

Moments of truth



Moments of truth



When catastrophes hit, for us and our clients they are moments of truth

Insurance cannot make everything right. However, it can help people begin to rebuild their lives after devastating natural catastrophes. During the first half of 2018, Beazley's claims teams have continued to work tirelessly to fulfil the promises that our underwriters make.

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About Beazley

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

Beazley manages seven Lloyd's syndicates: syndicates 2623 and 623 underwrite a broad range of insurance and reinsurance business worldwide; syndicate 3623 focuses on personal accident, sport business and facilities business along with providing reinsurance to Beazley Insurance Company, Inc. in the US; 3622 is a dedicated life syndicate; 6107, a special

purpose syndicate, which writes reinsurance business; 6050, a special purpose syndicate, which reinsured syndicates 623 and 2623; and syndicate 5623, another special purpose syndicate reinsuring facilities business written by syndicate 3623.

We also underwrite business directly in the US admitted market through Beazley Insurance Company, Inc., an admitted carrier licensed to write in all 50 states.

In 2009 we incorporated an Irish reinsurer, Beazley Re Designated Activity Company (dac), which reinsures a proportion of the group's business. In June 2017, Beazley Re dac became Beazley Insurance dac after receiving a licence to transact direct insurance business.

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

Highlights and key performance indicators

Continued profitable growth

Highlights

	6 months 2018	6 months 2017	Full year 2017
Gross premiums written (\$m)	1,323.8	1,149.3	2,343.8
Net premiums written (\$m)	1,105.3	936.4	1,978.8
Net earned premiums (\$m)	990.2	886.7	1,869.4
Profit before income tax (\$m)	57.5	158.7	168.0
Claims ratio	56%	49%	58%
Expense ratio	39%	41%	41%
Combined ratio	95%	90%	99%
Basic earnings per share (cents)	9.1	25.3	25.0
Net assets per share (cents)	281.3	289.3	287.1
Net tangible assets per share (cents)	256.2	264.8	261.6
Basic earnings per share (pence)	6.6	20.2	19.5
Net assets per share (pence)	210.4	226.0	215.3
Net tangible assets per share (pence)	191.6	206.9	196.2
Proposed dividend per share (pence)	3.9	3.7	11.1
Return on equity (annualised)	6%	18%	9%
Premium renewal rate change	3%	(2%)	(1%)
Investment return (annualised)	0.4%	3.4%	2.9%

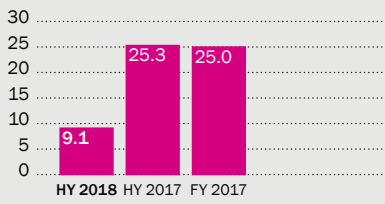
The group uses alternative performance measures (APMs) to help explain its financial performance and position. The group views some of the information contained above and on the next page as APMs. Further information on APMs can be found in the glossary on page 37.

Highlights and key performance indicators *continued*

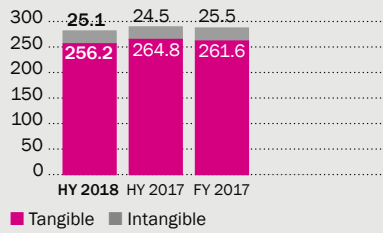
KPIs

Financial highlights

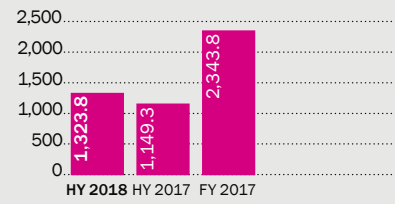
Earnings per share (c)



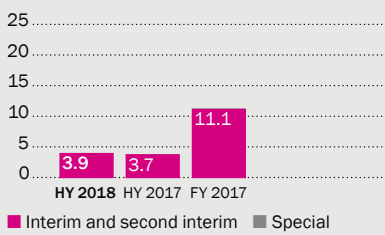
Net assets per share (c)



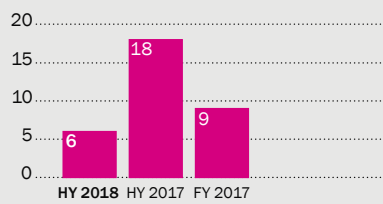
Gross premiums written (\$m)



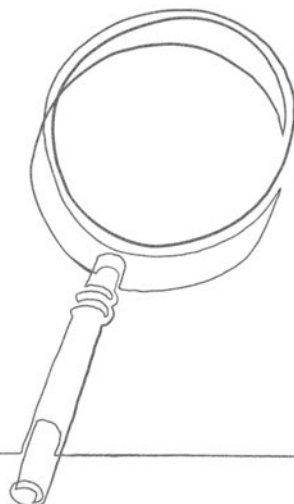
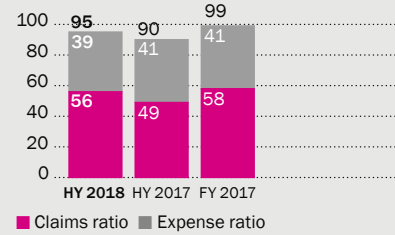
Dividends per share (p)



Return on equity (annualised) (%)

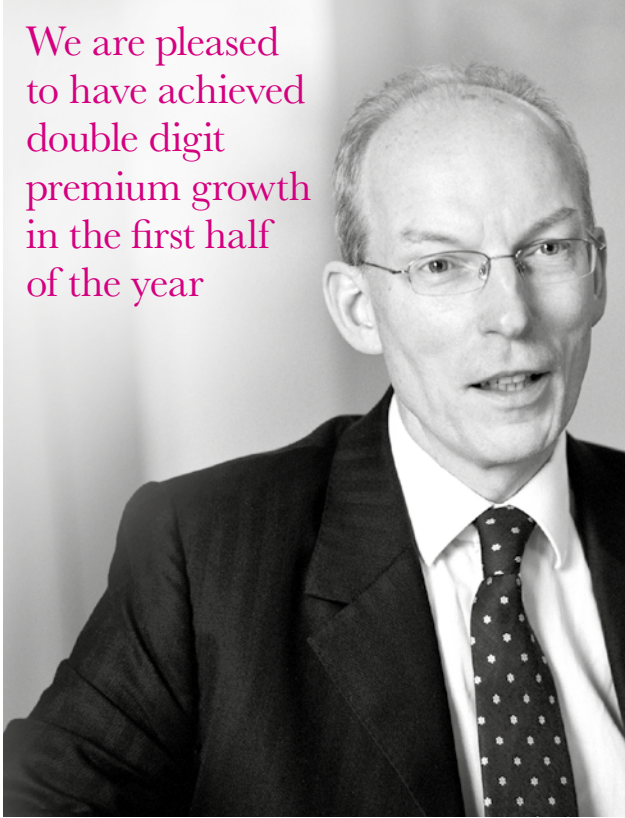


Combined ratio (%)



Interim results statement

We are pleased to have achieved double digit premium growth in the first half of the year



Andrew Horton
Chief executive

Beazley delivered strong growth in the first half of 2018, with gross premiums rising 15% to \$1,323.8m (2017: \$1,149.3m). We achieved a combined ratio of 95% (2017: 90%) and pre-tax profits of \$57.5m (2017: \$158.7m) which were dampened by reserve strengthening in our property division and, more importantly, a much lower investment return than the same period in 2017. The drop in investment performance was caused by the marked rise in US interest rates and these higher yields should benefit investment returns for the remainder of the year and beyond.

We saw top line growth across all five of our underwriting divisions, with property – one of the two divisions most impacted by last year's natural catastrophe events – growing fastest with a 25% increase to \$243.4m (2017: \$194.1m).

This marks a turnaround from last year, when rates for many of our lines of business were continuing to fall after several years of price erosion. We saw rates overall rise by 3% in the first half of 2018, buoyed by increases of 10% for property business, 7% for reinsurance, and 2% for marine. In the first half of 2017, by contrast, rates across our portfolio fell by 2%.

The extent of price firming for catastrophe exposed lines of business was in line with our expectations. Our market was awash with capital prior to the onslaught of last year's hurricanes, earthquakes and wildfires and we did not expect to see the dramatic reduction in capacity that some had predicted. By and large, the non-traditional capital providers, who shouldered some of the largest reinsurance losses last year, have maintained their commitment to the market.

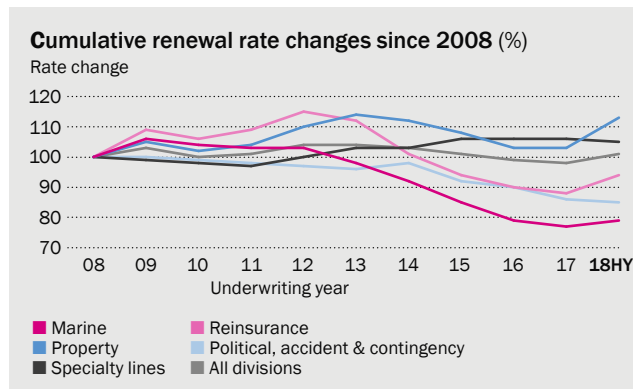
Our US business continues to perform very well, showing premium growth of 23% in the first half. More than three quarters of the business we underwrite locally in the US is specialty lines, with our environmental, healthcare and cyber business all showing very strong growth in the first half. We now have underwriters in 11 US cities, and teams offering a full range of Beazley products in six hub cities (New York, Chicago, San Francisco, Los Angeles, Dallas and Atlanta). Brokers continue to rate the responsiveness of our service very highly.

We have to date disbursed \$238m to help businesses and communities rebuild in the wake of last year's natural catastrophes in the US and Mexico, in line with our expectations and the reserves we had set aside. In our property portfolio, we have seen an increase in attritional losses, unrelated to last year's catastrophe events, on business written in 2016 and 2017, which required us to strengthen reserves by \$33.7m. Our consistent approach is to reserve prudently, but reserving is not an exact science and from time to time losses in individual lines of business will exceed expectations. We have taken remedial action, where required, to tighten pricing and the terms of the book and have also decided not to renew some loss making business. Overall, prior year reserve releases contributed \$48.1m (2017: \$83.4m) to our profits in the first half of the year, with releases for specialty lines – our largest division – increasing 17% compared to last year.

Specialty lines continued to grow strongly in the first half, with premiums up 16% to \$649.9m (2017: \$560.4m). This division benefits from our brand and market position in the US, where demand for many of our specialist lines of business is more mature; but we have also found increasingly receptive markets for these products elsewhere. In Canada, the acquisition of Creechurch Underwriters last year gave us a strong local platform and we have also been building our local teams in Europe; Asia (from our hub office in Singapore); and Latin America (from our hub office in Miami).

In May, the European Union's General Data Protection Regulation came into force, which we expect to boost demand for cyber insurance in Europe substantially over time.

Interim results statement *continued*



Management changes

In March we announced that Neil Maidment will be retiring at the end of this year and will step down from the board on 31 December 2018. Neil has been with the company since 1990 and has been chief underwriting officer for the past 10 years. We are enormously grateful to him for his many contributions to the company, including his skill and dedication in guiding the development of Beazley's well-balanced underwriting portfolio.

Neil will be succeeded by Adrian Cox, who has been running our specialty lines division since 2008. Specialty lines has grown significantly in recent years and the division now accounts for 49% of Beazley's total premiums. Effective from 1 January 2019 our technology, media and business services team (which includes our cyber business) will align with our management liability team, under the leadership of Mike Donovan and will form a new division. Our remaining specialty lines teams, including the bulk of our professional indemnity business, will remain as our specialty lines division under the leadership of James Eaton.

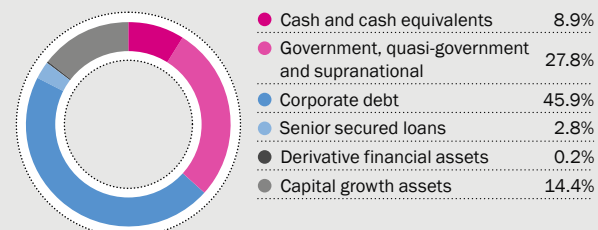
Penny Malik, our head of talent management, also retired in June. Since 2005, Penny has guided the growth and development of our workforce around the world, making Beazley a magnet for talent in our industry. Her contribution to Beazley has been immense.

Penny has been succeeded by Pippa Vowles, previously our head of internal communications. It is very satisfying to be able to source leadership roles internally as it shows our succession planning and continued investment in people brings strength and depth to Beazley.

New strategic initiatives

Beazley's profitable growth has been driven by the skill and energy of our underwriters, our claims professionals and the teams around them, but at the group level we have also pursued a series of strategic initiatives designed to boost our performance still further. We constantly review these initiatives, retiring them when we consider that they have delivered their objectives and become sufficiently embedded in our processes and culture to be classed as business as usual.

Investments portfolio split



In May the board approved the launch of new strategic initiatives focusing on our use of technology to make our business more efficient (for both large and small risks); on enhancing the client's overall experience of our products and services (an area in which insurers have lagged other service businesses); and in increasing the productivity of our London market business.

London remains by a large margin the world's leading wholesale insurance and reinsurance market but its cost base is currently too high for the volume of business written. Work is being undertaken by the London Market Group to address this; and at Beazley we plan to play our part, working closely with our brokers and with other insurers in the market to generate access to more business and more capital efficiently.

Investment performance

	30 June 2018 \$m	30 June 2018 %	30 June 2017 \$m	30 June 2017 %
Cash and cash equivalents	432.9	8.9	461.4	9.9
Fixed and floating rate debt securities				
– Government, quasi-government and supranational	1,352.1	27.8	955.0	20.6
– Asset backed securities	-	-	11.3	0.2
– Corporate bonds				
– Investment grade	2,175.5	44.7	2,322.1	50.1
– High yield	59.0	1.2	106.0	2.3
– Senior secured loans	135.4	2.8	91.3	2.0
Derivative financial assets	11.6	0.2	12.6	0.3
Core portfolio	4,166.5	85.6	3,959.7	85.4
Equity linked funds	101.9	2.1	167.0	3.6
Hedge funds	420.9	8.6	344.0	7.4
Illiquid credit assets	178.2	3.7	168.4	3.6
Capital growth assets	701.0	14.4	679.4	14.6
Investment portfolio total	4,867.5	100.0	4,639.1	100.0

Our investments returned \$8.0m, or 0.2% in the first half of 2018 (30 June 2017: \$79.4m, 1.7%). Rising US interest rates have had the most significant impact on returns in this period: higher yields generated capital losses on our fixed income investments in this period and widening credit spreads also detracted from returns on corporate debt exposures. As a result, although our short duration helped protect asset values, fixed income investments produced a barely positive return overall. Investor sentiment towards risk assets was also affected by tighter US monetary policy: equity volatility increased dramatically from the low levels seen in recent periods and equity returns were close to zero overall. Better returns from our other capital growth investments, including hedge funds and illiquid credit exposures, helped ensure that the total return in the first half was positive, though modest. Looking ahead, rising interest rates have more positive implications. The average yield on our fixed income investments has risen significantly in recent months, to 2.9% currently, and this should support better investment returns in the remainder of the year, and beyond.

Investment return by asset type

Analysis of returns on the core portfolio and the capital growth assets are set out below:

	30 June 2018 annualised return \$m	30 June 2018 return %	30 June 2017 annualised return \$m	30 June 2017 return %
Core portfolio	(1.3)	-	44.2	2.2
Capital growth assets	9.3	0.4	35.2	10.4
Overall return	8.0	0.4	79.4	3.4

Capital position

Our funding comes from a mixture of our own equity alongside \$248.6m of tier 2 subordinated debt, \$18.0m of subordinated long term debt and a £75.0m retail bond. We also have an undrawn banking facility of \$225.0m.

	30 June 2018 \$m	30 June 2017 \$m
Shareholders' funds	1,472.5	1,506.1
Tier 2 subordinated debt (2026)	248.6	248.4
Retail bond (2019)	100.0	95.5
Long term subordinated debt (2034)	18.0	18.0
Total	1,839.1	1,868.0

The changes in US tax legislation towards the end of 2017 have led us to reconsider how risk is distributed across the group. We expect that we will retain more risk within the US and as such the capital in our US admitted carrier BICI will increase by circa \$80.0m. There will be an offsetting reduction in our Lloyd's capital requirement and we expect a net effect on the group capital requirement of circa \$30.0m. We intend to implement this in the second half of 2018, effective from 1 January 2018.

Capital discipline remains a key area of focus for the board. We are committed to our strategy of achieving 5-10% growth in ordinary dividend with excess of capital beyond the business needs being returned to shareholders. The table below shows the group's capital requirement.

	Projected 31 December 2018 \$m	31 December 2017 \$m
Lloyd's economic capital requirement (ECR)	1,563.0	1,517.2
Capital for US insurance company	175.0	96.5
Total	1,738.0	1,613.7

At 30 June 2018 we have surplus capital (on a Solvency II basis) of 28% of the projected year end ECR.

Dividend

The board has declared a first interim dividend of 3.9 pence (2017: 3.7 pence), in line with our strategy of delivering 5-10% dividend growth. This will be paid on 30 August 2018 to shareholders on the register at 5.00pm on 3 August 2018.

Group auditors

Our auditors, KPMG, will be subject to mandatory rotation in Ireland after the 2018 year end and therefore the board has decided to conduct a tender for the audit services for the whole group. Following a rigorous process Beazley is pleased to announce that, subject to the approval of shareholders, it expects to appoint EY as its auditors across the group for financial periods commencing on or after 1 January 2019.

Outlook

In recent years, the diversity of our portfolio has given us the flexibility to grow in profitable areas while maintaining pricing discipline in lines of business where rates have been falling. We now see a better rating environment in which we can seek growth across a broader range of business lines.

We remain on target to achieve double digit premium growth this year, led by our specialty lines and catastrophe related business. Following the catastrophes of 2017, we will experience below average reserve releases from prior years during 2018. Provided that the claims environment is reasonably in line with our expectations, a combined ratio in the low to mid nineties should be achievable for the full year.

Andrew Horton

Chief executive

19 July 2018

32 years of profitable growth

Beazley's vision is to become, and be recognised as, the highest performing specialist insurer



1986

1991

Began trading at the 'old' 1958 Lloyd's building in 1986 with a capacity of £8.3m
Beazley, Furlonge & Hiscox established and takes over managing syndicate 623
Specialty lines and treaty accounts started

UK windstorms \$3.5bn

European storms \$10bn

1992

1997

Management buyout of Hiscox share
Commercial property account started
Corporate capital introduced at Lloyd's followed by Lloyd's Reconstruction and Renewal
APUA, based in Hong Kong, forms a strategic partnership with Beazley Furlonge

US Hurricane Andrew \$17bn

UK Bishopsgate explosion \$750m

US Northridge earthquake \$12.5bn

2006

Beazley in Hong Kong takes full ownership of APUA and renames it Beazley Limited

Expansion of construction & engineering team into Singapore

Beazley opens new office in Paris

Lloyd's active members: 2,211

Capacity: £14.8bn

Syndicates: 65

2007

BICI begins writing US admitted mid-market commercial property

2008

Beazley opens new office in Munich

Political risks & contingency group formed as new division

Acquisition of Momentum Underwriting Management

Accident & life formed as a new division

US Hurricane Ike \$20bn

2009

Raised £150m through rights issue to develop our business at Lloyd's and in the US

Acquisition of First State Management Group, Inc., a US underwriting manager focusing on surplus lines commercial property business

Beazley plc becomes the new holding company for the group, incorporated in Jersey and tax-resident in Ireland

2010

Andrew Beazley, co-founder of Beazley Group and chief executive until September 2008, dies at the age of 57

Beazley changes functional and presentational currency to US dollar

Beazley opens new office in Oslo

Special purpose syndicate 6107 formed to grow reinsurance business

Chile and NZ earthquakes \$14bn

Deepwater Horizon explosion triggers biggest oil spill in history

2011

Expansion of Australian accident & health business through acquisition of two MGAs

Launch of the Andrew Beazley Broker Academy

Nick Furlonge, co-founder, retires as an executive member but becomes a non-executive of Beazley Furlonge Limited

Beazley remains profitable in worst year ever for insured natural catastrophe losses

Tohoku earthquake in Japan \$37bn

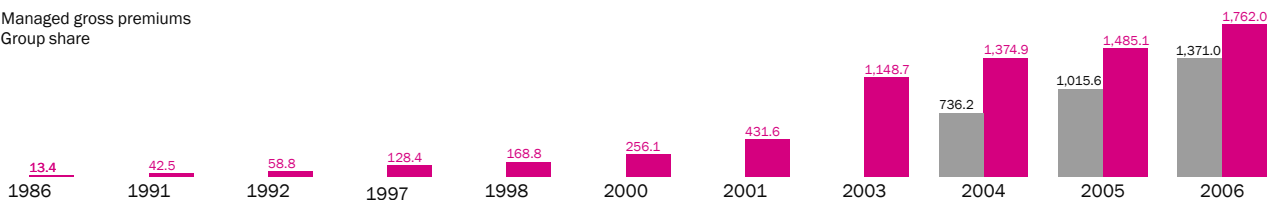
Floods in Thailand \$16bn

US tornadoes \$15bn

NZ earthquake \$16bn

Managed gross premiums and Group share \$m

■ Managed gross premiums
■ Group share



Beazley began life in 1986

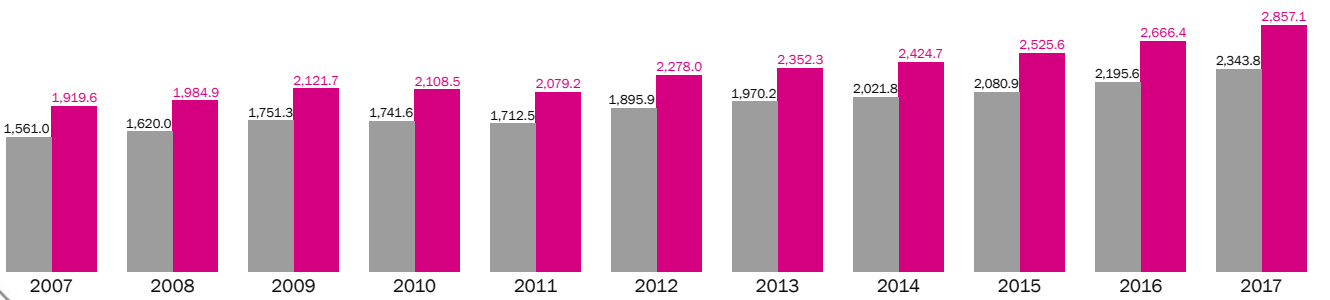
Since then, we have grown steadily in terms of the risks we cover, the clients we serve and our geographic reach, and today Beazley is a mature insurance business with a well-diversified portfolio. We have weathered some of the toughest times the Lloyd's market has seen in more than three centuries and our underwriting operations have an unbroken record of profitability.



<p>1998</p> <p>Recall, contingency and political risks accounts started</p> <p>Marine account started</p> <p>European storms \$12bn</p>	<p>2000</p>	<p>2001</p> <p>Management buyout of minority shareholders</p> <p>EPL and UK PI accounts started</p> <p>Flotation raised £150m to set up Beazley Group plc</p> <p>D&O healthcare, energy, cargo and specie accounts started</p> <p>Local representation established in the US</p> <p>Beazley MGA started in the US</p> <p>Beazley acquires Omaha P&C and renames it Beazley Insurance Company, Inc. (BICI)</p> <p>US 9/11 terrorist attack \$20.3bn</p> <p>SARS outbreak in Asia \$3.5bn</p> <p>US Hurricanes Katrina, Rita and Wilma \$101bn</p>	<p>2005</p>
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Highlights and interim results

<p>2012</p> <p>Expansion into aviation and kidnap & ransom markets</p> <p>Reinsurance division broadens access to South East Asia, China and South Korea business with local presence in Singapore</p> <p>Political risks & contingency expands into French market</p> <p>Superstorm Sandy \$25-30bn</p>	<p>2013</p> <p>Construction Consortium launched at Lloyd's</p> <p>Miami office opened to access Latin American reinsurance business</p> <p>Beazley Flight - comprehensive emergency evacuation cover - launched</p> <p>Beazley data breach cover extended in Europe. 1,000th breach managed</p> <p>Local representation added in Rio to develop Latin American insurance business</p>	<p>2014</p> <p>Construction Consortium extended to Lloyd's Asia</p> <p>Middle East office opened to access local political risk and violence, terrorism, trade credit and contingency business</p> <p>Space and satellite insurance account started</p> <p>D&O Consortium launched at Lloyd's</p> <p>Locally underwritten US business grows 19% to \$537m</p>	<p>2015</p> <p>Entered into a reinsurance agreement with Korean Re</p> <p>US underwritten premium grows by 21%</p> <p>Cyber consortium launched at Lloyd's</p> <p>Beazley welcomes its 1,000th employee globally</p>	<p>2016</p> <p>Beazley celebrated its 30th anniversary</p> <p>10th anniversary of operations in Singapore and Paris</p> <p>Beazley plc becomes the new holding company for the group, incorporated in England & Wales and tax-resident in the United Kingdom</p> <p>Partnership established with Munich Re to broaden and enhance the cyber cover available to the world's largest companies</p>	<p>2017</p> <p>Beazley Insurance dac acquires licence to write business within the EU</p> <p>Beazley opens a new office in Barcelona and acquires Crechurch Underwriters in Canada</p> <p>Beazley closes Middle East office and sells Australian renewal rights</p> <p>Hurricanes Harvey, Irma and Maria \$90-95bn</p> <p>Californian wildfires \$10bn</p> <p>Mexican earthquakes \$2-5bn</p>
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Performance by division



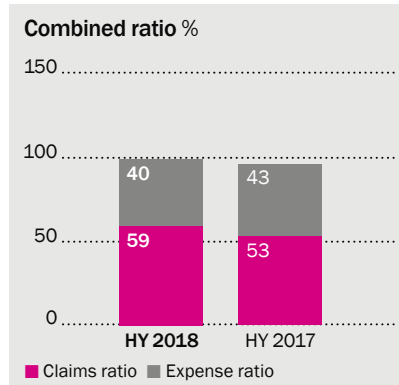
Neil Maidment
Chief underwriting officer

Premium growth
across all divisions

Marine



Clive Washbourn
Head of marine

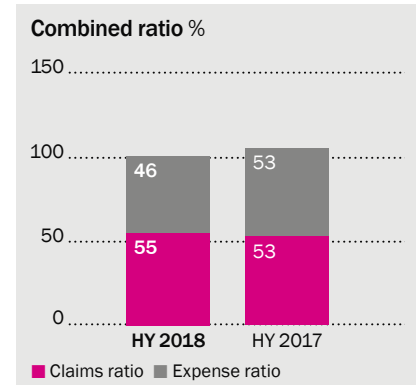


	2018 \$m	2017 \$m
Gross premiums written	158.0	145.6
Net premiums written	133.6	118.9
Results from operating activities	3.2	10.9
Claims ratio	59%	53%
Expense ratio	40%	43%
Combined ratio	99%	96%
Rate change	2%	(4%)

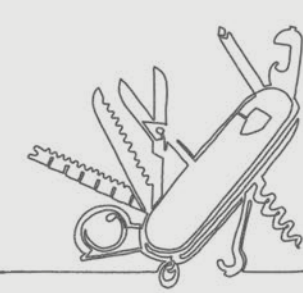
Political, accident & contingency



Christian Tolle
Head of political, accident & contingency



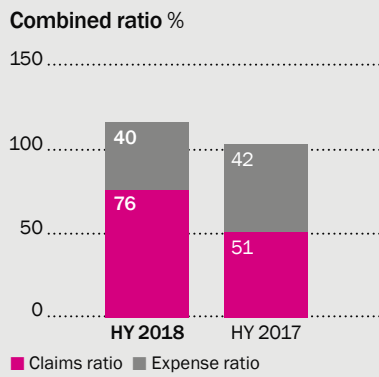
	2018 \$m	2017 \$m
Gross premiums written	120.0	108.4
Net premiums written	101.8	94.9
Results from operating activities	-	(0.6)
Claims ratio	55%	53%
Expense ratio	46%	53%
Combined ratio	101%	106%
Rate change	(2%)	(5%)



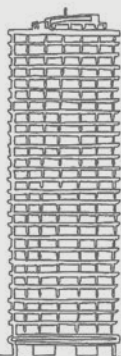
Property



Mark Bernacki
Head of property



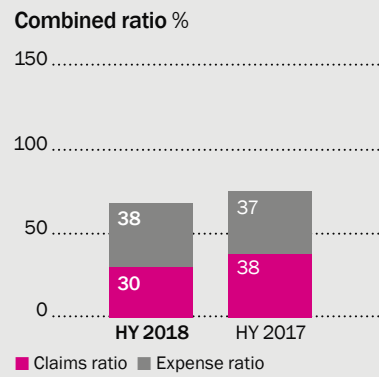
	2018 \$m	2017 \$m
Gross premiums written	243.4	194.1
Net premiums written	198.0	149.6
Results from operating activities	(23.7)	18.4
Claims ratio	76%	51%
Expense ratio	40%	42%
Combined ratio	116%	93%
Rate change	10%	(1%)



Reinsurance



Patrick Hartigan
Head of reinsurance



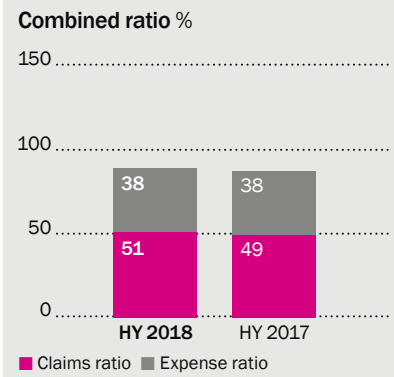
	2018 \$m	2017 \$m
Gross premiums written	152.5	140.8
Net premiums written	95.5	82.9
Results from operating activities	19.8	19.6
Claims ratio	30%	38%
Expense ratio	38%	37%
Combined ratio	68%	75%
Rate change	7%	(2%)



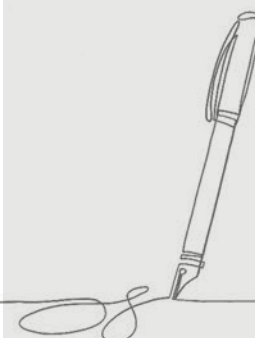
Specialty lines



Adrian Cox
Head of specialty lines



	2018 \$m	2017 \$m
Gross premiums written	649.9	560.4
Net premiums written	576.4	490.1
Results from operating activities	69.4	121.3
Claims ratio	51%	49%
Expense ratio	38%	38%
Combined ratio	89%	87%
Rate change	(1%)	(1%)



Condensed consolidated statement of profit or loss

for the six months ended 30 June 2018

	Note	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Gross premiums written	2	1,323.8	1,149.3	2,343.8
Written premiums ceded to reinsurers		(218.5)	(212.9)	(365.0)
Net premiums written	2	1,105.3	936.4	1,978.8
Change in gross provision for unearned premiums		(162.1)	(100.1)	(118.4)
Reinsurer's share of change in the provision for unearned premiums		47.0	50.4	9.0
Change in net provision for unearned premiums		(115.1)	(49.7)	(109.4)
Net earned premiums	2	990.2	886.7	1,869.4
Net investment income	3	8.0	79.4	138.3
Other income	4	16.6	17.0	35.5
		24.6	96.4	173.8
Revenue	2	1,014.8	983.1	2,043.2
Insurance claims		624.2	541.3	1,388.0
Insurance claims recovered from reinsurers		(74.7)	(102.4)	(312.3)
Net insurance claims	2,11	549.5	438.9	1,075.7
Expenses for the acquisition of insurance contracts		258.6	241.5	519.7
Administrative expenses		131.2	121.7	254.7
Foreign exchange loss	2	2.6	11.5	3.1
Operating expenses		392.4	374.7	777.5
Expenses	2	941.9	813.6	1,853.2
Share of profit in associates	2	-	0.1	0.1
Impairment of investment in associate	15	(4.2)	-	-
Results of operating activities		68.7	169.6	190.1
Finance costs	5	(11.2)	(10.9)	(22.1)
Profit before income tax		57.5	158.7	168.0
Income tax expense	8	(9.9)	(27.0)	(38.0)
Profit after income tax – all attributable to equity shareholders		47.6	131.7	130.0
Earnings per share (cents per share):				
Basic	6	9.1	25.3	25.0
Diluted	6	8.9	24.6	24.4
Earnings per share (pence per share):				
Basic	6	6.6	20.2	19.5
Diluted	6	6.5	19.7	19.0

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2018

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Profit after income tax	47.6	131.7	130.0
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss:</i>			
Loss on remeasurement of retirement benefit obligations	-	-	(0.6)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences	0.9	(0.8)	2.9
Total other comprehensive income	0.9	(0.8)	2.3
Total comprehensive income recognised	48.5	130.9	132.3

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2018

	Share capital \$m	Foreign currency translation reserve \$m	Other reserves \$m	Retained earnings \$m	Total \$m
Balance as at 1 January 2017	37.7	(96.7)	23.4	1,519.3	1,483.7
Total comprehensive income recognised	-	(0.8)	-	131.7	130.9
Dividends paid	-	-	-	(110.8)	(110.8)
Issue of shares	0.1	-	-	-	0.1
Equity settled share-based payments	-	-	15.3	-	15.3
Acquisition of own shares held in trust	-	-	(16.2)	-	(16.2)
Tax on share option vestings	-	-	3.2	-	3.2
Transfer of shares to employees	-	-	(7.7)	7.6	(0.1)
Balance as at 30 June 2017	37.8	(97.5)	18.0	1,547.8	1,506.1
Total comprehensive income recognised	-	3.7	-	(2.3)	1.4
Dividends paid	-	-	-	(25.1)	(25.1)
Equity settled share-based payments	-	-	9.2	-	9.2
Tax on share option vestings	-	-	1.1	4.0	5.1
Transfer of shares to employees	-	-	3.7	(1.5)	2.2
Balance as at 31 December 2017	37.8	(93.8)	32.0	1,522.9	1,498.9
Total comprehensive income recognised	-	0.9	-	47.6	48.5
Dividends paid	-	-	-	(53.7)	(53.7)
Equity settled share-based payments	-	-	12.9	(2.5)	10.4
Issue of shares	0.1	-	-	-	0.1
Acquisition of own shares held in trust	-	-	(37.1)	-	(37.1)
Tax on share option vestings	-	-	1.3	2.4	3.7
Transfer of shares to employees	-	-	6.8	(5.1)	1.7
Balance as at 30 June 2018	37.9	(92.9)	15.9	1,511.6	1,472.5

Condensed consolidated statement of financial position

as at 30 June 2018

	Note	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Assets				
Intangible assets		131.5	127.1	133.5
Plant and equipment		5.4	5.4	4.4
Deferred tax asset		18.6	11.8	6.9
Investments in associates	15	2.8	10.0	7.0
Deferred acquisition costs		323.5	274.1	281.4
Reinsurance assets		1,193.5	1,153.3	1,231.1
Financial assets at fair value	9	4,434.6	4,177.7	4,449.6
Insurance receivables		970.2	868.6	918.0
Current income tax assets		4.8	4.7	17.7
Other receivables		69.6	81.6	68.6
Cash and cash equivalents	10	432.9	461.4	440.5
Total assets		7,587.4	7,175.7	7,558.7
Equity				
Share capital		37.9	37.8	37.8
Foreign currency translation reserve		(92.9)	(97.5)	(93.8)
Other reserves		15.9	18.0	32.0
Retained earnings		1,511.6	1,547.8	1,522.9
Total equity		1,472.5	1,506.1	1,498.9
Liabilities				
Insurance liabilities		5,299.2	4,802.4	5,167.8
Financial liabilities	9	387.3	380.2	367.3
Retirement benefit liability		0.9	5.0	2.3
Deferred tax liabilities		1.8	7.0	9.9
Other payables		425.7	475.0	512.5
Total liabilities		6,114.9	5,669.6	6,059.8
Total equity and liabilities		7,587.4	7,175.7	7,558.7

D A Horton

Chief executive

M L Bride

Finance director

19 July 2018

Condensed consolidated statement of cash flows

for the six months ended 30 June 2018

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Cash flow from operating activities			
Profit before income tax	57.5	158.7	168.0
Adjustments for:			
Amortisation of intangibles	6.1	6.2	11.6
Equity settled share based compensation	9.8	12.7	23.6
Net fair value loss/(gain) on financial investments	32.2	(45.1)	(69.6)
Share of profit in associates	-	(0.1)	(0.1)
Depreciation of plant and equipment	1.1	1.2	2.7
Impairment of investment in associate	4.2	-	-
Impairment of reinsurance assets recognised	0.3	0.7	0.6
Increase in insurance and other liabilities	43.3	150.6	534.4
Increase in insurance, reinsurance and other receivables	(15.9)	(181.8)	(295.9)
Increase in deferred acquisition costs	(42.1)	(31.3)	(38.6)
Financial income	(44.4)	(37.4)	(76.6)
Finance expense	11.2	10.9	22.1
Income tax paid	(4.0)	(17.9)	(27.9)
Net cash from operating activities	59.3	27.4	254.3
Cash flow from investing activities			
Purchase of plant and equipment	(1.8)	(1.2)	(1.7)
Expenditure on software development	(4.0)	(0.7)	(9.3)
Purchase of investments	(1,743.4)	(1,215.4)	(3,299.3)
Proceeds from sale of investments	1,738.3	1,272.8	3,093.7
Sale of associate	-	-	3.0
Sale of LAH renewal rights	-	0.8	0.8
Acquisition of subsidiaries (net of cash)	-	(31.2)	(31.8)
Interest and dividends received	43.2	37.4	74.5
Net cash from investing activities	32.3	62.5	(170.1)
Cash flow from financing activities			
Acquisition of own shares in trust	(37.1)	(16.2)	(16.2)
Finance costs	(11.0)	(10.9)	(20.7)
Foreign exchange of financial liabilities	0.3	-	4.6
Issuance of shares	1.8	-	2.2
Dividends paid	(53.7)	(110.8)	(135.9)
Net cash used in financing activities	(99.7)	(137.9)	(166.0)
Net decrease in cash and cash equivalents	(8.1)	(48.0)	(81.8)
Cash and cash equivalents at beginning of period	440.5	507.2	507.2
Effect of exchange rate changes on cash and cash equivalents	0.5	2.2	15.1
Cash and cash equivalents at end of period	432.9	461.4	440.5

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2018

1 Statement of accounting policies

Beazley plc is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2018 comprise the parent company, its subsidiaries and the group's interest in associates.

The condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with IAS 34 Interim Financial Reporting as adopted by the EU ('Adopted IFRS'). The condensed consolidated interim financial statements of Beazley plc have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. The principal risks and uncertainties faced by the group remain consistent with those risks and uncertainties discussed and disclosed on pages 55 to 61 of the group's 2017 annual report and accounts.

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for, the year ended 31 December 2017. As required by IFRS 13 (Fair Value Measurement) information relating to the fair value measurement of financial assets and liabilities is outlined in note 9 to the condensed consolidated interim financial statements.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2017.

An additional standard, IFRS 15: Revenue from contracts with customers, has been applied when preparing these financial statements. The new standard has no impact on the financial statements. Note 4 provides an income breakdown for each contract type within the scope of IFRS 15. No significant judgements were made when recognising income from these contracts and all related balances are classified as receivables and included within the other receivables line in the statement of financial position.

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

2 Segmental analysis

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

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

	30 June 2018					
	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	158.0	120.0	243.4	152.5	649.9	1,323.8
Net premiums written	133.6	101.8	198.0	95.5	576.4	1,105.3
Net earned premiums	125.0	86.2	163.9	59.1	556.0	990.2
Net investment income	0.9	0.3	0.9	0.4	5.5	8.0
Other income	1.5	1.0	2.7	0.8	10.6	16.6
Revenue	127.4	87.5	167.5	60.3	572.1	1,014.8
Net insurance claims	73.9	47.5	125.3	17.7	285.1	549.5
Expenses for the acquisition of insurance contracts	36.2	28.7	46.2	15.2	132.3	258.6
Administrative expenses	13.8	11.1	19.3	7.4	79.6	131.2
Foreign exchange loss	0.3	0.2	0.4	0.2	1.5	2.6
Expenses	124.2	87.5	191.2	40.5	498.5	941.9
Share of profit in associate	-	-	-	-	-	-
Impairment of investment in associate	-	-	-	-	(4.2)	(4.2)
Segment result	3.2	-	(23.7)	19.8	69.4	68.7
Finance costs						(11.2)
Profit before income tax						57.5
Income tax expense						(9.9)
Profit after income tax						47.6
Claims ratio	59%	55%	76%	30%	51%	56%
Expense ratio	40%	46%	40%	38%	38%	39%
Combined ratio	99%	101%	116%	68%	89%	95%
Segment assets and liabilities						
Segment assets	685.6	454.0	869.5	643.7	4,934.6	7,587.4
Segment liabilities	(569.3)	(367.5)	(715.3)	(481.3)	(3,981.5)	(6,114.9)
Net assets	116.3	86.5	154.2	162.4	953.1	1,472.5

Notes to the interim financial statements *continued*2 Segmental analysis *continued*

30 June 2017

	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	145.6	108.4	194.1	140.8	560.4	1,149.3
Net premiums written	118.9	94.9	149.6	82.9	490.1	936.4
Net earned premiums	114.0	91.5	147.6	55.6	478.0	886.7
Net investment income	7.1	4.0	8.0	5.6	54.7	79.4
Other income	0.7	2.1	2.4	0.6	11.2	17.0
Revenue	121.8	97.6	158.0	61.8	543.9	983.1
Net insurance claims	60.5	48.8	74.9	20.9	233.8	438.9
Expenses for the acquisition of insurance contracts	33.6	32.6	43.2	14.2	117.9	241.5
Administrative expenses	15.3	15.4	19.6	6.4	65.0	121.7
Foreign exchange loss	1.5	1.2	1.9	0.7	6.2	11.5
Expenses	110.9	98.0	139.6	42.2	422.9	813.6
Share of (loss)/profit in associates	-	(0.2)	-	-	0.3	0.1
Segment result	10.9	(0.6)	18.4	19.6	121.3	169.6
Finance costs						(10.9)
Profit before income tax						158.7
Income tax expense						(27.0)
Profit after income tax						131.7
Claims ratio	53%	53%	51%	38%	49%	49%
Expense ratio	43%	53%	42%	37%	38%	41%
Combined ratio	96%	106%	93%	75%	87%	90%
Segment assets and liabilities						
Segment assets	642.2	492.6	866.1	713.7	4,461.1	7,175.7
Segment liabilities	(506.4)	(354.2)	(638.9)	(486.3)	(3,683.8)	(5,669.6)
Net assets	135.8	138.4	227.2	227.4	777.3	1,506.1

2 Segmental analysis *continued*

	31 December 2017					
	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	267.6	214.3	362.9	206.8	1,292.2	2,343.8
Net premiums written	233.2	190.8	300.0	134.6	1,120.2	1,978.8
Net earned premiums	227.9	188.7	293.8	136.9	1,022.1	1,869.4
Net investment income	12.7	6.7	14.1	9.4	95.4	138.3
Other income	3.2	3.6	7.3	3.7	17.7	35.5
Revenue	243.8	199.0	315.2	150.0	1,135.2	2,043.2
Net insurance claims	124.7	96.2	251.6	97.5	505.7	1,075.7
Expenses for the acquisition of insurance contracts	68.9	67.2	95.3	32.9	255.4	519.7
Administrative expenses	30.5	27.8	36.1	15.6	144.7	254.7
Foreign exchange loss	0.4	0.3	0.5	0.2	1.7	3.1
Expenses	224.5	191.5	383.5	146.2	907.5	1,853.2
Share of profit/(loss) in associates	-	0.4	-	-	(0.3)	0.1
Segment result	19.3	7.9	(68.3)	3.8	227.4	190.1
Finance costs						(22.1)
Profit before income tax						168.0
Income tax expense						(38.0)
Profit after income tax						130.0
Claims ratio	55%	51%	86%	71%	50%	58%
Expense ratio	43%	50%	44%	36%	39%	41%
Combined ratio	98%	101%	130%	107%	89%	99%
Segment assets and liabilities						
Segment assets	694.1	448.9	841.7	665.4	4,908.6	7,558.7
Segment liabilities	(574.2)	(344.0)	(676.8)	(485.5)	(3,979.3)	(6,059.8)
Net assets	119.9	104.9	164.9	179.9	929.3	1,498.9

Notes to the interim financial statements *continued*

3 Net investment income

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Interest and dividends on financial investments at fair value through profit or loss	44.2	37.2	76.1
Interest on cash and cash equivalents	0.2	0.2	0.5
Net realised gains on financial investments at fair value through profit or loss	9.1	5.4	23.1
Net unrealised fair value (losses)/gains on financial investments at fair value through profit or loss	(41.3)	39.7	46.5
Investment income from financial investments	12.2	82.5	146.2
Investment management expenses	(4.2)	(3.1)	(7.9)
	8.0	79.4	138.3

4 Other income

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Commission income	9.8	10.6	22.7
Profit commissions ¹	4.8	4.5	8.0
Agency fees	1.3	1.1	2.2
Other income	0.7	0.8	2.6
	16.6	17.0	35.5

1. As at 30 June 2018 there is \$2.0m (30 June 2017: \$7.9m; 31 December 2017: \$0.7m) of accrued profit commission at risk of being reversed if there was to be an adverse impact on syndicate 623's profit.

5 Finance costs

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Interest expense	11.2	10.9	22.1
	11.2	10.9	22.1

6 Earnings per share

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year to 31 December 2017
Basic (cents)	9.1	25.3	25.0
Diluted (cents)	8.9	24.6	24.4
Basic (pence)	6.6	20.2	19.5
Diluted (pence)	6.5	19.7	19.0

Basic

Basic earnings per share are calculated by dividing profit after income tax of \$47.6m (30 June 2017: \$131.7m; 31 December 2017: \$130.0m) by the weighted average number of shares in issue during the six months of 523.1m (30 June 2017: 520.8m; 31 December 2017: 520.5m). The shares held in the Employee Share Options Plan (ESOP) of 3.7m (30 June 2017: 5.0m; 31 December 2017: 3.8m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

Diluted

Diluted earnings per share are calculated by dividing profit after income tax of \$47.6m (30 June 2017: \$131.7m; 31 December 2017: \$130.0m) by the adjusted weighted average number of shares of 534.0m (30 June 2017: 535.5m; 31 December 2017: 533.6m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the SAYE (Save As You Earn), retention and deferred share schemes. The shares held in the ESOP of 3.7m (30 June 2017: 5.0m; 31 December 2017: 3.8m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

7 Dividends

A first interim dividend of 3.9p per ordinary share (2017: 3.7p) is payable in respect of the six months to 30 June 2018. These financial statements do not provide for this dividend as a liability.

The first interim dividend will be payable on 30 August 2018 to shareholders registered at 5.00pm on 3 August 2018.

A second interim dividend of 7.4p per ordinary share was paid on 28 March 2018 to shareholders registered at 5.00pm on 2 March 2018 in respect of the six months ended 31 December 2017. No special dividend was declared for 2017.

Notes to the interim financial statements *continued*

8 Income tax expense

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2017 \$m	Year to 31 December 2017 \$m
Current tax expense			
Current year	32.1	32.6	35.4
Prior year adjustments	(3.9)	0.8	(0.6)
	28.2	33.4	34.8
Deferred tax expense			
Origination and reversal of temporary differences	(19.3)	(6.0)	(3.6)
Impact of change in UK/US tax rates	0.3	-	5.3
Prior year adjustments	0.7	(0.4)	1.5
	(18.3)	(6.4)	3.2
Income tax expense	9.9	27.0	38.0

In line with IAS 34: Interim Financial Reporting, income tax expense for the interim period ended 30 June 2018 has been accrued using the estimated average annual effective income tax rate.

The weighted average of statutory tax rates applied to the profits earned in each country in which the group operates is 20.7% (30 June 2017: 16.8%), whereas the tax charged for the period 30 June 2018 as a percentage of profit before tax (effective income tax rate) is 17.2% (30 June 2017: 17.0%).

	6 months ended 30 June 2018 \$m	6 months ended 30 June 2018 %	6 months ended 30 June 2017 \$m	6 months ended 30 June 2017 %	Year to 31 December 2017 \$m	Year to 31 December 2017 %
Profit before tax	57.5		158.7		168.0	
Tax calculated at the weighted average of statutory tax rates	11.9	20.7	26.7	16.8	31.4	18.7
Effects of:						
Non-deductible expenses	1.1	1.9	0.6	0.4	0.9	0.5
Non-taxable gains on foreign exchange	-	-	(0.7)	(0.4)	(0.5)	(0.3)
Tax relief on share based payments – current and future years	(0.2)	(0.3)	-	-	-	-
(Over)/under provided in prior years	(3.2)	(5.6)	0.4	0.2	0.9	0.5
Change in UK/US tax rates ¹	0.3	0.5	-	-	5.3	3.2
Tax charge for the period	9.9	17.2	27.0	17.0	38.0	22.6

1 The Finance Act 2015, which provided for a reduction in the UK corporation tax rate to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015. The Finance Act 2016, which provides for a reduction in the UK corporation tax rate to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. These rate reductions to 19% and 17% will reduce the group's future current tax charge and has been reflected in the calculation of the deferred tax balance as at 30 June 2018.

A change in the effective corporation tax rates in the US from 35% to 21% was substantively enacted in December 2017. This resulted in a \$5m reduction to the carrying value of the group's US deferred tax asset at 31 December 2017.

The group has assessed the potential impact of diverted profits tax (DPT) following the enactment of new legislation in April 2015 and is of the view that no liability arises. The ultimate outcome may differ and any profits that did fall within scope of DPT would potentially be taxed at a rate of 25% rather than 12.5% (the current rate of tax on corporate earnings in Ireland).

9 Financial assets and liabilities

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Financial assets at fair value			
Government issued	1,318.0	908.2	1,345.4
Quasi-government	29.1	28.7	24.1
Supranational	5.0	18.1	21.1
Asset backed securities	-	11.3	-
Senior secured loans	135.4	91.3	85.6
Corporate bonds			
- Investment grade	2,175.5	2,322.1	2,179.7
- High yield	59.0	106.0	58.8
Total fixed and floating rate debt securities	3,722.0	3,485.7	3,714.7
Equity linked funds	101.9	167.0	168.3
Hedge funds	420.9	344.0	377.4
Illiquid credit assets	178.2	168.4	180.4
Total capital growth	701.0	679.4	726.1
Total financial investments at fair value through statement of profit or loss	4,423.0	4,165.1	4,440.8
Derivative financial assets	11.6	12.6	8.8
Total financial assets at fair value	4,434.6	4,177.7	4,449.6

Quasi-government securities include securities which are issued by government agencies or entities supported by government guarantees. Supranational securities are issued by institutions sponsored by more than one sovereign issuer. Asset backed securities are backed by financial assets, including corporate loans. Investment grade corporate bonds include debt instruments of corporate issuers rated BBB-/Baa3 or better by one or more major rating agency and high yield corporate bonds have credit ratings below this level. Equity linked funds are investment vehicles which are predominantly exposed to equity securities. Our illiquid credit assets are described in further detail below. The fair value of these assets at 30 June 2018 excludes an unfunded commitment of \$107.0m (30 June 2017: \$59.6m).

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
The amount expected to mature before and after one year are:			
Within one year	891.2	981.2	935.3
After one year	2,842.4	2,517.1	2,788.2
Total	3,733.6	3,498.3	3,723.5

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, 85% (30 June 2017: 92%) of equity linked funds could be liquidated within two weeks and the balance within six months, 72% (30 June 2017: 80%) of hedge fund assets within six months and the remaining 28% (30 June 2017: 20%) of hedge fund assets within 18 months. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to ten years.

Notes to the interim financial statements *continued*9 Financial assets and liabilities *continued*

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Financial liabilities			
Retail bond	100.0	95.5	99.5
Subordinated debt	18.0	18.0	18.0
Tier 2 subordinated debt	248.6	248.4	248.5
Derivative financial liabilities	20.7	18.3	1.3
Total financial liabilities	387.3	380.2	367.3

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
The amount expected to mature before and after one year are:			
Within one year	20.7	18.3	1.3
After one year	366.6	361.9	366.0
Total	387.3	380.2	367.3

Fair value measurement

The table on page 24 summarises financial assets carried at fair value using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

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

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

Level 2 investments

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

9 Financial assets and liabilities *continued*

Level 2 investments continued

The group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. We also review our valuation policy on a regular basis to ensure it is fit for purpose. As at 30 June 2018, no adjustments have been made to the prices obtained from the independent administrator.

For our hedge funds and equity linked funds, pricing and valuation is undertaken by independent administrators in accordance with the valuation policy of each fund. Regulated equity linked fund prices are published on a daily or weekly basis via Bloomberg and other market data providers such as Reuters. Hedge fund values are communicated by the independent administrators to all investors via monthly investor statements.

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds and equity linked funds. This shows that 81% (30 June 2017: 67%, 31 December 2017: 67%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund and equity linked fund investments as level 2.

Prior to any new hedge fund investment, extensive due diligence is undertaken on each fund to ensure that pricing and valuation is undertaken by an independent administrator and that each fund's valuation policy is appropriate for the financial instruments the manager will be employing to execute the investment strategy. Fund liquidity terms are reviewed prior to the execution of any investment to ensure that there is no mismatch between the liquidity of the underlying fund assets and the liquidity terms offered to fund investors.

Level 3 investments

The level 3 categorisation applies only to some of our illiquid credit investments. These are generally participations in limited partnership vehicles which hold diverse, typically illiquid, investments. While these funds provide full transparency of their underlying investments, the investments themselves are in many cases private and unquoted, and are therefore classified as level 3 investments.

Valuation inputs can be subjective and may include a discount rate applied to the investment based on market factors and expectations of future cash flows, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance relative to benchmarks, financial condition, and financing transactions subsequent to the acquisition of the investment.

We take the following steps to ensure accurate valuation of these level 3 assets: a substantial part of the pre-investment due diligence process is dedicated to a comprehensive review of each fund's valuation policy and the internal controls of the manager. In addition to this, confirmation that the investment reaches a minimum set of standards relating to the independence of service providers, corporate governance, and transparency is sought prior to approval. Post investment, unaudited capital statements confirming the fair value of the Limited Partner interests are received and reviewed on a quarterly (or more frequent) basis. Audited financial statements are received on an annual basis, with the valuation of each transaction being confirmed.

Notes to the interim financial statements *continued***9 Financial assets and liabilities** *continued*

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

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 June 2018				
Financial assets measured at fair value				
Government issued	1,318.0	-	-	1,318.0
Quasi-government	27.0	2.1	-	29.1
Supranational	4.5	0.5	-	5.0
Senior secured loans	-	135.4	-	135.4
Corporate bonds				
- Investment grade	13.5	2,162.0	-	2,175.5
- High yield	-	59.0	-	59.0
Equity linked funds	-	101.9	-	101.9
Hedge funds	-	420.9	-	420.9
Illiquid credit assets	-	-	178.2	178.2
Derivative financial assets	11.6	-	-	11.6
Total financial assets measured at fair value	1,374.6	2,881.8	178.2	4,434.6
Financial liabilities measured at fair value				
Derivative financial liabilities	20.7	-	-	20.7
Financial liabilities not measured at fair value				
Retail bond	-	104.8	-	104.8
Tier 2 subordinated debt	-	248.9	-	248.9
Total financial liabilities not measured at fair value	-	353.7	-	353.7
30 June 2017				
Financial assets measured at fair value				
Government issued	908.2	-	-	908.2
Quasi-government	28.5	0.2	-	28.7
Supranational	18.1	-	-	18.1
Asset backed securities	-	11.3	-	11.3
Senior secured loans	-	91.3	-	91.3
Corporate bonds				
- Investment grade	17.7	2,304.4	-	2,322.1
- High yield	-	106.0	-	106.0
Equity linked funds	-	167.0	-	167.0
Hedge funds	-	344.0	-	344.0
Illiquid credit assets	-	-	168.4	168.4
Derivative financial assets	12.6	-	-	12.6
Total financial assets measured at fair value	985.1	3,024.2	168.4	4,177.7
Financial liabilities measured at fair value				
Derivative financial liabilities	18.3	-	-	18.3
Financial liabilities not measured at fair value				
Retail bond	-	101.3	-	101.3
Tier 2 subordinated debt	-	256.8	-	256.8
Total financial liabilities not measured at fair value	-	358.1	-	358.1

9 Financial assets and liabilities *continued*

31 December 2017	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets measured at fair value				
Government issued	1,345.4	-	-	1,345.4
Quasi-government	24.1	-	-	24.1
Supranational	21.1	-	-	21.1
Senior secured loans	-	85.6	-	85.6
Corporate bonds				
- Investment grade	15.2	2,164.5	-	2,179.7
- High yield	-	58.8	-	58.8
Equity linked funds	-	168.3	-	168.3
Hedge funds	-	377.4	-	377.4
Illiquid credit assets	-	-	180.4	180.4
Derivative financial assets	8.8	-	-	8.8
Total financial assets measured at fair value	1,414.6	2,854.6	180.4	4,449.6
Financial liabilities measured at fair value				
Derivative financial liabilities	1.3	-	-	1.3
Financial liabilities not measured at fair value				
Retail bond	-	104.1	-	104.1
Tier 2 subordinated debt	-	266.6	-	266.6
Total financial liabilities not measured at fair value	-	370.7	-	370.7

The table above does not include financial assets and liabilities that are, in accordance with the group's accounting policies, recorded at amortised cost, if the carrying amount of these financial assets and liabilities approximates their fair values at the reporting date.

Unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

As part of its standard investment activities the group holds investments in high yield bond funds, asset backed securities, equity linked funds, hedge funds and illiquid credit assets which in accordance with IFRS 12 are classified as unconsolidated structured entities. The group does not sponsor any of the unconsolidated structured entities. The assets classified as unconsolidated structured entities are held at fair value on the balance sheet.

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

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
High yield bond funds	59.0	106.0	58.8
Asset backed securities	-	11.3	-
Equity linked funds	101.9	167.0	168.3
Hedge funds	420.9	344.0	377.4
Illiquid credit assets	178.2	168.4	180.4
Investments through unconsolidated structured entities	760.0	796.7	784.9

Notes to the interim financial statements *continued***9 Financial assets and liabilities** *continued**Transfers and level 3 investment reconciliations*

There were no transfers in either direction between level 1, level 2 and level 3 in either 2017 or 2018.

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. The total net unrealised gains recognised in the profit or loss of \$8.6m (30 June 2017: \$9.8m) is included in the net investment income number of \$8.0m (30 June 2017: \$79.4m) shown in the condensed consolidated statement of profit or loss.

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
As at 1 January	180.4	126.1	126.1
Purchases	19.0	41.0	55.4
Sales	(29.8)	(8.5)	(21.1)
Total net unrealised gains recognised in profit or loss	8.6	9.8	20.0
As at period end	178.2	168.4	180.4

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

30 June 2018	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	8.4	164.1	-	172.5	3,549.5	3,722.0
Equity linked funds	-	-	26.1	26.1	75.8	101.9
Hedge funds	-	-	-	-	420.9	420.9
Illiquid credit assets	-	-	15.4	15.4	162.8	178.2
Derivative financial assets	-	-	-	-	11.6	11.6
Total	8.4	164.1	41.5	214.0	4,220.6	4,434.6

30 June 2017	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	13.4	160.3	-	173.7	3,312.0	3,485.7
Equity linked funds	-	-	35.7	35.7	131.3	167.0
Hedge funds	-	-	-	-	344.0	344.0
Illiquid credit assets	-	-	10.9	10.9	157.5	168.4
Derivative financial assets	-	-	-	-	12.6	12.6
Total	13.4	160.3	46.6	220.3	3,957.4	4,177.7

31 December 2017	UK £ \$m	CAD \$ \$m	EURO € \$m	Subtotal \$m	US \$ \$m	Total \$m
Financial assets at fair value						
Fixed and floating rate debt securities	12.4	161.1	-	173.5	3,541.2	3,714.7
Equity linked funds	-	-	39.9	39.9	128.4	168.3
Hedge funds	-	-	-	-	377.4	377.4
Illiquid credit assets	-	-	13.7	13.7	166.7	180.4
Derivative financial assets	-	-	-	-	8.8	8.8
Total	12.4	161.1	53.6	227.1	4,222.5	4,449.6

The above qualitative and quantitative disclosures, along with the risk management disclosure included in note 2 of the annual report for the year ending 31 December 2017, enables more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments.

10 Cash and cash equivalents

	30 June 2018 \$m	30 June 2017 \$m	31 December 2017 \$m
Cash at bank and in hand	373.1	417.2	376.2
Short-term deposits and highly liquid investments	59.8	44.2	64.3
	432.9	461.4	440.5

Total cash and cash equivalents include \$15.9m (31 December 2017: \$9.0m) held in Lloyd's Singapore trust accounts. These funds are only available for use by the group to meet local claim and expense obligations.

11 Insurance claims

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

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

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2018 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Notes to the interim financial statements *continued***11 Insurance claims** *continued*

Gross ultimate claims	2008 ^{ae}	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	%	%	%	%	%	%	%	%	%	%	%	
Marine												
12 months	54.5	50.5	54.7	55.9	56.6	57.6	56.7	59.5	68.0			
24 months	51.0	49.7	47.4	46.2	52.0	46.9	54.0	70.2				
36 months	44.3	44.0	39.1	34.7	44.5	47.2	47.4					
48 months	40.7	42.3	33.8	32.1	42.8	46.8						
60 months	40.4	40.4	35.4	31.4	42.2							
72 months	48.7	40.2	31.8	30.6								
84 months	47.9	42.2	31.0									
96 months	49.2	40.8										
108 months	49.1											
Position at 30 June 2018	49.3	41.1	29.6	30.3	42.6	45.8	47.9	65.6	60.3			
Political, accident & contingency												
12 months	58.3	57.8	57.5	60.0	59.2	59.3	59.8	61.3	58.0			
24 months	43.4	44.8	44.4	54.4	49.7	51.2	58.8	54.3				
36 months	38.1	39.0	44.3	51.4	45.3	46.9	56.9					
48 months	33.9	32.7	39.6	49.1	44.3	50.2						
60 months	29.5	31.7	37.8	46.0	46.4							
72 months	25.1	30.5	35.7	45.3								
84 months	25.3	29.5	35.3									
96 months	25.3	29.8										
108 months	25.5											
Position at 30 June 2018	25.4	29.8	35.3	44.9	46.2	51.5	57.4	54.3	57.6			
Property												
12 months	53.7	57.9	58.4	55.5	55.2	53.2	55.0	59.0	72.4			
24 months	41.7	60.6	50.6	47.6	49.2	47.8	49.1	68.5				
36 months	36.5	58.6	48.1	39.9	45.8	41.4	46.0					
48 months	35.4	55.9	46.3	36.8	45.8	40.7						
60 months	34.4	53.2	45.4	36.2	45.7							
72 months	33.4	52.2	44.3	35.7								
84 months	32.8	51.3	43.8									
96 months	32.4	51.1										
108 months	32.2											
Position at 30 June 2018	32.1	51.2	43.7	35.8	46.5	40.5	45.7	69.5	83.5			

11 Insurance claims *continued*

	2008 ^{ae}	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Gross ultimate claims	%	%	%	%	%	%	%	%	%	%	%	
Reinsurance												
12 months		60.8	68.1	78.7	62.9	59.5	61.4	65.8	67.7	123.0		
24 months		48.2	142.7	77.7	37.3	45.6	33.5	33.6	41.6			
36 months		40.1	129.8	69.9	31.9	43.0	30.9	25.7				
48 months		39.6	122.3	66.1	31.0	41.7	27.7					
60 months		35.4	125.9	63.3	31.0	38.8						
72 months		32.5	124.6	63.1	30.7							
84 months		31.9	124.7	58.3								
96 months		31.9	123.7									
108 months		31.7										
Position at 30 June 2018		31.2	123.6	58.4	30.9	38.7	27.5	25.7	40.7	123.4		
Specialty lines												
12 months		72.5	73.8	75.5	73.9	73.4	68.5	67.4	65.4	63.3		
24 months		72.5	73.8	75.5	74.0	73.2	68.4	67.8	65.2			
36 months		71.6	72.9	76.5	72.1	72.9	65.0	64.7				
48 months		71.3	73.3	75.5	70.2	69.3	63.4					
60 months		71.6	69.5	74.2	67.4	65.4						
72 months		68.6	69.6	69.4	65.8							
84 months		69.7	69.3	68.2								
96 months		70.3	66.2									
108 months		69.1										
Position at 30 June 2018		68.7	64.2	67.5	65.3	64.1	63.6	62.9	64.1	63.0		
Total												
12 months		62.9	64.5	67.2	64.6	63.9	62.2	62.7	63.4	70.5		
24 months		57.0	71.6	62.8	58.2	59.3	55.8	58.3	62.9			
36 months		53.2	67.6	60.5	53.2	56.5	52.5	54.5				
48 months		51.7	65.6	57.9	51.0	54.5	51.5					
60 months		50.8	63.4	57.0	49.2	52.5						
72 months		49.8	62.9	53.9	48.1							
84 months		50.0	62.8	52.6								
96 months		50.4	61.1									
108 months		49.8										
Position at 30 June 2018		49.6	60.4	52.0	47.8	52.2	51.5	53.7	61.9	71.2		
Total ultimate losses (\$m)	6,618.6	1,050.4	1,262.6	1,005.6	941.5	1,133.6	1,197.1	1,341.9	1,583.8	2,030.4	1,935.2	20,100.7
Less paid claims (\$m)	(6,298.1)	(874.9)	(1,174.6)	(898.5)	(822.8)	(881.1)	(827.2)	(680.4)	(607.5)	(387.1)	(18.0)	(13,470.2)
Less unearned portion of ultimate losses (\$m)	-	-	-	-	-	-	-	-	(13.9)	(294.8)	(1,692.3)	(2,001.0)
Gross claims liabilities (100% level) (\$m)	320.5	175.5	88.0	107.1	118.7	252.5	369.9	661.5	962.4	1,348.5	224.9	4,629.5
Less unaligned share (\$m)	(59.7)	(26.4)	(17.8)	(21.1)	(27.0)	(43.3)	(60.6)	(102.5)	(145.6)	(211.0)	(35.3)	(750.3)
Gross claims liabilities, group share (\$m)	260.8	149.1	70.2	86.0	91.7	209.2	309.3	559.0	816.8	1,137.5	189.6	3,879.2

Notes to the interim financial statements *continued***11 Insurance claims** *continued*

Net ultimate claims	2008 ^{ae}	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	%	%	%	%	%	%	%	%	%	%	%	
Marine												
12 months	53.4	52.1	55.6	55.4	56.2	56.5	56.7	56.7	56.7	57.6		
24 months	47.7	49.2	47.6	46.0	53.2	48.6	52.5	62.5				
36 months	38.9	44.7	38.7	37.3	47.6	46.6	47.2					
48 months	35.2	42.6	34.5	35.0	46.0	45.7						
60 months	34.9	41.1	35.6	33.9	45.4							
72 months	38.6	40.2	32.3	33.2								
84 months	37.9	42.4	31.4									
96 months	37.2	40.8										
108 months	37.0											
Position at 30 June 2018	36.9	41.2	30.2	33.1	45.9	44.9	47.2	63.3	59.6			
Political, accident & contingency												
12 months	56.3	54.4	54.9	58.7	58.7	57.0	57.5	60.2	56.9			
24 months	41.4	43.7	45.0	52.4	51.2	49.8	56.1	53.1				
36 months	36.6	39.6	45.5	49.9	47.7	44.9	55.1					
48 months	33.8	33.4	42.3	46.9	45.2	49.8						
60 months	29.8	32.5	40.3	43.8	45.6							
72 months	26.3	31.3	38.2	42.9								
84 months	26.4	29.8	37.7									
96 months	26.4	30.4										
108 months	26.6											
Position at 30 June 2018	26.3	29.4	37.7	42.7	45.5	50.4	53.9	53.3	56.3			
Property												
12 months	53.4	58.8	60.3	58.6	56.7	54.5	55.0	57.7	76.3			
24 months	47.5	65.2	57.7	53.0	56.3	51.2	50.3	69.6				
36 months	43.9	65.8	53.7	46.0	52.3	44.3	46.9					
48 months	41.7	59.9	50.5	41.3	50.2	43.0						
60 months	41.1	57.7	49.1	40.7	49.9							
72 months	39.8	56.7	48.0	40.2								
84 months	39.3	56.2	47.7									
96 months	39.0	55.9										
108 months	38.9											
Position at 30 June 2018	38.8	55.9	47.7	40.3	50.6	42.7	46.0	69.7	85.8			

11 Insurance claims *continued*

Net ultimate claims	2008ae	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
		%	%	%	%	%	%	%	%	%	%	
Reinsurance												
12 months		55.5	76.8	89.3	67.0	57.4	58.7	61.4	61.0	105.6		
24 months		52.7	127.0	87.9	45.1	52.2	37.1	34.1	38.8			
36 months		46.9	117.8	80.5	38.7	48.7	33.4	24.2				
48 months		46.1	111.9	74.9	37.3	47.4	30.6					
60 months		41.3	120.9	72.7	37.3	43.8						
72 months		38.0	116.1	72.6	37.0							
84 months		37.2	116.2	67.3								
96 months		37.2	115.6									
108 months		37.0										
Position at 30 June 2018		36.4	115.0	67.5	37.1	43.8	30.4	24.0	38.3	99.1		
Specialty lines												
12 months		69.6	71.0	72.5	71.1	69.5	66.0	63.6	63.0	61.6		
24 months		69.4	71.1	72.5	70.6	69.0	66.0	63.9	62.8			
36 months		68.8	70.5	71.8	68.7	68.5	63.6	60.8				
48 months		65.9	69.5	69.6	65.8	63.6	60.3					
60 months		65.8	68.9	70.2	63.9	59.7						
72 months		64.9	69.0	68.9	63.2							
84 months		65.5	68.9	67.9								
96 months		65.5	66.5									
108 months		64.7										
Position at 30 June 2018		64.6	64.6	67.3	63.2	58.8	60.2	57.0	61.6	61.2		
Total												
12 months		60.6	64.2	67.0	64.0	62.3	60.6	60.1	60.8	66.2		
24 months		56.5	68.7	63.6	58.3	60.2	56.0	56.5	60.9			
36 months		52.9	66.3	60.2	53.7	57.4	52.5	52.7				
48 months		50.4	63.2	57.1	50.7	54.3	50.9					
60 months		49.4	63.1	56.8	49.3	52.2						
72 months		48.7	62.1	55.2	48.6							
84 months		48.6	62.1	54.0								
96 months		48.4	60.8									
108 months		48.0										
Position at 30 June 2018		47.9	60.0	53.5	48.6	52.0	50.7	50.7	60.5	67.3		
Total ultimate losses (\$m)	4,623.1	778.5	1,031.0	850.1	823.4	954.2	1,000.9	1,062.8	1,294.1	1,630.8	1,630.0	15,678.9
Less paid claims (\$m)	(4,333.8)	(704.8)	(972.6)	(774.8)	(728.7)	(753.8)	(706.3)	(581.6)	(525.9)	(306.1)	(17.8)	(10,406.2)
Less unearned portion of ultimate losses (\$m)	-	-	-	-	-	-	-	-	(11.4)	(279.5)	(1,440.0)	(1,730.9)
Net claims liabilities (100% level) (\$m)	289.3	73.7	58.4	75.3	94.7	200.4	294.6	481.2	756.8	1,045.2	172.2	3,541.8
Less unaligned share (\$m)	(39.5)	(15.3)	(14.6)	(16.6)	(21.7)	(35.1)	(47.7)	(75.6)	(114.7)	(163.3)	(27.0)	(571.1)
Net claims liabilities, group share (\$m)	249.8	58.4	43.8	58.7	73.0	165.3	246.9	405.6	642.1	881.9	145.2	2,970.7

Notes to the interim financial statements *continued*

11 Insurance claims *continued*

Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2018 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of the table.

Marine

Gross improvements were seen on the 2016 and 2017 underwriting years in respect of the 2017 catastrophe events, with negligible net impact.

Political, accident & contingency

A deterioration of a specific claim has led to a small strengthening on the 2014 underwriting year.

Property

The 2016 and 2017 underwriting years are reflecting increases in the reserves for the recent catastrophe events as well as some deterioration on the non-cat elements of the property book.

Reinsurance

The 2017 underwriting year has seen releases on reserves held in respect of the 2017 catastrophe events. This can be seen on a net basis, but is offset by some non-cat losses on a gross basis, which are heavily reinsured.

Specialty lines

The 2015 and 2016 underwriting years see further releases from the shorter tail cyber elements of the book following continued positive experience to date.

11 Insurance claims *continued*

Claims releases

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

The net of reinsurance claims release on 2017 and prior underwriting years fell to \$48.1m (2017: \$83.4m). There was a significant prior year reserve strengthening in the property division related to both attritional claims and claims from the 2017 natural catastrophes. Our view of the overall costs of the 2017 events has not changed materially and there were releases in other teams, particularly reinsurance, from the reserves from these events. Our specialty lines division continued to produce substantial releases.

The movements shown on 2015 and earlier are absolute claim movements and are not impacted by any current year movements on premium on those underwriting years.

6 months ended 30 June 2018	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	73.8	49.7	91.6	29.1	353.4	597.6
Prior year						
- 2015 and earlier	(1.4)	(1.3)	0.7	(1.4)	(53.9)	(57.3)
- 2016 underwriting year	1.6	(0.8)	0.5	(0.3)	(14.6)	(13.6)
- 2017 underwriting year	(0.1)	(0.1)	32.5	(9.7)	0.2	22.8
	0.1	(2.2)	33.7	(11.4)	(68.3)	(48.1)
Net insurance claims	73.9	47.5	125.3	17.7	285.1	549.5

6 months ended 30 June 2017	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	63.8	48.8	82.1	35.2	292.4	522.3
Prior year						
- 2014 and earlier	(0.8)	2.9	(4.1)	(2.9)	(37.5)	(42.4)
- 2015 underwriting year	(5.6)	(1.7)	(3.0)	(11.3)	(20.9)	(42.5)
- 2016 underwriting year	3.1	(1.2)	(0.1)	(0.1)	(0.2)	1.5
	(3.3)	-	(7.2)	(14.3)	(58.6)	(83.4)
Net insurance claims	60.5	48.8	74.9	20.9	233.8	438.9

Year to 31 December 2017	Marine \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	135.4	100.1	264.8	152.2	627.1	1,279.6
Prior year						
- 2014 and earlier	(5.8)	5.8	(6.3)	(16.1)	(91.1)	(113.5)
- 2015 underwriting year	(9.3)	(3.5)	(9.1)	(12.6)	(30.5)	(65.0)
- 2016 underwriting year	4.4	(6.2)	2.2	(26.0)	0.2	(25.4)
	(10.7)	(3.9)	(13.2)	(54.7)	(121.4)	(203.9)
Net insurance claims	124.7	96.2	251.6	97.5	505.7	1,075.7

Notes to the interim financial statements *continued*

12 Related party transactions

The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 30 of the group's consolidated financial statements for the year ended 31 December 2017. On 1 January 2018, syndicate 5623, which is managed by the group, started reinsuring facility business written by syndicate 3623. The capacity of syndicate 5623 consists mainly of third party capital with Beazley providing a 33.85% share via Beazley Corporate Member (No.3) Limited.

13 Foreign exchange rates

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

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year to 31 December 2017
Average			
Pound sterling	0.73	0.80	0.78
Canadian dollar	1.27	1.34	1.30
Euro	0.82	0.94	0.89
Spot			
Pound sterling	0.75	0.78	0.75
Canadian dollar	1.30	1.33	1.29
Euro	0.85	0.89	0.85

14 Subsequent events

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

15 Impairment of associate

In March 2018, management received information which led them to conclude that the recoverable amount of the group's investment in Capson was lower than its carrying value. Consequently a \$4.2m write down has been taken to the value of the investment. The remaining value of the investment is \$2.8m.

Group	2018 \$m
As at 1 January	7.0
Impairment of Capson	(4.2)
As at 30 June	2.8

Responsibility statement of the directors in respect of the interim report

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that six months; and any changes in the related party transactions described in the last annual report that could do so.

Martin Bride
Finance director

19 July 2018

Independent review report to Beazley plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the Condensed consolidated financial statement of profit or loss, Condensed statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of financial position, Condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Daniel Cazeaux

For and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

19 July 2018

Glossary

Aggregates/aggregations

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

Aggregate excess of loss

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

Alternative performance measures (APMs)

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

A.M. Best

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

Binding authority

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

Capacity

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

Capital growth assets

These are assets that do not pay a regular income and target an increase in value over the long term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge funds, equity linked funds and illiquid credit assets.

Catastrophe reinsurance

A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a catastrophic event or series of events.

Claims

Demand by an insured for indemnity under an insurance contract.

Claims ratio

Ratio, in percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange. As at 30 June 2018, this ratio was 56% (30 June 2017: 49%; 31 December 2017: 58%). This represented total claims of \$549.5m (30 June 2017: \$438.9m; 31 December 2017: \$1,075.7m) divided by net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m).

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. At 30 June 2018, this ratio was 95% (30 June 2017: 90%; 31 December 2017: 99%). This represents the sum of net insurance claims of \$549.5m (30 June 2017: \$438.9m; 31 December 2017: \$1,075.7m), expenses for acquisition of insurance contracts of \$258.6m (30 June 2017: \$241.5m; 31 December 2017: \$519.7m) and administrative expenses of \$131.2m (30 June 2017: \$121.7m; 31 December 2017: \$254.7m) to net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m). This is also the sum of the expense ratio 39% (30 June 2017: 41%; 31 December 2017: 41%) and the claims ratio 56% (30 June 2017: 49%; 31 December 2017: 58%).

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.

Glossary *continued*

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. At 30 June 2018, the expense ratio was 39% (30 June 2017: 41%; 31 December 2017: 41%). This represents the sum of expenses for acquisition of insurance contracts of \$258.6m (30 June 2017: \$241.5m; 31 December 2017: \$519.7m) and administrative expenses of \$131.2m (30 June 2017: \$121.7m; 31 December 2017: \$254.7m) to net earned premiums of \$990.2m (30 June 2017: \$886.7m; 31 December 2017: \$1,869.4m).

Facultative reinsurance

A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty.

Gross premiums written

Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries.

Hard market

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

Horizontal limits

Reinsurance coverage limits for multiple events.

Incurred but not reported (IBNR)

These are anticipated or likely claims that may result from an insured event although no claims have been reported so far.

International Accounting Standards Board (IASB)

An independent accounting body responsible for developing IFRS (see below).

International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS)

Standards formulated by the IASB with the intention of achieving internationally comparable financial statements. Since 2002, the standards adopted by the IASB have been referred to as International Financial Reporting Standards (IFRS). Until existing standards are renamed, they continue to be referred to as International Accounting Standards (IAS).

Investment return

Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. As at 30 June 2018, this was calculated as net investment income of \$8.0m (30 June 2017: \$79.4m; 31 December 2017: \$138.3m) divided by average financial assets at fair value, including cash, of \$4,878.8m (30 June 2017: \$4,670.9m; 31 December 2017: \$4,796.4m).

Lead underwriter

The underwriter of a syndicate who is responsible for setting the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate and who generally has primary responsibility for handling any claims arising under such a contract.

Line

The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept.

Managing agent

A company that is permitted by Lloyd's to manage the underwriting of a syndicate.

Managing general agent (MGA)

An insurance intermediary acting as an agent on behalf of an insurer.

Medium tail

A type of insurance where the claims may be made a few years after the period of insurance has expired.

Net assets per share

Ratio, in pence and cents, calculated by dividing the net assets (total equity) by the number of shares issued.

Net premiums written

Net premiums written is equal to gross premiums written less outward reinsurance premiums written.

Private enterprise

The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to \$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 we are charging relative to the level of risk on renewals.

Reinsurance special purpose syndicate

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

Reinsurance to close (RITC)

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

Retention limits

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

Retrocessional reinsurance

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

Return on equity (ROE)

Ratio, in percentage terms, calculated by dividing the consolidated profit after tax by the average daily total equity. In June 2018, this was calculated as profit after tax of \$47.6m (30 June 2017: \$131.7m; 31 December 2017: \$130.0m) divided by average equity of \$1,471.7m (30 June 2017: \$1,464.1m; 31 December 2017: \$1,429.5m). For the interim report the ROE has been annualised.

Risk

This term may refer to:

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

Short tail

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

Sidecar special purpose syndicate

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

Soft market

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

Solvency Capital Requirement on an ultimate basis (uSCR)

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

Surplus lines insurer

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

Total shareholder return (TSR)

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

Treaty reinsurance

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

Unearned premiums reserve

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

Company information

Directors

David Roberts¹ (Chairman)
Dennis Holt¹ (resigned - 22/03/2018)
George P Blunden¹
Martin L Bride (Finance director)
Adrian P Cox
Angela Crawford-Ingle¹
D Andrew Horton (Chief executive)
Christine LaSala¹
Sir J Andrew Likierman¹
Neil P Maidment
John P Sauerland¹
Robert A Stuchbery¹
Catherine M Woods¹

¹ Non-executive director

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Christine P Oldridge

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