beazley

# REG - Beazley PLC -Beazley plc results for period ended 30 June 2021

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## Press Release

Beazley returns to profit delivering 22% top line growth

London, 23 July 2021

**Beazley plc results for period ended 30 June 2021**

- Profit before tax of $167.3m (30 June 2020: Loss before tax of $13.8m)
- Return on equity (annualised) of 15% (30 June 2020: (1%))
- Gross premiums written increased by 22% to $2,035.3 (30 June 2020: $1,663.9m)
- Combined ratio of 94% (30 June 2020: 107%)
- Rate increase on renewal portfolio of 20% (30 June 2020: increase of 11%)
- Prior year reserve releases of $95.7m (30 June 2020: $58.6m)
- Net investment income of $83.6m (30 June 2020: $83.2m)
- No interim dividend (30 June 2020: nil)

| | **Period ended 30 June 2021** | **Period ended 30 June 2020** | **% movement** |
|---|---|---|---|
| Gross premiums written ($m) | **2,035.3** | **1,663.9** | 22% |
| Net earned premiums ($m) | **1,390.2** | **1,233.8** | 14% |
| Profit/(loss) before tax ($m) | **167.3** | **(13.8)** | |
| Earnings/(loss) per share (pence) | **18.9** | **(1.7)** | |
| Net assets per share (pence) | **244.5** | **239.0** | |
| Net tangible assets per share (pence) | **228.6** | **222.9** | |

| | | |
|---|---|---|
| Earnings/(loss) per share (cents) | **24.0** | **(2.2)** |
| Net assets per share (cents) | **337.0** | **303.0** |
| Net tangible assets per share (cents) | **315.2** | **282.6** |

Adrian Cox, Chief Executive Officer, said:

"Beazley's gross premiums written increased by 22% to $2,035.3m with all divisions achieving rate rises in the first six months of 2021. Reserve releases across all divisions supported a half year combined ratio of 94% and the investment return achieved was also strong at 1.2% year to date.

I am excited about the growth opportunities ahead. Our capital base remains strong and we are well placed to support an ambitious growth plan at similar levels to 2021. The board remains committed to a dividend payment and will consider this at year end after taking into account the 2021 results as a whole".

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, North America, Latin America and Asia. Beazley manages six Lloyd's syndicates and, in 2020, underwrote gross premiums worldwide of $3,563.8 million. All Lloyd's syndicates are rated A by A.M. Best.

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

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

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

## Interim results statement

### Overview

Beazley achieved strong growth of 22% with premiums increasing to $2,035.3m (2020: $1,663.9m) in the first half of 2021. We achieved strong premium growth in the first half of 2021, having entered the year well capitalised to maximise the growth opportunities this year presents. Our consistent underwriting strategy to deploy our capacity and expertise where we know we add value has delivered 22% growth in gross premiums. Having taken continued underwriting action over the last three years in order to address underperformance, changing exposures particularly in respect of social inflation, preparation for an expected economic downturn, and then in response to the onset of the pandemic, we have benefited from stronger than expected rate increases in certain areas, without being over-exposed to those recession-prone liability lines in which pricing has not caught up with the scale of the expected future losses.

We achieved good rate increases across all classes, platforms and territories, with most significant hardening in cyber in response to ransomware.

The cyber insurance market continues to battle against the scourge of ransomware claims but, as we said at our first quarter trading update, our approach to tackling the underlying causes of losses is positively impacting claims frequency. Emerging data on business written since October 2020 suggests that claims frequency is 20% lower by policy count. Further, when comparing frequency to premiums, the reduction is around 50%. We maintain our emphasis on tackling the proximate cause of these losses by expanding our risk management services and working with clients to build resilience and reduce exposure. This, combined with our market experience and carefully executed reinsurance programme, underpin our strong market position. Ransomware, and cyber crime more generally, is both a societal as well as an insurance issue. We welcome the attention it is attracting at the highest levels and take very seriously the significant contribution we can make in building society's resilience to ransomware and cyber risk more broadly.

The storms which affected large parts of the South Central and Western areas of the US impacted our combined ratio however, good investment returns were achieved against market conditions that reflected the ongoing but more manageable level of uncertainty that the pandemic now brings.

**Business overview**

Following significant restructuring over the past two years, the Marine book made a strong start to the year benefiting from solid rate increases averaging 10%. As the cycle turned we were able to deploy significant capital to support the opportunity in the marine market. Gross premiums written increased year on year by 10% to $194.1m (H1 2020: $176.3m). While growth and rate were most favourable in Hull, Cargo and Aviation, it is pleasing to see all areas gained ground. Our overall claims experience was benign in the first half of the year.

Within our Political, Accident and Contingency division, overall gross premium growth of 3% was achieved with premiums increasing to $154.8m (H1 2020: $150.8m) driven by the Life, Accident and Health lines as well as rate increases of 6%. The Contingency book continues to experience the residual effects of the pandemic, despite the gradual return of conferences, concerts and sporting events in some parts of the world. It is encouraging to see innovative approaches to staging 'trial' and safe events.

Our Cyber & Executive Risk business continues to rise to the challenge of building innovative solutions and improved services to protect our clients and help manage their intangible risks. Gross premium reached $548.8m (H1 2020: $419.6m), an increase of 31%, shaped by ongoing rate increases of 44% across the portfolio. Having repositioned ourselves away from areas particularly exposed to the pandemic or recession, strong premium growth in executive risk has been tempered by our more reserved underwriting strategy in cyber where we are benefiting from strong rate rises whilst at the same time reducing our exposure by selecting only those risks which met certain enhanced risk management criteria. However, our Directors' & Officers' (D&O) book has started to reap the benefits of our carefully executed strategic underwriting plan where we have captured opportunities as they arise. The launch of our tailored policy for carefully selected Special Purpose Acquisition Companies (SPACs) demonstrated how we identify market developments and pivot to meet client demand.

The Specialty Lines division also experienced strong rate increases in 2021 with gross premium up 29% on the first half of 2020 at $610.7m (H1 2020 $472.0m) and an average rate increase of 13%. Our International Financial Institutions and Management Liability portfolios particularly benefited both from a continued hard market and the broadening distribution network across our international offices. Our growing international footprint is timely as demand for our specialist products builds in the face of quite firm market conditions. Diverse in nature, our Specialty Lines book has seen solid growth across multiple territories, notably within mainland Europe and Asia. As we increase the footprint of our Miscellaneous Medical and Life Sciences offerings, growth continues to exceed expectations, particularly our digital health solution, Virtual Care, as consumers become more comfortable with accessing healthcare and wellness services remotely.

Our Market Facilities division, established 18 months ago, has made good progress in the first half of this year through Beazley Smart Tracker, Beazley's follow-only special purpose syndicate, which aims to drive efficiency within the London market. The book is on course to hit its plan this year with 12% rate increase and half year gross premium at $88.8m (H1 2020: $60.7m), growing by 46%. A planned Economic, Social and Governance (ESG) Consortium that aims to provide additional capacity to clients that perform particularly well against ESG metrics will sit within this division when it begins underwriting in January 2022, subject to approvals.

Our Property book experienced good underlying growth with gross premiums written increasing 18% to $276.6m (H1 2020: $233.5m) with rate increases of around 10%. The positive result was dampened by the storms which affected large parts of the South Central and Western areas of the US in the first quarter, which added an estimated $70m loss net of reinsurance to the book split between our Property and Reinsurance portfolios. The team's consistent focus on selective underwriting has resulted in improved attritional claims performance. During the first half of 2021, we concluded a loss portfolio transfer arrangement for the Construction and Engineering book which we exited in 2018. This transaction has reduced our net earned premium and resulted in a one-off inflationary effect on the claims and expense ratio for the division.

Significant rate increases in the first quarter within our Reinsurance book ebbed slightly in the second quarter as soft conditions within the primary admitted market meant reduced demand at the Florida renewal season compared to 2020.Overall, rates were up 12%. Both gross premium growth of 7% to $161.5m (H1 2020: $151.0m) and attritional loss activity are improving in line with expectations as we rebalance the portfolio away from higher frequency primary excess catastrophe exposed risk towards our core offering of higher excess reinsurance.

The following table shows the cumulative rate changes (%) since 2016 by business division.

| | **2016** | **2017** | **2018** | **2019** | **2020** | **2021 HY** |
|---|---|---|---|---|---|---|
| Cyber and executive risk | 100 | 100 | 99 | 104 | 118 | 170 |
| Marine | 100 | 97 | 100 | 111 | 128 | 141 |
| Market Facilities | - | - | 100 | 103 | 117 | 131 |
| Political, accident & contingency | 100 | 96 | 95 | 95 | 97 | 102 |
| Property | 100 | 100 | 110 | 122 | 141 | 155 |
| Reinsurance | 100 | 98 | 104 | 109 | 119 | 133 |
| Specialty Lines | 100 | 101 | 102 | 106 | 115 | 130 |
| All divisions | 100 | 99 | 102 | 108 | 120 | 144 |

**Building resilience**

As many countries and industries open up and we continue to assess what lasting impacts the pandemic will have, we have been acutely reminded that prevention is far better than cure. As an insurer we have redoubled our efforts to build risk management and prevention services into our offerings where it makes sense to do so. Where threats evolve so too do our products, and in the first half of the year we have enhanced the risk mitigation services within our cyber offering and our reputational risk policy by incorporating AI and scanning tools to identify threats before they cause havoc. Additionally we have widened the scope of the risk management support and consultancy available within our Safeguard (sexual molestation liability) product suite in North America.

As insurers we have a vital role in de-risking society. This includes playing our part beyond transactional risk transfer through better cover, risk prevention and contributing positively to building a better society. In April we published our first annual Responsible Business strategy, outlining how we are building a more sustainable, responsible company, embedding ESG principles firmly into the infrastructure of our business. This includes our investment and underwriting strategies, an early demonstration of which is through the ESG Consortium we intend to launch in January 2022, subject to regulatory approval. This Consortium, supported by Beazley and third-party capital, will provide additional capacity to responsible risks that perform well against ESG metrics.

We continue to invest in our people, our products and innovative ideas as we believe they will propel us forward as a business, enabling us to develop solutions that demonstrate the unique value we bring to managing risks in our fields of expertise. Additionally, tailoring our specialist products to new territories and markets remains a core part of our long-term strategy, a key tenet of which has been designing streamlined, digital products to serve the needs of smaller business risks.

We have delivered e-traded specialist insurance cover for small businesses across North America, Asia and Europe via a combination of channels most notably our myBeazley online broker portal. In February we announced the formation of a new Digital business team led by Ian Fantozzi to bring together multiple business areas and multi-skilled teams to build a cohesive, transformative etrading strategy that will provide brokers and clients with deeper functionality and efficiency in their interactions with Beazley.

**Claims**

During 2020 we estimated losses relating to COVID-19 first party claims to be $340m net of reinsurance, with this estimate assuming a resumption to some form of normality in the second half of 2021. Were this not to be the case, we also estimated a potential further $50m of claims net of reinsurance to the end of 2021. Given the experience we have had on first party COVID-19 claims to date, along with the continued easing of lockdown restrictions globally, we remain comfortable with our estimates, and in particular the additional $50m net of reinsurance has not been incurred to date.

We have been executing a set of underwriting actions for a number of years now, and it is pleasing to see that all underwriting divisions have released reserves during the first six months of the year. The total reserve releases are $95.7m in the first half of 2021 (H1 2020: $58.6m).

However, as previously disclosed, despite the subdued environment of the last 12 months we do anticipate the return of social inflation across parts of our US liability book and our underwriting strategy continues to reflect that.

Looking back to 2019, Beazley began recession planning early and therefore we are confident that we are not significantly exposed to recession-related losses. In areas we have increased appetite, we are well capitalised and have done so against a favourable rating environment and carefully considered underwriting strategy.

**Investments**

Our investments returned $83.6m, or 1.2% in the first half of the year (H1 2020: $83.2m, 1.4%). Bond yields in this period were low, but rising for much of the period, creating difficult conditions for our fixed income investments. As a result, the return from this part of our portfolio, which includes more than 87% of our investments, was close to zero. However, the capital growth investments which form the remainder of our portfolio have performed strongly, led by equities, which returned nearly 14%, and hedge funds, with a return of over 6% in this six month period. We were also able to add value through our tactical adjustments to the portfolio, including higher exposure to equities for selected periods and extended use of inflation-protected securities as markets discounted higher inflation expectations. Overall we believe this is a good investment outcome in the context of market conditions, and our appetite for investment risk, and the return is ahead of our earlier expectations. However, this is still a modest outcome by historic standards and the current low level of yields means that the outlook for investment returns remains challenging.

**Dividend**

The board remains committed to a dividend payment at year end after taking into account the 2021 results as a whole.

**Investment performance**

| | 30 June 2021 $m | 30 June 2021 % | 30 June 2020 $m | 30 June 2020 % |
|---|---|---|---|---|
| Cash and cash equivalents | 451.3 | 6.4 | 359.7 | 5.8 |
| Fixed and floating rate debt securities | | | | |
| - Government | 3,374.5 | 48.1 | 2,335.7 | 37.4 |
| - Corporate bonds | | | | |
| - Investment grade | 1,960.8 | 27.9 | 2,720.3 | 43.5 |
| - High yield | 310.6 | 4.4 | 169.1 | 2.7 |
| Syndicate loans | 41.9 | 0.6 | 16.7 | 0.3 |
| Derivative financial assets | 1.2 | 0.1 | 10.2 | 0.1 |
| **Core portfolio** | **6,140.3** | **87.5** | **5,611.7** | **89.8** |
| Equity funds | 186.6 | 2.7 | 86.9 | 1.4 |
| Hedge funds | 455.6 | 6.5 | 340.1 | 5.4 |
| Illiquid credit assets | 230.2 | 3.3 | 211.3 | 3.4 |
| **Capital growth assets** | **872.4** | **12.5** | **638.3** | **10.2** |
| **Investment portfolio total** | **7,012.7** | **100.0** | **6,250.0** | **100.0** |

**Investment return by asset type**

| | 30 June 2021 $m | 30 June 2021 annualised return % | 30 June 2020 $m | 30 June 2020 annualised return % |
|---|---|---|---|---|
| Core portfolio | 14.2 | 0.5 | 102.1 | 3.8 |
| Capital growth assets | 69.4 | 15.9 | (18.9) | (5.5) |
| **Overall return** | **83.6** | **2.4** | **83.2** | **2.8** |

## Capital position

We remain well capitalised and strongly positioned to deploy our capital in areas where we can make the most of hard market opportunities. We estimate our capital surplus to be 23% at 31 December 2021 (31 December 2020: 23%). The Lloyd's capital requirements shown are based on the initial view of the 2022 business plan, and thus already take into account the additional growth expected during the next year. The surplus capital ratio also takes into account adjustments made under Solvency II. We continue to utilise $225m of the $450m banking facility as a letter of credit to support our Funds at Lloyd's (FAL).

| | 30 June 2021 $m | 30 June 2020 $m |
|---|---|---|
| Shareholders' funds | 1,957.7 | 1,827.6 |
| Tier 2 subordinated debt (2029) | 298.3 | 298.1 |
| Tier 2 subordinated debt (2026) | 249.1 | 248.9 |
| Utilisation of letter of credit | 225.0 | 225.0 |
| **Total** | **2,730.1** | **2,599.6** |

The following table sets out the group's capital requirements of our Lloyd's and US businesses.

| | Projected 31 December 2021 $m | 31 December 2020 $m |
|---|---|---|
| Lloyd's economic capital requirement (ECR) | 2,221.0 | 2,116.5 |
| Capital for US insurance company | 259.7 | 246.3 |
| **Total** | **2,480.7** | **2,362.8** |

### Executive management change

In a world of accelerated change, we had some of our own developments to convey to the market. On a personal level it was a great honour to succeed Andrew Horton as Chief Executive Officer (CEO) in April following his decision to depart for pastures new after 18 years at Beazley. Having had the pleasure of working closely with Andrew as a member of the executive team for 13 years, I've been closely involved with the shaping of our strategic direction for some time and look forward to successfully executing against those plans.

I am also delighted my new role has created new opportunities, not least the appointment of a new Chief Underwriting Officer(s). I want to thank Bethany Greenwood and Tim Turner who, in addition to their day jobs, agreed to become co-interim Chief Underwriting Officers until a permanent appointment is made.

Following the formation of Beazley Digital under our longstanding Chief Operating Officer (COO), Ian Fantozzi, we have appointed Troy Dehmann as our new COO. We are thrilled to have Troy on board, who brings a wealth of experience to the COO role. And finally, Rob Anarfi was appointed as Chief Risk Officer following Andrew Pryde's departure in May. Our new leadership team combines long-term Beazley leadership experience with fresh approaches and expertise to build and enhance our strategy and business.

### Outlook

That the easing of some pandemic-related restrictions seems to be in sight across the globe is cause for great optimism and those of us still working remotely look forward to reconnecting and a further return to greater normality. However, the economic, social and environmental impacts are still unfolding. In this fragile risk environment it is essential we make good on our commitments to our clients and partners to support them through these times. This means paying their claims efficiently, beating their expectations when it comes to service delivery and doing the right thing by society as a responsible business.

In the midst of another turbulent year, we are positive that through the hard work and diligence of our colleagues we can deliver on our ambitions to build profitable growth in markets where we demonstrate value, instigate constructive change and build long-term collaborative relationships with our clients and partners. That premium exposure growth accelerated in the second quarter against consistently good rate is a sign of the strength in our strategy. Our current expectations of percentage growth for the full year is in the mid-20s gross of reinsurance and mid-teen digits net of reinsurance. We maintain our previous guidance of a full year combined ratio percentage in the low nineties, assuming average claims in the second part of 2021.

As the pandemic recovery beds in, we confidently anticipate more growth against our selective, specialist and carefully executed strategy supported by a strong capital base and a diversified investment portfolio. Our capital surplus remains within our preferred range after allowing for our initial view of the business plan for 2022, and the board remains committed to a dividend payment at year end after taking into account the 2021 results as a whole.

Adrian Cox
*Chief Executive Officer*

*22 July 2021*

**Condensed consolidated statement of profit or loss for the six months ended 30 June 2021**

| | **6 months ended 30 June 2021 $m** | **6 months ended 30 June 2020 $m** | **Year to 31 December 2020 $m** |
|---|---|---|---|
| Gross premiums written | 2,035.3 | 1,663.9 | 3,563.8 |
| Written premiums ceded to reinsurers | (593.2) | (346.1) | (646.8) |
| **Net premiums written** | **1,442.1** | **1,317.8** | **2,917.0** |
| Change in gross provision for unearned premiums | (202.9) | (202.6) | (331.7) |
| Reinsurer's share of change in the provision for unearned premiums | 151.0 | 118.6 | 108.1 |
| **Change in net provision for unearned premiums** | **(51.9)** | **(84.0)** | **(223.6)** |
| **Net earned premiums** | **1,390.2** | **1,233.8** | **2,693.4** |
| Net investment income | 83.6 | 83.2 | 188.1 |
| Other income | 10.9 | 12.2 | 29.8 |
| | 94.5 | 95.4 | 217.9 |
| **Revenue** | **1,484.7** | **1,329.2** | **2,911.3** |
| Insurance claims | 1,094.3 | 1,195.8 | 2,589.3 |
| Insurance claims recovered from reinsurers | (297.3) | (326.7) | (631.0) |
| **Net insurance claims** | **797.0** | **869.1** | **1,958.3** |
| Expenses for the acquisition of insurance contracts | 376.8 | 327.9 | 738.9 |
| Administrative expenses | 132.2 | 121.8 | 235.5 |
| Foreign exchange (gain)/loss | (9.6) | 5.5 | (11.2) |
| **Operating expenses** | **499.4** | **455.2** | **963.2** |
| **Expenses** | **1,296.4** | **1,324.3** | **2,921.5** |
| **Results of operating activities** | **188.3** | **4.9** | **(10.2)** |
| Finance costs | (21.0) | (18.7) | (40.2) |
| **Profit/(loss) before income tax** | **167.3** | **(13.8)** | **(50.4)** |
| Income tax (expense)/credit | (27.8) | 1.1 | 4.3 |

| | | | |
|---|---|---|---|
| **Profit/(loss) after income tax - all attributable to equity shareholders** | 139.5 | (12.7) | (46.1) |
| | | | |
| Earnings/(loss) per share (cents per share): | | | |
| Basic | 24.0 | (2.2) | (8.0) |
| Diluted | 23.8 | (2.2) | (8.0) |
| | | | |
| Earnings/(loss) per share (pence per share): | | | |
| Basic | 18.9 | (1.7) | (6.3) |
| Diluted | 18.7 | (1.7) | (6.3) |

**Condensed consolidated statement of comprehensive income for the six months ended 30 June 2021**

| | **6 months ended 30 June 2021 $m** | **6 months ended 30 June 2020 $m** | **Year to 31 December 2020 $m** |
|---|---|---|---|
| Profit/(loss) after income tax | 139.5 | (12.7) | (46.1) |
| **Other comprehensive income** | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Gain/(loss) on remeasurement of retirement benefit obligations | 8.5 | (9.3) | (2.0) |
| Income tax (charge)/credit on defined benefit obligation | (1.7) | 0.8 | (0.5) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | 1.5 | (2.1) | 2.8 |
| Total other comprehensive income/(expense) | 8.3 | (10.6) | 0.3 |
| **Total comprehensive income recognised/(expense)** | **147.8** | **(23.3)** | **(45.8)** |

**Condensed consolidated statement of changes in equity for the six months ended 30 June 2021**

| | **Share capital $m** | **Share premium $m** | **Foreign currency translation reserve $m** | **Other reserves $m** | **Retained earnings $m** | **Total $m** |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | **38.1** | **3.2** | **(94.1)** | **3.6** | **1,674.5** | **1,625.3** |
| | | | | | | |
| Total comprehensive income recognised | - | - | (2.1) | - | (21.2) | (23.3) |
| Issue of shares | - | 0.1 | - | - | - | 0.1 |
| Dividends paid | - | - | - | - | (50.2) | (50.2) |
| Equity settled share-based payments | - | - | - | 1.2 | - | 1.2 |
| Equity raise[1] | 4.8 | - | - | - | 287.8 | 292.6 |
| Acquisition of own shares held in trust | - | - | - | (13.6) | - | (13.6) |
| Tax on share option vestings | - | - | - | - | (5.5) | (5.5) |
| Transfer of shares to employees | - | - | - | 4.9 | (3.9) | 1.0 |
| **Balance as at 30 June 2020** | **42.9** | **3.3** | **(96.2)** | **(3.9)** | **1,881.5** | **1,827.6** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total comprehensive expense recognised | - | - | 4.9 | - | (27.4) | (22.5) |
| Issue of shares | - | 2.0 | - | - | - | 2.0 |
| Equity settled share-based payments | - | - | - | 1.6 | - | 1.6 |
| Tax on share option vestings | - | - | - | (5.4) | 6.7 | 1.3 |
| Transfer of shares to employees | - | - | - | (1.7) | 1.2 | (0.5) |
| **Balance as at 31 December 2020** | **42.9** | **5.3** | **(91.3)** | **(9.4)** | **1,862.0** | **1,809.5** |
| Total comprehensive expense recognised | - | - | 1.5 | - | 146.3 | 147.8 |
| Equity settled share-based payments | - | - | - | 4.2 | - | 4.2 |
| Tax on share option vestings | - | - | - | - | (3.9) | (3.9) |
| Transfer of shares to employees | - | - | - | (1.9) | 2.0 | 0.1 |
| **Balance as at 30 June 2021** | **42.9** | **5.3** | **(89.8)** | **(7.1)** | **2,006.4** | **1,957.7** |

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

**Condensed consolidated statement of financial position as at 30 June 2021**

| | **30 June 2021 $m** | **30 June 2020 $m** | **31 December 2020 $m** |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 126.7 | 123.3 | 126.3 |
| Plant and equipment | 22.4 | 12.9 | 19.7 |
| Right of use assets | 83.6 | 52.0 | 86.4 |
| Deferred tax asset | 18.8 | 41.5 | 26.8 |
| Investments in associates | 0.3 | - | 0.3 |
| Deferred acquisition costs | 431.2 | 391.7 | 384.9 |
| Reinsurance assets | 2,033.4 | 1,649.4 | 1,684.7 |
| Retirement benefit asset | 15.4 | - | 4.8 |
| Current income tax asset | 19.1 | - | 27.9 |
| Financial assets at fair value | 6,561.4 | 5,890.3 | 6,362.0 |
| Insurance receivables | 1,587.2 | 1,258.6 | 1,467.9 |
| Other receivables | 131.8 | 86.9 | 86.5 |
| Cash and cash equivalents | 451.3 | 359.7 | 309.5 |
| **Total assets** | **11,482.6** | **9,866.3** | **10,587.7** |
| | | | |
| **Equity** | | | |
| Share capital | 42.9 | 42.9 | 42.9 |
| Share premium | 5.3 | 3.3 | 5.3 |
| Foreign currency translation reserve | (89.8) | (96.2) | (91.3) |
| Other reserves | (7.1) | (3.9) | (9.4) |
| Retained earnings | 2,006.4 | 1,881.5 | 1,862.0 |
| **Total equity** | **1,957.7** | **1,827.6** | **1,809.5** |

| | | | |
|---|---|---|---|
| **Liabilities** | | | |
| Insurance liabilities | 7,890.6 | 6,697.9 | 7,378.4 |
| Financial liabilities | 552.2 | 554.9 | 558.5 |
| Lease liabilities | 88.8 | 55.7 | 90.1 |
| Retirement benefit liability | - | 2.8 | - |
| Deferred tax liabilities | - | 20.3 | 0.6 |
| Current income tax liabilities | 23.2 | 3.6 | 16.7 |
| Other payables | 970.1 | 703.5 | 733.9 |
| **Total liabilities** | **9,524.9** | **8,038.7** | **8,778.2** |
| **Total equity and liabilities** | **11,482.6** | **9,866.3** | **10,587.7** |

A P Cox
*Chief Executive Officer*

S M Lake
*Group Finance Director*

22 July 2021

**Condensed consolidated statement of cash flows for the six months ended 30 June 2021**

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2020 $m | Year to 31 December 2020 $m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit/(loss) before income tax** | **167.3** | **(13.8)** | **(50.4)** |
| Adjustments for: | | | |
| Amortisation of intangibles | 9.9 | 8.2 | 16.7 |
| Equity settled share based compensation | 4.3 | 2.3 | 2.8 |
| Net fair value gain on financial investments | (45.8) | (25.5) | (83.0) |
| Depreciation of plant and equipment | 2.5 | 1.6 | 3.2 |
| Depreciation of right of use assets | 7.4 | 5.2 | 13.0 |
| Impairment of reinsurance assets recognised/(written back) | 4.3 | (1.7) | 1.1 |
| Increase in insurance and other liabilities | 748.4 | 768.9 | 1,486.9 |
| Increase in insurance, reinsurance and other receivables | (517.7) | (531.5) | (782.1) |
| Increase in deferred acquisition costs | (46.3) | (41.0) | (34.2) |
| Financial income | (41.1) | (60.5) | (110.9) |
| Finance expense | 21.0 | 18.7 | 40.2 |
| Income tax paid | (1.5) | (1.1) | (26.5) |
| **Net cash from operating activities** | **312.7** | **129.8** | **476.8** |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of plant and equipment | (3.9) | (4.0) | (12.9) |
| Expenditure on software development | (9.7) | (10.0) | (20.5) |
| Purchase of investments | (4,731.0) | (3,355.0) | (6,126.6) |
| Proceeds from sale of investments | 4,555.3 | 3,063.0 | 5,443.8 |
| Interest and dividends received | 41.1 | 57.0 | 104.3 |
| **Net cash used in investing activities** | **(148.2)** | **(249.0)** | **(611.9)** |

| | | | |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| Acquisition of own shares in trust | - | (13.6) | (13.6) |
| Finance costs | (19.2) | (17.6) | (37.8) |
| Payment of lease liabilities | (6.7) | (6.8) | (15.3) |
| Equity raise | - | 292.6 | 292.6 |
| Issuance of shares | - | - | 2.1 |
| Dividends paid | - | (50.2) | (50.2) |
| **Net cash (used in)/from financing activities** | **(25.9)** | **204.4** | **177.8** |
| | | | |
| **Net increase in cash and cash equivalents** | **138.6** | **85.2** | **42.7** |
| Cash and cash equivalents at beginning of period | 309.5 | 278.5 | 278.5 |
| Effect of exchange rate changes on cash and cash equivalents | 3.2 | (4.0) | (11.7) |
| **Cash and cash equivalents at end of period** | **451.3** | **359.7** | **309.5** |

**1 Statement of accounting policies**

Beazley plc is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2021 comprise the parent company, its subsidiaries and the group's interest in associates.

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 2020.

The 2020 annual financial statements of the group were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The 2021 annual financial statements will be prepared in accordance with UK adopted IFRSs. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements have:
- 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 2020; and
- been prepared and approved by the directors in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

In the current year, the group have applied amendments to IFRS issued by the IASB and UKEB that are mandatorily effective for an accounting period that begins on or after 1 January 2021. None of the amendments issued by the IASB and UKEB have had an impact to the group.

The group's principal risks and uncertainties are outlined on pages 56 to 62 of the 31 December 2020 Annual Report and Accounts and have not changed since the last reporting date. The principal risks are:
· Insurance risk;
· Strategic risk;
· Financial risk;
· Climate change risk; and
· Other risks including Market, Operational, Credit, Regulatory and Legal and Liquidity Risks.

The information in these interim condensed consolidated financial statements is unaudited and does not constitute annual accounts within the meaning of Section 434 of the Companies Act 2006 ('the Act').

The independent auditor's report on the group accounts for the year ended 31 December 2020 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

**Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the interim results statement. This should be read in conjunction with the strategic report which can be found in the group's 2020 Annual Report and Accounts. In addition, the risk report contained in the 2020 Annual Report and Accounts includes the group's risk management objectives. The group's objectives, policies and processes for managing capital can be found in the risk management section of this report.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that the group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements. In reaching this assessment, the directors have considered a wide range of information relating to present and future conditions. These include the implications of the COVID-19 pandemic, as well as potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

**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 executive committee, 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 2021** | **Cyber & Executive Risk $m** | **Marine $m** | **Market Facilities $m** | **Political, Accident & Contingency $m** | **Property $m** | **Reinsurance $m** | **Specialty Lines $m** | **Total $m** |
|---|---|---|---|---|---|---|---|---|
| Gross premiums written | 548.8 | 194.1 | 88.8 | 154.8 | 276.6 | 161.5 | 610.7 | 2,035.3 |
| Net premiums written | 405.3 | 162.9 | 23.1 | 126.8 | 151.2 | 94.9 | 477.9 | 1,442.1 |
| Net earned premiums | 409.1 | 148.7 | 18.8 | 114.7 | 147.7 | 68.9 | 482.3 | 1,390.2 |
| Net investment income | 20.8 | 6.4 | 0.3 | 6.4 | 11.7 | 5.9 | 32.1 | 83.6 |
| Other income | 2.4 | 0.5 | - | 0.4 | 2.2 | 0.4 | 5.0 | 10.9 |
| **Revenue** | **432.3** | **155.6** | **19.1** | **121.5** | **161.6** | **75.2** | **519.4** | **1,484.7** |
| Net insurance claims | 277.1 | 50.5 | 4.3 | 56.6 | 75.3 | 42.4 | 290.8 | 797.0 |
| Expenses for the acquisition of insurance contracts | 91.6 | 47.0 | 14.3 | 41.5 | 55.3 | 14.8 | 112.3 | 376.8 |
| Administrative expenses | 30.6 | 15.7 | 0.4 | 11.8 | 23.4 | 6.9 | 43.4 | 132.2 |
| Foreign exchange (gain) | (2.4) | (0.7) | (0.1) | (0.7) | (1.3) | (0.7) | (3.7) | (9.6) |
| **Expenses** | **396.9** | **112.5** | **18.9** | **109.2** | **152.7** | **63.4** | **442.8** | **1,296.4** |
| **Segment result** | **35.4** | **43.1** | **0.2** | **12.3** | **8.9** | **11.8** | **76.6** | **188.3** |
| Finance costs | | | | | | | | (21.0) |
| **Profit before income tax** | | | | | | | | **167.3** |
| Income tax expense | | | | | | | | (27.8) |
| **Profit after income tax** | | | | | | | | 139.5 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Claims ratio | 68% | 34% | 23% | 50% | 51% | 62% | 61% | 57% |
| Expense ratio | 30% | 42% | 78% | 46% | 53% | 31% | 32% | 37% |
| Combined ratio | 98% | 76% | 101% | 96% | 104% | 93% | 93% | 94% |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 3,163.6 | 750.5 | 605.1 | 718.6 | 1,324.1 | 789.2 | 4,131.5 | 11,482.6 |
| Segment liabilities | (2,611.7) | (647.1) | (403.4) | (610.9) | (1,051.8) | (641.9) | (3,558.1) | (9,524.9) |
| **Net assets** | **551.9** | **103.4** | **201.7** | **107.7** | **272.3** | **147.3** | **573.4** | **1,957.7** |

| **30 June 2020** | **Cyber & Executive Risk $m** | **Marine $m** | **Market Facilities $m** | **Political, Accident & Contingency $m** | **Property $m** | **Reinsurance $m** | **Specialty Lines $m** | **Total $m** |
|---|---|---|---|---|---|---|---|---|
| Gross premiums written | 419.6 | 176.3 | 60.7 | 150.8 | 233.5 | 151.0 | 472.0 | 1,663.9 |
| Net premiums written | 360.7 | 153.8 | 17.5 | 110.8 | 183.8 | 92.1 | 399.1 | 1,317.8 |
| Net earned premiums | 367.9 | 141.3 | 12.1 | 97.0 | 177.5 | 50.8 | 387.2 | 1,233.8 |
| Net investment income | 24.1 | 5.4 | 0.4 | 5.4 | 8.5 | 5.1 | 34.3 | 83.2 |
| Other income | 2.8 | 0.5 | - | 0.6 | 2.2 | 1.0 | 5.1 | 12.2 |
| **Revenue** | 394.8 | 147.2 | 12.5 | 103.0 | 188.2 | 56.9 | 426.6 | 1,329.2 |
| Net insurance claims | 217.3 | 87.9 | 3.5 | 116.7 | 194.8 | 27.8 | 221.1 | 869.1 |
| Expenses for the acquisition of insurance contracts | 79.1 | 39.1 | 8.1 | 36.5 | 48.4 | 15.1 | 101.6 | 327.9 |
| Administrative expenses | 31.1 | 11.4 | 2.2 | 12.1 | 17.3 | 5.2 | 42.5 | 121.8 |
| Foreign exchange loss | 1.6 | 0.7 | 0.1 | 0.5 | 0.8 | 0.2 | 1.6 | 5.5 |
| **Expenses** | 329.1 | 139.1 | 13.9 | 165.8 | 261.3 | 48.3 | 366.8 | 1,324.3 |
| **Segment result** | 65.7 | 8.1 | (1.4) | (62.8) | (73.1) | 8.6 | 59.8 | 4.9 |
| Finance costs | | | | | | | | (18.7) |
| **Loss before income tax** | | | | | | | | **(13.8)** |
| Income tax credit | | | | | | | | 1.1 |
| **Loss after income tax** | | | | | | | | **(12.7)** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Claims ratio | 59% | 62% | 29% | 120% | 110% | 55% | 57% | 71% |
| Expense ratio | 30% | 36% | 85% | 50% | 37% | 40% | 37% | 36% |
| Combined ratio | 89% | 98% | 114% | 170% | 147% | 95% | 94% | 107% |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 2,624.0 | 681.8 | 174.3 | 747.5 | 1,147.2 | 824.2 | 3,667.3 | 9,866.3 |
| Segment liabilities | (2,061.0) | (600.3) | (166.1) | (641.8) | (917.5) | (670.0) | (2,982.0) | (8,038.7) |
| **Net assets** | **563.0** | **81.5** | **8.2** | **105.7** | **229.7** | **154.2** | **685.3** | **1,827.6** |

| **31 December 2020** | **Cyber & Executive Risk $m** | **Marine $m** | **Market Facilities $m** | **Political, Accident & Contingency $m** | **Property $m** | **Reinsurance $m** | **Specialty Lines $m** | **Total $m** |
|---|---|---|---|---|---|---|---|---|
| Gross premiums written | 1,020.1 | 337.4 | 133.4 | 273.0 | 470.5 | 194.5 | 1,134.9 | 3,563.8 |
| Net premiums written | 864.6 | 309.4 | 37.3 | 227.1 | 389.9 | 126.9 | 961.8 | 2,917.0 |
| Net earned premiums | 787.2 | 297.1 | 27.9 | 213.8 | 360.7 | 124.3 | 882.4 | 2,693.4 |
| Net investment income | 53.6 | 12.8 | 0.5 | 10.6 | 21.4 | 11.9 | 77.3 | 188.1 |
| Other income | 2.8 | 1.7 | 0.1 | 4.1 | 5.1 | 1.7 | 14.3 | 29.8 |
| **Revenue** | **843.6** | **311.6** | **28.5** | **228.5** | **387.2** | **137.9** | **974.0** | **2,911.3** |
| Net insurance claims | 557.7 | 160.5 | 8.3 | 354.1 | 291.3 | 86.8 | 499.6 | 1,958.3 |
| Expenses for the acquisition of insurance contracts | 180.0 | 82.2 | 19.3 | 75.9 | 105.4 | 32.0 | 244.1 | 738.9 |
| Administrative expenses | 54.4 | 25.1 | 1.9 | 23.1 | 36.4 | 12.2 | 82.4 | 235.5 |
| Foreign exchange (gain) | (3.3) | (1.2) | (0.1) | (0.9) | (1.5) | (0.5) | (3.7) | (11.2) |
| **Expenses** | **788.8** | **266.6** | **29.4** | **452.2** | **431.6** | **130.5** | **822.4** | **2,921.5** |
| **Segment result** | **54.8** | **45.0** | **(0.9)** | **(223.7)** | **(44.4)** | **7.4** | **151.6** | **(10.2)** |
| Finance costs | | | | | | | | (40.2) |
| **Loss before income tax** | | | | | | | | **(50.4)** |
| Income tax credit | | | | | | | | 4.3 |
| **Loss after income tax** | | | | | | | | **(46.1)** |
| Claims ratio | 71% | 54% | 30% | 116% | 81% | 70% | 57% | 73% |
| Expense ratio | 30% | 36% | 76% | 46% | 39% | 35% | 37% | 36% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Combined ratio | 101% | 90% | 106% | 212% | 120% | 105% | 94% | 109% |
| Segment assets and liabilities | | | | | | | | |
| Segment assets | 2,909.9 | 707.4 | 182.5 | 786.3 | 1216.7 | 734.1 | 4,050.8 | 10,587.7 |
| Segment liabilities | (2,389.8) | (612.2) | (170.7) | (678.4) | (966.0) | (591.2) | (3,369.9) | (8,778.2) |
| **Net assets** | **520.1** | **95.2** | **11.8** | **107.9** | **250.7** | **142.9** | **680.9** | **1,809.5** |

**3 Net investment income**

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2020 $m | Year to 31 December 2020 $m |
|---|---|---|---|
| Interest and dividends on financial investments at fair value through profit or loss | 41.1 | 60.4 | 110.7 |
| Interest on cash and cash equivalents | - | 0.2 | 0.2 |
| Net realised gains/(losses) on financial investments at fair value through profit or loss | 60.9 | (0.1) | 46.3 |
| Net unrealised fair value (losses)/gains on financial investments at fair value through profit or loss | (15.0) | 25.6 | 36.7 |
| **Investment income from financial investments** | **87.0** | **86.1** | **193.9** |
| Investment management expenses | (3.4) | (2.9) | (5.8) |
| | **83.6** | **83.2** | **188.1** |

**4 Other income**

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2020 $m | Year to 31 December 2020 $m |
|---|---|---|---|
| Commission income | 7.9 | 11.6 | 23.6 |
| Profit commissions | 1.1 | (1.0) | (0.5) |
| Agency fees | 1.9 | 1.5 | 3.0 |
| Other income | - | 0.1 | 3.7 |
| | **10.9** | **12.2** | **29.8** |

As at 30 June 2021 there is $1.1m (30 June 2020: nil; 31 December 2020: nil) accrued profit commission at risk of being reversed if there were to be an adverse impact on syndicate 623's profit.

**5 Finance costs**

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2020 $m | Year to 31 December 2020 $m |
|---|---|---|---|
| Interest expense on financial liabilities | 19.1 | 17.6 | 37.8 |
| Interest expense on lease liabilities | 1.9 | 1.1 | 2.4 |
| | **21.0** | **18.7** | **40.2** |

**6 Earnings/(loss) per share**

| | 6 months ended 30 June 2021 | 6 months ended 30 June 2020 | Year to 31 December 2020 |
|---|---|---|---|
| Basic (cents) | 24.0 | (2.2) | (8.0) |
| Diluted (cents) | 23.8 | (2.2) | (8.0) |
| | | | |
| Basic (pence) | 18.9 | (1.7) | (6.3) |
| Diluted (pence) | 18.7 | (1.7) | (6.3) |

**Basic**
Basic earnings per share are calculated by dividing profit after income tax of $139.5m (30 June 2020: loss of $12.7m; 31 December 2020: loss of $46.1m) by the weighted average number of shares in issue during the six months of 574.6m (30 June 2020: 573.6m; 31 December 2020: 573.8m). The shares held in the Employee Share Options Plan (ESOP) of 3.2m (30 June 2020: 3.9 m; 31 December 2020: 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 $139.5m (30 June 2020: loss of $12.7m; 31 December 2020: loss of $46.1m) by the adjusted weighted average number of shares of 579.8m (30 June 2020: 579.0m; 31 December 2020: 582.6m). 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 3.2m (30 June 2020: 3.9m; 31 December 2020: 3.8m) have been excluded from the calculation until such time as they vest unconditionally with the employees.

## 7 Dividends

The board has taken the decision not to declare a first interim dividend in respect of the six months to 30 June 2021 (2020: nil). No dividend was declared in respect of the six months ended 31 December 2020.

## 8 Income tax expense/(credit)

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2020 $m | Year to 31 December 2020 $m |
|---|---|---|---|
| **Current tax expense** | | | |
| Current year | 25.9 | 9.2 | 12.9 |
| Prior year adjustments | 0.1 | (4.8) | (6.5) |
| | 26.0 | 4.4 | 6.4 |
| **Deferred tax expense** | | | |
| Origination and reversal of temporary differences | 4.2 | (5.7) | (12.1) |
| Impact of change in UK tax rates | (1.3) | (0.7) | (0.4) |
| Prior year adjustments | (1.1) | 0.9 | 1.8 |
| | 1.8 | (5.5) | (10.7) |
| **Income tax expense/(credit)** | **27.8** | **(1.1)** | **(4.3)** |

**Reconciliation of tax expense**
The weighted average of statutory tax rates applied to the profits/(losses) earned in each country in which the group operates is 17.0% (30 June 2020: 23.9%), whereas the tax charged for the period ending 30 June 2021 as a percentage of profit/(loss) before tax is 16.6% (30 June 2020: 8.0%). The reasons for the difference are explained below:

| | 6 months ended 30 June 2021 $m | 6 months ended 30 June 2021 % | 6 months ended 30 June 2020 $m | 6 months ended 30 June 2020 % | Year to 31 December 2020 $m | Year to 31 December 2020 % |
|---|---|---|---|---|---|---|
| **Profit/(loss) before tax** | **167.3** | | **(13.8)** | | **(50.4)** | **-** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tax calculated at the weighted average of statutory tax rates | 28.4 | 17.0 | 3.3 | (23.9) | (1.0) | 2.0 |
| **Effects of:** | | | | | | |
| Non-deductible expenses | 1.8 | 1.0 | 0.2 | (1.4) | 2.1 | (4.2) |
| Tax relief on remuneration | (0.1) | (0.1) | - | - | (0.4) | 0.8 |
| Over provided in prior years | (1.0) | (0.6) | (3.9) | 28.3 | (4.6) | 9.1 |
| Change in UK tax rates[1] | (1.3) | (0.7) | (0.7) | 5.0 | (0.4) | 0.8 |
| **Charge/(credit) for the period** | **27.8** | **16.6** | **(1.1)** | **8.0** | **(4.3)** | **8.5** |

1 The Finance Act 2021, which provides for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 received Royal Assent on 10 June 2021. This tax rate change to 25% will increase the group's future current tax charge. It has also been reflected in the calculation of the deferred tax balances as at 30 June 2021 for temporary differences expected to reverse on or after 1 April 2023.

The Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti-avoidance tax provisions (the 'BEAT'). We have performed an assessment for our intra-group transactions potentially in scope of BEAT. The application of this new BEAT legislation is still uncertain for some types of transaction and we are keeping developments under review. With support from external advisors, we believe that the BEAT impact on the group is not significant. As at 30 June 2021, no amount was provided in the group accounts for BEAT liabilities (for the year ended 31 December 2020 the group provided $1.1m for BEAT tax). The ultimate outcome may differ and if any additional amounts did fall within the scope of the BEAT, incremental tax at 10% might arise on some or all of those amounts.

**Amounts recognised directly in equity**

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

| | 30 June 2021 $m | 30 June 2020 $m | 31 December 2020 $m |
|---|---|---|---|
| Current tax: share based payments | - | (1.3) | (1.2) |
| Deferred tax: share based payments | 3.9 | 6.8 | 5.4 |
| | **3.9** | **5.5** | **4.2** |

## 9 Financial assets and liabilities

| | 30 June 2021 $m | 30 June 2020 $m | 31 December 2020 $m |
|---|---|---|---|
| **Financial assets at fair value** | | | |
| Government issued | 3,374.5 | 2,335.7 | 2,723.7 |
| Corporate bonds | | | |
| - Investment grade | 1,960.8 | 2,720.3 | 2,444.9 |
| - High yield | 310.6 | 169.1 | 251.1 |
| Syndicate loans | 41.9 | 16.7 | 40.6 |
| **Total fixed and floating rate debt securities and syndicate loans** | **5,687.8** | **5,241.8** | **5,460.3** |
| Equity funds | 186.6 | 86.9 | 203.2 |
| Hedge funds | 455.6 | 340.1 | 442.1 |
| Illiquid credit assets | 230.2 | 211.3 | 227.9 |
| **Total capital growth** | **872.4** | **638.3** | **873.2** |
| **Total financial investments at fair value through statement of profit or loss** | **6,560.2** | **5,880.1** | **6,333.5** |

| | | | |
|---|---|---|---|
| Derivative financial assets | 1.2 | 10.2 | 28.5 |
| **Total financial assets at fair value** | **6,561.4** | **5,890.3** | **6,362.0** |

Investment grade corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid credit assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 30 June 2021 excludes an unfunded commitment of $46.6m (30 June 2020: $67.3m). Syndicate loans have been introduced and collected by Lloyd's of London to support underwriting at Lloyd's Brussels on the 2019 and 2020 years of account.

| **The amount expected to mature before and after one year are:** | **30 June 2021 $m** | **30 June 2020 $m** | **31 December 2020 $m** |
|---|---|---|---|
| Within one year | 1,244.3 | 1,383.9 | 1,407.1 |
| After one year | 4,444.7 | 3,868.1 | 4,081.7 |
| **Total** | **5,689.0** | **5,252.0** | **5,488.8** |

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, $186.6m (30 June 2020: $86.9m) of equity funds could be liquidated within two weeks, $356.6m (30 June 2020: $277.5m) of hedge fund assets within six months and the remaining $99.0m (30 June 2020: $62.6m) of hedge fund assets within 18 months, in normal market conditions. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to 12 years.

| **Financial liabilities** | **30 June 2021 $m** | **30 June 2020 $m** | **31 December 2020 $m** |
|---|---|---|---|
| Tier 2 subordinated debt (2029) | 298.3 | 298.1 | 298.1 |
| Tier 2 subordinated debt (2026) | 249.1 | 248.9 | 249.0 |
| Derivative financial liabilities | 4.8 | 7.9 | 11.4 |
| **Total financial liabilities** | **552.2** | **554.9** | **558.5** |

| **The amounts expected to mature before and after one year are:** | **30 June 2021 $m** | **30 June 2020 $m** | **31 December 2020 $m** |
|---|---|---|---|
| Within one year | 4.8 | 7.9 | 11.4 |
| After one year | 547.4 | 547.0 | 547.1 |
| **Total** | **552.2** | **554.9** | **558.5** |

**Valuation hierarchy**

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

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

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

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

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

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

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

**Level 2 investments**

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

The group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. This generally results in the vendor updating their inputs. We also review our valuation policy on a regular basis to ensure it is fit for purpose. For the half year ended 30 June 2021, no adjustments have been made to the prices obtained from the independent sources.

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

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 76% (30 June 2020: 82%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund as level 2. Prior to any new hedge fund investment, extensive due diligence is undertaken on each fund to ensure that pricing and valuation is undertaken by an independent administrator and that each fund's valuation policy is appropriate for the financial instruments the manager will be employing to execute the investment strategy. Fund liquidity terms are reviewed prior to the execution of any investment to ensure that there is no mismatch between the liquidity of the underlying fund assets and the liquidity terms offered to fund investors. As part of the monitoring process, underlying fund subscriptions and redemptions are assessed by reconciling the increase or decrease in fund assets with the investment performance in any given period.

**Level 3 investments**

The group's level 3 investments consist of illiquid credit assets and Lloyd's syndicate loans.

**(i) Illiquid credit assets**

Within the group's level 3 investments we have a diversified portfolio of illiquid credit fund investments managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments and are therefore classified as level 3 investments. Closed-ended funds that are still in their investment period continue to draw down capital, whilst funds that are in their harvest period distribute capital as the underlying investments are realized.

The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. We take the following steps to ensure accurate valuation of these level 3 assets. A substantial part of the pre-investment due diligence process is dedicated to a comprehensive review of each fund's valuation policy and the internal controls of the manager. In addition to this, confirmation that the investment reaches a minimum set of standards relating to the independence of service providers, corporate governance, and transparency is sought prior to approval. Post investment, quarterly capital statements are reviewed to ensure consistency between audited and unaudited valuations and compare the updated values to the estimated figures used in previous valuations in order to highlight and explain any discrepancies. Particular emphasis is placed on identifying assets that have been either marked up or down, as well as whether any specific assets are at particular risk due to prevailing economic/market conditions. The review also involves regular conversations with the managers and industry sources, particularly in times of market stress. Audited financial statements are received and reviewed on an annual basis, with the valuation of each transaction being confirmed. For the group's annual and interim accounts, we use the latest fund valuation statements, which are typically as at the previous quarter or month end.

To ensure that values are materially correct at the reporting date, all fund managers are contacted to confirm whether there has been a material impairment to the fund valuations since the most recent valuation date. In the event that a manager confirms a material impairment since the latest valuation date, we would make a downwards revision to the value of our fund holding based on the manager's assessment. Furthermore, during major stress events in public financial markets (defined as >10% fall in leveraged loan market indices during a calendar quarter), such as the macroeconomic uncertainty caused by COVID-19 in Q1 2020, we would consider adjusting the valuations of all level 3 fund holdings to account for material impairment in the valuation between the latest valuation date and the reporting date. The magnitude and breadth of any broader portfolio impairment would be dependent on the specific situation.

**(ii) Syndicate loans**

These are loans provided by our group syndicates to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments. The syndicate loans have been classified as Level 3 investments because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads.

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

| **30 June 2021** | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Government issued | 2,652.4 | 722.1 | - | 3,374.5 |
| Corporate bonds | | | | |
| - Investment grade | 1,436.1 | 524.7 | - | 1,960.8 |
| - High yield | 119.7 | 190.9 | - | 310.6 |
| Syndicate loans | - | - | 41.9 | 41.9 |
| Equity funds | 186.6 | - | - | 186.6 |
| Hedge funds | - | 455.6 | - | 455.6 |
| Illiquid credit assets | - | - | 230.2 | 230.2 |
| Derivative financial assets | 1.2 | - | - | 1.2 |
| **Total financial assets measured at fair value** | **4,396.0** | **1,893.3** | **272.1** | **6,561.4** |
| | | | | |
| **Financial liabilities measured at fair value** | | | | |
| Derivative financial liabilities | 4.8 | - | - | 4.8 |
| | | | | |
| **Financial liabilities not measured at fair value** | | | | |
| Tier 2 subordinated debt (2029) | - | 331.9 | - | 331.9 |

| | | | | |
|---|---|---|---|---|
| Tier 2 subordinated debt (2026) | - | 278.1 | - | 278.1 |
| **Total financial liabilities not measured at fair value** | **-** | **610.0** | **-** | **610.0** |

| **30 June 2020** | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Government issued | 2,263.1 | 72.6 | - | 2,335.7 |
| Corporate bonds | | | | |
| - Investment grade | 1,647.8 | 1,072.5 | - | 2,720.3 |
| - High yield | 164.6 | 4.5 | - | 169.1 |
| Syndicate loans | - | - | 16.7 | 16.7 |
| Equity funds | 82.0 | 4.9 | - | 86.9 |
| Hedge funds | - | 340.1 | - | 340.1 |
| Illiquid credit assets | - | - | 211.3 | 211.3 |
| Derivative financial assets | 10.2 | - | - | 10.2 |
| **Total financial assets measured at fair value** | **4,167.7** | **1,494.6** | **228.0** | **5,890.3** |
| | | | | |
| **Financial liabilities measured at fair value** | | | | |
| Derivative financial liabilities | 7.9 | - | - | 7.9 |
| | | | | |
| **Financial liabilities not measured at fair value** | | | | |
| Tier 2 subordinated debt (2029) | - | 310.9 | - | 310.9 |
| Tier 2 subordinated debt (2026) | - | 262.5 | - | 262.5 |
| **Total financial liabilities not measured at fair value** | **-** | **573.4** | **-** | **573.4** |

| **31 December 2020** | **Level 1 $m** | **Level 2 $m** | **Level 3 $m** | **Total $m** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Government issued | 2,637.8 | 85.9 | - | 2,723.7 |
| Corporate bonds | | | | |
| - Investment grade | 1,148.3 | 1,296.6 | - | 2,444.9 |
| - High yield | 103.0 | 148.1 | - | 251.1 |
| Syndicate loans | - | - | 40.6 | 40.6 |
| Equity funds | 203.2 | - | - | 203.2 |
| Hedge funds | - | 442.1 | - | 442.1 |
| Illiquid credit assets | - | - | 227.9 | 227.9 |
| Derivative financial assets | 28.5 | - | - | 28.5 |
| **Total financial assets measured at fair value** | **4,120.8** | **1,972.7** | **268.5** | **6,362.0** |
| | | | | |
| **Financial liabilities measured at fair value** | | | | |
| Derivative financial liabilities | 11.4 | - | - | 11.4 |
| | | | | |
| **Financial liabilities not measured at fair value** | | | | |
| Tier 2 subordinated debt (2029) | - | 320.5 | - | 320.5 |
| Tier 2 subordinated debt (2026) | - | 271.0 | - | 271.0 |

| | | | | |
|---|---|---|---|---|
| **Total financial liabilities not measured at fair value** | **-** | **591.5** | **-** | **591.5** |

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

**Transfers**

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

The following transfers between levels 1 & 2 for the period ended 30 June 2021 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool:

| **30 June 2021 vs 30 June 2020 transfer from level 1 to level 2** | **Level 1 $m** | **Level 2 $m** |
|---|---|---|
| - Investment grade | (251.1) | 251.1 |
| - Government issued | (91.0) | 91.0 |

| **30 June 2021 vs 30 June 2020 transfer from level 2 to level 1** | **Level 1 $m** | **Level 2 $m** |
|---|---|---|
| - Investment grade | 315.0 | (315.0) |

The values shown in the transfer tables above are translated at foreign exchange rate as at 30 June 2021.

| **30 June 2021 vs 31 December 2020 transfer from level 1 to level 2** | **Level 1 $m** | **Level 2 $m** |
|---|---|---|
| - Investment grade | (111.4) | 111.4 |
| - Government issued | (119.1) | 119.1 |

| **30 June 2021 vs 31 December 2020 transfer from level 2 to level 1** | **Level 1 $m** | **Level 2 $m** |
|---|---|---|
| - Investment grade | 513.7 | (513.7) |

The values shown in the transfer tables above are translated at foreign exchange rate as at 30 June 2021.

**Level 3 investment reconciliations**

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. The total net unrealised gains recognised in the profit or loss of $13.2m (30 June 2020: gain of $4.7m) is included in the net investment income number of $83.6m (30 June 2020: $83.2m) shown in the condensed consolidated statement of profit or loss.

| | **30 June 2021 $m** | **30 June 2020 $m** | **31 December 2020 $m** |
|---|---|---|---|
| As at 1 January | 268.5 | 216.6 | 216.6 |
| Purchases | 21.3 | 28.7 | 94.4 |
| Sales | (30.9) | (20.2) | (56.9) |
| Transfer from level 2 | - | 7.6 | 8.2 |
| Total net unrealised gains/(losses) recognised in profit or loss | 13.2 | (4.7) | 6.2 |
| **As at period end** | **272.1** | **228.0** | **268.5** |

**Unconsolidated structured entities**

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

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

| | 30 June 2021 $m | 30 June 2020 $m | 31 December 2020 $m |
|---|---|---|---|
| High yield | 310.6 | 169.1 | 251.1 |
| Equity funds | 186.6 | 86.9 | 203.2 |
| Hedge funds | 455.6 | 340.1 | 442.1 |
| Illiquid credit assets | 230.2 | 211.3 | 227.9 |
| **Investments through unconsolidated structured entities** | **1,183.0** | **807.4** | **1,124.3** |

**Currency exposures**

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

| **30 June 2021** | **UK £ $m** | **CAD $ $m** | **EURO € $m** | **Subtotal $m** | **US $ $m** | **Total $m** |
|---|---|---|---|---|---|---|
| **Financial assets at fair value** | | | | | | |
| Fixed and floating rate debt securities | 434.4 | 321.0 | - | 755.4 | 4,890.5 | 5,645.9 |
| Syndicate loans | 41.9 | - | - | 41.9 | - | 41.9 |
| Equity funds | - | - | - | - | 186.6 | 186.6 |
| Hedge funds | - | - | - | - | 455.6 | 455.6 |
| Illiquid credit assets | 1.8 | - | 37.3 | 39.1 | 191.1 | 230.2 |
| Derivative financial assets | - | - | - | - | 1.2 | 1.2 |
| **Total** | **478.1** | **321.0** | **37.3** | **836.4** | **5,725.0** | **6,561.4** |

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

| **31 December 2020** | **UK £ $m** | **CAD $ $m** | **EURO € $m** | **Subtotal $m** | **US $ $m** | **Total $m** |
|---|---|---|---|---|---|---|
| **Financial assets at fair value** | | | | | | |
| Fixed and floating rate debt securities | 15.1 | 248.6 | - | 263.7 | 5,156.0 | 5,419.7 |
| Syndicate loans | 40.6 | - | - | 40.6 | - | 40.6 |
| Equity funds | - | - | - | - | 203.2 | 203.2 |
| Hedge funds | - | - | - | - | 442.1 | 442.1 |
| Illiquid credit assets | 3.2 | - | 34.6 | 37.8 | 190.1 | 227.9 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Derivative financial assets | - | - | - | - | 28.5 | 28.5 |
| **Total** | **58.9** | **248.6** | **34.6** | **342.1** | **6,019.9** | **6,362.0** |

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 2020, enables more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments.

### 10 Cash and cash equivalents

| | 30 June 2021 $m | 30 June 2020 $m | 31 December 2020 $m |
|---|---|---|---|
| Cash at bank and in hand | 451.3 | 312.0 | 309.5 |
| Short-term deposits and highly liquid investments | - | 47.7 | - |
| | **451.3** | **359.7** | **309.5** |

Total cash and cash equivalents include $26.6m (30 June 2020: $9.4m, 31 December 2020: $15.7m) 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 processes undertaken by management in estimating insurance liabilities are consistent with the processes applied for the year ended 31 December 2020 and further detail is available in note 24 of the group's 2020 Annual Report and Accounts. These processes include performing liability adequacy tests at each reporting date. As at 30 June 2021, management identified a deficiency in claims liabilities net of deferred acquisition costs and unearned premium reserves and has recognised an unexpired risk reserve. This reserve has been recognised as a result of the unprecedented impact of COVID-19 particularly on the group's Contingency business which was affected by claims arising due to widespread event cancellations as a result of government restrictions.

Gross insurance liabilities as at 30 June 2021 of $7,890.6m (30 June 2020: $6,697.9m; 31 December 2020: $7,378.4m) include an unexpired risk reserve of $12.8m (30 June 2020: nil; 31 December 2020: $91.5m). Reinsurance assets as at 30 June 2021 of $2,033.4m (30 June 2020: $1,649.4m; 31 December 2020: $1,684.7m) also include reinsurers' shares of the unexpired risk reserve of $1.6m (30 June 2020: nil; 31 December 2020: $9.0m).

The loss development tables below provide information about historical claims development by the seven segments - Cyber & Executive Risk, Market Facilities, Marine, Political, Accident & Contingency, Property, Reinsurance and Specialty Lines. The tables are by underwriting year which in our view provides the most transparent reserving basis. We have supplied tables for both ultimate gross claims ratios and ultimate net claims ratios.

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

While the information in the tables provide a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2021 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

| **Gross ultimate claims** | **2011ae** | **2012 %** | **2013 %** | **2014 %** | **2015 %** | **2016 %** | **2017 %** | **2018 %** | **2019 %** | **2020 %** | **2021 %** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cyber & Executive Risk** | | | | | | | | | | | | |
| 12 months | | 71.6 | 71.0 | 66.0 | 64.3 | 61.9 | 59.5 | 61.1 | 61.8 | 73.5 | | |
| 24 months | | 71.8 | 71.3 | 66.2 | 64.4 | 61.9 | 61.5 | 62.3 | 72.0 | | | |
| 36 months | | 69.1 | 71.1 | 63.6 | 59.0 | 58.5 | 56.8 | 61.4 | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 48 months | 65.5 | 69.0 | 65.0 | 54.1 | 58.2 | 56.5 | | | |
| 60 months | 63.6 | 66.3 | 69.7 | 55.9 | 59.4 | | | | |
| 72 months | 61.3 | 62.9 | 68.3 | 57.4 | | | | | |
| 84 months | 60.7 | 62.9 | 69.0 | | | | | | |
| 96 months | 59.5 | 63.4 | | | | | | | |
| 108 months | 59.7 | | | | | | | | |
| Position at 30 June 2021 | 59.6 | 63.5 | 70.3 | 57.5 | 58.4 | 56.6 | 62.7 | 72.1 | 77.7 |
| **Marine** | | | | | | | | | |
| 12 months | 56.1 | 56.8 | 57.7 | 56.7 | 59.5 | 68.0 | 61.9 | 60.1 | 57.8 |
| 24 months | 46.3 | 52.1 | 47.0 | 53.9 | 70.2 | 62.3 | 68.1 | 56.8 | |
| 36 months | 34.6 | 44.6 | 47.2 | 47.3 | 65.4 | 61.6 | 66.2 | | |
| 48 months | 32.1 | 42.9 | 46.8 | 45.4 | 63.9 | 57.9 | | | |
| 60 months | 31.3 | 42.3 | 55.9 | 43.3 | 62.5 | | | | |
| 72 months | 30.5 | 41.7 | 53.6 | 42.7 | | | | | |
| 84 months | 29.8 | 40.5 | 52.4 | | | | | | |
| 96 months | 29.6 | 39.4 | | | | | | | |
| 108 months | 29.7 | | | | | | | | |
| Position at 30 June 2021 | 29.9 | 39.3 | 52.3 | 42.6 | 61.9 | 57.3 | 64.2 | 52.4 | 59.7 |
| **Market Facilities** | | | | | | | | | |
| 12 months | - | - | - | - | - | - | 66.3 | 72.9 | 76.6 |
| 24 months | - | - | - | - | - | - | 66.3 | 72.8 | |
| 36 months | - | - | - | - | - | - | 55.1 | | |
| 48 months | - | - | - | - | - | - | | | |
| 60 months | - | - | - | - | - | | | | |
| 72 months | - | - | - | - | | | | | |
| 84 months | - | - | - | | | | | | |
| 96 months | - | - | | | | | | | |
| 108 months | - | | | | | | | | |
| Position at 30 June 2021 | - | - | - | - | - | - | 52.4 | 72.4 | 76.6 |
| **Political, Accident & Contingency** | | | | | | | | | |
| 12 months | 60.0 | 59.5 | 59.6 | 60.3 | 61.7 | 57.9 | 59.3 | 56.9 | 111.2 |
| 24 months | 56.0 | 51.0 | 52.3 | 59.7 | 55.5 | 49.8 | 55.2 | 143.6 | |
| 36 months | 53.1 | 46.6 | 48.3 | 58.2 | 50.7 | 46.5 | 92.3 | | |
| 48 months | 50.6 | 45.6 | 51.3 | 59.0 | 49.3 | 49.7 | | | |
| 60 months | 47.5 | 47.4 | 52.5 | 55.4 | 47.8 | | | | |
| 72 months | 46.6 | 47.2 | 53.5 | 54.4 | | | | | |
| 84 months | 45.7 | 47.0 | 54.4 | | | | | | |
| 96 months | 45.8 | 46.6 | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 108 months | 45.6 | | | | | | | | |
| Position at 30 June 2021 | 45.5 | 46.2 | 54.4 | 54.5 | 47.1 | 48.1 | 99.8 | 141.1 | 109.2 |
| **Property** | | | | | | | | | |
| 12 months | 56.1 | 54.9 | 53.2 | 55.0 | 59.0 | 72.3 | 63.4 | 53.2 | 67.9 |
| 24 months | 47.4 | 49.0 | 47.7 | 49.1 | 68.4 | 88.4 | 63.5 | 63.4 | |
| 36 months | 39.6 | 45.6 | 41.4 | 46.0 | 71.3 | 91.2 | 65.4 | | |
| 48 months | 36.6 | 45.6 | 40.6 | 44.8 | 71.8 | 91.3 | | | |
| 60 months | 36.0 | 45.6 | 39.7 | 43.7 | 71.8 | | | | |
| 72 months | 35.4 | 47.3 | 40.2 | 46.0 | | | | | |
| 84 months | 35.3 | 46.6 | 39.8 | | | | | | |
| 96 months | 36.6 | 47.1 | | | | | | | |
| 108 months | 37.6 | | | | | | | | |
| Position at 30 June 2021 | 37.6 | 47.0 | 40.1 | 46.3 | 71.7 | 91.6 | 64.7 | 58.6 | 72.1 |
| **Reinsurance** | | | | | | | | | |
| 12 months | 62.8 | 59.4 | 61.3 | 65.8 | 68.7 | 121.4 | 98.9 | 100.8 | 79.4 |
| 24 months | 37.0 | 45.6 | 33.3 | 33.7 | 41.8 | 116.7 | 124.8 | 69.5 | |
| 36 months | 31.5 | 43.0 | 30.7 | 25.7 | 40.6 | 128.5 | 123.3 | | |
| 48 months | 30.4 | 41.7 | 27.6 | 25.4 | 41.4 | 131.2 | | | |
| 60 months | 30.7 | 38.8 | 27.4 | 25.3 | 40.7 | | | | |
| 72 months | 30.4 | 38.5 | 27.0 | 25.0 | | | | | |
| 84 months | 30.5 | 37.6 | 26.9 | | | | | | |
| 96 months | 30.1 | 37.5 | | | | | | | |
| 108 months | 30.1 | | | | | | | | |
| Position at 30 June 2021 | 30.1 | 37.5 | 27.0 | 24.6 | 40.1 | 130.3 | 120.8 | 71.6 | 83.8 |
| **Specialty Lines** | | | | | | | | | |
| 12 months | 74.9 | 74.6 | 69.8 | 69.3 | 67.6 | 66.0 | 68.5 | 67.0 | 68.4 |
| 24 months | 75.0 | 74.2 | 69.5 | 69.9 | 67.5 | 66.1 | 69.0 | 68.6 | |
| 36 months | 73.6 | 73.9 | 65.8 | 68.3 | 65.4 | 65.9 | 65.9 | | |
| 48 months | 73.9 | 69.4 | 61.7 | 67.4 | 64.1 | 62.1 | | | |
| 60 months | 70.2 | 64.2 | 58.0 | 69.3 | 60.8 | | | | |
| 72 months | 69.1 | 62.1 | 55.7 | 78.2 | | | | | |
| 84 months | 68.7 | 61.4 | 53.9 | | | | | | |
| 96 months | 71.0 | 60.0 | | | | | | | |
| 108 months | 72.3 | | | | | | | | |
| Position at 30 June 2021 | 73.1 | 58.7 | 53.8 | 80.2 | 60.1 | 63.1 | 62.5 | 66.4 | 68.7 |
| **Total** | | | | | | | | | |
| 12 months | 64.6 | 63.8 | 62.1 | 62.5 | 63.3 | 70.0 | 66.7 | 64.8 | 73.1 |
| 24 months | 58.3 | 59.4 | 55.8 | 58.4 | 62.8 | 71.1 | 69.6 | 74.2 | |
| 36 months | 53.3 | 56.6 | 52.6 | 54.4 | 60.7 | 70.9 | 71.3 | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 48 months | | 51.4 | 54.6 | 51.7 | 52.6 | 60.1 | 69.7 | | | | | |
| 60 months | | 49.5 | 52.6 | 53.2 | 52.7 | 59.1 | | | | | | |
| 72 months | | 48.4 | 51.7 | 52.1 | 55.6 | | | | | | | |
| 84 months | | 48.0 | 51.1 | 51.7 | | | | | | | | |
| 96 months | | 48.5 | 50.7 | | | | | | | | | |
| 108 months | | 49.1 | | | | | | | | | | |
| Position at 30 June 2021 | | 49.3 | 50.3 | 52.0 | 56.1 | 58.5 | 69.7 | 70.6 | 72.3 | 75.1 | | |
| Estimated total ultimate losses ($m) | 7,952.9 | 871.5 | 924.8 | 1,001.2 | 1,138.0 | 1,261.6 | 1,712.6 | 1,895.8 | 2,253.7 | 2,688.9 | 2,619.6 | 24,320.6 |
| Less paid claims ($m) | (7,739.9) | (785.3) | (847.8) | (923.9) | (935.4) | (989.0) | (1,193.7) | (1,121.7) | (831.7) | (469.9) | (10.4) | (15,848.7) |
| Less unearned portion of ultimate losses ($m) | | | | | | | | | (68.8) | (403.8) | (2,240.4) | (2,713.0) |
| Gross claims liabilities ($m) | 213.0 | 86.2 | 77.0 | 77.3 | 202.6 | 272.6 | 518.9 | 774.1 | 1,353.2 | 1,815.2 | 368.8 | 5,758.9 |

| **Net ultimate claims** | **2011ae** | **2012 %** | **2013 %** | **2014 %** | **2015 %** | **2016 %** | **2017 %** | **2018 %** | **2019 %** | **2020 %** | **2021 %** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cyber & Executive Risk** | | | | | | | | | | | | |
| 12 months | | 68.2 | 66.5 | 63.2 | 60.4 | 59.2 | 57.9 | 58.3 | 59.9 | 72.3 | | |
| 24 months | | 68.5 | 66.8 | 63.8 | 60.4 | 59.2 | 59.0 | 60.6 | 68.1 | | | |
| 36 months | | 65.6 | 65.1 | 62.3 | 56.0 | 56.2 | 55.5 | 62.4 | | | | |
| 48 months | | 60.2 | 62.2 | 61.3 | 50.3 | 56.3 | 55.8 | | | | | |
| 60 months | | 60.2 | 59.5 | 65.9 | 51.5 | 55.2 | | | | | | |
| 72 months | | 57.6 | 56.8 | 64.9 | 49.7 | | | | | | | |
| 84 months | | 57.1 | 56.3 | 65.5 | | | | | | | | |
| 96 months | | 55.9 | 56.3 | | | | | | | | | |
| 108 months | | 56.4 | | | | | | | | | | |
| Position at 30 June 2021 | | 56.4 | 56.2 | 66.7 | 49.6 | 54.0 | 55.7 | 64.8 | 67.2 | 71.6 | | |
| **Marine** | | | | | | | | | | | | |
| 12 months | | 55.2 | 56.3 | 56.6 | 56.6 | 56.6 | 57.4 | 59.3 | 56.6 | 54.2 | | |
| 24 months | | 45.8 | 53.2 | 48.6 | 52.3 | 62.3 | 61.2 | 67.7 | 55.1 | | | |
| 36 months | | 37.0 | 47.5 | 46.6 | 47.0 | 61.4 | 61.7 | 68.6 | | | | |
| 48 months | | 34.6 | 45.9 | 45.7 | 46.5 | 61.9 | 59.4 | | | | | |
| 60 months | | 33.5 | 45.4 | 47.0 | 45.2 | 60.5 | | | | | | |
| 72 months | | 32.8 | 44.8 | 45.2 | 44.7 | | | | | | | |
| 84 months | | 32.4 | 42.7 | 44.5 | | | | | | | | |
| 96 months | | 32.2 | 42.5 | | | | | | | | | |
| 108 months | | 32.3 | | | | | | | | | | |
| Position at 30 June 2021 | | 32.6 | 42.4 | 44.4 | 44.5 | 60.0 | 59.2 | 65.5 | 50.8 | 56.2 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Market Facilities** | | | | | | | | | |
| 12 months | - | - | - | - | - | - | 36.5 | 24.6 | 28.3 |
| 24 months | - | - | - | - | - | - | 36.5 | 24.2 | |
| 36 months | - | - | - | - | - | - | 30.4 | | |
| 48 months | - | - | - | - | - | - | | | |
| 60 months | - | - | - | - | - | | | | |
| 72 months | - | - | - | - | | | | | |
| 84 months | - | - | - | | | | | | |
| 96 months | - | - | | | | | | | |
| 108 months | - | | | | | | | | |
| Position at 30 June 2021 | - | - | - | - | - | - | 20.8 | 24.6 | 28.2 |
| **Political, Accident & Contingency** | | | | | | | | | |
| 12 months | 58.7 | 59.0 | 57.3 | 57.8 | 60.5 | 57.0 | 58.6 | 56.1 | 91.1 |
| 24 months | 53.7 | 52.4 | 50.7 | 56.7 | 54.4 | 49.3 | 54.4 | 111.9 | |
| 36 months | 51.4 | 49.1 | 46.3 | 55.9 | 50.9 | 45.8 | 82.0 | | |
| 48 months | 47.9 | 46.7 | 50.6 | 55.3 | 48.6 | 46.4 | | | |
| 60 months | 44.9 | 46.7 | 50.9 | 52.6 | 47.4 | | | | |
| 72 months | 43.9 | 46.9 | 51.8 | 52.0 | | | | | |
| 84 months | 43.4 | 47.0 | 52.2 | | | | | | |
| 96 months | 43.9 | 46.9 | | | | | | | |
| 108 months | 43.7 | | | | | | | | |
| Position at 30 June 2021 | 43.8 | 46.6 | 52.3 | 51.2 | 47.1 | 45.4 | 86.8 | 110.8 | 88.0 |
| **Property** | | | | | | | | | |
| 12 months | 59.4 | 56.2 | 54.6 | 55.0 | 57.6 | 76.0 | 64.4 | 56.4 | 67.8 |
| 24 months | 53.0 | 56.1 | 51.5 | 50.7 | 69.5 | 93.4 | 66.9 | 66.2 | |
| 36 months | 46.4 | 52.2 | 44.8 | 47.3 | 71.3 | 95.4 | 68.1 | | |
| 48 months | 41.5 | 50.4 | 43.4 | 45.1 | 70.8 | 93.4 | | | |
| 60 months | 40.9 | 50.3 | 42.4 | 44.9 | 69.9 | | | | |
| 72 months | 40.4 | 51.9 | 43.5 | 46.6 | | | | | |
| 84 months | 40.1 | 52.1 | 43.0 | | | | | | |
| 96 months | 41.7 | 52.4 | | | | | | | |
| 108 months | 42.6 | | | | | | | | |
| Position at 30 June 2021 | 41.6 | 52.0 | 42.7 | 45.4 | 70.0 | 94.9 | 66.7 | 61.7 | 75.6 |
| **Reinsurance** | | | | | | | | | |
| 12 months | 66.6 | 57.1 | 58.7 | 61.7 | 62.1 | 104.0 | 87.1 | 86.9 | 85.7 |
| 24 months | 44.4 | 52.4 | 37.8 | 34.7 | 39.5 | 93.1 | 100.5 | 70.4 | |
| 36 months | 38.0 | 48.5 | 34.0 | 25.0 | 39.0 | 104.0 | 98.4 | | |
| 48 months | 36.3 | 47.3 | 31.4 | 24.6 | 40.6 | 107.4 | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 60 months | | 36.6 | 43.7 | 31.2 | 24.8 | 41.6 | | | | | | |
| 72 months | | 36.2 | 43.4 | 30.7 | 25.1 | | | | | | | |
| 84 months | | 36.3 | 42.5 | 30.6 | | | | | | | | |
| 96 months | | 35.8 | 42.4 | | | | | | | | | |
| 108 months | | 35.8 | | | | | | | | | | |
| Position at 30 June 2021 | | 35.8 | 42.3 | 30.7 | 24.5 | 41.0 | 106.9 | 93.5 | 73.6 | 90.9 | | |
| **Specialty lines** | | | | | | | | | | | | |
| 12 months | | 71.3 | 70.4 | 67.0 | 65.0 | 65.0 | 63.8 | 66.0 | 64.8 | 65.3 | | |
| 24 months | | 71.4 | 69.9 | 66.6 | 65.8 | 65.0 | 63.7 | 67.1 | 64.9 | | | |
| 36 months | | 70.0 | 70.0 | 64.1 | 63.2 | 61.2 | 63.4 | 64.1 | | | | |
| 48 months | | 68.4 | 64.1 | 59.1 | 58.5 | 56.9 | 58.2 | | | | | |
| 60 months | | 65.9 | 59.2 | 55.8 | 58.8 | 52.1 | | | | | | |
| 72 months | | 66.1 | 57.6 | 54.5 | 62.7 | | | | | | | |
| 84 months | | 66.0 | 57.5 | 52.8 | | | | | | | | |
| 96 months | | 67.1 | 56.3 | | | | | | | | | |
| 108 months | | 67.9 | | | | | | | | | | |
| Position at 30 June 2021 | | 68.7 | 55.3 | 53.0 | 64.8 | 51.6 | 59.7 | 59.6 | 62.7 | 65.2 | | |
| **Total** | | | | | | | | | | | | |
| 12 months | | 63.8 | 62.0 | 60.4 | 59.8 | 60.6 | 65.7 | 63.4 | 61.6 | 69.1 | 63.8 | |
| 24 months | | 58.3 | 60.2 | 56.1 | 56.6 | 60.9 | 67.6 | 66.1 | 69.0 | | 58.3 | |
| 36 months | | 53.8 | 57.3 | 52.8 | 52.8 | 58.8 | 67.5 | 68.1 | | | 53.8 | |
| 48 months | | 50.7 | 54.4 | 51.2 | 49.7 | 57.5 | 65.6 | | | | 50.7 | |
| 60 months | | 49.4 | 52.2 | 51.4 | 49.6 | 55.5 | | | | | 49.4 | |
| 72 months | | 48.6 | 51.6 | 50.8 | 50.4 | | | | | | 48.6 | |
| 84 months | | 48.4 | 51.0 | 50.4 | | | | | | | 48.4 | |
| 96 months | | 48.8 | 50.7 | | | | | | | | 48.8 | |
| 108 months | | 49.2 | | | | | | | | | 49.2 | |
| Position at 30 June 2021 | | 49.3 | 50.3 | 50.6 | 50.6 | 54.8 | 66.0 | 67.0 | 66.9 | 70.1 | 49.3 | |
| Total ultimate losses ($m) | 5,843.6 | 719.9 | 787.9 | 836.6 | 865.4 | 998.3 | 1,360.0 | 1,505.6 | 1,756.4 | 2,032.6 | 1,950.6 | 18,656.9 |
| Less paid claims ($m) | (5,658.4) | (663.0) | (728.9) | (775.3) | (759.8) | (829.8) | (951.4) | (893.9) | (635.7) | (330.3) | (8.2) | (12,234.7) |
| Less unearned portion of ultimate losses ($m) | | | | | | | | | (50.5) | (311.4) | (1,804.1) | (2,166.0) |
| **Net claims liabilities (100% level) ($m)** | 185.2 | 56.9 | 59.0 | 61.3 | 105.6 | 168.5 | 408.6 | 611.7 | 1,070.2 | 1,390.9 | 138.3 | 4,256.2 |

**Analysis of movements in loss development tables**
We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2021 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of the table.

**Cyber & Executive Risk**
Whilst the majority of years remain at similar levels to the end of 2020, the 2020 underwriting year has strengthened gross of reinsurance in response to cyber ransomware activity. However, this year

is recovering under aggregate excess of loss reinsurance programmes, so the impact is not seen net of reinsurance.

**Marine**
The 2020 underwriting year strengthened slightly due to the storms which affected large parts of the South Central and Western areas of the US. Releases continue on mature underwriting years as the risks expire.

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

**Political, Accident & Contingency**
The contingency, accident and life classes within this division were significantly impacted by COVID-19 claims across the 2018 to 2020 underwriting years. Whilst the overall reserves have not changed, there has been a partial reallocation of these COVID-19 claims to the 2018 underwriting year from the 2019 and 2020 years.

**Property**
The 2020 underwriting year has been impacted by the storms which affected large parts of the South Central and Western areas of the US. Favourable developments across established catastrophe events have led to releases on the 2019 underwriting year.

**Reinsurance**
The recent storms which affected large parts of the South Central and Western areas of the US have impacted the 2020 underwriting year. The 2019 underwriting year has strengthened due to adverse attritional claims development. Favourable developments on attritional claims and established catastrophe events have led to releases on the 2018 underwriting year.

**Specialty Lines**
The 2020 underwriting year has strengthened in response to cyber ransomware activity and the 2015 underwriting year continues to see claims development in excess of expectations. Both these years are recovering under aggregate excess of loss reinsurance programmes, so the impact is lower net of reinsurance. The 2018 underwriting year continues to see favourable development resulting in releases.

**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 2020 and prior underwriting years totalled $95.7m (2020: $58.6m).We saw releases come through from all divisions for the first time since 2017. As a division, Speciality Lines released the most with releases of $13.8m and $19.0m on the 2019 and the 2018 underwriting years respectively driven primarily by better than expected attritional experience. Marine saw releases of $13.4m and $9.2m on the 2019 and the 2018 underwriting years respectively with benign attritional experience again being the primary driver particularly within Aviation and Cargo. Property benefited from a reduction on open market COVID-19 claims which contributed to the $14.9m release in the 2019 underwriting year. Our Political, Accident and Contingency division saw releases of $8.5m in the 2019 underwriting year as a result of favourable attritional experience, particularly in terrorism.

Historically our reserves have been within the range of 5-10% above our actuarial estimates, which themselves include some margin for uncertainty. The margin held above actuarial estimate was 6.6% at 30 June 2021 (30 June 2020: 7.0%).

The movements shown on 2018 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 2021** | **Cyber & Executive Risk $m** | **Marine $m** | **Market Facilities $m** | **Political, Accident & Contingency $m** | **Property $m** | **Reinsurance $m** | **Specialty Lines $m** | **Total $m** |
|---|---|---|---|---|---|---|---|---|
| Current year | 286.0 | 72.6 | 4.6 | 63.2 | 93.0 | 47.7 | 325.6 | 892.7 |
| Prior year | | | | | | | | |
| - 2018 and earlier | 1.4 | (9.2) | (0.3) | 2.3 | (3.0) | (5.6) | (19.0) | (33.4) |
| - 2019 underwriting year | (4.9) | (13.4) | 0.2 | (8.5) | (14.9) | 1.7 | (13.8) | (53.6) |
| - 2020 underwriting year | (5.4) | 0.5 | (0.2) | (0.4) | 0.2 | (1.4) | (2.0) | (8.7) |
| | (8.9) | (22.1) | (0.3) | (6.6) | (17.7) | (5.3) | (34.8) | (95.7) |
| **Net insurance claims** | 277.1 | 50.5 | 4.3 | 56.6 | 75.3 | 42.4 | 290.8 | 797.0 |

| 6 months ended 30 June 2020 | Cyber & Executive Risk $m | Marine $m | Market Facilities $m | Political, Accident & Contingency $m | Property $m | Reinsurance $m | Specialty Lines $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| Current year | 230.0 | 88.1 | 3.8 | 109.0 | 188.5 | 45.9 | 262.4 | 927.7 |
| Prior year | | | | | | | | |
| - 2017 and earlier | (13.6) | (5.8) | - | (0.4) | 6.9 | 2.1 | (39.6) | (50.4) |
| - 2018 underwriting year | 3.9 | 5.3 | (0.3) | 2.2 | 3.6 | (4.0) | (1.0) | 9.7 |
| - 2019 underwriting year | (3.0) | 0.3 | - | 5.9 | (4.2) | (16.2) | (0.7) | (17.9) |
| | (12.7) | (0.2) | (0.3) | 7.7 | 6.3 | (18.1) | (41.3) | (58.6) |
| **Net insurance claims** | **217.3** | **87.9** | **3.5** | **116.7** | **194.8** | **27.8** | **221.1** | **869.1** |

| Year to 31 December 2020 | Cyber & Executive Risk $m | Marine $m | Market Facilities $m | Political, Accident & Contingency $m | Property $m | Reinsurance $m | Specialty Lines $m | Total $m |
|---|---|---|---|---|---|---|---|---|
| Current year | 553.3 | 169.4 | 9.2 | 358.7 | 295.7 | 107.5 | 557.6 | 2,051.4 |
| Prior year | | | | | | | | |
| - 2017 and earlier | (25.4) | (8.8) | - | (2.0) | 1.9 | 2.2 | (42.6) | (74.7) |
| - 2018 underwriting year | 23.8 | 0.9 | (0.6) | (2.1) | 3.9 | (2.8) | (25.4) | (2.3) |
| - 2019 underwriting year | 6.0 | (1.0) | (0.3) | (0.5) | (10.2) | (20.1) | 10.0 | (16.1) |
| | 4.4 | (8.9) | (0.9) | (4.6) | (4.4) | (20.7) | (58.0) | (93.1) |
| **Net insurance claims** | **557.7** | **160.5** | **8.3** | **354.1** | **291.3** | **86.8** | **499.6** | **1,958.3** |

### 12 Related party transactions

The related party transactions of the group are consistent in nature and scope with those disclosed in note 30 of the group's consolidated financial statements for the year ended 31 December 2020.

### 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 2021 | 6 months ended 30 June 2020 | Year to 31 December 2020 |
|---|---|---|---|
| **Average** | | | |
| Pound sterling | 0.73 | 0.79 | 0.79 |
| Canadian dollar | 1.23 | 1.36 | 1.33 |
| Euro | 0.83 | 0.91 | 0.89 |
| | | | |
| **Spot** | | | |
| Pound sterling | 0.71 | 0.79 | 0.76 |
| Canadian dollar | 1.22 | 1.35 | 1.32 |
| Euro | 0.82 | 0.88 | 0.90 |

### 14 Subsequent events

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

## Glossary

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

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

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

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

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

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

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

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

**Claims:** Demand by an insured for indemnity under an insurance contract.

**Claims ratio:** Ratio, in percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange. In 2021, this ratio was 57% (30 June 2020: 71%; 31 December 2020: 73%). This represented total claims of $797.0m (30 June 2020: $869.1m; 31 December 2020: $1,958.3m) divided by net earned premiums of $1,390.2m (30 June 2020: $1,233.8m; 31 December 2020: $2,693.4m).

**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. In 2021, this ratio was 94% (30 June 2020: 107%; 31 December 2020: 109%). This represents the sum of net insurance claims of $797.0m (30 June 2020: $869.1m; 31 December 2020: $1,958.3m), expenses for acquisition of insurance contracts of $376.8m (30 June 2020: $327.9m; 31 December 2020: $738.9m) and administrative expenses of $132.2m (30 June 2020: $121.8m; 31 December 2020: $235.5m) to net earned premiums of $1,390.2m (30 June 2020: $1,233.8m; 31 December 2020: $2,693.4m). This is also the sum of the expense ratio 37% (30 June 2020: 36%; 31 December 2020: 36%) and the claims ratio 57% (30 June 2020:71%; 31 December 2020: 73%).

**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 or loss after tax by the weighted average number of ordinary shares issued, excluding shares owned by the group. For calculating diluted earnings per share the number of shares and profit or loss for the year is adjusted for certain dilutive potential ordinary shares such as share options granted to employees.

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

**Excess per risk reinsurance**: A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company against the amount of loss in excess of a specified retention with respect to each risk involved in each loss.

**Expense ratio:** Ratio, in percentage terms, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items. In 2021, the expense ratio was 37% (30 June 2020: 36%; 31 December 2020: 36%). This represents the sum of expenses for acquisition of insurance contracts of $376.8m (30 June 2020: $327.9m; 31 December 2020: $738.9m) and administrative expenses of $132.2m (30 June 2020: $121.8m; 31 December 2020: $235.5m) to net earned premiums of $1,390.2m (30 June 2020: $1,233.8m; 31 December 2020: $2,693.4m).

**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, but including any brokerage and commission deducted by intermediaries.

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

**Horizontal limits:** Reinsurance coverage limits for multiple events.

**Incurred but not reported (IBNR):** These are anticipated or likely claims that may result from an insured event but which have not yet been reported.

**International Accounting Standards Board (IASB):** An independent accounting body responsible for developing IFRS (see below).

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

**Investment return:** Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. In 2021, this was calculated as net investment income of $83.6m (30 June 2020: $83.2m; 31 December 2020: $188.1m) divided by average financial assets at fair value, including cash, of $6,842.1m (30 June 2020: $6,050.7m; 31 December 2020: $6,261.4m).

**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.

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

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

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

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

**Private enterprise:** The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to $35.0m and up to 500 employees.

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

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

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

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

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

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

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

**Return on equity (ROE):** Ratio, in percentage terms, calculated by dividing the consolidated profit or loss after tax by the average daily total equity. In 2021, this was calculated as profit after tax of $139.5m (30 June 2020: loss of $12.7m; 31 December 2020: loss of $46.1m) divided by average equity of $1,920.9m (30 June 2020: $1,726.5m; 31 December 2020: $1,792.7m).

**Risk:** This term may refer to:

a) the possibility of some event occurring which causes injury or loss;

b) the subject matter of an insurance or reinsurance contract; or

c) an insured peril.

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

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

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

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

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

**Total shareholder return (TSR):** The increase in the share price plus the value of any first and second dividends paid and proposed during the year.

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

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

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



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