue of shares	-	2.1	-	-	-	2.1
Equity raise[1]	4.8	-	-	-	287.8	292.6
Equity settled share based payments	-	-	-	2.8	-	2.8
Acquisition of own shares in trust	-	-	-	(13.6)	-	(13.6)
Tax on share option vestings	-	-	-	(5.4)	1.2	(4.2)
Transfer of shares to employees	-	-	-	3.2	(2.7)	0.5
Balance at 31 December 2020	42.9	5.3	(91.3)	(9.4)	1,862.0	1,809.5

1 During the financial year ended 31 December 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.

Statement of changes in equity for the year ended 31 December 2020

	Share capital $m	Share premium $m	Merger reserve[2] $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company							
Balance at 1 January 2019	38.0	1.6	55.4	0.7	4.6	621.0	721.3
Total comprehensive income recognised	-	-	-	-	-	75.7	75.7
Dividends paid	-	-	-	-	-	(79.5)	(79.5)
Issue of shares	0.1	1.6	-	-	-	-	1.7
Equity settled share based payments	-	-	-	-	4.7	-	4.7
Acquisition of own shares in trust	-	-	-	-	(13.8)	-	(13.8)

Transfer of shares to employees	-	-	-	-	(4.8)	4.1	(0.7)
Balance at 31 December 2019	38.1	3.2	55.4	0.7	(9.3)	621.3	709.4
Balance at 1 January 2020	38.1	3.2	55.4	0.7	(9.3)	621.3	709.4
Total comprehensive income recognised	-	-	-	-	-	47.9	47.9
Dividends paid	-	-	-	-	-	(50.2)	(50.2)
Issue of shares	-	2.1	-	-	-	-	2.1
Equity raise[1]	4.8	-	-	-	-	287.8	292.6
Equity settled share based payments	-	-	-	-	2.8	-	2.8
Acquisition of own shares in trust	-	-	-	-	(13.6)	-	(13.6)
Transfer of shares to employees	-	-	-	-	3.2	(2.7)	0.5
5Balance at 31 December 2020	42.9	5.3	55.4	0.7	(16.9)	904.1	991.5

1 During the financial year ended 31 December 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.

2 A merger reserve was created through a scheme of arrangement on 13 April 2016, in which Beazley plc became the parent company of the group.

Statements of financial position as at 31 December 2020

	2020		2019	
	Group $m	**Company $m**	**Group $m**	**Company $m**
Assets				
Intangible assets	126.3	-	122.2	-
Plant and equipment	19.7	-	8.9	-
Right of use assets	86.4	-	35.9	-
Deferred tax asset	26.8	-	41.0	-
Investment in subsidiaries	-	724.6	-	724.6
Investment in associates	0.3	-	0.1	-
Deferred acquisition costs	384.9	-	350.7	-
Retirement benefit asset	4.8	-	5.4	-
Reinsurance assets	1,684.7	-	1,338.2	-
Financial assets at fair value	6,362.0	-	5,572.8	-
Insurance receivables	1,467.9	-	1,048.0	-
Other receivables	86.5	267.9	72.0	-
Current income tax asset	27.9	1.9	-	1.1
Cash and cash equivalents	309.5	0.9	278.5	-
Total assets	10,587.7	995.3	8,873.7	725.7
Equity				
Share capital	42.9	42.9	38.1	38.1
Share premium	5.3	5.3	3.2	3.2
Merger reserve	-	55.4	-	55.4
Foreign currency translation reserve	(91.3)	0.7	(94.1)	0.7
Other reserves	(9.4)	(16.9)	3.6	(9.3)
Retained earnings	1,862.0	904.1	1,674.5	621.3
Total equity	1,809.5	991.5	1,625.3	709.4

Liabilities				
Insurance liabilities	7,378.4	-	6,059.0	7,378.4
Financial liabilities	558.5	-	554.8	558.5
Lease liabilities	90.1	-	39.4	90.1
Deferred tax liabilities	0.6	-	19.5	0.6
Current income tax liability	16.7	-	9.3	16.7
Other payables	733.9	3.8	566.4	16.3
Total liabilities	8,778.2	3.8	7,248.4	16.3
Total equity and liabilities	10,587.7	995.3	8,873.7	725.7

Statements of cash flows for the year ended 31 December 2020

		2020		**2019**
	Group $m	**Company $m**	**Group $m**	**Company $m**
Cash flow from operating activities				
(Loss)/profit before income tax	(50.4)	46.1	267.7	74.7
Adjustments for:				
Amortisation of intangibles	16.7	-	14.1	-
Equity settled share based compensation	2.8	2.8	4.7	4.7
Net fair value gain on financial assets	(83.0)	-	(151.6)	-
Depreciation of plant and equipment	3.2	-	2.4	-
Depreciation of right of use assets	13.0	-	10.1	-
Impairment of reinsurance assets recognised	1.1	-	1.5	-
(Decrease)/increase in insurance and other payables	1,486.9	(12.5)	722.8	0.1
(Increase)/decrease in insurance, reinsurance and other receivables	(782.1)	(268.7)	(265.0)	10.3
Increase in deferred acquisition costs	(34.2)	-	(43.3)	-
Financial income	(110.9)	(55.5)	(120.9)	(80.2)
Financial expense	40.2	5.6	27.7	1.9
Foreign exchange on financial liabilities	-	-	(3.2)	-
Income tax paid	(26.5)	-	(6.8)	-
Net cash generated from operating activities	476.8	(282.2)	460.2	11.5
Cash flow from investing activities				
Purchase of plant and equipment	(12.9)	-	(6.3)	-
Expenditure on software development	(20.5)	-	(12.3)	-
Purchase of investments	(6,126.6)	-	(4,824.5)	-
Proceeds from sale of investments	5,443.8	-	4,125.3	-
Interest and dividends received	104.3	55.5	112.0	80.2
Net cash (used in)/from investing activities	(611.9)	55.5	(605.8)	80.2
Cash flow from financing activities				
Acquisition of own shares in trust	(13.6)	(13.6)	(13.8)	(13.8)
Payment of lease liabilities	(15.3)	-	(10.8)	-
Repayment of borrowings	-	-	(92.6)	-
Issuance of debt	-	-	297.8	-
Equity raise	292.6	292.6	-	-
Finance costs	(37.8)	(5.6)	(25.8)	(1.9)
Issuance of shares	2.1	2.1	1.7	1.7
Dividend paid	(50.2)	(50.2)	(79.5)	(79.5)

Net cash from/(used in) financing activities	177.8	225.3	77.0	(93.5)
Net increase/(decrease) in cash and cash equivalents	42.7	(1.4)	(68.6)	(1.8)
Cash and cash equivalents at beginning of year	278.5	-	336.3	2.4
Effect of exchange rate changes on cash and cash equivalents	(11.7)	2.3	10.8	(0.6)
Cash and cash equivalents at end of year	309.5	0.9	278.5	-

1 Statement of accounting policies

Beazley plc (registered number 09763575) is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The company's registered address is Plantation Place South, 60 Great Tower Street, London EC3R 5AD, United Kingdom. The group financial statements for the year ended 31 December 2020 comprise the parent company, its subsidiaries and the group's interest in associates. The principal activity of the company and its subsidiaries (the 'group') is to participate as a specialist insurer which transacts primarily in commercial lines of business through its subsidiaries and through Lloyd's syndicates.

The financial statements of the parent company, Beazley plc, and the group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). On publishing the parent company financial statements together with the group financial statements, the company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of profit or loss and related notes that form a part of these approved financial statements.

In the current year, the group have applied amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The new effective amendments are:

- IFRS 3: Amendment: Definition of a business (IASB effective date: 1 January 2020);
- IAS 1 and IAS 8: Amendment: Definition of Material (IASB effective date: 1 January 2020);
- IFRS 9, IFRS 7 and IAS 39: Amendment: Interest Rate Benchmark Reform (IASB effective date: 1 January 2020); and
- Amendments to References to the Conceptual Framework in IFRS Standards (IASB effective date: 1 January 2020);
- Interest Rate Benchmark Reform (IBOR) - Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective date: 1 January 2020)
- IFRS 16: COVID-19-Related Rent concessions (2020)

None of the amendments issued by the IASB have had a material impact to the group.

A number of new standards and interpretations adopted by the EU which are not mandatorily effective, as well as standards and interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing these financial statements. The group does not plan to adopt these standards early; instead it expects to apply them from their effective dates as determined by their dates of EU endorsement. The group is still reviewing the upcoming standards to determine their impact:

- IFRS 9: Financial Instruments (EU effective date: 1 January 2018, deferred in line with implementation of IFRS 17);
- IFRS 9: Amendment: Prepayment Features with Negative Compensation (EU effective date: 1 January 2019, deferred in line with implementation of IFRS 17);
- Interest Rate Benchmark Reform (IBOR) - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective date: 1 January 2021)
- IFRS 17: Insurance Contracts (IASB effective date: 1 January 2023);[1] and
- IFRS 10 and IAS 28: Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  (IASB effective date: optional);[1]

[1]Have not been endorsed by EU.

Of the upcoming accounting standard changes that we are aware of, we anticipate that IFRS 17 and IFRS 9 will have the most material impact on the financial statements' presentation and disclosures. The accounting developments and implementation timelines of IFRS 17 and IFRS 9 are being closely monitored and the impacts of the standards themselves are being assessed
and prepared for. A brief overview of each of these standards is provided below:

- IFRS 17 will fundamentally change the way insurance contracts are accounted for and reported. Revenue will no longer be equal to premiums written but instead reflect a change in the contract liability on which consideration is expected. On initial assessment the major change will be on the presentation of the statement of profit or loss, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. It is currently unknown what impact the new requirements will have on the group's profit and financial position, but it is expected that the timing of profit recognition will be altered. During 2020, the group continued to undertake a number of tasks in preparation for IFRS 17. These tasks included:
  - Concluding on writing and presenting technical papers to governance committees of how the standard will be applied;

  - Building upon data requirements documented in 2019 to land and conform the majority of gross data that can be consumed for IFRS 17 purposes, as well as documenting the requirements for the landing and conforming of reinsurance data;
  - Developing an internal calculation engine/user interface as a means of testing a vendor solution or to use as an alternative solution; and
  - Outlining the requirements and plan of a target operating model/operational readiness framework within affected teams as well as outlining the impacts and plan to resolve impacts for the wider stakeholders of the group.

- As was stated in the 2017 annual report, the group chose to apply the temporary exemption permitted by IFRS 4 from applying IFRS 9: Financial Instruments. The group qualifies for this exemption because, as at 31 December 2015, $5,040.7m or 95% of its total liabilities were connected with insurance. There has been no material change in the group's activities since 31 December 2015, therefore the exemption still remains. The group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with the entities applying IFRS 9. As such, fair values are disclosed separately for the group's financial assets which are managed and evaluated on a fair value basis and those which meet the solely payments of principal and interest (SPPI) test under IFRS 9. Beazley plc as a standalone company adopted IFRS 9 from 1 January 2018. However, as the standalone company has no financial investments the adoption had an immaterial impact on its financial statements. Below is a table outlining the fair value of assets which are managed and evaluated on a fair value basis and those which meet the SPPI test under IFRS 9.

On 25 June 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 17 Insurance Contracts, which included the deferral of the effective date of IFRS 17 and IFRS 9 (for qualifying insurers) to 1 January 2023.

	2020 $m	**2019 $m**
Financial assets managed and evaluated on a fair value basis		
Fixed and floating rate debt securities:		
- Government issued	2,723.7	1,870.9
- Corporate bonds		
- Investment grade	2,444.9	2,696.4
- High yield	251.1	235.8
Syndicate loans	40.6	8.0
Equity funds	203.2	163.6
Hedge funds	442.1	354.0
Illiquid credit assets	227.9	216.6
Derivative financial assets	28.5	25.5
Total financial assets managed and evaluated on a fair value basis	**6,362.0**	**5,570.8**
Financial assets meeting the SPPI test		
Cash and cash equivalents	309.5	278.5
Other receivables	86.5	72.0
Total financial assets meeting the SPPI test	**396.0**	**350.5**

Basis of presentation

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

In accordance with the requirements of IAS 1 the financial statements' assets and liabilities have been presented in order of liquidity which provides information that is more reliable and relevant for a financial institution.

Going Concern

The financial statements of Beazley plc have been prepared on a going concern basis. The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the group's Annual Report & Accounts. In addition, the Risk report includes the group's risk management objectives and the group's objectives, policies and processes for managing its capital.

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 $340m 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 on its future business which should reduce this impact.

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 statement of financial position in light of the continued uncertainty from COVID-19.

In assessing the group's going concern position as at 31 December 2020, the directors have considered a number of factors, including the current statement of financial position, the group's strategic and financial plan, taking account of possible changes in trading performance and funding retention, and stress testing and scenario analysis. The assessment concluded that, for the foreseeable future, the group has sufficient capital and liquidity for the next 12 months. As at its most recent regulatory submission, the group's capital ratios and its total capital resources are comfortably in excess of regulatory solvency requirements and internal stress testing indicates the group can withstand severe economic and competitive stresses.

As a result of the assessment, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and therefore believe that the group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Part VII transfer

On 30 December 2020, the group transferred all relevant policies (and related liabilities) underwritten by the group's syndicates to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the group entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the group. The purpose of these transactions were to ensure these policies could be serviced after Brexit on the 31 December 2020.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the group transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $229.2m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $229.2m. The combined effect of the two transactions had no economic impact for the group, and accordingly there is no impact on the group's financial statements.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Estimates which are based on future economic conditions, and sensitive to changes in those conditions, have been impacted by COVID-19.

a) Estimates

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

Provision & claims

The most critical estimate included within the group's financial position is the estimate for insurance losses incurred but not reported (IBNR), which is included within total insurance liabilities and reinsurance assets in the statement of financial position. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate then an exposure would arise in future years where a liability has not been provided for. The total estimate for insurance losses incurred but not reported gross of reinsurers' share as at 31 December 2020 is $3,855.3m (2019: $3,196.6m). The total estimate for insurance losses incurred but not reported net of reinsurers' share as at 31 December 2020 is $2,820.9m (2019: $2,351.5m) and is included within total insurance liabilities and reinsurance assets in the statement of financial position.

Another critical estimate within insurance liabilities is the estimation of an unexpired risk reserve (URR) for the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date which exceeds the unearned premium reserve. The provision has been determined by reviewing various policies/events which are expected to trigger a COVID-19 related claims loss in the first half of 2021. This estimate is based on the assumption that various government restrictions are predicted to ease from July 2021. If this estimation was to prove inadequate, the unexpired risk reserve provision could be understated. The total estimate for URR gross of reinsurers' shares at 31 December 2020 was $91.5m (2019: nil). The total estimate for URR net of reinsurers' shares at 31 December 2020 was $82.5m (2019: nil).

The claims handling expense provision is based on a set percentage of IBNR and URR which is reviewed on an annual basis.

The best estimate of the most likely ultimate outcome is used when calculating notified claims. This estimate is based upon the facts available at the time, in conjunction with the claims manager's view of likely future developments.

Financial assets & liabilities

Another critical area of estimation is the group's financial assets and liabilities.

Premium estimates

Other critical estimates contained within our close process are premium estimates and the earning pattern of recognising premium over the life of the contract. In the syndicates the premium written is initially based on the estimated premium income (EPI) of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder period. This is done on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. The underwriters adjust their EPI estimates as the year of account matures. As the year of account closes premiums are adjusted to match the actual signed premium. An accrual for estimated future reinstatement premiums is retained. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Estimation techniques are necessary to quantify the future premium on all syndicate business written and are commonly used within the Lloyd's insurance market. The majority of the estimation arises within the binder and lineslip estimates where the premium amounts are dependent on the volume of policies that are insured under the binder/lineslip over the coverage period. In these cases underwriters estimate an initial premium volume and then adjust throughout the life of the binder/lineslip as and when new information becomes available. The process of determining the EPI is based on a number of factors, which can include:

- Coverholder business plan documents supplied prior to binding;
- Historical trends of business written;
- Current and expected market conditions for this line of business; and
- Life to date bordereaux submissions versus expectation

Due to the nature of the Lloyd's business and the settlement patterns of the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and as such remain a receivable on the balance sheet remains. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2020 is $13.7m (2019: $11.5m).

Goodwill

Another estimate used by Beazley is based on the key assumptions underlying the recoverable amounts used in assessing the impairment of goodwill. The key assumptions used in the preparation of future cash flows are: premium growth rates, claims experience, discount rates, retention rates and expected future market conditions.

b) Judgements

Information about areas of judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and also specifically in the following notes:

note 1a: accounting treatment for the group's interest in managed syndicates

2 Segmental analysis

a) Reporting segments

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

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

Cyber & Executive Risk

This segment underwrites management liabilities such as employment practices risks and directors and officers, alongside cyber and technology, media and business services.

Marine

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

Market Facilities

This new segment underwrites entire portfolios of business with the aim of offering a low cost mechanism for placing follow business within the Lloyd's market.

Political, Accident & Contingency

This segment underwrites terrorism, political violence, expropriation and credit risks as well as contingency and risks associated with contract frustration. In addition, this segment underwrites life, health, personal accident, sports and income protection risks.

Property

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

Reinsurance

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

Specialty Lines

This segment underwrites a wide portfolio of business, including architects and engineers, healthcare, lawyers and environmental liability, market facilities business and international financial institutions.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis are split based on each segments capital requirements which is taken from the group's most up to date Business plan. The reporting segments do not cross-sell business to each other. There are no individual policyholders who comprise greater than 10% of the group's total gross premiums written.

b) Segment information

2020	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Gross premiums written	1,020.1	337.4	133.4	273.0	470.5	194.5	1,134.9	3,563.8
Net premiums written	864.6	309.4	37.3	227.1	389.9	126.9	961.8	2,917.0
Net earned premiums	787.2	297.1	27.9	213.8	360.7	124.3	882.4	2,693.4
Net investment income	53.6	12.8	0.5	10.6	21.4	11.9	77.3	188.1
Other income	2.8	1.7	0.1	4.1	5.1	1.7	14.3	29.8
Revenue	**843.6**	**311.6**	**28.5**	**228.5**	**387.2**	**137.9**	**974.0**	**2,911.3**
Net insurance claims	557.7	160.5	8.3	354.1	291.3	86.8	499.6	1,958.3
Expenses for the acquisition of insurance contracts	180.0	82.2	19.3	75.9	105.4	32.0	244.1	738.9
Administrative expenses	54.4	25.1	1.9	23.1	36.4	12.2	82.4	235.5
Foreign exchange (gain)	(3.3)	(1.2)	(0.1)	(0.9)	(1.5)	(0.5)	(3.7)	(11.2)
Expenses	**788.8**	**266.6**	**29.4**	**452.2**	**431.6**	**130.5**	**822.4**	**2,921.5**
Segment result	**54.8**	**45.0**	**(0.9)**	**(223.7)**	**(44.4)**	**7.4**	**151.6**	**(10.2)**
Finance costs								(40.2)
Loss before income tax								**(50.4)**
Income tax credit								4.3
Loss for the year attributable to equity shareholders								**(46.1)**
Claims ratio	71%	54%	30%	166%	81%	70%	57%	73%
Expense ratio	30%	36%	76%	46%	39%	35%	37%	36%
Combined ratio	101%	90%	106%	212%	120%	105%	94%	109%
Segment assets and liabilities								
Segment assets	2,909.9	707.4	182.5	786.3	1,216.7	734.1	4,050.8	10,587.7
Segment liabilities	(2,389.8)	(612.2)	(170.7)	(678.4)	(966.0)	(591.2)	(3,369.9)	(8,778.2)
Net assets	**520.1**	**95.2**	**11.8**	**107.9**	**250.7**	**142.9**	**680.9**	**1,809.5**
Additional information								
Capital expenditure	8.5	1.6	0.2	1.8	4.1	2.3	11.2	29.7
Amortisation and depreciation	(3.4)	(2.2)	(0.1)	(0.7)	(1.6)	(0.9)	(11.0)	(19.9)
Net cash flow	8.9	1.6	0.2	1.9	4.3	2.4	11.7	31.0

2019[1]	Cyber & Executive risk $m	Marine $m	Market Facilities $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 for the year attributable to equity shareholders								**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
Additional information								
Capital expenditure	5.7	0.8	0.1	1.1	2.3	1.6	7.0	18.6
Amortisation and depreciation	(2.6)	(1.9)	-	(0.5)	(1.0)	(7.6)	(2.9)	(16.5)
Net cash flow	(17.8)	(2.6)	(0.3)	(3.3)	(7.3)	(4.9)	(21.2)	(57.4)

[1] From 1 January 2020, the Market Facilities division has been split from Specialty Lines. The prior year comparative has been re-presented to allow comparison.

c) Information about geographical areas

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

	2020 $m	2019 $m
Net earned premiums		
UK (Lloyd's)	2,214.6	1,974.3
US (Non-Lloyd's)	430.7	346.3
Europe (Non-Lloyd's)	48.1	26.4
	2,693.4	**2,347.0**

	2020 $m	2019 $m

Segment assets		
UK (Lloyd's)	9,433.1	8,046.5
US (Non-Lloyd's)	976.6	762.4
Europe (Non-Lloyd's)	178.0	64.8
	10,587.7	**8,873.7**

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

	2020 $m	2019 $m
Capital expenditure		
Non-US	23.2	13.7
US	6.5	4.9
	29.7	**18.6**

3 Net investment income

	2020 $m	2019 $m
Interest and dividends on financial investments at fair value through profit or loss	110.7	120.6
Interest on cash and cash equivalents	0.2	0.3
Net realised gains on financial investments at fair value through profit or loss	46.3	21.5
Net unrealised fair value gains on financial investments at fair value through profit or loss	36.7	130.1
Investment income from financial investments	**193.9**	**272.5**
Investment management expenses	(5.8)	(8.8)
	188.1	**263.7**

4 Other income

	2020 $m	2019 $m
Commissions received by Beazley service companies	23.6	21.2
Profit commissions from syndicates	(0.5)	1.0
Agency fees from syndicate 623	3.0	2.5
Other income	3.7	1.1
	29.8	**25.8**

Profit Commissions:

There is an agreement between syndicate 623 and Beazley Furlonge Limited (the managing agent) where the syndicate remunerates Beazley for writing business in parallel with syndicate 2623. As such, profitability of 623 is a performance criterion for this contract. The transaction price represents a fixed percentage on profit by YOA. No other variable considerations (for example: discounts, rebates, refunds, incentives) are attached. The value of a transaction price is derived at each reporting period from the actual profit syndicate 623 has made to date, therefore represents the most likely amount of consideration at the reporting date.

As at 31 December 2020 there is 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 31 December 2020 $0.5m 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 (2019: nil).

Commissions received from service companies:

Commission is payable to the group by syndicate 623 due to group service companies writing business on behalf of the syndicate. While the commercial purpose of the contract is to pass business to 623, the remuneration is triggered by incurring expenses, irrespective of volume of business gained. The performance criterion is deemed to be the realisation of expenses.

Other income:

As part of other income, the group has received $0.2m of government grants relating to COVID-19 for wage relief for our Singapore employees (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.

5 Operating expenses

	2020 $m	2019 $m
Operating expenses include:		
Amounts receivable by the auditor[1] and associates in respect of:		
- audit services for the group and subsidiaries	2.4	1.2
- audit-related assurance services	1.0	0.7
- taxation compliance services	-	-
- other non-audit services	0.5	0.5
	3.9	2.4
Impairment loss recognised on reinsurance assets	1.1	1.5

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

6 Employee benefit expenses

	2020 $m	2019 $m
Wages and salaries	179.6	165.2
Short term incentive payments	39.1	56.2
Social security	17.5	17.0
Share based remuneration	3.0	4.9
Pension costs[1]	13.0	11.5
	252.2	254.8
Recharged to syndicate 623	(33.2)	(36.0)
	219.0	**218.8**

[1]Pension costs also include contributions made under the defined contribution scheme.

The average number of employees for 2020 was 1,497 (2019: 1,399).

7 Finance costs

	2020 $m	2019 $m
Interest expense on financial liabilities	37.8	25.8
Interest expense on lease liabilities	2.4	1.9
	40.2	**27.7**

8 Income tax expense

	2020 $m	2019 $m
Current tax expense		
Current tax expense	12.9	38.8
Prior year adjustments	(6.5)	(4.0)
	6.4	34.8
Deferred tax expense		
Origination and reversal of temporary differences	(12.1)	2.3
Impact of change in UK/US tax rates	(0.4)	(0.5)
Prior year adjustments	1.8	(3.0)
	(10.7)	(1.2)
Income tax (credit)/charge	**(4.3)**	**33.6**

Reconciliation of tax expense
The weighted average of statutory tax rates applied to the profits earned in each country in which the group operates is 2% (2019: 15.0%), whereas the tax charged for the year 31 December 2020 as a percentage of loss before tax is 8.5% (2019: 12.6%). The reasons for the difference are explained below:

	2020 $m	2020 %	2019 $m	2019 %
(Loss)/profit before tax	**(50.4)**	**-**	**267.7**	**-**
Tax calculated at the weighted average of statutory tax rate	(1.0)	2.0	40.3	15.0
Effects of:				
- non-deductible expenses	2.1	(4.2)	1.5	0.6
- tax relief on share based payments - current and future years	(0.4)	0.8	(0.7)	(0.3)
- over provided in prior years	(4.6)	9.1	(7.0)	(2.6)
- change in UK/US tax rates[1]	(0.4)	0.8	(0.5)	(0.1)
Tax (credit)/charge for the period	**(4.3)**	**8.5**	**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 balance as at 31 December 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. Since 2015 the group has been exchanging correspondence with the UK's tax authority (HMRC) in relation to DPT applicability with respect to the intra-group transactions. These correspondence exchanges with HMRC have now reached a conclusion with no assessment to DPT being raised.

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 year 2020 $1.1m was provided in the group accounts for BEAT liabilities (for 2019 the group paid BEAT tax of $3.2m).
The ultimate outcome may differ and if any additional amounts did fall within the scope of the 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 $m	2019 $m
Current tax: share based payments	(1.2)	(2.6)
Deferred tax: share based payments	5.4	(1.0)
	4.2	**(3.6)**

9 (Loss)/earnings per share

	2020	2019
Basic (cents)	(8.0)c	44.6c
Diluted (cents)	(8.0)c	44.0c
Basic (pence)	(6.3)p	35.0p
Diluted (pence)	(6.3)p	34.5p

Basic

Basic (loss)/earnings per share are calculated by dividing loss after tax of $46.1m (2019: Profit $234.1m) by the weighted average number of shares in issue during the year of 573.8m (2019: 525.1m). The shares held in the Employee Share Options Plan (ESOP) of 3.8m (2019: 4.8m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

Diluted

Diluted (loss)/earnings per share are calculated by dividing loss after tax of $46.1m (2019: Profit $234.1m) by the adjusted weighted average number of shares of 582.6m (2019: 532.4m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the equity settled compensation schemes. The shares held in the ESOP of 3.8m (2019: 4.8m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

10 Dividends per share

In light of the current uncertainty as to the economic impact of the COVID-19 pandemic, the directors do not propose a payment of a dividend in respect of the year ended 31 December 2020 (2019: 12.3p per ordinary share)

11 Insurance liabilities and reinsurance assets

	2020 $m	2019 $m
Gross		
Claims reported and loss adjustment expenses	1,507.3	1,263.7
Unexpired risk reserve	91.5	-
Claims incurred but not reported	3,855.3	3,196.6
Gross claims liabilities	5,454.1	4,460.3
Unearned premiums	1,924.3	1,598.7
Total insurance liabilities, gross	7,378.4	6,059.0
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	262.2	223.7
Unexpired risk reserve	9.0	-
Claims incurred but not reported	1,034.4	845.1
Reinsurers' share of claims liabilities	1,305.6	1,068.8
Unearned premiums	379.1	269.4
Total reinsurers' share of insurance liabilities	1,684.7	1,338.2
Net		
Claims reported and loss adjustment expenses	1,245.1	1,040.0
Unexpired risk reserve	82.5	-
Claims incurred but not reported	2,820.9	2,351.5
Net claims liabilities	4,148.5	3,391.5
Unearned premiums	1,545.2	1,329.3
Total insurance liabilities, net	5,693.7	4,720.8

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

11.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2020			2019		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Claims reported and loss adjustment expenses	1,263.7	(223.7)	1,040.0	1,171.2	(231.9)	939.3
Claims incurred but not reported	3,196.6	(845.1)	2,351.5	2,869.5	(719.8)	2,149.7
Balance at 1 January	4,460.3	(1,068.8)	3,391.5	4,040.7	(951.7)	3,089.0
Claims paid	(1,671.1)	404.7	(1,266.4)	(1,439.5)	280.1	(1,159.4)
Increase in claims						
- Arising from current year claims	2,698.2	(646.8)	2,051.4	1,860.6	(398.6)	1,462.0
- Arising from prior year claims	(109.8)	16.7	(93.1)	(18.2)	8.7	(9.5)
Net exchange differences	76.5	(11.4)	65.1	16.7	(7.3)	9.4
Balance at 31 December	5,454.1	(1,305.6)	4,148.5	4,460.3	(1,068.8)	3,391.5

Claims reported and loss adjustment expenses	1,507.3	(262.2)	1,245.1	1,263.7	(223.7)	1,040.0
Unexpired risk reserve	91.5	(9.0)	82.5	-	-	-
Claims incurred but not reported	3,855.3	(1,034.4)	2,820.9	3,196.6	(845.1)	2,351.5
Balance at 31 December	5,454.1	(1,305.6)	4,148.5	4,460.3	(1,068.8)	3,391.5

b) Unearned premiums reserve

	2020			2019		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Balance at 1 January	1,598.7	(269.4)	1,329.3	1,415.5	(241.1)	1,174.4
Increase in the year	3,563.8	(655.7)	2,908.1	3,003.9	(508.0)	2,495.9
Release in the year	(3,238.2)	546.0	(2,692.2)	(2,820.7)	479.7	(2,341.0)
Balance at 31 December	1,924.3	(379.1)	1,545.2	1,598.7	(269.4)	1,329.3

11.2 Assumptions, changes in assumptions and claims reserve strength analysis

a) Process used to decide on assumptions

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

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

A formal internal peer review process is then undertaken to determine the reserves held for accounting purposes which, in totality, are not lower than the actuarially established figure.

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

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

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

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

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

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

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

Where significant large losses impact an underwriting year (e.g. first-party COVID-19 losses, the events of 11 September 2001, the hurricanes in 2004, 2005, 2008, 2012, 2017, 2018 and 2019, the typhoons in 2018 and 2019, or the earthquakes in 2010, 2011 and 2017), the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected.

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

b) Major assumptions

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

Another assumption used within insurance liabilities is the estimation of an unexpired risk reserve (URR) for the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date which exceeds the unearned premium reserve. The provision has been determined by reviewing various policies/events which are expected to trigger a COVID-19 related claims loss in the first half of 2021. This estimate is based on the assumption that various government restrictions are predicted to ease from July 2021.

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

c) Changes in assumptions

As already discussed, general insurance business requires many different assumptions.

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

d) Claims reserve strength analysis

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

As such, our reserving assumptions contain a reasonable margin for prudence given the uncertainties inherent in the insurance business underwritten, particularly on the longer tailed Specialty Lines and executive risk classes.

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

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the seven segments - Cyber & Executive Risk, Marine, Market Facilities, 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 and ultimate net claims.

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

For the assessment of first-party COVID-19 losses, underlying policies' exposure to event cancellation and business interruption losses resulting from the pandemic were considered. Expected losses were then assumed by considering the individual contract wordings for each policy. A key uncertainty is the future event cancellation exposure in 2021 within the contingency book. Event cancellation losses are assumed to occur during the first half of 2021 in line with that experienced during 2020, with an assumption of a return to some form of normality in the second half of 2021. Were this not to be the case, we estimate that there is potential for a further $50m of claims net of reinsurance to the end of 2021.

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimate of total claims liabilities as at 31 December 2020 is adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	2010 ae %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %
Cyber & Executive Risk											
12 months		75.1	71.6	71.0	66.0	64.3	61.9	59.5	61.1	61.8	73.5
24 months		74.2	71.8	71.3	66.2	64.4	61.9	61.5	62.3	72.0	
36 months		78.8	69.1	71.1	63.6	59.0	58.5	56.8	61.4		
48 months		76.2	65.5	69.0	65.0	54.0	58.2	56.5			
60 months		76.7	63.7	66.3	69.7	55.9	59.4				
72 months		68.8	61.4	62.8	68.3	57.4					
84 months		72.0	60.8	62.9	69.0						
96 months		74.4	59.6	63.4							
108 months		76.4	59.8								
120 months		75.9									
Marine											
12 months		54.8	56.0	56.9	57.8	56.7	59.5	68.0	61.9	60.2	57.7
24 months		47.5	46.3	52.2	47.0	53.9	70.2	62.3	68.2	56.8	
36 months		39.2	34.6	44.7	47.2	47.3	65.4	61.6	66.3		
48 months		33.8	32.0	43.0	46.8	45.3	63.8	57.9			
60 months		35.5	31.3	42.4	55.9	43.2	62.4				
72 months		31.9	30.5	41.8	53.9	42.6					
84 months		31.0	29.8	40.6	52.7						
96 months		29.5	29.6	39.6							
108 months		29.4	29.7								
120 months		29.4									
Market Facilities											
12 months		-	-	-	-	-	-	-	66.3	73.0	76.7
24 months		-	-	-	-	-	-	-	66.2	72.9	
36 months		-	-	-	-	-	-	-	55.1		
48 months		-	-	-	-	-	-	-			
60 months		-	-	-	-	-	-				
72 months		-	-	-	-	-					
84 months		-	-	-	-						
96 months		-	-	-							
108 months		-	-								
120 months		-									
Political, Accident & Contingency											
12 months		57.5	60.0	59.5	59.5	60.3	61.7	57.9	59.3	56.9	111.0
24 months		45.0	55.9	51.0	52.2	59.6	55.5	49.8	55.2	143.2	
36 months		45.6	53.0	46.6	48.3	58.0	50.7	46.4	92.1		
48 months		41.0	50.6	45.7	51.3	58.8	49.3	49.7			
60 months		39.3	47.4	47.5	52.5	55.2	47.7				
72 months		37.2	46.6	47.3	53.5	54.2					
84 months		36.8	45.7	47.2	54.5						
96 months		36.9	45.8	46.7							
108 months		36.9	45.6								
120 months		36.7									
Property											
12 months		59.0	52.9	54.9	53.2	55.0	59.0	72.3	63.4	53.2	67.9
24 months		49.5	47.4	48.9	47.7	49.1	68.4	88.5	63.5	63.3	
36 months		48.7	39.6	45.6	41.4	46.0	71.3	91.2	65.4		
48 months		46.9	36.5	45.6	40.6	44.8	71.8	91.3			
60 months		46.0	35.9	45.5	39.7	43.7	71.8				
72 months		44.8	35.3	47.2	40.2	46.0					
84 months		44.3	35.2	46.6	39.7						
96 months		44.0	36.6	47.0							

Gross ultimate claims	**2010 ae %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	
108 months		44.0	37.6									
120 months		44.2										
Reinsurance												
12 months		78.3	62.8	60.0	61.4	65.9	68.0	121.3	98.5	100.9	79.4	
24 months		77.4	37.0	46.1	33.4	33.6	41.6	116.6	124.4	69.3		
36 months		70.0	31.5	43.5	30.8	25.6	40.4	128.3	122.9			
48 months		66.2	30.4	42.1	27.7	25.4	41.2	131.0				
60 months		63.4	30.6	39.2	27.5	25.3	40.5					
72 months		63.2	30.4	38.9	27.0	25.0						
84 months		58.3	30.4	38.0	27.0							
96 months		58.4	30.1	37.9								
108 months		58.9	30.0									
120 months		58.8										
Specialty Lines												
12 months		75.2	74.9	74.6	69.8	69.3	67.6	65.9	68.5	66.9	68.3	
24 months		76.0	75.0	74.2	69.5	69.9	67.5	66.1	69.0	68.6		
36 months		74.5	73.7	73.9	65.8	68.3	65.4	65.9	65.9			
48 months		73.9	74.0	69.4	61.7	67.4	64.1	62.1				
60 months		71.5	70.3	64.2	58.1	69.3	60.8					
72 months		68.4	69.2	62.1	55.7	78.1						
84 months		64.6	68.8	61.5	54.0							
96 months		62.7	71.1	60.1								
108 months		60.9	72.4									
120 months		60.7										
Total												
12 months		67.2	64.6	63.9	62.1	62.5	63.3	70.0	66.7	64.6	72.7	
24 months		63.0	58.3	59.4	55.8	58.4	62.8	71.0	69.5	73.9		
36 months		60.6	53.3	56.7	52.6	54.4	60.7	70.9	71.2			
48 months		57.9	51.4	54.7	51.7	52.6	60.1	69.7				
60 months		57.0	49.5	52.7	53.2	52.7	59.1					
72 months		53.8	48.4	51.7	52.2	55.5						
84 months		52.5	48.0	51.1	51.8							
96 months		52.0	48.6	50.8								
108 months		51.9	49.1									
120 months		51.7										
Estimated total ultimate losses ($m)	7,108.3	851.2	869.1	933.6	996.9	1,125.3	1,275.2	1,711.8	1,917.2	2,276.0	2,443.9	21,508.5
Less paid claims ($m)	(6,962.0)	(776.3)	(779.8)	(818.4)	(910.4)	(879.4)	(960.9)	(1,116.4)	(933.9)	(530.2)	(157.8)	(14,825.5)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(38.6)	(227.7)	(962.6)	(1,228.9)
Gross claims liabilities ($m)	**146.3**	**74.9**	**89.3**	**115.2**	**86.5**	**245.9**	**314.3**	**595.4**	**944.7**	**1,518.1**	**1,323.5**	**5,454.1**

Net ultimate claims	**2010ae %**	**2011 %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**
Cyber & Executive Risk											
12 months		72.0	68.2	66.5	63.2	60.4	59.2	57.9	58.2	59.9	72.3
24 months		71.5	68.5	66.8	63.8	60.4	59.2	59.0	60.5	68.1	
36 months		72.9	65.6	65.1	62.3	56.0	56.1	55.5	62.4		
48 months		70.1	60.2	62.2	61.3	50.3	56.3	55.8			

60 months	69.2	60.3	59.5	65.9	51.5	55.1				
72 months	66.1	57.6	56.8	64.9	49.7					
84 months	68.2	57.1	56.3	65.5						
96 months	69.9	56.0	56.3							
108 months	72.2	56.4								
120 months	71.2									
Marine										
12 months	55.4	55.2	56.4	56.6	56.6	56.6	57.4	59.3	56.6	54.2
24 months	47.5	45.7	53.2	48.7	52.3	62.4	61.2	67.7	55.1	
36 months	38.5	36.9	47.6	46.6	47.0	61.4	61.6	68.7		
48 months	34.2	34.5	46.1	45.8	46.5	61.8	59.4			
60 months	35.3	33.4	45.5	47.1	45.2	60.5				
72 months	32.1	32.7	44.9	45.3	44.7					
84 months	31.1	32.4	42.8	44.6						
96 months	29.9	32.2	42.6							
108 months	29.9	32.3								
120 months	29.9									
Market Facilities										
12 months	-	-	-	-	-	-	-	36.5	24.7	28.3
24 months	-	-	-	-	-	-	-	36.5	24.3	
36 months	-	-	-	-	-	-	-	30.4		
48 months	-	-	-	-	-	-	-			
60 months	-	-	-	-	-	-				
72 months	-	-	-	-	-					
84 months	-	-	-	-						
96 months	-	-	-							
108 months	-	-								
120 months	-									
Political, Accident & Contingency										
12 months	55.0	58.7	59.0	57.3	57.8	60.5	57.0	58.5	56.1	90.8
24 months	45.7	53.6	52.4	50.7	56.6	54.4	49.3	54.4	111.5	
36 months	47.1	51.4	49.1	46.2	55.8	50.9	45.8	81.9		
48 months	44.0	47.9	46.6	50.6	55.1	48.6	46.4			
60 months	42.0	44.9	46.8	50.9	52.5	47.4				
72 months	40.0	43.9	47.0	51.8	51.8					
84 months	39.5	43.4	47.1	52.3						
96 months	39.6	43.8	47.0							
108 months	39.7	43.7								
120 months	39.4									
Property										
12 months	60.0	56.6	56.2	54.6	55.1	57.6	76.0	64.4	56.4	67.8
24 months	56.0	53.0	56.1	51.5	50.6	69.5	93.5	66.9	66.2	
36 months	54.4	46.4	52.2	44.8	47.3	71.3	95.5	68.1		
48 months	51.1	41.5	50.4	43.4	45.1	70.8	93.4			
60 months	49.7	40.9	50.3	42.4	44.9	69.9				
72 months	48.5	40.4	51.9	43.5	46.5					
84 months	48.2	40.1	52.1	43.0						
96 months	48.0	41.7	52.4							

108 months		48.0	42.5									
120 months		48.3										
Reinsurance												
12 months		88.5	66.6	57.8	58.7	61.8	61.5	103.9	86.8	87.0	85.7	
24 months		89.2	44.4	53.0	37.9	34.7	39.2	93.0	100.2	70.3		
36 months		80.3	38.0	49.0	34.1	24.9	38.8	103.9	98.1			
48 months		74.6	36.3	47.7	31.4	24.5	40.4	107.2				
60 months		72.0	36.5	44.1	31.2	24.7	41.4					
72 months		72.3	36.2	43.8	30.8	25.0						
84 months		67.0	36.2	42.9	30.7							
96 months		67.0	35.8	42.8								
108 months		67.7	35.8									
120 months		67.7										
Specialty Lines												
12 months		72.0	71.3	70.4	67.0	65.0	65.0	63.8	66.0	64.7	65.4	
24 months		72.4	71.4	70.0	66.6	65.8	65.0	63.7	67.1	65.0		
36 months		70.9	70.1	70.0	64.1	63.2	61.2	63.4	64.1			
48 months		68.8	68.5	64.1	59.1	58.5	57.0	58.2				
60 months		69.6	66.0	59.2	55.8	58.8	52.1					
72 months		69.4	66.1	57.7	54.5	62.7						
84 months		66.8	66.1	57.6	52.8							
96 months		65.6	67.2	56.4								
108 months		64.3	68.0									
120 months		63.5										
Total												
12 months		66.5	63.8	62.1	60.4	59.8	60.6	65.7	63.4	61.6	68.6	
24 months		63.7	58.3	60.2	56.1	56.6	60.9	67.6	66.1	69.0		
36 months		60.3	53.8	57.4	52.8	52.7	58.8	67.5	68.1			
48 months		57.2	50.7	54.5	51.2	49.7	57.5	65.5				
60 months		56.7	49.4	52.3	51.4	49.6	55.5					
72 months		55.2	48.7	51.6	50.9	50.4						
84 months		53.9	48.4	51.1	50.4							
96 months		53.5	48.8	50.8								
108 months		53.5	49.2									
120 months		53.2										
Estimated total ultimate losses ($m)	5,127.5	723.7	723.4	798.4	836.5	868.9	1,015.2	1,362.6	1,547.4	1,793.0	1,886.5	16,683.1
Less paid claims ($m)	(4,987.0)	(669.8)	(658.9)	(709.1)	(766.2)	(715.0)	(806.3)	(892.6)	(750.2)	(403.7)	(90.3)	(11,449.1)
Less unearned portion of ultimate losses ($m)		-	-	-	-	-	-	-	(28.0)	(215.4)	(842.1)	(1,085.5)
Net claims liabilities (100% level) ($m)	**140.5**	**53.9**	**64.5**	**89.3**	**70.3**	**153.9**	**208.9**	**470.0**	**769.2**	**1,173.9**	**954.1**	**4,148.5**

Analysis of movements in loss development tables
We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2020 for each underwriting year. The impact of amounts reported in respect of the unexpired risk reserve are embedded within the loss ratios presented.

Cyber & Executive Risk

The 2019 and 2020 underwriting years have strengthened in response to cyber ransomware activity. However, these years are now recovering under aggregate excess of loss reinsurance programmes, so the impact is reduced net of reinsurance.

Marine
Releases continue on mature underwriting years as the risks expire. The 2018 underwriting year saw an overall strengthening net of reinsurance driven by the marine hull account.

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 risk expires.

Political, Accident & Contingency
The contingency, accident and life classes within this division have been significantly impacted by COVID-19 claims, which has led to strengthening on the 2018 to 2020 underwriting years. The contingency class benefits from clash reinsurance, causing this effect to be less pronounced net of reinsurance.

Property
The 2019 and 2020 underwriting years have been impacted by COVID-19 as well as the recent US hurricane events. The mature underwriting years continue to see adverse development from the construction and engineering book, which is now in run off.

Reinsurance
The 2020 underwriting year has been impacted by COVID-19 experience and the recent US hurricanes. Favourable developments on established catastrophes have led to positive experience 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 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 impact is lower net of reinsurance. Other underwriting years continue to release as the risk expires.

Claim releases
The table on the table below our net claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by segment and underwriting year. Beazley's reserving policy is to maintain catastrophe reserve margins either until the end of the exposure period or until catastrophe events occur. Therefore margins have been released from prior year reserves where risks have expired during 2020.

Reserve releases during the year totalled $93.1m (2019: $9.5m). The net of reinsurance estimates of ultimate claims costs have improved primarily on the 2017 and prior underwriting years by $74.7m during 2020 as medium tail reserves in Specialty Lines mature, while 2018 and 2019 underwriting years' improvements of $2.3m and $16.1m respectively were partially offset by adverse development particularly in Cyber and Executive Risk as a result of an uptick in ransomware activity..

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

2020	Cyber & Executive Risk $m	Marine $m	Marine $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Current year	553.3	169.4	9.2	358.7	295.7	107.5	557.6	2,051.4
Prior year								
- 2017 underwriting year and earlier	(28.3)	(9.8)	-	(2.2)	2.1	2.4	(47.3)	(74.7)
- 2018 underwriting year	26.7	1.9	(0.6)	(1.9)	3.7	(3.0)	(20.7)	(2.3)
- 2019 underwriting year	6.0	(1.0)	(0.3)	(0.5)	(10.2)	(20.1)	10.0	(16.1)
	4.4	(8.9)	(0.9)	(4.6)	(4.4)	(20.7)	(58.0)	(93.1)
Net insurance claims	557.7	160.5	8.3	354.1	291.3	86.8	499.6	1,958.3

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	5.5	127.3	190.2	114.5	499.0	1,462.0
Prior year								

- 2016 underwriting year 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	5.5	110.5	207.3	144.6	462.1	1,452.5

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

Glossary

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

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

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, investment return and underwriting profit, 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 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 73% (2019: 62%). This represented total claims of $1,958.3m (2019: $1,452.5m) divided by net earned premiums of $2,693.4m (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 109% (2019: 100%). This represents the sum of net insurance claims of $1,958.3m (2019: $1,452.5m), expenses for acquisition of insurance contracts of $738.9m (2019: $645.4m) and administrative expenses of $235.5m (2019: $244.3m) to net earned premiums of $2,693.4m (2019: $2,347.0m). This is also the sum of the expense ratio 36% (2019: 38%) and the claims ratio 73% (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% (2019: 38%). This represents the sum of expenses for acquisition of insurance contracts of $738.9m (2019: $645.4m) and administrative expenses of $235.5m (2019: $244.3m) to earned premiums of $2,693.4m (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.

Group Surplus Capital Ratio
The group surplus capital ratio is the surplus of funds available to meet the group's ECR expressed as a percentage of the ECR. The funds available are calculated on an economic basis, consistent with how the ECR is calculated.

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 $188.1m (2019: $263.7m) divided by average financial assets at fair value, including cash, of $6,261.4m (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.

Managed premiums
Managed premium refers to all gross premiums written by Beazley's underwriters. In addition to gross premiums written on behalf of the group managed premium includes gross premiums written in syndicate 623 by Beazley's underwriters on behalf of third party capital providers.

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 at Lloyd's by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year), plus the right to buy any income due to the closing year of account, into an open year of account in return for a premium.

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

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

Return on equity (ROE)
Ratio, in percentage terms, calculated by dividing the consolidated profit after tax by the average daily total equity. In 2020, this was calculated as loss after tax of $46.1m (2019: Profit $234.1m) divided by average equity of $1,792.7m (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 catastrophe 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 a 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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