

This document is a prospectus relating to Beazley plc (“**New Beazley**” or the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (“**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”). This document has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

This document has been prepared in connection with a scheme of arrangement pursuant to article 125 of the Companies (Jersey) Law 1991 to introduce a new English-incorporated holding company, Beazley plc, to the Group (the “Scheme”) and has been prepared on the assumption that the Scheme will become effective in accordance with its current terms. A summary of the Scheme and other proposals are set out in Part I (*The Scheme of Arrangement and Related Proposals*) of this document. You should read this document in its entirety and in particular the risk factors set out in the section of this document headed “Risk Factors”.

The Directors, whose names appear on page 34 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and this document does not omit anything likely to affect the import of such information.

Applications will be made to the FCA for the New Beazley Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Beazley Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities, subject in each case to the Scheme becoming effective. If the Scheme proceeds as currently envisaged, it is expected that such admissions will become effective and that dealings in the New Beazley Shares will commence on the London Stock Exchange at 8.00 a.m. on 13 April 2016. The listing of the Ordinary Shares will be cancelled on that date. No application has been, or is currently intended to be, made for the New Beazley Shares to be admitted to listing or trading on any other stock exchange.

BEAZLEY PLC

(“NEW BEAZLEY”)

(Incorporated in England and Wales under the Companies Act 2006 with registered number 09763575)

Admission to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities of 523,353,340 New Beazley Shares

Sponsor

Numis Securities

The New Beazley Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”). The New Beazley Shares will be issued in reliance on the exemption provided by section 3(a)(10) of the US Securities Act. In addition, the New Beazley Shares have not been and will not be registered under the securities laws of any state of the United States but will be issued pursuant to available exemptions from state law registration requirements. Neither the US Securities Exchange Commission nor any US state securities commission has reviewed or approved this document, any accompanying documents or the Scheme. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an invitation or offer to sell or exchange, or the solicitation of an invitation or offer to buy or exchange, any security or to become a member of New Beazley. The distribution of this document in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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The date of this document is 25 February 2016.

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SUMMARY

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element might be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words “not applicable”.

Section A – Introduction and warnings		
A.1	Introduction	This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Beazley Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Any consents to and conditions regarding use of this document	Not applicable: no consent has been given by New Beazley or any person responsible for drawing up this document to use this document for subsequent sale or final placement of securities by financial intermediaries.
Section B – Issuer		
B.1	Legal and commercial name	Beazley plc (“ New Beazley ” or the “ Company ”).
B.2	Domicile/legal form/ legislation/country of incorporation	New Beazley is a public limited company, incorporated in England and Wales with its registered office situated at Plantation Place South, 60 Great Tower Street, London EC3R 5AD, United Kingdom. New Beazley operates under the Companies Act 2006.
B.3	Current operations/ principal activities and markets	<p>New Beazley has been incorporated to be the ultimate holding company for the Group and to hold all of the shares in Beazley plc, a public limited company incorporated in Jersey with registered number 102680 (“Beazley”).</p> <p>The Group is a global specialist insurance and reinsurance group with underwriting platforms in the Lloyd’s market, the United States and Ireland. The Group also operates out of an international network of offices in Australia, Dubai, France, Germany, Norway and Singapore. As at 31 December 2015, the Group employed approximately 1,020 staff across its operations.</p> <p>The Group’s principal business is conducted: (a) in the United Kingdom, through the Beazley Syndicates; (b) in the United States, through BICI, an admitted carrier in all 50 states and the District of Columbia; and (c) in Ireland, through Beazley Re Designated Activity Company, which writes internal reinsurance business.</p>

		<p>Through the Managed Syndicates and the Group's service companies, the Group is licensed in the US and, by virtue of its Lloyd's syndicates, is licensed to provide specialist insurance services to businesses in the US and over 200 other countries and territories. Beazley's regulated subsidiary, Beazley Furlonge Limited, acts as the managing agent for Lloyd's syndicates 623, 6107 and 6050 (together, the "Managed Syndicates") and for Lloyd's syndicates 2623, 3622 and 3623 (the "Beazley Syndicates"). The Beazley Syndicates, as well as being managed by Beazley Furlonge Limited, are fully backed by the Group (through the capital of Beazley Underwriting Limited) whilst the Managed Syndicates are solely backed by third party capital. Syndicate 6050 was established as a special purpose syndicate in cooperation with Korean Reinsurance Company.</p> <p>These businesses are integrated onto a single operating platform and managed on a product-line basis across six divisions:</p> <ul style="list-style-type: none"> • Specialty Lines; • Property; • Marine; • Reinsurance; • Life, Accident & Health; and • Political Risks & Contingency.
B.4a	Significant recent trends	<p>The recent market trends affecting the Group's six divisions have continued, broadly, to follow the trajectories established in recent years. In particular, the Group has recently experienced generally declining premium rates and a benign claims environment.</p> <p>In 2015, large, short-tail risks with significant catastrophe exposures faced challenging market conditions, with rates for energy risks falling by 17%, marine hull risks by 6%, and large scale property risks by 8%. The Group's Reinsurance division saw renewal rates fall by 7%. Competitive pressures were also severe for large scale professional liability risks for Group clients such as global law firms and major US hospitals and hospital systems. By contrast, competition for smaller professional liability and management liability business in the US was less intense. In recent years, the balance of the Group's portfolio has tilted more towards small and mid-sized risks as profitable growth opportunities in these segments have been more numerous. Rates across the Group's largest division, Specialty Lines, rose 2% in 2015 while rates fell across the Group's other five divisions. For the Group as a whole, rates on renewal business fell by 2% in 2015 compared to 2014.</p> <p>Catastrophe claims continued to be subdued in 2015, other than in relation to the Tianjin warehouse explosion in China (the Group has no significant loss from this event). The economy in the Group's principal market, the US, has continued to rebound from the economic downturn, easing claims activity on the Group's professional liability and management liability books. In the Group's largest line of business, data breach insurance, there has been an increase in claims driven by hacking and malware attacks. The Group's data breach business is largely focused on small- and mid-sized firms, with a relatively low exposure to the large scale breaches that trigger the largest class action lawsuits.</p>
B.5	Description of the Issuer's group	<p>New Beazley has been incorporated to be the ultimate holding company for the Group and to hold all of the shares in Beazley.</p>

B.6	Shareholders	<p>As at 23 February 2016 (being the latest practicable date prior to publication of this document), New Beazley had been notified of the following substantial interests (over 3%) in the issued ordinary share capital of Beazley:</p> <table border="1" data-bbox="571 293 1436 638"> <thead> <tr> <th><i>Name</i></th> <th><i>Number of shares</i></th> <th><i>Percentage held</i></th> </tr> </thead> <tbody> <tr> <td>Invesco Perpetual.....</td> <td>101,400,652</td> <td>19.4%</td> </tr> <tr> <td>MFS Investment Management.....</td> <td>49,623,657</td> <td>9.5%</td> </tr> <tr> <td>Woodford Investment Management.....</td> <td>29,269,717</td> <td>5.6%</td> </tr> <tr> <td>Dimensional Fund Advisors.....</td> <td>23,111,889</td> <td>4.4%</td> </tr> <tr> <td>Standard Life Investments.....</td> <td>19,612,425</td> <td>3.7%</td> </tr> <tr> <td>BlackRock</td> <td>19,164,524</td> <td>3.7%</td> </tr> <tr> <td>Legal & General Investment Management</td> <td>15,729,547</td> <td>3.0%</td> </tr> </tbody> </table> <p>None of the shareholders referred to above has different voting rights from any other holder of ordinary shares in the capital of Beazley (“Ordinary Shares” or “Beazley Shares”) in respect of any Ordinary Shares held by them.</p> <p>The New Beazley Directors are not aware of any person who directly or indirectly, jointly or severally, owns or could exercise control over Beazley.</p>	<i>Name</i>	<i>Number of shares</i>	<i>Percentage held</i>	Invesco Perpetual.....	101,400,652	19.4%	MFS Investment Management.....	49,623,657	9.5%	Woodford Investment Management.....	29,269,717	5.6%	Dimensional Fund Advisors.....	23,111,889	4.4%	Standard Life Investments.....	19,612,425	3.7%	BlackRock	19,164,524	3.7%	Legal & General Investment Management	15,729,547	3.0%																																															
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B.7	Selected historical key financial information	<p>Not applicable for New Beazley. New Beazley has not traded since its date of incorporation and as such there is no historical key financial information on New Beazley.</p> <p>The tables below set out summary financial information for the Group for the periods indicated, reported in accordance with IFRS. The data below have been extracted without material adjustment from Beazley’s audited consolidated financial statements for the financial years ended 31 December 2013, 2014 and 2015.</p> <p>Summary consolidated statement of profit or loss</p> <table border="1" data-bbox="571 1227 1436 1993"> <thead> <tr> <th rowspan="2"></th> <th colspan="3"><i>Year ended 31 December</i></th> </tr> <tr> <th><i>2015</i></th> <th><i>2014</i></th> <th><i>2013</i></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td colspan="3" style="text-align: center;"><i>(US\$ million)</i></td> </tr> <tr> <td>Gross premiums written.....</td> <td>2,080.9</td> <td>2,021.8</td> <td>1,970.2</td> </tr> <tr> <td>Net premiums written.....</td> <td>1,713.1</td> <td>1,732.7</td> <td>1,676.5</td> </tr> <tr> <td>Net earned premiums.....</td> <td>1,698.7</td> <td>1,658.9</td> <td>1,590.5</td> </tr> <tr> <td>Net investment income.....</td> <td>57.6</td> <td>83.0</td> <td>43.3</td> </tr> <tr> <td>Other income.....</td> <td>30.9</td> <td>26.6</td> <td>36.4</td> </tr> <tr> <td>Revenue.....</td> <td>1,787.2</td> <td>1,768.5</td> <td>1,670.2</td> </tr> <tr> <td>Net insurance claims.....</td> <td>813.9</td> <td>817.9</td> <td>719.1</td> </tr> <tr> <td>Operating expenses.....</td> <td>673.5</td> <td>671.2</td> <td>622.3</td> </tr> <tr> <td>Expenses.....</td> <td>1,487.4</td> <td>1,489.1</td> <td>1,341.4</td> </tr> <tr> <td>Share of loss in associates.....</td> <td>(0.5)</td> <td>(1.1)</td> <td>(0.3)</td> </tr> <tr> <td>Finance costs.....</td> <td>(15.3)</td> <td>(16.4)</td> <td>(15.2)</td> </tr> <tr> <td>Profit before income tax.....</td> <td>284.0</td> <td>261.9</td> <td>313.3</td> </tr> <tr> <td>Income tax expense.....</td> <td>(35.0)</td> <td>(44.1)</td> <td>(49.3)</td> </tr> <tr> <td>Profit for the year attributable to equity shareholders.....</td> <td>249.0</td> <td>217.8</td> <td>264.0</td> </tr> </tbody> </table>		<i>Year ended 31 December</i>			<i>2015</i>	<i>2014</i>	<i>2013</i>						<i>(US\$ million)</i>			Gross premiums written.....	2,080.9	2,021.8	1,970.2	Net premiums written.....	1,713.1	1,732.7	1,676.5	Net earned premiums.....	1,698.7	1,658.9	1,590.5	Net investment income.....	57.6	83.0	43.3	Other income.....	30.9	26.6	36.4	Revenue.....	1,787.2	1,768.5	1,670.2	Net insurance claims.....	813.9	817.9	719.1	Operating expenses.....	673.5	671.2	622.3	Expenses.....	1,487.4	1,489.1	1,341.4	Share of loss in associates.....	(0.5)	(1.1)	(0.3)	Finance costs.....	(15.3)	(16.4)	(15.2)	Profit before income tax.....	284.0	261.9	313.3	Income tax expense.....	(35.0)	(44.1)	(49.3)	Profit for the year attributable to equity shareholders.....	249.0	217.8	264.0
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Summary statements of financial position

31 December

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>(US\$ million)</i>		
Assets			
Intangible assets	91.0	94.6	91.6
Deferred acquisition costs	226.2	222.7	206.0
Reinsurance assets	1,099.7	1,053.2	1,178.2
Financial assets at fair value	3,842.2	4,077.4	4,043.6
Insurance receivables	732.7	587.0	617.7
Cash and cash equivalents	676.9	364.2	382.7
Other assets	76.7	43.6	64.8
Total assets	<u>6,745.4</u>	<u>6,442.7</u>	<u>6,584.6</u>
Equity			
Share capital	41.6	41.6	41.6
Share premium	12.0	12.0	12.0
Foreign currency translation reserve	(87.3)	(85.7)	(83.1)
Other reserves	(8.7)	(32.1)	(37.8)
Retained earnings	1,483.8	1,406.9	1,406.0
Total equity	<u>1,441.4</u>	<u>1,342.7</u>	<u>1,338.7</u>
Liabilities			
Insurance liabilities	4,586.7	4,547.4	4,577.3
Financial liabilities	247.3	256.8	274.9
Retirement benefit liability	0.7	2.6	2.4
Deferred tax liabilities	6.0	8.5	65.0
Current income tax liability	—	29.2	18.5
Other payables	463.3	255.5	307.8
Total liabilities	<u>5,304.0</u>	<u>5,100.0</u>	<u>5,245.9</u>
Total equity and liabilities	<u>6,745.4</u>	<u>6,442.7</u>	<u>6,584.6</u>

Summary statements of cash flows			
	<i>Year ended 31 December</i>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<i>(US\$ million)</i>		
Cash flow from operating activities			
Profit before income tax	284.0	261.9	313.3
Adjustments for:			
Increase/(decrease) in insurance and other liabilities.....	235.7	(103.3)	37.1
(Increase)/decrease in insurance, reinsurance and other receivables.....	(203.5)	177.6	(36.4)
Increase in deferred acquisition costs.....	(3.5)	(16.7)	(21.0)
Financial income	(70.8)	(67.7)	(68.7)
Other cash flow from/(used in) operating activities	(46.4)	(24.7)	29.2
Net cash from/(used in) operating activities	195.5	227.1	253.5
Cash flow from investing activities			
Purchase of investments	(3,659.7)	(2,832.7)	(3,079.5)
Proceeds from sale of investments	3,892.2	2,773.3	3,026.3
Interest and dividends received .	70.8	67.7	68.7
Other cash flow from investing activities.....	(7.5)	(8.9)	(6.7)
Net cash used from/(used in) investing activities	295.8	(0.6)	8.8
Cash flow from financing activities			
Acquisition of own shares in trust	(3.9)	(12.5)	(17.7)
Repayment of borrowings.....	—	—	(39.5)
Interest paid	(15.3)	(14.8)	(13.5)
Dividends paid	(164.2)	(212.6)	(129.9)
Net cash from/(used in) financing activities	(183.4)	(239.9)	(200.6)
Net increase/(decrease) in cash and cash equivalents	307.9	(13.4)	61.7
Cash and cash equivalents at beginning of period	364.2	382.7	316.5
Effect of exchange rate changes on cash and cash equivalents	4.8	(5.1)	4.5
Cash and cash equivalents at end of period.....	676.9	364.2	382.7

The Group's gross premiums written increased by US\$59.1 million, or 2.9%, from US\$2,021.8 million in the year ended 31 December 2014 to US\$2,080.9 million in the year ended 31 December 2015. This increase was primarily attributable to growth in gross premiums written in the Group's largest division, Specialty Lines, which increased its gross premiums written by 13.3%. This was partially offset by a 17.1% decrease in the gross premiums written by the Marine division. The Group's gross premiums written increased by US\$51.6 million, or 2.6%, from US\$1,970.2 million in the year ended 31 December 2013 to US\$2,021.8 million in the year ended 31 December 2014. This increase was primarily attributable to strong growth in the gross premiums written by the Specialty Lines division, which increased its gross premiums written by 7.9% largely due to stable premium rates on renewal business and growth in the division's US underwriting business.

The Group's profit before tax increased by US\$22.1 million, or 8.4%, from US\$261.9 million in the year ended 31 December 2014 to US\$284.0 million in the year ended 31 December 2015. This increase was primarily attributable to an improved combined ratio, together with an increase in releases from prior year claim reserves, which was partially offset by a decline in the Group's net investment income. The Group's profit before tax decreased by US\$51.4 million, or 16.4%, from US\$313.3 million in the year ended 31 December 2013 to US\$261.9 million in the year ended 31 December 2014. This decrease was primarily attributable to above average prior year reserve releases in 2013, coupled with the Group's combined ratio being 5% higher in 2014 than in 2013 and the impact of foreign exchange rates, which were partially offset by a US\$39.7 million increase in net investment income.

The Group's total assets as at 31 December 2015 were US\$6,745.4 million, which was a 4.7% increase compared to US\$6,442.7 million as at 31 December 2014, itself a 2.2% decrease from US\$6,584.6 million as at 31 December 2013. The increase from 31 December 2014 to 31 December 2015 was principally due to an increase in insurance receivables and cash and cash equivalents, which was offset by a reduction in financial assets at fair value. The decrease in total assets from 31 December 2013 to 31 December 2014 was primarily due to a decrease in reinsurance assets and insurance receivables.

The Group's total liabilities as at 31 December 2015 were US\$5,304.0 million, which was a 4.0% increase compared to US\$5,100.0 million as at 31 December 2014, itself a 2.8% decrease from US\$5,245.9 million as at 31 December 2013. The increase from 31 December 2014 to 31 December 2015 was principally due to an increase in reinsurance premiums payable and other payables. The decrease in total liabilities from 31 December 2013 to 31 December 2014 was primarily due to a decrease in deferred tax liabilities and a decrease in reinsurance premiums payable.

As at 31 December 2015, the Group had cash and cash equivalents of US\$676.9 million (31 December 2014: US\$364.2 million), not all of which were immediately available to the Group due to regulatory capital requirements. The Group generated positive net cash from operating activities during each of the periods under review. Net cash inflow from operating activities amounted to US\$253.5 million, US\$227.1 million and US\$195.5 million for the years ended 31 December 2013, 2014 and 2015, respectively. The decrease of US\$31.6 million in net cash from operating activities in the year ended 31 December 2015 compared to the prior year was primarily due to an increase in insurance receivables. The decrease of US\$26.4 million in net cash from operating activities for the year ended 31 December 2014 compared to the prior year was primarily attributable to lower earnings and an increase in tax paid.

		Since 4 September 2015 (the date of incorporation of New Beazley), New Beazley has not traded and there has been no significant change in the financial condition or operating results of the Group since 31 December 2015, being the date to which Beazley's last audited financial statements were prepared.
B.8	Pro forma financial information	Not applicable: New Beazley is a newly incorporated company and has not traded since its incorporation and, prior to the Scheme becoming effective, will not own any assets or have any liabilities. As a result of the Scheme becoming effective, New Beazley will become the new parent company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.
B.9	Profit forecast/estimate	Not applicable: no profit forecasts or estimates have been made.
B.10	Audit report – qualifications	Not applicable: The audit reports on the historical financial information contained in, or incorporated by reference into, this document are not qualified.
B.11	Insufficient working capital	Not applicable: New Beazley is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for the next 12 months following the date of this document.
Section C – Securities		
C.1	Type and class of securities	<p>Under the Scheme, assuming no further Ordinary Shares are issued after 23 February 2016 (being the latest practicable date prior to the date of this document) and that the directors of the Company do not exercise their discretion to adjust the nominal amount of the New Beazley Shares (as defined below), the holders of Ordinary Shares will receive 523,353,340 ordinary shares of 90 pence each in the capital of New Beazley (the “New Beazley Shares”).</p> <p>When admitted to trading on the London Stock Exchange's main market for listed securities, the New Beazley Shares will be registered within ISIN number GB00BYQ0JC66 and SEDOL number BYQ0JC6.</p>
C.2	Currency of issue	The New Beazley Shares will be denominated in pounds sterling and will be quoted and traded in pounds sterling.
C.3	Issued share capital	The nominal value of the issued ordinary share capital of New Beazley immediately following the Scheme becoming effective is expected to be (assuming no further Beazley Shares are issued after 23 February 2016) £471,068,008 divided into 523,353,340 ordinary shares of 90 pence each, 50,000 redeemable shares of £1.00 each and two deferred shares of £1.00 each, each of which are issued fully paid. It is intended that the nominal value of the New Beazley Shares will be reduced from 90 pence each (or such other nominal value as New Beazley shall resolve prior to the date on which the Court is asked to sanction the Scheme) to five pence each pursuant to the New Beazley Reduction of Capital.
C.4	Rights attaching to the shares	The New Beazley Shares will rank <i>pari passu</i> in all respects with each other, including for voting purposes and in full for all dividends and distributions on the New Beazley Shares declared, made or paid after their issue and for any distributions made on a winding up of New Beazley.

		<p>Subject to the provisions of the Companies Act, any equity securities issued by New Beazley for cash must first be offered to New Beazley Shareholders in proportion to their holdings of New Beazley Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the New Beazley Shareholders, either generally or specifically, for a maximum period not exceeding five years.</p> <p>Except in relation to dividends which have been declared and rights on a liquidation of New Beazley, the New Beazley Shareholders have no rights to share in the profits of New Beazley.</p> <p>The New Beazley Shares are not redeemable. However, New Beazley may purchase or contract to purchase any of the New Beazley Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules.</p>
C.5	Restrictions on transfer	The New Beazley Shares are freely transferable and there are no restrictions on transfer.
C.6	Admission	Applications will be made to the FCA for the New Beazley Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Beazley Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, subject in each case to the Scheme becoming effective. If the Scheme proceeds as currently envisaged, it is expected that such admissions will become effective and that dealings in the New Beazley Shares will commence on the London Stock Exchange at 8.00 a.m. on 13 April 2016.
C.7	Dividend policy	The New Beazley Directors wish to continue Beazley's existing dividend policy of increasing its ordinary dividend by between 5% and 10% per year.
Section D – Risks		
D.1	Key information on the key risks that are specific to New Beazley or its industry	<ul style="list-style-type: none"> • The Group's underwriting results depend on whether its claims experience is consistent with the assumptions and pricing models it uses in underwriting and setting prices for its insurance covers. Failure by the Group to manage the underwriting risk that it undertakes could have a material adverse effect on the Group's financial condition and results of operations. • The Group's underwriting exposes it to claims arising out of unpredictable natural or "man-made" catastrophic events. The incidence and severity of catastrophes are inherently unpredictable and the Group's losses from catastrophes could be material. • The insurance and reinsurance businesses historically have been cyclical, with significant fluctuations in rates and operating results. This cyclicity has produced periods characterised by intense price competition due to excess underwriting capacity, with each business line having its own cycle. Where a business line experiences these market conditions, the Group may fail to obtain new insurance business in that business line at the desired rates. • A catastrophic or systemic event may cause losses to accumulate across one or more Group divisions and from different insureds. It is possible that the accumulated claims from catastrophic or systemic events could together exceed the Group's expected claims activity and could have a material adverse effect on the Group's financial condition and results of operations.

		<ul style="list-style-type: none"> • Ultimate losses may differ materially from the provisions established by the Group for unpaid claims and related expenses to cover its underwriting liability in respect of both reported claims and incurred but unreported claims. Any such material adverse differences could have a material adverse effect on the Group's financial condition and results of operations. • Failure to obtain reinsurance on attractive terms, or to recover under reinsurance arrangements, may have a material adverse effect on the Group's financial condition and results of operations. • The Group holds significant investments to support its liabilities. Therefore, any falls in the value of the Group's investments may result in reductions in the capital of the Group, which may reduce the amount of business that the Group's insurance operations are able to underwrite and could result in a material adverse effect on the Group's reputation, financial condition and results of operations. The effect of changes in interest rates, bond yields and equity returns, credit spreads, credit ratings and other economic variables on the Group's investments could therefore substantially affect the profitability of the Group. In addition, a decrease in the value of the Group's investments may result in a reduction in overall capital, which may have a material adverse effect on the Group's results of operations and its financial condition. • The Group is exposed to credit risk with respect to reinsurers. Any provisions established by the Group for the potential failure of such reinsurers to cover their share of the Group's anticipated reinsurance liability may not be adequate to cover the future failure of a reinsurer. If a reinsurer were to fail to make payment, the relevant members of the Group would retain the primary liability to the insured party and such primary liability could have a material adverse effect on the Group's financial condition and operating results. • If BICI, certain of the Lloyd's syndicates managed by Beazley Furlonge Limited or Lloyd's were to suffer a credit rating downgrade in the future, there could be a number of material adverse effects on the Group's ability to write business, resulting in the potential loss of new business and increase in policy cancellations and non-renewals. • The Group's future success is dependent on the continued services and continuing contributions of its directors, senior management, underwriters and other key personnel and its ability to continue to recruit, motivate and retain the services of such personnel. The loss of the services of any of the Group's key personnel could have a material adverse effect on the Group's reputation, financial condition and results of operations. • If the Group's risk management and loss limitation methods fail to adequately manage its exposure to losses, the losses it incurs could be materially higher than its expectations and its financial condition and results of operations could be materially adversely affected. • The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the European Union (in particular, the United Kingdom and Ireland), the United States and elsewhere both because the Group writes business covering political risks and because the Group itself may be impacted by such policies. Any regulatory changes may potentially restrict the Group's operations, mandate certain risks to be covered and impose other compliance costs.
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		<ul style="list-style-type: none"> • The Council of Lloyd’s has wide discretionary powers to manage and supervise the Lloyd’s market. It may, for instance, vary the method by which the solvency capital requirements are calculated or the investment criteria applicable to funds at Lloyd’s and/or syndicate investments are determined. Either might affect the Group’s overall premium limit and consequently the returns from an investment in the Group. The Lloyd’s Franchise Board also has wide discretionary powers in relation to the business of Lloyd’s managing agents including requiring compliance with the franchise performance criteria and underwriting guidelines. In the event that the Franchise Board determines that changes are required to such business plan prior to its approval, any such changes could lead to a significant change in the Group’s stated business strategy and objectives, which could result in a material adverse effect on the Group’s reputation, financial condition and results of operations. • As members of Lloyd’s, relevant members of the Group are committed to certain financial and operational obligations, including the annual fees and levies imposed by Lloyd’s on its membership syndicates for operating on its platform. To the extent that Lloyd’s suffers a material exposure in its asset base when compared with its liabilities, whether as a result of unexpected events, non-claims litigation, the increased costs of compliance in overseas jurisdictions for insurance and reinsurance business, increased fees and levies, currency devaluation, stamp capacity, cash calls or otherwise, members may at any such time as required by Lloyd’s be called upon to invest further capital into Lloyd’s portfolio of funds, including both the funds at Lloyd’s and the Lloyd’s Central Fund which, as a result, may cause the Group to incur a material increase in its operating expenses and, as a result, a material adverse impact on its financial results. • The Group writes a significant proportion of its business through Lloyd’s. As such, any significant problem with the Lloyd’s market, such as damage to its reputation or a loss of any of its international licences, may result in a material adverse effect on the Group’s business.
D.3	<p>Key information on the key risks that are specific to the New Beazley Shares</p>	<ul style="list-style-type: none"> • Implementation of the New Beazley Reduction of Capital is conditional upon, among other things, sanction by the Court. In the event that such sanction is not given, or given only subject to conditions, the New Beazley Reduction of Capital may not occur on a timely basis or at all, which may mean the expected benefits of the New Beazley Reduction of Capital, namely providing flexibility to the capital structure of the Group and the creation of distributable reserves, may not materialise. Any reduction in dividends paid on the New Beazley Shares from those historically paid by Beazley, or the failure to pay dividends in any financial year, could adversely affect the market price of New Beazley Shares. • The New Beazley Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in the New Beazley Shares by a person whose principal currency is not pounds sterling exposes the shareholder or the investor to foreign currency risk. • New Beazley will, following the Scheme becoming effective, be a holding company and will be dependent on payment of dividends, distributions, loans or advances to New Beazley by its subsidiaries in order to itself pay dividends. Any payment of dividends, distributions, loans or advances to New Beazley by its subsidiaries is dependent upon the business and financial condition, earnings and

		<p>cash flow position and other factors affecting such subsidiaries. Any reduction in dividends paid on the New Beazley Shares from those historically paid by Beazley, or the failure to pay dividends in any financial year, could adversely affect the market price of New Beazley Shares.</p> <ul style="list-style-type: none"> In the case of certain increases in New Beazley's issued share capital, existing shareholders of New Beazley are generally entitled to pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution at a shareholders' meeting, or in certain other circumstances as stated in the New Beazley Articles. US and certain other non-EU holders of shares are customarily excluded from exercising any such pre-emption rights they may have, unless exemptions from any overseas securities law requirements are available. Any exemption from such overseas securities law requirements may not be available to enable US or other non-EU holders to exercise such pre-emption rights or, if an exemption is available, New Beazley may not utilise such exemption.
Section E – Offer		
E.1	Net proceeds /expenses	<p>New Beazley is not seeking to raise any capital from shareholders so there will be no proceeds of the Scheme.</p> <p>The total costs, charges and expenses payable by New Beazley and Beazley in connection with the Scheme and Admission are estimated to be approximately £2.3 million (exclusive of VAT). No expenses will be charged to the shareholders of Beazley or New Beazley.</p>
E.2a	Reasons for the Scheme	<p>The Scheme will create a new parent company of Beazley, registered in England and Wales and with its tax residence in the United Kingdom.</p> <p>In 2009, the Group's corporate structure was, with the approval of the then shareholders, changed by putting in place a new parent company, Beazley, incorporated in Jersey with its tax residence in Ireland. At the same time, the Group incorporated Beazley Re, an internal reinsurer incorporated in Ireland. The change has allowed for more efficient use of the Group's capital and facilitated the approval of the Group's Solvency II internal model by the Central Bank of Ireland to determine the Group's Solvency Capital Requirement.</p> <p>The New Beazley Directors believe that the United Kingdom is the optimal location for the management of the Group. Following legislative changes in the Finance Act 2012 relating to controlled foreign companies, the New Beazley Directors anticipate that there will be no material change in the Group's reported tax rate, or taxation paid, as a result of the change in the Group's tax residence following the implementation of the Scheme. The New Beazley Directors believe that this change of the location of the management of the Group will simplify the management and decision making of the Group and allow New Beazley Shareholders to access a UK dividend stream. Accordingly, the New Beazley Directors are recommending returning the management of the Group to the United Kingdom, to be effected by the implementation of the Scheme.</p>
E.3	Terms and conditions of the Scheme	<p>Under the Scheme, all the Scheme Shares will be cancelled by way of a reduction of capital. In consideration for the cancellation, owners of Scheme Shares will receive in respect of any Scheme Shares held as at the Scheme Record Time:</p> <p style="text-align: center;">for each Ordinary Share cancelled, one New Beazley Share</p>

		<p>Following the cancellation of the Scheme Shares, the share capital of Beazley will be increased to its former amount by the creation of the Beazley New Ordinary Shares and the credit arising in the books of Beazley as a result of the Scheme Reduction of Capital will be applied in paying up in full, at par, the Beazley New Ordinary Shares. The Beazley New Ordinary Shares will be issued to New Beazley which will, as a result, become the new parent company of Beazley and the Group.</p> <p>The implementation of the Scheme is conditional on the following having occurred:</p> <ul style="list-style-type: none"> • the Scheme being approved by a majority in number, representing three-fourths in voting rights, of the holders of Beazley Shares present and voting, either in person or by proxy, at the Jersey Court Meeting; • resolutions to approve certain matters in connection with the Scheme having been duly passed at the Scheme General Meeting by a majority of not less than two-thirds of the votes cast, either in person or by proxy, at the Scheme General Meeting; • the Scheme having been sanctioned (with or without modification) and the Scheme Reduction of Capital having been confirmed by the Jersey Court at the Jersey Court Hearing; • the Jersey Court Order having been delivered to the Jersey Registrar of Companies and registered by him; and • permission having been granted by the UK Listing Authority to admit the New Beazley Shares to the premium listing segment of the Official List and by the London Stock Exchange to admit the New Beazley Shares to trading on the London Stock Exchange's main market for listed securities. <p>If the Scheme and related matters are approved by the requisite majority at the Jersey Court Meeting, and approval is also obtained at the Scheme General Meeting, an application will be made to the Jersey Court to sanction the Scheme at the Jersey Court Hearing.</p> <p>If the Scheme is sanctioned at the Jersey Court Hearing and the other conditions to the Scheme have been satisfied, the Scheme is expected to become effective, and dealings in New Beazley Shares are expected to commence, at 8.00 a.m. on 13 April 2016.</p>
E.4	Material interests	Not applicable: there are no interests known to New Beazley, including any conflicting interests, which are material to the issue of the New Beazley Shares.
E.5	Selling shareholders and lock-up arrangements	Not applicable: there is no person or entity offering to sell the New Beazley Shares and there are no lock-up arrangements.
E.6	Dilution	Not applicable: this document does not comprise an offer of New Beazley Shares. If the Scheme becomes effective, existing holders of Beazley Shares will receive, for each Beazley Share held, one New Beazley Share.
E.7	Estimated expenses charged to investor	Not applicable: there are no commissions, fees or expenses to be charged to shareholders by New Beazley or Beazley.

RISK FACTORS

Any investment in the New Beazley Shares is subject to a number of risks. Accordingly, Beazley Shareholders and any prospective New Beazley Shareholders should carefully consider the following risks and uncertainties together with all other information set out in, or incorporated by reference into, this document prior to making any decision relating to the New Beazley Shares.

Prospective investors should note that the risks relating to the Group, its industry and the New Beazley Shares summarised in the section of this document headed “Summary” are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Beazley Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed “Summary” but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the New Beazley Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group’s business, prospects, results of operation and financial position. Additional risks and uncertainties relating to the Group that are not currently known to New Beazley, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group’s business, prospects, results of operations and financial condition and, if any such risk should occur, the price of the New Beazley Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Beazley Shares is suitable for them in light of the information in this document and their personal circumstances.

The risk factors set out below relate to Beazley and the Group as at the date of this document. If the Scheme becomes effective, New Beazley will become the parent company of the Group on the Effective Date and the risk factors will relate to New Beazley and the New Beazley Group.

Risks relating to the Group’s business

The underwriting of insurance risks to which the Group is exposed is, by its very nature, a high-risk business

The underwriting of insurance risks is, by its very nature, a high-risk business. The Group’s insurance business assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. Underwriting risk comprises four elements that apply to all insurance products offered by the Group:

- (a) Event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- (b) Cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- (c) Pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- (d) Expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to seek to mitigate its gross insurance risk. The Group’s reinsurance programmes complement the Group’s gross underwriting business plans and seek to protect the Group’s capital from an adverse volume or value of claims on both a per risk and per event basis. However, the Group’s reinsurance may not mitigate these underwriting risks. See “*Reinsurance may not be available, affordable or adequate to protect the Group against losses*” below.

If any of these risks were to crystallise, they could have a material adverse effect on the Group’s reputation, financial condition and results of operations.

The Group may not manage the risks it undertakes in its underwriting business

The Group’s underwriting results depend on whether its claims experience is consistent with the assumptions and pricing models it uses in underwriting and setting rates for its insurance covers. It is not possible to predict with certainty whether a single risk or a portfolio of risks underwritten by the Group will result in a loss, or the timing and severity of any loss that does occur. If the Group’s underwriters fail to assess accurately the risks underwritten or fail to comply with internal guidelines

on underwriting or, if events or circumstances cause the underwriters' risk assessment to be incorrect, the Group's premiums may prove to be inadequate to cover the losses associated with such risks. Failure by the Group to manage the risks that it undertakes could have a material adverse effect on the Group's financial condition and results of operations.

Underwriting results in the Group's reinsurance business are dependent in part on the policies, procedures and expertise of its ceding companies in making their underwriting decisions. The Group is exposed to the risk that its ceding companies might not have adequately evaluated the risks to be reinsured, that the premiums ceded might not adequately compensate it for the risks that it assumes or that claims (including the costs of claims handling) may not have been adequately reserved or notified by the policyholder. Failure to manage risk appropriately could have a material adverse effect on the Group's financial condition and results of operations.

Through the underwriting of specific catastrophic and political risk, the Group is exposed to the adverse impact of catastrophic and political events

The Group's operations expose it to claims arising out of unpredictable natural and other catastrophic events, such as hurricanes, windstorms, tsunamis, severe winter weather, earthquakes, floods, fires and explosions, as well as "man-made" disasters, such as acts of war, terrorism, piracy and political instability, the emergence of latent risks, changes in law and the interpretation of law or precedent (including in relation to the measurement of damages), as well as social and political changes, and fluctuations in the global investment markets and the capacity of the global insurance market.

The incidence and severity of catastrophes are inherently unpredictable and the Group's losses from such catastrophes could be substantial. For example, 2011 was the worst year on record for insured natural catastrophes, with catastrophes in that year including the Queensland floods in Australia, floods in Thailand, the Christchurch earthquake in New Zealand, the Tohoku earthquake in Japan and a succession of tornadoes in the US. In total, catastrophe events in 2011 cost the Group an estimated US\$215 million (unaudited), more than twice the cost of catastrophe events in 2010. The extent of losses from such catastrophes is a function of both the number and severity of the insured events and the total amount of insured exposure in the areas affected. The frequency or severity of claims from future catastrophic events may increase through increases in the value and concentrations of insured property and demographic changes more broadly and the effects of inflation and changes in weather patterns. Moreover, the Group may from time to time issue preliminary estimates of the impact of catastrophic events that, because of uncertainties in estimating certain losses, need to be updated as more information becomes available.

The occurrence of large claims from such events could result in substantial volatility in the Group's financial results and could impact on its ability to write new business. Although the Group attempts to manage its exposure to such events, a single event could affect multiple geographic zones or the frequency or severity of such events could exceed the Group's estimates. In such scenarios, the Group may be faced with a shortfall where it is required to settle claims arising under insurance contracts or where it is required to increase the amount of resources required to be held as funds at Lloyd's, but where it has not yet received monies due under outwards reinsurance taken out to mitigate such events. In such scenarios, the Group may be required to (a) draw down on its Facility, which would increase its finance costs, (b) liquidate investments (including some of its less liquid investments), which may be constrained as a consequence of macroeconomic conditions beyond the Group's control or (c) delay or vary the implementation of its strategic plans so as to maintain appropriate liquidity. Any of the foregoing may affect the amount of business that the Group can write, its financial condition and results of operations.

The Group's business is affected by the cyclicity of the insurance industry

The insurance and reinsurance industry historically has been cyclical, with significant fluctuations in rates and operating results due to competition, frequency or severity of catastrophic events, levels of capacity, general economic and social conditions and other factors. This cyclicity has produced periods characterised by intense price competition due to excess underwriting capacity, with each business line experiencing its own cycle. Where a business line experiences these market conditions, the Group may fail to obtain new insurance business in that business line at the desired rates.

The Group operates a diversified business, writing insurance in a variety of lines of business and geographic markets. Different lines of business and different geographic markets can experience their own cycles and, therefore, the impact of various cycles will depend in part on the sectors of the

insurance and reinsurance industry, as well as the geographic markets that the Group chooses to focus on. In addition, increases in the frequency and severity of losses suffered by insurers can significantly affect these cycles. The Group can be expected to continue to experience the effects of such cyclicalities, which could have a material adverse effect on its financial condition, results of operations or cash flows.

Interest rate movements can contribute to cyclicalities in insurers' underwriting results. In a high interest rate environment, increased investment returns may reduce the required contribution from the underwriting performance to achieve an attractive overall return. In a low interest rate environment, reduced investment returns may increase the required underwriting returns, which may result in a less disciplined approach to underwriting in the market generally as some underwriters would be inclined to offer lower premium rates to generate more business. The Group may therefore have to accept lower rates or broader coverage terms to remain competitive in the market, with the result that the Group's premiums may be inadequate to cover the losses associated with such risks.

The Group is exposed to losses that could accumulate from different insureds arising from a generic or catastrophic event

A catastrophic or systemic event may cause losses to accumulate across one or more Group divisions and from different insureds. For example, a recession may cause the Group's Specialty Lines division to experience accumulated losses in its professional lines class, its errors or omissions class and its directors' or officers' liability class. Through its Specialty Lines division, the Group is a leading provider of data breach insurance, which has grown in recent years to be one of its largest products and has the potential for loss accumulation where a single event, or a series of similar events, generates data breach claims across multiple policies. In addition, in a natural catastrophe, the Group may for example experience accumulated losses across a number of divisions including Property, Political Risks & Contingency (event cancellation), Marine and Reinsurance. It is possible that the accumulated claims from catastrophic or systemic events could together exceed the Group's expected claims activity and could have a material adverse effect on the Group's financial condition and results of operations.

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group's reputation and undermine its ability to win and retain business. These risks may also lead to the Group being exposed to punitive damages claims. These risks can occur at any stage of the claims life cycle.

Estimating insurance reserves is inherently uncertain and, if the Group's claims reserves are insufficient, it will have a negative impact on the Group's results

The underwriting and/or management of insurance risks is, by its nature, subject to uncertainty and the Group's estimation techniques, assumptions or loss mitigation actions may not result in provisions being sufficient. Among other issues, the uncertainties under insurance contracts include:

- uncertainty whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty about the extent of policy coverage and limits applicable;
- uncertainty about the amount of insured loss suffered by a policyholder as a result of the event occurring;
- uncertainty over the timing of a settlement to a customer for a loss suffered; and
- uncertainty over the level of claims expenses to be incurred.

In addition to the inherent uncertainty of having to make provision for unreported claims, there is also uncertainty regarding the eventual outcome of the claims that have been reported as at the end of the accounting period, but remain unsettled. This includes claims that may have occurred but have not yet been reported to the Group (either in full or at all) and those that are not yet apparent to the customer (either in full or at all). Claims provisions do not therefore represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. As a consequence of these uncertainties, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from initial estimates.

Insurance entities within the Group have established provisions for unpaid claims and related expenses to cover its underwriting liability in respect of both reported claims and incurred but unreported claims. As a consequence of the uncertainties inherent in estimating and providing for insurance liabilities which are described in this risk factor, such provisions take into account both the Group's and the industry's experience of similar businesses, historical trends and patterns for similar claims and awards and customary payments for the types of loss covered, together with pending levels of unpaid claims and awards. Estimates are reviewed at prudent intervals and adjustments made to take into account the view of the Group's management team on the probable ultimate liability of the Group based on the claims made and data available. For further details on this process, see note 24 to the 2015 Financial Statements, which are incorporated by reference in this document. Ultimate losses may differ materially from the provisions established by the Group. In particular, the Group's Specialty Lines business, by its nature, is susceptible to the potential mismatch between ultimate losses and provisions due to the longer tail-risks involved, which make accurate provisioning more difficult. To the extent claims provisions are insufficient to cover actual losses or loss adjustment expenses, the Group may have to add to these claims provisions and may incur a charge to the Group's earnings. Conversely, if the Group's premiums and claims provisions are too high as a result of an over-estimation of risk, the Group may become uncompetitive, leading to the Group losing market share.

Reinsurance may not be available, affordable or adequate to protect the Group against losses

Insurance entities within the Group have entered into a significant number of reinsurance contracts designed to limit their exposure to particular lines of business or particular risks. As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to cover its gross insurance risk. The Group's reinsurance programmes complement the Group's gross underwriting business plans and seek to protect the Group's capital from an adverse volume or volatility of claims on both a per risk and per event basis.

Market conditions beyond the Group's control determine the availability and cost of appropriate reinsurance and the receipt of future reinsurance recoveries. The market for reinsurance can be cyclical and exposed to substantial losses, which may adversely affect reinsurance pricing and availability, or its terms and conditions. For example, following Hurricanes Katrina, Rita and Wilma in the United States, terms and conditions in the reinsurance markets generally became less attractive to buyers of such coverage. Similarly, risk appetite among reinsurers may change, resulting in changes in price or their willingness to reinsure certain risks in the future. Additionally, a change in regulation could affect the availability or price of reinsurance. Any significant changes in reinsurance pricing may result in the Group being forced to incur additional expenses for reinsurance, writing less business, having to obtain reinsurance on less favourable terms or not being able to or choosing not to obtain reinsurance thereby exposing the Group to increased retained risk and capital requirements. Any of these could have a material adverse effect on the Group's financial condition and results of operations.

In circumstances where the Group has obtained reinsurance cover in respect of a particular risk, such reinsurance cover may not be sufficient to cover the Group's exposure to the relevant risk were that risk to crystallise and the relevant members of the Group may retain the primary liability to the insured party in respect of risk not covered by reinsurance. Any such coverage inadequacy may therefore have a material adverse effect on the Group's financial condition and results of operations.

The Group's reinsurance cover will normally contain a retention of risk provision that the relevant Group entity must pay before the reinsurers become liable and may have a limit of indemnity for a single event or series of losses. As such, it is possible that, in a complex loss scenario, more than one retention may be payable by the relevant members of the Group and that this aggregation of retentions could have a material adverse effect on the financial condition of the Group.

In addition, the Group may be subject to liability for events against which it does not (re)insure or which it may elect not to (re)insure against because of unacceptable commercial rates or other reasons. For example, in some cases the Group deems it more economic to hold capital than to purchase reinsurance. Moreover, the Group may not be able to maintain adequate (re)insurance in the future at rates it considers reasonable or appropriate. The occurrence of an event that is not covered or not fully covered by (re)insurance, or which exceeds the amount of any capital held, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's investments are exposed to fluctuations in the financial markets and economic conditions

The Group holds significant investments to support its liabilities. Therefore, any falls in the value of the Group's investments may result in reductions in the capital of the Group, which may reduce the amount of business that the Group's insurance operations are able to underwrite and could result in a material adverse effect on the Group's reputation, financial condition and results of operations. In addition, the profits of the Group depend in part upon the returns achieved on its investment portfolio. In FY 2015, the Group's net investment income was US\$57.6 million, which was a decrease from the US\$83.0 million of net investment income achieved in FY 2014. The Group is exposed to market risk from investments in bonds and alternative assets, all of which are exposed to market movements. The Group aims for the majority of investment assets (80-90%) to be held in a core portfolio of cash and sovereign and corporate bonds. The balance (10-20%) is allocated to a portfolio of capital growth and other assets.

The Group's investments are valued using fair value accounting methods and the foregoing risks may apply in the event that the fair value of the Group's investments declined. See "*The Group uses fair value accounting methods and the use of estimates in the preparation of its financial statements*" below.

The Group's invested assets contain a substantial portion of interest rate and credit-sensitive instruments such as corporate debt securities. Fluctuations in interest rates may affect the Group's future returns on such investments, as well as the market values of, and corresponding levels of capital gains or losses on, such investments. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the Group's control. A decline in interest rates improves the market value of existing instruments but reduces returns available on new investments, thereby negatively impacting the Group's future investment returns. Conversely, rising interest rates reduce the market value of existing investments but should positively impact the Group's future investment returns. During periods of declining market interest rates, the Group could be forced to reinvest the cash it receives as interest or return of principal on its investment in lower-yielding instruments. Issuers of fixed income securities could also decide to redeem such securities early in order to borrow at lower market rates, which would increase the percentage of the Group's investment portfolio that it would have to reinvest in lower-yielding investments of comparable credit quality or in lower credit quality investments offering similar yields. Given current low interest rate levels, the Group is likely to be subject to the effects of potentially increasing rates. The Group might not be able to mitigate interest rate sensitivity completely, and a significant or prolonged increase or decrease in interest rates could have a material adverse effect on its results of operations or financial condition.

Furthermore, as a result of holding debt securities, the Group is exposed to changes in credit spreads. Widening credit spreads could result in a reduction in the value of fixed income securities that the Group holds but increase investment income related to purchases of new fixed income securities, whereas tightening of credit spreads will generally increase the value of fixed income securities that it holds but decrease investment income related to purchases of any new fixed income securities.

The Group is exposed to counterparty risk in relation to its investments, including holdings of debt instruments. In particular, the Group's business could suffer significant losses due to defaults on corporate bond and loan investments and ratings downgrades. The value of the Group's fixed income securities may also be affected by changes in the credit rating of the issuer of such securities. When the credit rating of the issuer of a debt security falls, the value of that debt security may also decline. In addition, changes in the credit rating of an issuer may affect the yield on such debt securities. If the credit rating of the issuer falls to a level that would prevent the Group from holding securities issued by that issuer, pursuant to regulatory guidelines or internal investment policies, the resulting disposal may lead to a significant loss on the Group's investment.

Equity and other capital growth investments are subject to volatility in prices based on market movements and general economic conditions, which can impact the gains that can be achieved. Investment returns are consequently volatile. The trading price of equities and other capital growth investments may go down as well as up as a result of a variety of factors over which the Group has no control, including pricing transparency, market liquidity, general market conditions and macroeconomic factors. Accordingly, it is possible that the Group may not recover its original investment in its equity and other capital growth investments.

Moreover, a major loss, series of losses or reduction in premium income could result in a sustained cash outflow requiring realisation of the Group investment assets on terms or market conditions that are detrimental to the position of the Group.

Market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, market liquidity, declines in equity prices, and foreign currency movements, alone or in combination, could have a material adverse effect on the Group's results of operations and financial condition through realised losses, impairments or changes in unrealised positions. In addition, a decrease in the value of the Group's investments may result in a reduction in overall capital, which may have a material adverse effect on the Group's results of operations and its financial condition.

Challenging market conditions are likely to render assets less liquid or may cause them to experience significant market valuation fluctuations

Challenging market conditions are likely to make the Group's assets less liquid, particularly affecting those assets which are by their nature already inherently less liquid. If, in such conditions, the Group requires significant amounts of cash on short notice in excess of normal cash requirements (for example, to meet higher than anticipated claims) or is required to post or return collateral in connection with certain of its reinsurance contracts, credit agreements, derivative transactions or its invested portfolio, it may have difficulty selling any of its less liquid investments in a timely manner, or may be forced to sell them for less than it otherwise would have been able to realise if sold in other circumstances.

The Group competes for clients in a highly competitive industry, which may reduce its market share and decrease its profitability

The insurance market is highly competitive and fragmented. See Part II (*Business Description of the Group – Competition*) of this document for a description of the Group's principal competitors. The Group operates in highly competitive markets. Customers may evaluate the Group and its competitors on a number of factors, including financial strength, underwriting capacity, expertise, local presence, reputation, experience and qualifications of employees, client relationships, geographic scope of business, products and services offered, premiums charged, contract terms and conditions, and speed of claims payment.

The Group competes with numerous insurance and reinsurance companies and underwriting syndicates, some of which may have more established positions in the market and/or greater financial resources available to them. Its competitors vary by product line and territory, and include other Lloyd's syndicates, including syndicates of larger insurance groups, other local or global insurance providers, and in certain product lines certain specialist players, as well as global reinsurance groups and niche players such as the Bermuda reinsurance providers. In addition, recently the insurance industry has faced increased competition from new capacity, such as the investment of significant amounts of capital in pension funds, mutual funds, hedge funds and other sources of alternative capital into natural catastrophe insurance/reinsurance.

Increased competition can result in less business written, lower premiums for the business that is written (over and above reductions due to favourable loss experience), increased expenses associated with acquiring and retaining business, and policy terms and conditions that are less advantageous to the Group than it was able to obtain historically or that may be available to the Group's competitors. In particular, some of the parties offering additional underwriting capacity may have a lower target return on capital, allowing them to offer lower rates to customers.

A failure to compete effectively may result in the loss of existing business, and of opportunities to capture new business, which could have a material adverse effect on the Group's results of operations, financial condition, growth and prospects.

The Group is exposed to the impact of terrorist activity on certain of its businesses and cannot rely upon local government regimes to underwrite its exposure

Following the terror attacks on the United States on 11 September 2001, the implementation of legislation in jurisdictions such as the United Kingdom, Australia and the United States (which are jurisdictions in which the Group operates) provides for a governmental backstop by way of reinsurance protection for certain insured risks.

For example, the US Terrorism Risk Insurance Act of 2002, as amended, established the Terrorism Risk Insurance Program ("TRIP"). TRIP became effective in 2002 and was extended on various occasions, most recently to 31 December 2020. The legislation is intended to ensure the availability of commercial insurance coverage for certain terrorist acts in the United States and, in particular, requires covered insurers to make coverage available for certified acts of terrorism. There can be no assurance that TRIP will be extended beyond 2020.

The expiration or a significant change in the terms of any governmental backstop programme could have an adverse effect on the Group, its clients or the insurance industry, for example if significant insurance losses are not covered by such programmes or the Group's clients expect the Group to continue to offer coverage without the benefit of such programmes.

The Group may not be able to obtain additional financing on favourable terms, or at all

The Group needs liquidity to pay operating expenses, interest on debt and dividends, and to meet its liabilities (including insurance claims). In addition, the Group has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting in the Lloyd's market and in the United States and is subject to prudential regulation by local regulators (the Prudential Regulation Authority (the "PRA"), Lloyd's, the Central Bank of Ireland (the "CBI") and United States state-level supervisors). Further capital requirements come from rating agencies for BICI, the Managed Syndicates and the Beazley Syndicates. Certain members of the Group, such as Beazley Re, underwrite reinsurance business and such underwriting activities may require significant liquidity in the event that claims are made against them under reinsurance business which they have underwritten.

The Group's principal sources of liquidity are premiums received and cash flow from its investment portfolio and assets. Unplanned realisation of the Group investment assets to pay unexpected liabilities may be on terms that are detrimental to the Group's financial position. In the event that its current sources of liquidity do not satisfy the Group's needs, it may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group's long- or short-term financial prospects if it incurs large investment losses or if the level of business activity decreased due to a market downturn. Similarly, access to funds may be impaired if regulatory authorities or rating agencies take negative actions against the Group. Internal sources of liquidity may prove to be insufficient, and, in such case, the Group may not be able to successfully obtain additional financing on favourable terms, or at all. Any failure by the Group to obtain required financing successfully may have a material adverse effect on the Group's reputation, financial condition and results of operations.

This paragraph is not intended to qualify the working capital statement set out in Part V (*Additional Information*) of this document.

The Group is subject to credit risk

The Group is exposed to credit risk in a number of aspects of its business. The Group's brokers, coverholders and other intermediaries may not pass on premiums or claims collected or paid on behalf of the Group. Any crystallisation of a credit risk may have a material adverse effect on the Group's reputation, financial condition and results of operations.

In addition, while reinsurance counterparties are chosen carefully by reference to, amongst other things, size, rating, trading performance and reputation, the relevant members of the Group are exposed to credit risk with respect to such reinsurers. The collectability of reinsurance is largely a function of the solvency and willingness to pay of reinsurers. The Group assesses the financial strength of individual reinsurers using market and financial information. Despite these measures, a reinsurer's insolvency, inability or unwillingness to make payments under the terms of a reinsurance arrangement could have a material effect on the Group's financial condition or results of operations. Recoveries can often occur many years after the contract was placed and the delays increase the credit risk attaching to these reinsurances.

As such, the Group makes provisions for the potential failure of such reinsurers to cover their share of the Group's anticipated reinsurance liability, but such provisions may not be adequate to cover the future failure of a reinsurer. Beazley Re reinsures a proportion of the Group's business and therefore the Group is exposed to the risk of a future failure of Beazley Re to the extent that Beazley Re's reinsurance liabilities are not themselves recoverable from other reinsurers. If a reinsurer, including Beazley Re, were to fail to make payment, whether through an insolvency, dispute or otherwise, the relevant members of the Group would retain the primary liability to the insured party and such exposure could have a material adverse effect on the Group's reputation, financial condition and results of operations.

The ability of the Group to underwrite risk depends on its credit rating

The ability of the Group's insurance operations to write certain classes of business, including reinsurance business, may be affected by a change in the rating issued by an accredited credit rating agency to the Group's rated carrier BICI, to Syndicates 623, 2623, 3622 and 3623 and to Lloyd's. See "Important Information – Credit rating agencies" for a description of these credit ratings. If BICI, Syndicates 623, 2623, 3622 and 3623 or Lloyd's were to suffer a credit rating downgrade in the future, there could be a number of material adverse effects on the Group's ability to write business, resulting in the potential loss of new business and increase in policy cancellations and non-renewals.

Currency exchange rate fluctuations could adversely affect the Group's consolidated results

The reporting currency of the Group is US dollars. However, a substantial proportion of the Group's business is written in currencies other than US dollars, in particular in sterling. The Group's business is exposed, therefore, to fluctuations in currency exchange rates and the impact that such fluctuations may have on the Group's results of operations, financial condition or the amount of capital that the Group is required to maintain deposited (in sterling) with Lloyd's in order to maintain its underwriting coverage.

Hedging arrangements or other initiatives in respect of foreign exchange risk mitigation may not be successful in preventing any losses due to such changes in exchange rates or the potential opportunity cost for the maintenance of additional capital at Lloyd's. The investment income of the Group forms an important part of the backing provided to the Beazley Syndicates and this investment income may also be affected by adverse fluctuations in exchange rates, interest rates, taxation changes and other economic events beyond the Group's control. Accordingly, any investment losses incurred by the Group could have a material adverse effect on the Group's reputation, financial condition and results of operations.

The Group is subject to litigation exposure, coverage disputes and uninsured risks in the operation of its business

In the ordinary course of its business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures in a variety of jurisdictions, the outcomes of which will determine its rights and obligations under insurance, reinsurance and other contractual agreements or under tort laws or other legal obligations. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and it may be a claimant or respondent in arbitration proceedings. These proceedings have in the past involved, and may in the future involve, coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. Provisions such as limitations on, or exclusions from coverage contained within, insurance policies and reinsurance contracts held by the Group may not be enforceable in the manner intended. Disputes relating to coverage and the choice of legal forum have arisen and may in the future arise, as a result of which the Group may become exposed to losses beyond the expectations of the Group at the time of underwriting a particular insurance policy or reinsurance contract. In such circumstances, (re)insurance may not cover or be adequate to cover liabilities incurred by a Group member.

The Group is also involved, from time to time, in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The Group could also be subject to litigation risks arising from potential employee misconduct, including non-compliance with internal policies and procedures. In addition, the Group may become involved in, or be affected by, legal proceedings involving Lloyd's.

An assessment of all such claims and proceedings is taken into account by the Group's management team (following any necessary legal advice) before making an informed decision on the likely outcome of such events. However, if the ultimate outcome of proceedings is not in accordance with the Group's expectations, this could have a material adverse effect on its reputation, financial condition and results of operations.

All of the Group's activities are subject to operational risk from the imperfect nature of the people, processes and systems necessary to run the Group's business and the influence of external events on the Group's operations

The Group's business activities involve coordination of processes across a large number of people, functions, geographies, and IT systems. This level of complexity brings a number of operational risks. Any of the Group's processes or activities may fail due to human error, cyber attack, IT

malfunctions, non-performance of third parties, business interruption, or any other event. The occurrence of any of these operational risk events may have a material adverse effect on the Group's reputation, financial condition and results of operations.

This risk factor should not be taken as implying that either the Company or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List, or as a supervised firm regulated by the FCA and the PRA.

The Group is dependent on certain key individuals to maintain its financial performance

The Group's future success is dependent on the continued services and continuing contributions of its directors, senior management, underwriters and other key personnel and its ability to continue to recruit, motivate and retain the services of such personnel. Whilst the relevant members of the Group have entered into employment contracts or letters of appointment with such key personnel, the Group may not be able to retain their services. The loss of the services of any of the Group's key personnel could have a material adverse effect on the Group's reputation, financial condition and results of operations.

The Group uses fair value accounting methods and the use of estimates in the preparation of its financial statements

Certain of the financial instruments held in the Group are carried at fair value in Beazley's consolidated statements of financial position. To establish the fair value of these instruments, Beazley relies on quoted market prices in active markets or, where the market for a financial instrument is not sufficiently active, valuation techniques that utilise, wherever possible, observable market inputs. However, if there is a lack of liquidity in the financial markets in recent months, observable market inputs for such valuation models may not be available for certain instruments.

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined by Beazley's management on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques. The effect of changing the assumptions for those financial instruments for which the fair values are measured, using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs, could have a material adverse effect on the Group's financial condition and results of operations.

It should be noted that in determining the fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgements and estimates, which may result in lower or higher fair values for such financial instruments, depending on the underlying intentions of the financial institutions for those assets.

The Managed Syndicates may not continue with the same members

Syndicate 623, Syndicate 6107 and Syndicate 6050 (the "**Managed Syndicates**") are each annual underwriting ventures between a number of third party underwriting members at Lloyd's. Beazley Furlonge Limited is currently the managing agent of each of the Managed Syndicates. Unlike the Beazley Syndicates, the Group does not provide capital to the Managed Syndicates. Beazley Furlonge Limited receives management fees and profit commissions for providing a range of management services to the Managed Syndicates.

As each Lloyd's syndicate is a stand-alone annual venture. In any given year, the Managed Syndicates may not comprise the same members as the previous (or any other) underwriting year of account. As each member provides underwriting capacity to the relevant Managed Syndicate, the final makeup of the membership of that Managed Syndicate for any given underwriting year of account may have a material impact on that Managed Syndicate's ability to underwrite particular risks and the scale of that underwriting.

Any limitations on the underwriting capacity of a Managed Syndicate or the ability of any of the Managed Syndicates to underwrite risks of a particular type may reduce the management fees or profit commissions paid to Beazley Furlonge Limited and may therefore have an adverse effect on the Group's reputation, financial condition and results of operations.

Risk management policies and procedures relating to underwriting and other risks may leave the Group exposed to unidentified or unanticipated risk

The Group historically has sought and will in the future seek to manage its exposure to insurance and reinsurance losses through a number of loss limitation methods, including internal risk management procedures, oversight of its underwriting processes and outwards reinsurance protection. See Part II (*Business Description of the Group – Risk management*) of this document for a general discussion of the Group's risk management framework and policies.

Many of the Group's methods of managing risk and exposures are based upon observed historical market behaviour and statistic-based historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, policyholders or other matters that are publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up-to-date or properly evaluated. If the estimates and assumptions that the Group enters into its risk models are incorrect, or if such models prove to be an inaccurate forecasting tool, the losses the Group might incur from an actual loss event could be materially higher than its expectation of losses generated from modelled scenarios, and its financial condition and results of operations could be materially adversely affected.

The Group also seeks to manage its loss exposure through loss limitation provisions in the policies it issues, such as limitations on the amount of losses that can be claimed under a policy, limitations or exclusions from coverage and provisions relating to choice of forum. These contractual provisions may not be enforceable in the manner that the Group expects or disputes relating to coverage may not be resolved in its favour. If the loss limitation provisions in its policies are not enforceable or disputes arise concerning the application of such provisions, the losses the Group might incur from a loss event could be materially higher than its expectations, and its financial condition and results of operations could be adversely affected.

One or more catastrophic or other loss events or a greater frequency of losses than expected could result in claims that substantially exceed the expectations of the Group, which could have a material adverse effect on its financial condition and results of operations.

The Group may be exposed to the underperformance of the Group's pension scheme

The Group currently operates a defined benefit pension plan, the Beazley Furlonge Limited Pension Scheme, which is now closed to future service accruals. The pension scheme is generally funded by payments from two participating employers, Beazley Management Limited and Beazley Furlonge Limited, taking account of the recommendations of an independent qualified actuary.

As at 31 December 2015, the Group had a retirement benefit liability in its statement of financial position of US\$0.7 million (31 December 2014: US\$2.6 million). The value of the Group's pension liabilities will differ depending on the valuation basis used and from time to time. Any deficit in the Group's defined benefit pension plan may increase or fall depending on market conditions (e.g. by reason of poor investment returns, movements in the market values of scheme assets, interest rates and the requirements of pension regulation from time to time) and the actuarial assumptions made (e.g. actuarially assessed increases in the life expectancy of members). Accordingly, the contributions required in relation to the Group's defined benefit pension plan may increase or fall. Any increase in its cash contributions could materially adversely affect the financial condition of the Group in the future.

Liabilities may also arise upon the happening of an event, such as the cessation of participation of a participating employer in the defined benefit pension plan or the defined benefit pension plan being wound up. The liability triggered in these circumstances will be the value of the relevant employer's share of the deficit at the time calculated on the most conservative basis (namely the cost of buying out benefits on the annuity market).

Risks related to the Lloyd's insurance market and other regulatory matters

As a business operating in the insurance industry and as a member of the Lloyd's insurance market, members of the Group are exposed to a number of risks that could adversely impact the Group's reputation, financial condition and/or operational results. Set out below is a description of such risks:

The Group is subject to extensive regulatory supervision and may, from time to time, be subject to enquiries or investigations that could result in fines, sanctions, variation or revocation of permissions and authorisations, reputational damage or loss of goodwill

The conduct of insurance and reinsurance business is subject to significant legal and regulatory requirements as well as governmental and quasi-governmental supervision in the various jurisdictions in which the Group operates.

In the United Kingdom, the Group is subject to the regulation of Lloyd's, the FCA and the PRA. In addition, in the United States, the Group is subject to federal regulations as well as regulations in each of the 50 states and the District of Columbia. In Ireland, Beazley Re is subject to the regulation of the CBI. Certain members of the Group are also subject to regulation by other regulatory authorities.

Among other things, the insurance laws and regulations applicable to relevant members of the Group:

- require the maintenance of certain solvency levels;
- regulate transactions, including transactions with affiliates and intra-group guarantees;
- in certain jurisdictions, restrict the payment of dividends or other distributions;
- require the disclosure of financial and other information to regulators;
- regulate the admissibility of assets and capital; and
- establish certain minimum operational requirements.

For example, as part of regular, mandated risk assessments, regulators may take steps that have the effect of restricting the business activities of the Group, which may in turn have a material impact on the ability of the Group to achieve growth objectives and earnings targets. For example, each regulated insurance business in the Group is subject to a number of restrictions on assets it may hold under relevant regulations and tax rules, and regulators may, as has happened in the past, alter such restrictions, thus potentially affecting the Group's investment policy and any associated projected income or growth return from its investments. In addition, based on perceived risk profile of the Group, regulators may require additional regulatory capital to be held by the Group (including as part of guidance on a confidential basis), which, among other things, may affect the business the Group can write and the amount of dividends New Beazley is able to pay out.

If any member of the Group were to be found to be in breach of any existing or new laws or regulations now or in the future, that member would be exposed to the risk of intervention by regulatory authorities, including investigation and surveillance, and judicial or administrative proceedings. In addition, the Group's reputation could suffer and the Group could be fined or prohibited from engaging in some or all of its business activities or could be sued by counterparties, as well as forced to devote significant resources to cooperate with regulatory investigations, any of which could have a material adverse effect on the Group's results of operations.

The Group's businesses are subject to regulatory risk, including adverse changes in the laws, regulations, policies and interpretations in the markets in which it operates

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the European Union (in particular, the United Kingdom and Ireland), the United States and elsewhere both because the Group writes business covering political risks and because the Group itself may be impacted by such policies.

All these are subject to change, particularly in the current market environment where recent developments in the global financial markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. As a result of recent regulatory initiatives, the level of regulatory oversight over financial institutions, including the Group, may increase. Any future regulatory changes may potentially restrict the Group's operations, mandate certain risks to be covered and impose other compliance costs. It is uncertain how the more rigorous regulatory climate will impact financial institutions, including the Group.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities or changes in direct or indirect taxes applicable to the Group;
- changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;

- changes in the regulatory requirements, for example relating to the capital adequacy framework and rules designed to promote financial stability;
- changes in competition and pricing environments;
- developments in financial reporting;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership, any of which may impact either, or both, of: (a) the assets and operations of the Group in the jurisdictions in which it operates and (b) the performance of the business lines of the Group which underwrite political risks and other classes of business; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Any failure by the Group to meet its obligations under the Solvency II Directive may have an adverse effect on the Group

The Solvency II Directive was implemented on 1 January 2016. Solvency II introduces a harmonised EU-wide insurance regulatory regime. In particular, it imposes a risk-based capital regime, sets out requirements for the governance, risk management and regulatory supervision of insurers and introduces certain disclosure and transparency requirements.

The Group's Solvency Capital Requirement ("SCR") under Solvency II is determined in accordance with the Group's internal model, which has been approved by the CBI as the Group's supervisor under Solvency II. This model has been developed internally, using external software, to suit the particular circumstances and risks within the Group's business. It is a regulatory requirement that the model captures all material risks that have been identified. However, it is subject to the limitations of all complex models and is subject to the accuracy, completeness and integrity of the data input into the model. It is also necessary for estimates, assumptions and judgements to be made by management where data are incomplete or ambiguous. Accordingly the SCR, as modelled by the Group's internal model, may not provide an accurate projection of the capital that the Group will, in fact, need in the future. This paragraph is not intended to qualify the working capital statement set out in Part V (*Additional Information*) of this document.

Solvency II imposes significant new disclosure and transparency requirements. During the second quarter of 2016, the Group will report under the new disclosure and transparency requirements for the first time. The Group is in the process of developing new systems and processes for complying with the disclosure and transparency requirements under Solvency II. Due to the recent implementation of Solvency II, such systems and processes will continue to be developed and refined, but there is a risk that the development of systems and processes will not be completed in accordance with current plans. In the meantime, the Group's reporting under Solvency II will be completed using its pre-Solvency II procedures, amended to meet the requirements of Solvency II. Due to the time constraints imposed by the new stricter reporting deadlines under Solvency II, there is a risk that the Group will not be able to provide all the information required under the Solvency II disclosure or transparency requirements during the second quarter of 2016. Any failure by the Group to comply with the disclosure and transparency requirements under Solvency II may cause significant reputational damage, result in regulatory sanctions being imposed and impact the Group's ability to maintain its regulatory approvals and gain new business.

Any significant problem with the Lloyd's market may result in a material adverse effect on the Group's business

The Group relies on the efficient functioning of the Lloyd's market. If, for whatever reason, members were to be restricted or otherwise unable to write insurance through the Lloyd's market, it could have a material adverse effect on the Group's business and results of operations.

In particular, any damage to the brand or reputation of Lloyd's, whether such damage is caused by financial mismanagement, fraudulent activity or otherwise, or any loss of any international licences in relation to the insurance or reinsurance business may have a material adverse effect on the Group's ability to write new business and/or its reputation. In addition, any increase in tax levies imposed on Lloyd's participants in the relevant jurisdictions around the world in which they offer insurance or reinsurance or any challenge to the amount of tax paid by such Lloyd's participants may result in the Group incurring a higher tax charge.

The Group's ability to underwrite business in the Lloyd's market is, in part, dependent upon its relationships with intermediaries

Lloyd's market underwriters, including members of the Group, do not generally deal directly with policyholders. Instead, business is normally accepted by Lloyd's market underwriters through intermediaries, including registered brokers, coverholders and registered open market correspondents. Accordingly, the ability of each of the Lloyd's syndicates in which the Group has an interest to underwrite business is, in part, dependent upon those syndicates' ability to maintain strong relationships with such intermediaries. Any failure to maintain such relationships may have a material adverse impact on the Group's reputation, financial condition and results of operations.

The Lloyd's market is subject to the solvency and capital adequacy requirements of the PRA, as a result of which members of Lloyd's, including respective entities within the Group, may be adversely affected

The PRA is the prudential regulator for Lloyd's and has responsibility for promoting the financial security and soundness of Lloyd's and its members. The FCA regulates the conduct of Lloyd's, managing agents and the members' agents and advisers and Lloyd's market brokers. Lloyd's is required by the PRA to establish and maintain appropriate controls over the risks affecting the funds of members which it holds centrally and to assess the capital needs of each member operating on its market, in order to satisfy an annual solvency test for the PRA. The criteria used by the PRA to determine the solvency requirement is, in essence, the aggregate funds comprising syndicate level assets and members' funds at Lloyd's (each being held in trust for the benefit of policyholders) to meet all outstanding liabilities of Lloyd's members (including both current liabilities and the liabilities of membership syndicates subject to run-off), together with a capital buffer maintained from a combination of cash calls, subordinated loans and capital of syndicate members which is deposited into a central Lloyd's fund to serve as the Lloyd's fund of last resort if a Lloyd's member fails to meet its insurance liabilities in full and has insufficient assets to meet those liabilities (the "**Central Fund**"). However, the PRA may impose more stringent requirements on Lloyd's which may result in higher capital requirements or a restriction on trading activities for its members, including entities within the Group. If Lloyd's fails to satisfy its solvency test in any year, the PRA may require Lloyd's to cease trading and/or its members to cease or reduce their underwriting exposure, which may result in a material adverse effect to the Group's reputation, financial condition and results of operations. The PRA can also impose more stringent requirements directly on the Group without applying similar requirements to Lloyd's more generally or to other Lloyd's members.

In the event of Lloyd's failing to meet any regulatory solvency requirement, either Lloyd's or the PRA (or both) may apply to the High Court of England and Wales for a "Lloyd's Market Reorganisation Order" to appoint a "reorganisation controller" for Lloyd's. For the duration of the reorganisation controller's appointment, a moratorium will be imposed preventing any proceedings or legal process from being commenced or continued against any party against whom the order has been made. It is intended that such an order, if made, would apply to the market as a whole, including current and former members of Lloyd's, their agents and managing agents, Lloyd's brokers, approved run-off companies and coverholders, unless individual parties are specifically excluded. The making of such an order could have a material impact on the ability of the Group to write business on the Lloyd's market and elsewhere, resulting in a material adverse effect to the Group's reputation, financial condition and results of operations.

The Group's operations in the Lloyd's market is subject to regulation by the Council of Lloyd's and the Lloyd's Franchise Board

The Council of Lloyd's has wide discretionary powers to manage and supervise the Lloyd's market. It may, for instance, vary the method by which the solvency capital requirements are calculated or the investment criteria applicable to funds at Lloyd's and/or syndicate investments are determined. Either might affect the Group's overall premium limit and consequently the returns from an investment in the Group.

The Lloyd's Franchise Board also has wide discretionary powers in relation to the business of Lloyd's managing agents including requiring compliance with the franchise performance criteria and underwriting guidelines. The Franchise Board's primary role is to protect the Lloyd's franchise. The Franchise Board may, for example, impose certain restrictions on underwriting and/or on reinsurance arrangements for any syndicate. Those members of the Group which are members of Lloyd's must comply with Lloyd's "franchise principles" which include, amongst others, ensuring that there is outstanding risk management capability throughout the franchise and that the Lloyd's market provides a competitive international trading platform. Each such member must also submit its annual

business plan for each year of account to the Franchise Board (and any subsequent changes to such plan) for approval. In the event that the Franchise Board determines that changes are required to such business plan prior to its approval, any such changes could lead to a significant change in the Group's stated business strategy and objectives, which could result in a material adverse effect on the Group's reputation, financial condition and results of operations.

As members of Lloyd's, relevant members of the Group are committed to certain financial and operational obligations

As members of Lloyd's, relevant members of the Group are committed to certain financial and operational obligations, including the annual fees and levies imposed by Lloyd's on its membership syndicates for operating on its platform. One such commitment is the requirement from time to time as required by Lloyd's to contribute funds of an approved form that are lodged and held in trust at Lloyd's as security for a member's underwriting activities, known as "funds at Lloyd's". A member's funds at Lloyd's may contain only those assets that Lloyd's prescribes as acceptable assets under its Membership & Underwriting Conditions & Requirements. Currently, these acceptable assets consist of debt securities, bonds and other money and capital market instruments, shares and other variable yield participations, holdings in collective investment schemes, cash and cash equivalents, forward currency contracts, letters of credit, guarantees and life assurance policies, in each case subject to certain conditions. In addition, the Group is also required to contribute funds to the Central Fund. In respect of the Group's funds at Lloyd's, as at 31 December 2015, £447.6 million, £513.9 million and £563.0 million of debt securities and other fixed income securities were subject to a deed of charge in favour of Lloyd's to secure underwriting commitments for the 2016, 2015 and 2014 underwriting years, respectively. To the extent that Lloyd's suffers a material exposure in its asset base when compared with its liabilities, whether as a result of unexpected events, non-claims litigation, the increased costs of compliance in overseas jurisdictions for insurance and reinsurance business, increased fees and levies, currency devaluation, stamp capacity, cash calls or otherwise, members may at any such time as required by Lloyd's be called upon to invest further capital into Lloyd's portfolio of funds, including both the funds at Lloyd's and the Central Fund which, as a result, may cause the Group to incur a material increase in its operating expenses and, as a result, a material adverse impact on its financial results.

Changes implemented to the list of acceptable assets for purposes of funds at Lloyd's (either voluntarily by Lloyd's or in response to regulatory requirements) may adversely impact the Group. If assets that the Group uses to fund its funds at Lloyd's requirement were to no longer constitute acceptable assets for the purposes of funds at Lloyd's, the Group would be required to post different assets, which may be more expensive to obtain and maintain or which may place an undue restriction on the Group's capital resources.

Lloyd's also has the power to reduce the Group's underwriting capacity or to prohibit the Group from underwriting if at any time the value of the Group's total funds at Lloyd's falls by more than 10% from the funds required at the last "coming into line" exercise and such shortfall is not made good by the Group, which might not always be possible ("coming into line" refers to a bi-annual procedure currently undertaken in June and November each year which requires members of Lloyd's to demonstrate that they have sufficient eligible assets to meet their current underwriting liabilities and to support future underwriting before they may underwrite for the next following year of account). A fall in the equity or fixed interest markets or a devaluation in the currency compromising the Funds at Lloyd's could trigger such an event.

Any such event is likely to have a material adverse effect on the Group's reputation, financial condition and results of operations.

The ability of the Managed Syndicates and the Beazley Syndicates to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency

Each of the Managed Syndicates and the Beazley Syndicates benefits from the ability to write business based on the Lloyd's financial rating, which allows the Group to write more business as part of the Lloyd's platform than its individual capital level would otherwise support. The ability of Lloyd's syndicates to continue to trade in certain classes of business at current levels may be dependent on the maintenance by Lloyd's of a satisfactory financial strength rating issued by an accredited rating agency. At present, the financial security of the Lloyd's market is regularly assessed by three independent rating agencies, A.M. Best, Standard & Poor's and Fitch Ratings Limited. See "Important Information – Credit rating agencies".

Ratings are an important factor in establishing the competitive positions of insurance and reinsurance companies. Third party rating agencies assess and rate the financial strength of insurers and reinsurers. These ratings are based upon criteria established by the rating agencies.

The objective of these ratings systems is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to its policyholders.

One or more rating agencies may downgrade or withdraw their ratings in the future. As financial strength ratings are a key factor in establishing the competitive position of insurers, a decline in ratings alone could make insurance less attractive to clients relative to insurance from its competitors with similar or stronger ratings. A ratings downgrade could also result in a substantial loss of business, including the loss of clients who are required by either policy or regulation to purchase insurance only from reinsurers with certain ratings. Any of the foregoing could have an adverse effect on the Beazley Syndicates and/or the Managed Syndicates, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Managed Syndicates and/or the Beazley Syndicates may be placed into a year-end "run-off" by the Council of Lloyd's resulting in members' funds, including those of relevant members of the Group, being blocked

If a Lloyd's managing agent determines that funds are required to meet a cash deficiency prior to the closure of a relevant year of account, it may call on the members of a syndicate for further funds. This is known as a "cash call".

In the event that a managing agent, such as Beazley Furlong Limited, concludes, in respect of a particular year of account of a syndicate, that an equitable reinsurance to close premium cannot be established, it must determine that the year of account will remain open and be placed into "run-off". During a run-off, there can be no release of a member's funds at Lloyd's in respect of that syndicate without the consent of the Council of Lloyd's. Any year of account of the syndicates managed by members of the Group may go into run-off at some future time, which could have a material adverse effect to the Group's reputation, financial condition and results of operations.

The Group is reliant upon the maintenance by Lloyd's of its local jurisdictional licences and approvals, as well as its own compliance with local regulation, especially in the United States

A significant portion of the Group's gross written premiums is derived from the US. Compliance with US regulations by Lloyd's is therefore of significant importance to the Group.

US regulators require Lloyd's syndicates writing certain business in the United States to maintain trust funds in the United States (the "US trust funds") as protection for US policyholders. No credit against the required deposits is allowed for potential reinsurance recoveries by the syndicates. With respect to business classified as "surplus lines", syndicates must currently maintain a surplus lines trust fund, funded at 30% of gross liabilities. With respect to reinsurance business, syndicates must maintain a separate "Credit for Reinsurance" trust fund which is currently required to be funded at 100% of gross liabilities assumed from US insurers. It is possible that regulators could further alter the US trust fund deposit requirements for the Lloyd's market generally or any individual Lloyd's syndicate specifically.

The funds contained within the deposits are not ordinarily available to meet trading expenses or to pay claims. Accordingly, in the event of a large claim arising in the US, for example from a major catastrophe, syndicates participating in such US business may be required to make cash calls to meet claims payment and deposit funding obligations. There is a limited ability for managing agents to withdraw funds from the US trust funds other than at the normal quarterly revision periods.

The obligation to fund the US trust funds in the event of a large claim is likely to arise before the Group can earn premiums from the related insurance or receive proceeds from the relevant reinsurance, requiring the Group to procure the upfront funding from other sources.

In addition, Lloyd's maintains certain licences and approvals in the US. The Group is reliant on the maintenance by Lloyd's of those trading licences and approvals. A variation or removal of such licences and/or approvals may have a material adverse effect on the Group's business and results of operations.

Lloyd's market risks relating to 1992 and prior business

No corporate members, including members of the Group, participated in the Lloyd's market in 1992 and prior years' business. Equitas was established to reinsure and run-off the 1992 and prior years'

non-life liabilities of Lloyd's names or Lloyd's underwriters. National Indemnity Company, a member of the Berkshire Hathaway group of companies, has reinsured Equitas Insurance Limited's liabilities and another member of the Berkshire Hathaway group, Resolute Management Services Limited, has taken over responsibility for the run-off. However, in the event that Equitas Insurance Limited and National Indemnity Company were to fail or were unable to meet their respective liabilities by a proportionate cover plan and then pay claims at the appropriate reduced rate, the Group, and other insurance businesses which the Group may acquire in the future, could still be adversely affected. This is because, in those circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits that may have been used to meet policyholder claims. This could require the use of the Central Fund following prior approval of Lloyd's members in an extraordinary general meeting. If the Central Fund is used for these purposes, an additional Central Fund levy could be imposed, subject to approval by vote, on all Lloyd's members underwriting on the relevant years of account.

From time to time changes in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation may adversely impact the Group's business, financial condition and results of operations

The Group operates in several tax jurisdictions around the world. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

There are also specific rules governing the taxation of policyholders. The Group will be unable accurately to predict the impact of future changes in tax law on the taxation of insurance policies in the hands of policyholders. Amendments to existing legislation (particularly if there is the withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may affect the future long-term business and the decisions of policyholders. The impact of such changes could have a material adverse effect on the Group's business, financial condition and results of operations.

The UK government introduced the Diverted Profits Tax ("DPT") with effect from 1 April 2015. The DPT is designed to apply to multinational enterprises with significant business activities in the UK that enter into arrangements to artificially divert profits from the UK – either by avoiding a UK permanent establishment or through other contrived arrangements involving limited economic substance. The DPT is charged at a 25% rate on "taxable diverted profits" arising from UK activity. This is a new tax and its scope and the basis upon which it will be applied by HMRC remain uncertain. Whilst the Directors believe that the Group is not within the scope of the DPT, if HMRC successfully asserted that the Group is within the scope of the DPT then this could have a material adverse effect on the Group's results of operations by increasing the Group's effective rate of tax.

The Group is subject to various laws, regulations and rules relating to sanctions, money laundering and bribery

The Group must comply with laws and regulations relating to sanctions, money laundering and bribery. While it is the policy of the Group not to write any business directly in countries or for entities subject to international sanctions of the US, EU and UK, the Group does, from time to time, underwrite risks in relation to entities which come into contact with such countries. For example, the Group, through its Marine insurance business line (which in 2015 represented 13% of the Group's gross written premiums), from time to time underwrites marine hull risks in relation to vessels which call in to or pass through the waters of such countries (such as a vessel delivering food or medical supplies to a port in a sanctioned country). While the Group has policies and procedures in place designed to ensure that the Group does not insure any activity that breaches international sanctions, there remains the risk of an inadvertent breach which may result in lengthy and costly investigations followed by the imposition of fines or other penalties or, in the case of the United States, imposition of a range of significant secondary sanctions (including restrictions on the ability to effect transactions in US dollars), any of which might have a material adverse effect on the financial condition and results of operations of the Group.

In relation to bribery and money laundering, the global breadth of the Group's operations and the range of brokers and policyholders with which the Group conducts business present risks of violating applicable anti-bribery and anti-money laundering laws or regulations. While the Group's specific policies and periodic training programmes in place are designed to prevent breaches of rules and

regulations relating to bribery and money laundering, any inadvertent breach may trigger an intervention, including investigation, surveillance and judicial and administrative proceedings by the relevant regulatory authority, which may result in a loss of reputation, a fine and/or other disciplinary action, any of which may have a material adverse effect on the financial condition and results of operations of the Group.

Risks relating to an investment in the New Beazley Shares

The New Beazley Reduction of Capital may not be implemented on a timely basis or at all

Implementation of the New Beazley Reduction of Capital is conditional upon, among other things, sanction by the Court. It is possible that such sanction will be given only subject to conditions or will not be given, in which case it is possible that the New Beazley Reduction of Capital will not occur on a timely basis or at all. In such an event, the New Beazley Reduction of Capital may not be implemented and the benefits expected to result from the New Beazley Reduction of Capital, namely providing flexibility to the capital structure of the Group and the creation of distributable reserves, will not be achieved.

The market price of the New Beazley Shares may fluctuate significantly in response to a number of factors, some of which may be out of the Group's control

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, stock markets have, from time to time, and especially in recent years, experienced significant price and volume fluctuations (including as a result of technical failures or market disruptions) which have affected the market price of securities. Furthermore, the market price of the New Beazley Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, some of which are beyond the Group's control, including: general market conditions; conditions or trends in the insurance industry; variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; speculation in the press, media or investment community, whether or not well founded, about the Group's business or the Group's competitors, mergers or acquisitions involving the Group or the Group's competitors and/or major divestments by the Group or the Group's competitors; announcements by the Group of strategic alliances, joint ventures or other capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of New Beazley Shares. Any or all of these events could result in a material decline in the price of the New Beazley Shares.

A holder of New Beazley Shares whose principal currency is not pounds sterling is exposed to foreign currency risk

The New Beazley Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in the New Beazley Shares by a person whose principal currency is not pounds sterling exposes that person to foreign currency risk.

Suitability of the New Beazley Shares as an investment

The New Beazley Shares may not be a suitable investment for all persons. Before making any investment decision in relation to the New Beazley Shares, prospective investors are advised to consult an appropriate independent financial adviser authorised under FSMA if such prospective investor is resident in the UK or, if not, another appropriately authorised independent financial adviser who specialises in advising on transactions relating to shares and other securities.

The value of the New Beazley Shares, and the income received from them, can go down as well as up and New Beazley Shareholders may receive less than their original investment.

In the event of a winding-up of New Beazley, the New Beazley Shares will rank behind any liabilities of New Beazley and therefore any return for New Beazley Shareholders will depend on New Beazley's assets being sufficient to meet the prior entitlements of creditors.

Substantial future offers of New Beazley Shares could impact the market price of New Beazley Shares

Other than pursuant to employee share plans or other similar incentive arrangements, New Beazley has no current plans for an offering of New Beazley Shares. It is possible that New Beazley may decide to offer additional New Beazley Shares in the future. Future sales or the availability for sale of substantial amounts of New Beazley Shares in the public market could dilute the holdings of New

Beazley Shareholders, adversely affect the prevailing market price of the New Beazley Shares and could impair the Group's ability to raise capital through future sales of equity securities.

New Beazley's ability to pay dividends and effect returns of capital in the future is subject to a number of factors

New Beazley's ability to pay dividends on the New Beazley Shares and effect certain returns of capital is dependent upon, among other things, it having sufficient cash resources and, where necessary, sufficient distributable reserves out of which any proposed dividend may be paid (see the risk factor above: "*The New Beazley Reduction of Capital may not be implemented on a timely basis or at all*"). Following the Scheme becoming effective, New Beazley will be a holding company and will be dependent on payment of dividends, distributions, loans or advances to New Beazley by its subsidiaries to pay dividends. Any payment of dividends, distributions, loans or advances to New Beazley by its subsidiaries is dependent upon the business and financial condition, earnings and cash flow position and other factors affecting such subsidiaries. Any reduction in dividends paid on the New Beazley Shares from those historically paid by Beazley, or the failure to pay dividends in any financial year, could adversely affect the market price of New Beazley Shares.

US and other non-EU shareholders may not be able to participate in future equity offerings

In the case of certain increases in New Beazley's issued share capital, existing shareholders of New Beazley are generally entitled to pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution at a shareholders' meeting, or in certain other circumstances as stated in the New Beazley Articles. US and certain other non-EU holders of shares are customarily excluded from exercising any such pre-emption rights they may have, unless exemptions from any overseas securities law requirements are available. Any exemption from such overseas securities law requirements may not be available to enable US or other non-EU holders to exercise such pre-emption rights or, if an exemption is available, New Beazley may not utilise such exemption.

Applicable insurance laws and regulatory requirements in the UK and elsewhere may discourage potential acquisition proposals and delay, deter or prevent a change of control of the Company

Currently in the UK, the prior approval of the PRA or FCA under section 178 of FSMA is required of any person proposing to acquire or increase "control" of a firm authorised and regulated under FSMA. For companies regulated by Lloyd's, such as Beazley Furlonge Limited or Beazley Underwriting Services Limited, the PRA is the regulator whose approval is required. For these purposes, a person acquires control over a UK authorised person if such person holds, or is entitled to exercise or control the exercise of, 10% or more of the shares or voting power in the UK authorised person or the parent undertaking of the UK authorised person. A person is also regarded as acquiring control over the UK authorised person if as a result of holding shares or voting power in the UK authorised person or its parent undertaking that person is able to exercise significant influence over the management of the UK authorised person. For the purposes of these calculations, the holding of shares and voting power by a person includes any shares or voting power held by another person if those persons are acting in concert. Accordingly, any person who (alone or acting in concert with another) proposes to acquire 10% or more of the New Beazley Shares would become a controller of Beazley Furlonge Limited and Beazley Underwriting Services Limited and prior approval by the PRA would be required. Similarly, currently, if a person who is already a controller of a UK authorised person such as Beazley Furlonge Limited or Beazley Underwriting Services Limited proposes to increase its control in excess of certain thresholds set out in section 182 of FSMA (being 20%, 30%, or 50% of shares or voting power), such person will also require the prior approval of the PRA. The PRA has 60 working days from the day on which it acknowledges the receipt of a completed change of control notice to determine whether to approve the new controller or object to the transaction, although this period may (subject to limits) cease to run while the PRA is awaiting the provision of further information that it may request from an applicant during the approval process. If approval is given, it may be given unconditionally or subject to such conditions as the PRA considers appropriate. Breach of the notification and approval regime imposed by the PRA on controllers is a criminal offence.

In addition to the PRA approval, any person acquiring 10% or more of the New Beazley Shares will also need to seek approval or confirmation of no objection from (or make appropriate notifications to), amongst others, in relation to Beazley Furlonge Limited, Beazley Underwriting Services Limited and the Group's Lloyd's corporate members, Lloyd's; in relation to Beazley Re, the CBI; and, in relation to BICI, the Connecticut Department of Insurance.

These laws may change and may, in their current or any future form, discourage potential acquisition proposals and may delay, deter or prevent a change of control of the Company, including through transactions, and in particular unsolicited transactions, that some or all of the New Beazley Shareholders might consider to be desirable. This may, in turn, reduce the value of the New Beazley Shares.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors of the Company	Dennis Holt Andrew Horton Martin Bride Neil Maidment Clive Washbourn Adrian Cox George Blunden Angela Crawford-Ingle Sir Andrew Likierman Vincent Sheridan Catherine Woods	<i>Chairman</i> <i>Chief Executive Officer</i> <i>Group Finance Director</i> <i>Chief Underwriting Officer</i> <i>Head of Marine</i> <i>Head of Specialty Lines</i> <i>Senior Independent Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i>
Company Secretary	Sian Coope	
Registered office	Plantation Place South 60 Great Tower Street London EC3R 5AD United Kingdom	
Sponsor	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom	
Legal Advisers to the Company as to English and United States law	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF United Kingdom	
Legal Advisers to the Company as to Jersey law	Mourant Ozannes 22 Grenville Street St Helier JE4 8PX Jersey	
Legal Advisers to the Sponsor as to English law	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom	
Reporting Accountants	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom	
Auditors to Beazley	KPMG 1 Harbourmaster Place International Financial Services Centre Dublin D01 F6F5 Ireland	
Registrars to the Company	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom	
Registrars to Beazley	Equiniti (Jersey) Limited 26 New Street St Helier JE2 3RA Jersey	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for lodging BLUE Forms of Proxy for the Jersey Court Meeting	12.45 p.m. on 22 March 2016 ⁽¹⁾
Latest time for lodging PINK Forms of Proxy for the Scheme General Meeting	1.00 p.m. on 22 March 2016
Voting Record Time	6.00 p.m. on 22 March 2016 ⁽²⁾
Jersey Court Meeting	12.45 p.m. on 24 March 2016
Scheme General Meeting	1.00 p.m. on 24 March 2016 ⁽³⁾
Jersey Court Hearing to sanction the Scheme and the Scheme Reduction of Capital	9.00 a.m. on 11 April 2016 ⁽⁴⁾
Last day of dealings in, and for registration of transfers of, Beazley Shares	12 April 2016 ⁽⁵⁾
Scheme Record Time	6.00 p.m. on 12 April 2016 ⁽⁵⁾
Effective Date of the Scheme	13 April 2016 ⁽⁴⁾
Listing of Beazley Shares cancelled, New Beazley Shares admitted to Official List, New Beazley Shares credited in uncertificated form to CREST accounts and commencement of dealings in New Beazley Shares on the London Stock Exchange	8.00 a.m. on 13 April 2016 ⁽⁵⁾
Court hearing to confirm the New Beazley Reduction of Capital	20 April 2016 ⁽⁵⁾
New Beazley Reduction of Capital becomes effective	21 April 2016 ⁽⁶⁾
Despatch of New Beazley share certificates for New Beazley Shares in certificated form	No later than 28 April 2016 ⁽⁶⁾

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- (1) BLUE Forms of Proxy for the Jersey Court Meeting not returned by this time may be handed to the Jersey Registrars, Equiniti (Jersey) Limited, or to the chairman of the Jersey Court Meeting.
- (2) If either the Jersey Court Meeting or the Scheme General Meeting is adjourned, the Voting Record Time for the adjourned meeting will be 6.00 p.m. on the date two days before the date set for the adjourned meeting.
- (3) To commence at 1.00 p.m. or, if later, immediately after the conclusion or adjournment of the Jersey Court Meeting.
- (4) This date is indicative only and will depend, among other things, on the date upon which the Jersey Court sanctions the Scheme.
- (5) These dates are indicative only and will depend, among other things, on the date upon which the Scheme becomes effective.
- (6) These dates are indicative only and will depend, among other things, on the date on which the Court confirms the New Beazley Reduction of Capital and the Registrar of Companies registers the act of court and approved minute of the Court.

Unless otherwise stated, all references in this document to times are to London times. The dates given in this expected timetable are based on New Beazley's current expectations and may be subject to change. If the scheduled date of the Jersey Court Hearing to sanction the Scheme is changed, Beazley will give notice of the change by issuing an announcement through a Regulatory Information Service. All Beazley Shareholders have the right to attend the Jersey Court Hearing to sanction or oppose the sanctioning of the Scheme.

IMPORTANT INFORMATION

General

No person has been authorised to give any information or make any representations other than those contained in this document and any documents incorporated by reference and, if given or made, such information or representations must not be relied on as having been so authorised by New Beazley, the New Beazley Directors or Numis. Without prejudice to any obligation of New Beazley to publish a supplementary prospectus pursuant to section 87G of the FSMA and rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any allotment of New Beazley Shares as a result of the Scheme will, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in it is correct as of any time that is subsequent to the date of this document.

Nothing in this document or anything communicated to the holders or potential holders of any New Beazley Shares (or interests in them) by or on behalf of New Beazley is intended to constitute or should be construed as advice on the merits of the purchase of, or subscription for, any New Beazley Shares (or interests in them) or the exercise of any rights attached to the New Beazley Shares (or interests in them). The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. It should be remembered that the price of securities and the income from them can go down as well as up.

Numis, which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and no one else in connection with the Proposals and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Proposals, Admission, the contents of this document or any transaction or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis by FSMA or the regulatory regime established thereunder, Numis does not accept any responsibility or liability whatsoever, and makes no representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on behalf of it, Beazley, New Beazley, the Directors or any other person in connection with the Proposals or Admission, and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Numis accordingly disclaims all and any liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

Numis and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, Beazley and New Beazley, for which they would have received customary fees. Numis and its affiliates may provide such services to Beazley and New Beazley and any of their affiliates in the future.

Presentation of financial information

Unless otherwise stated, financial information relating to the Group has been extracted without material adjustment from:

- the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2015 and for FY 2015, together with the notes on them, contained in the Group's Annual Report and Accounts 2015 (the "**2015 Financial Statements**");
- the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2014 and for FY 2014, together with the notes on them, contained in the Group's Annual Report and Accounts 2014 (the "**2014 Financial Statements**"); and
- the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2013 and for FY 2013, together with the notes on them, contained in the Group's Annual Report and Accounts 2013 (the "**2013 Financial Statements**" and, together with the 2014 Financial Statements and the 2015 Financial Statements, the "**Audited Financial Statements**").

The Audited Financial Statements have been incorporated by reference in this document. Please refer to Part VI (*Information Incorporated by Reference*) of this document.

Unless otherwise indicated, financial information in this document relating to the Group has been prepared in accordance with IFRS and in accordance with the Group's accounting policies.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. Please refer to Part III (*Operating and Financial Review – Critical accounting policies and estimates*) of this document. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the Audited Financial Statements incorporated by reference in this document.

The Group evaluates its operations by monitoring certain key indicators of business performance, certain of which are presented in this document or in the information incorporated by reference in this document. Such measures as presented, or incorporated by reference, in this document may not be comparable with similarly titled data presented by other companies in the Group's industry. Nevertheless, the Company believes that such data is important to understand the Group's performance from period to period and that such data facilitates comparison with the Group's peers. Certain of these measures are non-IFRS financial measures and such measures are not intended to be substitutes for any IFRS measures of performance.

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "plans", "prepares", "anticipates", "projects", "expects", "intends", "may", "will", "seeks", or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group's intentions, beliefs or current expectations concerning, amongst other things, the Group's prospects, growth and strategies.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Group's actual performance, achievements and financial condition may differ materially from those described in, or suggested by, the forward-looking statements in this document. In addition, even if the results of operations and financial position, and the development of the markets and the industry in which the Group operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the section of this document headed "Risk Factors" and Part III (*Operating and Financial Review*) of this document for a more complete discussion of the factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. Additional factors that could affect the Company's ability to achieve its objective and could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those discussed in the section of this document headed "Risk Factors" and Part III (*Operating and Financial Review*) of this document.

Any forward-looking statements in this document speak only as of the date of such statement, and none of New Beazley, the Directors or Numis undertakes any obligation to update such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

The contents of these paragraphs relating to forward-looking statements are not intended to qualify the working capital statement set out in Part V (*Additional Information*) of this document.

Currency presentation

The Group operates in a number of countries and earns money and makes payments in different currencies. The Company prepares its financial statements in US dollars. All references in this document to "pounds sterling", "sterling", "£", "pence" or "p" are to the lawful currency of the UK,

all references to “US\$” or “US dollars” are to the lawful currency of the US, and all references to “€” or “Euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community.

Rounding

Percentages and certain amounts which appear in this document have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Percentages in tables have been rounded and, accordingly, may not add up to 100%.

Sources of information

Where information contained in this document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. The Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein.

Defined terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part VII (*Definitions*) of this document.

References to time

Unless otherwise stated, all references to time in this document are to the time on the relevant date in London, United Kingdom.

Incorporation by reference

Certain information has been incorporated by reference in this document. Please see Part VI (*Information Incorporated by Reference*) of this document for further details of the information incorporated by reference.

No incorporation of website information

Neither the content of the Group’s website, nor the content of any website accessible from hyperlinks on the Group’s website, is incorporated into, or forms part of, this document, and investors should not rely on them, without prejudice to the documents incorporated by reference into this document, which will be made available on the Group’s website.

Credit rating agencies

Lloyd’s syndicates 623, 2623, 3622 and 3623, each of which are managed by a member of the Group, have been assigned a financial strength rating of ‘A (Excellent)’ and an issuer credit rating of ‘a+’ by A.M. Best Europe – Rating Services Limited (“**A.M. Best**”). Lloyd’s has been assigned a financial strength rating of ‘A (Excellent)’ by A.M. Best, a financial strength rating of ‘A+ (Strong)’ by Standard & Poor’s Financial Services LLC (“**Standard & Poor’s**”) and a financial strength rating of AA- (Very Strong) by Fitch Ratings Limited. Beazley Insurance Company, Inc. (“**BICI**”) has been assigned a financial strength rating of ‘A (Excellent)’ and an issuer credit rating of ‘a’ by A.M. Best Company, Inc. Each of A.M. Best and Fitch Ratings Limited is established in the European Union and is registered under Regulation (EU) No. 1060/2009 (as amended) (the “**CRA Regulation**”). Neither A.M. Best Company, Inc. nor Standard & Poor’s are established in the European Union or are registered under the CRA Regulation. Neither New Beazley nor Beazley is rated by a credit rating agency.

PART I

THE SCHEME OF ARRANGEMENT AND RELATED PROPOSALS

1. Introduction

On 4 February 2016, Beazley (the current parent company of the Group) announced details of proposals to change the Group's corporate structure by putting in place a new parent company for the Group incorporated in England and Wales with its tax residence in the United Kingdom.

On 4 September 2015, New Beazley was incorporated under the Companies Act as a private company limited by shares with the name Swift No. 3 Limited and on 12 February 2016 it was re-registered as a public company limited by shares with the name Beazley plc. The introduction of New Beazley as the new parent company of the Group is to be effected by way of a scheme of arrangement under article 125 of the Companies (Jersey) Law 1991. It is expected that shortly after the Scheme becomes effective the existing parent company of the Group, Beazley, will be re-named Beazley Ireland Holdings plc.

The Scheme will be subject to various conditions as set out below.

It is also proposed that New Beazley adopts the New Beazley Employee Share Plans, subject to obtaining Beazley Shareholder approval (where required) and the Scheme becoming effective. The Beazley Shareholders (who will ultimately become the shareholders of New Beazley) are being asked to approve the adoption of the New Beazley Employee Share Plans (where required) at the Scheme General Meeting. Further details of the proposals in relation to the Beazley Employee Share Plans are described in paragraphs 2.3 and 2.4 of this Part I.

2. Background to and reasons for the Scheme and related Proposals

2.1 Background

In 2009, the Group's corporate structure was, with the approval of the then shareholders, changed by putting in place a new parent company, Beazley, incorporated in Jersey with its tax residence in Ireland. At the same time, the Group incorporated Beazley Re, an internal reinsurer incorporated in Ireland. The change has allowed for more efficient use of the Group's capital and facilitated the approval of the Group's Solvency II internal model by the Central Bank of Ireland to determine the Group's Solvency Capital Requirement.

The New Beazley Directors believe that the United Kingdom is the optimal location for the management of the Group. Following legislative changes in the Finance Act 2012 relating to controlled foreign companies, the New Beazley Directors anticipate that there will be no material change in the Group's reported tax rate, or taxation paid, as a result of the change in the Group's tax residence following the implementation of the Scheme. The New Beazley Directors believe that this change of the location of the management of the Group will simplify the management and decision making of the Group and allow New Beazley Shareholders to access a UK dividend stream. Accordingly, the New Beazley Directors are recommending returning the management of the Group to the United Kingdom, to be effected by the implementation of the Scheme.

As such, New Beazley has been incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The Scheme will establish New Beazley as the parent company of the Group. The New Beazley Board, after detailed consideration, believes the proposed corporate structure would best support the long-term growth of the Group.

Under the Scheme, all the Scheme Shares will be cancelled on the Effective Date by way of a reduction of capital. In consideration for the cancellation, Scheme Shareholders will receive in respect of any Scheme Shares held as at the Scheme Record Time:

for each Ordinary Share cancelled: one New Beazley Share

One fewer New Beazley Share will be allotted and issued to any relevant Beazley Shareholder for every one New Beazley Share already held by that Beazley Shareholder at the Scheme Record Time. Following the cancellation of the Scheme Shares, the share capital of Beazley will be increased to its former amount by the creation of the Beazley New Ordinary Shares and the credit arising in the books of Beazley as a result of the reduction in capital will be applied in

paying up in full, at par, the Beazley New Ordinary Shares. The Beazley New Ordinary Shares will be issued to New Beazley which will, as a result, become the parent company of Beazley and the Group.

The Scheme requires the approval of Beazley Shareholders at the Jersey Court Meeting and at the Scheme General Meeting. If the Scheme is approved by the requisite majority at the Jersey Court Meeting and at the Scheme General Meeting, an application will be made to the Jersey Court to sanction the Scheme at the Jersey Court Hearing. If the Scheme is sanctioned at the Jersey Court Hearing and the other conditions to the Scheme have been satisfied, the Scheme is expected to become effective, and dealings in New Beazley Shares are expected to commence, at 8.00 a.m. on 13 April 2016, the anticipated Effective Date. If the Scheme has not become effective by 31 December 2016 (or such later date as Beazley and New Beazley may agree and the Jersey Court may allow), it will lapse, in which event there will not be a new parent company of Beazley, Beazley Shareholders will remain shareholders of Beazley and the existing Ordinary Shares will continue to be listed on the Official List.

2.2 *New Beazley Reduction of Capital*

The New Beazley Directors wish to continue Beazley's existing dividend policy of increasing its ordinary dividend by between 5% and 10% per year. Accordingly, the purpose of the New Beazley Reduction of Capital is to create distributable reserves in the accounts of New Beazley to support the payment of future dividends.

It is anticipated that the nominal value of a New Beazley Share immediately prior to the New Beazley Reduction of Capital will be 90 pence. Pursuant to the New Beazley Reduction of Capital, such nominal value will be reduced to five pence, so as to create additional distributable reserves, which will be available to New Beazley to be applied towards any lawful purpose including distribution of dividends as appropriate.

The New Beazley Reduction of Capital is conditional upon:

- (a) Beazley Shareholders approving a special resolution at the Scheme General Meeting to approve the New Beazley Reduction of Capital;
- (b) the Scheme becoming effective in accordance with its terms;
- (c) the Court confirming the New Beazley Reduction of Capital; and
- (d) the Registrar of Companies registering the court order and a statement of capital in respect of the Company as approved by the Court.

In order to obtain the confirmation of the Court to the New Beazley Reduction of Capital, New Beazley will need to satisfy the Court that its creditors are not prejudiced. New Beazley will put into place appropriate arrangements (if required) to satisfy the Court's requirements in this respect.

The necessary shareholder resolution for New Beazley to implement the New Beazley Reduction of Capital has been passed by the current shareholders of New Beazley, conditional upon the Scheme becoming effective. Confirmatory approval relating to the New Beazley Reduction of Capital is being sought from Beazley Shareholders as one of the special resolutions to be proposed at the Scheme General Meeting. The New Beazley Reduction of Capital will also require the confirmation of the Court.

Prior to the Scheme becoming effective, the New Beazley Directors may resolve, with shareholder approval, to adjust the nominal value of the New Beazley Shares. An announcement of any such change to the nominal value would be made via a Regulatory Information Service. The amount of distributable reserves that would be created by the New Beazley Reduction of Capital would also be adjusted accordingly.

Subject to the Scheme becoming effective on 13 April 2016, the New Beazley Reduction of Capital is expected to become effective on 21 April 2016.

2.3 *Beazley Employee Share Plans proposals*

Rights under the Beazley Employee Share Plans will not vest or be exercised early as a result of the Scheme. It is Beazley's intention that such rights will continue on the same basis other than that participants will ultimately receive New Beazley Shares rather than Beazley Shares if their awards vest or options are exercised. Beazley has confirmed to New Beazley that it will write to

participants in the Beazley Employee Share Plans in due course to explain the effect on their awards in more detail. The effect of the Scheme on the Beazley Employee Share Plans is summarised below.

The alternatives available in respect of options or awards held by participants in the Beazley Employee Share Plans outside of the United Kingdom may differ from the position summarised below in order to take account of local securities, exchange control, regulatory or tax laws. In particular, the summary below refers to options or awards being exchanged for equivalent options or awards over New Beazley Shares. However, in order to achieve the same effect as an exchange of options or awards, Beazley has confirmed to New Beazley that the Beazley Board, the New Beazley Board, the Beazley Remuneration Committee or the New Beazley Remuneration Committee may, instead, assume and amend one or more of the Beazley Employee Share Plans, and amend the terms of options or awards under those plans so that they ultimately deliver New Beazley Shares.

(a) *The Beazley Long Term Incentive Plan 2012 (the “2012 LTIP”)*

On the Effective Date, 2012 LTIP awards will be automatically exchanged for awards over New Beazley Shares on equivalent terms to the existing awards and subject to the same vesting and performance conditions without needing participant agreement.

(b) *The Beazley Save As You Earn Share Option Plan 2012 (the “2012 SAYE Plan”)*

When New Beazley becomes the parent company of the Group, New Beazley intends to make an offer to release existing 2012 SAYE Plan option awards in exchange for the grant of new option awards by New Beazley over New Beazley Shares. Where such an offer is made, 2012 SAYE Plan options will not become exercisable as a result of the Scheme. Participants will be required to accept such offer during the period between the date of the Jersey Court Order and the date falling six months after the date of the Jersey Court Order. Any options that are not exchanged during this period will be forfeited.

(c) *The Beazley Deferred Share Plan (the “Deferred Share Plan”)*

On the Effective Date, Deferred Share Plan awards will be automatically exchanged for awards over New Beazley Shares on equivalent terms to the existing awards and subject to the same vesting and performance conditions without needing participant agreement.

(d) *The Beazley Retention Plan (the “Retention Plan”)*

On the Effective Date, Retention Plan awards will be automatically exchanged for awards over New Beazley Shares on equivalent terms to the existing awards and subject to the same vesting and performance conditions without needing participant agreement.

(e) *The Beazley Savings-Related Share Option Plan for US Employees 2009 (the “US SAYE Plan”)*

On the Effective Date, US SAYE Plan awards will be automatically exchanged for awards over New Beazley Shares on equivalent terms to the existing awards and subject to the same vesting conditions without needing participant agreement.

(f) *Individual grants*

On the Effective Date, awards made to four individuals, which are not subject to the rules of the Beazley Employee Share Plans, will be automatically exchanged for awards over New Beazley Shares on equivalent terms to the existing awards and subject to the same vesting and performance conditions without needing participant agreement.

2.4 *New Beazley Employee Share Plans*

The New Beazley Directors have adopted the New Beazley Employee Share Plans (being the New SAYE Plan, the New US SAYE Plan, the New LTIP, the New Retention Plan and the New Deferred Share Plan), subject to obtaining Beazley Shareholder approval (where required) and the Scheme becoming effective. The Beazley Shareholders (who will ultimately become shareholders of New Beazley) are being asked to approve the adoption of the New LTIP, the New SAYE Plan and the New US SAYE Plan at the Scheme General Meeting. The New Beazley Employee Share Plans are being adopted as part of the Group arrangements to incentivise employees following the introduction of New Beazley as the new parent company of the Group. These plans are replacements for, and are essentially similar to, the 2012 SAYE Plan, the US SAYE Plan, the 2012 LTIP, the Retention Plan and the Deferred Share Plan. The Beazley Employee Share Plans will continue in force following the Scheme becoming effective only to the extent that awards have already been made.

3. Principal features of the Scheme

3.1 Structure

Under the Scheme, all the Scheme Shares will be cancelled on the Effective Date. Following the cancellation of the Scheme Shares, the share capital of Beazley will be increased to its former amount and the credit arising in the books of Beazley as a result of the reduction in capital will be applied in paying up in full, at par, the Beazley New Ordinary Shares. The Beazley New Ordinary Shares will be issued to New Beazley which will, as a result, become the parent company of Beazley and the Group. In consideration of the cancellation of the Scheme Shares, Scheme Shareholders will receive one New Beazley Share for each Beazley Share cancelled. New Beazley will undertake to the Jersey Court to be bound by the terms of the Scheme.

The New Beazley Shares to be issued pursuant to the Scheme will rank *pari passu* in all respects with any New Beazley Shares in issue at the Scheme Record Time and shall rank in full for all dividends or distributions made, paid or declared after the Scheme Record Time on the ordinary share capital of New Beazley. The rights attaching to the New Beazley Shares are summarised in paragraph 4.1 of Part V (*Additional Information*) of this document.

3.2 Conditions to implementation of the Scheme

The implementation of the Scheme is conditional on the following having occurred:

- (a) the Scheme being approved by a majority in number, representing three-fourths in voting rights, of the holders of Beazley Shares present and voting, either in person or by proxy, at the Jersey Court Meeting;
- (b) certain resolutions to approve the matters in connection with the Scheme having been duly passed at the Scheme General Meeting by a majority of not less than two-thirds of the votes cast. In particular, these resolutions will authorise:
 - (i) the Scheme Reduction of Capital;
 - (ii) the application of the credit arising on the Scheme Reduction of Capital to the payment in full of the Beazley New Ordinary Shares, which will be allotted and issued to New Beazley;
 - (iii) the Beazley Directors to allot the Beazley New Ordinary Shares subject to certain restrictions;
 - (iv) the amendment of the Beazley Articles to facilitate the Scheme; and
 - (v) the New Beazley Reduction of Capital.
- (c) the Scheme having been sanctioned by the Jersey Court at the Jersey Court Hearing;
- (d) the Jersey Court Order having been delivered to the Jersey Registrar of Companies and registered by him; and
- (e) permission having been granted by the UK Listing Authority to admit the New Beazley Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities.

The Beazley Directors have confirmed to New Beazley that they will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied or waived, and at the relevant time, they consider that it continues to be in Beazley's and the Beazley Shareholders' best interests that the Scheme should be implemented.

The Jersey Court Hearing to sanction the Scheme is expected to be held on 11 April 2016. Beazley Shareholders have the right to attend the Jersey Court Hearing in person or by counsel to support or oppose the sanction of the Scheme. The Jersey Court Hearing will be held at The Royal Court of Jersey, Royal Court Building, Royal Square, St. Helier, Jersey JE1 1BA.

The Scheme contains a provision for Beazley and New Beazley jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Jersey Court may think fit to approve or impose. The Jersey Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Beazley Shareholders, unless Beazley Shareholders were informed of any such modification, addition or condition. It will be a matter for the Jersey Court to decide, in its discretion, whether or not the consent of Beazley Shareholders should be sought at a further meeting. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Beazley Directors, is of such a nature or importance as to require the consent of

the Beazley Shareholders at a further meeting, the Beazley Directors have confirmed to New Beazley that they will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

If the Scheme is sanctioned at the Jersey Court Hearing and the other conditions to the Scheme have been satisfied, the Scheme is expected to become effective, and dealings in New Beazley Shares are expected to commence, at 8.00 a.m. on 13 April 2016. If the Scheme has not become effective by 31 December 2016 (or such later date as Beazley and New Beazley may agree and the Jersey Court may allow), it will lapse, in which event there will not be a new parent company of Beazley, Shareholders will remain shareholders of Beazley and the existing Ordinary Shares will continue to be listed on the Official List and admitted to trading on the London Stock Exchange.

3.3 *Effects of the Scheme*

Under the Scheme, Scheme Shareholders will have their Ordinary Shares replaced by the same number of New Beazley Shares, which will be denominated in pounds sterling. Scheme Shareholders' proportionate entitlement to participate in Beazley's capital and income will not be affected by reason of the implementation of the Scheme or the New Beazley Reduction of Capital. Scheme Shareholders will not receive any amount in cash pursuant to the terms of the Scheme (other than in circumstances referred to in clause 3(b) of the Scheme).

Under the terms of the Scheme, the holder(s) of any New Beazley Shares in issue immediately prior to the Effective Date will agree to receive one less New Beazley Share under the Scheme for every New Beazley Share held immediately prior to the Effective Date. This is to ensure that the number of New Beazley Shares in issue following the Scheme is exactly the same as the number of Beazley Shares in issue immediately prior to the Scheme becoming effective. As at the date of this document, it is expected that one New Beazley Share will be in issue immediately prior to the Effective Date.

New Beazley is a newly incorporated company which has not traded since its incorporation and, prior to the Scheme becoming effective, will not own any material assets or have any material liabilities. As a result of the Scheme, New Beazley will become the new parent company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.

Beazley has confirmed to New Beazley that it will make announcements to Beazley Shareholders from time to time in relation to the progress of the Scheme, including upon the Scheme becoming effective.

4. *New Beazley Articles*

A summary of the New Beazley Articles is included in paragraph 4 of Part V (*Additional Information*) of this document. The New Beazley Articles are also available for inspection as set out in paragraph 27 of Part V (*Additional Information*) of this document.

5. *Listing, dealings, share certificates and settlement*

Applications will be made to the FCA for the New Beazley Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Beazley Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, subject in each case to the Scheme becoming effective. The last day of dealings in the Ordinary Shares is expected to be 12 April 2016. It is expected that Admission will become effective and that dealings in New Beazley Shares will commence at 8.00 a.m. on 13 April 2016, being the Effective Date. It is expected that the listing of the Ordinary Shares will be cancelled on that date.

These dates may be deferred if it is necessary to adjourn either or both of the Jersey Court Meeting and the Scheme General Meeting or if there is any delay in obtaining the Jersey Court's sanction of the Scheme. In the event of a delay, the application for the Ordinary Shares to be delisted will be deferred, so that the listing will not be cancelled until immediately before the Scheme becomes effective.

With effect from (and including) the Effective Date, all share certificates representing Scheme Shares will cease to be valid and binding in respect of such holdings and should be destroyed.

All documents, certificates or other communications sent by, to, from or on behalf of Scheme Shareholders, or as such persons shall direct, will be sent at their own risk and may be sent by post.

Application will be made for the New Beazley Shares to be admitted to CREST for settlement and transfer purposes. Euroclear requires the Company to confirm to it that certain conditions imposed by the CREST rules are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the New Beazley Shares on admission of the New Beazley Shares to the Official List. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

Subject to the satisfaction of the conditions referred to in paragraph 3.2 of this Part I, to which the Scheme is subject, the New Beazley Shares to which Scheme Shareholders are entitled under the Scheme (as the case may be) will:

- (a) to the extent the entitlement arises as a result of a holding of Ordinary Shares in certificated form at the Scheme Record Time, be delivered in certificated form in the name of the relevant Scheme Shareholder with the relevant share certificate expected to be despatched by post, at the applicant's risk, no later than 28 April 2016; and
- (b) to the extent the entitlement arises as a result of a holding of Ordinary Shares in uncertificated form at the Scheme Record Time, be credited to the appropriate CREST accounts (under the same participant and account ID that applied to the Ordinary Shares), with corresponding entitlements to New Beazley Shares with effect from 13 April 2016.

Notwithstanding anything above or any other provision of this document or any other document relating to the New Beazley Shares, New Beazley reserves the right to deliver any New Beazley Shares applied for through CREST in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Registrars and/or Jersey Registrars in connection with CREST.

Beazley Shareholders who are CREST-sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document.

6. Dividend policy

The New Beazley Directors wish to continue Beazley's existing dividend policy of increasing its ordinary dividend by between 5% and 10% per year.

7. Dividend Access Plan

The Dividend Access Plan will terminate upon the later of: (a) the Effective Date and (b) the payment of the second interim dividend for FY 2015 and the special dividend described in paragraph 8 below. The Dividend Access Plan was primarily designed to ensure that Beazley Shareholders could receive UK dividends. The Dividend Access Plan will not be required after the Scheme becomes effective as New Beazley is incorporated in England and Wales and therefore will pay UK dividends.

8. Second interim dividend for the year ended 31 December 2015 and the special dividend

The Beazley Board has recommended a second interim dividend for FY 2015 of 6.6 pence per share (FY 2014: 6.2 pence per share, FY 2013: 5.9 pence per share) which, together with the first interim dividend of 3.3 pence per share (FY 2014: 3.1 pence per share, FY 2013: 2.9 pence per share) represents a total dividend for FY 2015 of 9.9 pence per share (FY 2014: 9.3 pence per share, FY 2013: 8.8 pence per share).

The Beazley Board has also recommended a special dividend of 18.4 pence per share (2014: 11.8 pence per share, 2013: 16.1 pence per share).

The second interim dividend and the special dividend will each be paid on 31 March 2016 to Beazley Shareholders as at 5.00 p.m. on 26 February 2016. The Dividend Access Plan will remain available for such dividends.

9. Directors and other interests

Dennis Holt, Martin Bride, Adrian Cox, Andrew Horton, Neil Maidment, Clive Washbourn, George Blunden, Angela Crawford-Ingle, Sir Andrew Likierman, Vincent Sheridan and Catherine Woods were appointed as New Beazley Directors on 5 February 2016. Conditional upon the Scheme becoming effective, the Non-Executive Directors will enter into new letters of appointment with New Beazley in order to reflect the structure of the New Beazley Group and any revised duties once the Scheme becomes effective. On the Effective Date, the Executive Directors' respective existing service contracts

with Beazley Management Limited will automatically apply to their appointment as executive directors of New Beazley.

Further information in relation to the terms of the Beazley Executive Directors' service agreements and the terms of the Beazley Non-Executive Directors letters of appointment are set out in paragraph 9 of Part V (*Additional Information*) of this document. The interests of the Directors in the existing share capital of Beazley as at the Latest Practicable Date and in New Beazley immediately after the Scheme becomes effective are set out in paragraph 7 of Part V (*Additional Information*) of this document.

Any rights held by the Directors under the Beazley Employee Share Plans will, where permitted under the rules of the relevant Beazley Employee Share Plan, be preserved so that New Beazley Shares will ultimately be delivered in satisfaction of any of those rights under their terms, in the manner described in paragraph 3 of this Part I. The effect of the Scheme on the interests of Directors is set out in paragraph 7 of Part V (*Additional Information*) of this document. Save as described above, the effect of the Scheme on the interests of Directors does not differ from its effect on the same interests of Scheme Shareholders.

10. Overseas Shareholders

10.1 General

The implications of the Scheme for, and the distribution of this document to, Overseas Persons may be affected by the laws of relevant jurisdictions. Such Overseas Persons should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Scheme and the distribution of this document, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

If, in respect of any Overseas Person, New Beazley is advised that the allotment and issue of New Beazley Shares would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require New Beazley to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Beazley, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that New Beazley may determine either: (a) that the Scheme Shareholder's entitlement to New Beazley Shares pursuant to the Scheme shall be issued to such shareholder and then sold on his behalf as soon as reasonably practicable at the best price which can be reasonably obtained at the time of sale, with the net proceeds of sale being remitted to the Scheme Shareholder; or (b) that the Scheme Shareholder's entitlement to New Beazley Shares shall be issued to a nominee for such Scheme Shareholder appointed by New Beazley and then sold, with the net proceeds being remitted to the Scheme Shareholder concerned. Any remittance of the net proceeds of sale referred to in this paragraph shall be at the risk of the relevant holder.

Overseas Persons should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

10.2 United States

Securities may not be offered or sold in the United States unless they are registered under the US Securities Act or are exempt from such registration requirements. The New Beazley Shares to be issued to Scheme Shareholders in connection with the Scheme have not been, and will not be, registered under the US Securities Act. The New Beazley Shares will be issued in reliance on the exemption provided by section 3(a)(10) of the US Securities Act.

For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof, Beazley and New Beazley will advise the Jersey Court before the Jersey Court Hearing that its sanctioning of the Scheme will be relied on by New Beazley as an approval of the Scheme following a hearing on its fairness to Beazley Shareholders, at which Jersey Court Hearing all Scheme Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all Scheme Shareholders.

The New Beazley Shares may generally be immediately resold without restriction under the US Securities Act by Scheme Shareholders who are not affiliates of New Beazley and have not been affiliates of New Beazley within 90 days prior to the issuance of New Beazley Shares under the Scheme. Thereafter, a former holder of Beazley Shares may generally resell without restriction under the US Securities Act the New Beazley Shares issued under the Scheme, unless such person is an affiliate of New Beazley within 90 days prior to such resale.

Under United States federal securities laws, a New Beazley Shareholder who is an affiliate of New Beazley at the time or within 90 days prior to any resale of New Beazley Shares received under the Scheme will be subject to certain United States transfer restrictions relating to such shares. Such New Beazley Shares may not be sold without registration under the US Securities Act, except pursuant to any available exemptions from the registration requirements (including a transaction that satisfies the applicable requirements for resales outside of the United States pursuant to Regulation S under the US Securities Act) or in a transaction not subject to such requirements. Whether a person is an affiliate of New Beazley for such purposes depends on the circumstances, but affiliates could include certain Officers and Directors and significant New Beazley Shareholders. A New Beazley Shareholder who believes that he or she may be an affiliate of New Beazley should consult his or her own legal advisers prior to any sales of New Beazley Shares received pursuant to the Scheme.

Notice to United States investors: The Scheme relates to the shares of a Jersey company and is to be made by means of a scheme of arrangement provided for under the laws of Jersey. The Scheme is subject to the disclosure requirements and practices applicable in Jersey to schemes of arrangement, which differ from the disclosure and other requirements of United States securities laws. The financial information included in this document has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) and may not be comparable to the financial statements of United States companies. United States generally accepted accounting principles (United States GAAP) differ in certain significant respects from IFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

Beazley is a company registered in Jersey. New Beazley is a company registered in England and Wales. Directors and officers of Beazley and New Beazley may be located outside the United States and, as a result, it may not be possible for New Beazley Shareholders in the United States to effect service of process within the United States upon Beazley or New Beazley or such other persons. A substantial portion of the assets of Beazley and New Beazley and such other persons may be located outside the United States and, as a result, it may not be possible to satisfy a judgment against Beazley or New Beazley or such other persons in the United States or to enforce a judgment obtained by United States courts against Beazley or New Beazley or such other persons outside the United States.

Neither the SEC nor any United States state securities commission has reviewed or approved this document, the Scheme or the New Beazley Shares. Any representation to the contrary is a criminal offence in the United States.

United States investors should refer to paragraph 14 of this Part I for a description of certain US federal tax consequences of the acquisition, ownership and disposition of New Beazley Shares.

11. Beazley facility

On the Effective Date, New Beazley is expected to become an additional obligor and guarantor under the Facilities Agreement in accordance with the accession mechanism therein.

12. Announcements

New Beazley and Beazley will announce the Scheme becoming effective, the delisting of the Ordinary Shares and the listing of the New Beazley Shares via a Regulatory Information Service at the relevant times.

13. UK taxation

13.1 *General*

The statements below summarise the UK tax treatment for New Beazley Shareholders of holding or disposing of New Beazley Shares. They are based on current UK legislation and an understanding of current HMRC published practice as at the date of this document both of which may change, possibly with retroactive effect. The statements are intended as a general guide, should not be construed to be legal or taxation advice and, except where express reference is made to the position of non-UK-residents, apply only to New Beazley Shareholders who are resident and, if individuals, domiciled in the UK for tax purposes. They relate only to such New Beazley Shareholders who hold their New Beazley Shares directly as an investment (other than under an Individual Savings Account) and who are absolute beneficial owners thereof and any dividends paid on them. These statements do not deal with certain types of Shareholders, such as persons holding or acquiring New Beazley Shares in the course of trade or by reason of their, or another's, employment, collective investment schemes and insurance companies.

Any person who is in any doubt as to their taxation position or who is subject to taxation in any jurisdiction other than the UK should consult an appropriate professional adviser immediately.

13.2 *Acquisition of shares in New Beazley*

(a) *Taxation of income*

The Scheme should not be treated as involving a distribution subject to UK tax as income.

(b) *Taxation of chargeable gains*

It is expected that for CGT purposes the Scheme will be a scheme of reconstruction. Accordingly, an Ordinary Shareholder owning less than 5% of the share capital of Beazley will not be treated as making a disposal of all or part of his or her holding of Beazley Shares. Instead, "roll-over" treatment should apply which means that the New Beazley Shares should be treated as the same asset as the Beazley Shares and as having been acquired at the same time as those Beazley Shares.

If an Ordinary Shareholder alone or together with persons connected with him, holds more than 5% of the Beazley Shares, such an Ordinary Shareholder will be eligible for the "roll-over" treatment described above only if the Scheme is effected for *bona fide* commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of liability to CGT or corporation tax on chargeable gains. Clearance has been given by HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 that HMRC is satisfied that the Scheme will be effected for *bona fide* commercial reasons and will not form part of such a scheme or arrangement.

(c) *New Beazley Reduction of Capital*

The New Beazley Reduction of Capital should not have any UK tax consequences for New Beazley Shareholders. It should be treated as a reorganisation of the share capital of New Beazley and, accordingly, should not result in a disposal by any New Beazley Shareholders of any of their New Beazley Shares.

(d) *Transaction in securities*

Shareholders should note that clearances have been given under section 748 of the Corporation Tax Act 2010 and section 701 of the Income Tax Act 2007 that HMRC will not issue a counter-acting tax assessment under the transactions in securities rules in sections 731 *et seq.* of the Corporation Tax Act 2010 and sections 682 *et seq.* of the Income Tax Act 2007 in respect of the Scheme.

(e) *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax ("SDRT") will be payable by Beazley Shareholders as a result of the cancellation of Beazley Shares and the issue of New Beazley Shares under the Scheme.

13.3 *Income from New Beazley Shares*

Under current UK tax law, New Beazley will not be required to withhold tax at source from dividend payments it makes.

(a) *Dividends received from New Beazley*

An individual New Beazley Shareholder who:

- (i) is resident in the UK; or
- (ii) carries on a trade, profession or vocation in the UK through a UK branch or agency through which their New Beazley Shares are held, used or acquired,

will generally be subject to United Kingdom income tax (at the rate of 10% in the case of those who are not higher rate taxpayers and 32.5% in the case of a higher rate taxpayer) on the gross amount of any dividends paid by New Beazley. An individual New Beazley Shareholder will be entitled to a tax credit which may be set off against the shareholder's total UK income tax liability on the dividend. The tax credit will be equal to one-ninth of the cash dividend received. The sum of the actual cash dividend and the tax credit is referred to as the "gross dividend". Such an individual UK resident New Beazley Shareholder who is liable to UK income tax at a rate not exceeding the basic rate will be subject to tax on the dividend at the rate of 10% of the gross dividend, so that the tax credit will satisfy in full such New Beazley Shareholder's liability to UK income tax on the dividend. In the case of such an individual New Beazley Shareholder who is liable to UK income tax at the higher rate, the tax credit will be set against but not fully match the New Beazley Shareholder's UK income tax liability on the gross dividend and such New Beazley Shareholder will have to account for additional UK income tax equal to 22.5% of the gross dividend (which is also equal to 25% of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the New Beazley Shareholder's income falls above the threshold for higher rate income tax.

A tax rate of 45% applies for taxable non-savings and savings income above £150,000. Dividends which would otherwise be taxable at the 45% rate will be liable to UK income tax at a rate of 37.5%. Taxpayers subject to this rate still receive the tax credit equal to one-ninth of the cash dividend received, and pay income tax on the dividend at a rate of 30.6% of the cash dividend received.

A UK resident individual New Beazley Shareholder who is not liable to UK income tax in respect of the gross dividend and other UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to dividends paid by New Beazley.

A corporate New Beazley Shareholder resident in the UK and within an exemption from tax for corporate dividends will generally not (subject to a number of anti-avoidance provisions and any election otherwise) be subject to UK corporation tax on dividends paid by New Beazley.

In the UK Summer Budget 2015 (as delivered by the Chancellor of the Exchequer on 8 July 2015), wide-ranging reforms on the taxation of dividends received by UK resident individuals were announced. From 6 April 2016, the dividend tax credit will be replaced by a new tax-free dividend allowance. This allowance will exempt the first £5,000 of dividend income from UK income tax regardless of the individual's other taxable income. The Chancellor has announced new special dividend tax rates of 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. Legislation in respect of these proposals has not yet been enacted and as such could be subject to change.

13.4 *Disposal of New Beazley Shares*

Liability to UK tax on chargeable gains will depend on the individual circumstances of New Beazley Shareholders.

(a) *Disposal of New Beazley Shares by UK resident New Beazley Shareholders*

A disposal of New Beazley Shares by a New Beazley Shareholder who is resident in the UK may, depending on individual circumstances (including the availability of exemptions and reliefs), be liable to CGT. A New Beazley Shareholder who is an individual and who is temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to CGT on the gain realised (subject to any available exemption or relief). CGT is charged at a flat rate of 18% for individuals, trustees and personal representatives where the gains fall within the basic rate band when treated as the top slice of income. Gains falling within the higher rate band are taxed at 28%. The tax rates are applied irrespective of how long

an asset has been held and taper relief and indexation allowance have been withdrawn. The principal factors which will determine the amount of CGT payable are the level of the annual allowance of tax-free capital gains in the tax year in which the disposal takes place (the allowance for 2015/16 is £11,100), the extent to which the New Beazley Shareholder realises any other capital gains in that year and the extent to which the New Beazley Shareholder has incurred capital losses in that or any earlier tax year.

UK resident companies are within the charge to UK corporation tax in respect of their chargeable gains. The current rate of corporation tax is 20% (scheduled to reduce to 19% from 1 April 2017 and to 18% from 1 April 2020). For the purposes of calculating a chargeable gain but not an allowable loss arising on any disposal or part disposal of New Beazley Shares by a corporate New Beazley Shareholder, indexation allowance on the relevant proportion of the original allowable cost will continue to be available. Broadly speaking, indexation allowance increases the acquisition cost of an asset for tax purposes in line with the rise in the retail prices index and will be calculated by reference to the date of disposal of the New Beazley Shares.

(b) *Disposal of New Beazley Shares by non-UK resident New Beazley Shareholders*

New Beazley Shareholders who are not resident for tax purposes in the UK and who do not carry on a trade, profession or vocation in the UK through a UK branch or agency through which their New Beazley Shares are held, used or acquired will not be liable for CGT on a subsequent disposal of their New Beazley Shares.

A non UK resident corporate New Beazley Shareholder that does not carry on a trade in the UK through a UK permanent establishment through which its New Beazley Shares are held, used or acquired will not be subject to UK corporation tax on chargeable gains on a subsequent disposal of its New Beazley Shares.

13.5 *Stamp duty and stamp duty reserve tax on transfers of New Beazley Shares*

(a) *UK stamp duty and SDRT on dealings in New Beazley Shares*

Any dealings in New Beazley Shares will be subject to UK stamp duty or SDRT. An instrument effecting the transfer on sale will generally be subject to *ad valorem* stamp duty, at the rate of 0.5% thereof (rounded up to the nearest multiple of £5) of the consideration paid. An exemption from stamp duty is available for an instrument transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000. An unconditional agreement to transfer such shares will be liable to SDRT, generally at the rate of 0.5% of the consideration paid, but such liability will be cancelled or a right to a repayment in respect of the SDRT liability will arise if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser.

(b) *SDRT under the CREST system*

Under the CREST system for paperless share transfers, no additional stamp duty or SDRT will arise on a transfer of New Beazley Shares into the system provided, in the case of SDRT, the transfer is not for money or money's worth. Transfers of New Beazley Shares within CREST are liable to SDRT (at a rate of 0.5% of the amount or value of the consideration payable) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected by CREST.

The statements in this paragraph summarise the current position on stamp duty and SDRT and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and certain categories of person may be liable to stamp duty or SDRT at higher rates.

14. **Certain United States federal income tax considerations**

14.1 *General*

The following is a discussion of certain US federal income tax consequences of the acquisition, ownership and disposition of New Beazley Shares that are applicable to a US Holder (as defined below) that acquires New Beazley Shares pursuant to the Scheme. This discussion is not

a complete analysis or listing of all the possible tax consequences of the matters or transactions described herein and does not address all aspects of US federal income taxation that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold New Beazley Shares as capital assets (generally property held for investment) for US federal income tax purposes and that do not own, and are not treated as owning, at any time, 5% or more of the total combined voting power of all classes of New Beazley stock entitled to vote. In addition, this description of certain US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

- (a) banks and financial institutions;
- (b) regulated investment companies;
- (c) real estate investment trusts;
- (d) individual retirement accounts and other tax-deferred accounts;
- (e) tax-exempt entities;
- (f) insurance companies;
- (g) persons holding the New Beazley Shares as part of a hedging, conversion, constructive sale, 'straddle', or other integrated transaction;
- (h) persons who acquired the New Beazley Shares through the exercise or cancellation of compensatory stock options or otherwise as compensation;
- (i) US expatriates;
- (j) persons subject to the alternative minimum tax;
- (k) dealers or traders in securities or currencies; and
- (l) holders whose functional currency is not the US dollar.

This summary does not address any other tax consequences under any state, local or foreign laws. For purposes of this section, a "US Holder" for US federal income tax purposes is: (a) an individual citizen or a resident alien of the United States; (b) a corporation (or other entity treated as a corporation created or organised under the laws of the United States or any state thereof or the District of Columbia); (c) an estate the income of which is subject to US federal income taxation regardless of its source; or (d) a trust (i) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

An individual may be treated as a resident alien of the United States, as opposed to a non-resident alien, for US federal income tax purposes if the individual is a lawful permanent resident in the United States or is present in the United States for at least 31 days in a calendar year and for an aggregate of at least 183 days during a three-year period ending in such calendar year. For the purposes of this calculation, an individual would count all of the days that the individual was present in the then-current year, one-third of the days that the individual was present in the immediately preceding year and one-sixth of the days that the individual was present in the second preceding year. Resident aliens are subject to United States federal income tax as if they were US citizens, and thus would constitute "US Holders" for purposes of the discussion below. Other rules may apply to determine whether an individual is a resident alien for US federal income tax purposes if the individual is a citizen or tax resident of a country with which the United States has a tax treaty.

If a partnership or other pass-through entity (including any entity or arrangement treated as a partnership or pass-through entity for US federal income tax purposes) is a beneficial owner of the New Beazley Shares, the tax treatment of a partner or other owner in the partnership or pass-through entity will generally depend upon the status of the partner or other owner and the activities of the partnership or pass-through entity. A partner or other owner of a pass-through entity that acquires the New Beazley Shares should consult an independent tax adviser regarding the tax consequences of acquiring, owning and disposing of the New Beazley Shares.

The following discussion is based upon the Internal Revenue Code of 1986 (the "Code"), US judicial decisions, administrative pronouncements and existing and proposed Treasury regulations, as well as on the income tax treaty between the US and UK (the "Treaty"), all as

in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. New Beazley has not requested, and will not request, a ruling from the US Internal Revenue Service (the “IRS”) with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions New Beazley has reached and described herein.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of the New Beazley Shares and no opinion or representation with respect to the US federal income tax consequences to any such holder or prospective holder is made. Prospective purchasers should consult their tax advisers as to the particular consequences to them under US federal, state, local and applicable foreign tax laws of the acquisition, ownership and disposition of the New Beazley Shares.

14.2 *New Beazley expects not to be a PFIC*

In general terms, a non-US corporation is a passive foreign investment company (“PFIC”) if for any taxable year either 75% or more of its gross income is passive income (such as dividends, interest, rents, royalties, or gains on the disposition of certain minority interests) or 50% or more of its assets (on average) generate (or are held to generate) passive income. New Beazley does not believe it is currently a PFIC nor does it expect to become a PFIC for US federal income tax purposes in the future because it expects that for the purposes of the PFIC rules, it will be predominantly engaged in an insurance business and is unlikely to have financial reserves in excess of the reasonable needs of its insurance business in any year of operations. However, New Beazley cannot determine with certainty whether it will be treated as a PFIC in the current or subsequent taxable years. PFIC status is fundamentally factual in nature and therefore generally cannot be determined until the close of the taxable year in question.

If New Beazley were to be treated as a PFIC and US Holders did not make the mark-to-market election described below, US Holders of New Beazley Shares would be required: (a) to pay a special US addition to tax on certain distributions and gains on sale and (b) to pay tax on any gain from the sale of New Beazley Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by New Beazley would not be eligible for the special reduced rate of tax described below under “Taxation in Respect of New Beazley Shares – Dividends”. If New Beazley were to be treated as a PFIC, the PFIC rules would apply to a US Holder of New Beazley Shares’ indirect interest in any subsidiary of New Beazley that is also a PFIC.

The adverse results under the PFIC rules can be avoided if the US Holders were able to make a “Qualified Electing Fund” election or mark-to-market election with respect to the New Beazley Shares. However, New Beazley is not obligated, and does not expect, to provide US Holders of New Beazley Shares with the information necessary for a New Beazley Shareholder to make a “Qualified Electing Fund election” in the event New Beazley is determined to be a PFIC so such election would not be available to US Holders. A US Holder may make an election to include gain or loss on the New Beazley Shares as ordinary income or loss under a mark-to-market method, provided that the New Beazley Shares are regularly traded on a qualified exchange. However, no assurance can be given that the New Beazley Shares will be regularly traded for purposes of the mark-to-market election.

14.3 *Taxation in respect of New Beazley Shares*

(a) *Acquisition of New Beazley Shares*

New Beazley intends to take the position that the cancellation of the Beazley Shares and issuance of New Beazley Shares to Beazley Shareholders pursuant to the Scheme (the “Exchange”) should qualify as a non-taxable exchange by US Holders of Beazley Shares for New Beazley Shares under section 351 of the Code and intends to report it as such in any tax return it may file with the IRS. Assuming that the Exchange so qualifies, the following are the principal US federal income tax consequences of the Exchange to a US Holder:

- (i) no gain or loss should be recognised by a US Holder upon the receipt of New Beazley Shares;

- (ii) a US Holder's aggregate tax basis in the New Beazley Shares received should be equal to its aggregate basis in the Beazley Shares cancelled; and
- (iii) a US Holder's holding period for the New Beazley Shares received should include the period during which the US Holder held the Beazley Shares cancelled.

(b) *New Beazley Reduction of Capital*

New Beazley intends to take the position that the New Beazley Reduction of Capital should qualify as a non-taxable transaction to US Holders and intends to report it as such in any tax return it may file with the IRS. If it so qualifies, for US federal income tax purposes a US Holder will not recognise any gain or loss as a result. In such a case, a US Holder's aggregate tax basis in the New Beazley Shares held after the New Beazley Reduction of Capital will be equal to its aggregate basis in such shares before the New Beazley Reduction of Capital, and its holding period for the New Beazley Shares held after the New Beazley Reduction of Capital will include the period during which the US Holder held, or is deemed to have held, such shares before the New Beazley Reduction of Capital.

(c) *Dividends*

The gross amount of any distribution paid by New Beazley will generally be subject to United States federal income tax as foreign source dividend income to the extent paid out of New Beazley's current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount will be includable in gross income by a US Holder as ordinary income on the date that the US Holder actually or constructively receives the distribution in accordance with the US Holder's regular method of accounting for US federal income tax purposes. The amount of any distribution made by New Beazley in property other than cash will be the fair market value of such property on the date of the distribution.

Dividends paid by New Beazley will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Beazley Shares and thereafter as capital gain. However, New Beazley will not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. Thus, while US Holders generally should assume that any distribution by New Beazley with respect to New Beazley Shares will likely constitute ordinary dividend income, there can be no assurance that this will always be the case. US Holders should consult their tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from New Beazley.

Subject to applicable limitations, dividends paid by New Beazley will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided New Beazley qualifies for the benefits of the Treaty, which New Beazley currently believes it will. A US Holder will be eligible for this reduced rate only if it has held the New Beazley Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

(d) *Foreign currency dividends*

Dividends paid in foreign currency will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the foreign currency is converted into US dollars at that time. If dividends received in foreign currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. Any gain or loss recognised on a sale or other disposition of a foreign currency will be US source ordinary income or loss.

(e) *Sale or other disposition*

A US Holder generally will recognise gain or loss upon the sale, exchange or other disposition of the New Beazley Shares in an amount equal to the difference, if any, between: (a) the amount realised upon the sale, exchange or other taxable disposition and (b) the US Holder's adjusted tax basis in the New Beazley Shares. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale,

exchange or other disposition, the US Holder has held the New Beazley Shares for more than one year. Capital gains are taxed at a reduced rate to non-corporate holders. The deductibility of capital losses is subject to limitations.

The amount realised on a sale or other disposition of New Beazley Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Beazley Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

(f) *Medicare tax*

US Holders who are individuals, estates or trusts with modified adjusted gross income that exceeds certain thresholds will be subject to a Medicare tax of 3.8% on their investment income, net of deductions properly allocable to such income, above such thresholds. This tax will be in addition to any US federal income tax imposed on US Holders with respect to amounts received that constitute investment income for this purpose, including dividends and gain from the sale of shares. US Holders should consult their tax advisers regarding the application of this tax.

(g) *Disposition of foreign currency*

Foreign currency received on the sale or other disposition of a New Beazley Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Beazley Shares or upon exchange for US dollars) will be US source ordinary income or loss.

(h) *Backup withholding and information reporting*

Payments of dividends and other proceeds with respect to New Beazley Shares, by a US paying agent or other US intermediary, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the US Holder's US federal income tax liability, provided that the required information is furnished to the IRS.

(i) *Foreign financial asset reporting*

Certain US Holders who are individuals (and under proposed regulations, certain entities controlled by individuals) may be required to report information relating to their ownership of the New Beazley Shares, unless the New Beazley Shares are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US Holders should consult their tax advisers regarding their reporting obligations with respect to the New Beazley Shares.

PART II

BUSINESS DESCRIPTION OF THE GROUP

The business description set out below relates to Beazley and the Group as at the date of this document. If the Scheme becomes effective, New Beazley will become the parent company of the Group on the Effective Date and the business description will relate to New Beazley and the New Beazley Group.

1. Introduction

The Group is a global specialist insurance and reinsurance group with underwriting platforms in the Lloyd's market, the United States and Ireland. The Group also operates out of an international network of offices in Australia, Dubai, France, Germany, Norway and Singapore. As at 31 December 2015, the Group employed approximately 1,020 staff across its operations.

The Group's principal business is conducted: (a) in the United Kingdom, through the Beazley Syndicates; (b) in the United States, through BICI, an admitted carrier in all 50 states and the District of Columbia; and (c) in Ireland, through Beazley Re, which writes internal reinsurance business. Through the Managed Syndicates and the Group's service companies, the Group is licensed in the US and, by virtue of its Lloyd's syndicates, is licensed to provide specialist insurance services to businesses in the US and over 200 other countries and territories. Beazley's regulated subsidiary, Beazley Furlonge Limited, acts as the managing agent for the Managed Syndicates. The Beazley Syndicates, as well as being managed by Beazley Furlonge Limited, are fully backed by the Group (through the capital of Beazley Underwriting Limited) whilst the Managed Syndicates are backed solely by third-party Lloyd's names. Syndicate 6050, one of the Managed Syndicates, was established as a special purpose syndicate in cooperation with Korean Re. These businesses are integrated onto a single operating platform and managed on a product-line basis across six divisions:

<i>Division</i>	<i>Principal classes of business</i>	<i>Proportion of gross premiums written in FY 2015</i>
Specialty Lines.....	Professional lines, employment practices liability, specialty liability, privacy and data breaches, directors and officers' liability and healthcare	49%
Property.....	Commercial, high-value homeowners' and construction	17%
Marine.....	Hull and miscellaneous, energy, cargo, war and marine liability	13%
Reinsurance.....	Property catastrophe, property per risk, aggregate excess of loss, <i>pro rate</i> business and casualty clash	9%
Life, Accident & Health.....	Life, supplemental medical, personal accident and sports risks	6%
Political Risks & Contingency.....	Terrorism, political violence, expropriation, credit risks as well as contingency and risks associated with contract frustration	6%

The Group's business diversity, both by class of business and geography, is considered by the Directors to provide a balanced exposure to risk. Underwriting some 43 specialist classes, the Group has the ability, subject to obtaining any applicable regulatory or Lloyd's approvals, to vary its mix of business with a view to optimising risk-based returns, according to specific market conditions for each class. The Group's portfolio comprises both large and small risks, with a geographical spread, and a balance between short- and medium-tail business. Through monitoring a diversified underwriting portfolio, the Group seeks to achieve a consistent combined ratio through market cycles.

In FY 2015, the Group's share of gross premiums written totalled US\$2,080.9 million (FY 2014: US\$2,021.8 million, FY 2013 US\$1,970.2 million).

The Group's operations in the United States have grown strongly over recent years as the Group's national presence has provided greater access to business in its areas of speciality. During FY 2015, 58% of the Group's gross written premiums related to risks in the United States (with 27% relating to risks in Europe and 15% relating to risks in other territories).

The Group's objective is to become and be recognised as the highest performing specialist insurer. In order to realise this objective, the Group's strategy focuses on three key areas: prudent capital

allocation to achieve diversified profitability across the Group, the nurturing and enhancement of the Group's skills base and the scaling of the Group's operations to ensure that, as the Group grows, it can continue to provide the level of service that the Group's brokers and clients expect.

2. History and Development

2.1 Background

Since its establishment in 1986, the Group has developed from a small London market managing agent to a global specialist insurance and reinsurance business with underwriting platforms in the Lloyd's market, the United States and Ireland.

Beazley Furlonge & Hiscox Limited commenced trading in 1986 as a joint venture between the Hiscox Group, Andrew Beazley and Nicholas Furlonge, to act as the managing agent of Syndicate 623. In 1993, Beazley Furlonge Holdings Limited, purchased the Hiscox Group's stake. Following completion of the buy-out, the managing agent was renamed Beazley Furlonge Limited.

In 1997, Aon acquired a 49.9% interest in Beazley Furlonge Holdings Limited. This company, together with Aon, formed Beazley Dedicated, a corporate member of Lloyd's, for the purpose of committing capital to Syndicate 623. In March 2001, management, employees and associates bought out Aon's interest in Beazley Furlonge Holdings Limited.

In 2002, the Group established a new syndicate, Syndicate 2623, which was initially supported by a subsidiary of Berkshire Hathaway, Inc., increasing the managed capacity of the Group by £78 million to £403 million. In the same year, the then parent company of the Group was admitted to trading on the London Stock Exchange's main market for listed securities, raising £150 million in capital through its initial public offering. The proceeds of the offering provided capital to support Syndicate 2623, which, from 2003 onwards, was backed solely by the Group's capital.

Pursuant to a rights issue in 2004, the Group raised a further £105 million (net of expenses) to provide capital to support the continued growth in its underwriting activities at Lloyd's and to develop its US ambitions.

In 2005, the Group expanded into the United States through the acquisition of the Omaha Property and Casualty Insurance Company, which was subsequently renamed Beazley Insurance Company, Inc., for US\$20.5 million. The Group now operates in the United States across all 50 states and the District of Columbia, through BICI and a managing general agent, Beazley USA Services, Inc., which writes business on behalf of both BICI and the Managed Syndicates.

In November 2008, Beazley acquired Momentum Underwriting Management Limited and established Syndicates 3623 and 3622. Syndicate 3623 focuses on personal accident business, whilst Syndicate 3622 is a dedicated life syndicate.

In 2009, following a review of the Group's organisational, operating and capital structure, Beazley, a company incorporated and registered in Jersey, became the new holding company of the Group by way of a scheme of arrangement and Beazley Re was incorporated in Ireland to underwrite insurance business from Dublin.

In April 2009, the Group raised £150 million by way of a rights issue, with the proceeds being used to develop its business. Also in 2009, the Group completed the acquisition of First State Management Group, Inc., a US underwriting manager focusing on surplus lines commercial property business.

In 2010, Syndicate 6107, a sidecar syndicate, was formed to grow the Group's reinsurance business.

In April 2011, the Group expanded its presence in the Australian group disability market through the purchase of two managing general agencies, Australian Income Protection and Blue-GUM Special Risks.

In March 2015, the Group entered into a partnership with Korean Re to develop business together and to establish a special purpose syndicate at Lloyd's (Syndicate 6050). Under the agreement, Syndicate 6050 will write a whole account quota share of Syndicate 623 and Syndicate 2623 and the Group will take a quota share of Korean Re's commercial lines book. The agreement envisages the Group embedding products with Korean Re to distribute through its domestic distribution channels.

2.2 Capacity structure

The following table shows the growth in the underwriting capacity of the Managed Syndicates and the Beazley Syndicates for the 2005 to 2015 years of account:

	Year of account										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Managed Syndicates capacity (£ million).....	742	830	860	847	917	1,307	1,319	1,318	1,408	1,514	1,457
Growth (%).....	—	12	4	(2)	8	43	1	—	7	7	(4)
Beazley Syndicates capacity (£ million).....	522	647	697	692	769	1,077	1,090	1,094	1,165	1,250	1,187
Growth (%).....	31	24	—	(1)	11	40	1	—	7	7	(5)

Underwriting capacity across the Managed Syndicates and the Beazley Syndicates is managed by Beazley Furlonge Limited. Between 2001 and 2007, managed capacity increased in response to improving market conditions. The growth was mainly achieved in existing areas of expertise rather than by entering new classes of business. In 2008, the Group reduced capacity in anticipation of a less attractive rating environment. However, there were significant increases in capacity during 2009 and 2010, which were principally due to additional businesses acquired during these years (as described above). In addition, a significant proportion of the Beazley Syndicates' and the Managed Syndicates' business is written in the United States, whereas the underwriting capacity of those syndicates is reported in sterling. Accordingly, the US dollar/pound sterling exchange rate affects the reported underwriting capacity of the Beazley Syndicates and the Managed Syndicates. Therefore, another significant factor affecting the reported underwriting capacity in the 2009 and 2010 years of account was the strengthening of the US dollar against sterling during that period. Capacity remained relatively stable during 2011 and 2012, but it was increased in 2013 and 2014 in order to achieve planned growth in premiums written. In 2015, capacity was flat in US dollar terms; the decrease reported in sterling was due to the movement in the exchange rate for the US dollar against sterling.

2.3 Underwriting performance

The table below sets out the Group's claims ratio, expense ratio and combined ratio over the last five full financial years relative to the combined ratio of the Lloyd's market as a whole.

	2011	2012	2013	2014	2015	Five-year average ⁽¹⁾
Expense ratio.....	37%	38%	39%	40%	39%	39%
Claims ratio.....	62%	53%	45%	49%	48%	51%
Combined ratio.....	99%	91%	84%	89%	87%	90%
Lloyd's market ratio ⁽²⁾	107%	91%	87%	88%	— ⁽³⁾	— ⁽⁴⁾

Notes:

(1) Five-year average based on 2011 to 2015 reporting periods.

(2) Source: Lloyd's.

(3) The 2015 Lloyd's market ratio has not been published as at the date of this document.

(4) It is not possible to provide a five-year average of the Lloyd's market ratio over the 2011 to 2015 reporting periods due to the unavailability of 2015 data as at the date of this document. The four-year average for the Lloyd's market ratio over the 2011 to 2014 reporting periods was 93%.

The Group's combined ratio in 2011 was principally due to that year being a year of significant catastrophe losses. The Group's combined ratio of 91.0% for 2012 was in line with the combined ratio of 91.1% for the broader Lloyd's market in the same year. In 2013 and 2015, the Group's combined ratios of 84% and 87%, respectively, were lower than the historic average due to relatively low levels of claims activity with no significant catastrophes or adverse developments on prior years' claims. In 2014, the Group's combined ratio of 89% was closer to the historic average.

3. Strategy

The Group's objective is to become and be recognised as the highest performing specialist insurer. In order to realise this objective, the Group's strategy focuses on seeking to:

- achieve diversified profitability across the Group through prudent capital allocation;

- diversify its insurance and reinsurance portfolio through geography, class of business, size of risk and mix of short-tail/long-tail business;
- attract and retain high-quality underwriters and claims specialists in the market;
- nurture and enhance its skill base with talented underwriters to lead the growth of its business;
- grow through innovation and development of new products to meet clients' needs;
- focus on maintaining a high level of service to both brokers and clients; and
- structure its approach to broker relationships with dedicated teams.

4. The Group and its principal businesses

The Group currently operates across six insurance and reinsurance divisions.

4.1 *Specialty Lines*

The Specialty Lines division comprises professional liability and management liability risks, including cyber liability, underwritten for clients on both a primary and excess basis in North America, Europe and around the world. The Specialty Lines division generated gross written premiums of US\$1,015.2 million in FY 2015 (FY 2014: US\$895.7 million). Established in 1986, the Directors believe that Specialty Lines is a market leader in many of its lines of business. Cyber liability is written under traditional errors and omissions (E&O) coverage, information security liability coverage and the Beazley Breach Response product, which provides information security coverage with additional breach management services. The division is organised by size into large and small risk teams (the latter of which is known as "Private Enterprise"). The specialty treaty team provides specific product reinsurance cover to insurance carriers. In FY 2015, the Specialty Lines division led on approximately 97% of risks written, contributed US\$77.0 million to Group underwriting profit before tax (FY 2014: US\$72.5 million) and had a combined ratio of 96% (FY 2014: 98%).

The Specialty Lines division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Specialty Lines FY 2015 gross written premiums</i>
Technology, Media and Business Services.....	Errors and omissions, privacy and data breaches and network security liability	27%
Management Liability.....	Public company D&O, employment practices, private company, non-profit organisations, fiduciary and crime liability, with US private enterprise and middle market focus	20%
Small Businesses	Professional liability, errors and omissions, privacy and data breaches, and network security liability	19%
Professions	Professional negligence and malpractice with US focus, targeting architects and engineers, lawyers, healthcare and technology, media and business services	16%
Healthcare.....	Medical malpractice, management liability, network security and privacy, commercial property and terrorism coverage	11%
Treaty.....	Specific product reinsurance	6%
Crime	Crime insurance and financial fidelity insurance	1%

4.2 *Property*

The Property division generated gross written premiums of US\$353.1 million in FY 2015 (FY 2014: US\$344.7 million). Established in 1992, the team's underwriters underwrite this business through three geographic platforms: the Lloyd's market, the United States and Singapore. The division's business focuses on commercial property, jewellers, construction risks and select homeowners business. In FY 2015, the Property division led on approximately 75% of risks written, contributed US\$59.7 million to Group underwriting profit before tax (FY 2014: US\$54.3 million) and had a combined ratio of 84% (FY 2014: 86%).

The Property division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Property FY 2015 gross written premiums</i>
Commercial Property.....	Risk-managed and surplus lines property business, written on a worldwide basis	56%
Small Property Business	Commercial fire and personal lines business written via binding authorities granted to experienced agents	21%
Jewellers and Homeowners...	Homeowners' business in the UK and bespoke policies to the jewellery trade	14%
Engineering	Construction and engineering business written on a worldwide basis	9%

4.3 **Marine**

The Marine division generated gross written premiums of US\$269.3 million in FY 2015 (FY 2014: US\$325.2 million). Established in 1998, the division has a lead capability and has established a strong profile in the oceangoing vessels sector. Since inception, the account has been expanded with teams providing leading capacity in both the energy and cargo sectors. In FY 2015, the Marine division led on approximately 46% of risks written, contributed US\$66.9 million to Group underwriting profit before tax (FY 2014: US\$71.1 million) and had a combined ratio of 77% (FY 2014: 78%).

The Marine division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Marine FY 2015 gross written premiums</i>
Energy.....	Risks relevant to energy supply generation and delivery, including upstream energy, midstream energy, downstream energy and renewables	26%
Hull and Miscellaneous	Builders' risk, hull and machinery, increased value, mortgagee's interest and voyage and towage	22%
Cargo	Cargo physical damage and associated liabilities	19%
Liability.....	Legal liabilities associated with the maritime industry, specifically pollution, charterer's liability, protection and indemnity, Mortgages Additional Perils (MAP), overspill, excess pollution and other associated risk	12%
War	Marine and aviation, war and terrorism and associated perils	10%
Aviation	Hull and liability, total loss, and plane repairs and overhauls	8%
Satellite	Satellite and launch vehicle physical damage, loss of revenue and third-party liability	2%
Kidnap and Ransom	Kidnap, extortion, hijack and detention	1%

4.4 **Reinsurance**

The Reinsurance division generated gross written premiums of US\$199.9 million in FY 2015 (FY 2014: US\$200.8 million). Established in 1986, the team provides capacity predominantly to cedents operating in the major non-life insurance markets. The division specialises in writing property catastrophe, per risk excess of loss, *pro rate* business and casualty clash. The main exposures outside of the United States emanate from the United Kingdom, Europe, Japan, Canada and Australasia. In FY 2015, the Reinsurance division led on 40% of risks written, contributed US\$66.3 million to Group underwriting profit before tax (FY 2014: US\$60.0 million) and had a combined ratio of 57% (FY 2014: 69%).

The Reinsurance division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Reinsurance FY 2015 gross written premiums</i>
Property Catastrophe.....	Excess of loss reinsurance covering reinsurers for the accumulation of losses resulting from a catastrophic event	72%
Property Risk.....	Excess of loss reinsurance covering reinsurer for a loss in excess of a specified retention risk. <i>Pro rate</i> covers quota share and surplus share reinsurance	16%
Korean Re	Quota share from Korean Re under the Co-operation Agreement	7%
Miscellaneous.....	Engineering, motor and nuclear business	4%
Casualty Clash.....	Auto and worker compensation accounts	1%

4.5 *Life, Accident & Health*

The Life, Accident & Health division generated gross written premiums of US\$119.8 million in FY 2015 (FY 2014: US\$132.2 million). Established in 2000, the division became part of the Group in November 2008 through the acquisition of the specialist agency Momentum Underwriting Management Limited. With offices in the United Kingdom, United States and Australia, the Life, Accident & Health division specialises in life, sports and personal accident insurance. In FY 2015, the Life, Accident & Health division led on approximately 68% of risks written, contributed US\$0.4 million to Group underwriting profit before tax (FY 2014: US\$(5.8) million) and had a combined ratio of 103% (FY 2014: 107%).

The Life, Accident & Health division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Life, Accident & Health FY 2015 gross written premiums</i>
Personal Accident Direct	Key man, sports, aviation, ships crew, credit card, common carrier, income protection, excess cover, travel, accident medical, war risks, terrorism risks and supplemental medical	52%
Personal Accident Reinsurance	Reinsurance of personal accident	25%
Life Direct.....	Group life, credit life, sports life, ships crew life, aviation life, specialist cover for persons employed in hazardous occupations and/or hot zones	15%
Sports.....	Accidental death, permanent total disablement, temporary total disablement, accidents and sickness	6%
Life Reinsurance.....	Reinsurance of life	2%

4.6 *Political Risks & Contingency*

The Political Risks & Contingency division generated gross written premiums of US\$123.6 million in FY 2015 (FY 2014: US\$123.2 million). The division was separated from the Specialty Lines insurance division with effect from 1 January 2008. The division writes business from the United Kingdom, the United States, Dubai and Singapore. In FY 2015, the Political Risks & Contingency division led on approximately 68% of risks written, contributed US\$29.0 million to Group underwriting profit before tax (FY 2014: US\$26.2 million) and had a combined ratio of 76% (FY 2014: 78%).

The Political Risks & Contingency division includes the following classes of business:

<i>Class</i>	<i>Description</i>	<i>Proportion of Political Risks & Contingency FY 2015 gross written premiums</i>
Political	Political risks, contract frustration, trade credit and political violence	37%
Contingency	Event cancellation, non-appearance, weather, film production, prize indemnity and event liability	32%
Terrorism	Terrorism (property damage/business interruption), RSCCT (riots, strikes, civil commotion and terrorism), war perils (mutiny, insurrection, rebellion, <i>coup d'état</i> and war on land) and kidnap & ransom	31%

5. Product development and distribution

5.1 Product development

The Group is continually seeking to refine the products it offers, as well as launching new products aimed at targeted niche markets. Key product launches during the 12-month period prior to the date of this document include:

- Beazley NutraGuard™, a nutraceutical-focused insurance product which provides a dedicated insurance form customised for nutraceutical manufacturers and distributors with the flexibility to cover products liability, general liability, errors and omissions, product recall expense, employee benefits liability, cyber/privacy, and hired/non-owned auto insurance;
- Beazley Practice Protect, an enhanced management liability policy for law firms;
- Beazley Remedy, a broad management liability policy for healthcare organisations that includes regulatory liability coverage for hospitals and some other categories of healthcare provider;
- Deadly Weapon Protection provides primary liability for lawsuits arising from harm caused by attacks using deadly weapons; it also includes a pre-loss risk assessment and specialist crisis management services to coordinate the client's response post event and post-event counselling services; and
- Beazley Workplace Protect provides wage and hour coverage along with employment practices liability insurance for allegations of discrimination, harassment, retaliation and privacy violations. It is supported by risk management services to help prevent claims from occurring.

Together with the development and introduction of new products, the Group also seeks to strengthen its business through the recruitment of specialist underwriters. Over the 12-month period prior to the date of this document, the Group made a number of such hires, including the recruitment of underwriters specialising in writing business relating to: excess and surplus lines property liability, environmental liability, hull liability, miscellaneous medical liability, property treaty (in country hires in France and China) and media technology.

5.2 Product distribution

The Group has been developing ways of providing its customers with access to insurance products in order to continue its current growth. These developments aim to facilitate access for brokers and insurers to the Group's products, who would not typically go through Lloyd's, by increasing the Group's presence in local markets and streamlining its processes for risk placement. Significant developments in this area have included:

- expanding the Group's US branch network from one office in 2005 to 10 offices as at the date of this document;
- expanding the Group's Singapore office to add underwriters specialising in Marine and Speciality Lines;

- establishing an office in Dubai in 2014 to access local political risk and violence, terrorism, trade credit and contingency business;
- adding local representation in Rio de Janeiro and Miami to develop the Group's Latin American business; and
- providing technology solutions for retail brokers to efficiently offer products to their SME clients.

6. Competition

The international insurance and reinsurance markets are very competitive, encompassing a range of niche and multi-product insurance and reinsurance underwriters. The Group has a number of principal competitors which fall into three categories: (a) those that it competes with directly in the Lloyd's market, where key participants include syndicates managed by the Company, Catlin, Chaucer and Hiscox, and those insurers based in the London company market; (b) those that it competes with directly in the United States property and specialty market such as AIG, XL, Chubb, The Travelers and CNA; and (c) those in Bermuda who are competing for business directly with the Lloyd's market and the United States property and specialty markets, together with the United States and London operations of many leading international insurers and reinsurers such as Munich Re, Swiss Re, Hannover Re and units of AIG, Berkshire Hathaway and The Travelers.

The Directors believe that insurers' ability to compete effectively in their target markets is predicated on several factors, including:

- experience and underwriting record of the management team;
- breadth and depth of broker and intermediary relationships;
- access to clients across markets and regions;
- range of products offered;
- capital strength;
- attractiveness of rates, terms and client service;
- obtaining and maintaining regulatory licences; and
- actual and perceived financial strength ratings.

7. Risk management

7.1 *Risk management philosophy*

The Group's risk management philosophy is to seek to balance the risks the business takes on with the associated cost of controlling these risks, whilst also operating within the risk appetite agreed by the Beazley Board. In addition, the Group's risk management processes are designed to continuously monitor the Group's risk profile against risk appetite and to exploit opportunities as they arise.

7.2 *Risk management strategy*

The Beazley Board has delegated executive oversight of the Group's risk management department to the Group's Executive Committee, which in turn has delegated immediate oversight to the Risk and Regulatory Committee. The Board has also delegated oversight of the risk management framework to the Audit and Risk Committee and certain of Beazley's regulated subsidiaries have established a board risk committee.

Clear roles, responsibilities and accountabilities are in place for the management of risks and controls, and all employees are aware of the role they play in all aspects of the risk management process, from identifying sources of risk to their part in the control environment. The impact of each risk is recorded in the risk register on a 1:10 likelihood of that risk manifesting in the next 12 months. A risk owner has been assigned responsibility for each risk, and it is the responsibility of that individual to periodically assess the impact of the risk and to ensure appropriate risk mitigation procedures are in place. External factors facing the business and the internal controls in place are routinely reassessed and changes are made when necessary. On an annual basis, the Beazley Board agrees the risk appetite for each risk event and this is documented in the risk framework document. The residual financial impact is managed in a number of ways, including:

- mitigating the impact of the risk through the application of controls;
- transferring or sharing risk through outsourcing and purchasing insurance and reinsurance; and
- tolerating risk in line with the risk appetite.

In addition, the following risk management principles have been adopted by the Group:

- risk management is a part of the wider governance environment;
- techniques employed are fit for purpose and proportionate to the business;
- it is a core capability for all employees;
- risk management is embedded in day-to-day activities;
- there is a culture of risk awareness, in which risks are identified, assessed and managed;
- risk management processes are robust and supported by verifiable management information; and
- risk management information and reporting is timely, clear, accurate and appropriately escalated.

7.3 *Risk management framework*

The Group's risk management framework has three principal elements: business risk management, the risk management function and the internal audit function.

The Group's risk management framework is summarised in the table below:

<i>Risk management element</i>	<i>Role</i>	<i>Role in risk management framework</i>
Business risk management	Risk ownership	<ul style="list-style-type: none"> • Identifies risk • Assesses risk • Mitigates risk • Monitors risk • Records status • Remediates when required
Risk management	Risk oversight	<ul style="list-style-type: none"> • Are risks being identified? • Are controls operating effectively? • Are controls being signed off? • Reports to committees and board
Internal audit	Risk assurance	<ul style="list-style-type: none"> • Independently tests control design • Independently tests control operation • Reports to committees and Beazley Board

Within business risk management, there are three defined risk and control roles: risk owner, control owner and control reporter. Each risk is designated as the responsibility of a senior member of staff. These risk owners, supported by the risk management team, formally perform a risk assessment twice a year, including an assessment of heightened and emerging risks.

The Group maintains a risk register that records the risks that apply to the Group and its business. These risks are grouped into eight categories: insurance, market, credit, liquidity, operational, regulatory and legal, group and strategic.

In considering these risks, the Beazley Board sets the risk appetite to be followed by the Group. The Group then implements a control environment which seeks to ensure that the Group's business operations stay within these risk appetite parameters. The Group's risk management team provides reports to the Beazley Board on how well the business is operating using a consolidated assurance report. For each identified risk, this report brings together a view of how successfully the Group's business is managing risk, qualitative commentary from the assurance function and details of any events that have highlighted any risk management improvements that can be made. The Group seeks to improve this framework through stress and scenario testing, themed reviews using risk profiles and an assessment of strategic and emerging risks.

A suite of risk management reports are provided to senior management and Beazley Board members to assist them in discharging their decision-making responsibilities. The risk reports include the risk appetite statement, the consolidated assurance report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the remuneration committee and the Group's Own Risk and Solvency Assessment.

As part of its wider role, the internal audit function reviews the Group's risk management framework in order to determine its annual risk-based audit plan. Any recommendations from these internal audit reviews are considered by the Group's risk management function for inclusion in the risk register.

8. Regulatory environment

8.1 Regulation of the Group at Lloyd's

(a) Overview

The Society of Lloyd's is itself authorised by the PRA and regulated by the PRA and the FCA and its senior personnel are required to be approved by the regulators. Lloyd's regulated activities include arranging deals in contracts written at Lloyd's (the basic market activity), arranging deals in Lloyd's syndicates (the secondary market activity) and carrying out any activity in connection with, or for the purposes of, these two activities.

The Council of Lloyd's is the governing body of the Lloyd's market and under the Lloyd's Act 1982 it is responsible for the management and supervision of the Lloyd's market. The Council has the power to regulate and direct the business of the market, and to make byelaws. Lloyd's market rules are set out in the byelaws, and in other guidance, codes of conduct and bulletins issued by the Council or under its authority, although regulation of the Lloyd's market is under the ultimate direction of the PRA and the FCA.

Lloyd's does not carry on insurance activity itself but regulates its members doing so. Members of Lloyd's form and underwrite all insurance business via syndicates which consist of one or more such members. Lloyd's supervises its own members (including in relation to setting the amount of capital required to be provided by each member to support its underwriting liabilities) under the direction of the PRA and the FCA. Members are not required to be authorised under FSMA but must abide by the Lloyd's rules which means that they are indirectly regulated by the PRA and the FCA given that Lloyd's itself is a dual-regulated firm. Under section 318 of FSMA, the PRA and the FCA can give directions to Lloyd's in order to advance one or more of their statutory objectives, for example by imposing particular rules on members. Lloyd's has a memorandum of understanding with the PRA and the FCA to assist with cooperation in supervision and enforcement.

(b) Managing agents

Syndicates are managed by managing agents who are authorised by the PRA and regulated by the PRA and the FCA. A Lloyd's managing agent is required to hold permissions under FSMA for managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's, and usually also for insurance mediation activities such as dealing as agent, arranging, advising on investments, and assisting in the administration and performance of contracts of insurance. Certain restrictions may be placed upon these permissions, including in relation to the scope of a firm's business, capital, liquidity and interactions with affiliates. Additionally, a managing agent needs the approval of the Lloyd's Franchise Board to manage a syndicate. Furthermore, individuals within managing agents carrying out certain controlled functions will require prior approvals from the PRA or the FCA before carrying out those functions.

Managing agents must meet certain "threshold conditions" specified by the PRA and/or the FCA. These conditions relate to matters including the adequacy of the firm's financial and other resources and whether a firm is a fit and proper person to conduct its regulated activities, having regard to all the circumstances (including whether the firm's affairs are conducted soundly and prudently).

(c) *Prudential and capital requirements*

Lloyd's capital structure is tripartite and comprises: (i) syndicate level assets; (ii) funds at Lloyd's; and (iii) mutual assets. This structure, referred to by Lloyd's as the "chain of security", seeks to ensure that members' liabilities in connection with their underwriting business can be met.

- (i) Syndicate level assets are the insurance premiums which are collected by members and held in a premium trust fund for the benefit of policyholders whose contracts are underwritten by the syndicate. These monies are the first resource used for paying claims made by the members' policyholders from that syndicate.
- (ii) Each member must provide capital to support its underwriting at Lloyd's. This capital (known as "funds at Lloyd's") is held on trust as a buffer to back up each member's underwriting liabilities in each syndicate in which it is a member.
- (iii) Members make annual contributions to the Central Fund. These mutual assets can be used to pay out in relation to the claims against any member who fails to meet its insurance liabilities in full. In addition this is supplemented by a "callable layer" of up to 3% of members' overall premium limits which the Society of Lloyd's can call upon to meet claims.

As dual-regulated firms in their own right, managing agents such as Beazley Furlonge Limited are under an obligation to manage the syndicate assets and the insurance business carried on by members of the syndicate in accordance with the PRA's General Prudential Sourcebook and the Prudential Sourcebook for Insurers. This requires managing agents to ensure that the financial resources for each syndicate they manage and the capital resources at syndicate level are adequate, and that they establish and maintain systems and controls for the management of prudential, credit, market, operational and insurance risks for each syndicate. Managing agents are also subject to their own qualifying capital and minimum net asset requirements.

8.2 *Regulation of the Group by the FCA and the PRA*

Since 1 April 2013, the PRA and the FCA have been the regulators for persons authorised under FSMA to undertake regulated activities in the financial services sector in the UK. The PRA oversees and is responsible for the micro-prudential regulation of banks, insurers and some large investment firms. The FCA is responsible for conduct of business regulation for all authorised firms, market regulation and the prudential regulation of firms not authorised by the PRA. The Financial Policy Committee (which sits within the Bank of England) is responsible for the macro-prudential regulation of the entire financial services sector.

Lloyd's managing agents, such as Beazley Furlonge Limited, are authorised and regulated by the PRA as well as having their conduct of business regulated by the FCA and are therefore a dual-regulated firms. The PRA and the FCA have extensive powers to supervise and intervene in the affairs of regulated firms, for example if they consider it appropriate in order to protect policyholders against the risk that the firm may be unable to meet its liabilities as they fall due, that the firm or its parent has failed to comply with obligations under the relevant legislation or rules, that the firm has furnished them with misleading or inaccurate information or that there has been substantial departure from any proposal or forecast submitted to the relevant regulator.

The PRA and the FCA also have the power to take a range of disciplinary and enforcement actions in relation to a breach by a firm of FSMA or the rules made under FSMA as set out in the PRA Handbook of Rules and Guidance, the PRA's Rulebook, other guidance and supervisory statements that the PRA may publish from time to time and the FCA Handbook of Rules and Guidance. Such disciplinary and enforcement actions may include private censure, public censure, restitution, fines or sanctions and the award of compensation. The PRA (or, where relevant, the FCA) may also cancel or vary (including by imposing limitations on) a regulatory permission of a firm.

Under section 178 FSMA, if a person intends to acquire or increase "control" over a firm authorised by the FCA or the PRA, it must first notify and obtain prior approval from the PRA before becoming a "controller" or increasing its level of control above certain thresholds. Breach of the notification and approval regime is a criminal offence. The approval of the Council of Lloyd's is also required in relation to the change of control of a Lloyd's managing

agent or member. Broadly, Lloyd's applies the same tests in relation to control as are set out in FSMA and in practice coordinates its approval process with that of the PRA. See "*Risk Factors – Applicable insurance laws and regulatory requirements in the UK and elsewhere may discourage potential acquisition proposals and delay, deter or prevent a change of control of the Company*".

8.3 *Regulation of the Group in the United States*

(a) *General*

Insurers conducting business in the United States are bound generally by the state insurance laws and related regulations as administered by insurance regulatory authorities in the states where the insurer is domiciled or conducts business. The business of insurance is exempted from federal regulation except to the extent that a federal law is addressed specifically to insurance regulation. To date, federal insurance regulation has been limited, but momentum is increasing for a larger role by federal regulators.

The National Association of Insurance Commissioners ("NAIC"), while lacking any regulatory power, participates in the regulatory environment by drafting model laws and regulations that are intended to be promulgated in substantially similar form by state legislatures and state insurance departments. The NAIC also determines the reporting format for the financial statements that an insurer is required to submit. A chief goal of the NAIC's efforts is the harmonisation of insurance regulation across all of the states.

(b) *The Managed Syndicates*

Those Managed Syndicates conducting the business of insurance in the US do so on a surplus lines basis. Each Managed Syndicate may only write such business through a surplus lines broker, which is subject to licensing and regulation in the home state of the insured. Among other requirements, the surplus lines broker must ensure that, under the laws of the insured's home state, the business is eligible to be written on a surplus lines basis and the Managed Syndicate is eligible for surplus line placements. State laws generally require a surplus lines broker to determine that the business cannot be placed on an admitted basis in order to be eligible for surplus line placement. However, since the federal Nonadmitted and Reinsurance Reform Act of 2010 ("NRRA") took effect on 21 July 2011, such state law requirements do not apply to insurance procured for insureds that satisfy the definition of "exempt commercial purchasers" in the NRRA. Additionally, as a result of the provisions of the NRRA, the eligibility of surplus line insurers organised outside the United States is now determined by inclusion on the Quarterly Listing of Alien Insurers (the so-called "white list") maintained by the NAIC's International Insurers Department, and no additional state eligibility requirements may be imposed before a surplus line broker can make placements with non-US insurers such as the Managed Syndicates. Nonetheless, a few states still request surplus lines insurers to report certain of their business activities to regulators through surplus lines associations established in each state.

Due to the more lenient regulatory requirements for surplus lines business, those Managed Syndicates writing surplus lines insurance in the United States must provide security for their United States insureds. A Managed Syndicate is required to place in trust a percentage, as determined by volume, of the gross liabilities of such business written. The beneficiaries of the trust are the Managed Syndicate's policyholders and third-party claimants in respect of claims covered by the policies issued to such policyholders.

There is little United States regulation of a Managed Syndicate in respect of reinsurance business it assumes. US state insurance laws and regulations deny balance sheet credit to a US cedant for reinsurance placed with a non-US-licensed reinsurer unless such reinsurer provides security in the form of a trust, letter of credit or funds withheld. The amount of required security is typically 100% of the gross liabilities of such business. The Group provides this security through the Lloyd's American credit for reinsurance trust fund. A significant number of states have recently adopted reduced reinsurance security requirements for non-US-licensed reinsurers that meet certain requirements.

(c) *Beazley Insurance Company, Inc.*

Beazley Insurance Company, Inc. is a United States-admitted insurer.

As a Connecticut-domiciled insurer, BICI is regulated in the first instance by the Connecticut Insurance Department (“CID”). The CID monitors BICI’s financial status through, among other things, discussions with BICI’s representatives, triennial examinations, a review of financial statements that BICI is required to file quarterly, and a review of the annual independent auditor’s and actuary’s certifications. BICI is required to maintain a certain capital minimum in respect of the lines of business it is authorised to write, but further capital is required due to the volume of business it writes and risk-based capital formulas that consider inherent risks in its operations.

BICI is also required to file with the CID information in respect of entities that control BICI, the material and relevant risks associated with BICI, the Group’s current business plan, the sufficiency of capital resources to support those risks and certain types of transactions BICI conducts with affiliates. The CID has broad regulatory authority to require BICI to produce information and to sanction BICI for misconduct. BICI is typically entitled to an administrative hearing on a regulatory ruling by the CID and further judicial review. The CID requires BICI to maintain its books and records and its assets in Connecticut. The CID would also administrate the primary insolvency proceeding for BICI should it become insolvent.

BICI is also licensed in the District of Columbia and all other states in the United States, which results in more limited ancillary state regulation pertaining to the business BICI writes in each such state. Such ancillary regulation pertains principally to interactions with policyholders, in relation to matters such as policy forms, rates, claim settlement practices and market conduct. As BICI is a licensed insurer in all US states, there is no regulatory requirement that BICI provide security for reinsurance it assumes in any state. BICI may be required to provide a deposit in a state other than Connecticut in order to write primary business there.

8.4 *Regulation of the Group by the Central Bank of Ireland*

(a) *General*

The Central Bank of Ireland (“CBI”) is responsible for both central banking and financial regulation in Ireland. The CBI’s regulation of insurance undertakings is undertaken through assertive risk-based supervision, which is underpinned by powers to take a range of disciplinary and enforcement actions. The CBI is responsible for the prudential supervision and conduct of business of authorised firms. It monitors compliance with prudential standards primarily through examining firms’ quarterly and annual prudential returns, financial statements and annual reports and by conducting regular review meetings and on-site inspections.

The CBI has legislative powers to impose sanctions for prescribed contraventions of legislation or regulatory rules. The CBI may conduct an inquiry where it suspects on reasonable grounds that a prescribed contravention is being or has been committed. Any such inquiry will decide if the prescribed contravention has occurred and determine the appropriate sanctions. The CBI has the power to impose sanctions in respect of breaches of regulatory requirements by regulated entities and to publicise the findings and sanctions imposed. The final decision of an inquiry may be appealed to the Irish Financial Services Appeals Tribunal and subsequently to the High Court of Ireland.

If a person intends to acquire or increase “control” over a firm authorised by the CBI, that person must first notify and obtain prior approval from the CBI before becoming a “controller” or increasing its level of control above certain thresholds. Breach of the notification and approval regime is a criminal offence.

(b) *Beazley Re Designated Activity Company*

Beazley Re is authorised by the CBI to write life and non-life reinsurance business. Beazley Re acts as an intra-group reinsurer and provides capital to support the underwriting activities of Beazley Underwriting Limited. Beazley Underwriting Limited is a member of the Group and a corporate member of Lloyd’s. It participates in the Lloyd’s market on a limited liability basis through Syndicate 2623, Syndicate 3622 and Syndicate 3623. Beazley Re has an aggregate excess of loss reinsurance agreement with Beazley Underwriting

Limited. The CBI monitors Beazley Re's financial status through, among other things, a review of: regulatory returns that Beazley Re is required to file on a quarterly and annual basis; its financial statements; an annual Statement of Actuarial Opinion; and an annual Own Risk and Solvency Assessment, together with discussions with the Executive Directors and Non-Executive Directors and meetings with Beazley Re's external auditors. Beazley Re is required to maintain a certain minimum solvency capital requirement calculated in accordance with its CBI-approved internal model.

(c) *Group supervision under the Solvency II Directive*

Under article 247 of the Solvency II Directive, a single regulatory supervisor is responsible for the coordination and exercise of group supervision (the “**group supervisor**”). The group supervisor is designated from among the supervisory authorities of the Member States concerned. For the purposes of Solvency II, Beazley Re is the only insurance or reinsurance undertaking in the Group. Accordingly, pursuant to Solvency II the CBI is the Group's group supervisor. This will not change as a result of the implementation of the Proposals.

The Solvency II Directive has set out certain requirements for groups. These requirements include:

- a group solvency calculation, including eligible capital requirements;
- a group Own Risk and Solvency Assessment;
- group disclosure and supervisory reporting;
- reporting of group risk concentrations and intra-group transactions; and
- requirements relating to group governance and risk management.

As the parent company of the Group, under Solvency II Beazley is required to maintain a certain minimum solvency capital requirement calculated in accordance with its CBI-approved internal model. The CBI monitors Beazley's financial status through, among other things, a review of regulatory returns that Beazley is required to file on a quarterly and annual basis, its financial statements and an annual Own Risk and Solvency Assessment, together with discussions with the Executive Directors and Non-Executive Directors and meetings with Beazley's external auditors.

8.5 *Credit rating agencies*

Rating agencies, whilst they are not regulators, play a significant role in the evaluation of an insurer's credit and its claim-paying resources. An insurer will typically discuss fully its financial details with a rating agency in its rating processes. An insurer's rating is a critical component of any analysis as to whether to place a policy with that insurer; it is even more significant in the surplus lines market. The criteria of a rating agency's analysis include capital adequacy, historical earnings, reinsurance ceded by the insurer, management capability and investment performance.

PART III

OPERATING AND FINANCIAL REVIEW

The financial information below is extracted without material amendment from the Audited Financial Statements.

You should read the information below in conjunction with the Group's audited consolidated financial information incorporated by reference in this document in accordance with Part VI (Information Incorporated by Reference) of this document and the other financial information included elsewhere or incorporated by reference in this document, and you should not rely solely on key and summarised information.

Some of the information in the review set forth below and elsewhere in this document includes forward-looking statements based on current expectations that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Forward-Looking Statements".

The operating and financial review set out below relates to Beazley and the Group as at the date of this document. If the Scheme becomes effective, New Beazley will become the parent company of the Group on the Effective Date and the operating and financial review will relate to New Beazley and the New Beazley Group.

1. Overview

The Group is a global specialist insurance and reinsurance group with underwriting platforms in the Lloyd's market, the United States and Ireland. The Group also operates out of an international network of offices in Australia, Dubai, France, Germany, Norway and Singapore. As at 31 December 2015, the Group employed approximately 1,020 staff across its operations.

The Group's principal business is conducted: (a) in the United Kingdom, through the Beazley Syndicates; (b) in the United States, through BICI, an admitted carrier in all 50 states and the District of Columbia; and (c) in Ireland, through Beazley Re, which writes internal reinsurance business. Through the Managed Syndicates and the Group's service companies, the Group is licensed in the US and, by virtue of its Lloyd's syndicates, is licensed to provide specialist insurance services to businesses in the US and over 200 other countries and territories. Beazley's regulated subsidiary, Beazley Furlonge Limited, acts as the managing agent for the Managed Syndicates. The Beazley Syndicates, as well as being managed by Beazley Furlonge Limited, are fully backed by the Group (through the capital of Beazley Underwriting Limited) whilst Syndicate 623 and Syndicate 6107 are backed also by third-party Lloyd's names. Syndicate 6050 was established as a special purpose syndicate in cooperation with Korean Re. These businesses are integrated onto a single operating platform and managed on a product-line basis across six divisions:

- Specialty Lines;
- Property;
- Marine;
- Reinsurance;
- Life, Accident & Health; and
- Political Risks & Contingency.

Further information on the business of the Group and a description of the Group's strategy is set out in Part II (*Business Description of the Group*) of this document.

2. Documents incorporated by reference

The operating and financial reviews included in the following documents are incorporated by reference into this document:

- (a) the Group's Annual Report and Accounts 2013;
- (b) the Group's Annual Report and Accounts 2014; and
- (c) the Group's Annual Report and Accounts 2015.

3. Cross-reference list

The following list is intended to enable readers of this document to identify easily specific operating and financial reviews and items of information which have been incorporated by reference into this document.

3.1 *The Group's Annual Report and Accounts 2015*

The page numbers below refer to the relevant pages of the Group's Annual Report and Accounts 2015:

Our key performance indicators	iii
Chairman's statement.....	14 to 15
Chief executive's statement	16 to 19
Chief underwriting officer's report.....	22 to 23
Performance by division	24 to 25
Life, accident & health.....	26 to 27
Marine.....	28 to 29
Political risks & contingency.....	30 to 31
Property	32 to 33
Reinsurance.....	34 to 35
Specialty lines.....	36 to 37
Financial review	38 to 48
Operational update	49 to 51

3.2 *The Group's Annual Report and Accounts 2014*

The page numbers below refer to the relevant pages of the Group's Annual Report and Accounts 2014:

Our key performance indicators	3
Chairman's statement.....	16 to 17
Chief executive's statement	18 to 21
Chief underwriting officer's report.....	24 to 25
Performance by division	26 to 27
Life, accident & health.....	28 to 29
Marine.....	30 to 31
Political risks & contingency.....	32 to 33
Property	34 to 35
Reinsurance.....	36 to 37
Specialty lines.....	38 to 39
Financial review	40 to 50
Operational update	51 to 52

3.3 *The Group's Annual Report and Accounts 2013*

The page numbers below refer to the relevant pages of the Group's Annual Report and Accounts 2013:

Our key performance indicators	5
Chairman's statement.....	12 to 13
Chief executive's statement	14 to 17
Performance by division	20 to 21
Life, accident & health.....	22 to 23
Marine.....	24 to 25
Political risks & contingency.....	26 to 27
Property	28 to 29
Reinsurance.....	30 to 31
Specialty lines.....	32 to 33
Financial review	34 to 44
Operational update	45 to 46

4. Key factors affecting results of operations

The Group's results of operations are affected by both internal and external factors. Insurance industry trends in areas such as pricing, distribution and regulation have a direct impact on underwriting profitability at the Group. Broader macroeconomic trends can impact client behaviour and will affect potential investment returns across the industry.

The Group derives its revenues principally from insurance and reinsurance premium income and the return on its investments. As such, the Group's profitability is affected by its ability to price risks effectively, respond to market dynamics quickly, respond to trends in claims and accurately adjust reserves as well as its ability to manage the costs of its operations.

The Company believes that the following factors have had, and may continue to have, a material effect on the Group's results of operations across its businesses.

4.1 Underwriting performance

(a) Cyclicalities

The insurance and reinsurance markets in which the Group operates historically have been cyclical. In addition, different business lines experience different supply and demand dynamics.

When the market has an over-supply of underwriting capacity, excess competition can lead to a weakening rate environment and unfavourable terms and conditions for insurers/reinsurers. Conversely, when the availability of underwriting capacity is constrained, the rate environment and terms improve for insurers/reinsurers. This cyclicalities can apply to specific lines of business and geographies and/or to the market in general. The Group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the effect of this cyclicalities. This strategy aims to accept a spread of business over time, segmented between different products, geography and sizes.

(b) Events

The Group's business is also affected by volatile and unpredictable developments, including natural catastrophes and "man-made" losses, the frequency and severity of which are inherently unpredictable. For example, 2011 was the worst year on record for insured natural catastrophes, with catastrophes in that year including the Queensland floods in Australia, floods in Thailand, the Christchurch earthquake in New Zealand, the Tohoku earthquake in Japan and a succession of tornadoes in the US. In total, catastrophe events in 2011 cost the Group an estimated US\$215 million (unaudited), more than twice the cost of catastrophe events in 2010.

In FY 2013, the Group had moderate exposure to the floods in Europe and Calgary during May and July of that year, respectively. In FY 2014, the Group had minimal exposure to natural catastrophes, other than a net loss of US\$11.0 million (unaudited) in relation to Hurricane Odile, which hit the Baja California peninsula of Mexico in September of that year. In FY 2015, the Group had minimal exposure to natural catastrophes.

The extent of losses from such catastrophes is a function of both the number and severity of the insured events and the total amount of insured exposure in the areas affected. The frequency or severity of claims from future catastrophic events may increase through increases in the value and concentrations of insured property and demographic changes more broadly and the effects of inflation and changes in weather patterns.

To seek to address this, the Group sets out the exposure that it is prepared to accept in certain territories to a range of events, such as natural catastrophes and specific scenarios, which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios.

(c) Pricing

The Group's underwriting results depend in part upon the assumptions and pricing models it uses in underwriting and setting rates for its insurance covers. If the Group's underwriters fail to assess accurately the risks underwritten or if events or circumstances cause the underwriters' risk assessment to be incorrect, the Group's premiums may prove

to be inadequate to cover the losses associated with such risks. The underwriting results in the Group's reinsurance business are also dependent in part on the policies, procedures and expertise of its ceding companies in making their own underwriting decisions.

The Group's underwriters calculate premiums for risks written based on a range of criteria specific to each individual risk. These factors include the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions, and acquisition expenses.

The Group's underwriting results are also influenced by changes in premium rate levels. However, rates are partly a function of capacity and, as such, differ across different business lines. For example, in FY 2014, the Group secured significant rate rises for its Life, Accident & Health division in Australia following losses in 2013, whereas rates for large risks in catastrophe-exposed lines of business, such as treaty reinsurance, commercial property and energy, were subject to greater competitive pressures.

In FY 2015, large, short-tail risks with significant catastrophe exposures faced challenging market conditions, with rates for energy risks falling by 17%, marine hull risks by 6%, and large-scale property risks by 8%. The Group's Reinsurance division saw renewal rates fall by 7%. Competitive pressures were also severe for large-scale professional liability risks for Group clients such as global law firms and major US hospitals and hospital systems. By contrast, competition for smaller professional liability and management liability business in the US was less intense. Rates across the Group's largest division, Specialty Lines, rose 2% in FY 2015, while rates fell across the Group's other five divisions. For the Group as a whole, rates on renewal business fell by 2% in FY 2015 compared to FY 2014.

4.2 *Reinsurance*

As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to cover its gross insurance risk. The Group's reinsurance programmes complement the Group's underwriting business plans and seek to protect the Group's capital from an adverse volume or volatility of claims on both a per risk and per event basis.

The market for reinsurance can be cyclical and exposed to substantial losses, which may adversely affect reinsurance pricing and availability, or its terms and conditions. For example, following Hurricanes Katrina, Rita and Wilma in the United States, terms and conditions in the reinsurance markets generally became less attractive to buyers of such coverage. During the period under review, reinsurance rates have been comparatively low. Similarly, risk appetite among reinsurers may change, resulting in changes in price or their willingness to reinsure certain risks in the future.

In circumstances where the Group has obtained reinsurance cover in respect of a particular risk, such reinsurance cover may not be sufficient to cover the Group's exposure to the relevant risk were that risk to crystallise and the relevant members of the Group may retain the primary liability to the insured party in respect of risk not covered by reinsurance.

In some cases, the Group deems it more economic to hold capital than to purchase reinsurance.

4.3 *Reserve releases/strengthening*

The Group uses a quarterly dual-track process to set its reserves:

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

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

Movement in these reserves forms an integral element of the Group's operating result. Reserve releases result in an increase in operating profit, while reserve strengthening results in a decrease in operating profit. Reserve adjustments across all divisions during the period under review are set out in the below table:

<i>Division</i>	<i>Year ended 31 December</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>(US\$ million, unless otherwise stated)</i>		
Life, Accident & Health	5.6	4.4	(4.6)
Marine.....	31.2	40.2	47.3
Political Risks & Contingency.....	18.1	20.1	39.4
Property	37.8	35.9	33.7
Reinsurance.....	44.9	27.8	55.6
Specialty Lines.....	38.7	29.7	46.6
Total.....	176.3	158.1	218.0
Releases as a percentage of net earned premium	10.4%	9.5%	13.7%

The Group has a consistent reserving philosophy, with initial reserves being set to include risk margins which may be released over time as uncertainty reduces. Historically, these margins have given rise to held reserves within the range of 5-10% above the actuarial estimates, which themselves include some margin for uncertainty. The margins held above the actuarial estimate were 8.2%, 7.1% and 8.2% as at 31 December 2015, 2014 and 2013, respectively. This margin is a lead indicator for the sustainability of reserve releases. However, a positive lead indicator will not always equate to future releases.

There was an increase in reserve releases in FY 2015 compared to FY 2014. This was principally due to the Reinsurance division experiencing a benign claims environment in both FY 2014 and FY 2015, together with the Specialty Lines division increasing its reserve releases as its post-recession portfolio from 2012 matured.

There was an overall reduction in reserve releases in FY 2014 compared to FY 2013. This was driven by the Political Risks & Contingency, Reinsurance and Specialty Lines divisions. The FY 2013 reserve releases in Reinsurance benefited from a relatively benign year for claims, whilst the equivalent release during FY 2014 was affected by the mid-sized catastrophes of 2013, a number of individual risk losses and adverse developments on the New Zealand earthquake loss.

Reserve releases decreased in Specialty Lines in FY 2014. The 2014 releases came mainly from the 2003 through 2006 underwriting years as these years continued their exceptional development. Additionally, releases were seen on the 2012 underwriting year, with favourable development being recognised on the short-tail cyber classes. The Political Risks & Contingency reserve releases of FY 2013 benefitted from favourable development on the Group's financial crisis-exposed 2006-2008 underwriting years.

See note 24 to the 2015 Financial Statements incorporated by reference in this document for details of the Group's reserve setting, reserve releases and loss development tables.

4.4 *Strategic decisions*

Certain of the Group's strategic decisions have impacted the Group's financial results for the period under review and could do so in the future. For example, the Group has recently focused on expanding its operations in the United States. Such geographical diversification has enabled the Group to hedge, in part, its exposure to downward pressures on pricing in other jurisdictions. For example, during the period under review, the smaller-scale risks in which the Group specialises in the US have offered more attractive profit margins than the large risks typically underwritten in London. The Group's premium growth in locally underwritten US premiums was 17%, 19% and 21% in FY 2013, FY 2014 and FY 2015, respectively. In FY 2015, the Group's gross premiums written in the US were US\$649.0 million, which was an increase of 20.9% compared to US\$537.0 million in FY 2014, which was itself an 18.9% increase compared to US\$451.5 million in FY 2013.

The Group's underwriting strategy is set each year by the Beazley Board's approval of annual business plans for each underwriting team. This overall underwriting strategy focuses on products that command higher margins and seeks to avoid underpriced business. The success of the implementation of this strategy affects the Group's results of operations. For example, in FY 2015 the Group became more selective in its underwriting activities in the Marine and Reinsurance divisions due to intense competitive pressures in many of the lines underwritten by those divisions.

4.5 Exchange rate fluctuations

The functional currency of Beazley and its main trading subsidiaries is the US dollar and the presentational currency in which the Group reports its consolidated results is the US dollar. The Group operates in four main currencies: US dollars, sterling, Canadian dollars and euro and certain of the Group's subsidiaries have other functional currencies. Accordingly, the Group is exposed to fluctuations in exchange rates for non-dollar denominated transactions and to net asset translation risk on non-dollar functional currency entities.

Transactions in all currencies are converted to US dollars on initial recognition with any resulting monetary items being translated to the US dollar spot rate at the reporting date.

In FY 2015, the Group's foreign exchange loss was US\$9.7 million, compared to a foreign exchange loss of US\$12.3 million in FY 2014 and a foreign exchange loss of US\$3.0 million in FY 2013.

The following table summarises the carrying value of total assets and total liabilities categorised by the Group's main currencies as at the dates indicated:

31 December 2015	<i>UK £</i>	<i>CAD \$</i>	<i>EUR €</i>	<i>Subtotal</i>	<i>US\$</i>	<i>Total</i>
			<i>(US\$ million)</i>			
Total assets	532.3	106.1	356.9	995.3	5,750.1	6,745.4
Total liabilities	(592.7)	(105.0)	(344.6)	(1,042.3)	(4,261.7)	(5,304.0)
Net assets	(60.4)	1.1	12.3	(47.0)	1,488.4	1,441.4
31 December 2014	<i>UK £</i>	<i>CAD \$</i>	<i>EUR €</i>	<i>Subtotal</i>	<i>US\$</i>	<i>Total</i>
			<i>(US\$ million)</i>			
Total assets	860.5	118.8	324.4	1,303.7	5,139.0	6,442.7
Total liabilities	(834.6)	(110.8)	(312.1)	(1,257.5)	(3,842.5)	(5,100.0)
Net assets	25.9	8.0	12.3	46.2	1,296.5	1,342.7
31 December 2013	<i>UK £</i>	<i>CAD \$</i>	<i>EUR €</i>	<i>Subtotal</i>	<i>US\$</i>	<i>Total</i>
			<i>(US\$ million)</i>			
Total assets	886.8	117.3	371.4	1,375.5	5,209.1	6,584.6
Total liabilities	(888.8)	(116.3)	(345.1)	(1,350.2)	(3,895.7)	(5,245.9)
Net assets	(2.0)	1.0	26.3	25.3	1,313.4	1,338.7

Fluctuations in the Group's trading currencies against the US dollar would result in a change to profit after tax and net asset value. The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the US dollar against the value of sterling, the Canadian dollar and the euro, simultaneously.

Changes in exchange rate of sterling, Canadian dollar and euro relative to US dollar	<i>Impact on profit after tax for the year ended 31 December</i>			<i>Impact on net assets as at 31 December</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>(US\$ million)</i>					
Dollar weakens 30% against other currencies	(12.3)	11.9	6.4	(25.7)	22.8	12.5
Dollar weakens 20% against other currencies	(8.2)	7.9	4.3	(17.1)	15.2	8.3
Dollar weakens 10% against other currencies	(4.1)	4.0	2.1	(8.6)	7.6	4.2
Dollar strengthens 10% against other currencies.....	4.1	(4.0)	(2.1)	8.6	(7.6)	(4.2)
Dollar strengthens 20% against other currencies.....	8.2	(7.9)	(4.3)	17.1	(15.2)	(8.3)
Dollar strengthens 30% against other currencies.....	12.3	(11.9)	(6.4)	25.7	(22.8)	(12.5)

See note 2.3(a) to the 2015 Financial Statements incorporated by reference in this document for information on the ways in which the Group seeks to manage its exposure to exchange rate fluctuations.

4.6 *Economic conditions*

Macroeconomic conditions can have a significant impact on the level of investment return. Movements in short-term and long-term interest rates affect the level and timing of recognition of gains and losses on debt securities held by the Group, causing changes in realised and unrealised gains and losses. Generally, the Group's investment return will be reduced during sustained periods of lower interest rates as higher yielding fixed-income securities are called, mature or are sold and the proceeds are reinvested at lower rates. However, declining interest rates result in unrealised gains in the value of fixed-income securities the Group continues to hold, as well as realised gains to the extent that the relevant securities are sold. During periods of rising interest rates, prices of fixed-income securities tend to fall and realised gains upon their sale are reduced.

In FY 2015, rising yields and higher credit spreads resulted in a return of 0.7% on the Group's fixed-income investments, which form the largest part of the Group's investment portfolio. In FY 2015, the Group generated investment income of US\$57.6 million, or an annualised return of 1.3%.

In FY 2014, the Group's investment portfolio benefited from falling yields in the US, the UK and Europe, although this was partly offset by a widening of investment-grade and high-yield credit spreads. In FY 2014, the Group generated investment income of US\$83.0 million, or an annualised return of 1.9%.

In FY 2013, the Group's investment return was hampered by the US Federal Reserve's announcement indicating that it would taper its quantitative easing programme, which led to a rise in bond yields. In the UK, yields rose due to recovering economic conditions. Although US government bonds performed poorly in FY 2013, the credit component of the Group's portfolio performed well as credit spreads narrowed. 12% of the Group's investment portfolio as at 31 December 2013 was held in capital growth assets and these assets returned 4.7% in FY 2013. In FY 2013, the Group generated investment income of US\$43.3 million, or an annualised return of 1.0%.

4.7 *Regulation in the insurance industry*

Following the 2008 financial crisis, there has been a trend towards a more coordinated, more centralised and stricter approach to insurance regulation in both Europe and the United States. Regulatory initiatives include, among others, changes as to which governmental bodies regulate

financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness or financial strength of financial institutions. There have also been a number of legislative initiatives, most notably the introduction on 1 January 2016 of a risk-based prudential regime in the European Union under Solvency II.

Beazley Furlong Limited is subject to regulation and supervision by the FCA and the PRA in relation to carrying on its regulated activities in the UK. Further, it is subject to regulatory standards set by Lloyd's by way of its operations in the Lloyd's market. In the United States, where BICI is licensed in all 50 states and the District of Columbia, insurance and reinsurance regulation is primarily embedded in state law regulatory frameworks. However, regulatory reforms prompted by the 2008 financial crisis have introduced an overlay of a federal framework, together with ad hoc issue-specific federal regulation. In Ireland, Beazley Re is regulated by the CBI. In addition, the CBI is the Group's supervisor for the purposes of Solvency II. See paragraph 8 of Part II (*Business Description of the Group*) of this document for further details.

5. Current trading and prospects

In its 2015 Financial Statements released on 4 February 2016, the Group reported gross premiums written of US\$2,080.9 million, a combined ratio of 87% and profit before income tax of US\$284.0 million for FY 2015 on revenues of US\$1,787.2 million. As at 31 December 2015, the Group had net assets of US\$1,441.4 million. As at the close of business on the Latest Practicable Date, Beazley had a market capitalisation of £1,936.4 million and a share price of 370 pence.

The recent market trends affecting the Group's six divisions have continued, broadly, to follow the trajectories established in recent years. In particular, the Group has recently experienced generally declining premium rates and a benign claims environment.

In FY 2015, large, short-tail risks with significant catastrophe exposures faced challenging market conditions, with rates for energy risks falling by 17%, marine hull risks by 6%, and large scale property risks by 8%. The Group's Reinsurance division saw renewal rates fall by 7%. Competitive pressures were also severe for large scale professional liability risks for Group clients such as global law firms and major US hospitals and hospital systems. By contrast, competition for smaller professional liability and management liability business in the US was less intense. In recent years, the balance of the Group's portfolio has tilted more towards small and mid-sized risks as profitable growth opportunities in these segments have been more numerous. Rates across the Group's largest division, Specialty Lines, rose 2% in FY 2015 while rates fell across the Group's other five divisions. For the Group as a whole, rates on renewal business fell by 2% in FY 2015 compared to FY 2014.

Catastrophe claims continued to be subdued in FY 2015, other than in relation to the Tianjin warehouse explosion in China (the Group has no significant loss from this event). The economy in the Group's principal market, the US, has continued to rebound from the economic downturn, easing claims activity on the Group's professional liability and management liability books. In the Group's largest line of business, data breach insurance, there has been an increase in claims driven by hacking and malware attacks. The Group's data breach business is largely focused on small- and mid-sized firms, with a relatively low exposure to the large scale breaches that trigger the largest class action lawsuits.

In general and in the absence of capital-depleting catastrophe losses, the Directors expect that premium rates across the insurance market will generally continue to remain subject to competitive pressures due to the surfeit of capital relative to demand in many parts of the market.

6. Liquidity and capital resources

6.1 Overview

The Group has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting in the Lloyd's market and in the United States and is subject to prudential regulation by local regulators (the PRA, Lloyd's, the CBI and United States state-level supervisors). Further capital requirements come from credit rating agencies for BICI and the Managed Syndicates on a standalone basis.

The Group actively seeks to manage its capital base to target capital levels. The Group holds a level of capital over and above its regulatory requirements and targets a level of surplus capital that would enable it to take advantage of new underwriting opportunities such as the acquisition of insurance companies or managing general agents whose strategic goals are aligned with those of the Group.

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the Group seeks to maintain sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

The Group's preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when the Group will generate excess capital and not have the opportunity to deploy it. If such a point were reached, the Company would consider returning capital to its shareholders.

The Group adopts a conservative approach to setting its claims reserves by seeking to maintain claims reserves of between 5% and 10% above the actuarial valuation of claims. Claims reserves are set to reflect the liabilities arising from claims that are both reported but not yet due to be settled and also an estimate of claims that have been incurred but not yet reported.

The Group's principal sources of liquidity are premiums received and cash flow from its investment portfolio and assets. The Group also has access to capital from shareholders' equity (US\$1,441.4 million as at 31 December 2015) and debt instruments and facilities, as further described below.

6.2 *Cash flow analysis*

The majority of the Group's cash flow comes from the underwriting profits generated by participation in the Beazley Syndicates. These cash flows are recognised in the Group consolidated statement of cash flows when they have been distributed from the relevant Beazley Syndicate. The cash is generally distributed to the Group when an underwriting year closes, except where Lloyd's has allowed early distribution of profits. As a result, the cash generated from underwriting activities is not aligned with the profits recognised by the Group under IFRS.

The Group has generated positive net cash from operating activities during each of the periods under review. The following table summarises the principal components of the Group's consolidated cash flows for the years ended 31 December 2015, 2014 and 2013.

	<i>Year ended 31 December</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>(US\$ million)</i>		
Net cash from operating activities.....	195.5	227.1	253.5
Net cash (used in)/from investing activities.....	295.8	(0.6)	8.8
Net cash used in financing activities.....	(183.4)	(239.9)	(200.6)
Net (decrease)/increase in cash and cash equivalents	307.9	(13.4)	61.7
Cash and cash equivalents at end of year	676.9	364.2	382.7

(a) *Cash flow from operating activities*

Cash flow from operating activities decreased by US\$31.6 million, or 13.9%, with net inflows of US\$195.5 million for FY 2015 compared with net inflows of US\$227.1 million for FY 2014. This decrease was primarily attributable to an increase in insurance receivables.

Cash flow from operating activities decreased by US\$26.4 million, or 10.4%, from net inflows of US\$227.1 million for FY 2014 compared with net inflows of US\$253.5 million for FY 2013. The decrease was primarily attributable to lower earnings and an increase in tax paid.

(b) *Cash flow from investing activities*

Cash flow from investing activities was a net inflow of US\$295.8 million for FY 2015 compared with a net outflow of US\$0.6 million for FY 2014. This change was primarily attributable to an increase in the proceeds from the sale of investments, which was partly offset by an increase in the purchase of investments.

Cash flow from investing activities was a net outflow of US\$0.6 million for FY 2014 compared with a net inflow of US\$8.8 million for FY 2013. This change was primarily attributable to a US\$253.0 million, or 9.1%, decrease in the proceeds from the sale of investments from US\$3,026.3 million in FY 2013 to US\$2,773.3 million in FY 2014, which was only partially offset by a US\$246.8 million, or 8.0%, decrease in cash outflows relating to the purchase of investments from US\$3,079.5 million in FY 2013 to US\$2,832.7 million in FY 2014.

(c) *Cash flow used in financing activities*

Cash flow used in financing activities was a net outflow of US\$183.4 million for FY 2015 compared with a net outflow of US\$239.9 million for FY 2014, a decrease in net outflow of US\$56.5 million, or 23.6%. This change was primarily attributable to a decrease in dividends paid.

Net cash used in financing activities was a net outflow of US\$239.9 million for FY 2014 compared with a net outflow of US\$200.6 million for FY 2013, an increase in net outflow of US\$39.3 million, or 19.6%. This change was primarily attributable to an increase in dividends paid, including payment of a special dividend.

(d) *Cash and cash equivalents*

Cash and cash equivalents amounted to US\$676.9 million as at 31 December 2015, compared with US\$364.2 million as at 31 December 2014 and US\$382.7 million as at 31 December 2013.

6.3 Capital expenditure

Capital expenditure for FY 2015 was US\$3.4 million, compared with US\$5.7 million for FY 2014 and US\$6.6 million for FY 2013. In FY 2015, FY 2014 and FY 2013, the Group's capital expenditure related principally to IT infrastructure and software development expenses.

6.4 Total borrowings

As at 31 December 2015, the Group had outstanding borrowings of US\$247.2 million, compared with US\$256.3 million as at 31 December 2014 and US\$273.1 million as at 31 December 2013.

The Group has a US\$225 million multicurrency standby letter of credit and revolving credit facility. As at 31 December 2013, 2014 and 2015, the Facility was undrawn. A description of the principal terms of the Facilities Agreement is set out in paragraph 17.2 of Part V (*Additional Information*) of this document.

The Group has £76.5 million of outstanding lower tier 2 subordinated bonds due 2026, which were issued by Beazley Group Limited. The 2026 Subordinated Notes were issued with a principal amount of £150 million on 17 October 2006. Beazley Group Limited conducted tender offers for the 2026 Subordinated Notes in May 2012, September 2012 and February 2013. The outstanding principal amount of the 2026 Subordinated Notes as at 31 December 2013, 2014 and 2015 was £76.5 million. A description of the principal terms of the 2026 Subordinated Notes is set out in paragraph 17.4 of Part V (*Additional Information*) of this document.

On 26 November 2004, Beazley Group Limited issued US\$18 million of fixed rate subordinated notes. The 2034 Subordinated Notes are to be repaid by Beazley Group Limited at their nominal amount on 26 November 2034. The outstanding principal amount of the 2034 Subordinated Notes as at 31 December 2013, 2014 and 2015 was US\$18 million. A description of the principal terms of the 2034 Subordinated Notes is set out in paragraph 17.5 of Part V (*Additional Information*) of this document.

Beazley has a £250 million euro medium term note programme, which was established on 31 August 2012. On 25 September 2012, £75 million of notes due 2019 were issued by Beazley under this programme. The outstanding principal amount of the 2019 Retail Bonds as at 31 December 2013, 2014 and 2015 was £75 million. A description of the principal terms of the

2019 Retail Bonds is set out in paragraph 17.3 of Part V (*Additional Information*) of this document. As at the date of this document, no other notes have been issued under this euro medium term note programme.

As at 31 January 2016, the Group had outstanding borrowings of US\$247.2 million (unaudited). As at the same date, the Group had US\$225 million of committed bank facilities in place, all of which were undrawn.

For details of the maturity profiles of the Group's financial liabilities, see note 16 to the 2015 Financial Statements, which are incorporated by reference in this document.

6.5 *Operating leases*

The following table summarises the future minimum lease payments under the Group's non-cancellable operating leases as at 31 December 2015.

	<u>31 December 2015</u>
	<i>(US\$ million)</i>
No later than one year	8.3
Later than one year and no later than five years.....	31.1
Later than five years.....	3.2
Total	42.6

7. **Capitalisation and indebtedness**

The following tables show the capitalisation of the Group and the Group's indebtedness as at 31 December 2015. The capitalisation information and the figures for the total gross indebtedness of the Group have been extracted without material adjustment from the 2015 Financial Statements and the accounting records underlying such financial statements. The 2015 Financial Statements are incorporated by reference into this document as described in Part VI (*Information Incorporated by Reference*) of this document.

	<u>31 December 2015</u>
	<i>(US\$ million, unaudited)</i>
Current debt	
Guaranteed	—
Secured.....	—
Unguaranteed/unsecured ⁽¹⁾	117.0
Non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured.....	—
Unguaranteed/unsecured ⁽²⁾	130.3
Shareholders' equity	
Share capital	41.6
Legal reserve.....	—
Other reserves ⁽³⁾	(96.0)
Total ⁽⁴⁾	192.9

Notes:

- (1) Current debt is comprised of tier 2 subordinated debt (US\$116.9 million) and derivative financial liabilities (US\$0.1 million). The tier 2 subordinated debt was issued by Beazley Group Limited in October 2006 in the form of £150 million of unsecured fixed/floating rate subordinated notes that are due in October 2026. Beazley Group Limited has the option to call the notes on 17 October 2016 and each subsequent interest payment date. Interest of 7.25% per annum is paid annually in arrear for the period up to 17 October 2016. From 17 October 2016, the notes will bear annual interest at the rate of 3.28% above the London interbank offered rate for three month sterling deposits, payable quarterly in arrear. Further details of the subordinated notes are set out in paragraph 17.4 of Part V (*Additional Information*) of this document.
- (2) Non-current debt is comprised of a retail bond (US\$112.3 million) and subordinated debt (US\$18 million). The retail bond was issued by Beazley in September 2012 in the form of £75 million of sterling-denominated 5.375% notes due 2019. Interest at a fixed rate of 5.375% is payable in March and September of each year. The subordinated notes were issued by Beazley Group Limited in

November 2004 and are due in November 2034. Since 26 November 2009, Beazley Group Limited has had the option to call the subordinated notes. The subordinated notes bear interest at the London interbank offered rate for three month US dollar deposits plus a margin of 3.65% per annum, payable quarterly in arrears. Further details of the retail bonds and the subordinated notes are set out in paragraphs 17.3 and 17.5 of Part V (*Additional Information*) of this document, respectively.

- (3) Other reserves is comprised of the foreign currency translation reserve (-US\$87.3 million), the merger reserve (-US\$15.4 million), the employee share options reserve (US\$36.5 million) and the employee share trust reserve (-US\$29.8 million). Retained earnings (US\$1,483.8 million) and share premium (US\$12 million) are not included in Shareholders' equity for the purposes of the capitalisation statement.
- (4) In addition to the borrowings described in notes (1) to (3) above, the Group has a US\$225 million multi-currency standby letter of credit and revolving credit facility. The Facility is based on a commitment fee of 0.4375% per annum and any amounts drawn are charged at a margin of 1.25% per annum. The cash element of the Facility expires on 31 July 2017, whilst letters of credit issued under the facility can be used to provide support for the 2015, 2016 and 2017 underwriting years of account. As at 31 December 2015 and at the Latest Practicable Date, the Facility was undrawn. Further details of the Facility are set out in paragraph 17.2 of Part V (*Additional Information*) of this document.

There has been no material change in the capitalisation of the Group between 31 December 2015 and the Latest Practicable Date.

	<i>31 December 2015</i>
	<i>(US\$ million, unaudited)</i>
Cash	585.8
Cash equivalent	91.1
Trading securities	3,268.8
Liquidity	3,945.7
Current financial receivable	—
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	(117.0)
Current financial debt	(117.0)
Net current financial indebtedness	3,828.7
Non-current bank loans	—
Bonds issued	(112.3)
Other non-current loans	(18.0)
Non-current financial indebtedness	(130.3)
Net financial indebtedness	3,698.4

As at 31 December 2015, the Group had no indirect or contingent indebtedness.

As at 31 December 2015, New Beazley had no outstanding indebtedness and zero net financial indebtedness. As at the same date, New Beazley's total capitalisation was £2.00 consisting of two issued and fully paid-up subscriber ordinary shares of £1.00 each.

8. Off-balance sheet arrangements

The Group does not engage in any material off-balance sheet arrangements.

9. Critical accounting policies and estimates

Critical accounting policies are those policies that require the application of the Company's management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in a subsequent period. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. A detailed description of certain of the critical accounting policies used in preparing the Company's historical financial information is set forth in Note 1 to the 2015 Financial Statements, which is incorporated by reference in this document as described in Part VI (*Information Incorporated by Reference*) of this document.

PART IV

FINANCIAL INFORMATION ON BEAZLEY

1. Incorporation of historical financial information by reference

The following documents are incorporated into this document by reference:

- (a) the 2013 Financial Statements (as set out in Beazley's Annual Report and Accounts 2013), together with the unqualified independent audit report thereon;
- (b) the 2014 Financial Statements (as set out in Beazley's Annual Report and Accounts 2014), together with the unqualified independent audit report thereon; and
- (c) the 2015 Financial Statements (as set out in Beazley's Annual Report and Accounts 2015), together with the unqualified independent audit report thereon.

New Beazley has not traded since incorporation and has therefore not produced any financial information. However, as New Beazley will be the new parent company of the Group upon the Scheme becoming effective the financial information of Beazley has been incorporated by reference into this document.

See Part VI (*Information Incorporated by Reference*) of this document for further details about information that has been incorporated by reference into this document.

2. Cross reference list

The following list is intended to enable readers of this document to identify easily specific items of financial information which have been incorporated by reference into this document.

2.1 *Consolidated audited financial statements of Beazley for FY 2013 and the unqualified audit report*

The page numbers below refer to the relevant pages of Beazley's Annual Report and Accounts 2013:

Independent auditor's report to the members of Beazley plc.....	pages 100 to 103
Consolidated statement of profit or loss.....	page 105
Statement of comprehensive income.....	page 106
Statement of changes in equity.....	page 107
Statements of financial position.....	page 108
Statements of cash flows.....	page 109
Notes to the financial statements.....	pages 110 to 166

2.2 *Consolidated audited financial statements of Beazley for FY 2014 and the unqualified audit report*

The page numbers below refer to the relevant pages of Beazley's Annual Report and Accounts 2014:

Independent auditor's report to the members of Beazley plc.....	pages 110 to 113
Consolidated statement of profit or loss.....	page 115
Statement of comprehensive income.....	page 116
Statement of changes in equity.....	page 117
Statements of financial position.....	page 118
Statements of cash flows.....	page 119
Notes to the financial statements.....	pages 120 to 177

2.3 *Consolidated audited financial statements of Beazley for FY 2015 and the unqualified audit report*

The page numbers below refer to the relevant pages of Beazley's Annual Report and Accounts 2015:

Independent auditor's report to the members of Beazley plc.....	pages 108 to 111
Consolidated statement of profit or loss.....	page 113
Statement of comprehensive income.....	page 114
Statement of changes in equity.....	page 115
Statements of financial position.....	page 116
Statements of cash flows.....	page 117
Notes to the financial statements.....	pages 118 to 176

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 6 of this Part V, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office of New Beazley

- 2.1 New Beazley was incorporated under the name Swift No. 3 Limited on 4 September 2015 in England and Wales under the Companies Act as a private company limited by shares and with registered number 09763575. New Beazley changed its name to its current name and re-registered as a public company on 12 February 2016 pursuant to a special resolution passed on 11 February 2016. The principal legislation under which New Beazley operates and the New Beazley Shares were created is the Companies Act.
- 2.2 The registered office and principal place of business of New Beazley is at Plantation Place South, 60 Great Tower Street, London EC3R 5AD, United Kingdom (telephone number: +44 (0)20 7667 0623).

3. Share capital of New Beazley

- 3.1 New Beazley was incorporated with an issued share capital of £2.00, comprising of two New Beazley Subscriber Shares of £1.00 each. The New Beazley Subscriber Shares were issued fully paid up to each of Christopher Jones and Edward McGivney.
- 3.2 On 11 February 2016, New Beazley:
 - (a) issued one New Beazley Share of 90 pence to Christopher Jones;
 - (b) re-designated the New Beazley Subscriber Shares into New Beazley Deferred Shares of £1.00 each; and
 - (c) issued 25,000 New Beazley Redeemable Shares to each of Christopher Jones and Edward McGivney. The New Beazley Redeemable Shares were issued with a nominal value of £1.00 each and were fully paid up.
- 3.3 The New Beazley Subscriber Shares were re-designated as the New Beazley Deferred Shares due to the different nominal value of the New Beazley Shares. The New Beazley Deferred Shares carry no right to receive notice of or to attend, speak or vote at any general meeting of the Company or (subject to the Companies Act) at any meeting of the holders of any class of shares in the capital of the Company or for the purposes of a written resolution of the Company. They do not entitle their holders to receive any dividend or distribution of profits. On any payment or return of capital on a winding-up or other return of assets, they only carry the right to receive, after all share capital (including premium) on the New Beazley Shares in issue has been paid, the nominal value of the New Beazley Deferred Shares.
- 3.4 The New Beazley Redeemable Shares were issued for the purpose of satisfying the Companies Act minimum share capital requirements for public companies. They carry no right to receive notice of or to attend, speak or vote at any general meeting of the Company or (subject to the Companies Act) at any meeting of the holders of any class of shares in the capital of the Company or for the purposes of a written resolution of the Company. They do not entitle their holders to receive any dividend or distribution of profits. They only carry the right to receive, on any payment or return of capital on a winding up or other return of assets, *pro rata* out of the assets of the Company available for distribution the nominal capital paid up or credited as paid up on the New Beazley Redeemable Shares but only after the holders of the New Beazley Shares have been paid the nominal capital paid up or credited as paid up on the New Beazley Shares (including any premium) held by them respectively together with the aggregate sum of £100,000,000,000 to the holders of such New Beazley Shares. Subject to the Companies Act, the New Beazley Redeemable Shares are redeemable at their nominal value at the option of the

Company. The New Beazley Directors intend that following the Scheme and the New Beazley Reduction of Capital becoming effective, the New Beazley Redeemable Shares will be redeemed by New Beazley at their nominal value and automatically cancelled.

- 3.5 The issued and fully paid share capital of New Beazley as at the date of publication of this document is as follows:

	<i>Nominal value</i>	<i>Number of shares issued</i>
New Beazley Shares	£0.90 each	1
New Beazley Deferred Shares.....	£1.00 each	2
New Beazley Redeemable Shares.....	£1.00 each	50,000

- 3.6 The proposed, issued and fully paid share capital of New Beazley as it is expected to be immediately following the New Beazley Reduction of Capital becoming effective, assuming no other shares are issued after the Latest Practicable Date is as follows:

	<i>Nominal value</i>	<i>Number of shares issued</i>
New Beazley Shares	£0.05 each	523,353,340
New Beazley Deferred Shares.....	£1.00 each	2
New Beazley Redeemable Shares.....	£1.00 each	50,000

- 3.7 On 11 February 2016, it was resolved by the holder of the sole New Beazley Share in issue at that date that:

- (a) New Beazley re-register as a public company limited by shares;
- (b) New Beazley change its name from Swift No. 3 Limited to Beazley plc;
- (c) New Beazley adopt the New Beazley Articles;
- (d) the directors of the Company be authorised (in accordance with section 551 of the Companies Act) to exercise all the powers of the Company to allot shares (as defined in section 540 of the Companies Act) up to an aggregate nominal amount of £471,018,006 for the purposes of the Scheme, for a period commencing on 11 February 2016 and ending at the conclusion of the Company's annual general meeting in 2017 or on 30 June 2017 (whichever is the earlier);
- (e) subject to and conditional upon:
 - (i) the Scheme having become effective; and
 - (ii) the ordinary shares of 90 pence each in the capital of the Company required to be allotted and issued by the Company pursuant to the Scheme having been allotted and issued and registered in the names of the persons entitled to such shares in the Company's register of members,

the issued share capital of the Company be reduced by cancelling and extinguishing paid-up share capital to the extent of 85 pence (or such other amount as the Company shall resolve) on each ordinary share of the Company, thereby reducing the nominal value of each such ordinary share from 90 pence (or such other nominal amount as the Company shall resolve) to five pence;

- (f) subject to and conditional upon the Scheme becoming effective, the Directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**"):
 - (i) up to a maximum aggregate nominal amount of £157,006,002 (and, following the New Beazley Reduction of Capital, £8,722,556); and

- (ii) comprising equity securities (as defined in section 560(1) of the Companies Act) up to an aggregate nominal amount of £314,012,004 (and, following the New Beazley Reduction of Capital, £17,445,112) (each of those amounts to be reduced by the aggregate nominal amount of shares allotted or Rights granted under the resolution set out in paragraph 3.7(f)(i)) in connection with an offer by way of a rights issue:
 - (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (B) to holders of other equity securities as required by the rights attaching to those securities, or subject to those rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

and those authorities shall expire (unless previously renewed, varied or revoked) at the end of the next annual general meeting of the Company after the resolution in this paragraph 3.7(f) is passed or, if earlier, at the close of business on 30 June 2017 but, in each case, so that the Company may make offers and enter into agreements before that expiry which would, or might, require shares to be allotted or Rights to be granted after that expiry and the Directors may allot shares or grant Rights pursuant to any of those offers or agreements as if the authority had not expired;

- (g) subject to and conditional upon the Scheme becoming effective and subject to the passing of the resolution in paragraph 3.7(f) above, the Directors are generally empowered pursuant to section 570(1) of the Companies Act to allot equity securities for cash pursuant to the general authority granted by the resolution in paragraph 3.7(f) above as if section 561 of the Companies Act did not apply to that allotment. This power:
 - (i) shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority in the resolution in paragraph 3.7(f)(ii) by way of rights issue only):
 - (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (B) to holders of other equity securities as required by the rights attaching to those securities, or subject to those rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

- (ii) shall be limited to the allotment of equity securities for cash pursuant to the authority in the resolution in paragraph 3.7(f)(i) (otherwise than in the circumstances set out in sub-paragraph (i) of this paragraph 3.7(g)) up to an aggregate nominal amount of £23,550,901 (and, following the New Beazley Reduction of Capital, £1,308,384);
- (iii) expires (unless previously renewed, varied or revoked) at the end of the next annual general meeting of the Company after this resolution is passed or, if earlier, at the close of business on 30 June 2017 but so that the Company may make offers and enter into agreements before that expiry which would, or might, require equity securities to be allotted after that expiry and the Directors may allot equity securities pursuant to any of those offers or agreements as if this power had not expired; and
- (iv) applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act as if in the first paragraph of this paragraph 3.7(g) the words “pursuant to the general authority conferred on them by the resolution in paragraph 3.7(f) above” were omitted,

and for the purposes of this paragraph 3.7(g), the expression “equity securities” and references to “allotment of equity securities” respectively have the meanings given to them in section 560 of the Companies Act;

- (h) subject to and conditional upon the Scheme becoming effective and Admission taking place, the Company is generally and unconditionally authorised for the purposes of section 701 of the Companies Act to make one or more market purchases (within the meaning of section 693(4) of the Companies Act) of ordinary shares in its capital provided that:
 - (i) the maximum aggregate number of ordinary shares authorised to be purchased is 52,335,334;
 - (ii) the minimum price which may be paid for an ordinary share is not less than the nominal value of an ordinary share at the time of the purchase;
 - (iii) the maximum price which may be paid for an ordinary share is in respect of an ordinary share contracted to be purchased on any day, not more than the higher of:
 - (A) an amount (excluding expenses) equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange’s Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and
 - (B) an amount (excluding expenses) equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the London Stock Exchange’s Daily Official List at the time that the purchase is carried out,

this authority expires at the end of the Company’s next annual general meeting after the resolution in this paragraph 3.7(h) was passed or, if earlier, at the close of business on 30 June 2017 but the Company may make a contract of purchase of any ordinary shares which would, or might, be concluded wholly or partly after that expiry and may make a purchase of ordinary shares pursuant to such a contract as if this authority had not expired;

- (i) subject to and conditional upon Admission taking place, the remuneration policy in the form set out in pages 103 to 106 of the directors’ remuneration report in Beazley’s annual report for the year ended 31 December 2015 be approved as the Company’s remuneration policy;
- (j) the New Beazley Directors be authorised to adjust the nominal value of the Company’s ordinary shares to be issued pursuant to the Scheme to a lesser or greater amount than 90 pence each;
- (k) KPMG LLP’s appointment as auditors of the Company until the conclusion of the Company’s annual general meeting in 2017 be confirmed and that the New Beazley Directors be authorised to determine KPMG LLP’s remuneration as auditors;
- (l) the appointments of Dennis Holt, Martin Bride, Adrian Cox, Andrew Horton, Neil Maidment, Clive Washbourn, George Blunden, Angela Crawford-Ingle, Sir Andrew Likierman, Vincent Sheridan and Catherine Woods as directors of New Beazley be confirmed; and
- (m) for the purposes of section 307A of the Companies Act, the Directors be authorised to call general meetings of the Company other than annual general meetings on not less than 14 clear days’ notice, provided that this authority shall expire at the conclusion of the Company’s 2017 annual general meeting.

3.8 Save as disclosed in this Part V, at the date of this document:

- (a) no share or loan capital of New Beazley has been issued fully or partly paid, either for cash or for a consideration other than cash;
- (b) New Beazley has not issued any securities with warrants, convertible securities or exchangeable securities, and there are no acquisition rights and/or obligations over unissued share capital or any undertaking to increase the share capital of New Beazley;
- (c) no share or loan capital of New Beazley is under option or agreed, conditionally or unconditionally, to be put under option; and

- (d) New Beazley has no subsidiaries and accordingly no share or loan capital of any subsidiary has been issued fully or partly paid either for cash or for a consideration other than cash and no share or loan capital of any subsidiary is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.9 The New Beazley Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of New Beazley Shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the New Beazley Articles).
- 3.10 When admitted to trading on the London Stock Exchange's main market for listed securities, the New Beazley Shares will be registered within ISIN number GB00BYQ0JC66 and SEDOL number BYQ0JC6.
- 3.11 The New Beazley Shares will rank *pari passu* for dividends.

4. Summary of the New Beazley Articles

Copies of the New Beazley Articles are available for inspection as detailed in paragraph 27 of this Part V. The following is a summary of certain provisions of the New Beazley Articles that were adopted pursuant to a written resolution of the Company on 11 February 2016. This summary does not purport to be complete and is qualified in its entirety by the full terms of the New Beazley Articles. The New Beazley Articles, which do not contain an objects clause (and therefore the Company's objects are unrestricted) include provisions to the following effect:

4.1 *Shares and rights attaching to them*

(a) *Voting rights*

Subject to any other provisions of the New Beazley Articles and without prejudice to any special rights, privileges or restrictions as to voting attached to any shares forming part of the Company's share capital, on a show of hands, every member present in person, any corporation represented by a duly authorised representative present in person, or any proxy present in person who has been duly appointed by one or more members entitled to vote on a resolution, has one vote.

On a poll, every member present in person or by proxy or a corporation represented by a duly authorised representative has one vote for every share of which he is the holder. The Company itself is prohibited (to the extent specified by the Statutes) from exercising any rights to attend or vote at meetings in respect of any shares held by it as treasury shares.

A member can appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(b) *Restrictions on voting where sums overdue on shares*

Unless the Directors determine otherwise, no member of the Company shall be entitled to vote at any general meeting of the Company or at any separate class meeting of the Company in respect of any share held by him unless all calls or other sums payable by him in respect of that share have been paid.

(c) *Dividends*

Subject to the Statutes and the provisions of all other relevant legislation, the Company may by ordinary resolution declare dividends in accordance with the respective rights of members but no such dividend shall exceed the amount recommended by the Directors. No dividend shall be payable to the Company itself in respect of any shares held by it as treasury shares (except to the extent permitted by the Statutes). If, in the opinion of the Directors, the profits of the Company available for distribution justify such payments, the Directors may pay fixed dividends payable on any shares of the Company with preferential rights, half-yearly or otherwise, on fixed dates and from time to time pay interim dividends to the holders of any class of shares. Subject to any special rights attaching to or terms of issue of any shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid.

The Company may, upon the recommendation of the Directors, by ordinary resolution, direct payment of a dividend wholly or partly by the distribution of specific assets.

All dividends, interest or other moneys payable in cash in respect of registered shares may, at the Directors' discretion, be invested for the benefit of the Company until claimed and, if unclaimed after a period of 12 years from the date when they became due for payment, they shall be forfeited and shall revert to the Company.

The Directors may, if so authorised by ordinary resolution passed at any general meeting of the Company, offer any holders of New Beazley Shares (excluding the Company itself to the extent that it is a holder by virtue only of its holding any shares as treasury shares) the right to elect to receive in lieu of that dividend (or part of any of that dividend) an allotment of ordinary shares credited as fully paid.

If any cheque is returned undelivered or remains uncashed or any other means of transfer permitted by the New Beazley Articles has failed either (i) in respect of at least two consecutive dividends, interest payments or other moneys payable in cash in respect of registered shares; or (ii) in respect of one dividend, interest payment or other moneys payable in cash in respect of registered shares, if reasonable enquiries by the Company have failed to establish any new details necessary to make the payment, then the Company may stop any means of payment made pursuant to the New Beazley Articles in relation to dividends, interest or moneys payable in respect of the relevant shares.

The Company or the Directors may specify a "record date" on which persons registered as the holders of shares shall be entitled to receipt of any dividend.

Any dividend or distribution by the Company shall, at any point prior to its payment, be cancelled or deferred (a "Cancellation", with similar terms construed accordingly) by the Directors if the Directors consider, in their sole discretion, that such Cancellation is or may be necessary or appropriate:

- (i) as a result of any applicable law or regulation; or
- (ii) in order otherwise to meet any applicable capital or solvency requirement.

Accordingly, notwithstanding the terms of any ordinary resolution of the Company or resolution of the New Beazley Board, any dividend or other distribution declared by such ordinary resolution or resolved to be paid by such New Beazley Board resolution shall be payable subject in each case to the condition that it shall not have been Cancelled by the Directors prior to its payment (whether or not such conditionality is expressly provided for in the relevant resolution). If the Directors act in good faith, they shall not incur any liability to the members of the Company or any of them in respect of any decision by the New Beazley Board to Cancel a dividend or distribution in accordance with the New Beazley Articles.

(d) *Distribution of assets on winding-up*

On any winding up of the Company (whether the liquidation is voluntary, under supervision or by the Court), the liquidator may with the authority of a special resolution of the Company passed in accordance with the Statutes and any other sanction required by the Statutes, divide among the Company's members (excluding the Company itself to the extent that it is a member by virtue only of its holding any shares as treasury shares) *in specie* or in kind the whole or any part of the assets of the Company (subject to any special rights attached to any shares issued by the Company in the future) and may for that purpose set such value as he deems fair upon any one or more class or classes of property and may determine how that division shall be carried out as between the members or different classes of members. The liquidator may, with that sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the relevant authority determines, and the liquidation of the Company may be closed and the Company dissolved, but so that no members shall be compelled to accept any shares or other property in respect of which there is a liability.

(e) *Liability of members*

The liability of the Company's members is limited to the amount, if any, unpaid on the shares held by them.

(f) *Variation of rights*

The rights or privileges attached to any class of shares may (unless otherwise provided by the terms of the issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed in accordance with the Statutes at a separate general meeting of the holders of the shares of that class, but not otherwise. These conditions are not more stringent than is required by law.

(g) *Transfer of shares*

All shares in the Company may be transferred by a transfer in any usual or common form or any form acceptable to the Directors and permitted by the Statutes and the UK Listing Authority. All transfers of uncertificated shares shall be made in accordance with and subject to the provisions of the CREST Regulations and the facilities and requirements of a Relevant System.

The Directors may decline to register a transfer of a share which is:

- (i) not fully paid or on which the Company has a lien provided that, where any such share is listed on the Official List that discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis; or
- (ii) not lodged duly stamped (if it is required to be stamped) at the registered office of the Company or at such other place as the Directors may appoint; or
- (iii) (except in the case of a transfer by a financial institution or where a certificate has not been issued) not accompanied by the certificate of the share to which it relates or such other evidence reasonably required by the Directors to show the right of the transferor to make the transfer; or
- (iv) in respect of more than one class of share; or
- (v) in the case of a transfer to joint holders of a share, the number of joint holders to whom the share is to be transferred exceeds four.

(h) *Section 793 of the Companies Act*

The Company may give a disclosure notice under section 793 of the Companies Act to any person whom it knows or has reasonable cause to believe is either interested in the Company's shares or has been so interested at any time during the three years immediately preceding the date on which the disclosure notice is issued.

The disclosure notice may require the person to confirm that fact or (as the case may be) to state whether or not it is the case and if he holds, or has during that time held, any such interest, to give such further information as may be required.

The notice may require the person to whom it is addressed, where either his interest is a present interest and another interest in the same shares subsists or another interest in the shares subsisted during the three-year period in which his interest subsisted, to give, so far as lies within his knowledge, such particulars with respect to that other interest as may be required by the notice, including: (i) the identity of persons interested in the shares in question and (ii) whether persons interested in the same shares are or were parties to an agreement to acquire interests in a particular company or an agreement or arrangement relating to the exercise of any rights conferring the holding of the shares.

The notice may require the person to whom it is addressed, where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

If the Company gives notice under section 793 of the Companies Act in relation to any shares to a member or another person appearing to be interested in such shares and the recipient fails to give the Company the information required within 14 days afterwards, the holder of such shares is not entitled to vote either personally or by proxy at a general meeting or exercise any other rights in respect of them in relation to a general meeting. Where such shares represent at least 0.25% of the issued shares of their class:

- (i) the Company may withhold payment of any dividend or other distribution or amount payable in respect of them;
- (ii) the member is not entitled to elect to receive shares instead of a dividend;
- (iii) the New Beazley Board may refuse to register the transfer of any such shares unless:
 - (A) the member is not himself in default in supplying the information required; and
 - (B) the transfer is of part only of the member's holding and when presented for registration is accompanied by a certificate from the member, in a form satisfactory to the New Beazley Board, to the effect that after due and careful enquiry the member is satisfied that none of the shares the subject of the transfer are default shares; and
- (iv) any shares held by such member in uncertificated form shall forthwith be converted into certificated form and that member shall not after that be entitled to convert all or any shares held by him into uncertificated form (except with the authority of the New Beazley Board) unless:
 - (A) the member is not himself in default in supplying the information required; and
 - (B) the conversion relates to part only of the member's holding and the members has issued a certificate, in a form satisfactory to the New Beazley Board, to the effect that after due and careful enquiry the member is satisfied that none of the shares he is proposing to convert are default shares.

These sanctions will cease to apply seven days (or such shorter period as the Directors may resolve) after the earlier of: (i) the Company being satisfied that the default in respect of which the disclosure notice was issued has been rectified; and (ii) notification being received by the Company that the default shares have been transferred to a third party by means of an approved transfer (as described in the New Beazley Articles).

- (i) *Limitations on New Beazley Shareholders and disenfranchisement in connection with Lloyd's requirements*

The Directors may at any time serve a notice upon any member requiring him to furnish them with information for the purposes of determining: (i) whether such member is, or is likely to be, a party to an agreement or arrangement whereby any of the shares held by him are to be voted in accordance with some other person's instructions; or (ii) whether such member and/or any other person who has an interest in any shares held by such member is a Controller (as defined below); (iii) whether such member and/or any other person who has an interest in any shares held by such member has an interest in any shares or any characteristics which might cause the Council to determine, suspend or revoke the membership of Lloyd's of any subsidiary of the Company, or to refuse to permit any subsidiary of the Company to become a member of Lloyd's, or to restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd's; or (iv) whether such member and/or other person who has an interest in any shares held by such member is (or is a connected person of) a members' agent, managing agent, Lloyd's broker or Lloyd's adviser (all as defined in bye-laws promulgated by Lloyd's). If such information and evidence is not furnished within a reasonable period (not being less than 14 days), or the information and evidence is, in the Directors' opinion, unsatisfactory, the Directors may serve upon such member a further notice calling upon him to furnish information and evidence within 14 days of the notice to enable the Directors so to determine. If such information or evidence is not furnished the Directors may withhold, to the extent lawful, the payment of any amounts to which the holder of the relevant shares is entitled.

If the Directors, following consultation with the Council, determine that there are reasonable grounds for apprehending that the Council may revoke, suspend or determine the membership of Lloyd's of any subsidiary of the Company, or refuse to permit any subsidiary of the Company to become a member of Lloyd's, or to restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd's by reason of the interest of a person in shares, the Directors may, if they elect, serve a written notice on the person. Such notice may call for a disposal to be made of all of the shares in which such person is interested or of such lesser number as may be specified and may also specify that, *inter alia*, if it is not complied with to the satisfaction of the

Directors, then the Directors will, so far as they are able, dispose of such shares on the New Beazley Shareholder's behalf at the best price reasonably obtainable. The holder of the relevant shares will cease to be entitled to receive notice of, or to attend and vote at, any general meeting of the Company or any meeting of the holders of shares of the relevant class unless the notice is withdrawn.

If any person (to the knowledge of the Directors and without the consent of the Council) becomes or is deemed to be a Controller (as defined below), the Directors will be entitled, but will not be obliged, to serve a written notice (a "**Disposal Notice**") on all those who have interests in, and, if different, on the holder(s) of, the shares in which the Controller is interested. The Disposal Notice will state the number of shares ("**Excess Ordinary Shares**") which are required to be disposed of. Where a Disposal Notice has been served, the holder(s) of the shares will not, in respect of the number of Excess Ordinary Shares held, be entitled, with effect from the date of service, to receive notice of, or to attend or vote at, any general meeting of the Company or any meeting of the holders of shares of the relevant class.

If a Disposal Notice is not complied with to the satisfaction of the Directors and has not been withdrawn, the Directors will, so far as they are able, dispose of the Excess Ordinary Shares at the best price reasonably obtainable in all the circumstances and will give written notice of any such disposal to those persons on whom the Disposal Notice was served. Such a disposal will usually be completed as soon as reasonably practicable after expiry of the Disposal Notice. Neither the Company nor the Directors will be liable to any holder, or to any person having an interest in any share, or any other person, for failing to obtain the best price so long as the Directors act in good faith.

For the purposes of this paragraph (i), a "**Controller**" means any person: (i) who either alone or with any connected person is entitled to exercise, or to control the exercise of, 10% or more of the voting power at any general meeting of the Company, or of another body corporate by which it is controlled; or (ii) in accordance with whose directions or instructions (either alone or with those of any connected person) the Directors are accustomed to act.

(j) *Issue of shares and pre-emption rights*

Subject to the provisions of the New Beazley Articles and of the Statutes, and to any direction given by the Company in a general meeting, the Directors may allot, grant options over or otherwise dispose of shares to such persons, at such times and on such terms as they think proper.

There are no rights of pre-emption under the New Beazley Articles in respect of transfers of issued shares. In certain circumstances, the New Beazley Shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for cash for allotment to New Beazley Shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the New Beazley Shareholders.

(k) *Capitalisation of reserves*

The Company may pass an ordinary resolution to capitalise all or any part of any amount standing to the credit of any reserve or fund (including the profit and loss account or income statement) whether or not available for distribution and accordingly the amount to be capitalised would be distributed among the Company's members in the same proportions as if it would be distributed by way of dividend. Any capitalised sum shall be applied either in or towards: (i) paying up the amounts unpaid on any shares in the Company held by those members; or (ii) in paying up in full shares, debentures or other obligations of the Company to be allotted and distributed credited as fully paid up among those members. However, for the purposes of these provisions in the New Beazley Articles, a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up unissued shares of the Company as fully paid.

(l) *Forfeiture*

To the extent permitted by the Statutes, the Company shall have a first and paramount lien on every share which is not fully paid for all amounts payable (whether or not currently payable) in respect of that share.

For any share over which the Company has a lien, the Directors may serve a lien enforcement notice on the relevant member requiring him to pay the sum payable. If the person upon whom the notice is served fails to comply with the notice within seven clear days, the Company may sell the share in such manner as the Directors think fit. The written notice must state and demand payment of the sum due and give notice of the Company's intention to sell in default.

Separately, the Directors may send a call notice to a member of the Company requiring him to pay a sum due to the Company in respect of shares held by him. If the member fails to pay any part or instalment of any call by the due date for payment, the Directors may serve a notice of intended forfeiture to that person. If this notice is not complied with before the date by which payment of the call is required under the notice (being not less than 14 clear days from the date of the notice), any shares in respect of which the notice was given may be forfeited by a Directors' resolution. The forfeiture shall include all dividends declared and other monies payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited shall become the property of the Company and may be sold, re-allotted or otherwise disposed of upon such terms and in such manner as the Directors will decide. A person whose shares have been forfeited ceases to be a member in respect of those shares, remains liable for all sums payable by that person at the date of forfeiture and must surrender the certificate for the shares to the Company for cancellation.

(m) *Uncertificated shares*

Subject to the Statutes and the rules of the UK Listing Authority, the Directors may resolve that any class of shares may be in uncertificated form and be transferred by means of a Relevant System. Nothing in the New Beazley Articles requires title to any shares or other securities of the Company to be evidenced by a certificate if the Statutes and the UK Listing Authority permit otherwise.

4.2 *Directors*

(a) *Number*

Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be subject to any maximum but shall not be less than two.

(b) *Share qualification*

A Director need not hold any share qualification but is entitled to receive notice of and to attend and speak at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company.

(c) *Borrowing powers*

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure that the aggregate principal amount for the time being outstanding of all moneys borrowed by the Group shall not at any time without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the Adjusted Share Capital and Reserves (as such term is defined in the New Beazley Articles).

Subject to the restrictions described above and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(d) *Directors' interests and restrictions*

The New Beazley Board may, in accordance with the New Beazley Articles, authorise a matter proposed to it which would, if not authorised, involve a breach by a Director of his duty under section 175 of the Companies Act to avoid a situation in which he has, or

can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. Such matters are proposed to the New Beazley Board by being submitted in writing for consideration at a meeting of the New Beazley Board or for the authorisation of the New Beazley Board by written resolution and in accordance with the New Beazley Board's normal procedures or in such other manner as the New Beazley Board may approve. An authorisation is only effective if it is given in accordance with the requirements of the Companies Act. The New Beazley Board may authorise a matter on such terms and for such duration, or impose limits or conditions on it as it may decide and vary the terms or duration of such an authorisation or revoke it.

Any terms, limits or conditions imposed by the New Beazley Board in respect of its authorisation of a Director's conflict of interest or possible conflict of interest may provide that:

- (i) if the relevant Director has (other than through his position as Director) information in relation to the relevant matter in respect of which he owes a duty of confidentiality to another person, he is not obliged to disclose that information to the Company or to use or apply it in performing his duties as a Director;
- (ii) the Director is to be excluded from discussions in relation to the relevant matter whether at a meeting of the New Beazley Board or any committee or sub-committee of the New Beazley Board or otherwise;
- (iii) the Director is not to be given any documents or other information in relation to the relevant matter; and
- (iv) the Director may or may not vote (or may or may not be counted in the quorum) at a meeting of the New Beazley Board or any committee or sub-committee of the New Beazley Board in relation to any resolution relating to the relevant matter.

A Director will not infringe any duty he owes to the Company by virtue of sections 171 to 177 of the Companies Act if he acts in accordance with any terms, limits and conditions imposed by the New Beazley Board in respect of its authorisation of the Director's conflict of interest or possible conflict of interest.

A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of his being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with a relationship involving a conflict of interest or possible conflict of interest which has been authorised by the New Beazley Board, by the Company in general meeting, or otherwise (subject to any terms, limits or conditions attaching to that authorisation).

If a Director has disclosed to the New Beazley Board the nature and extent of his interest to the extent required by the Companies Act, a Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of his being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with: (i) being a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested or a body corporate in which the Company is interested; (ii) acting (otherwise than as auditor) alone or through his organisation in a professional capacity for the Company (and he or that organisation is entitled to remuneration for professional services as if he were not a Director); or (iii) being a director or other officer of, or employed by, or otherwise interested in the Company's subsidiaries or any other body corporate in which the Company is interested. Any such transaction or arrangement is not liable to be avoided on the ground of any such remuneration, benefit or interest.

Except as provided by the terms of any authorisation of a conflict of interest or proposed conflict of interest, whether given by the Directors or otherwise if a meeting of the New Beazley Board is concerned with an actual or proposed transaction or arrangement with the company in which a Director is interested, that Director may not vote or be counted in the quorum at that meeting or part of a meeting. However, a Director who is interested in an actual or proposed transaction or arrangement with the Company may vote and count in the quorum at that meeting or part of the meeting if:

- (i) the Director's interest arises solely through an interest in shares, debentures or other securities of or otherwise in or through the Company;

- (ii) the Company by ordinary resolution disapplies the provision of the New Beazley Articles which would otherwise prevent a Director from being counted as participating in, or voting at, a meeting of the New Beazley Board;
- (iii) the Director's interest cannot reasonably be regarded as likely to give rise to a material conflict of interest; or
- (iv) the Director's conflict of interest arises from a permitted cause (as described in the New Beazley Articles).

If it is proposed to appoint two or more Directors to offices or employments with the Company or with a company in which the Company is interested, or to fix or vary the terms of those appointments, the proposals may be divided and considered in relation to each Director separately and in such case each of those Directors (if not debarred from voting for another reason) may vote (and be counted in the quorum) in respect of each resolution except that which relates to him.

If a question arises at any meeting of the New Beazley Board or committee or sub-committee of the New Beazley Board as to the materiality of a Director's interest or as to the entitlement of a Director to vote or count in the quorum and the question is not resolved by his agreeing voluntarily to abstain from voting, the question must be referred to the chairman of the meeting (or where the interest concerns the chairman to the deputy chairman of the meeting) and his ruling in relation to any Director is final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been disclosed fairly.

(e) *Remuneration*

Each of the Directors may (in addition to any amounts payable under any other provision of the New Beazley Articles) be paid out of the funds of the Company such sum by way of remuneration for their services as Directors such fees not exceeding in aggregate £2,000,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) to be divided in such proportion and manner as the Directors agree or, failing agreement, equally.

Any Director who is appointed to hold any employment or executive office with the Company or who, by request of the Company, goes or resides abroad for any purposes of the Company or who otherwise performs services which in the opinion of the Directors are outside the scope of his ordinary duties may be paid such additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors (or any duly authorised committee of the Directors) may determine and either in addition to or in lieu of any remuneration provided for by or pursuant to any other provision in the New Beazley Articles.

Each Director may be paid his reasonable travelling expenses (including hotel and incidental expenses) of attending and returning from meetings of the Directors or committees of the Directors or general meetings or any separate meeting of the holders of any class of shares in the Company or any other meeting which as a Director he is entitled to attend and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Subject to the Statutes, a Director may also be paid expenses incurred by him in obtaining professional advice in connection with the affairs of the Company or the discharge of his duties as a Director out of the Company's funds.

(f) *Pensions and other benefits*

The Directors may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former Director, or any person who is or was at any time employed by, or held an executive or other office or place of profit in, the Company or any body corporate which is or has been a subsidiary of the Company or a predecessor of the business of the Company or of any such subsidiary and for the families and persons who are or were dependants of any such persons and, for the purpose of providing any such benefits, contribute to any scheme, trust or fund or pay any premiums.

(g) *Appointment and retirement of Directors*

The Directors may appoint any person who is permitted by the Statutes and willing to act to be a Director, either to fill a casual vacancy or as an additional Director but so that the total number of Directors does not exceed any maximum number fixed by or in accordance with the New Beazley Articles. Any Director so appointed shall retire from office at the next annual general meeting of the Company following such appointment. Any Director so retiring is eligible for election by the Company.

Subject to and as provided in the New Beazley Articles, the Company may by ordinary resolution elect any person who is willing to act as a Director either to fill a casual vacancy or as an addition to the existing Directors or to replace a Director removed from office under the New Beazley Articles but so that the total number of Directors does not exceed any maximum number fixed by or in accordance with the New Beazley Articles.

Each Director shall retire and (unless his terms of appointment with the Company specify otherwise) is eligible for election or re-election at each annual general meeting. The retirement of a Director under this provision shall not have effect until the conclusion of the relevant meeting except where a resolution is passed to elect another person in the place of the retiring Director or a resolution for his election or re-election is put to the meeting and not passed and accordingly a retiring Director who is elected or re-elected or deemed to have been elected or re-elected will continue in office without break.

If at the annual general meeting in any year, any resolution(s) for the election or re-election of the persons eligible for election or re-election as Directors are put to the meeting and lost, and at the end of that meeting, the number of Directors is fewer than any minimum number of Directors fixed by or in accordance with the New Beazley Articles, all retiring Directors who stood for election or re-election at that meeting shall be deemed to have been elected or re-elected as Directors with effect from the conclusion of the meeting and these Directors may only act for the purpose of convening general meetings of the Company and performing duties which are essential to maintain the Company as a going concern. As soon as reasonably practicable after that general meeting, the Directors shall convene another general meeting at which they shall retire from office.

At the meeting at which a Director retires, the Company may by ordinary resolution fill the vacated office by electing or re-electing a person to it, and in default the retiring Director is deemed to have been elected or re-appointed except where:

- (i) that Director has given notice to the Company that he is unwilling to be elected or re-elected; or
- (ii) at the meeting it is expressly resolved not to fill the vacated office or a resolution for the election or re-election of the Director has been put to the meeting and not passed.

In the event of the vacancy not being filled at the meeting, it may be filled by the Directors as a casual vacancy.

(h) *Indemnity*

Subject to the provisions of the Statutes, the Company may, at the New Beazley Board's discretion and on such terms as the New Beazley Board may decide from time-to-time, indemnify any director or other officer of the Company (or of a subsidiary of the Company) against any liability and indemnify a director or other officer of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme. Subject to the provisions of the Statutes, the Company may provide such a director or officer with funds to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceeding, in connection with an application for relief or in defending himself in an investigation by a regulatory authority.

4.3 *Shareholder meetings*

(a) *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting in each period of six months beginning with the day following its accounting reference date in addition to any other meetings. The annual general meeting shall be held at such time and place as the Directors may appoint.

(b) *General meetings*

The Directors may call a general meeting. The Directors must call a general meeting if the members and the Companies Act require them to do so.

(c) *Length of notice*

An annual general meeting must be called by at least 21 clear days' notice. All other general meetings must be called by at least 14 clear days' notice. In each case, this is subject to any longer notice period required by the Statutes. Notice of general meetings must be sent or supplied in accordance with the New Beazley Articles.

(d) *Contents of notice*

Every notice of meeting of the Company shall:

- (i) specify the time, date and place of the meeting;
- (ii) state the general nature of the business to be dealt with at the meeting;
- (iii) include the statements required by section 311(3) of the Companies Act;
- (iv) with reasonable prominence state that a member may appoint proxies to attend, speak and vote instead of that member;
- (v) in the case of an annual general meeting, specify the meeting as such and include any statements required by section 337(3) of the Companies Act; and
- (vi) if the meeting is called to consider a special resolution, include the text of the resolution and the intention to propose the resolution as a special resolution.

(e) *Quorum of meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of a meeting. Two qualifying persons present at a meeting are a quorum unless each person is a qualifying person only because he is authorised to act as the representative of a corporation in relation to the meeting, and they are representatives of the same corporation; or he is appointed as proxy of a member in relation to the meeting, and they are proxies of the same member.

5. **Summary of the principal differences between the New Beazley Articles and the Beazley Articles**

5.1 The principal differences between the New Beazley Articles and the Beazley Articles are set out in this paragraph 5.1 and in paragraphs 5.2, 5.3 and 5.4 of this Part V:

- (a) The New Beazley Articles do not include certain provisions that were included in the Beazley Articles, including provisions relating to:
- (i) the Dividend Access Plan;
 - (ii) the requirement for board and committee meetings to be held outside the United Kingdom;
 - (iii) the requirement for the board to contain a minimum of two directors who are residents in Ireland for tax purposes;
 - (iv) the requirement for board and committee meetings to have one director who is resident in Ireland for tax purposes present in order for such meetings to be quorate;
 - (v) the requirement for general meetings to be held in Ireland; and
 - (vi) the requirement for executors or administrators of Beazley Shareholders to indemnify Beazley in certain circumstances in connection with a transmission of Ordinary Shares.

- (b) The New Beazley Articles include provisions that were not included in the Beazley Articles, including:
 - (i) the power to issue share warrants;
 - (ii) the power for the New Beazley Directors to call for a New Beazley Shareholder to dispose of Excess Ordinary Shares and for such Excess Ordinary Shares to be disenfranchised, in each case in certain limited circumstances, as further described in paragraph 4.1(i) of this Part V;
 - (iii) a requirement for each Director to retire at each annual general meeting of New Beazley, with such Directors being eligible for re-election at that annual general meeting. This reflects Beazley's recent practice at its annual general meetings in compliance with the UK Corporate Governance Code;
 - (iv) a cap of 15% per annum on the interest payable by a person whose shares in New Beazley have been forfeited;
 - (v) the power for a Director to direct New Beazley to pay part of his remuneration to a person who has been appointed as his alternate director in accordance with the New Beazley Articles; and
 - (vi) a requirement for the Directors to give reasons for any refusal to register a transfer of shares in New Beazley.
- 5.2 The article restricting the power of the Company to borrow monies in the New Beazley Articles (as described in paragraph 4.2(c) of this Part V) differs in some respects from the equivalent article in the Beazley Articles:
 - (a) the following items are not deemed to be "moneys borrowed" for the purpose of this restriction in the New Beazley Articles: (i) the principal amount of any preference share capital of a subsidiary undertaking owned otherwise than a member of the New Beazley Group; (ii) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing (except for any final repayment); and (iii) fixed amounts in respect of certain hire-purchase agreements and finance leases; and
 - (b) certain exclusions from the definition of "moneys borrowed" have been removed in the New Beazley Articles, including: (i) immediately after a company becomes a member of the Company's group of companies, an amount equal to its outstanding borrowed moneys; and (ii) immediately after an asset is acquired by a member of the Company's group of companies, an amount equal to the amount secured on the asset.
- 5.3 In order for the New Beazley Shares to be counted towards the capital and solvency requirements under Solvency II, any dividends or other distributions declared by the Company (and other distributions) must be capable of being cancelled or deferred at any time before payment if the relevant capital or solvency requirements have been breached or payment of the dividend (or other distribution) would lead to such breach. Accordingly, as further described in paragraph 4.1(c) of this Part V, the New Beazley Articles include a provision stating that any dividend or other distribution declared by the Company may be cancelled or deferred by the Directors before payment in certain circumstances. In order to ensure that the Directors have sufficient flexibility to allow the Company to comply with the Solvency II regime, the circumstances in which a dividend or other distribution may be cancelled or deferred have been drafted widely.
- 5.4 There are also a number of differences between the Beazley Articles and the New Beazley Articles that arise by reason of New Beazley being a company incorporated in England and Wales and not in Jersey. In particular, certain provisions were incorporated into the Beazley Articles to enshrine rights that were not covered by the Jersey Companies Law but which shareholders in a company listed on the London Stock Exchange would normally expect. Given that the New Beazley Shareholders will have the benefit of protection on these matters under the Statutes, these provisions have not been included in the New Beazley Articles.
- 5.5 The provisions of the New Beazley Articles are further described in paragraph 4 of this Part V. Copies of the New Beazley Articles and the Beazley Articles are also available for inspection as described in paragraph 27 of this Part V.

6. Directors of New Beazley

6.1 The directors of New Beazley and their functions are as follows:

<i>Name</i>	<i>Position</i>
Dennis Holt	Chairman
Andrew Horton	Chief Executive Officer
Martin Bride	Group Finance Director
Neil Maidment	Chief Underwriting Officer
Clive Washbourn	Head of Marine
Adrian Cox	Head of Specialty Lines
George Blunden	Senior Independent Non-Executive Director
Angela Crawford-Ingle	Non-Executive Director
Sir Andrew Likierman	Non-Executive Director
Vincent Sheridan	Non-Executive Director
Catherine Woods	Non-Executive Director

6.2 The business address of each of the Directors is Plantation Place South, 60 Great Tower Street, London EC3R 5AD, United Kingdom.

6.3 Brief biographical details of the Directors are set out on pages 70 to 71 of the Beazley Annual Report and Accounts 2015, which are incorporated by reference into this document.

6.4 In addition to their directorships of the Company and Group companies, the Directors hold, or have held the following directorships and/or are or were members of the following partnerships during the previous five years prior to the date of this document:

<i>Director</i>	<i>Position</i>	<i>Directorships/partnerships</i>	<i>Position still held (Yes/No)</i>
Dennis Holt.....	Director	The Co-operative Bank plc	Y
	Director	Bank of Ireland plc	N
	Director	Bank of Ireland (UK) plc	N
	Director	Liverpool Victoria Friendly Society Limited	N
Andrew Horton.....	Director	MAN Group plc	Y
	Director	Falcon Money Management Holdings Limited	N
Martin Bride	—	—	—
Neil Maidment.....	Member	Council of Lloyd's	Y
Clive Washbourn	—	—	—
Adrian Cox	—	—	—
George Blunden	Director	Stonewater Limited	Y
	Director	Stonewater Funding plc	Y
	Director	The Charity Bank Limited	Y
	Director	Capstan Performance Services Limited	N
Angela Crawford-Ingle	Director	Ambre Limited	Y
	Member	Ambre Partners LLP	Y
	Director	River and Mercantile Group PLC	Y
	Director	Swinton Group Limited	Y
Sir Andrew Likierman	Director	Centre for Management Development Company Limited	Y
	Director	Times Newspapers Holdings Limited	Y
	Director	Barclays Bank plc	N
	Director	Barclays plc	N
Vincent Sheridan.....	Director	Canada Life Assurance Europe Limited	Y
	Director	Canada Life International Assurance (Ireland) Designated Activity Company	Y

<i>Director</i>	<i>Position</i>	<i>Directorships/partnerships</i>	<i>Position still held (Yes/No)</i>
	Director	Canada Life International Assurance Limited	Y
	Director	F.B.D. Insurance plc	Y
	Director	Mercer Global Investments Europe Limited	Y
	Director	Mercer Ireland (Holdings) Limited	Y
	Director	Mercer (Ireland) Limited	Y
	Director	Oaklee Housing Trust Limited	Y
	Director	St. Conleth's Limited	Y
	Director	Temple Street Foundation	Y
	Director	The Children's Fund For Health Limited	Y
	Director	Augura Life Ireland Limited	N
	Director	Canada Life (Ireland) Limited	N
	Director	F.B.D. Holdings plc	N
	Director	London Life & General Reinsurance Co Limited	N
	Director	Magennis Holding Limited	N
	Director	Meningitis Trust Ireland	N
	Director	Trulife Group Limited	N
Catherine Woods	Director	AIB Mortgage Bank	Y
	Director	Allied Irish Banks plc	Y
	Director	EBS Limited	Y
	Director	An Post	N
	Director	Carlingford Community Development Limited	N

- 6.5 At the date of this document, none of the New Beazley Directors has at any time in the five years preceding the date of this document:
- save as disclosed in paragraph 6.4 of this Part V, been a director or partner of any company or partnership; or
 - been convicted in relation to a fraudulent offence; or
 - been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company; or
 - been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or
 - been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.
- 6.6 None of the New Beazley Directors has any family relationship with another New Beazley Director.
- 6.7 None of the New Beazley Directors has any potential conflicts of interest between their duties to the Company and their private interests and/or other duties.

7. New Beazley Directors' interests in Beazley and New Beazley

7.1 *Interests in Ordinary Shares and New Beazley Shares*

Assuming no further Ordinary Shares have been purchased or issued after the Latest Practicable Date, the New Beazley Directors and their immediate families (so far as is known to the New Beazley Directors having made appropriate enquiries) have the following interests in the share capital of Beazley (all of which are beneficial unless otherwise stated) and, in the event that the Scheme becomes effective, the New Beazley Directors and their immediate families (so far as is known to the New Beazley Directors having made appropriate enquiries) will have the following interests in New Beazley by virtue of the effect of the Scheme on their holdings in Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares before the Scheme becomes effective</i>	<i>Percentage of Ordinary Shares before the Scheme becomes effective</i>	<i>Number of New Beazley Shares after the Scheme becomes effective</i>	<i>Percentage of New Beazley Shares after the Scheme becomes effective</i>
Dennis Holt.....	50,000	0.010%	50,000	0.010%
Andrew Horton.....	1,708,612	0.326%	1,708,612	0.326%
Martin Bride	321,400	0.061%	321,400	0.061%
Neil Maidment.....	2,907,523	0.556%	2,907,523	0.556%
Clive Washbourn	461,346	0.088%	461,346	0.088%
Adrian Cox	758,047	0.145%	758,047	0.145%
George Blunden	50,000	0.010%	50,000	0.010%
Angela Crawford-Ingle	20,850	0.004%	20,850	0.004%
Sir Andrew Likierman	10,000	0.002%	10,000	0.002%
Vincent Sheridan.....	20,000	0.004%	20,000	0.004%
Catherine Woods	—	—	—	—

The interests of the New Beazley Directors together represent approximately 1.2% of the issued ordinary share capital of Beazley and are expected to represent approximately 1.2% of the issued ordinary share capital of New Beazley upon the Scheme becoming effective.

In addition to the interests in Ordinary Shares described in this paragraph 7.1, the New Beazley Directors were beneficially interested in the Ordinary Shares held by the EBT. As further described in paragraph 11.9 of this Part V, the EBT is a discretionary trust in which assets are held for the benefit of, amongst others, the New Beazley Directors and certain of their relations. Following the Scheme becoming effective, the New Beazley Directors will hold beneficial interests in the New Beazley Shares held by the EBT.

7.2 *Interests in awards over Ordinary Shares*

As at the Latest Practicable Date, the following Directors held the following interests in Ordinary Shares under the Beazley Employee Share Plans:

(a) *Awards under the 2012 LTIP*

<i>Name</i>	<i>Grant date</i>	<i>Number of outstanding awards</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
Andrew Horton	30/03/12	292,825	30/03/17	30/03/22
	13/02/13	210,823	13/02/18	13/02/23
	11/02/14	160,769	11/02/17	11/02/24
	11/02/14	160,770	11/02/19	11/02/24
	10/02/15	149,967	10/02/18	10/02/25
	10/02/15	149,968	10/02/20	10/02/25
	09/02/16	125,199	09/02/19	09/02/26
	09/02/16	125,199	09/02/21	09/02/26
Martin Bride	30/03/12	141,183	30/03/17	30/03/22
	13/02/13	110,186	13/02/18	13/02/23

<i>Name</i>	<i>Grant date</i>	<i>Number of outstanding awards</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
	11/02/14	84,025	11/02/17	11/02/24
	11/02/14	84,026	11/02/19	11/02/24
	10/02/15	78,619	10/02/18	10/02/25
	10/02/15	78,619	10/02/20	10/02/25
	09/02/16	65,625	09/02/19	09/02/26
	09/02/16	65,624	09/02/21	09/02/26
Neil Maidment.....	30/03/12	164,714	30/03/17	30/03/22
	13/02/13	118,634	13/02/18	13/02/23
	11/02/14	90,478	11/02/17	11/02/24
	11/02/14	90,479	11/02/19	11/02/24
	10/02/15	84,401	10/02/18	10/02/25
	10/02/15	84,401	10/02/20	10/02/25
	09/02/16	70,466	09/02/19	09/02/26
	09/02/16	70,466	09/02/21	09/02/26
Clive Washbourn	30/03/12	164,714	30/03/17	30/03/22
	13/02/13	118,634	13/02/18	13/02/23
	11/02/14	90,478	11/02/17	11/02/24
	11/02/14	90,479	11/02/19	11/02/24
	10/02/15	84,401	10/02/18	10/02/25
	10/02/15	84,401	10/02/20	10/02/25
	09/02/16	70,466	09/02/19	09/02/26
	09/02/16	70,466	09/02/21	09/02/26
Adrian Cox	30/03/12	141,183	30/03/17	30/03/22
	13/02/13	117,532	13/02/18	13/02/23
	11/02/14	90,478	11/02/17	11/02/24
	11/02/14	90,479	11/02/19	11/02/24
	10/02/15	84,401	10/02/18	10/02/25
	10/02/15	84,401	10/02/20	10/02/25
	09/02/16	70,466	09/02/19	09/02/26
	09/02/16	70,466	09/02/21	09/02/26

(b) *Awards under the Deferred Share Plan*

<i>Name</i>	<i>Grant date</i>	<i>Number of outstanding awards</i>	<i>Earliest vesting date</i>	<i>Expiry date</i>
Andrew Horton	11/02/14	191,758	11/02/17	11/03/17
	10/02/15	131,877	10/02/18	10/03/18
	09/02/16	108,990	09/02/19	09/03/19
Martin Bride	11/02/14	97,755	11/02/17	11/03/17
	10/02/15	81,155	10/02/18	10/03/18
	09/02/16	67,070	09/02/19	09/03/19
Neil Maidment.....	11/02/14	146,450	11/02/17	11/03/17
	10/02/15	101,443	10/02/18	10/03/18
	09/02/16	83,838	09/02/19	09/03/19
Clive Washbourn	11/02/14	146,450	11/02/17	11/03/17
	10/02/15	101,443	10/02/18	10/03/18
	09/02/16	83,838	09/02/19	09/03/19
Adrian Cox	11/02/14	109,837	11/02/17	11/03/17
	10/02/15	101,443	10/02/18	10/03/18
	09/02/16	83,838	09/02/19	09/03/19

(c) *Awards under the 2012 SAYE Plan*

<i>Name</i>	<i>Grant date</i>	<i>Number of outstanding awards</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
Andrew Horton	09/05/14	4,354	01/07/17	01/01/18
	07/05/15	3,800	01/07/18	01/01/19
Martin Bride	10/04/13	5,311	01/07/16	01/01/17
	09/05/14	4,354	01/07/17	01/01/18
Neil Maidment.....	10/04/13	5,311	01/07/16	01/01/17
	09/05/14	4,354	01/07/17	01/01/18
Clive Washbourn	09/05/14	4,354	01/07/17	01/01/18

(d) *Individual awards*

<i>Name</i>	<i>Grant date</i>	<i>Number of outstanding awards</i>	<i>Earliest vesting date</i>	<i>Expiry date</i>
Clive Washbourn	05/04/13	500,000	05/04/16	05/04/23
	05/04/13	500,000	05/04/18	05/04/23

7.3 ***Outstanding loans and guarantees***

There are no outstanding loans or guarantees granted or provided by the Group for the benefit of any of the New Beazley Directors.

8. Principal shareholders

8.1 Beazley has confirmed to New Beazley that insofar as is known to Beazley as at the Latest Practicable Date the following persons were interested, directly or indirectly, in 3% or more of Beazley's voting share capital (on the basis of their disclosed existing holdings of Ordinary Shares as at the Latest Practicable Date), and the amount of such persons' holdings of the total voting rights in respect of the New Beazley Shares following the Scheme becoming effective is expected to be as follows:

<i>Name</i>	<i>Number of shares</i>	<i>Percentage held</i>
Invesco Perpetual	101,400,652	19.4%
MFS Investment Management	49,623,657	9.5%
Woodford Investment Management	29,269,717	5.6%
Dimensional Fund Advisors	23,111,889	4.4%
Standard Life Investments	19,612,425	3.7%
BlackRock	19,164,524	3.7%
Legal & General Investment Management	15,729,547	3.0%

The interests disclosed above refer to the respective combined holdings of those entities and to interests associated with them.

8.2 Save as disclosed in this paragraph 8, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) which will represent 3% or more of the total voting rights in respect of the issued ordinary share capital of New Beazley once the Scheme becomes effective.

8.3 So far as New Beazley is aware, immediately following implementation of the Scheme, no person or persons directly or indirectly, jointly or severally, will exercise or could exercise control over New Beazley.

8.4 Except in respect of the Scheme, neither New Beazley nor the Directors are aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Beazley.

8.5 There are no differences between the voting rights enjoyed by the principal Beazley Shareholders described in paragraph 8.1 above and those enjoyed by any other holder of Ordinary Shares and expected to be enjoyed by holders of New Beazley Shares.

9. Remuneration and benefits

9.1 This paragraph 9.1 provides information on the remuneration for the Beazley Directors.

(a) Executive Directors

The dates and other material details of the service agreements of the Beazley Executive Directors are set out below:

<i>Name</i>	<i>Date of appointment as a Beazley Director⁽¹⁾</i>	<i>Date of current contract</i>	<i>Notice period from the employer</i>	<i>Notice period from the employee</i>
Andrew Horton.....	12 June 2003	2 November 2015	12 months	12 months
Martin Bride.....	5 May 2009	2 November 2015	12 months	12 months
Neil Maidment.....	15 March 2001	22 February 2016	12 months	12 months
Clive Washbourn.....	4 December 2006	2 November 2015	12 months	12 months
Adrian Cox.....	6 December 2010	2 November 2015	12 months	12 months

Note:

(1) Where the appointment date of a Beazley Executive Director pre-dates 9 June 2009 (being the date that Beazley became the ultimate parent company of the Group) the appointment date refers to their appointment to the board of directors of Beazley Group Limited (formerly known as Beazley Group plc).

The Beazley Executive Directors have service contracts with Beazley Management Limited which shall continue until terminated by either party giving to the other not less than 12 months' prior written notice. The service contracts of Beazley Executive Directors contain provisions for payment in lieu of notice such that, in certain instances, Beazley Management Limited may at its absolute discretion elect to terminate the employment of the Beazley Executive Director with immediate effect by paying to the Beazley Executive Director, in lieu of notice, the salary to which the Executive Director would otherwise have been entitled for the period of such notice, less such deductions as are required by law. On the Effective Date, each such service contract will automatically apply to the relevant Executive Director's appointment as an executive director of New Beazley.

In addition to such service contracts, the terms of appointment of the Executive Directors as directors of Beazley are set out in letters of appointment between Beazley and the Executive Directors. Each Executive Director is entitled to a fee of £50,000 per annum, or the equivalent in euros, in respect of his appointment as a director of Beazley. On the Effective Date, these letters of appointment will be terminated and the fees previously payable under such letters will be payable in sterling under the Executive Directors' service contracts.

(b) Non-Executive Directors

The dates of appointment and details of the letters of appointment of the Beazley Non-Executive Directors are set out on page 95 of the Beazley Annual Report and Accounts 2015, which are incorporated by reference into this document.

Beazley has confirmed to New Beazley that the Beazley Non-Executive Directors each receive a fee agreed by the Beazley Board and that when setting fee levels consideration is given to fees paid by comparable companies for comparable services and the time commitment and responsibilities of the individual Non-Executive Director. Beazley has further confirmed that no Beazley Non-Executive Director is involved in the determination of their fees.

On the Effective Date, each of the New Beazley Non-Executive Directors will enter into letters of appointment with New Beazley, which will be on substantially the same terms as the letters of appointment that each of the relevant Beazley Non-Executive Directors has with Beazley.

(c) *Other*

There is no arrangement under which any Beazley Director or New Beazley Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

(d) *Analysis of Directors' remuneration*

The remuneration (including salary and other benefits and any compensation) paid by Beazley to the Beazley Directors for services in all capacities in respect of FY 2015 is set out on pages 86 to 87 of the Beazley Annual Report and Accounts 2015, which is incorporated by reference into this document.

(e) *Pension*

No amounts are accrued or payable for the purposes of providing pension and retirement benefits for the Beazley Directors except for the payments made to the Beazley Executive Directors referred to on page 94 of the Beazley Annual Report and Accounts 2015, which is incorporated by reference into this document.

9.2 Other than as described in this paragraph 9, no benefit, payment or compensation of any kind is payable to any Beazley Directors or New Beazley Directors upon termination of his or her employment.

10. Corporate governance

10.1 The Board of New Beazley is firmly committed to high standards of corporate governance and supports the principles of corporate governance contained in the UK Corporate Governance Code. Beazley complied with the UK Corporate Governance Code throughout FY 2015.

10.2 New Beazley does not comply with the provisions of the UK Corporate Governance Code as at the date of this document, but will do so with effect from Admission. New Beazley will establish an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee with effect from the Effective Date, details of which are set out below.

(a) *Audit and Risk Committee*

The New Beazley Audit and Risk Committee will be chaired by Angela Crawford-Ingle and its other members will be Vincent Sheridan and George Blunden, all of whom the New Beazley Directors consider to be independent Non-Executive Directors and to have the appropriate experience to enable the committee to carry out its responsibilities. New Beazley's Chief Executive Officer, Group Finance Director and Chief Risk Officer will be invited to attend part of each meeting of this committee and the external auditors will be invited to attend meetings regularly. The committee will also hold regular separate meetings with the head of internal audit and with the external auditor.

The committee's main objectives, amongst others, will be to:

- (i) monitor the integrity of New Beazley's financial statements and any other formal announcements relating to New Beazley's financial performance;
- (ii) review significant financial reporting judgements contained in the financial statements before submission to, and approval by, the New Beazley Board and before clearance by the external auditors;
- (iii) review New Beazley's internal financial controls and its internal control and risk management systems;
- (iv) approve the appointment or termination of appointment, of the head of internal audit and monitor and review the effectiveness of New Beazley's internal audit function;
- (v) review the arrangements by which employees of the New Beazley Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- (vi) review any matters raised by the external auditors and the New Beazley Group's internal audit function.

In respect of any firm of external auditors and consulting actuaries which may be appointed by any member of the New Beazley Group, the committee will also be responsible for recommending their appointment and termination, recommending their terms of reference, receiving regular reports (independent of management where necessary), determining their independence, monitoring their performance and approving their fees.

The committee is expected to receive a number of presentations on the New Beazley Group's operational and underwriting activities together with regular updates on the status of actions taken by management to address issues raised by both external auditors and the internal audit function.

The committee will undertake a regular appraisal of its performance in relation to best practice and the findings of this review will be formally reported to the New Beazley Board.

(b) *Nomination Committee*

The New Beazley Nomination Committee will be chaired by Dennis Holt and its other members will be George Blunden and Sir Andrew Likierman. The committee will meet as required and make recommendations to the New Beazley Board on all board appointments, including the selection of non-executive directors.

The committee will review the structure, size and composition of the New Beazley Board, oversee the recruitment of directors, both executive and non-executive, review the responsibilities and performance of non-executive directors and monitor the effectiveness of the Audit and Risk Committee and the Remuneration Committee.

(c) *Remuneration Committee*

The New Beazley Remuneration Committee will be chaired by Sir Andrew Likierman and its other members will be George Blunden and Dennis Holt. The committee may require the Chief Executive Officer, the Head of Talent Management and other executives to attend its meetings for certain agenda items. No executive officer may take part in decisions on his own remuneration. The committee will meet at least three times a year and otherwise as frequently as is required. The committee will be responsible for formulating and recommending policy on executive remuneration. Within the terms of the agreed policy, the New Beazley Remuneration Committee will approve the specific components of remuneration packages of all New Beazley Executive Directors and the chairman of New Beazley. It will also review the general remuneration framework for senior executives and make awards under the New Beazley Employee Share Plans.

11. Beazley Employee Share Plans

Awards pursuant to which Ordinary Shares can be obtained are outstanding under the following employee share plans operated by Beazley: the 2012 SAYE Plan, the US SAYE Plan, the 2012 LTIP, the Retention Plan and the Deferred Share Plan. Beazley has also made four awards to individuals, which are not subject to the rules of the Beazley Employee Share Plans. See paragraph 2.3 of Part I (*The Scheme of Arrangement and Related Proposals*) of this document for a description of the effect of the Scheme on the Beazley Employee Share Plans and the awards to individuals.

11.1 2012 SAYE Plan

(a) *Introduction*

The Beazley Save As You Earn Share Option Plan 2012 (the “**2012 SAYE Plan**”) was designed to award tax-favourable options on an all-employee basis. It was established by the Beazley Board on 6 February 2012 and was approved by HMRC. No further options will be granted under the 2012 SAYE Plan following the Effective Date.

(b) *Savings contract*

All options are linked to a savings contract entered into by each participant with a nominated savings carrier. Participants save for three years, five years or seven years and contribute between £5 and £250 per month (£500 per month for options granted after 5 April 2014), subject to scaling down if aggregate applications exceed the number of ordinary shares to be made available. The number of Ordinary Shares over which a participant is granted an option is the number which can be acquired at the exercise price with the accumulated savings plus terminal bonus.

(c) *Exercise price*

The exercise price for Ordinary Shares is not be less than 80% of the closing average middle market quotations of an Ordinary Share on the three dealing days preceding the day on which invitations are issued.

(d) *Exercise of options*

Options may normally only be exercised during the six-month period following the end of the relevant savings period (i.e. the first date on which the bonus is payable). Options also become exercisable for a limited period if the participant ceases to be employed by the Group on account of death, injury, disability, redundancy, or retirement or on the sale of the participant's employing subsidiary or business.

Early exercise is also permitted in the event of a takeover, certain court-sanctioned compromises or arrangements or a winding-up of Beazley. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

However, where such events are part of a scheme or arrangement whereby an acquiring company obtains control of Beazley, and at least 75% of the issued ordinary share capital of the acquiring company is owned by the same persons who were shareholders of Beazley before the event, then, if a roll over of options is offered the options will not become exercisable, and if the roll over is not accepted will lapse.

11.2 *US SAYE Plan*

(a) *Introduction*

The Beazley Savings-Related Share Option Plan for US Employees 2009 (the “**US SAYE Plan**”) was established to award tax-favourable options to all eligible US-based employees. The US SAYE Plan allows participants to save a fixed amount of money over a period and use those savings to buy Ordinary Shares at the end of that fixed period, at a pre-determined discount price. Interest is earned on the savings. At the end of the savings period, a participant may choose whether to use their savings and interest to buy Ordinary Shares or withdraw the savings for their own use.

The US SAYE Plan is designed to comply with section 423 of the Code. It was established by the Beazley Board on 20 March 2009 and will expire on 5 May 2016.

No further options will be granted under the US SAYE Plan following the Effective Date.

(b) *Savings contract*

The US SAYE Plan is linked to a two-year savings contract entered into by each participant with a nominated bank. Participants contribute between US\$10 and the dollar equivalent of £500 per month as determined by the Beazley Remuneration Committee (subject to scaling down if aggregate applications exceed the number of Ordinary Shares to be made available). The number of Ordinary Shares over which a participant is granted an option is the number which can be acquired at the exercise price with the accumulated savings plus interest. To ensure that all employees around the world receive the same number of options for the same savings, Beazley uses a nominal rate of interest (equal to one month's savings) to calculate total savings and interest. The actual interest rate paid is determined and paid by the nominated bank.

(c) *Exercise price*

The exercise price for Ordinary Shares so long as they are listed on the Official List is the US dollar equivalent of the average share price quoted in sterling on the London Stock Exchange on the day before the date of grant of the option, discounted by 15% and converted into US dollars at the exchange rate in effect on that date.

(d) *Exercise of options*

Options may normally only be exercised during the period following the end of the relevant savings period (i.e. the second anniversary from the date of grant) and 27 months from the date of grant of the option. Options may also be exercised for a period of six months on the death of a participant, or on the participant ceasing to be an eligible employee by reason of disability. Options also become exercisable for a period of three

months on ceasing to be an eligible employee by reason of injury, redundancy, or retirement, on the sale of the employing subsidiary or business or certain changes in the control of Beazley.

A participant may also exercise up to 20% of any outstanding vested options after the first anniversary of grant, provided that the participant has remained in continuous employment.

A participant may exercise his options within three months in the event of a takeover, a court-sanctioned arrangement for the purposes of reconstruction, amalgamation or a change of control of Beazley. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

However, where such events are part of an arrangement whereby an acquiring company obtains control of Beazley, and the persons who will own shares in the acquiring company immediately after the arrangement are substantially the same as the persons who owned shares in Beazley immediately before the arrangement, then, if a roll over of options is offered the options will not become exercisable, and will be exchanged for the roll over options.

11.3 **2012 LTIP**

(a) *Introduction*

The Beazley Long Term Incentive Plan 2012 (the “**2012 LTIP**”) was established by the Beazley Board on 6 February 2012 to replace a previous long term incentive plan on its expiry. The 2012 LTIP was approved by Beazley Shareholders on 27 March 2012. No further options will be granted under the 2012 LTIP following the Effective Date.

(b) *Form of awards*

Awards under the 2012 LTIP may be in the form of:

- (i) a conditional right to acquire Ordinary Shares on vesting, at no cost to the participant (“**Conditional Award**”); or
- (ii) an option to acquire Ordinary Shares at any point during an exercise period, at no cost to the participant (“**Nil-Cost Option**”).

The Beazley Remuneration Committee may alternatively decide, at any time before a Conditional Award vests or a Nil-Cost Option is exercised, that the award will be settled in cash.

Awards do not qualify for tax advantages.

(c) *Performance conditions*

The vesting of awards is subject to the satisfaction of a performance condition which will determine the proportion (if any) of the award which will vest at the end of a performance period of at least three years.

The performance condition may be varied if one or more events occur which cause the Beazley Remuneration Committee to consider that a varied performance condition would be more appropriate and it would not be materially more or less difficult to satisfy.

The Beazley Remuneration Committee may decide that the vesting of awards will also be subject to meeting shareholding requirements set by Beazley.

(d) *Reduction for malus*

The Beazley Remuneration Committee may determine, at any time prior to the vesting of an award, that all or part of an award is forfeited or reduced if the Beazley Remuneration Committee considers that:

- (i) the participant has engaged in conduct which justifies dismissal without notice or payment in lieu of notice or a final written warning;
- (ii) an exceptional development has taken place which has a material adverse impact on Beazley or any holding company of Beazley (whether specific to the circumstances of Beazley or any such holding company or as a result of the economy or the financial sector generally); or
- (iii) forfeiture of all or part of the award is required to comply with any law or regulatory requirement (existing or new) of any company in the Group

(e) *Clawback*

For awards granted after 4 February 2015 to Beazley Executive Directors, if the following circumstances apply, the Beazley Remuneration Committee may reduce the number of Ordinary Shares subject to a vested Nil-Cost Option, require a participant to make a cash payment to Beazley in respect of some or all of the Ordinary Shares or cash delivered to him under an award or require the participant to transfer for nil consideration some or all of the Ordinary Shares delivered to him under an award:

- (i) a material misstatement of the consolidated financial results of Beazley or any member of the Group in respect of a financial year in the performance period to which the award related;
- (ii) gross misconduct on the part of the participant; or
- (iii) an error in assessing a performance condition applicable to an award, or in the information on which an award was granted or vests, which has resulted in a material overpayment to a participant.

The clawback must normally be effected within two years of the normal vesting date of the award, but this period may be extended if the participant's actions or conduct is under investigation. The amount of Ordinary Shares or cash will be calculated net of any income tax and social security liabilities.

(f) *Vesting and exercise*

Awards will normally vest at the end of any performance period (or on such later date as the Beazley Remuneration Committee determines) to the extent that any performance condition has been satisfied and where applicable the extent to which any shareholding requirement has been satisfied (unless the Beazley Remuneration Committee determines otherwise). Nil-Cost Options will then normally be exercisable until the tenth anniversary of the grant date. No retesting of the performance condition is permitted.

The Ordinary Shares (or cash equivalent) will be delivered shortly after a Conditional Award has vested or a Nil-Cost Option has been exercised.

(g) *Dividend equivalents*

The Beazley Remuneration Committee may determine that on the vesting of a Conditional Award or on the exercise of a Nil-Cost Option, a participant shall receive an amount in cash and/or Ordinary Shares equivalent to the dividends (and special dividends at the discretion of the Beazley Remuneration Committee) that would have been paid on the vested Ordinary Shares between the date of grant and the date of vesting (or, in relation to Nil-Cost Options, until such other date as the Beazley Remuneration Committee may determine up to the date of exercise). Unless the Beazley Remuneration Committee decides otherwise, leavers will not receive dividend equivalents on any vested awards.

(h) *Cessation of employment*

If a participant dies, an unvested award will, unless the Beazley Remuneration Committee decides otherwise, vest as soon as practicable after the participant's death to the extent that the Beazley Remuneration Committee determines, taking into account the satisfaction of any performance condition and the period of time that has elapsed since the award was granted. A Nil-Cost Option is then normally exercisable for 12 months following the date of death.

If a participant leaves the Group by reason of ill-health, injury, disability, sale of the employing company or business out of the Group or for any other reason at the Beazley Remuneration Committee's discretion (except for gross misconduct), a participant's unvested award will usually continue until the normal vesting date unless the Beazley Remuneration Committee determines that the award will vest on the date of cessation or such later date as the Beazley Remuneration Committee determines.

The Beazley Remuneration Committee will decide the extent to which unvested awards vest in these circumstances, taking into account the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the earlier relevant date and also the period of time that has elapsed since the award was granted. In these circumstances, vested and unvested Nil-Cost Options will normally be exercisable for six months after vesting.

If a participant ceases employment in any other circumstances, an award shall lapse when the participant ceases employment. In the case of a participant giving notice of termination, unvested awards will normally lapse on giving notice.

(i) *Income tax and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer national insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

(j) *Corporate events*

In the event of a change of control of Beazley, the Beazley Remuneration Committee may determine the extent to which awards will vest, taking into account the extent that any performance condition has been satisfied, the period of time that has elapsed since the award was granted and such other factors the Beazley Remuneration Committee deems relevant. Nil-Cost Options will be exercisable for one month following the relevant event. Alternatively, in certain circumstances awards may or must be exchanged for equivalent awards which relate to shares in an acquiring company or a different company.

If other corporate events occur such as a demerger, delisting, special dividend or other event which, in the opinion of the Beazley Remuneration Committee may affect the current or future value of Ordinary Shares, the Beazley Remuneration Committee may determine that awards will vest and the extent to which they will vest, taking into account the extent that any performance condition has been satisfied, the period of time that has elapsed since the award was granted and such other relevant factors the Beazley Remuneration Committee deems relevant. Alternatively, the Beazley Remuneration Committee may adjust the number of shares subject to an award following such an event.

11.4 *Retention Plan*

(a) *Introduction*

The Beazley Retention Plan (the “**Retention Plan**”) was established by the Beazley Board on 20 March 2009. Under the Retention Plan, conditional awards of Ordinary Shares are granted to employees and Beazley Executive Directors selected by the Beazley Remuneration Committee. No further awards will be granted under the Retention Plan following the Effective Date. Under Beazley’s shareholder-approved remuneration policy, awards under the Retention Plan may not be made to Beazley Executive Directors.

(b) *Grant of awards*

Awards granted under the Retention Plan are in the form of a conditional right to acquire Ordinary Shares on vesting, at no cost to the participant.

(c) *Receipt of Ordinary Shares*

Ordinary Shares subject to awards under the Retention Plan are transferred to the participant in four equal tranches following the third, fourth, fifth and sixth anniversaries of the grant date, subject to the participant remaining in employment in the Group.

Early receipt of all of the Ordinary Shares subject to an award will occur if a participant dies. If the participant ceases to be employed by reason of injury, ill-health, permanent disability, retirement, redundancy, the transfer of the undertaking or part-undertaking in which the participant is employed to a person outside the Group, or the company by which the participant is employed ceasing to be under the control of Beazley or any other reason at the Beazley Remuneration Committee’s discretion, any Ordinary Shares under an award may be transferred to the participant, to the extent and on the terms determined by the Beazley Remuneration Committee. The number of Ordinary Shares transferred is subject to time-based pro-rating unless the Beazley Remuneration Committee decides otherwise.

If a participant ceases to be employed by the Group for any other reason, the participant’s awards lapse unless the Beazley Remuneration Committee determines otherwise.

Early receipt of Ordinary Shares subject to an award is also permitted in the event of a takeover or certain court-sanctioned compromises or arrangements unless the Beazley Remuneration Committee determines otherwise. These provisions do not apply where a

company that acquires control of Beazley is owned by substantially the same persons that owned Beazley before the change of control, and participants are offered substitute awards of equivalent value. In those circumstances, the awards will be exchanged for the substitute awards.

Early receipt of shares subject to an award is permitted on a voluntary winding-up of Beazley.

(d) *Dividend equivalents*

The amount of any dividends paid in relation to any Ordinary Shares subject to an award since the award date are paid to the participant following the third anniversary of the award date (provided the award has not been forfeited) or the date of transfer of the Ordinary Shares to the participant, if earlier. Thereafter, an amount equal to any dividends paid in relation to Ordinary Shares subject to an award is paid to participants. Any such amounts are subject to the deduction of any tax and social security contributions required to be withheld by any company in the Group.

(e) *Income tax and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer National Insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

11.5 *Deferred Share Plan*

(a) *Introduction*

The Beazley Deferred Share Plan (the “**Deferred Share Plan**”) was established by the Board on 20 March 2009. Under the Deferred Share Plan, conditional awards of Ordinary Shares are granted to employees and Beazley Executive Directors selected by the Beazley Remuneration Committee. No further awards will be granted under the Deferred Share Plan following the Effective Date.

Awards may only be made to a Beazley Executive Director where that director is eligible to receive a bonus and part of that bonus is deferred in the form of the award.

(b) *Performance conditions*

Awards made other than to Beazley Executive Directors may be made subject to performance or other conditions.

(c) *Receipt of Ordinary Shares*

Ordinary Shares subject to awards under the Deferred Share Plan are generally transferred to the participant following the third anniversary of the date of grant of the award (or other relevant vesting date), provided the participant remains employed by the Group at that time, subject to the satisfaction of any performance or other condition imposed on the award.

Early receipt of all of the Ordinary Shares subject to an award will occur if a participant dies. If the participant ceases to be employed by reason of injury, ill-health, permanent disability, retirement, redundancy, the transfer of the undertaking or part-undertaking in which the participant is employed to a person outside the Group, or the company by which the participant is employed ceasing to be under the control of Beazley or any other reason at the Beazley Remuneration Committee’s discretion, any Ordinary Shares under an award may be transferred to the participant, to the extent and on the terms determined by the Beazley Remuneration Committee. The number of Ordinary Shares transferred is subject to time-based pro-rating unless the Beazley Remuneration Committee decides otherwise.

If a participant ceases to be employed by the Group for any other reason, the participant’s awards will lapse unless the Beazley Remuneration Committee determines otherwise.

Early receipt of the outstanding Ordinary Shares is also permitted in the event of a takeover, a compromise or arrangement for the purposes of a change of control of Beazley or a voluntary winding-up of Beazley to the extent any performance condition has been satisfied. These provisions do not apply where a company that acquires control of Beazley

is owned by substantially the same people that owned Beazley before the change of control, and participants are offered substitute awards of equivalent value. In those circumstances the awards will be exchanged for the substitute awards.

(d) *Dividend equivalents*

Dividends and any other distributions on the Ordinary Shares subject to an award are rolled up and paid to the participant when the Ordinary Shares are transferred to the participant.

(e) *Reduction for malus*

The Beazley Remuneration Committee may determine, at any time prior to the transfer of any Ordinary Shares subject to an award, that all or part of an award is forfeited or reduced if the Beazley Remuneration Committee considers that:

- (i) the participant has engaged in conduct which justifies dismissal without notice or payment in lieu of notice or a final written warning;
- (ii) an exceptional development has taken place which has a material adverse impact on Beazley or any holding company of Beazley (whether specific to the circumstances of Beazley or any such holding company or as a result of the economy or the financial sector generally); or
- (iii) forfeiture of all or part of the award is required to comply with any law or regulatory requirement (existing or new) for any company in the Group.

(f) *Clawback*

For awards granted after 11 February 2015 to Beazley Directors, if the following circumstances apply, the Beazley Remuneration Committee may require a participant to make a cash payment to Beazley in respect of some or all of the Ordinary Shares or cash delivered to him under an award or require the participant to transfer for nil consideration some or all of the Ordinary Shares delivered to him under an award:

- (i) a material misstatement of the consolidated financial results of the Group;
- (ii) gross misconduct on the part of the participant; or
- (iii) an error in assessing a performance condition applicable to an award or bonus, or in the information on which an award or bonus was granted, vests or paid, which has resulted in a material overpayment to a participant.

The clawback must normally be effected within three years of the date of payment of the part of the bonus that is not deferred into the award, but this period may be extended if the participant's actions or conduct are under investigation. The amount of Ordinary Shares or cash will be calculated net of any income tax and social security liabilities.

(g) *Income tax and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer National Insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

11.6 *Terms applying generally to the Beazley Employee Share Plans*

(a) *Variation of capital*

In the event of a rights or capitalisation issue, or any sub-division, consolidation, reduction or other variation of Beazley's share capital, the exercise price (where applicable) and the number of Ordinary Shares over which an option subsisting/comprised in awards may be adjusted (in certain circumstances subject to HMRC approval in the case of the 2012 SAYE Plan) in such manner as the Beazley Remuneration Committee may determine.

(b) *Voting, dividend and other rights*

Ordinary Shares allotted under all the Beazley Employee Share Plans will rank *pari passu* with the existing Ordinary Shares with the exception of rights attaching to them by reference to a record date before the allotment date.

Options and awards are non-transferable and non-pensionable.

(c) *Amendments*

The Beazley Employee Share Plans may be amended by the Beazley Board, although amendments to the Beazley Employee Share Plans (other than the Retention Plan and the Deferred Share Plan) to the material benefit of participants may not be made without prior approval of Beazley Shareholders. Any amendments which adversely affect participants are subject to the consent of participants.

11.7 *Individual grants*

Beazley has made four awards to individuals which are not subject to the rules of the Beazley Employee Share Plans. These awards are in the form of options to acquire shares for no payment (nil-cost options), or rights to acquire shares for no payment (conditional awards). All the awards are subject to performance conditions. One of the awards is also subject to a provision under which the amount realised from the award is subject to a guaranteed minimum amount. One of the individuals to whom such as an award has been made is Clive Washbourn, the Group's Head of Marine and details of this award are set out in paragraph 7.2 of this Part V.

11.8 *Outstanding options and awards under the Beazley Employee Share Plans*

The table below shows details of the options and awards that constitute rights to acquire Ordinary Shares and which were outstanding under the Beazley Employee Share Plans on the Latest Practicable Date.

	<i>Number of shares subject to outstanding options/awards as at the Latest Practicable Date</i>
2012 SAYE Plan	1,843,371
US SAYE Plan.....	220,465
2012 LTIP	16,691,795
Retention Plan	1,005,428
Deferred Share Plan.....	6,091,647
Individual grants	2,393,732
Total	28,246,438

11.9 *Employee Benefit Trust*

In 2002, Beazley Group Limited established The Beazley PLC Employee Benefit Trust (the "EBT"). The EBT is a discretionary trust in which assets are held for the benefit of employees and former employees of Beazley Group Limited, its subsidiaries, its holding companies and any subsidiaries of those holding companies, and certain of their relations. The EBT is used to hold Ordinary Shares, which are used to satisfy awards under the Beazley Employee Share Plans.

12. **New Beazley Employee Share Plans proposals**

Following the Scheme becoming effective, New Beazley proposes to continue to use employee share plans to incentivise employees of the New Beazley Group. Accordingly, the New Beazley Directors have adopted the New Beazley Employee Share Plans subject to the approval of Beazley Shareholders at the Scheme General Meeting (where required) and conditional on the Scheme becoming effective.

12.1 *New SAYE Plan*

(a) *Operation of the New SAYE Plan*

The Board or a duly authorised Board committee (which is assumed for the purpose of this summary to be the New Beazley Remuneration Committee) will be responsible for administering and issuing invitations and granting options under the Beazley plc Save As You Earn Share Option Plan 2016 (the "New SAYE Plan"). The New SAYE Plan is intended to comply with the provisions of Schedule 3 to the UK Income Tax (Earnings and Pensions) Act 2003 ("Schedule 3").

(b) *Eligibility*

All employees (including Executive Directors) of the Company and other companies in the New Beazley Group which the New Beazley Remuneration Committee has determined shall participate in the New SAYE Plan who have been in employment for a minimum period determined by the New Beazley Remuneration Committee (not exceeding five years) and who are resident in the UK for tax purposes, and any other employee of any such company nominated by the New Beazley Remuneration Committee, may apply for an option on any occasion on which invitations are issued.

(c) *Form of awards*

The New SAYE Plan will give employees the opportunity to save up to £500 per month (or such other amount permitted under the relevant legislation from time to time) in a savings contract for three or five years (a “**Sharesave Contract**”). The proceeds of the Sharesave Contract may be used to exercise an option to acquire New Beazley Shares at the exercise price set at the time of invitation by the New Beazley Remuneration Committee.

(d) *Determination of exercise price*

The New Beazley Remuneration Committee will determine the exercise price applicable to an invitation, which will not be manifestly less than 80% (or such other percentage as may from time to time be specified by the relevant legislation) of the market value of a New Beazley Share on the date of the invitation (or such other date, not earlier than the day preceding the date of the invitation or later than the date of grant of the options, as may be specified in the invitation). The market value on any day for these purposes, when New Beazley Shares are quoted on SEDOL, is the middle market quotation (as derived from that list) of such a share on the immediately preceding dealing day, or, if the New Beazley Remuneration Committee so determines, the average of that quotation for the three immediately preceding dealing days or such other dealing days as may be permitted in accordance with Schedule 3 for the purposes of the New SAYE Plan.

The exercise price may only be determined by reference to dealing days which fall within the period of 42 days commencing on:

- (i) the day on which New Beazley Shares are admitted to the Official List and to trading on the London Stock Exchange’s market for listed securities;
- (ii) the dealing day immediately following the day on which the Company makes an announcement of its results for any period;
- (iii) the day on which changes are announced, effected or made to the legislation or regulations affecting share option plans which are subject to the provisions of Schedule 3;
- (iv) any day on which a new Sharesave Contract prospectus is announced or takes effect; or
- (v) any day on which the New Beazley Remuneration Committee resolves that exceptional circumstances exist which justify the issue of invitations,

unless the Company is restricted from issuing invitations under the Plan during the periods specified above as a result of any dealing restrictions, in which case the relevant period will be 42 days commencing on the dealing day after those dealing restrictions are lifted.

(e) *Terms of options*

Options may be granted over newly issued New Beazley Shares, New Beazley Shares purchased in the market or New Beazley Shares held in treasury. Options will not be transferable (except on death). No payment will be required for the grant of an option. Options will not form part of pensionable earnings.

(f) *Overall limits*

Options cannot be granted under the New SAYE Plan if they would cause the total of the number of Ordinary Shares and New Beazley Shares which have been or may be issued pursuant to options granted during the preceding 10 years under the New SAYE Plan and under any other employee share plan adopted by New Beazley or Beazley to exceed 10% of New Beazley’s issued ordinary share capital at that time. New Beazley Shares

transferred from treasury will be treated as newly issued for the purpose of these limits, provided that the New Beazley Remuneration Committee may determine otherwise if guidelines published by institutional investor representative bodies no longer require this.

(g) *Exercise of options*

Ordinarily, an option may be exercised within six months of the maturity of the Sharesave Contract. Earlier exercise will be permitted if an employee leaves employment by reason of death, injury, disability, redundancy or retirement. Options may be exercised early in the event of a takeover or winding-up of the Company or if the entity which employs a participant is transferred out of the New Beazley Group. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

(h) *Adjustments*

In the event of a variation of the Company's share capital, the number of New Beazley Shares subject to an option and/or the exercise price may be adjusted in such manner as the New Beazley Remuneration Committee determines, provided that the adjustment complies with the requirements of Schedule 3.

(i) *Rights attaching to the New Beazley Shares*

New Beazley Shares issued or transferred from treasury under the New SAYE Plan will rank equally with all other New Beazley Shares for the time being in issue (except for rights attaching to such New Beazley Shares by reference to a record date prior to the date of issue or transfer from treasury).

(j) *Amendment and termination*

The New Beazley Remuneration Committee may amend the New SAYE Plan at any time, provided that prior approval of the Company in general meeting will be required for amendments to the provisions relating to eligibility, limits, the determination of the exercise price, the basis for determining a participant's entitlement to and the terms of and the rights of participants in the event of a variation of share capital, where such amendment is to the advantage of participants.

However, any minor amendment to benefit administration, to take account of legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the New Beazley Remuneration Committee without shareholder approval.

The New SAYE Plan will terminate on 27 March 2022, or any earlier time by the passing of a resolution by the New Beazley Remuneration Committee or the shareholders of New Beazley but the rights of existing participants will not be affected by any termination. In the event of termination, no further options will be granted under the New SAYE Plan.

(k) *Governing law*

The New SAYE Plan will be governed in accordance with the laws of England and Wales.

12.2 **New US SAYE Plan**

(a) *Introduction*

It is intended that the Beazley plc Savings-related Share Option Plan for U.S. Employees 2016 (the "**New US SAYE Plan**") will be established to award tax-favourable options to all eligible US-based employees. The New US SAYE Plan will allow participants to save a fixed amount of money over a period and use those savings to buy New Beazley Shares at the end of that fixed period, at a pre-determined discount price. Interest will be earned on the savings. At the end of the savings period, a participant may choose whether to use their savings and interest to buy New Beazley Shares or withdraw the savings for their own use.

The New US SAYE Plan is designed to comply with section 423 of the Code.

(b) *Eligibility*

Participation in the New US SAYE Plan will be offered on similar terms to all US-resident employees of the Company's participating subsidiaries who have been employed for a continuous period of service of at least one month, including part-time employment (as long as the participant works for at least 20 hours per week) and

temporary employment (as long as the participant's temporary contract is for at least five months in a calendar year). Employees who own 5% or more of the aggregate shares of the Company and its participating subsidiaries are not eligible to join.

Participation may also be offered to other New Beazley Group employees on a discretionary basis.

(c) *Option invitations and limitations on grant*

Option invitations will generally only be issued in the period of six weeks commencing on the day following:

- (i) an announcement by the Company of its results for any period, or the issue by the Company of a prospectus, listing particulars or other document containing equivalent information relating to the New Beazley Shares; or
- (ii) the commencement of an invitation period under the New SAYE Plan.

Invitations may also be issued at other times determined by the New Beazley Remuneration Committee.

Employees may only be granted options under the New US SAYE Plan if the options together with any other options granted under all employee stock purchase plans (as defined in section 423 of the Code) of the New Beazley Group do not permit the employee to purchase New Beazley Shares or shares in New Beazley's subsidiaries in excess of US\$25,000 in fair market value of such shares in each year in which options are outstanding. Furthermore, options may not be granted to employees where the grant would cause the amount of securities sold by the Company during the 12 month period ending on the date of grant to exceed US\$5 million.

(d) *Savings contract*

The New US SAYE Plan will be linked to a two-year savings contract entered into by each participant with a nominated bank. Participants will contribute between US\$10 and the dollar equivalent of £500 per month as determined by the New Beazley Remuneration Committee (subject to scaling down if aggregate applications exceed the number of New Beazley Shares to be made available). The number of New Beazley Shares over which a participant is granted an option will be the number which can be acquired at the exercise price with the accumulated savings plus interest. To ensure that all employees around the world receive the same number of options for the same savings, the Company will use a nominal rate of interest (equal to one month's savings) to calculate total savings and interest. The actual interest rate paid will be determined and paid by the nominated bank.

(e) *Overall limits*

Options cannot be granted under the New US SAYE Plan if they would cause the total of the number of Ordinary Shares and New Beazley Shares which have been or may be issued pursuant to options granted during the preceding 10 years under the New US SAYE Plan and under any other employee share plan adopted by New Beazley or Beazley to exceed 10% of New Beazley's issued ordinary share capital at that time.

(f) *Exercise price*

The exercise price for each New Beazley Share will be determined by the New Beazley Remuneration Committee and will not be less than 85% of the market value of a New Beazley Share on the date of grant of the option. Whilst New Beazley Shares are admitted to trading on the London Stock Exchange's main market for listed securities the market value of a New Beazley Share on any day shall be taken to be the average middle market quotation of a New Beazley Share for the dealing day immediately preceding that day.

(g) *Exercise of options*

It is expected that options will normally only be exercised during the period following the end of the relevant savings period (i.e. the second anniversary from the date of grant) and 27 months from the date of grant of the option. Options may also be exercised for a period of six months on the death of a participant, or on the participant ceasing to be an eligible employee by reason of disability. Options will also become exercisable for a period of three months on ceasing to be an eligible employee by reason of injury, redundancy, or retirement, on the sale of the employing subsidiary or business or certain changes in the control of the Company.

A participant may exercise his options within three months in the event of a takeover, a court-sanctioned arrangement for the purposes of reconstruction, amalgamation or a change of control of New Beazley. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

However, where such events are part of an arrangement whereby an acquiring company obtains control of New Beazley, and the persons who will own shares in the acquiring company immediately after the arrangement are substantially the same as the persons who owned shares in New Beazley immediately before the arrangement, then, if a roll over of options is offered the options will not become exercisable, and will be exchanged for the roll over options.

(h) *Amendment and termination*

The New Beazley Remuneration Committee may amend the New US SAYE Plan at any time, provided that the prior approval of the Company in general meeting will be required for any amendments to the advantage of participants.

However, any minor amendment to benefit administration, to take account of legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the New Beazley Remuneration Committee without shareholder approval.

The New US SAYE Plan will terminate on 1 October 2025, or any earlier time by the passing of a resolution by the New Beazley Remuneration Committee or the New Beazley Shareholders, but the rights of existing participants will not be affected by any termination. In the event of termination, no further options will be granted under the New US SAYE Plan.

12.3 *New LTIP*

(a) *Operation of the New LTIP*

The Board or a duly authorised Board committee (which is assumed for the purpose of this summary to be the New Beazley Remuneration Committee) will be responsible for granting awards and administering the Beazley plc Long Term Incentive Plan 2016 (the “**New LTIP**”).

(b) *Eligibility*

Any employee (including an Executive Director) of the New Beazley Group will be eligible to participate in the New LTIP at the discretion of the New Beazley Remuneration Committee.

(c) *Form of awards*

Awards under the New LTIP may be in the form of:

- (i) a conditional right to acquire New Beazley Shares on vesting, at no cost to the participant (a “**Conditional Award**”); or
- (ii) an option to acquire New Beazley Shares at any point during an exercise period, at no cost to the participant (a “**Nil-Cost Option**”).

The New Beazley Remuneration Committee may alternatively decide, at any time before a Conditional Award vests or a Nil-Cost Option is exercised, that the award will be settled in cash.

(d) *Performance conditions*

The vesting of awards will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the award which will vest at the end of a performance period of at least three years.

The performance condition may be varied if one or more events occur which cause the New Beazley Remuneration Committee to consider that a varied performance condition would be more appropriate and it would not be materially more or less difficult to satisfy.

The New Beazley Remuneration Committee may decide that the vesting of awards will also be subject to meeting shareholder requirements set by New Beazley.

(e) *Individual limits*

Awards to a participant in any one financial year will not exceed a market value on date of grant(s) of more than 200% of salary.

(f) *Timing of grant*

Awards may only be granted within the six-week period following Admission, the announcement of the Company's results for any period or any day on which the New Beazley Remuneration Committee determines that exceptional circumstances justify the grant of awards. If awards cannot be granted during any of these periods due to a dealing restriction, awards can be granted within the six-week period following the day on which the restriction is lifted.

(g) *Terms of awards*

Awards may be granted over newly issued New Beazley Shares, New Beazley Shares purchased in the market or New Beazley Shares held in treasury. Awards are not transferable (except on death). No payment will be required for the grant of an award. Awards will not form part of pensionable earnings.

(h) *Overall limits*

Awards cannot be granted under the New LTIP if they would cause the total of the number of Ordinary Shares and New Beazley Shares which have been or may be issued pursuant to awards granted during the preceding 10 years under the New LTIP and under any other employee share plan adopted by New Beazley or Beazley to exceed 10% of New Beazley's issued ordinary share capital at that time.

In addition, awards cannot be granted under the New LTIP if they would cause the total of the number of Ordinary Shares and New Beazley Shares which have been or may be issued pursuant to awards granted during the preceding 10 years under the New LTIP and under any other discretionary employee share plan adopted by New Beazley or Beazley to exceed 5% of New Beazley's issued ordinary share capital at that time.

New Beazley Shares transferred from treasury will be treated as newly issued for the purpose of these limits, provided that the New Beazley Remuneration Committee may determine otherwise if guidelines published by institutional investor representative bodies no longer require this.

(i) *Reduction for malus*

The New Beazley Remuneration Committee may determine, at any time prior to the vesting of an award, that all or part of an award is forfeited or reduced if the New Beazley Remuneration Committee considers that:

- (i) the participant has engaged in conduct which justifies dismissal without notice or payment in lieu of notice or a final written warning;
- (ii) an exceptional development has taken place which has a material adverse impact on New Beazley or any holding company (whether specific to the circumstances of New Beazley or such holding company or as a result of the economy or the financial sector generally); or
- (iii) forfeiture of all or part of the award is required to comply with any law or regulatory requirement (existing or new) of any company in the Group.

(j) *Clawback*

For awards granted to New Beazley Directors, if the following circumstances apply, the New Beazley Remuneration Committee may reduce the number of New Beazley Shares subject to a vested Nil-Cost Option, require a participant to make a cash payment to the Company in respect of some or all of the New Beazley Shares or cash delivered to him under an award or require the participant to transfer for nil consideration some or all of the New Beazley Shares delivered to him under an award:

- (i) a material misstatement of the consolidated financial results of the Company or any member of the New Beazley Group in respect of a financial year in the performance period to which the award related;
- (ii) gross misconduct on the part of the participant; or

- (iii) an error in assessing a performance condition applicable to an award, or in the information on which an award was granted or vests, which has resulted in a material overpayment to a participant.

The clawback must normally be effected within two years of the normal vesting date of the award, but this period may be extended if the participant's actions or conduct is under investigation. The amount of New Beazley Shares or cash will be calculated net of any income tax and social security liabilities.

(k) *Vesting and exercise*

Awards will normally vest at the end of any performance period (or on such later date as the New Beazley Remuneration Committee determines) to the extent that any performance condition has been satisfied and where applicable the extent to which any shareholding requirement has been satisfied (unless the New Beazley Remuneration Committee determines otherwise). Nil-Cost Options will then normally be exercisable until the tenth anniversary of the grant date. No retesting of the performance condition will be permitted.

The New Beazley Shares (or cash equivalent) will be delivered shortly after a Conditional Award has vested or a Nil-Cost Option has been exercised.

(l) *Income and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer National Insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

(m) *Cessation of employment*

If a participant dies, an unvested award will, unless the New Beazley Remuneration Committee decides otherwise, vest as soon as practicable after the participant's death to the extent that the New Beazley Remuneration Committee determines, taking into account the satisfaction of any performance condition and the period of time that has elapsed since the award was granted. A Nil-Cost Option will be normally exercisable for 12 months following the date of death.

If a participant leaves the Group by reason of ill-health, injury, disability, sale of the employing company or business out of the Group or for any other reason at the New Beazley Remuneration Committee's discretion (except for gross misconduct), a participant's unvested award will usually continue until the normal vesting date unless the New Beazley Remuneration Committee determines that the award will vest on the date of cessation or such later date as the New Beazley Remuneration Committee determines.

The New Beazley Remuneration Committee will decide the extent to which unvested awards vest in these circumstances, taking into account the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the earlier relevant date and also the period of time that has elapsed since the award was granted. In these circumstances, vested and unvested Nil-Cost Options will normally be exercisable for six months after vesting.

If a participant ceases employment in any other circumstances, an award shall lapse when the participant ceases employment. In the case of a participant giving notice of termination, unvested awards will normally lapse on giving notice.

(n) *Corporate events*

In the event of a change of control of the Company, the New Beazley Remuneration Committee may determine the extent to which awards will vest, taking into account the extent that any performance condition has been satisfied, the period of time that has elapsed since the award was granted and such other factors the New Beazley Remuneration Committee deems relevant. Alternatively, the New Beazley Remuneration Committee may permit or require awards to be exchanged for equivalent awards which relate to shares in the acquiring company. Nil-Cost Options will be exercisable for one month following the relevant event.

If other corporate events occur such as a demerger, delisting, special dividend or other event which, in the opinion of the New Beazley Remuneration Committee may affect the current or future value of New Beazley Shares, the New Beazley Remuneration Committee may determine that awards will vest and the extent to which they will vest, taking into account the extent that any performance condition has been satisfied, the period of time that has elapsed since the award was granted and such other relevant factors the New Beazley Remuneration Committee deems relevant. Alternatively, the New Beazley Remuneration Committee may adjust the number of shares subject to an award following such an event.

(o) *Adjustments*

In the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue or other similar event, which may, in the New Beazley Remuneration Committee's opinion, affect the current or future value of New Beazley Shares, the number of New Beazley Shares subject to an award and/or any performance condition attached to awards, may be adjusted.

(p) *Rights attaching to the New Beazley Shares*

New Beazley Shares allotted or transferred under the New LTIP will rank equally with all other New Beazley Shares for the time being in issue (except for rights attaching to such New Beazley Shares by reference to a record date prior to the date of issue).

The New Beazley Remuneration Committee may determine that on the vesting of a Conditional Award or on the exercise of a Nil-Cost Option, a participant shall receive an amount in cash and/or New Beazley Shares equivalent to the dividends (and special dividends at the discretion of the New Beazley Remuneration Committee) that would have been paid on the vested New Beazley Shares between the date of grant and the date of vesting (or, in relation to Nil-Cost Options, until such other date as the New Beazley Remuneration Committee may determine up to the date of exercise). Unless the New Beazley Remuneration Committee decides otherwise, leavers will not receive dividend equivalents on any vested awards.

(q) *Amendment and termination*

The New Beazley Remuneration Committee may amend the New LTIP at any time, provided that prior approval of the Company in general meeting will be required for amendments to the provisions relating to eligibility, limits and the basis for determining a participant's entitlement to, and the terms of, the New Beazley Shares comprised in an award and the impact of any variation of capital, where such amendment is to the advantage of participants.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the New Beazley Remuneration Committee without shareholder approval.

The New LTIP will terminate on 27 March 2022, but the rights of existing participants will not be affected by any termination. In the event of termination, no further awards will be made under the New LTIP.

(r) *Governing law*

The New LTIP will be governed in accordance with the laws of England and Wales.

12.4 *New Retention Plan*

(a) *Introduction*

The Beazley plc Retention Plan (the "**New Retention Plan**") is to allow the grant of conditional awards of New Beazley Shares to employees (including New Beazley Executive Directors) of the New Beazley Group selected by the New Beazley Remuneration Committee. Awards may only be made to a New Beazley Executive Director where that New Beazley Executive Director is eligible to receive a bonus and part of that bonus is deferred in the form of the award. Under New Beazley's remuneration policy, awards under the New Retention Plan may not be made to New Beazley Executive Directors.

(b) *Grant of awards*

Awards granted under the New Retention Plan are in the form of a conditional right to acquire New Beazley Shares on vesting, at no cost to the participant. Awards are non-transferable and non-pensionable.

(c) *Receipt of New Beazley Shares*

New Beazley Shares subject to awards under the New Retention Plan are transferred to the participant in four equal tranches following the third, fourth, fifth and sixth anniversaries of the grant date, subject to the participant remaining in employment in the New Beazley Group.

Early receipt of all of the New Beazley Shares subject to an award will occur if a participant dies. If the participant ceases to be employed by reason of injury, ill-health, permanent disability, retirement, redundancy, the transfer of the undertaking or part-undertaking in which the participant is employed to a person outside the New Beazley Group, or the company by which the participant is employed ceasing to be under the control of New Beazley or any other reason at the New Beazley Remuneration Committee's discretion, any New Beazley Shares under an award may be transferred to the participant, to the extent and on the terms determined by the New Beazley Remuneration Committee. The number of New Beazley Shares transferred is subject to time-based pro-rating unless the New Beazley Remuneration Committee decides otherwise.

If a participant ceases to be employed by the New Beazley Group for any other reason, the participant's awards lapse unless the New Beazley Remuneration Committee determines otherwise.

Early receipt of New Beazley Shares subject to an award is also permitted in the event of a takeover unless the New Beazley Remuneration Committee determines otherwise. These provisions do not apply where a company that acquires control of New Beazley is owned by substantially the same persons that owned New Beazley before the change of control, and that company offers substitute awards of equivalent value. In those circumstances, the awards will be exchanged for the substitute awards.

Early receipt of shares subject to an award is permitted on a voluntary winding-up of New Beazley.

(d) *Dividend equivalents*

The amount of any dividends paid in relation to any New Beazley Shares subject to an award since the award date are paid to the participant following the third anniversary of the award date (provided the award has not been forfeited) or the date of transfer of the New Beazley Shares to the participant, if earlier. Thereafter, an amount equal to any dividends paid in relation to New Beazley Shares subject to an award is paid to participants. Any such amounts are subject to the deduction of any tax and social security contributions required to be withheld by any company in the Group.

(e) *Income tax and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer National Insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

(f) *Variation of capital*

In the event of a rights or capitalisation issue, or any sub-division, consolidation, reduction or other variation of New Beazley's share capital, the number of New Beazley Shares over which an option subsisting/comprised in awards may be adjusted in such manner as the New Beazley Remuneration Committee may determine.

(h) *Amendments*

The New Retention Plan may be amended by the New Beazley Board. Any amendments which adversely affect participants are subject to the consent of participants.

12.5 *New Deferred Share Plan*

(a) *Introduction*

The Beazley plc Deferred Share Plan (the “**New Deferred Share Plan**”) is to allow the grant of conditional awards of New Beazley Shares to employees (including New Beazley Executive Directors) of the New Beazley Group selected by the New Beazley Remuneration Committee. Awards may only be made to a New Beazley Executive Director where that director is eligible to receive a bonus and part of that bonus is deferred in the form of the award. Awards are non-transferable and non-pensionable.

(b) *Performance conditions*

Awards made other than to New Beazley Executive Directors may be made subject to performance or other conditions.

(c) *Receipt of New Beazley Shares*

New Beazley Shares subject to awards under the New Deferred Share Plan are transferred to the participant following the third anniversary of the date of grant of the award (or other relevant vesting date), provided the participant remains employed by the New Beazley Group at that time, subject to the satisfaction of any performance or other condition imposed on the award.

Early receipt of all of the New Beazley Shares subject to an award will occur if a participant dies. If the participant ceases to be employed by reason of injury, ill-health, permanent disability, retirement, redundancy, the transfer of the undertaking or part-undertaking in which the participant is employed to a person outside the New Beazley Group, or the company by which the participant is employed ceasing to be under the control of New Beazley or any other reason at the New Beazley Remuneration Committee’s discretion, any New Beazley Shares under an award may be transferred to the participant, to the extent and on the terms determined by the New Beazley Remuneration Committee. The number of New Beazley Shares transferred is subject to time-based pro-rating unless the New Beazley Remuneration Committee decides otherwise.

If a participant ceases to be employed by the New Beazley Group for any other reason, the participant’s awards will lapse unless the New Beazley Remuneration Committee determines otherwise.

Early receipt of the outstanding New Beazley Shares is also permitted in the event of a takeover, a compromise or arrangement for the purposes of a change of control of New Beazley or a voluntary winding-up of New Beazley to the extent any performance condition has been satisfied. These provisions do not apply where a company that acquires control of New Beazley is owned by substantially the same people that owned New Beazley before the change of control, and that company offers substitute awards of equivalent value. In those circumstances the awards will be exchanged for the substitute awards.

(d) *Dividend equivalents*

Dividends and any other distributions on the New Beazley Shares subject to an award are rolled up and paid to the participant when the New Beazley Shares are transferred to the participant.

(e) *Reduction for malus*

The New Beazley Remuneration Committee may determine, at any time prior to the transfer of any New Beazley Shares subject to an award, that all or part of an award is forfeited or reduced if the New Beazley Remuneration Committee considers that:

- (i) the participant has engaged in conduct which justifies dismissal without notice or payment in lieu of notice or a final written warning;
- (ii) an exceptional development has taken place which has a material adverse impact on New Beazley or any holding company (whether specific to the circumstances of New Beazley or such holding company or as a result of the economy or the financial sector generally); or
- (iii) forfeiture of all or part of the award is required to comply with any law or regulatory requirement (existing or new) for any company in the New Beazley Group.

(f) *Clawback*

For awards granted to New Beazley Directors, if the following circumstances apply, the New Beazley Remuneration Committee may require a participant to make a cash payment to New Beazley in respect of some or all of the New Beazley Shares or cash delivered to him under an award or require the participant to transfer for nil consideration some or all of the New Beazley Shares delivered to him under an award:

- (i) a material misstatement of the consolidated financial results of any member of the Group;
- (ii) gross misconduct on the part of the participant; or
- (iii) an error in assessing a performance condition applicable to an award, or in the information on which an award or bonus was granted, vests or paid, which has resulted in a material overpayment to a participant.

The clawback must normally be effected within three years of the date of payment of the part of the bonus that is not deferred into the award, but this period may be extended if the participant's actions or conduct is under investigation. The amount of New Beazley Shares or cash will be calculated net of any income tax and social security liabilities.

(g) *Income tax and National Insurance*

When a participant acquires shares pursuant to an award, generally income tax and social security contributions will be payable, which will be recovered from the participant. Generally any employer National Insurance contributions arising in the UK are the liability of the relevant company employing the participant, but awards may be granted on terms that this cost is borne by the participant.

(h) *Variation of capital*

In the event of a rights or capitalisation issue, or any sub-division, consolidation, reduction or other variation of New Beazley's share capital, the number of New Beazley Shares over which an option subsisting/comprised in awards may be adjusted in such manner the New Beazley Remuneration Committee may determine.

(i) *Amendments*

The New Deferred Share Plan may be amended by the New Beazley Board. Any amendments which adversely affect participants are subject to the consent of participants.

13. Pension scheme

The Group currently operates a defined benefit pension plan, the Beazley Furlonge Limited Pension Scheme, which is now closed to future service accruals. The pension scheme is generally funded by payments from two participating employers, Beazley Management Limited and Beazley Furlonge Limited, taking account of the recommendations of an independent qualified actuary. As at 31 December 2015, the Group had a retirement benefit liability in its statement of financial position of US\$0.7 million (31 December 2014: US\$2.6 million). All employees of the Group now participate in defined contribution pension arrangements to which the Group contributes.

14. Subsidiary undertakings

14.1 Beazley has confirmed to New Beazley that it has the following subsidiary undertakings, each of which are, directly or indirectly, wholly-owned by Beazley:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Principal activity</i>
Beazley Group Limited	England and Wales	Intermediate holding company
Beazley Furlonge Holdings Limited.....	England and Wales	Intermediate holding company
Beazley Furlonge Limited	England and Wales	Lloyd's underwriting agents
Beazley Investments Limited.....	England and Wales	Investment company
Beazley Underwriting Limited	England and Wales	Underwriting at Lloyd's
Beazley Management Limited	England and Wales	Intermediate management company
Beazley Staff Underwriting Limited.....	England and Wales	Underwriting at Lloyd's
Beazley Solutions Limited.....	England and Wales	Insurance services
Beazley Underwriting Services Limited....	England and Wales	Insurance services
Beazley DAS Limited.....	England and Wales	Dividend access scheme
Beazley Corporate Member (No. 2) Ltd..	England and Wales	Underwriting at Lloyd's
Beazley Corporate Member (No. 3) Ltd..	England and Wales	Underwriting at Lloyd's
Beazley Corporate Member (No. 4) Ltd..	England and Wales	Underwriting at Lloyd's
Beazley Corporate Member (No. 5) Ltd..	England and Wales	Underwriting at Lloyd's
Beazley Corporate Member (No. 6) Ltd..	England and Wales	Underwriting at Lloyd's
Beazley Re Designated Activity Company	Ireland	Reinsurance of Lloyd's business
Beazley Underwriting Pty Ltd	Australia	Insurance services
Australian Income Protection Pty Ltd.....	Australia	Insurance services
Beazley USA Services, Inc.	United States	Insurance services
Beazley Holdings, Inc.....	United States	Holding company
Beazley Group (USA) General Partnership	United States	General partnership
Beazley Insurance Company, Inc.....	United States	Underwriting admitted lines
First State Management Group, Inc.....	United States	Insurance services
Beazley Limited	Hong Kong	Insurance services
Beazley Middle East Limited	Dubai	Insurance services
Beazley Pte. Limited.....	Singapore	Underwriting at Lloyd's

14.2 Upon the Scheme becoming effective, New Beazley will be the principal operating and holding company of the Group and New Beazley will have the subsidiary undertakings set out above. In addition, upon the Scheme becoming effective, Beazley will be a subsidiary undertaking of New Beazley.

15. Property, plant and equipment

15.1 The Group leases 26 properties worldwide as offices for its operations. Save for the leases set out in the table below, no single property is considered material to the operations of the Group.

<i>Description and location</i>	<i>Tenure</i>	<i>Term expiry date</i>
United Kingdom		
Levels 7, 8 and 9, Plantation Place South, 60 Great Tower Street, London EC3	Leasehold	6 January 2021
Level 2, Plantation Place South, 60 Great Tower Street, London EC3.....	Leasehold	6 January 2021
United States		
Second Floor, 30 Batterson Park, 30 Batterson Park Road, Farmington, Connecticut 06032.....	Leasehold	30 April 2024
Rockefeller Centre, 1270 Avenue of the Americas, Suite 1200, New York, New York 10020	Leasehold	31 January 2020
333 West Wacker Drive, Suite 1400, Chicago, Illinois 60606.	Leasehold	31 October 2020
Two Liberty Place, 50 S. 16th Street, Suite 2700, Philadelphia, Pennsylvania 19102	Leasehold	30 March 2019
12th Floor (Suite 1200) and Penthouse (Suite 1201), 141 Tremont Street, Boston, Massachusetts.....	Leasehold	31 July 2018
Suite 1850, 101 California Street, San Francisco, California .	Leasehold	28 March 2017
50 Glenlake Parkway, Suite 250, Atlanta, Georgia 30328.....	Leasehold	30 September 2016
France		
124 Boulevard Haussmann, Paris 75008.....	Leasehold	31 January 2017
Ireland		
Ground floor, No. 2 Northwood Avenue, Northwood, Santry, Dublin 9.....	Leasehold	1 May 2019
Australia		
Suite 20.01, Level 20, 133 Castlereagh Street, Sydney, New South Wales 2000.....	Leasehold	30 June 2022
Level 22, 215 Adelaide Street, Brisbane, Queensland 4001	Leasehold	28 February 2017
Singapore		
138 Market Street, #03-04, Capita Green, Singapore 048946	Leasehold	30 December 2019

15.2 The Company is of the opinion that there are no material environmental issues that may affect the Group's utilisation of the Group's properties or other tangible fixed assets.

16. Employees

The number of employees of the Group as at 31 December 2015, 2014 and 2013 are set out below:

Category	<i>31 December</i>		
	<i>2015</i>	<i>2014</i>	<i>2013</i>
Life, Accident & Health	29	29	29
Marine	48	46	43
Political Risks & Contingency.....	35	33	26
Property	72	84	75
Reinsurance	31	31	28
Specialty Lines.....	175	151	137
Claims.....	105	124	121
Finance (including actuarial, compliance and investment management).....	117	114	95
General management and other support (including internal audit).....	270	212	200
IT	115	106	88
Talent management and internal communications.....	23	23	21
Total.....	1,020	953	863

31 December

Geographical breakdown	2015	2014	2013
UK.....	512	491	454
US.....	428	384	336
Ireland.....	11	11	8
Australia.....	32	35	37
Dubai.....	2	1	—
France.....	9	7	8
Germany.....	5	4	5
Hong Kong.....	—	5	5
Norway.....	2	2	2
Singapore.....	19	13	8
Total	1,020	953	863

17. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business):

- (a) have been entered into by any member of the Group during the two years immediately preceding the date of this document; or
- (b) have been entered into by a member of the Group and contain provisions under which any member of the Group has any obligation or entitlement which is or may be material to any member of the Group as at the date of this document:

17.1 Sponsor Agreement

On 25 February 2016, New Beazley and Beazley entered into a sponsor agreement with Numis (the “**Sponsor Agreement**”). The Sponsor Agreement sets out the terms on which Numis was appointed as New Beazley’s sponsor for the purposes of New Beazley’s application for Admission. The Sponsor Agreement contains, amongst other things, customary warranties given by Beazley and New Beazley to Numis and customary indemnities from Beazley and New Beazley in favour of Numis.

The Sponsor Agreement is governed by English law.

17.2 Facilities Agreement

(a) Key terms

On 31 July 2015, Beazley entered into a US\$225 million multi-currency standby letter of credit and revolving credit facilities agreement (the “**Facility**”) between (1) Beazley (as parent and original borrower); (2) Beazley Underwriting Limited and Beazley Staff Underwriting Limited (as account parties); (3) Beazley, Beazley Group Limited, Beazley Furlonge Holdings Limited, Beazley Holdings, Inc., Beazley Management Limited and Beazley Re (as guarantors); (4) Lloyds Bank plc, The Royal Bank of Scotland plc and Commerzbank Aktiengesellschaft, Filiale Luxemburg (as arrangers); (5) Lloyds Bank plc (as bookrunner and agent) (the “**Agent**”); and (6) Lloyds Bank plc, National Westminster Bank plc, National Australia Bank Limited, The Bank of Nova Scotia London Branch and Commerzbank Aktiengesellschaft, Filiale Luxemburg (as the banks) (the “**Facilities Agreement**”).

The original borrower under the Facilities Agreement is Beazley. The borrowers’ obligations under the Facilities Agreement is guaranteed on a joint and several basis by certain members of the Group.

The revolving credit facility under the Facilities Agreement was granted for: (i) the general corporate purposes of the Group; and (ii) refinancing the US\$225 million multi-currency standby letter of credit and revolving credit facility agreement dated 22 July 2013.

Under the Facilities Agreement Beazley is granted a multicurrency standby letter of credit (“**Letter of Credit**”). The purpose of each Letter of Credit is to enable funds at Lloyd’s to be provided: (i) for the 2015, 2016 and 2017 underwriting years of account; and (ii) in the event of certain changes to Lloyd’s byelaws, for the 2018 underwriting year of account.

The Facilities Agreement has a final maturity date of 31 July 2018, although any Letter of Credit issued may continue in effect until 31 July 2021. No later than 31 December 2020, the Beazley must cash collateralise each outstanding Letter of Credit in full.

As at the Latest Practicable Date, the Facility was undrawn.

(b) *Prepayments*

Subject to certain conditions, borrowers under the Facility may voluntarily prepay utilisations under the Facility by giving not less than five business days' notice to the Agent. Amounts prepaid may (subject to the terms of the Facilities Agreement) be reborrowed.

(c) *Interest*

Interest is payable on revolving advances under the Facility at a rate of LIBOR or EUIBOR plus a margin, which is currently 1.25%. In addition, the Facility includes a commitment fee of 0.4375% per annum.

(d) *Representations, covenants and events of default*

The Facilities Agreement contains representations, information and financial covenants and undertakings that are customary for debt facilities of this nature.

The principal financial covenants contained within the Facilities Agreement are:

- (i) Consolidated Total Net Debt (as defined in the Facilities Agreement) shall not at any time exceed 40% of Consolidated Tangible Net Worth (as defined in the Facilities Agreement);
- (ii) at any time the base currency amount of the aggregate of the maximum actual and contingent liabilities of the banks in respect of each outstanding Letter of Credit shall not exceed 35% of certain funds at Lloyd's; and
- (iii) Consolidated Tangible Net Worth (as defined in the Facilities Agreement) shall not at any time be less than the Minimum Consolidated Tangible Net Worth (as defined in the Facilities Agreement).

The Facilities Agreement also contains a number of other covenants including in relation to disposals, mergers and acquisitions.

The Facilities Agreement contains customary events of default including in relation to non-payment, misrepresentation, insolvency, winding up and material adverse change.

(e) *Change of control*

If any person or groups of persons acting in concert gains control of Beazley or Beazley ceases to control any obligor under the Facilities Agreement (a "**Change of Control**"), then: (i) the lenders are thereafter not obliged to participate in any new revolving advances or issue any Letter of Credit and (ii) the Agent may require Beazley to repay certain revolving advances together with accrued interest and reduce liabilities under certain Letters of Credit to zero or otherwise provide cash collateral in an amount equal to certain lenders' maximum actual and contingent liabilities under a Letter of Credit.

However, a Change of Control does not occur, *inter alia*, if, subject to satisfaction of certain conditions, there is a reorganisation of the Group by way of the incorporation of a company incorporated in England and Wales to hold 100% of the issued share capital of Beazley pursuant to article 125 of the Jersey Companies Law as approved by the Jersey Court.

(f) *Governing law*

The Facilities Agreement is governed by English law.

17.3 **2019 Retail Bonds**

On 25 September 2012, Beazley issued £75 million of sterling denominated 5.375% fixed rate notes due 25 September 2019 (the "**2019 Retail Bonds**"). The 2019 Retail Bonds were issued under Beazley's £250 million Euro Medium Term Note programme and were constituted under a trust deed between Beazley and U.S. Bank Trustees Limited dated 31 August 2012.

The 2019 Retail Bonds issued are unsecured, have a maturity date of 25 September 2019 and, subject to any earlier purchase, repayment or cancellation, will be repaid on that date at their nominal amount. Interest on the 2019 Retail Bonds is payable, subject to any earlier purchase, repayment or cancellation, semi-annually in arrear at the rate of 5.375% until maturity. The 2019 Retail Bonds may be repaid early and for a number of reasons, including:

- (a) if Beazley is obliged to pay additional amounts in respect of the 2019 Retail Bonds pursuant to their terms as a result of a change in, or in the application or official interpretation of, United Kingdom, Irish or Jersey tax law, the 2019 Retail Bonds may be repaid early (in whole but not in part) at the option of Beazley at the face value of the 2019 Retail Bonds together with accrued interest; and
- (b) in the event that Beazley defaults on its obligations under the 2019 Retail Bonds or in certain other circumstances described as 'events of default' in the terms and conditions of the 2019 Retail Bonds, the 2019 Retail Bonds may become due and repayable (in whole but not in part). The amount due to holders will be the face value of the 2019 Retail Bonds together with accrued interest.

The terms and conditions of the 2019 Retail Bonds include customary events of default and a negative pledge.

The 2019 Retail Bonds are admitted to trading on the London Stock Exchange's regulated market and through the London Stock Exchange's electronic order book for retail bonds and listed on the Official List.

The 2019 Retail Bonds are governed by English law.

17.4 **2026 Subordinated Notes**

On 17 October 2006, Beazley Group Limited issued £150 million of fixed/floating rate sterling denominated tier 2 subordinated notes, which were constituted under a trust deed between Beazley Group Limited and HSBC Trustee (C.I.) Limited (the "**2026 Subordinated Notes**"). The 2026 Subordinated Notes are unsecured and bear interest at the rate of 7.25% per annum, payable annually in arrear, in respect of each year from 17 October 2006 to the first call date (17 October 2016) and thereafter at a rate of 3.28% above the London interbank offered rate for three month Sterling deposits, payable quarterly in arrear. The maturity date of the 2026 Subordinated Notes is the interest payment date falling on or nearest to 17 October 2026.

Subject to certain conditions, on the first call date or any interest payment date thereafter, the 2026 Subordinated Notes may be repaid in whole but not in part at their nominal amount plus all arrears of interest at the option of Beazley Group Limited. In addition, subject to certain conditions, at any time prior to the first call date, the 2026 Subordinated Notes may be repaid in whole but not in part at the option of Beazley Group Limited upon the occurrence of certain tax law changes affecting payments on the 2026 Subordinated Notes (in which case the 2026 Subordinated Notes may be repaid at their nominal amount plus accrued but unpaid interest) or in circumstances where the 2026 Subordinated Notes would not be capable of counting towards applicable regulatory capital requirements (in which case the 2026 Subordinated Notes may be repaid at a make whole repayment price plus accrued but unpaid interest).

In May 2012, Beazley Group Limited conducted a tender offer in respect of the 2026 Subordinated Notes and accepted for purchase an aggregate nominal amount of 2026 Subordinated Notes of £30.0 million.

In October 2012, Beazley Group Limited conducted a further tender offer in respect of the 2026 Subordinated Notes and accepted for purchase an aggregate nominal amount of 2026 Subordinated Notes of £17.3 million.

In February 2013, Beazley Group Limited conducted a further tender offer in respect of the 2026 Subordinated Notes and accepted for purchase an aggregate nominal amount of 2026 Subordinated Notes of £26.1 million.

As at the date of this document, the nominal amount of 2026 Subordinated Notes outstanding was £76.5 million.

The 2026 Subordinated Notes are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

The terms and conditions of the 2026 Subordinated Notes include customary events of default.

The 2026 Subordinated Notes are governed by English law.

17.5 *2034 Subordinated Notes*

On 26 November 2004, Beazley Group Limited issued US\$18 million of fixed rate subordinated notes, which were constituted under a trust deed between Beazley Group Limited and JPMorgan Chase Bank, N.A. (the “**2034 Subordinated Notes**”). The 2034 Subordinated Notes are unsecured and interest is payable quarterly in arrear on 26 February, 26 May, 26 August and 26 November in each year. The 2034 Subordinated Notes are to be repaid by Beazley Group Limited at their nominal amount on 26 November 2034.

The 2034 Subordinated Notes may be repaid at the option of Beazley Group Limited in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the noteholders, provided that there are certain tax reasons. Beazley Group Limited may on giving not less than 30 nor more than 60 days’ irrevocable notice to the noteholders, repay the 2034 Subordinated Notes in whole or in part, from time to time, on any interest payment date falling on or after 26 November 2009 at a price equal to 100% of the original nominal amount of the 2034 Subordinated Notes to be repaid together with accrued interest.

The 2034 Subordinated Notes are listed on the Official List and admitted to trading on the London Stock Exchange’s main market for listed securities.

As at the date of this document, the nominal amount of 2034 Subordinated Notes outstanding was US\$18 million.

The terms and conditions of the 2034 Subordinated Notes include customary events of default.

The 2034 Subordinated Notes are governed by English law.

17.6 *Co-operation Agreement with Korean Re*

On 26 March 2015, Beazley and Beazley Furlonge Limited entered into a co-operation agreement (the “**Co-operation Agreement**”) with Korean Reinsurance Company (“**Korean Re**”) and Korean Re Underwriting Limited. Under the Co-operation Agreement, the parties agreed to work collaboratively to establish a structure that will permit inception of underwriting risks to commence for the 2015 Lloyd’s year of account and under which, amongst other things:

- (a) Beazley Furlonge Limited established Lloyd’s Syndicate No. 6050 with a special purpose to mainly underwrite a whole account quota share reinsurance treaty of the business written by Lloyd’s Syndicate No. 623 and Lloyd’s Syndicate No. 2623;
- (b) Korean Re entered into a quota share reinsurance agreement with Syndicate 623 and Syndicate 2623 for the whole account commercial portfolio of Korean Re for a premium broadly equivalent to that ceded by Syndicate 623 and Syndicate 2623 to Syndicate 6050 (approximately US\$20 million);
- (c) for each Lloyd’s year of account that Korean Re Underwriting Limited participates on Syndicate 6050, the quota share reinsurance arrangements with Korean Re shall be participated on by Syndicate 623 and Syndicate 2623;
- (d) the parties will collaborate in product development that may entail future embedded product, co-insurance and/or reinsurance arrangements with regards to the Group or Korean Re client accounts; and
- (e) the parties will undertake mutual knowledge transfer and staff training, including a programme of employee secondments to help build experience in their respective markets.

The Co-operation Agreement is governed by English law.

18. **Legal and arbitration proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company is aware), which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Company or the Group.

19. **Listing, dealings and settlement of Ordinary Shares and New Beazley Shares**

19.1 *Delisting of Ordinary Shares*

Beazley has confirmed to New Beazley that it will make an application to the London Stock Exchange and the UK Listing Authority, respectively, to cancel trading in the Ordinary Shares on the London Stock Exchange’s main market for listed securities with effect from the close of business on the business day immediately prior to the Effective Date and to delist the Ordinary

Shares from the Official List with effect from 8.00 a.m. on the Effective Date. The last day of dealings in the Ordinary Shares on the London Stock Exchange is expected to be 12 April 2016 (being the business day immediately prior to the Effective Date) and no transfers of Ordinary Shares will be registered after 6.00 p.m. on that date. On the Effective Date, share certificates in respect of the Scheme Shares will cease to be valid and should be destroyed.

19.2 Listing of New Beazley Shares

Applications will be made by New Beazley to the UK Listing Authority for admission of the New Beazley Shares to the premium listing segment of the Official List and to the London Stock Exchange for admission of the New Beazley Shares to trading on its main market for listed securities. Subject to the Scheme becoming effective, it is expected that admission of the New Beazley Shares will become effective and that dealings in the New Beazley Shares will commence at 8.00 a.m. on 13 April 2016.

Upon the Scheme becoming effective, New Beazley will have the same market capitalisation as Beazley immediately prior to the Scheme becoming effective. As at the Latest Practicable Date, the market capitalisation of Beazley was approximately £1,936.4 million.

19.3 Admission to CREST

Applications will be made by New Beazley for the New Beazley Shares to be admitted to CREST. Euroclear requires New Beazley to confirm to it that certain conditions imposed by the CREST Rules are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the New Beazley Shares on admission of the New Beazley Shares to the Official List. As soon as practicable after satisfaction of the conditions, New Beazley will confirm this to Euroclear.

19.4 Settlement

Subject to the satisfaction of the conditions referred to in Part I (*The Scheme of Arrangement and Related Proposals*) of this document, on which the Scheme is conditional, the New Beazley Shares to which Beazley Shareholders are entitled under this Scheme (as the case may be) will:

- (a) to the extent the entitlement arises as a result of a holding of Ordinary Shares in certificated form at the Scheme Record Time, be delivered in certificated form in the name of the relevant Beazley Shareholder with the relevant share certificate expected to be despatched by post, at the applicant's risk, by no later than 28 April 2016; and
- (b) to the extent the entitlement arises as a result of a holding of Ordinary Shares in uncertificated form at the Scheme Record Time, be credited to the appropriate CREST accounts (under the same participant and account ID that applied to the Ordinary Shares), with corresponding entitlements to New Beazley Shares with effect from 8.00 a.m. on 13 April 2016.

Notwithstanding anything above or any other provision of this document or any other document relating to the New Beazley Shares, Beazley and New Beazley reserve the right to deliver any New Beazley Shares applied for through CREST in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Registrars and/or the Jersey Registrars in connection with CREST.

Scheme Shareholders who are CREST-sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document.

20. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months following the date of this document.

21. Significant change

Since 4 September 2015 (the date of incorporation of New Beazley), New Beazley has not traded and there has been no significant change in the financial or trading position of the Group since 31 December 2015, being the date to which Beazley's last audited financial statements were prepared.

22. Related party transactions

- 22.1 Save as disclosed in (a) note 30 to the 2015 Financial Statements; (b) note 30 to the 2014 Financial Statements; and (c) note 30 to the 2013 Financial Statements (each of which are incorporated by reference into this document), the Group has not entered into related party transactions during FY 2015, FY 2014, FY 2013.
- 22.2 During the period from 1 January 2016 to the Latest Practicable Date, the Group has not entered into any related party transactions.
- 22.3 New Beazley has not entered into any related party transactions since 4 September 2015 (being the date of incorporation of New Beazley).

23. Auditors

- 23.1 KPMG LLP, whose address is 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom have been the only auditors of New Beazley since its incorporation. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 23.2 The auditors of the Group for the period covered by the historical financial information in this document were KPMG, whose address is 1 Harbourmaster Place, International Financial Services Centre, Dublin D01 F6F5, Ireland. The auditors are Chartered Accountants and Registered Auditors and a member of the Institute of Chartered Accountants in Ireland.
- 23.3 Statutory accounts of Beazley for FY 2013 and FY 2014 have been delivered to the Jersey Registrar of Companies and statutory accounts of Beazley for FY 2015 will be delivered to the Jersey Registrar of Companies following Beazley's annual general meeting to be held on 24 March 2016. The auditors of Beazley have made reports under the relevant provisions in the Jersey Companies Law in respect of these statutory accounts and each report was an unqualified report.

24. Mandatory bids and compulsory acquisition rules relating to New Beazley Shares

The Company is subject to the Takeover Code. Other than as provided by the Companies Act and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the New Beazley Shares. There is not in existence any current mandatory takeover bid in relation to the Company.

25. Expenses

The total costs, charges and expenses payable by New Beazley and Beazley in connection with the Scheme and Admission are estimated to be approximately £2.3 million (exclusive of VAT). No expenses will be charged to holders of Ordinary Shares or New Beazley Shares.

26. Consent

Numis has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name in the form and context in which it appears.

27. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF and the registered office of New Beazley, Plantation Place South, 60 Great Tower Street, London EC3R 5AD from the date of this document until close of business on the Effective Date and will also be available for 15 minutes before and during the Jersey Court Meeting and the Scheme General Meeting:

- (a) the New Beazley Articles;
- (b) the Beazley Articles as they will be following the proposed amendments at the Scheme General Meeting;
- (c) Beazley's Annual Report and Accounts 2015;
- (d) Beazley's Annual Report and Accounts 2014;
- (e) Beazley's Annual Report and Accounts 2013;
- (f) the letter of consent referred to in paragraph 26 of this Part V;
- (g) the Scheme Circular; and

(h) this document.

This document will be published in printed form and available free of charge for a period of 12 months following the date of this document at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF. In addition, this document will be published in electronic form and be available at <http://investor.relations.beazley.com/investor-relations>.

PART VI

INFORMATION INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with certain documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this document.

Part III (*Operating and Financial Review*) of this document, Part IV (*Financial Information on Beazley*) of this document and the table below list the information which is incorporated by reference into this document in compliance with Prospectus Rule 2.4.1. To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

<i>Reference document</i>	<i>Information incorporated by reference into this document</i>	<i>Page number(s) in reference document</i>
Annual Report and Accounts 2015	Our key performance indicators.....	iii
	Chairman’s statement.....	14 to 15
	Chief executive’s statement.....	16 to 19
	Chief underwriting officer’s report.....	22 to 23
	Performance by division.....	24 to 25
	Life, accident & health.....	26 to 27
	Marine.....	28 to 29
	Political risks & contingency.....	30 to 31
	Property.....	32 to 33
	Reinsurance.....	34 to 35
	Specialty lines.....	36 to 37
	Financial review.....	38 to 48
	Operational update.....	49 to 51
	Board of directors.....	70 to 71
	Directors’ remuneration report.....	85 to 106
	Independent auditor’s report to the members of Beazley plc.....	108 to 111
	Consolidated statement of profit or loss.....	113
	Statement of comprehensive income.....	114
	Statement of changes in equity.....	115
	Statements of financial position.....	116
Statements of cash flows.....	117	
Notes to the financial statements.....	118 to 176	
Annual Report and Accounts 2014	Our key performance indicators.....	3
	Chairman’s statement.....	16 to 17
	Chief executive’s statement.....	18 to 21
	Chief underwriting officer’s report.....	24 to 25
	Performance by division.....	26 to 27
	Life, accident & health.....	28 to 29
	Marine.....	30 to 31
	Political risks & contingency.....	32 to 33
	Property.....	34 to 35
	Reinsurance.....	36 to 37

<i>Reference document</i>	<i>Information incorporated by reference into this document</i>	<i>Page number(s) in reference document</i>
	Specialty lines	38 to 39
	Financial review	40 to 50
	Operational update.....	51 to 52
	Directors' remuneration report	83 to 108
	Independent auditor's report to the members of Beazley plc	110 to 113
	Consolidated statement of profit or loss.....	115
	Statement of comprehensive income	116
	Statement of changes in equity	117
	Statements of financial position	118
	Statements of cash flows	119
	Notes to the financial statements	120 to 177
Annual Report and Accounts 2013	Our key performance indicators.....	5
	Chairman's statement.....	12 to 13
	Chief executive's statement.....	14 to 17
	Performance by division.....	20 to 21
	Life, accident & health	22 to 23
	Marine	24 to 25
	Political risks & contingency	26 to 27
	Property.....	28 to 29
	Reinsurance	30 to 31
	Specialty lines	32 to 33
	Financial review	34 to 44
	Operational update.....	45 to 46
	Directors' remuneration report	74 to 98
	Independent auditor's report to the members of Beazley plc	100 to 103
	Consolidated statement of profit or loss.....	105
	Statement of comprehensive income	106
	Statement of changes in equity	107
	Statements of financial position	108
	Statements of cash flows	109
	Notes to the financial statements	110 to 166

Except as set forth above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

PART VII

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise. Certain terms which are defined in other parts of this document and which are only used within discrete sections are not set out below.

2012 LTIP	the Beazley Long Term Incentive Plan 2012
2012 SAYE Plan	the Beazley Save As You Earn Share Option Plan 2012
2013 Financial Statements	the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2013 and for FY 2013, together with the notes on them, contained in the Group's Annual Report and Accounts 2013
2014 Financial Statements	the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2014 and for FY 2014, together with the notes on them, contained in the Group's Annual Report and Accounts 2014
2015 Financial Statements	the audited consolidated financial statements for Beazley prepared in accordance with IFRS as at 31 December 2015 and for FY 2015, together with the notes on them, contained in the Group's Annual Report and Accounts 2015
A.M. Best	A.M. Best Europe – Rating Services Limited
Admission	admission of the New Beazley Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, and "Admission becoming effective" means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange
Admission and Disclosure Standards	the "Admission and Disclosure Standards" of the London Stock Exchange containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
Audited Financial Statements	the 2015 Financial Statements, the 2014 Financial Statements and the 2013 Financial Statements
Beazley	Beazley plc, a public limited company incorporated in Jersey with registered number 102680
Beazley Articles	the articles of association of Beazley
Beazley Board	the Board of Directors of Beazley
Beazley Directors	the Directors of Beazley
Beazley Employee Share Plans	the 2012 SAYE Plan, the US SAYE Plan, the 2012 LTIP, the Retention Plan and the Deferred Share Plan
Beazley Executive Directors	the executive directors of Beazley
Beazley New Ordinary Shares	ordinary shares of five pence each in the capital of Beazley created following the cancellation of the Scheme Shares, which shall be issued credited as fully paid to New Beazley pursuant to the Scheme
Beazley Non-Executive Directors	the Non-Executive Directors of Beazley
Beazley Re	Beazley Re Designated Activity Company
Beazley Syndicates	Syndicate 2623, Syndicate 3622 and Syndicate 3623, which are fully backed by the Group and of which Beazley Furlonge Limited is the managing agent
BICI	Beazley Insurance Company, Inc.
Board or New Beazley Board	the Board of Directors of New Beazley

business day	a day (excluding Saturdays and Sundays or public holidays) in England and Wales and Jersey on which banks generally are open for the transaction of normal business
capacity	in relation to a syndicate, the limit on the amount of insurance business that is able to be allocated to a particular year of account which is to be accepted by a syndicate
catastrophe	perils including earthquakes, hurricanes, hailstorms, severe winter weather, floods, fires, tornadoes, explosions and other natural or man-made disasters. Catastrophe losses may also arise from acts of war, acts of terrorism and political instability
CBI	the Central Bank of Ireland
Central Fund	a fund established pursuant to the New Central Fund Byelaw (No. 23 of 1996) by Lloyd's primarily as a policyholder's protection fund in the event of a member being unable to meet his underwriting liabilities
certificated or in certificated form	where a share or other security is not in uncertificated form
CGT	UK tax on chargeable gains
Code	the US Internal Revenue Code of 1986
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 (excluding the impact of foreign exchange)
Companies Act	the Companies Act 2006, as amended
Council of Lloyd's or Council	the governing body of Lloyd's constituted by the Lloyd's Act 1982, including its delegates and persons by whom it acts
Court	the High Court of Justice in England and Wales
CRA Regulation	Regulation (EU) No. 1060/2009, as amended
CREST	the relevant system (as defined in the CREST Regulations) operated by Euroclear in accordance with which securities may be held or transferred in uncertificated form
CREST member	a person who has been admitted by CREST as a system member (as defined in the CREST Regulations)
CREST participant	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended or the Companies (Uncertificated Securities) (Jersey) Order 1999, as amended (as the context requires)
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
Deferred Share Plan	the Beazley Deferred Share Plan
Disclosure and Transparency Rules	the rules and regulations made by the FCA in its capacity as the UK Listing Authority under Part VI of FSMA, and contained in the UK Listing Authority's publication of the same name
Dividend Access Plan	the dividend access plan of Beazley, which is proposed to be terminated as described in paragraph 7 of Part I (<i>The Scheme of Arrangement and Related Proposals</i>) of this document
EBT	the Beazley PLC Employee Benefit Trust
Effective Date	the date on which the Scheme becomes effective in accordance with the Scheme, expected to be 13 April 2016

Employee Share Plan Proposals	the proposals in relation to the New Beazley Employee Share Plans
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Executive Director	an Executive Director of New Beazley
FCA	the Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000, as amended
funds at Lloyd's	funds held in trust at Lloyd's to support a member's underwriting activities
FY 2013	the financial year ended 31 December 2013
FY 2014	the financial year ended 31 December 2014
FY 2015	the financial year ended 31 December 2015
gross written premium	amounts payable by the insured, excluding any losses or duties levied on the premium, including any brokerage and commission deducted by intermediaries
Group	before the Effective Date, Beazley and its subsidiaries and subsidiary undertakings and, after the Effective Date, New Beazley and its subsidiaries and subsidiary undertakings
HMRC	HM Revenue & Customs
IFRS	International Financial Reporting Standards as adopted by the EU
IRS	US Internal Revenue Service
ISIN	International Securities Identification Number
Jersey Companies Law	the Companies (Jersey) Law 1991, as amended
Jersey Court	The Royal Court of Jersey
Jersey Court Hearing	the hearing under article 125 of the Jersey Companies Law by the Jersey Court of Beazley's representation to sanction the Scheme and to confirm the Scheme Reduction of Capital under article 61 of the Jersey Companies Law
Jersey Court Meeting	the meeting of the Beazley Shareholders convened by order of the Jersey Court pursuant to article 125 of the Jersey Companies Law to be held at 2 Northwood Avenue, Santry Demesne, Santry, Dublin 9, Ireland at 12.45 p.m. on 24 March 2016 to consider and, if thought fit, approve the Scheme, notice of which is set out in Part VI of the Scheme Circular, and any adjournment thereof
Jersey Court Order	the Act of the Jersey Court sanctioning the Scheme under article 125 of the Jersey Companies Law and confirming the Scheme Reduction of Capital under article 61 of the Jersey Companies Law, together with the approved minute attached thereto
Jersey Registrar of Companies	the Registrar of Companies in Jersey
Jersey Registrars	Equiniti (Jersey) Limited, 26 New Street, St Helier JE2 3RA, Jersey
Latest Practicable Date	23 February 2016 (being the latest practicable date prior to publication of this document)
Listing Rules	the rules and regulations made by the FCA under Part VI of FSMA, and contained in the UK Listing Authority's publication of the same name
Lloyd's	The Society and Corporation of Lloyd's created and governed by the Lloyd's Acts 1871-1982, including the Council of Lloyd's and its delegates and other persons through whom the Council may act, as the context may require
London Stock Exchange	London Stock Exchange plc

Managed Syndicates	Syndicate 623, Syndicate 6107 and Syndicate 6050, each of which are solely backed by third party capital and each of which are managed by Beazley Furlonge Limited as managing agent
managing agent	an underwriting agent at Lloyd's responsible for, among other things, managing a syndicate and employing the active underwriter
New Beazley or Company	Beazley plc, a public limited company incorporated in England and Wales under the Companies Act with registered number 09763575
New Beazley Articles	the articles of association of New Beazley
New Beazley Deferred Shares	the deferred shares of £1.00 each in the capital of New Beazley
New Beazley Directors or Directors	the Directors of New Beazley, whose names appear on in paragraph 6 of Part V (<i>Additional Information</i>) of this document
New Beazley Employee Share Plans	the New Deferred Share Plan, the New LTIP, the New Retention Plan, the New SAYE Plan and the New US SAYE Plan
New Beazley Group	before the Effective Date, New Beazley and, after the Effective Date, New Beazley and its subsidiaries and subsidiary undertakings (including Beazley)
New Beazley Redeemable Shares	50,000 redeemable shares of £1.00 each in the capital of New Beazley
New Beazley Reduction of Capital	the proposed reduction of capital of New Beazley, after the Scheme becomes effective, under the Companies Act, as described in paragraph 2.2 of Part I (<i>The Scheme of Arrangement and Related Proposals</i>) of this document
New Beazley Shareholder	a holder of New Beazley Shares
New Beazley Shares	ordinary shares of 90 pence (or such other nominal value as may be determined by New Beazley prior to the Effective Date) each in the capital of New Beazley to be issued credited as fully paid pursuant to the Scheme
New Beazley Subscriber Shares	the two ordinary shares of £1.00 each in the capital of New Beazley issued on incorporation of New Beazley
New Deferred Share Plan	the Beazley plc Deferred Share Plan
New LTIP	the Beazley plc Long Term Incentive Plan 2016
New Retention Plan	the Beazley plc Retention Plan
New SAYE Plan	the Beazley plc Save As You Earn Share Option Plan 2016
New US SAYE Plan	the Beazley plc Savings-related Share Option Plan for U.S. Employees 2016
Non-CREST Shareholder	an Ordinary Shareholder who does not hold their Ordinary Shares in CREST
Non-Executive Director	a Non-Executive Director of New Beazley
Numis	Numis Securities Limited
Official List	the official list of the UK Listing Authority
Ordinary Shareholders or Beazley Shareholders	the holders of Ordinary Shares
Ordinary Shares or Beazley Shares	ordinary shares of five pence each in the capital of Beazley
Overseas Persons	Beazley Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
PRA	the Prudential Regulation Authority of the Bank of England
Proposals	collectively the Scheme, the New Beazley Reduction of Capital and the Employee Share Plan Proposals

Prospectus	this document
Prospectus Rules	the rules and regulations made by the FCA in its capacity as the UK Listing Authority under Part VI of the FSMA, and contained in the UKLA's publication of the same name
quota share	a type of reinsurance which provides that the reassured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured account
Registrar of Companies	the Registrar of Companies in England and Wales
Registrars	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom
Regulatory Information Service	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
reinsurance	means the transfer of some or all of an insurance risk to another insurer. The company transferring the risk is called the "ceding company" and the company assuming the risk is called the "assuming company" or the "reinsurer"
Retention Plan	the Beazley Retention Plan
Scheme or Scheme of Arrangement	the scheme of arrangement proposed to be made under article 125 of the Jersey Companies Law between Beazley and the holders of Scheme Shares as set out in Part III of the Scheme Circular, with or subject to any modification, addition or condition approved or imposed by the Jersey Court and agreed to by Beazley and New Beazley
Scheme Circular	the circular to Beazley Shareholders in connection with the Proposals dated on or about the date of this document
Scheme General Meeting	the general meeting of Beazley Shareholders to be held at 2 Northwood Avenue, Santry Demesne, Santry, Dublin 9, Ireland at 1.00 p.m. on 24 March 2016 (or as soon thereafter as the Court Meeting shall be concluded or adjourned), notice of which is set out in Part VII of the Scheme Circular, and any adjournment thereof
Scheme Record Time	6.00 p.m. on the business day immediately preceding the Effective Date
Scheme Reduction of Capital	the reduction of capital forming part of the Scheme as referred to in paragraph 2.2 of Part I (<i>The Scheme of Arrangement and Related Proposals</i>) of this document
Scheme Shareholder	a holder of Scheme Shares as appearing in the register of members of Beazley at the Scheme Record Time
Scheme Shares	<ul style="list-style-type: none"> (a) the Ordinary Shares in issue at the date of this document; (b) all (if any) additional Ordinary Shares issued after the date of this document and before the Voting Record Time; and (c) all (if any) further Ordinary Shares which may be in issue at or after the Voting Record Time and immediately before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound
SDRT	stamp duty reserve tax
SEC	the US Securities and Exchange Commission
SEDOL	the Stock Exchange Daily Official List

Solvency II Directive or Solvency II	Directive 2009/138/EC
Standard & Poor's	Standard & Poor's Financial Services LLC
Statutes	every statute (including any statutory instrument, order, regulation or subordinate legislation made under it) concerning companies that are incorporated in England and Wales to the extent that it is for the time being in force or (where the context requires) was in force at a particular time, including the Companies Act and the CREST Regulations
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
subsidiary	as defined in section 1159 of the Companies Act
subsidiary undertaking	as defined in section 1162 of the Companies Act
syndicate	a group of underwriting members of Lloyd's or a single corporate member underwriting insurance business at Lloyd's through the agency of a managing agent to which a particular syndicate number is assigned by or with the authority of the Council of Lloyd's
Syndicate 623	Lloyd's Syndicate No. 623
Syndicate 2623	Lloyd's Syndicate No. 2623
Syndicate 3622	Lloyd's Syndicate No. 3622
Syndicate 3623	Lloyd's Syndicate No. 3623
Syndicate 6050	Lloyd's Syndicate No. 6050
Syndicate 6107	Lloyd's Syndicate No. 6107
Takeover Code	the City Code on Takeovers and Mergers
UK Corporate Governance Code	the UK Corporate Governance Code 2014 published by the Financial Reporting Council
UK GAAP	generally accepted accounting principles in the UK
UK Listing Authority	the FCA acting in its capacity as competent authority pursuant to the purposes of Part VI of FSMA
uncertificated or in uncertificated form	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and the title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
US SAYE Plan	the Beazley Savings-Related Share Option Plan for US Employees 2009
US Securities Act	the United States Securities Act of 1933, as amended
Voting Record Time	6.00 p.m. on 22 March 2016, or if the Jersey Court Meeting or the Scheme General Meeting is adjourned, 48 hours before the time appointed for any adjourned Jersey Court Meeting or Scheme General Meeting

