

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

Beazley manages five Lloyd's syndicates: syndicates 2623 and 623 underwrite a broad range of insurance and reinsurance business worldwide; syndicate 3623 focuses on accident and health business; 3622 is a dedicated life syndicate; and 6107, our special purpose syndicate, writes reinsurance business.

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

In 2009 we incorporated an Irish reinsurer, Beazley Re Limited, which reinsures a proportion of the group's business.



Fencing combines **discipline**, **agility** and **precision** – all qualities we admire at Beazley.

Beazley has entered into a five-year partnership with British Fencing. Through our sponsorship, we aim to make a meaningful contribution to the continued development of the sport in Britain, both at the highest competitive level and through fencing schools throughout the country.

Contents

1 Group highlights	12 Condensed consolidated Income statement	13 Condensed consolidated Statement of changes in equity	25 Responsibility statement of the directors in respect of the interim report
2 Key performance indicators	13 Condensed consolidated Statement of comprehensive income	14 Condensed consolidated Statement of financial position	26 Independent review report to Beazley plc
3 Interim results statement		15 Condensed consolidated Statement of cash flows	27 Glossary
8 Timeline		16 Notes to the financial statements	29 Company information
10 Performance by division			29 Registered office and advisors

Highlights and key performance indicators

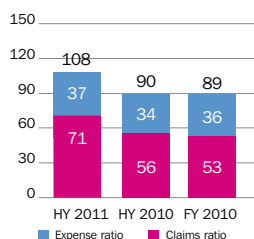
Our vision is to become, and be recognised as, the highest performing specialist insurer.

Group highlights

	6 months 2011	6 months 2010	Full year 2010
Gross premiums written (\$m)	924.8	940.6	1,741.6
Net premiums written (\$m)	635.5	624.7	1,402.1
Net earned premiums (\$m)	670.5	678.2	1,405.2
(Loss)/profit before income tax (\$m)	(24.2)	115.5	250.8
Claims ratio	71%	56%	53%
Expense ratio	37%	34%	36%
Combined ratio	108%	90%	89%
(Loss)/earnings per share (cents)	(2.8)	18.8	42.1
Net assets per share (cents)	199.7	192.7	214.6
Net tangible assets per share (cents)	173.3	171.1	191.4
(Loss)/earnings per share (pence)	(1.7)	12.6	27.4
Net assets per share (pence)	123.8	128.4	139.5
Net tangible assets per share (pence)	107.5	114.1	124.4
Proposed dividend per share (pence)	2.5	2.4	10.0
Premium renewal rate change	nil	(2%)	(2%)
Annualised investment returns	1.1%	0.5%	1.0%

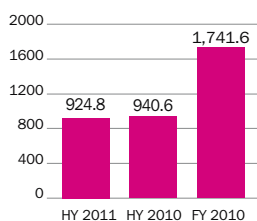
Key performance indicators

Combined ratio (%)



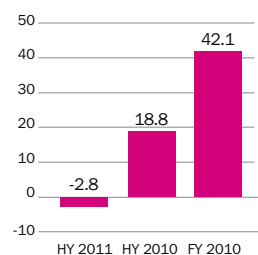
The combined ratio at HY 2011 has been impacted by catastrophe losses in Japan, Australia and New Zealand.

Gross premiums written (\$m)

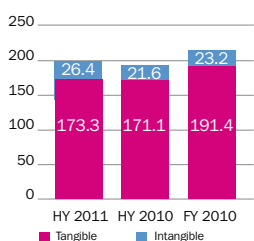


Gross premiums written have reduced slightly in 2011 (down 1.7%).

(Loss)/earnings per share (cents)

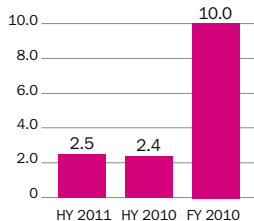


Net assets per share (cents)



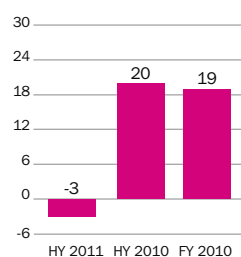
Net assets per share have reduced due to the \$24.2m pre-tax first half loss, together with the payment of the 2010 second interim dividend.

Dividends per share (pence)



The group has increased its interim dividend by 4% in 2011.

(Loss)/return on equity (%)



Interim results statement



Andrew Horton
Chief executive

The first six months of 2011 brought home to millions the value of insurance and reinsurance, as an exceptional series of catastrophes hit Australia, New Zealand, Japan and the US.

Overview

The first six months of 2011 brought home to millions the value of insurance and reinsurance, as an exceptional series of catastrophes hit Australia, New Zealand, Japan and the US.

Beazley incurred a loss of \$24.2m for the first half of the year and a combined ratio of 108%. This resilient performance during one of the worst periods ever for insured catastrophe events demonstrates the strength of our business model, underwriting a full range of specialty insurance products whose profitability is driven by different factors.

Overall, gross written premiums fell by 1.7%, reflecting the disciplined approach of our underwriters. In catastrophe exposed lines of business we started to see rate rises in the second quarter, while rates in other lines remain slightly reduced or flat compared to 2010. Overall, there was no change in premium rates in 2011.

In April, we estimated the net cost of catastrophes in Australia, New Zealand and Japan to be \$154m and this estimate remains unchanged. More recently, a number of destructive and costly tornadoes in the eastern US have generated market losses estimated at \$15-\$25bn. We estimate Beazley's exposure to these events at \$29m. Support from our reinsurers remains strong and on 1 April we were able to renew the catastrophe

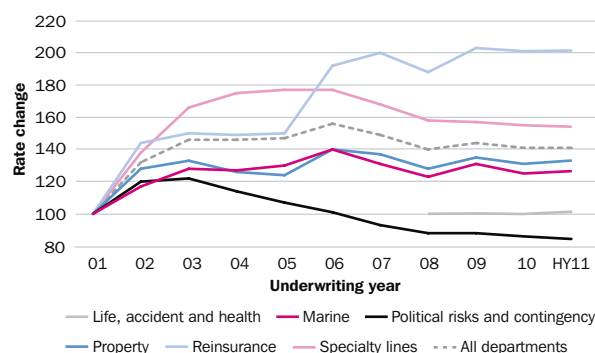
programmes supporting our property and reinsurance business on similar terms to 2010.

We expect the aggregate effect of this sequence of catastrophes will be to increase rates for our property and reinsurance divisions. In loss affected areas we are seeing rates harden by up to 60% in our international reinsurance portfolio, whilst in the US reinsurance rates are increasing by 5-10%. Although market conditions remain generally competitive, the underwriting environment could potentially change quite rapidly, both for short tail risks where the impact of recent catastrophe losses is already being felt, and for medium tail lines of business such as our specialist professional and management liability lines.

Beazley has prepared for this scenario including extending and increasing our undrawn letter of credit facility from \$150m to \$225m.

Beazley's long-term profitability is underpinned by a consistent reserving approach that entails setting initial reserves prudently. This has enabled us to release \$88.6m (2010: \$65.9m) in the first half of 2011. We aim to maintain margins in net held reserves within a range of between 5% and 10% over and above the actuarial best estimate. This margin currently stands at 6.4% (2010: 7.9%).

Fig 1: Cumulative rate changes since 2001 (%)



Within our marine division, premium rates for energy risks, particularly in the Gulf of Mexico, remain attractive. Through careful risk selection, rates in our specialty lines division have remained flat in spite of downwards pressure in a number of areas. Demand continues to be strong for some of our niche products, notably data breach insurance and cover for mergers and acquisitions transactions. A number of recent high profile data breach incidents underlines how important it has become for organisations to consider purchasing insurance protection in this area.

Expenses

The group's expense ratio has risen to 37% (2010: 34%), mainly in the area of administrative and underwriting costs. This is largely the result of foreign currency fluctuations arising from the group's sterling administrative cost base. In addition underwriting costs have increased through our investment in a number of areas, notably in life, accident and health (in Australia) and specialty lines.

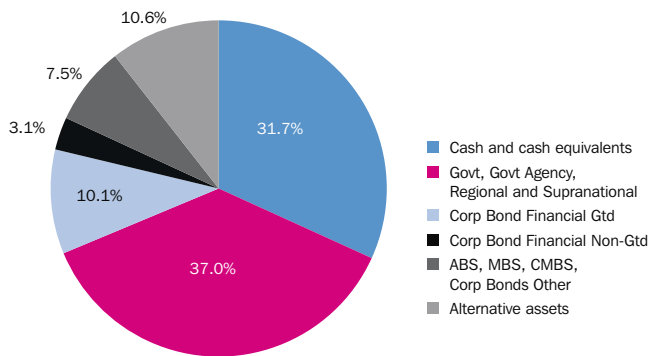
Investment performance

Our conservative investment strategy yielded an annualised return of 1.1% in the first half of the year (2010: 0.5%). Our strategy remains to hold a majority of our assets (80-90%), in a core portfolio of cash, cash equivalents and principally sovereign or supranational bonds, the balance (10-20%) allocated to capital growth

assets. The group has no direct exposure to sovereign bonds issued from Portugal, Ireland, Italy, Greece or Spain. The investment environment remains challenging this year with equity and credit markets exhibiting a high degree of volatility and interest rates at near record low levels. We maintain our strategy of limiting risk on the investment portfolio. The core portfolio of cash and fixed income securities amounted to \$3,577m (89.4%) of our overall portfolio. The capital growth assets remain allocated to a well-diversified selection of alternative strategies and managers.

The breakdown of our investment portfolio at 30 June 2011 was:

	30 June 2011 \$m	30 June 2011 %	31 Dec 2010 \$m	31 Dec 2010 %
Cash and cash equivalents	1,267	31.7	1,265	32.9
Government, Government Agency, Regional and Supranational	1,480	37.0	1,187	30.9
AAA	538	13.5	743	19.3
AA+ to AA-	122	3.0	105	2.7
A+ to A-	125	3.1	94	2.5
BBB+ to BBB-	45	1.1	15	0.4
Core portfolio	3,577	89.4	3,409	88.7
Capital growth assets	424	10.6	433	11.3
Total	4,001	100.0	3,842	100.0

Fig 2: Investments – portfolio split

The weighted average duration of our core portfolio is 13 months (31 December 2010: 12 months). The weighted average yield to maturity of our core portfolio is 0.8% (31 December 2010: 0.7%).

Investment Return

Analysis of returns on major asset classes are set out below:

	30 June 2011	30 June 2011 annualised return	30 June 2010	30 June 2010 annualised return
	\$m	%	\$m	%
Core portfolio	18.3	1.0	8.8	0.6
Capital growth assets	4.2	2.0	(0.3)	(0.1)
Overall return	22.5	1.1	8.5	0.5

Building the life, accident and health division

We continue to seek opportunities to grow this division which we started in 2008. In April we announced a significant expansion of our life, accident and health division through the purchase of two managing general agencies based in Australia, Australian Income Protection (AIP) and Blue-GUM Special Risks (Blue-GUM).

We are combining the two companies with our existing Australian accident and health business, creating a business able to offer a full product range, including

permanent and temporary disability benefits, to superannuation funds, employers and affinity groups. In 2010 the agencies wrote combined premiums of circa \$32m.

Broker relations

Strong broker relationships are critical to our business: we grow our business by helping brokers grow theirs. Our broker relations team, headed by Dan Jones, has been active in deepening awareness of our risk appetite and the range of our products among brokers in the UK, the US and, increasingly, continental Europe. These efforts have been greatly facilitated by our recently implemented Customer Relationship Management (CRM) system.

Capital position

We closely monitor the amount of capital we hold, ensuring it is sufficient to enable us to take advantage of business opportunities as these arise.

At 30 June 2011 we have a margin over our current target capital buffer. In addition the group has access to its currently undrawn letter of credit facility recently renewed and increased to \$225m. This was renewed at identical terms to the previous facility and we also extended the duration by one year. The facility can be used to provide support for the 2011, 2012 and 2013 underwriting years.

	2011 HY \$m	2010 FY \$m
Sources of funds		
– Shareholders' funds	1,011.8	1,082.9
– Tier 2 subordinated debt	241.9	230.8
– Long-term subordinated debt	18.0	18.0
	1,271.7	1,331.7
Uses of funds		
– Lloyd's underwriting	788.0	776.9
– US insurance company	107.7	107.7
	895.7	884.6
Surplus	376.0	447.1
Unavailable surplus*	–	(80.2)
Fixed and intangible assets	(142.5)	(126.6)
Available surplus	233.5	240.3
Unutilised banking facility**	225.0	150.0

* The principal element of this is profit on business underwritten at Lloyd's that has not yet been released under the Lloyd's accounting system.

** The letter of credit facility was increased from \$150.0m to \$225.0m on 21 July 2011.

New joint corporate broker

We are pleased to announce that J P Morgan Cazenove have been appointed alongside Numis Securities as our joint corporate broker.

Solvency II

We continue to progress in line with our plans towards Solvency II implementation. We will be ready by 1 January 2013 to operate in the new regulatory regime. We are making significant investments into Beazley to achieve this and we are focused in doing this in a way in which we can achieve a competitive advantage as a result of enhanced management information and process efficiency.

Dividend

The board has declared a first interim dividend of 2.5 pence (2010: 2.4 pence). This will be paid on 2 September 2011 to shareholders on the register at 5.00pm on 3 August 2011.

Board changes

As announced in April, Jonathan Agnew will be retiring as chairman of the group at the next annual general meeting (AGM), having led the group since June 2003.

We are pleased to announce that Dennis Holt, currently chairman of Liverpool Victoria insurance group, will be joining Beazley as a non-executive director of Beazley plc. Mr Holt, formerly the group chief executive of Axa UK is, subject to regulatory approval, expected to take up the position of non-executive chairman following the AGM in March 2012.

Andy Pomfret, who was senior independent director and chairman of the remuneration committee has left the board to concentrate on his role as chief executive officer of Rathbone Brothers Plc. I would like to thank him for the substantial contribution he has made to the group since he joined in 2003. George Blunden will take over the role of senior independent director and Padraic O'Connor the chair of the remuneration committee.

Nick Furlonge, who co-founded Beazley with Andrew Beazley 25 years ago, retired from the board of the public company at the end of June. Nick's contribution to Beazley is immeasurable. He has played a wide variety of key roles as the company has grown, most recently as director of risk management. Beazley's exceptional track record of prudent growth and profitability owes a great deal to Nick's wisdom and enthusiasm. I am delighted that Nick will continue to contribute to Beazley as a non-executive director of Beazley Furlonge Ltd, our Lloyd's managing agency.

Executive committee changes

David Marock, the former chief operating officer, left the group at the end of June 2011 to join Charles Taylor Consulting plc as their new CEO. We would like to thank David for his considerable efforts in refining the group's operating model over the past three years and wish him every success for the future.

Ian Fantozzi and Penny Malik have joined the executive committee. Ian, who was previously head of underwriting and claims operations and is very familiar with the operational needs of our growing global business, succeeds David Marock as chief operating officer. Penny Malik heads our talent management team, a key role in a business such as ours that depends on its ability to attract and retain highly skilled and capable individuals.

Outlook

The outlook for the insurance industry has changed significantly in the past six months with a portion of the surplus capital held by insurers at the end of 2010 being required to meet the strongest and most destructive earthquake Japan has experienced in modern times, amid a series of other natural catastrophes.

With the US hurricane season having more than four months still to run, there may be more large losses for the insurance industry yet to come in 2011. If that proves to be the case we would expect to see significant capital erosion in the market and sharply rising premium rates. Beazley possesses the underwriting skills, the operating platform and the financial flexibility to take advantage of such a scenario. In the absence of any further significant loss activity in the remainder of 2011, we confirm our guidance of achieving a combined ratio for 2011 in the mid-nineties range.

Andrew Horton

Chief Executive

25 years of profitable growth



86 87 88 89 90 91 92 93 94 95 96 97

13.4m Managed gross premiums \$US*
22.1m Managed gross premiums \$US*
24.7m Managed gross premiums \$US*
24.1m Managed gross premiums \$US*
29.5m Managed gross premiums \$US*
42.5m Managed gross premiums \$US*
58.8m Managed gross premiums \$US*
101.4m Managed gross premiums \$US*
107.6m Managed gross premiums \$US*
135.2m Managed gross premiums \$US*
124.2m Managed gross premiums \$US*
128.4m Managed gross premiums \$US*

Lloyd's Active members: 28,242
Capacity: £8,291m
Syndicates: 370
Begin trading at the 'old' 1958 Lloyd's building in 1985
Beazley Furlonge and Hiscox established and takes over managing Syndicate 623
Specialty lines and Treaty accounts started

UK windstorms
US \$3.5bn

European storms
US \$10bn

Lloyd's Active members: 26,539
Capacity: £11,063m
Syndicates: 354

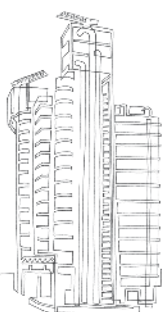
Commercial Property account started:
US hurricane Andrew
US \$17bn

Total Beazley syndicates' capacity
UK Bishopsgate explosion
US \$750m

Corporate capital introduced to Lloyd's
US Northridge earthquake
US \$12.5bn

Lloyd's Reconstruction and Renewal introduced
Lloyd's Active members: 13,062
Capacity: £9,994m
Syndicates: 167

Beazley Dedicated established APUA, based in Hong Kong, forms a strategic partnership with Beazley Furlonge
Lloyd's Reconstruction and Renewal concluded



In 1986 Beazley Furlonge and Hiscox established and takes over managing Syndicate 623



Commercial Property account started in 1992



APUA, based in Hong Kong, forms a strategic partnership with Beazley Furlonge in 1997

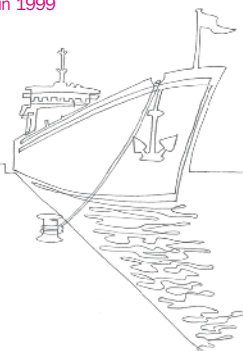
Our first 25 years

Beazley Group began life in 1986 as Beazley, Furlonge & Hiscox, which was bought out by Andrew Beazley and Nicholas Furlonge in 1992. Since then the company has grown steadily in terms of the risks we cover, the clients we serve and our geographic reach. Beazley today is a mature insurance business with a well diversified portfolio.

During this time we have weathered some of the toughest times the Lloyd's market has seen in more than three centuries and our underwriting operations have an unbroken record of profitability.

98	99	00	01	02	03	04	05	06	07	08	09	10
168.8m	217.1m	256.1m	431.6m	675.6m	1,148.7m	1,374.9m	1,485.1m	1,762.0m	1,919.6m	1,984.9m	2,121.7m	2,108.5m
Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*	Managed gross premiums \$US*
Recall, Contingency and Political Risk accounts started	Marine account started European storms US \$12bn		Management buyout of minority shareholders EPL and UK PI accounts started Lloyd's Active members: 3,746 Capacity: £11,263m Syndicates: 122 US 9/11 terrorist attack US \$20.3bn	Flotation raised £150m to set up Beazley Group plc	574.3m Group share \$US* D&O Healthcare, Energy, Cargo and Specie accounts started SARS outbreak in Asia US \$3.5bn	736.2m Group share \$US* Engineering and Construction account started	1,015.6m Group share \$US* Beazley MGA started in US Beazley acquires Omaha P&C and renames it Beazley Insurance Company, Inc. (BICI) US hurricane Katrina US \$56.5bn	1,371.0m Group share \$US* Beazley takes full ownership of APUA and renames it Beazley Limited Expansion of Construction & Engineering team into Singapore Beazley opens new office in Paris Lloyd's Active members: 2,211 Capacity: £14,788m Syndicates: 65	1,561.0m Group share \$US* BICI begins writing US admitted mid-market commercial property US hurricane Ike US \$20bn	1,620.0m Group share \$US* Political Risk & Contingency Group formed as new division Acquisition of Momentum Underwriting Management. Accident & Life formed as a new division	1,751.3m Group share \$US* Raised £150m through rights issue to develop our business at Lloyd's and in the US Acquisition of First State Management Group, Inc., a US underwriting manager focusing on surplus lines commercial property business Beazley plc becomes the new holding company for the group, incorporated in Jersey and tax resident in Ireland	1,741.6m Group share \$US* Andrew Beazley, co-founder of Beazley Group and chief executive until September 2008, dies at the age of 57. Beazley changes functional and presentational currency to US dollars Special purpose syndicate 6107 formed to grow reinsurance business External events: Chile and NZ earthquakes US \$5-8bn; Deepwater Horizon explosion triggers biggest oil spill in history

Marine account started in 1999



This year we established a local underwriting presence in the US



Accident & Life formed as a new division

Performance by division



Neil Maidment

Chairman, Group underwriting committee

We had a resilient performance during a period of record industry losses.

Life, accident and health

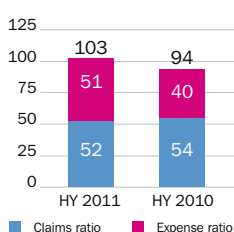


Chris Branch

Head of life, accident and health

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	39.6	45.3
Net premiums written	34.9	39.5
Segment result	2.5	2.7
Claims ratio	52%	54%
Expense ratio	51%	40%
Combined ratio	103%	94%
Rate change	1%	–

Combined ratio (%)



Marine

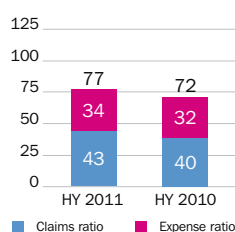


Clive Washbourn

Head of marine

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	154.1	149.1
Net premiums written	127.3	123.4
Segment result	29.2	33.5
Claims ratio	43%	40%
Expense ratio	34%	32%
Combined ratio	77%	72%
Rate change	1%	(5%)

Combined ratio (%)



Political risks and contingency

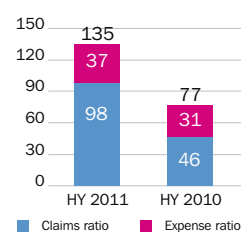


Adrian Lewers

Head of political risks and contingency

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	48.8	55.3
Net premiums written	34.4	45.4
Segment result	(11.2)	11.7
Claims ratio	98%	46%
Expense ratio	37%	31%
Combined ratio	135%	77%
Rate change	(2%)	(2%)

Combined ratio (%)



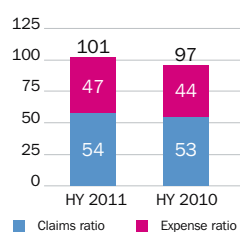
Property



Jonathan Gray
Head of property

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	195.4	202.5
Net premiums written	111.2	109.6
Segment result	7.7	9.3
Claims ratio	54%	53%
Expense ratio	47%	44%
Combined ratio	101%	97%
Rate change	2%	(3%)

Combined ratio (%)



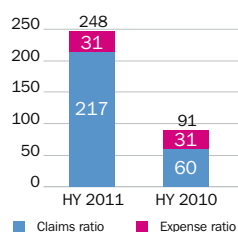
Reinsurance



Patrick Hartigan
Head of reinsurance

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	135.6	135.2
Net premiums written	89.2	97.1
Segment result	(79.0)	6.8
Claims ratio	217%	60%
Expense ratio	31%	31%
Combined ratio	248%	91%
Rate change	1%	(2%)

Combined ratio (%)



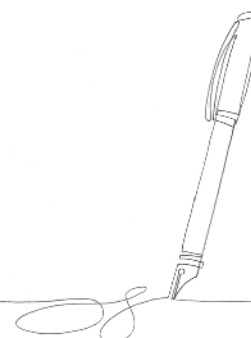
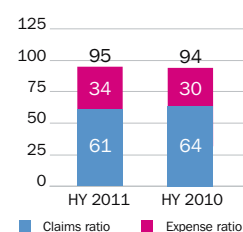
Specialty lines



Adrian Cox
Head of specialty lines

	HY 2011 \$m	HY 2010 \$m
Gross premiums written	351.3	353.2
Net premiums written	238.5	209.7
Segment result	34.5	24.5
Claims ratio	61%	64%
Expense ratio	34%	30%
Combined ratio	95%	94%
Rate change	(1%)	(1%)

Combined ratio (%)



Condensed consolidated Income Statement

For the six months ended 30 June 2011

	Note	Unaudited 6 months ended 30 June 2011 \$m	Unaudited 6 months ended 30 June 2010 \$m	Audited Year to 31 December 2010 \$m
Gross premiums written	2	924.8	940.6	1,741.6
Written premiums ceded to reinsurers		(289.3)	(315.9)	(339.5)
Net premiums written	2	635.5	624.7	1,402.1
Change in gross provision for unearned premiums		(88.0)	(63.5)	38.4
Reinsurer's share of change in the provision for unearned premiums		123.0	117.0	(35.3)
Change in net provision for unearned premiums		35.0	53.5	3.1
Net earned premiums	2	670.5	678.2	1,405.2
Net investment income	3	22.5	8.5	37.5
Other income	4	14.0	14.9	28.1
		36.5	23.4	65.6
Revenue	2	707.0	701.6	1,470.8
Insurance claims		708.8	454.0	860.6
Insurance claims recovered from reinsurers		(231.5)	(76.8)	(122.4)
Net insurance claims	2,7	477.3	377.2	738.2
Expenses for the acquisition of insurance contracts		190.2	173.3	381.4
Administrative expenses		60.6	56.5	119.2
Foreign exchange gain	2	(5.2)	(27.6)	(34.6)
Operating expenses		245.6	202.2	466.0
Expenses	2	722.9	579.4	1,204.2
Share of loss in associate	2	(0.4)	–	(0.9)
Results of operating activities		(16.3)	122.2	265.7
Finance costs		(7.9)	(6.7)	(14.9)
(Loss)/profit before income tax		(24.2)	115.5	250.8
Income tax credit/(expense)	8	10.1	(17.6)	(33.8)
(Loss)/profit after income tax – all attributable to the owners of the parent		(14.1)	97.9	217.0
(Loss)/earnings per share (cents per share):				
Basic	5	(2.8)	18.8	42.1
Diluted*	5	(2.8)	18.1	40.2
(Loss)/earnings per share (pence per share):				
Basic	5	(1.7)	12.6	27.4
Diluted*	5	(1.7)	12.0	26.1

* The diluted impact of potential shares is excluded when it decreases the loss per share in accordance with IAS 33 Earnings per share as set out in note 5.

Condensed consolidated Statement of comprehensive income

For the six months ended 30 June 2011

	Unaudited 6 months to 30 June 2011 \$m	Unaudited 6 months to 30 June 2010 \$m	Audited Year to 31 December 2010 \$m
(Loss)/profit after income tax	(14.1)	97.9	217.0
Other comprehensive income			
Change in net investment hedge	–	(5.4)	(5.4)
Foreign exchange translation differences	4.1	10.1	12.6
Reversal of exceptional foreign exchange gain	–	(33.7)	(33.7)
Foreign exchange difference arising on change in presentational currency	–	(22.0)	(22.0)
Total other comprehensive income	4.1	(51.0)	(48.5)
Total comprehensive income recognised – all attributable to the owners of the parent	(10.0)	46.9	168.5

Condensed consolidated Statement of changes in equity

For the six months ended 30 June 2011

	Share capital \$m	Share premium \$m	Other reserves \$m	Retained earnings \$m	Total \$m
Balance as at 1 January 2010	42.6	0.5	(68.4)	1,021.2	995.9
Total comprehensive income recognised	–	–	(51.0)	97.9	46.9
Dividends paid	–	–	–	(38.1)	(38.1)
Issue of shares	0.1	–	–	–	0.1
Equity settled share-based payments	–	–	(3.1)	–	(3.1)
Transfer out of own shares held in trust to employees	–	–	6.3	–	6.3
Purchase of treasury shares	–	–	(12.0)	–	(12.0)
Balance as at 30 June 2010	42.7	0.5	(128.2)	1,081.0	996.0
Total comprehensive income recognised	–	–	2.5	119.1	121.6
Dividends paid	–	–	–	(17.4)	(17.4)
Issue of shares	–	0.2	–	–	0.2
Equity settled share-based payments	–	–	12.2	–	12.2
Acquisition of own shares held in trust	–	–	(12.8)	–	(12.8)
Purchase of treasury shares	–	–	(16.9)	–	(16.9)
Balance as at 31 December 2010	42.7	0.7	(143.2)	1,182.7	1,082.9
Total comprehensive income recognised	–	–	4.1	(14.1)	(10.0)
Dividends paid	–	–	–	(62.1)	(62.1)
Equity settled share-based payments	–	–	4.6	–	4.6
Acquisition of own shares held in trust	–	–	(2.4)	–	(2.4)
Purchase of treasury shares	–	–	(1.2)	–	(1.2)
Balance as at 30 June 2011	42.7	0.7	(138.1)	1,106.5	1,011.8

Condensed consolidated Statement of financial position

As at 30 June 2011

	Unaudited 30 June 2011 \$m	Unaudited 30 June 2010 \$m	Audited 31 December 2010 \$m
Assets			
Intangible assets and goodwill	133.6	111.3	117.0
Plant and equipment	8.9	11.0	9.6
Investments in associates	6.1	1.3	6.5
Deferred acquisition costs	156.3	176.6	164.0
Deferred income tax	14.1	10.0	9.5
Current income tax assets	4.2	–	26.4
Retirement benefit asset	4.8	3.0	3.1
Reinsurance assets	1,329.0	1,216.8	1,034.9
Financial investments	2,734.4	2,757.7	2,577.6
Insurance receivables	613.8	636.4	527.1
Other receivables	52.3	27.0	33.9
Cash and cash equivalents	1,266.8	894.1	1,264.7
Total assets	6,324.3	5,845.2	5,774.3
Equity			
Share capital	42.7	42.7	42.7
Share premium	0.7	0.5	0.7
Other reserves	(138.1)	(128.2)	(143.2)
Retained earnings	1,106.5	1,081.0	1,182.7
Total equity	1,011.8	996.0	1,082.9
Liabilities			
Insurance liabilities	4,508.1	4,121.5	4,046.8
Borrowings	278.5	270.9	268.2
Other payables	446.4	389.8	285.4
Deferred tax liabilities	79.5	40.6	91.0
Current income tax liabilities	–	26.4	–
Total liabilities	5,312.5	4,849.2	4,691.4
Total equity and liabilities	6,324.3	5,845.2	5,774.3

Andrew Horton

Martin Bride

22 July 2011

Condensed consolidated Statement of cash flows

For the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011 \$m	Unaudited 6 months ended 30 June 2010 \$m	Audited Year to 31 December 2010 \$m
Cash flow from operating activities			
(Loss)/profit before income tax	(24.2)	115.5	250.8
Adjustments for:			
Amortisation of intangibles	3.8	0.9	3.5
Equity settled share-based compensation	4.6	3.2	9.1
Retranslation of overseas net assets	(7.1)	3.3	1.4
Net fair value gains/(losses) on financial assets	(13.6)	4.3	(6.2)
Loss on disposal of plant and equipment	–	–	0.3
Loss on associate	0.4	–	0.9
Depreciation of plant and equipment	1.9	2.2	4.2
(Increase)/ decrease in insurance and other liabilities	657.3	208.1	19.2
Decrease/(increase) in insurance, reinsurance and other receivables	(433.9)	(201.9)	83.8
Increase in deferred acquisition costs	7.7	(21.1)	(8.5)
Financial income	(29.7)	(28.1)	(60.2)
Financial expense	7.9	6.7	14.9
Income tax received/(paid)	16.2	(14.6)	(26.2)
Contribution to pension fund	(1.6)	(1.5)	(1.5)
Net cash from operating activities	189.7	77.0	285.5
Cash flow from investing activities			
Purchase of plant and equipment	(1.2)	(0.5)	(2.0)
Purchase of syndicate capacity	–	–	(0.2)
Acquisition of subsidiary (net of cash acquired)	(7.1)	–	–
Sale of intangible asset	5.0	–	–
Purchase of investments	(2,760.8)	(1,805.9)	(4,523.0)
Expenditure on software development	(7.0)	(2.3)	(7.9)
Proceeds from sale of investments	2,617.6	1,892.2	4,799.9
Investment in associate	–	–	(6.0)
Interest and dividends received	29.7	28.1	60.2
Net cash (used in)/from investing activities	(123.8)	111.6	321.0
Cash flow from financing activities			
Proceeds from issue of shares	–	0.1	0.3
Purchase of treasury shares	(1.2)	(12.0)	(28.9)
Acquisition of own shares in trust	(2.4)	–	(6.5)
Interest paid	(7.9)	(6.7)	(14.9)
Dividends paid	(62.1)	(38.1)	(55.5)
Net cash used in financing activities	(73.6)	(56.7)	(105.5)
Net (decrease)/increase in cash and cash equivalents	(7.7)	131.9	501.0
Cash and cash equivalents at beginning of period	1,264.7	813.4	813.4
Effect of exchange rate changes on cash and cash equivalents	9.8	(51.2)	(49.7)
Cash and cash equivalents at end of period	1,266.8	894.1	1,264.7

Notes to the financial statements

For the six months ended 30 June 2011

1 Statement of accounting policies

Beazley plc is a group incorporated in Jersey and domiciled in the Republic of Ireland. The condensed consolidated interim financial statements of the group for the six months ended 30 June 2011 comprise the parent company and its subsidiaries and the group's interest in associates.

The condensed consolidated financial statements have been prepared and approved by the directors in accordance with IFRS as adopted by the EU ('Adopted IFRS').

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The accounting policies applied by the group in these consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the year ended 31 December 2010 and have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. Our full accounting policies are set out in the group's 2010 annual report. There have been no amendments to accounting policies as a result of new standards or interpretations that have become effective during 2011.

The functional currency of Beazley plc and its principal subsidiaries is US dollars and the presentational currency of the group is US dollars. Following the change in functional currency to US dollars on 1 April 2010 and the change in presentation currency to US dollars on 1 January 2010 all comparative information is stated in US dollars in accordance with the guidance defined in IAS 21. For further information on this change please refer to the 2010 annual report which gives a detailed explanation behind the main factors that led to this change. All amounts are stated in US dollars and millions, unless stated otherwise.

The financial information included in this document does not comprise statutory financial statements within the meaning of Companies (Jersey) Law 1991. The comparative figures for the financial year ended 31 December 2010 are those for the group and are not the company's statutory financial statements for that financial year. Those financial statements have been reported on by the company's auditors and delivered to the Jersey Financial Services Commission. The report of the auditors was unqualified.

2 Segmental analysis

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

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

Previously we reported the IFRS non-monetary items adjustment in respect of unearned premium and deferred acquisition costs in the unallocated column of the segmental analysis as we believed this adjustment was subject to significant volatility and could distort our reported segmental results. This volatility was driven by the majority of our business being US dollar denominated when our functional currency was sterling. Since we changed functional currency to the US dollar on 1 April 2010 the volatility and materiality of this adjustment has significantly reduced and as such we now allocate the IFRS non-monetary items adjustment between our business segments. The 2010 segmental analyses have been restated on this basis. The remaining item disclosed in the unallocated column is in respect of a \$33.7m non-recurring foreign exchange gain the details of which are disclosed in our 31 December 2010 report and accounts. Accordingly, all future segmental analyses will not contain an unallocated column.

2 Segmental analysis continued

30 June 2011

	Life, accident and health \$m	Marine \$m	Political risks and contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total reportable segments \$m
Gross premiums written	39.6	154.1	48.8	195.4	135.6	351.3	924.8
Net premiums written	34.9	127.3	34.4	111.2	89.2	238.5	635.5
Net earned premiums	34.1	110.8	38.5	140.4	55.1	291.6	670.5
Net investment income	0.4	2.1	1.2	3.3	2.1	13.4	22.5
Other income	2.9	0.7	0.6	5.1	–	4.7	14.0
Revenue	37.4	113.6	40.3	148.8	57.2	309.7	707.0
Net insurance claims	17.7	47.3	37.8	76.3	119.3	178.9	477.3
Expenses for the acquisition of insurance contracts	10.5	30.6	10.3	52.3	12.1	74.4	190.2
Administrative expenses	6.9	7.4	3.8	13.6	5.2	23.7	60.6
Foreign exchange gain	(0.2)	(0.9)	(0.4)	(1.1)	(0.4)	(2.2)	(5.2)
Expenses	34.9	84.4	51.5	141.1	136.2	274.8	722.9
Share of loss in associate	–	–	–	–	–	(0.4)	(0.4)
Segments result	2.5	29.2	(11.2)	7.7	(79.0)	34.5	(16.3)
Finance costs							(7.9)
Loss before income tax							(24.2)
Income tax credit							10.1
Loss after income tax							(14.1)
Claims ratio	52%	43%	98%	54%	217%	61%	71%
Expense ratio	51%	34%	37%	47%	31%	34%	37%
Combined ratio	103%	77%	135%	101%	248%	95%	108%

30 June 2010

	Life, accident and health \$m	Marine \$m	Political risks and contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total reportable segments \$m	Unallocated \$m	Total \$m
Gross premiums written	45.3	149.1	55.3	202.5	135.2	353.2	940.6	–	940.6
Net premiums written	39.5	123.4	45.4	109.6	97.1	209.7	624.7	–	624.7
Net earned premiums	30.7	112.2	47.1	136.1	56.8	295.3	678.2	–	678.2
Net investment income	0.5	0.8	0.4	1.1	0.5	5.2	8.5	–	8.5
Other income	0.6	2.5	1.0	5.4	1.5	3.9	14.9	–	14.9
Revenue	31.8	115.5	48.5	142.6	58.8	304.4	701.6	–	701.6
Net insurance claims	16.5	44.7	21.6	71.8	34.1	188.5	377.2	–	377.2
Expenses for the acquisition of insurance contracts	8.4	28.6	10.6	47.7	10.9	67.1	173.3	–	173.3
Administrative expenses	3.9	7.7	4.1	12.6	6.6	21.6	56.5	–	56.5
Non recurring foreign exchange gain	–	–	–	–	–	–	–	(33.7)	(33.7)
Foreign exchange loss	0.3	1.0	0.5	1.2	0.4	2.7	6.1	–	6.1
Expenses	29.1	82.0	36.8	133.3	52.0	279.9	613.1	(33.7)	579.4
Segments result	2.7	33.5	11.7	9.3	6.8	24.5	88.5	33.7	122.2
Finance costs									(6.7)
Profit before income tax									115.5
Income tax expense									(17.6)
Profit after income tax									97.9
Claims ratio	54%	40%	46%	53%	60%	64%			56%
Expense ratio	40%	32%	31%	44%	31%	30%			34%
Combined ratio	94%	72%	77%	97%	91%	94%			90%

2 Segmental analysis continued

	31 December 2010								
	Life, accident and health \$m	Marine \$m	Political risks and contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total reportable segments \$m	Unallocated \$m	Total \$m
Gross premiums written	78.1	261.7	100.9	382.5	174.4	744.0	1,741.6	–	1,741.6
Net premiums written	71.4	235.6	79.9	283.8	134.4	597.0	1,402.1	–	1,402.1
Net earned premiums	65.7	233.9	87.4	285.9	131.6	600.7	1,405.2	–	1,405.2
Net investment income	0.9	3.3	2.2	4.9	2.9	23.3	37.5	–	37.5
Other income	2.0	3.1	1.3	10.3	2.3	9.1	28.1	–	28.1
Revenue	68.6	240.3	90.9	301.1	136.8	633.1	1,470.8	–	1,470.8
Net insurance claims	35.1	89.6	25.1	140.6	82.9	364.9	738.2	–	738.2
Expenses for the acquisition of insurance contracts	19.7	58.9	23.7	106.1	24.7	148.3	381.4	–	381.4
Administrative expenses	9.3	17.2	7.8	31.4	10.6	42.9	119.2	–	119.2
Non recurring foreign exchange gain	–	–	–	–	–	–	–	(33.7)	(33.7)
Foreign exchange gain	–	–	(0.1)	(0.3)	(0.2)	(0.3)	(0.9)	–	(0.9)
Expenses	64.1	165.7	56.5	277.8	118.0	555.8	1,237.9	(33.7)	1,204.2
Share of loss in associate	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Segments result	4.5	74.6	34.4	23.3	18.8	76.4	232.0	33.7	265.7
Finance costs									(14.9)
Profit before income tax									250.8
Income tax expense									(33.8)
Profit after income tax									217.0
Claims ratio	53%	38%	29%	49%	63%	61%			53%
Expense ratio	44%	33%	36%	48%	27%	32%			36%
Combined ratio	97%	71%	65%	97%	90%	93%			89%

3 Net investment income

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m	Year ended 31 December 2010 \$m
Interest and dividends on financial investments at fair value through income statement	29.7	28.1	60.2
Realised losses on financial investments at fair value through income statement	(13.6)	(10.8)	(19.3)
Net unrealised fair value gains/(losses) on financial investments at fair value through income statement	13.1	(4.3)	6.2
Investment management expenses	(6.7)	(4.5)	(9.6)
	22.5	8.5	37.5

4 Other income

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m	Year ended 31 December 2010 \$m
Commissions	10.0	8.8	15.4
Profit commissions	2.3	5.0	10.5
Agency fees	1.1	0.9	1.8
Other income	0.6	0.2	0.4
	14.0	14.9	28.1

5 Earnings per share

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 December 2010
Basic (cents)	(2.8)	18.8	42.1
Diluted (cents)	(2.8)	18.1	40.2
Basic (pence)	(1.7)	12.6	27.4
Diluted (pence)	(1.7)	12.0	26.1

Basic

Basic earnings per share is calculated by dividing loss after income tax of \$14.1m (2010: \$97.9m profit) by the weighted average number of issued shares during the six months of 505.7m (2010: 519.6m). The weighted average number of shares held in the ESOP of 12.6m (2010: 11.3m) have been excluded from the calculation until such time as they vest unconditionally with the employees. The weighted average number of treasury shares of 16.9m (2010: 8.2m) have been excluded from the calculation.

Diluted

In accordance with IAS 33 Earnings per share, when a loss after income tax is reported the diluted impact on shares is excluded when it decreases the loss per share. Accordingly, diluted earnings per share is calculated by dividing loss after income tax of \$14.1m by the weighted average number of issued shares during the six months of 505.7m.

In a profit making period, diluted earnings per share is calculated by dividing profit after income tax (2010: \$97.9m) by the adjusted weighted average number of shares (2010: 541.8m). The adjusted weighted average number of shares assumes conversion of all dilutive potential ordinary shares, being share options. The weighted average number of shares held in the ESOP of 12.6m (2010: 11.3m) have been excluded from the calculation until such time as they vest unconditionally with the employees. The weighted average number of treasury shares of 16.9m (2010: 8.2m) have been excluded from the calculation.

6 Dividends

A first interim dividend of 2.5 pence (2010: 2.4 pence) per ordinary share is payable on 2 September 2011 to shareholders registered on 3 August 2011 in respect of the six months to 30 June 2011. These financial statements do not provide for this dividend as a liability.

A second interim dividend of 7.6 pence per ordinary share, was paid on 30 March 2011 to shareholders registered at 5.00pm on 4 March 2011 in respect of the six months ended 31 December 2010. This second interim dividend consisted of a regular dividend of 5.1 pence, together with a special dividend of 2.5 pence.

7 Insurance claims

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

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

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating excesses or deficiencies of the past on current claims liabilities. The group believes that the estimates of total claims liabilities as at 30 June 2011 are adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

7 Insurance claims continued

	2002ae	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Gross ultimate claims	%	%	%	%	%	%	%	%	%	%	
Life, accident and health											
12 months	—	—	—	—	—	—	—	53.1	52.7	—	
24 months	—	—	—	—	—	—	—	52.1	—	—	
36 months	—	—	—	—	—	—	—	—	—	—	
48 months	—	—	—	—	—	—	—	—	—	—	
60 months	—	—	—	—	—	—	—	—	—	—	
72 months	—	—	—	—	—	—	—	—	—	—	
84 months	—	—	—	—	—	—	—	—	—	—	
96 months	—	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	—	—	—	—	—	—	—	49.4	52.8	—	
Marine											
12 months	59.2	62.6	82.4	57.0	57.7	68.9	56.2	50.6	—	—	
24 months	44.9	65.1	79.6	42.7	59.9	65.2	52.4	—	—	—	
36 months	39.0	62.2	70.2	32.8	50.4	59.1	—	—	—	—	
48 months	36.2	61.7	68.2	29.1	48.0	—	—	—	—	—	
60 months	35.8	60.5	66.0	28.9	—	—	—	—	—	—	
72 months	35.7	56.0	64.1	—	—	—	—	—	—	—	
84 months	34.9	55.7	—	—	—	—	—	—	—	—	
96 months	35.5	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	35.6	55.5	63.9	28.6	49.7	58.3	50.7	51.4	—	—	
Political risks and contingency											
12 months	59.1	67.6	61.0	57.8	57.2	57.5	61.1	61.4	—	—	
24 months	36.3	55.5	38.0	36.1	38.5	67.9	38.7	—	—	—	
36 months	31.6	52.2	28.4	33.0	56.3	72.4	—	—	—	—	
48 months	28.6	37.7	25.2	43.0	52.5	—	—	—	—	—	
60 months	31.0	36.7	18.0	38.9	—	—	—	—	—	—	
72 months	25.0	34.8	17.6	—	—	—	—	—	—	—	
84 months	24.2	26.3	—	—	—	—	—	—	—	—	
96 months	21.2	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	21.3	26.2	17.5	37.0	54.9	86.4	37.1	62.0	—	—	
Property											
12 months	51.0	65.4	87.1	58.6	58.4	71.0	54.0	58.8	—	—	
24 months	37.7	65.1	83.8	44.6	56.6	66.0	43.0	—	—	—	
36 months	34.9	65.7	82.3	43.6	54.5	64.9	—	—	—	—	
48 months	34.3	63.8	87.3	50.9	55.5	—	—	—	—	—	
60 months	33.9	64.3	86.7	51.0	—	—	—	—	—	—	
72 months	34.0	63.0	85.1	—	—	—	—	—	—	—	
84 months	35.1	62.8	—	—	—	—	—	—	—	—	
96 months	34.8	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	34.8	62.7	84.8	51.3	59.1	64.1	38.4	62.0	—	—	
Reinsurance											
12 months	58.7	87.6	195.8	52.4	59.6	60.0	60.8	68.2	—	—	
24 months	34.2	81.3	187.0	25.1	26.6	51.0	49.0	—	—	—	
36 months	28.4	76.0	186.0	24.8	22.0	42.4	—	—	—	—	
48 months	28.6	73.6	178.5	23.2	20.0	—	—	—	—	—	
60 months	25.6	71.7	174.7	21.3	—	—	—	—	—	—	
72 months	25.6	70.7	172.2	—	—	—	—	—	—	—	
84 months	24.4	69.6	—	—	—	—	—	—	—	—	
96 months	23.7	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	23.7	69.0	172.5	20.9	19.7	40.7	42.5	154.0	—	—	
Specialty lines											
12 months	72.9	72.9	72.1	72.6	72.8	72.2	72.8	75.1	—	—	
24 months	70.2	71.5	72.1	72.7	72.5	72.2	72.8	—	—	—	
36 months	68.8	67.7	69.8	72.7	72.5	72.0	—	—	—	—	
48 months	60.0	64.5	66.3	72.6	72.2	—	—	—	—	—	
60 months	53.2	59.5	62.8	70.8	—	—	—	—	—	—	
72 months	52.3	58.4	56.0	—	—	—	—	—	—	—	
84 months	50.4	56.5	—	—	—	—	—	—	—	—	
96 months	47.2	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	46.7	56.2	55.3	70.6	72.6	72.0	72.7	75.1	—	—	
Total											
12 months	63.0	69.6	90.4	63.0	63.5	68.7	62.6	65.2	—	—	
24 months	52.6	69.1	87.5	53.2	59.2	67.6	57.6	—	—	—	
36 months	49.4	66.4	83.9	50.8	58.1	66.1	—	—	—	—	
48 months	44.9	63.4	82.3	52.4	58.4	—	—	—	—	—	
60 months	41.5	60.9	79.3	51.9	—	—	—	—	—	—	
72 months	40.9	59.1	75.7	—	—	—	—	—	—	—	
84 months	40.1	57.8	—	—	—	—	—	—	—	—	
96 months	38.4	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	38.2	57.5	75.3	51.6	60.1	66.9	55.4	77.5	—	—	
Total ultimate losses(\$m)	1,862.9	463.7	806.3	1,157.1	875.1	1,112.2	1,217.0	1,176.1	1,429.8	1,228.5	11,328.7
Less paid claims (\$m)	(1,684.3)	(373.2)	(645.7)	(945.3)	(483.4)	(632.5)	(585.6)	(298.0)	(140.5)	(3.4)	(5,791.9)
Less unearned portion of ultimate losses (\$m)	—	—	—	—	—	—	—	(22.0)	(152.9)	(984.0)	(1,158.9)
Gross claims liabilities (100% level) (\$m)	178.6	90.5	160.6	211.8	391.7	479.7	631.4	856.1	1,136.4	241.1	4,377.9
Less unaligned share (\$m)	(35.2)	(17.2)	(29.5)	(39.5)	(74.9)	(92.1)	(121.4)	(142.3)	(200.9)	(33.4)	(786.4)
Gross claims liabilities, group share (\$m)	143.4	73.3	131.1	172.3	316.8	387.6	510.0	713.8	935.5	207.7	3,591.5

7 Insurance claims continued

	2002ae	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Net ultimate claims	%	%	%	%	%	%	%	%	%	%	
Life, accident and health											
12 months	—	—	—	—	—	—	—	51.8	51.4	—	
24 months	—	—	—	—	—	—	—	50.3	—	—	
36 months	—	—	—	—	—	—	—	—	—	—	
48 months	—	—	—	—	—	—	—	—	—	—	
60 months	—	—	—	—	—	—	—	—	—	—	
72 months	—	—	—	—	—	—	—	—	—	—	
84 months	—	—	—	—	—	—	—	—	—	—	
96 months	—	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	—	—	—	—	—	—	—	48.2	51.4	—	
Marine											
12 months	55.4	58.3	55.5	53.9	54.9	61.2	54.7	52.3	—	—	
24 months	44.6	53.1	48.7	42.1	56.2	57.2	48.7	—	—	—	
36 months	40.2	48.6	42.6	32.9	49.3	50.9	—	—	—	—	
48 months	39.1	47.8	39.5	31.5	46.6	—	—	—	—	—	
60 months	39.0	46.6	39.0	31.0	—	—	—	—	—	—	
72 months	39.1	44.3	37.9	—	—	—	—	—	—	—	
84 months	38.0	43.9	—	—	—	—	—	—	—	—	
96 months	37.5	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	37.5	43.2	36.7	30.0	47.7	49.5	44.4	54.1	—	—	
Political risks and contingency											
12 months	56.7	64.1	63.4	56.3	55.4	55.9	58.8	57.3	—	—	
24 months	37.4	58.0	46.4	40.3	38.9	75.7	35.1	—	—	—	
36 months	34.8	53.8	35.8	37.4	55.0	74.5	—	—	—	—	
48 months	32.9	40.5	30.4	46.8	53.2	—	—	—	—	—	
60 months	34.9	40.2	24.0	41.0	—	—	—	—	—	—	
72 months	27.2	35.7	22.9	—	—	—	—	—	—	—	
84 months	25.6	25.9	—	—	—	—	—	—	—	—	
96 months	22.5	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	22.5	25.5	22.9	38.6	53.7	85.3	33.5	61.2	—	—	
Property											
12 months	48.8	59.7	64.9	61.3	61.1	67.3	53.7	59.0	—	—	
24 months	41.7	60.9	61.9	49.3	59.7	67.3	48.8	—	—	—	
36 months	39.3	60.3	58.3	47.8	58.9	65.0	—	—	—	—	
48 months	38.7	58.6	61.1	51.5	59.6	—	—	—	—	—	
60 months	38.3	58.3	61.7	50.7	—	—	—	—	—	—	
72 months	38.3	57.5	59.9	—	—	—	—	—	—	—	
84 months	39.8	57.4	—	—	—	—	—	—	—	—	
96 months	39.6	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	39.7	57.3	59.8	50.7	60.1	64.8	44.4	61.9	—	—	
Reinsurance											
12 months	60.2	88.5	153.0	54.3	55.2	67.0	55.6	77.0	—	—	
24 months	39.4	85.2	131.2	36.7	30.6	56.5	53.0	—	—	—	
36 months	33.9	81.9	127.8	34.6	25.3	47.4	—	—	—	—	
48 months	34.5	75.8	117.1	32.3	22.8	—	—	—	—	—	
60 months	31.6	72.6	110.8	30.9	—	—	—	—	—	—	
72 months	31.6	71.0	109.9	—	—	—	—	—	—	—	
84 months	30.2	70.3	—	—	—	—	—	—	—	—	
96 months	29.4	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	29.4	70.1	106.7	30.8	22.9	47.3	47.6	149.5	—	—	
Specialty lines											
12 months	68.7	69.8	69.2	68.6	69.6	70.2	69.9	73.0	—	—	
24 months	67.3	68.6	69.3	68.6	68.8	70.2	69.8	—	—	—	
36 months	66.0	65.8	67.4	68.6	68.8	70.1	—	—	—	—	
48 months	57.8	62.2	63.8	68.5	67.4	—	—	—	—	—	
60 months	52.7	57.0	58.8	63.8	—	—	—	—	—	—	
72 months	50.8	53.7	53.7	—	—	—	—	—	—	—	
84 months	48.9	51.1	—	—	—	—	—	—	—	—	
96 months	45.2	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	44.8	50.1	51.3	62.1	67.8	69.8	69.8	73.0	—	—	
Total											
12 months	60.2	65.9	73.1	62.1	63.0	66.2	60.4	65.1	—	—	
24 months	53.0	65.3	68.6	54.4	59.2	66.8	57.0	—	—	—	
36 months	50.6	62.6	64.9	51.8	58.7	64.2	—	—	—	—	
48 months	46.4	59.2	62.1	52.3	57.5	—	—	—	—	—	
60 months	43.7	56.3	59.0	50.1	—	—	—	—	—	—	
72 months	42.7	53.9	56.2	—	—	—	—	—	—	—	
84 months	41.9	52.1	—	—	—	—	—	—	—	—	
96 months	39.9	—	—	—	—	—	—	—	—	—	
Position at 30 June 2011	39.7	51.4	54.6	49.0	58.0	64.7	54.5	73.1	—	—	
Total ultimate losses(\$m)	925.4	390.7	580.3	647.7	662.5	912.7	981.5	880.0	1,134.3	971.2	8,086.3
Less paid claims (\$m)	(898.5)	(320.8)	(468.6)	(489.2)	(389.0)	(526.7)	(478.0)	(286.6)	(125.2)	(3.3)	(3,985.9)
Less unearned portion of ultimate losses (\$m)	—	—	—	—	—	—	—	(17.2)	(143.9)	(777.8)	(938.9)
Net claims liabilities (100% level) (\$m)											
	26.9	69.9	111.7	158.5	273.5	386.0	503.5	576.2	865.2	190.1	3,161.5
Less unaligned share (\$m)	(8.4)	(13.2)	(21.9)	(30.7)	(51.4)	(72.4)	(93.9)	(95.1)	(151.9)	(24.9)	(563.8)
Net claims liabilities, group share (\$m)											
	18.5	56.7	89.8	127.8	222.1	313.6	409.6	481.1	713.3	165.2	2,597.7

7 Insurance claims continued

Analysis of movements in loss development tables

We have updated our loss development tables to show the interim ultimate loss ratios as at 30 June 2011 for each underwriting year. As such, care should be taken when comparing these half year movements to the full year movements shown within the body of each table.

In the first half of 2011 we reserved for the Christchurch New Zealand earthquake, the Japanese earthquake and tsunami, the Australian flooding and the US tornadoes. These events had the greatest affect on the Property and Reinsurance classes of business. The losses are still at an early stage of development, and we have employed an appropriate level of prudence in setting the reserves.

Life, accident and health

A reducing trend is emerging on the 2009 underwriting year.

Marine

Most years have exhibited a stable or reducing trend, with the exception of the 2007 underwriting year where the reserve was increased on a builders' binding authority.

Political risks and contingency

In the Political class, the conflict in Libya has given rise to a number of contract frustration related claims affecting, in particular, the 2008 underwriting year. We have established reserves in respect of these. The reserves in respect of claims arising from the financial crisis remain appropriate.

Property

The 2010 underwriting year was affected by a number of catastrophe events. There was a gross only movement on the 2007 underwriting year due to reserve increases on two wind storm claims.

Reinsurance

The 2010 underwriting year reflects the reserves established in respect of catastrophes in Chile and New Zealand. There was a net reduction on the 2005 underwriting year due to an increased reinsurance recovery on a hurricane Katrina loss.

Specialty lines

The trend of releases, in particular from the 2003 to 2006 underwriting years, has continued.

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

The Tohoku earthquake in Japan, the Christchurch earthquake in New Zealand, the Australian floods and the political unrest in Libya are all 2011 events. The claims arising in respect of these events have all been classified as current year losses and the related claims have been disclosed as such in the table below. The net effect of these events has been to increase our net claims by \$154m as disclosed in our first quarter interim management statement, plus a further \$23m in respect of Libya.

Beazley's reserving policy is to maintain catastrophe margins either until the end of the exposure period or until catastrophe events occur. Therefore margins have been released on those classes affected by the 2011 catastrophe events which has resulted in a higher than average prior year reserve release.

	Life, accident and health \$m	Marine \$m	Political risks and contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
6 months ended 30 June 2011							
Current year	21.1	59.1	51.5	98.0	135.7	200.5	565.9
Prior year							
– 2008 and earlier	(0.1)	(4.0)	(6.8)	(1.5)	(3.2)	(21.6)	(37.2)
– 2009 underwriting year	(1.5)	(8.5)	(5.9)	(14.1)	(5.7)	–	(35.7)
– 2010 underwriting year	(1.8)	0.6	(1.0)	(6.1)	(7.4)	–	(15.7)
	(3.4)	(11.9)	(13.7)	(21.7)	(16.3)	(21.6)	(88.6)
Net insurance claims	17.7	47.2	37.8	76.3	119.4	178.9	477.3
6 months ended 30 June 2010							
Current year	16.5	59.6	28.5	76.9	50.2	211.4	443.1
Prior year							
– 2007 and earlier	–	(5.1)	(6.9)	3.1	(4.1)	(22.8)	(35.8)
– 2008 underwriting year	–	(7.1)	–	(7.0)	(8.5)	–	(22.6)
– 2009 underwriting year	–	(2.8)	–	(1.3)	(3.4)	–	(7.5)
	–	(15.0)	(6.9)	(5.2)	(16.0)	(22.8)	(65.9)
Net insurance claims	16.5	44.6	21.6	71.7	34.2	188.6	377.2

7 Insurance claims continued

Year to 31 December 2010	Life, accident and health \$m	Marine \$m	Political risks and contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Current year	33.8	120.3	43.9	158.1	105.0	421.7	882.8
Prior year							
– 2007 and earlier	–	(10.2)	(8.0)	(2.0)	(6.8)	(56.9)	(83.9)
– 2008 underwriting year	1.8	(12.6)	1.3	(9.5)	(12.0)	–	(31.0)
– 2009 underwriting year	(0.5)	(7.9)	(12.1)	(5.9)	(3.3)	–	(29.7)
	1.3	(30.7)	(18.8)	(17.4)	(22.1)	(56.9)	(144.6)
Net insurance claims	35.1	89.6	25.1	140.7	82.9	364.8	738.2

8 Income tax expense

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m	Year to 31 December 2010 \$m
Current income tax expense			
Current year	4.1	37.3	23.4
Prior year adjustments	(0.3)	(25.5)	(44.9)
	3.8	11.8	(21.5)
Deferred income tax expense			
Origination and reversal of temporary differences	(10.9)	(19.7)	14.9
Impact of change in UK tax rates	(3.0)	–	(3.4)
Prior year adjustments	–	25.5	43.8
	(13.9)	5.8	55.3
Income tax (credit)/expense	(10.1)	17.6	33.8
(Loss)/profit before income tax	(24.2)	115.5	250.8
Tax calculated at Irish tax rate (12.5%)	(3.0)	14.4	31.4
Effects of:			
– Tax rates in foreign jurisdictions	(4.7)	3.2	7.8
– Non-deductible expenses	0.9	–	0.7
– Tax relief on share-based payments – current and future years	–	–	0.7
– Under provided in prior years	(0.3)	–	(1.2)
– Change in UK tax rates	(3.0)	–	(3.4)
– Foreign exchange on tax	–	–	(2.2)
Tax for the period	(10.1)	17.6	33.8

9 Business Combinations

On 19 April 2011 Beazley plc through its 100% subsidiary Beazley Underwriting Pty Limited purchased the entire share capital of two managing general agencies (MGAs) Australian Income Protection (AIP) and Blue-GUM Special Risks along with the holding company of Blue-GUM, Beyond Group Holdings Pty Ltd (collectively known as "Blue GUM"), for an initial cash consideration of \$11.7m and a deferred cash consideration of \$13.7m, bringing the total expected consideration to \$25.4m. The deferred cash consideration is contingent on the business acquiring specific targets linked to premium growth and profitability over a four-year period ending on 31 December 2014. The combined purchases have been accounted for as an acquisition.

The fair value of the tangible net assets acquired was \$4.9m, and the fair value of intangible assets acquired was \$10.3m, resulting in goodwill on acquisition of \$10.2m. The intangible assets acquired relates to the existing customer relationships of the business.

This acquisition had no material impact on the revenue or loss of the group for the period. In accordance with IFRS 3 'Business Combinations' the assets and liabilities as at the acquisition date are stated at their initial fair values and may be remeasured as and when further evidence of the appropriate fair values emerges within a period of 12 months from the date of acquisition.

10 Related party transactions

The nature of the related party transactions of the group are consistent in nature and scope with those disclosed in note 31 of the group's consolidated financial statements for the year ended 31 December 2010.

There were no transactions with related parties during the six months ended 30 June 2011 which have had a material effect on the results or financial position of the group.

11 Foreign exchange rates

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

	6 months ended 30 June 2011 \$m	6 months ended 30 June 2010 \$m	Year to 31 December 2010 \$m
Average			
Pound sterling	0.62	0.66	0.65
Canadian dollar	0.98	1.03	1.03
Euro	0.71	0.75	0.77
Spot			
Pound sterling	0.62	0.66	0.65
Canadian dollar	0.98	1.05	1.00
Euro	0.69	0.82	0.75

Responsibility statement of the directors in respect of the interim report

We confirm that to the best of our knowledge:

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

Martin Bride
Finance Director

22 July 2011

Independent review report to Beazley plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, the statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Transparency Directive Regulations ("the TD Regulations") and the Disclosure and Transparency Rules of the UK's Financial Services Authority ("the FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Disclosure and Transparency Rules of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Disclosure and Transparency Rules of the UK FSA.

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
22 July 2011

Glossary

Admitted carrier

An insurance company authorised to do business in the US. An agreement is entered into which stipulates the terms and conditions under which a business must conduct within a state in the US.

Aggregates/aggregations

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

Aggregate excess of loss

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

A.M. Best

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

Binding authority

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

Capacity

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

Capital growth assets

A portfolio of alternative or hedge fund assets constructed to provide exposure to a wide range of asset classes and investment strategies. The majority of assets in the portfolio are funds with a specific sector focus and investment strategy. The objective for the portfolio is to deliver returns significantly above risk free rates on average.

Catastrophe reinsurance

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

Claims

Demand by an insured for indemnity under an insurance contract.

Claims ratio

Ratio, in percent, of net insurance claims to net earned premiums.

Combined ratio

Ratio, in percent, of the sum of net insurance claims, expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. This is also the sum of the expense ratio and the claims ratio. The calculation is performed excluding the impact of foreign exchange on non-monetary items.

Coverholder/managing general agent

A firm either in the United Kingdom or overseas authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance in the name of the members of the syndicate concerned, subject to certain written terms and conditions. A Lloyd's broker can act as a coverholder.

Deferred acquisition costs (DAC)

Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage, premium levy and staff related costs) which are capitalised and amortised over the term of the contracts.

Earnings per share (EPS) – Basic/Diluted

Ratio, in pence and cents, calculated by dividing the consolidated profit after tax by the weighted average number of ordinary shares issued, excluding shares owned by the group. For calculating diluted earnings per share the number of shares and profit or loss for the year is adjusted for all dilutive potential ordinary shares, such as share options granted to employees.

Excess per risk reinsurance

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

Expense ratio

Ratio, in percent, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items.

Facultative reinsurance

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

Gross premiums written

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

Hard market

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

Horizontal Limits

Reinsurance coverage limits for multiple events.

Incurred but not reported (IBNR)

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

International accounting standards (IAS)/ International financial reporting standards (IFRS)

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

International accounting standards board (IASB)

An international panel of accounting experts responsible for developing IAS/IFRS.

Lead underwriter

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

Line

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

Managing agent

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

Managing general agent (MGA)

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

Medium tail

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

Net assets per share

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

Net premiums written

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

Provision for outstanding claims

Provision for claims that have already been incurred at the statement of financial position date but have either not yet been reported or not yet been fully settled.

Rate

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

Reinsurance to close (RITC)

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

Retention limits

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

Return on equity (ROE)

Ratio, in percent calculated by dividing the consolidated profit after tax by the average daily total equity.

Retrocessional reinsurance

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

Risk

This term may variously refer to:
a) the possibility of some event occurring which causes injury or loss;
b) the subject matter of an insurance or reinsurance contract; or
c) an insured peril.

Special purpose syndicate

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

Short tail

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

Soft market

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

Surplus lines insurer

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

Total shareholder return

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

Treaty reinsurance

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

Unearned premiums reserve

The portion of premium income in the business year that is attributable to periods after the balance date is accounted for as unearned premiums in the underwriting provisions.

Company information

Directors

Jonathan Agnew* – Chairman
George Blunden*
Martin Bride – Finance Director
Adrian Cox
Nicholas Furlonge ^
Jonathan Gray
Gordon Hamilton*
Andrew Horton – Chief Executive
Neil Maidment
Padraic O'Connor*
Andy Pomfret*
Vincent Sheridan*
Ken Sroka*
Rolf Tolle*
Clive Washbourn

* non-executive director

^ Nicholas Furlonge resigned as an executive director on 30 June 2011

Company secretary

Sian Coope

Registered office

22 Grenville Street
St Helier
Jersey JE4 8PX

Registered Number

102680

Auditors

KPMG
1 Harbourmaster Place
IFSC
Dublin 1

Beazley plc

2 Northwood Avenue
Northwood Park
Santry Demesne, Santry
Dublin 9
Ireland

Phone: +353 (0)1 854 4700

Fax: +353 (0)1 842 8481

Registered Number: 102680

beazley

