

Beazley Group PLC

(incorporated in England & Wales under the Companies Act 1985 with registered number 04082477)

US\$18,000,000 Floating Rate Subordinated Notes due 2034 (the "Notes")

This document has been prepared in relation to the issue by Beazley Group Plc, a public limited company incorporated under the laws of England and Wales and having its registered office at One Aldgate, London EC3N 1AA (the "**Company**"), of \$18,000,000 floating rate subordinated notes (the "**Notes**") as approved by the resolution of its board of directors dated 18 November 2004.

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for admission of the Notes to trading on the London Stock Exchange's market for listed securities. Copies of this document, which comprises listing particulars with respect to the Notes, approved by the UK Listing Authority as required by the listing rules made under Part 74 of the Financial Services and Markets Act (the "**FSMA**") have been delivered for registration to the Registrar of Companies in England and Wales as required by Section 83 of the FSMA.

The Notes were issued on 26 November 2004 (the "**Closing Date**") at an issue price of 100% of their nominal amount. The Notes are in registered form and were offered and sold in minimum principal amounts of US\$100,000 and in integral multiples of US\$1,000 in excess thereof. No temporary documents of title were issued in respect of the Notes. Unless previously redeemed or purchased and cancelled as specified below, the Notes will be redeemed by the Company at their principal amount on the Maturity Date, subject to the provisions of Conditions 5(b) or 5(c).

Interest on the Notes is payable quarterly in arrear on 26 February, 26 May, 26 August and 26 November in each year, (subject to any exercise of the Company's rights under Condition 2(e) of the Notes) commencing on 26 February 2005. The Notes will bear interest at the London Interbank Offered Rate for three month US Dollar deposits ("**LIBOR**") plus 3.65 per cent per annum.

The Notes will constitute direct, unconditional, unsecured subordinated obligations of the Company and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and equally subordinated obligations of the Company. Claims against the Company in respect of the principal of and interest on the Notes will be fully subordinated, in the event of the winding-up of the Company, to the claims of Senior Creditors in that amounts in respect of such principal and interest shall be due and payable by the Company in such winding-up only if and to the extent that the Company could make payment thereof rateably among the claims of all other Subordinated Creditors (as defined below) and still be solvent immediately thereafter. For this purpose, the Company shall be considered to be solvent if it is able to pay its debts to Senior Creditors in full.

The Company accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Company (which has 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.

These Listing Particulars do not constitute an offer to any person or to the public generally to subscribe for or otherwise acquire Notes. No person has been or is authorised to give any information or make any representation concerning the Company, or the Notes, other than as contained herein and, if given or made, any such information or representation should not be relied upon as having been authorised by the Company. The delivery of this document shall not under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information contained herein is correct as of any date subsequent to the date hereof. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Company to inform themselves about, and to observe, any such restrictions. All persons (including nominees, trustees and custodians) who would, or otherwise intend to, forward this document to any jurisdiction outside the UK should seek appropriate advice before taking any action.

Neither the Company or any of its representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. In making an investment decision, investors must rely on their own examination of this document and the terms of the Notes, including the merits and risks involved. Each investor should consult with their own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

Noteholders and any other person contemplating the purchase of the Notes should review the "Risk Factors" set out in Section 2 of this document for a discussion of certain factors that should be considered when deciding whether or not to purchase any Notes.

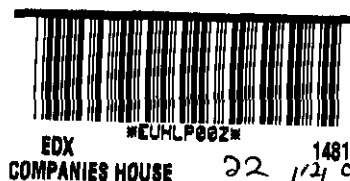


TABLE OF CONTENTS

1	TERMS AND CONDITIONS OF THE NOTES.....	2
2	RISK FACTORS.....	11
3	DESCRIPTION OF THE COMPANY.....	19
4	CAPITALISATION AND INDEBTEDNESS OF THE GROUP.....	26
5	UNITED KINGDOM TAXATION.....	27
6	SUBSCRIPTION AND SALE.....	29
7	TRANSFER AND SETTLEMENT OF THE NOTES.....	31
8	LISTING AND GENERAL INFORMATION.....	32
9	GLOSSARY.....	34

CERTAIN TERMS AND CONVENTIONS

Unless the context requires otherwise, the terms the “Company” or “Beazley Group” refer to Beazley Group plc, the term “Group” refers to the Company and its direct and indirect subsidiaries as a group.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, financial information in this document has been prepared in accordance with UK GAAP and references to “dollars”, “USD”, “\$” or “cents”, are to the lawful currency of the United States of America.

1 TERMS AND CONDITIONS OF THE NOTES

Set out below is the text of the Terms and Conditions of the Notes which will be endorsed on each Note in definitive form.

The US\$18,000,000 Subordinated Floating Rate Notes due 2034 (the "**Subordinated Notes**") of Beazley Group plc (the "**Issuer**") are issued subject to and with the benefit of a Fiscal Agency Agreement, to be dated 26 November 2004 (the "**Agency Agreement**"), between the Issuer and JPMorgan Chase Bank, N.A. in its capacity as fiscal agent the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor fiscal agent for the time being appointed), as principal paying agent (the "**Principal Paying Agent**", which expression shall, where the context so admits, include any successor principal paying agent for the time being appointed), as registrar (the "**Registrar**", which expression shall, where the context so admits, include any successor registrar for the time being appointed) and as transfer agent (the "**Transfer Agent**", which expression shall, where the context so admits, include any successor agent for the time being appointed). The following summaries of certain provisions of the Agency Agreement and the Subordinated Notes do not purport to be complete and are subject to, and qualified in their entirety by, the detailed provisions of and definitions in the Agency Agreement and the Subordinated Notes. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Subordinated Notes (the "**Noteholders**") at the specified office of each Paying Agent. References herein to the "**Agents**" means the Fiscal Agent, the Principal Paying Agent, the Registrar, the Transfer Agent and any other Paying Agents named in the Agency Agreement.

The Noteholders are deemed to have notice of all provisions in, and are entitled to the benefit of, the Agency Agreement.

1. Form, Denomination and Title

The Subordinated Notes are in registered form, will be serially numbered and will be offered and sold in minimum principal amounts of US\$100,000 and in integral multiples of US\$1,000 in excess thereof ("**authorised denominations**") and will be transferable in authorised denominations.

Subject as set out below, title to the Subordinated Notes will pass by registration in the register (the "**Register**"), which is kept by the Registrar. The registered holder of any Subordinated Note will (whether or not it is overdue and except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Subordinated Note.

Subject as provided herein, a Subordinated Note may be transferred in whole or in part (in an authorised denomination). In order to effect any such transfer (i) the Noteholder or Noteholders must (a) surrender the Subordinated Note for registration of the transfer of the Subordinated Note (or the relevant part of the Subordinated Note) at the specified office of the Registrar, with the form of transfer thereon duly executed by the Noteholder or Noteholders thereof or its or their attorney or attorneys duly authorised in writing and (b) complete and deposit with the Registrar such other certifications as may be reasonably required by the Registrar and (ii) the Registrar must, after due and careful enquiry, be satisfied with the identity of the person making the request. Any such transfer will be subject to the regulations set out in the Agency Agreement. Subject as provided above, the Registrar will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Subordinated Note of a like aggregate nominal amount to the Subordinated Note (or the relevant part of the Subordinated Note) transferred. In the case of the transfer of only part of a Subordinated Note, a new Subordinated Note in respect of the balance of the Subordinated Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require payment from the Noteholder of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2. Status of the Subordinated Notes

(a) Status and Subordination of the Subordinated Notes

The Subordinated Notes constitute direct, unconditional, unsecured subordinated obligations of the Issuer and rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and equally subordinated obligations of the Issuer.

Claims against the Issuer in respect of the principal of and interest on the Subordinated Notes will be fully subordinated, in the event of the winding-up of the Issuer, to the claims of Senior Creditors (as defined below) in that amounts in respect of such principal and interest shall be due and payable by the Issuer in such winding-up only if and to the extent that the Issuer could make payment thereof rateably among the claims of all other Subordinated Creditors (as defined below) and still be solvent immediately thereafter. For this purpose, the Issuer shall be considered to be solvent if it is able to pay its debts to Senior Creditors in full.

"Senior Creditors" means creditors of the Issuer whose claims are admitted to proof in the winding-up of the Issuer and who are depositors or are not Subordinated Creditors of the Issuer.

"Subordinated Creditors" means creditors of the Issuer (including, without limitation, the Noteholders) whose claims against the Issuer are subordinated in the event of the winding-up of the Issuer in any manner to the claims of any of the Secured Creditors, any unsecured and any unsubordinated creditors of the Issuer. For the avoidance of doubt, the Issuer's obligations with respect to the Subordinated Notes rank *pari passu* in right of payment with its obligations with respect to all other Subordinated Creditors other than those by whose express terms are ranked junior to the Subordinated Creditors.

(b) Set Off

Each Noteholder hereby irrevocably waives, to the fullest extent permitted by law, any right to set off or otherwise apply any amount now or hereafter due or owing or payable by it on any account whatsoever against, or in or towards satisfaction of, all or any of the Subordinated Notes.

(c) Modification

The Issuer and each Noteholder hereby expressly agree that any material variation of the Conditions shall, if so required by law or by the Financial Services Authority (the **"FSA"**), not be made without the FSA being given at least one month's notice of that modification.

(d) Turn Over

If, notwithstanding condition 2(b), any amounts payable are received by a Noteholder under or in respect of the Subordinated Notes, such amounts shall be returned to the Issuer, liquidator or other person making the payment for application in accordance with the respective amounts due to all the Senior Creditors until all have been repaid in full and until such time such payment shall be held by that Noteholder in trust for the Senior Creditors. Any amount so returned shall then be treated for the purposes of the Issuer's obligations under the Subordinated Notes as if it had not been paid by the Issuer and the original payment shall not be deemed to have discharged any of the obligations of the Issuer under the Subordinated Notes.

(e) *Deferral of Payments*

The Issuer may elect, by notice in writing to the Noteholders and the Fiscal Agent (a "**Deferral Notice**"), from time to time provided, however, that no Event of Default has occurred or is continuing, to defer the payment of interest in respect of the Subordinated Notes for a period not to exceed 20 Interest Periods (as defined below) which may, but need not be, consecutive and, accordingly, on the giving of such notice the due date for payment of such interest (the "**Deferred Payment**") shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. Interest will accrue on any interest payment so deferred in accordance with the provisions of these terms and conditions, compounded for each Interest Period.

If the Issuer has given a Deferral Notice then from the date of such Deferral Notice until the Issuer pays all deferred interest in full by making the Deferred Payment the Issuer may not (a) declare or pay a dividend on any of its ordinary shares or preference shares, or (b) redeem, purchase, reduce or otherwise acquire or pay principal or interest on (i) any of its share capital or share capital of any of its subsidiary undertakings, or (ii) any of its debt securities or debt securities of any of its subsidiary undertakings where such debt securities rank, as to the right of repayment of principal, *pari passu* with, or junior to, the Subordinated Notes.

3. Definitions

In these Conditions the following expressions shall have the following meanings:

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets generally settle payments in London and New York;

"**Extraordinary Resolution**" shall have the meaning given to it in Schedule C of the Agency Agreement;

"**LIBOR Moneyline Telerate**" means the display designated as page 3750 of Moneyline Telerate (or a replacement or successor page on that service or a successor service for the purpose of displaying London interbank offered rates for US Dollar deposits);

"**London Banking Day**" means a day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Margin**" means 3.65 per cent. per annum; and

"**Reference Banks**" means each of four major banks in the London interbank market selected by the Fiscal Agent and approved by the Issuer provided that once a bank has first been selected by the Fiscal Agent it may not be changed without the prior written approval of the Issuer.

4. Interest

The Subordinated Notes bear interest from and including 26 November 2004 (the "**Closing Date**") to but excluding 26 November 2034 (the "**Maturity Date**") at a floating rate of interest based on the London interbank offered rate for three-month US dollar deposits plus the Margin. Interest will be payable quarterly in arrears on 26 February, 26 May, 26 August and 26 November in each year (subject to any exercise of the Issuer's rights under Condition 2(e)), commencing on 26 February 2005 (each such date, an "**Interest Payment Date**"), subject as provided below. The period beginning on and including the Closing Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

If any Interest Payment Date would otherwise fall on a date which is not a Business Day, it shall be postponed to the next Business Day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment. Interest accruing on the Subordinated Notes will be calculated on the basis of the actual number of days in the Interest Period concerned divided by 360.

The rate of interest payable in respect of each Interest Period (the "**Rate of Interest**") will be determined by the Fiscal Agent in accordance with the following provisions, on the second London Banking Day (as defined below) prior to the commencement of each Interest Period (each, an "**Interest Determination Date**");

- (i) the Fiscal Agent will ascertain the offered rate for three-month US dollar deposits in the London interbank market which appears on LIBOR Moneyline Telerate (as defined below) as at 11:00 a.m. (London time) on each Interest Determination Date. The Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the sum of the rate so determined by the Fiscal Agent and the Margin;
- (ii) if for any reason such offered rate does not appear on LIBOR Moneyline Telerate, or if the LIBOR Moneyline Telerate is unavailable, the Fiscal Agent will request the principal London office of each of the Reference Banks (as defined below) to provide the Fiscal Agent with its offered quotation (expressed as a rate per annum) for three-month US Dollar deposits to leading banks in the London interbank market at approximately 11:00 a.m. (London time) on the relevant Interest Determination Date and in an amount that is representative for a single transaction in such market at such time. The Rate of Interest for such Interest Period shall be the rate per annum equal to the sum of the arithmetic mean (rounded to four decimal places with 0.00005 being rounded upwards if necessary) of such offered quotations, as determined by the Fiscal Agent, and the Margin;
- (iii) if on any Interest Determination Date two or more but not all of the Reference Banks provide the Fiscal Agent with such offered quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with subparagraph (ii) above on the basis of the quotations of those Reference Banks providing such quotations;
- (iv) if on any Interest Determination Date only one or none of the Reference Banks provides the Fiscal Agent with such offered quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines to be the sum of the arithmetic mean (rounded to four decimal places with 0.00005 being rounded upwards if necessary) of the US Dollar offered rates which four leading banks in the London interbank market selected by the Fiscal Agent and approved by the Issuer are quoting at approximately 11:00 a.m. (London time) on the first day of the relevant Interest Period to leading banks in the London interbank market for a period of three months and in an amount that is representative for a single transaction in such market at such time; and
- (v) if the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be that determined as at the last preceding Interest Determination Date.

The Fiscal Agent will, as soon as practicable after 11:00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest (the "**Interest Amount**") payable for the relevant Interest Period. The determination of the Rate of Interest and the Interest Amount by the Fiscal Agent shall (in the absence of manifest error) be final and binding upon all parties.

The Fiscal Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to be notified to the Noteholders in accordance with the Agency Agreement as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

5. Payments

(a) *Principal and Interest*

Payment of amounts (including accrued interest) due on the final redemption of the Subordinated Notes will be made against presentation and surrender of the relevant Subordinated Notes at the specified office of the Registrar.

Payment of amounts (whether principal interest or otherwise) due on a Subordinated Note other than in respect of the final redemption, will be made to the person in whose name such Subordinated Note is registered at the close of business on the fifteenth day prior to such due date (the "**Record Date**") whether or not such fifteenth day is a Business Day.

In the case of payment by cheque, the cheque will be mailed to the holder (or the first named of joint holders) at such Noteholders' registered address on the Business Day immediately preceding the due date.

If payment in respect of any Subordinated Note is required by credit or transfer, application for such payment must be made by the holder to the Registrar not later than the third day preceding the relevant Record Date.

(b) *Payments Subject to Fiscal Laws*

All payments in respect of the Subordinated Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) *Payments on Business Days*

If the due date for payment of any amount in respect of any Subordinated Note is not a Business Day then the holder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

6. Redemption

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, the Subordinated Notes will be redeemed by the Issuer at their principal amount on the Maturity Date, subject to the provisions of Conditions 5(b) or 5(c).

(b) *Redemption for Tax Reasons*

The Subordinated Notes may (subject as provided above) be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Fiscal Agent immediately prior to the giving of such notice that either it has or will become obliged to pay Additional Amounts pursuant to Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, if such change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by reasonable steps being taken by the Issuer. Any such notice of redemption shall not be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Subordinated Notes then due. Prior to the delivery of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion of legal advisers of recognised standing to the effect that the Issuer

has or will become obliged to pay such Additional Amounts as a result of such change or amendment, and the Fiscal Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Noteholders.

(c) *Redemption at the Option of the Issuer*

The Issuer may on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders, redeem the 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 per cent. of the original principal amount of the Subordinated Notes to be redeemed, together with interest (including all Deferred Payments) accrued on such Subordinated Notes to but excluding the date of redemption.

(d) *Purchase of the Subordinated Notes by the Issuer*

Subject to the requirements (if any) of the London Stock Exchange, the FSA or any other relevant authority, the Issuer or any subsidiary of the Issuer may at any time purchase Subordinated Notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all Noteholders alike. Such Subordinated Notes may be held, resold or reissued, or, at the option of the Issuer or any subsidiaries of the Issuer, surrendered to any Agent or the Registrar, as the case may be, for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or any such subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders.

(e) *Cancellation*

All Subordinated Notes which are redeemed by the Issuer will forthwith be cancelled and may not be reissued or resold.

7. Taxation

(a) *Gross Up*

All payments of principal and interest in respect of the Subordinated Notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom, or any political subdivision of, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or other governmental charges is required by law. In such event, the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Subordinated Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable:

- (i) to, or to a third party on behalf of, a Noteholder who is liable for such taxes or duties in respect of such Subordinated Note by reason of his having some connection with the United Kingdom other than the mere holding of such Subordinated Note; or
- (ii) with respect to any Subordinated Note presented for payment more than 30 days after the Relevant Date except to the extent that the Noteholder would have been entitled to such Additional Amounts on duly presenting the same for payment on such thirtieth day.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to such due date, it means

the date on which notice is given to the Noteholders in accordance with Condition 12 that the full amount has been received.

(b) Tax Credit

If the Issuer has paid an Additional Amount to a Noteholder and the Noteholder determines in its sole opinion that it has received or been granted and has derived full use and benefit from and will retain a credit against or remission of tax as a result of the withholding or deduction, then such Noteholder shall promptly pay to the Issuer such amount as will leave it in no better and no worse position than if no such withholding or deduction had been required.

8. Prescription

Claims against the Issuer for the payment of interest and other sums payable in respect of the Subordinated Notes shall be prescribed unless made within five years (in the case of interest) and 10 years in the case of principal and all other payments from the due date (which, for the avoidance of doubt, in the case of deferred interest shall be the due date of the Deferred Payment as determined pursuant to Condition 2(f)) and thereafter any principal, interest or other sums payable in respect of the Subordinated Notes shall be forfeited and revert to the Issuer.

9. Events of Default

If any of the following events (each an "**Event of Default**") shall have occurred (unless such Event of Default has been remedied to the satisfaction of the Noteholders such satisfaction having been demonstrated by an Extraordinary Resolution of the Noteholders), the Subordinated Notes shall immediately become due and repayable, at their principal amount together with accrued interest:

- (i) if default is made for a period of 5 Business Days or more in the payment of any sum due in respect of the Subordinated Notes or any of them; or
- (ii) if any order shall be made by any competent court or any resolution shall be passed for the winding-up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved by an Extraordinary Resolution of the Noteholders.

If any Event of Default shall have occurred (unless such Event of Default has been remedied to the satisfaction of the Noteholders, such satisfaction having been demonstrated by an Extraordinary Resolution of the Noteholders), the Noteholders may, subject as provided in Condition 13, at their discretion and without further notice, institute proceedings for the winding-up of the Issuer in England (but not elsewhere) and/or prove in any winding-up of the Issuer (whether in England or elsewhere), but may take no further action in respect of such default.

10. Replacement of Subordinated Notes

If any Subordinated Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of (i) any Paying Agent or (ii) the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, indemnity and security as the Issuer may reasonably require. Mutilated or defaced Subordinated Notes must be surrendered before replacements will be issued.

11. Fiscal Agent and Other Agents

The names of the initial Fiscal Agent, the initial Registrar, the initial Transfer Agent, if any, and the other initial Agents and Transfer Agents and their initial specified offices are set forth in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent or the Registrar or any Transfer Agent and/or appoint additional or other Agents or additional or other Registrars or Transfer Agents and/or approve any change in the specified office through which any Agent, Transfer Agent or Registrar acts, provided that:

- (i) so long as the Subordinated Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, there will at all times be a Paying Agent with a specified office in London; and
- (ii) there will at all times be an Agent.

12. Notices

Any notices pursuant to, or communications with respect to, the Subordinated Notes shall be deemed to have been given when delivered in person or 7 days after having been deposited in the post by first class registered or certified post, to (i) the Issuer at its address as specified in the Agency Agreement and (ii) the Noteholder at its address as indicated in the Register maintained by the Registrar.

13. Meetings of Holders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification of these Conditions or the provisions of the Agency Agreement.

The Agency Agreement also provides that certain modifications to the Agency Agreement may not be made without the consent of the Fiscal Agent, the Registrar, the Transfer Agents, if any and the Agents.

14. Further Issues

The Issuer from time to time without the consent of the Noteholders may create and issue further subordinated notes or bonds having the same terms and conditions as the Subordinated Notes in all respects (except for the issue price, issue date and the first payment of interest on them) so that the same shall be consolidated and form a single series with the Subordinated Notes, and references in these Conditions to "Subordinated Notes" shall be construed accordingly.

15. Indemnification of the Fiscal Agent and Other Agents

The Agency Agreement contains provisions for the indemnification of the Fiscal Agent, the Registrar, the Transfer Agent, if any, and the Agents and for their relief from responsibility, including provisions relieving them from taking action unless indemnified to their satisfaction. The Fiscal Agent, the Registrar, the Transfer Agent, if any, and each Agent is entitled to enter into business transactions with the Issuer without accounting for any profit. The Fiscal Agent, the Registrar, the Transfer Agent, if any, and the Agents are agents of the Issuer and none of them is a trustee or fiduciary for any of the Noteholders.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 or otherwise, other than a Noteholder (or any person to whom title to any Subordinated Notes has been lawfully transferred or transmitted in accordance herewith) or the Issuer, in each case in accordance with the terms of the Conditions.

Each Noteholder (which term shall include any person to whom title to any Subordinated Notes has been lawfully transferred or transmitted in accordance herewith) agrees, by its acceptance of the Subordinated Notes, to be bound by the obligations expressed under these Conditions to be binding on it.

17. Governing Law and Jurisdiction

- (a) The Agency Agreement and the Subordinated Notes are governed by, and shall be construed in accordance with, English law.
- (b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes may be brought in such courts. The Issuer has in the Fiscal Agency Agreement irrevocably submitted to the non-exclusive jurisdiction of such courts.

2 RISK FACTORS

This Section contains what the Directors consider to be the principal risk factors involved in an investment in the Notes. The nature of insurance business (particularly that carried out at Lloyd's) means that an investment in the Company is subject to a number of risk factors. Some of these factors apply to carrying on insurance business generally, while others are specific to the Beazley Group or to the nature of the Lloyd's market.

General insurance risk factors

Underwriting of insurance risks

The underwriting of insurance risks can be, by its nature, a high-risk business. Earnings can be volatile and losses may be incurred which would have an effect on the ability of the Company to repay principal or pay interest. Insurance business is cyclical in nature, and even if the Lloyd's market makes an overall profit, some individual syndicates or lines of business may incur losses. The past results of the market, of the Syndicates, and of the Beazley Group are a historical record and may not necessarily be a reliable guide to future prospects. Previously profitable business may subsequently become unprofitable; the nature of business written may change; reserves created against future claims may prove to be inadequate; a syndicate's reinsurance programme may be insufficient and/or its reinsurers may fail. High returns may be the result of skilful underwriting, but may indicate an exposure to more volatile risks. It is inherent in the nature of the Syndicates' business that it is difficult to forecast short-term trends or returns. Not only do underwriting results change but investment income and appreciation or depreciation, which form an important part of the financial return to the Syndicates, are affected by, *inter alia*, interest rates, exchange rates, taxation changes and other economic events (which are outside the Beazley Group's control) as well as investment policy and performance and market events.

Reinsurance

Beazley Furlong, as the Syndicates' managing agent, follows the customary insurance practice of reinsuring and retroceding with other insurance and reinsurance companies a portion of the risks under the policies it writes and under its reinsurance contracts. These reinsurance and retrocession arrangements are maintained to protect the Syndicates against the severity of losses on individual claims and unusually serious occurrences in which a number of claims produce an aggregate extraordinary loss. Although reinsurance does not discharge the Syndicates from their primary obligation to pay under an insurance policy for losses insured, or under a reinsurance agreement for losses assumed, reinsurance does make the assumed reinsurer or retrocessionaire liable to the Syndicates for the reinsured or retroceded portion of the risk. The collectibility of reinsurance and retrocessions is largely a function of the solvency of reinsurers. The Reinsurance Security Committee assesses the security represented by individual reinsurers using both in-house procedures and market and financial information supplied by Benfield Advisory. Despite these measures, a reinsurer's insolvency, inability or unwillingness to make payments under the terms of a reinsurance or retrocession arrangement could have a material effect on the Beazley Group's financial condition or results of operations. There can be no assurance that reinsurance or retrocession arrangements will be available to the Syndicates in the future. If reinsurance or retrocession arrangements are available, there can be no assurance that they will be on terms deemed by the Beazley Group to be appropriate or acceptable or from entities with satisfactory creditworthiness.

Actual claims may exceed claims provisions

Claims provisions represent estimates involving actuarial and statistical projections at a given point in time of the Beazley Group's expectations of the ultimate settlement and administration costs of claims incurred. The Beazley Group utilises both proprietary and commercially available actuarial models as well as historical industry loss development patterns to assist in the establishment of appropriate claim reserves. In contrast to casualty losses, which frequently can be determined only through lengthy and unpredictable litigation, property losses tend to be reported promptly and usually are settled within a shorter period of time. Nevertheless, for both casualty and property losses, actual claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in the Beazley Group's financial statements.

In addition, in relation to inwards reinsurance business written, because the Syndicates, like other reinsurers, do not separately evaluate each of the individual risks assumed under reinsurance treaties, the Syndicates are largely dependent on the original underwriting decisions made by ceding companies. The Syndicates are subject to the risk that the ceding companies may not have adequately evaluated the risks to be reinsured and that the premiums ceded may not adequately compensate the Syndicates for the risks they assume. It is possible that claims in respect of events that have occurred could exceed the Beazley Group's claims reserves and have a material adverse effect on the Beazley Group's results of operations in a particular period or the Beazley Group's financial position. Even though most insurance contracts have policy limits, the nature of property and casualty insurance and reinsurance is that losses can exceed policy limits for a variety of reasons and could very significantly exceed the premiums received on the underlying policies.

Investment returns

The Beazley Group and the Syndicates hold investments to support their liabilities and their profits will depend upon the returns achieved on their investment portfolios. The income derived by the Beazley Group and the Syndicates from their investments, and the capital value of their investments, may fall as well as rise. Therefore, changes in interest rates, equity returns, credit ratings and other economic variables could substantially affect the Beazley Group's and the Syndicates' profitability.

Exchange rates

A substantial proportion of the Syndicates' business and the future business of BICI is written or will be written in currencies other than Sterling, in particular in US Dollars. The Beazley Group is therefore exposed to changes in exchange rates and there is no guarantee that hedging arrangements or any other foreign exchange strategy that the Beazley Group undertakes will be successful in preventing losses due to such changes.

A.M. Best Syndicate Rating

Syndicate 623 and Syndicate 2623 each have a Syndicate Rating from A.M. Best of A (Excellent), although there is no guarantee that this rating will be maintained in the future if either (i) the Syndicates' results deteriorate or (ii) Lloyd's credit rating is downgraded. Such a downgrade could have a material effect on the Syndicates' ability to write business. Further information about the Lloyd's credit rating is given below in the section headed "Lloyd's market risks".

Distribution channels

The Beazley Group relies heavily on brokers to distribute the Syndicates' products. Brokers are independent of the syndicates whose products they market, and of the companies that manage those syndicates. No broker is committed to recommend or sell the products of the Syndicates; indeed, they may sell competing products. Therefore, the Beazley Group's relationships with its brokers are important, and the failure, inability or unwillingness of brokers to market the Syndicates' products could have a material adverse effect on the Beazley Group's financial performance. From 14 January 2005, general insurance intermediaries in the UK will be required to be authorised by the FSA and the Beazley Group will not be permitted to distribute its products through intermediaries who are not so authorised. The failure of a significant intermediary or a number of intermediaries that collectively are significant, to become so authorised or to maintain such authorisation could have an adverse effect on the financial performance of the Beazley Group.

Binding authorities

In 2003, 23 per cent. of the Syndicates' business was generated by coverholders underwriting on the Syndicates' behalf pursuant to binding authorities. There is no guarantee that a coverholder will observe or comply with the terms of its binding authority, including the parameters within which it may underwrite on the Syndicates' behalf. A coverholder that exceeds its authority to underwrite could expose the Syndicates, and hence the Beazley Group, to unanticipated underwriting losses.

Litigation

Beazley Underwriting and Beazley Staff Underwriting, as members of the Syndicates, are involved in litigation in the normal course of their insurance operations and the probable outcome of all such litigation is taken into account in the assessment of claims provisions. If the outcome of such litigation is underestimated, the Syndicates' results can be impacted accordingly.

Litigation (including litigation to which the Company is not a party) may have an adverse impact upon the Beazley Group's business in that legal decisions may expand the scope of legal liabilities, which in turn could increase the amount of claims which have to be paid by the Beazley Group. Further details of litigation affecting the Lloyd's market specifically are given below, in the section headed "Lloyd's market risks".

Judicial investigation may affect business practices

Following a complaint filed by Eliot Spitzer, the Attorney General of New York State, on behalf of the people of the State of New York on 14 October 2004, the Supreme Court of the State of New York County and New York has stated that it is considering allegations of anti-competitive and fraudulent behaviour made against Marsh & McLennan Companies, Inc. and Marsh Inc., and against certain insurance companies in the US. The Attorney General is continuing his investigation in conjunction with the New York State Insurance Department. This has created uncertainty over certain insurance business practices in the US and there can be no assurance that the US market will continue to operate in the same manner or that other US market participants will remain unaffected. Whilst the FSA has stated that it is monitoring events in the US, it has not publicly stated that it is undertaking any investigation in relation to market practices in the UK. If any FSA or competition authority investigations or any other investigations or proceedings were to be taken in the UK and were to succeed, then it is possible that UK market practices and/or participants may also be affected.

Coverage disputes can increase expenses and incurred losses

There can be no assurance that various provisions of the Syndicates' insurance policy forms and reinsurance contracts, such as limitations on, or exclusions from, coverage, will be enforceable in the manner intended. Disputes relating to coverage and choice of legal forum can be expected to arise, as a result of which the Syndicates may incur losses beyond those that it contemplates would be incurred pursuant to its reinsurance contracts or insurance policies.

Key individuals

The business of the Beazley Group may be adversely affected if certain key individuals cease to be employed by the Beazley Group or if their services otherwise cease to be available to the Beazley Group.

Regulatory risks

The carrying on of insurance business in the United Kingdom is a regulated activity. The FSA regulates Lloyd's as well as companies that undertake regulated activities themselves although Lloyd's has retained much of its regulatory functions in relation to the Lloyd's market in parallel with the FSA. As a result, the FSA and Lloyd's regulate corporate members of the Beazley Group. They have substantial powers of intervention in relation to the companies they regulate, culminating in the ultimate sanction of the removal of authorisation to carry on insurance business. Authorisation by the FSA and Lloyd's is therefore fundamental to the Beazley Group's business.

Lloyd's and the FSA

The Council has wide discretionary powers to regulate members of Lloyd's. It may, for instance, vary the method by which the capital solvency ratio is calculated or the investment criteria applicable to funds at Lloyd's. Either might affect the Beazley Group's overall premium limit and consequently returns from an investment in the Company. 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 and underwriting guidelines. The Franchise

Board may, for example, impose certain restrictions on underwriting and/or on reinsurance arrangements for any syndicate and any such notifications if imposed on Beazley Furlonge and the Syndicates may have an adverse impact on its ability to underwrite.

The regulation of insurance in the UK continues to undergo review and consultation and it is likely that additional changes in regulation both within and outside the Lloyd's market will occur. In particular, the FSA is currently consulting on proposed rule changes to bring the regulation of Lloyd's insurance business more into line with regulation that applies to FSA authorised insurance companies. Regulatory requirements of both the FSA and Lloyd's may be changed in a manner that may adversely affect the business of the Beazley Group. It is possible that costs of compliance could increase if there are changes to either or both of these regulatory regimes. It is not yet clear how the "risk based" approach, which the FSA proposes to adopt for the companies which it regulates, will impact the Beazley Group (see discussion of Individual Capital Adequacy requirement under 'Risk based capital' below).

The fiduciary obligations of Beazley Furlonge

All underwriting members of Lloyd's enter into a standard form agreement with the managing agent of each syndicate on which they underwrite. The agreement includes various specific fiduciary duties of the managing agent regarding conflicts of interest, accounting for any profits not specifically contemplated by the agreement and also the requirement to make full disclosure of any interests or duties which could give rise to a conflict of interest, for example between the interests of the Company and the members of the Syndicate. These duties are also found in the core principles for underwriting agents drawn up by Lloyd's to which all underwriting agents and their directors are required to adhere. These include the avoidance of or disclosure of any conflicts of interest and acting in a manner not prejudicial to the interests of any member. In addition to Lloyd's core principles for underwriting agents, Beazley Furlonge must also comply with the FSA's Principles for Business, which are part of the FSA Handbook. There are also common law duties incumbent upon the directors of a managing agent to act in the best interests of their company.

Lloyd's market risks

Future capacity

The last few years have seen considerable changes at Lloyd's, particularly in the composition and character of the capital base supporting Lloyd's syndicates. The amount of capacity on Syndicate 623 for any future year of account is not guaranteed. The funding of Syndicate 623 is an annual venture between underwriting members of Lloyd's; members may resign their membership of Lloyd's or decide no longer to participate or reduce participation on Syndicate 623 and they may not be replaced by continuing, or new, members. Therefore, the capacity on Syndicate 623 for the 2005 and following years of account could be reduced.

Reinsurance to close; run-off of account; risk of non-closure of years

In the event that a managing agent concludes in respect of a particular year of account of a syndicate that an equitable RITC premium cannot be established it must determine that the year of account will remain open and be placed into run-off. During run-off, there can be neither a release of a member's funds at Lloyd's nor a release to such member of any profits arising in respect of that syndicate from the underwriting or investments of that syndicate, without the consent of the Council of Lloyd's. There can be no assurance that any year of account of a syndicate will not go into run-off at some future time.

Change in value of the funds at Lloyd's portfolio

A proportion of the funds at Lloyd's for a syndicate may be provided by means of investments. The capital value of such investments may fall as well as rise and the income derived from them may fluctuate. Should the value of the funds at Lloyd's portfolio of a syndicate as at 31 August (or such other date specified by Lloyd's) be lower than at the same date in the previous year, the syndicate's underwriting capacity may be reduced. Lloyd's also has the power to reduce the underwriting capacity of a syndicate and/or to prohibit a corporate member from underwriting if at any time the value of the funds at Lloyd's portfolio falls by more than 10 per cent. of the last annual valuation. A fall in the equity or fixed interest markets could trigger such an event.

Cash calls

A managing agent may determine what funds are required to meet a cash deficiency prior to the closure of the relevant year of account and the auditors of the relevant syndicate provide an opinion on such determination. In this event, the managing agent may call on the members supporting that syndicate for further funds. Any early call for funds in this manner may adversely affect the cash flow of the Beazley Group and may have a detrimental impact on earnings, dividends and asset values.

Risk based capital

The capital solvency ratio which is required by Lloyd's to be maintained in the form of funds at Lloyd's to support the activities of underwriters is determined by a risk based capital assessment. The process and the method by which the solvency ratio is calculated may alter from year to year and may affect the participation of members in a particular syndicate. Lloyd's has the power to impose "capital loadings" upon syndicates, resulting in an increase in the solvency ratio for the members supporting that syndicate. This may affect both the participation of the corporate members of the Beazley Group in Syndicate 2623 and also future businesses which the Beazley Group may acquire. In addition, Lloyd's managing agents will be required to comply with the new FSA prudential requirements, put forward by the FSA in April 2004, which propose *inter alia* an enhanced capital requirement and a new requirement for managing agents to assess the financial resources needed to support the risks of the insurance business that they manage, taking account of the underlying risks, the effectiveness of controls that mitigate those risks and stress and scenario tests. This new Individual Capital Adequacy requirement aims to achieve a better assessment of the capital needed to support each syndicate, based on modelling individual syndicate robustness under a number of possible scenarios. Any failure by Beazley to comply with these requirements may affect the amount of business which the Beazley Group may underwrite and/or could result in sanctions being imposed by the FSA.

1992 and prior business

No corporate members (including the corporate members of the Beazley Group) participated in 1992 and prior business. However, under certain circumstances, the Beazley Group, and other businesses which the Beazley Group may acquire in the future, could still be adversely affected. This is because, in such 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 might require the use of the New Central Fund (see below) following prior approval of members in general meeting. If the New Central Fund is used for these purposes an additional New Central Fund levy might be imposed, subject to approval by vote, on all members underwriting on the relevant years of account. Regulatory authorities in a number of jurisdictions require the maintenance of deposits for the protection of policyholders as a condition of their regulatory approval and accreditation of Lloyd's (see below – *Lloyd's US trading arrangements*). If the said circumstances, the deposit in place at that time could be vulnerable to seizure by regulators or policyholders. The Lloyd's market would have to consider making good any part of the deposit required to be used to meet its liabilities, or risk being unable to continue to do business in the relevant jurisdiction.

The business plan and franchise obligations

As with the business plan for any Lloyd's syndicate, the business plans prepared by Beazley Furlong for the Syndicates must be approved by Lloyd's. There can be no assurance that changes to the Syndicates' business plans will not be required in a manner that is unfavourable to Noteholders' rights in order to gain the approval of Lloyd's. As part of the Lloyd's franchise structure, participants in the Lloyd's market are treated as franchisees of Lloyd's, the franchisor. All franchisees, including the Beazley Group, are required to comply with "franchise principles". There is no guarantee that the Beazley Group will be able to comply with such principles while maintaining its current business strategy.

The New Central Fund

Despite the principle that each member is only responsible for the proportion of risk written on his or its behalf, the New Central Fund acts, *inter alia*, as a policyholders' protection fund to make

payments where other members have failed to pay valid claims. The Council of Lloyd's may resolve to make payments from the New Central Fund for the advancement and protection of members, which could lead to additional or special levies being payable by the Beazley Group.

Lloyd's charges

Lloyd's imposes a number of charges on business in the market, including, for example, annual subscriptions for members and policy signing charges. The bases and amounts of these charges may be varied by Lloyd's. Certain individual Lloyd's policyholders now benefit from protection from the Financial Services Compensation Scheme (the "**Scheme**") and levies may be made on certain Lloyd's market participants to fund that Scheme.

Lloyd's solvency

The FSA requires Lloyd's to satisfy an annual solvency test. If Lloyd's fails to satisfy this test in any year, the FSA may require Lloyd's to cease trading and/or members to cease or reduce underwriting. Under proposed new regulation, Lloyd's will be required to establish and maintain appropriate controls over the risks affecting the funds it holds centrally and to assess the capital needs of each member. This may result in increased capital requirements for some members.

Lloyd's credit rating

The ability of Lloyd's syndicates to trade in certain classes of business at current levels is dependent on the maintenance by Lloyd's of a satisfactory credit rating issued by an accredited rating agency. At present, the financial security of the Lloyd's market is regularly assessed by two independent rating agencies, A.M. Best and Standard & Poor's (S&P). If the credit ratings provided by A.M. Best and S&P are downgraded, this will have an adverse effect on Lloyd's syndicates.

Lloyd's trading licences

Lloyd's worldwide insurance and reinsurance business is subject to local regulation. Changes in such regulation (such as requirements for increased deposits to support underwriting) may have an adverse effect on members and on the Beazley Group.

Lloyd's US trading arrangements

The US regulators require syndicates trading in certain business in the United States to maintain minimum deposits (which are the subject of various trusts established in the United States (the "US trust funds")) as protection for US policyholders. These deposits represent the underwriters' estimates of unpaid claims liabilities (in some cases, less premium receivable) relating to this business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries but the US regulatory authorities currently require funding for at least 30 per cent. of gross liabilities relating to business classified as "surplus lines". The funds contained within the deposits are not ordinarily available to meet trading expenses. Normally, the "credit for reinsurance" trust fund is required to be funded at 100 per cent. As a result of the US Terror Attacks, the US regulatory authorities agreed that for the quarters ended 30 September 2001 and 31 December 2001 a reduced rate of 60 per cent. applied in respect of World Trade Center liabilities. Lloyd's re-imposed the 100 per cent. funding requirement in respect of World Trade Center liabilities in the "credit for reinsurance" trust fund with effect from 28 February 2002 and additional funds were transferred into the fund on 27 March 2002 to meet the requirements in full.

There can be no guarantee, however, that US regulators will not increase the level of funding required, or impose other requirements as to the nature of funding in the future. Accordingly, in the event of a major claim arising in the United States, 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. Lloyd's regulations currently do not allow for the distribution of monies to members of a syndicate for a year of account until 36 months has expired, even if that distribution represents a previous cash call which is now surplus to requirements. There is a limited ability for managing agents to withdraw funds from the US trust

funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn:

- is in respect of a specified loss event;
- represents value for liabilities previously reserved in respect of policyholders claiming for this event; and
- cannot be obtained from other US dollar assets held outside the relevant US trust fund.

Taxation risks

Rate and basis of corporation tax

The companies in the Beazley Group are subject to UK corporation tax in respect of their operations in the UK. A significant change in the basis or rate of UK corporation tax may have a material impact upon the Beazley Group. EU listed groups will be required to report to International Accounting Standards ("IASs") for periods beginning on or after 1 January 2005 at a consolidated level. Solus level accounts, rather than consolidated numbers are used to calculate UK tax liabilities. In determining taxable profits for UK purposes the accounting treatment of an item is generally followed. Therefore if a choice is made to change the accounting basis of the Company and its UK subsidiaries on a solus basis to IAS, this may result in changes to the UK tax liabilities of the Beazley Group. If no such change is made the taxation of these companies will continue to be based on UK GAAP, and there will be no material change. At this point no decision has been made. The UK Inland Revenue expect, as a general principle, that there will be consistency in the tax treatment between UK GAAP and IAS. The UK Inland Revenue are engaged in an on-going programme of corporation tax reform; the impact of any such changes are impossible to predict.

Other general risks

Information technology systems

The business of the Beazley Group relies to a significant extent on IT systems used in the daily operations of its operating subsidiaries. Although the IT systems used by the Beazley Group are not bespoke and are all systems commonly used by other participants in the Lloyd's insurance sector, any failure or impairment of those systems or any inability to transfer data onto any new systems introduced could cause a loss of business and/or damage to the reputation of the Beazley Group together with significant remedial costs.

Reliance on third party service providers

Beazley is reliant on various third parties for the provision of important services which it needs to run its business. If any of these service providers should fail to perform to the necessary level, this may materially impact the business of the Beazley Group.

General economic climate

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial and political disruption have an impact on business costs and commodity prices and stock market prices. The Beazley Group's operations, business and profitability may be affected by these factors, which are beyond the control of the Beazley Group.

Uninsured risks

In certain circumstances, insurance may not cover or be adequate to cover liabilities incurred by a member of the Beazley Group. In addition, the Beazley Group may be subject to liability for events against which it does not insure or which it may elect not to insure against because of high insurance costs or other reasons. The occurrence of an event that is not covered or not fully covered by insurance could have a material adverse effect on the business, financial condition and results of operation in the Beazley Group. Moreover, there can be no assurance that the Beazley Group will be able to maintain adequate insurance in the future at rates it considers reasonable as appropriate.

Forward-looking statements

The risks listed above do not necessarily comprise all those associated with an investment in the Company. In addition, this document contains forward-looking statements which involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Beazley Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee" and "intend" and similar expressions or by future conditional verbs such as "will", "should", "would" and "could". There are a number of key factors that have a direct bearing on the Beazley Group's results of operations some of which are discussed in the Risk Factors in this Section.

These factors are not exhaustive. Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by or on behalf of the Beazley Group, investors should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date of this document. Save as required by the Listing Rules or any other applicable law or regulation, the Beazley Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Beazley Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible to predict which will arise. In addition, the Beazley Group cannot assess the effect of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from these described on any forward-looking statement.

3 DESCRIPTION OF THE COMPANY

Information on Beazley

Beazley Group PLC was incorporated and registered in England and Wales on 3 October 2000 under CA 1985 as a private company limited by shares with registered number 4082477. On 1 November 2002 the Company was re-registered as a public limited company and changed its name to Beazley Group plc.

The Company is the holding company of the Beazley Group, which includes Beazley Furlonge, a Lloyd's managing agent, Beazley Underwriting, a corporate member of Lloyd's and Beazley USA Services, Inc., ("BUSI"), a recently formed US managing general agent.

Beazley Furlonge is the managing agent of Syndicate 623 and Syndicate 2623. Beazley Underwriting is the sole underwriting member of Syndicate 2623. Syndicate 2623 underwrites in parallel with Syndicate 623. Under the parallel syndicate structure, Beazley Furlonge manages Syndicate 623 and Syndicate 2623 as a single underwriting unit. All premia, claims, expenses and any reinsurance to close of a prior year of account are split between the Syndicates pro rata to each Syndicate's underwriting capacity for the relevant year of account, resulting in risk profiles and underwriting profitability levels which mirror each other on a proportional basis.

The Syndicates underwrite a broadly spread account of both insurance and reinsurance business across four divisions: Speciality Lines, Property, Reinsurance and Marine. The Syndicates are a frequent lead underwriter in their main lines of business and have returned a profit to members in every closed year of account since 1986. The Directors believe that this record of profitability has been achieved by applying the Group's underwriting expertise and by building balanced, non-correlating and geographically diverse specialist risk portfolios in its selected area of business. The Beazley Group has an underwriting track record that is more stable than the Lloyd's market average. Both Syndicates have an A (Excellent) rating from A.M. Best.

Capacity structure

The following table shows the growth in the underwriting capacity of the Syndicates and the participation of Beazley Underwriting for the 1999 to 2004 years of account:

	1999	2000	2001	2002	2003	2004	2005
Managed capital (£ million)	95	125	215	403	660	741	741
Growth	-	32%	72%	87%	64%	12%	-
Beazley Group Participation	-	-	2%	4%	50%	54%	70%

The underwriting capacity managed by Beazley Furlonge increased between 1999 and 2004 in response to improving market conditions. The growth was mainly achieved in existing areas of expertise rather than by entering new business sectors. For the 2005 year of account, managed capacity is planned to remain at £741 million, subject to approval by Lloyd's.

Following the flotation of Beazley in November 2002, Beazley Underwriting became the sole underwriting member of Syndicate 2623, increasing the Beazley Group's participation in the managed capacity of the Syndicates to 50 per cent. Since then, the Beazley Group has increased its participation, by acquiring Syndicate 623 capacity through the Lloyd's auction process, to 54 per cent. for 2004 and 70 per cent. for 2005.

For 2004, Beazley Group's underwriting is supported by £132 million of the Company's own funds and a £19.5 million letter of credit as well as a continuous solvency transfer from the 2003 year of account which was permitted by Lloyd's. The capital required for 2004 was 40 per cent. of capacity, which was the minimum allowed under the risk based capital model at Lloyd's.

The risk based capital model applied by Lloyd's calculates capital requirements based on the underwriting risks in relation to future business that the Group intends to write in the next year of account and the reserving risks for business written by the Group in previous years of account. Since Beazley has been expanding and has developed a reasonable sized medium tail portfolio

of risks, the Beazley Group's reserves have increased and therefore the required reserving risk capital has also increased. For the 2005 underwriting year, the Group's risk based capital ratio is expected to increase to 48 per cent.

The FSA issued Consultation Paper 04/7 in April 2004 regarding its new prudential requirements for insurance business conducted at Lloyd's. This included guidance on Individual Capital Adequacy which aims to achieve a better assessment of the capital needed to support each syndicate at Lloyd's based on modelling individual syndicate financial robustness under a number of possible scenarios.

Most of the changes proposed in CP 04/7 are due to come into effect on 1 January 2005. The Company is well advanced in its project to deliver the Beazley Group's internal assessment of capital required under this new regime by early 2005.

Interim results for the six months ended 30 June 2004

The Beazley Group's gross written premia increased to £211 million (2003: £162 million), reflecting an increase in the Group's participation in the managed capacity of the Syndicates from 50 per cent. in 2003 to 54 per cent. in 2004 and increased business flows in the Speciality Lines division. Net earned premia increased to £125 million (2003: £28 million), reflecting Beazley earning a greater proportion of written premia than was the case in the previous year, which was the first year in which the Group had operated as an integrated Lloyd's vehicle. The combined ratio of the Group was 90 per cent. The Group reported a profit before tax of £22.2 million (2003: £2.5 million). As at 30 June 2004, the Group had net assets of £167.3 million and net tangible assets of £160.4 million.

As at 30 June 2004, the Group had investment assets to the value of £352 million, an increase of approximately 90 per cent. on the equivalent figure as at 30 June 2003. The Board believes that the Beazley Group's investment assets will continue to grow as the average duration of the Group's claims payment is approximately three and a half years. Therefore, the income derived by the Group from these investments can be expected to increase accordingly.

As at 30 June 2004, the Group had net unearned premium reserves of £137 million, an increase of approximately 85 per cent. on the equivalent figure as at 30 June 2003. The Board believes that the Beazley Group's increasing unearned premium reserves represent an important source of future earnings for the Group as the business which is represented by these reserves was written at a time when market conditions were very attractive.

Rights Issue

On 1 November 2004, the Company announced a Rights Issue.

In summary, the reasons for the Rights Issue were:

- to provide the capital required to support the continued growth in the Beazley Group's underwriting at Lloyd's; and
- to acquire and capitalise a US admitted lines insurer to improve further the Group's access to specialty lines and property business in the US market.

Under the terms and conditions of the Rights Issue, Qualifying Shareholders were offered, by way of rights New Ordinary Shares at a price of 84 pence per New Ordinary Share (an 8 per cent. discount to the closing middle market price of 91.5 pence per Existing Ordinary Share on 29 October 2004, the last trading day prior to the announcement of the Rights Issue).

The Rights Issue is raised approximately £105 million, net of expenses and resulted in the issue of 131,134,115 New Ordinary Shares (representing approximately 36 per cent. of the issued ordinary share capital of Beazley, as enlarged by the Rights Issue).

The Rights Issue was made on the following basis:

4 New Ordinary Shares for every 7 Existing Ordinary Shares

held by Qualifying Shareholders at the close of business on 1 November 2004 (the "**Record Date**") and so in proportion for any other number of Existing Ordinary Shares then held.

The New Ordinary Shares, were issued as fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares and rank for all dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares.

The Rights Issue was fully underwritten by Numis Securities Ltd and became effective on 18 November 2004.

Applications were made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. Admission became effective on 18 November 2004, nil paid, and, and dealings in the New Ordinary Shares commenced, nil paid, at 8.00 a.m. on 13 December 2004.

Subordinated Note Issue

The funds from the issue of the Notes will be used for the general corporate purposes of the Company.

Capital support for Lloyd's underwriting

Through the Lloyd's auction process, the Beazley Group has been successful in purchasing additional 2005 capacity of £109 million on Syndicate 623 at a total cost of £1 million (equivalent to an average price of 0.9 pence per £1 of capacity). The Board believes that this capacity acquisition represented an excellent opportunity to increase substantially the capacity ownership of the Beazley Group on attractive terms. The capacity acquisition will increase shareholders' participation in the performance of the Syndicates and the Board expects that this will provide prospects for future earnings growth at a time when Beazley's managed capacity is being maintained at its current level reflecting a disciplined underwriting approach in current market conditions.

As a result of this purchase and taking into account the £11 million which the Directors believe will be assumed by the Beazley Group as a result of certain Syndicate 623 underwriting members choosing not to participate in the 2005 year of account, the Beazley Group's participation in the managed capacity of the Syndicates will increase from 54 per cent. in 2004 to approximately 70 per cent. for the 2005 year of account.

The Directors expect that the Beazley Group will be required by Lloyd's to provide approximately £232 million of funds at Lloyd's to support its increased 2005 year of account owned capacity of £517 million (based on an expected risk based capital ratio of 48 per cent. and the benefit of the continuous solvency transfer allowed by Lloyd's from prior years of account)

The Board has considered a number of options, including the provision of reinsurance capital, for providing this increase in the solvency capital required by Lloyd's. The Board has concluded that the capital should be provided by utilising approximately £82 million of the funds raised from the Rights Issue thereby increasing the Company's own funds at Lloyd's from £132 million to £214 million as well as drawing down part of the bank facility arranged through Lloyds TSB earlier this year.

The Directors anticipate that the Beazley Group may have further opportunities to increase its participation on the Syndicates for the 2006 underwriting year on attractive terms. Furthermore, the Directors anticipate that the Beazley Group's funds at Lloyd's requirements may increase in 2006 as the Beazley Group's reserving risk capital requirements will again increase. The Directors are confident that, taking into account the net proceeds of the Rights Issue, the Beazley Group's banking facilities and the other sources of capital potentially available (including the potential for further Lloyd's solvency credits, issues of subordinated loan notes, an increased debt facility and capital from reinsurance providers), the Beazley Group will be able to finance these increased capital requirements without further recourse to shareholders.

*Acquisition of US admitted lines insurer: Beazley Insurance Company, Inc ("**BICI**")*

The Beazley Group established BUSI, a US managing agency company, earlier this year to complement the business currently written by the Group and provide business opportunities unavailable through the Lloyd's market. The Directors believe that BUSI will enable Beazley to deliver service nearer to its customers, and therefore enable the Group to ensure better control over the quality of accounts underwritten, lower acquisition costs and allow better ownership of the US portfolio. In particular, the Directors believe that BUSI will be able to access small and middle market specialty lines and property business that is not currently underwritten at Lloyd's owing to distribution costs disadvantages. Hence BUSI will provide stability to the Speciality Lines and Property accounts of the Group.

The Company recently announced a further key development in its US strategy with the agreement to acquire Omaha Property and Casualty Insurance Company, a US admitted lines insurance company, from Mutual of Omaha Insurance Company for a cash consideration of approximately US\$21 million (comprised of US\$9 million goodwill for the value of US State Insurance licences plus approximately US\$12 million of net assets). It is proposed that Omaha Property and Casualty Insurance Company will be renamed Beazley Insurance Company, Inc. Following the acquisition, BUSI will be able to underwrite admitted lines business on behalf of BICI as well as surplus lines business on behalf of the Syndicates, thereby enabling the Group to access business in its chosen sectors on the same basis as US insurance companies. The acquisition is subject to regulatory approval and is expected to complete before the end of the first quarter of 2005.

The Board has chosen to focus the Group's US strategy on business lines in which Beazley has considerable existing knowledge:

- The specialty lines operation will offer national coverage for errors and omissions, directors and officers, employment practices liability, fiduciary and fidelity risks. Specialty lines will operate from a centralised underwriting unit in Hartford, Connecticut and develop relationships with those brokers who control the targeted risks.
- The property operation will initially focus on high valued home owner risks in the following regions: North Florida, Georgia, South Carolina and North Carolina. The Board intends to consider a potential future expansion into other property product lines. The property operation will be based in Ponte Vedra Beach, Florida, enabling it to trade directly with those brokers, agents and selected wholesalers who control business in the targeted regional markets.

BUSI will operate within Beazley's overall integrated management structure with production underwriters in the US writing business both on behalf of the Syndicates, which have allocated part of their 2005 capacity to BUSI, and, following its acquisition and capitalisation, BICI. Beazley has appointed Jeff Koenig as Chief Operating and Financial Officer of BUSI and has recruited Nicholas Bozzo as head of specialty lines and King Flynn as head of property. Jeff Koenig, who has been with Beazley since March 2003, was formerly a Senior Financial Officer with Executive Risk (a US professional liability insurer) for 11 years. Nicholas Bozzo was formerly Senior Vice President, Underwriting for Axis US Insurance Company and King Flynn was formerly head of Florida operations at Palmer & Cay and a Managing Director at Marsh USA.

Without the acquisition of BICI, BUSI would only be able to underwrite, through the Syndicates, US surplus lines business. BICI's licences will enable BUSI also to underwrite admitted lines business in the 50 US states where BICI is authorised following approval of BICI's rates and policy forms by insurance regulators in these states. The Board expects that BUSI will be able to write surplus lines business on behalf of the Syndicates from December 2004 and admitted lines business on behalf of BICI during the second quarter of 2005.

Under the terms of the acquisition, Mutual of Omaha has agreed to assume all obligations of BICI arising out of the operations of BICI prior to its acquisition by Beazley including reinsuring BICI's historical business on a 100 per cent. quota share basis. As security for this quota share arrangement, Mutual of Omaha has agreed to place an amount of funds in trust equal to 100 per cent. of BICI's gross reserves for historical business and, in the unlikely event that these funds in trust were exhausted, Mutual of Omaha would be required to provide further funds to meet any additional losses. Mutual of Omaha has an A (Excellent) rating from A.M. Best and as at 31 December 2003 reported a statutory surplus of US\$1.7 billion. Mutual of Omaha will also

administer this historical business. Hence, the Directors believe that the Company will be acquiring a shell US insurance company whose exposure to historical underwriting is remote.

At completion, BICI is expected to have net tangible assets of approximately US\$12 million. The Directors intend that the Beazley Group will inject a minimum of a further US\$38 million of capital into BICI prior to the commencement of underwriting by BICI. The Directors believe that, based on this capital injection, BICI will receive a financial strength rating from rating agencies that will be attractive to potential customers.

The Board expects that the US operations will build a portfolio of business generating approximately US\$170 million of gross written premia by 2007. The Board expects that the US operations will make a positive contribution to profits in the medium term.

Recent Developments

Trading conditions to date have continued in line with those stated in the announcement of Beazley's unaudited interim results for the six months to June 2004 made on 8 September 2004, with the exception of the hurricane losses discussed below.

The Directors believe that the trading environment remains strong and that the Company will be able to capitalise on the opportunities offered by the Group's existing business lines. The Board believes that Beazley's earnings potential will continue to develop as the Group completes its second year of operation following its flotation.

The Group's results for the current year will be adversely affected by the impact of hurricane losses. Beazley plans within its loss ratios for some level of hurricane activity. However, on 1 October 2004, the Group announced that, owing to the unusually high frequency of hurricanes in the last quarter and the size of the overall expected insured loss, there will be an estimated negative impact based on Beazley Group's profit before tax for the 2004 financial year of approximately £15 million.

The insurance industry estimates that as a result of these recent hurricanes the property, catastrophe reinsurance and energy markets have incurred total insured losses in the range of \$20 billion to \$30 billion. The Directors believe that the impact of these hurricanes will nevertheless have a beneficial effect on underwriting rates and assist in sustaining the current good trading conditions. In other words, although the hurricanes are expected to have a negative impact on Beazley Group's profit before tax for the 2004 financial year, the Company believes that the impact will be mitigated in future years by an increase in the underwriting rates as a consequence of the increase in claims.

The Group is continuing to experience rate increases in the Specialty Lines division and a stable rating environment in the Property, Reinsurance and Marine divisions. The Directors believe that rating discipline in the insurance market will be maintained by reinsurance costs remaining stable and continued modest investment returns. The Directors believe that rates will remain at their current high levels for 2004 and that the market will be generally stable for 2005. The Directors are therefore confident of the financial and trading prospects of the Group.

The Directors believe that by improving further the Beazley Group's access to business and continuing to focus on those markets where the Group has specific expertise and substantial experience, the Group should be able to continue to deliver strong results. In particular, the Directors believe that the establishment of BUSI and acquisition of BICI will significantly improve the Group's access to specialty lines and property business in the US market and furthermore, the acquisition of additional syndicate capacity on attractive terms offers the prospect of future earnings growth without any expansion in the portfolio of business being underwritten.

Subsidiary Undertakings

The Company has the following subsidiary undertakings, all of which are wholly owned*

<i>Name</i>	<i>Principal activity</i>
Beazley Corporate Member Limited	Underwriting at Lloyd's (from 1 January 2002)
Beazley Dedicated No. 2 Limited	Underwriting at Lloyd's (from 1 January 2001)
BD-#4142481-v9	23

Beazley Furlonge Holdings Limited	Intermediate holding company
Beazley Furlonge Limited	Lloyd's managing agent
Beazley Holdings, Inc.	US holding company
Beazley Group (USA) G.P.	US Partnership
Beazley Investments Limited	Investment company
Beazley Management Limited	Intermediate managing company
Beazley Staff Underwriting Limited	Underwriting at Lloyd's (from 1 January 2004)
Beazley Underwriting Limited	Underwriting at Lloyd's (from 1 January 2003)
Beazley USA Services, Inc.	US managing general agent
BFHH Limited	Dormant
Global Two Limited	Underwriting at Lloyd's (from 1 January 2002)
Beazley Corporate Members No.2 Limited	Dormant
Beazley Corporate Members No.3 Limited	Dormant
Cover Solutions Limited	UK cover holder

** Note: Beazley Furlonge Holdings Limited and Beazley USA Services, Inc. are held directly. The rest of the subsidiary undertakings are held indirectly.*

All subsidiary undertakings other than Beazley Holdings, Inc., Beazley USA Services, Inc. and Beazley Group (USA) G.P. are registered in England and Wales and have their registered office at One Aldgate, London EC3N 1AA. Beazley Holdings, Inc., Beazley USA Services, Inc., and Beazley Group (USA) G.P. are registered in the US. Beazley USA Services, Inc.'s registered office is at 185 Asylum Street, Hartford, Connecticut, CT 06103 USA, Beazley Holdings, Inc.'s registered office is at Corporation Trust Centre, 1209 N. Orange Street, Wilmington, New Castle, Delaware, USA and Beazley Group (USA) G.P.'s registered office is at 20, Standford Drive, Farmington, Connecticut, CT 06032 USA.

The business address of the Directors is One Aldgate, London EC3N 1AA.

Details of the directorships held by each of the Directors now and the principal activities performed by them outside the Group and details of the partnerships in which any Director is a partner (excluding the Company and its subsidiaries and subsidiaries of any company listed below) are as follows:

Director	Position	Current Directorships	Current Partnerships
Jonathan Geoffrey William Agnew	Non-executive Chairman	Nationwide Building Society Soditic Limited Thos. Agnew & Sons Limited	
Andrew Frederick Beazley	Chief Executive Officer	Asia Pacific Underwriting Agency Limited Beazley Finance Limited Brambletye School Trust Limited Lloyd's Japan Inc.	
David Andrew Horton	Group Finance Director		
Nicholas Hill Furlonge	Director, Risk Management		
Jonathan George Gray	Director, Property		
Neil Patrick Maidment	Director, Re-insurance		
Jonathan George Benton Rowell	Director, Specialty Lines		
John Dudley Fishburn	Non-executive director	Altria Inc. First NIS Fund (Luxembourg) Henderson Smaller Companies Finance Limited HFC Bank plc Household International Inc.	J. Dudley Fishburn Partnership

		HSBC Bank plc Murray Emerging Growth and Income Trust plc The Henderson Smaller Companies Investment Trust plc Peabody Trust	
Andrew David Pomfret	Non-executive director	Rathbone Brothers PLC	
Joseph Denny Sargent	Non-executive director	Beekley Corporation Bradley Foster & Sargent Ltd Hartford Health Care Corporation Tennant Risk Trenwick Group Inc.	Conning Venture Capital Fund #3 Joint Venture Partners - Aleppo Fund * Joint Venture Partners - Cochín Fund* Painter Hills Partners* The Technology Group* Himalayan Capital*
Thomas Francis Sullivan	Non-executive director	Beazley Finance Limited Jago Managing Agency Limited JMA Holdings Limited R.L. Hayes Associates Speciality Investment 004 Limited Speciality Investment 005 Limited T.F. Sullivan Consulting, Inc. UA Combined Investment Company	

* *Indicates limited partnership*

4 CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The table below sets out consolidated capital and reserves and consolidated borrowings and finance leases of the Group as at 30 June 2004. The table below contains unaudited information.

As at 30 June 2004

(in millions of £)

Capital and reserves

Equity called up share capital ^{1,2}	11.4
Share premium account	132.4
Merger reserve	1.7
Profit and loss account	21.8
	167.3

Borrowings

Letters of credit - Drawn ³	19.5
Letters of credit - Undrawn ³	20.5

Notes

1. The authorised share capital of the Company as at 30 June 2004 was £15,000,000 consisting of 300,000,000 ordinary shares of 5p each. As at that date, the issued share capital was £11,474,247 consisting of 229,484,941 fully paid ordinary shares of 5p each.
2. In connection with the rights issue announced by the Company on 1 November 2004, the authorised share capital of the Company was increased from £15,000,000 to £22,500,000 by the creation of 150,000,000 new ordinary shares of 5p each and 131,134,115 new fully paid ordinary shares of 5p each were issued. As a result, as at the date of this document, the issued share capital of the Company is £18,030,952.80 consisting of 360,619,056 fully paid ordinary shares of 5p each.
3. As at 30 June 2004, the letter of credit facility was guaranteed by Beazley Group, Beazley Furlonge Holdings Limited and Beazley Management Limited (the "Guarantors") and secured by full fixed and floating debentures over the assets of the Guarantors.
4. The letter of credit facility was increased to GBP 70 million on 3 September 2004. However, the drawn amount remains at GBP 19.5 million, as stated above. This facility is to be utilised for the provision of funds at Lloyds on behalf of Beazley Underwriting Limited and Beazley Staff Underwriting Limited.
4. On 3 September 2004, the Company entered into a revolving credit facility pursuant to which it may draw up to £40,000,000 to fund its subsidiaries' working capital requirements and the intended acquisition of Omaha Property and Casualty Insurance Company.
5. The revolving credit facility is currently undrawn. The revolving credit facility may only be drawn to the extent that the aggregate drawings under the letter of credit and revolving facilities do not exceed £70,000,000.
6. Both the letter of credit facility and the revolving credit facility are guaranteed by the Guarantors and are secured by full fixed and floating debentures over the assets of the Guarantors.
7. The revolving credit facility is due to be amended such that Beazley Group (USA) G.P. will become an additional borrower under the revolving credit facility to fund the acquisition of Omaha property and Casualty Insurance Company and to introduce Beazley Investments Limited as an additional guarantor. Beazley Investments Limited will grant full fixed and floating debentures over its assets. Security will also be granted over the companies in the Beazley Group acquiring Omaha Property and Casualty Insurance Company.

Negative Statement

Save as provided in note 3 to the Capitalisation and Indebtedness table, as at 30 June 2004, the Company had no contingent liabilities or guarantees outstanding. Except as noted above, there has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Group since 30 June 2004.

5 UNITED KINGDOM TAXATION

The following is a summary of the Company's understanding of current law and practice in the United Kingdom relating to certain aspects of the taxation treatment of the Notes. They relate only to the position of Noteholders who are the absolute beneficial owners of the Notes and may not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Taxation of interest paid on the Notes

The UK withholding treatment of payments on Notes can be summarised as follows:

The Notes will constitute "quoted Eurobonds" within the meaning of Section 349(4) of the Income and Corporation Taxes Act 1988 (the "**Act**") as long as they continue to be listed on a "recognised stock exchange" within the meaning of Section 841 of the Act. The London Stock Exchange and the Financial Services Authority in its role as UK Listing Authority are currently recognised for these purposes. Accordingly, payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

In other cases, interest will generally be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary by the Inland Revenue in respect of such relief as may be available under an applicable double taxation treaty.

If interest is paid under deduction of United Kingdom income tax, the Company will be required to pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without deduction or withholding. However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment in connection with which the interest is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

EU Savings Directive

The Council of the European Union adopted a directive regarding the taxation of savings income. This directive is currently expected to come into force on 1 July 2005, although it may be delayed. Subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State (and certain other associated states such as Jersey, Guernsey and the Cayman Islands) details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other state, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments.

Taxation of disposal

(a) United Kingdom corporation tax payers

In general, Noteholders within the charge to UK corporation tax in respect of interest on the Notes will be charged to tax on profits and gains arising from the Notes and fluctuations in value of the Notes as income. Any such charge will arise broadly in

accordance with an authorised accounting method adopted by the Noteholder. Such Noteholders will generally be charged in each accounting period by reference to interest and to any profits and gains or losses arising, in accordance with such Noteholders' authorised accounting methods, in that period.

(b) Other United Kingdom taxpayers

(a) Taxation of chargeable gains

The Notes will constitute "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

(b) Accrued income scheme

On a disposal of a Note by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a permanent establishment to which the Notes are attributable. The amount will be taken into account in determining any capital gain or loss arising on the disposal of the Note.

Stamp duty and SDRT

No stamp duty or stamp duty reserve tax is payable on issue of the Notes or on a transfer of the Notes by delivery.

6 SUBSCRIPTION AND SALE

Credit Suisse First Boston, Cayman Islands branch (the "**Purchaser**"), has, pursuant to a Note Purchase Agreement dated 26 November 2004, agreed with the Company, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at an issue price of 100 per cent. of their principal amount. The Company has agreed to pay to Credit Suisse First Boston LLC on behalf of Cochran, Caronia Securities LLC on the Closing Date a fee of 2.5 per cent. of the principal amount of the Notes. In addition, the Company has agreed to reimburse, among others, the Purchaser for certain of their expenses in connection with the issue of the Notes. The Note Purchase Agreement entitles the Purchaser to terminate it in certain circumstances prior to payment being made to the Company.

The Notes were offered for subscription directly by the Company to prospective investors pursuant to a purchase and placement agreement dated 26 November 2004. The issue price of the Notes was 100 per cent. of their principal amount. The Notes were delivered in definitive, registered form in authorised denominations to or to the order of purchasers of the Notes on 26 November 2004.

The Notes bear the following legend:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS OR ANY OTHER APPLICABLE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE RE-OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE (THE "**US RESALE RESTRICTION TERMINATION DATE**") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE HEREOF AND THE LAST DATE ON WHICH BEAZLEY GROUP PLC (THE "**ISSUER**") OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) EXCEPT (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (IT BEING UNDERSTOOD THE ISSUER IS UNDER NO OBLIGATION TO FILE A REGISTRATION STATEMENT) (C) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, IT BEING UNDERSTOOD THAT IF THE ISSUER RESERVES THE RIGHT PRIOR TO ANY OFFER, SALE OR OTHER TRANSFER PRIOR TO THE US RESALE RESTRICTION TERMINATION DATE PURSUANT TO CLAUSE (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER. SUCH HOLDER FURTHER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SUBORDINATED NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SUBORDINATED NOTES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS

ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SUBORDINATED NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

7 TRANSFER AND SETTLEMENT OF THE NOTES

The Notes may be offered and sold in minimum denominations of US\$100,000 or any amount in excess thereof which is an integral multiple of US\$1,000 (each, an "authorised denomination").

A Note may be transferred in whole or in part in an authorised denomination by execution of the relevant form of transfer which must be appropriately executed by a transferor in accordance with applicable law or in such other manner as the Registrar may reasonably require or, as the case may be, copies certified in the manner aforesaid of the documents authorising such officers to sign and witness the affixing of the seal must be delivered with the form of transfer.

The Note to be transferred must be surrendered for registration, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon, duly completed and executed, at the specified office of the Registrar, or Transfer Agent, together with such evidence as the Registrar, or as the case may be, the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. The signature of the person effecting a transfer or exchange of a Note shall conform to any list of duly authorised specimen signatures supplied by the holder of such Note or be certified by a financial institution in good standing, notary public or in such other manner as the Registrar or Transfer Agent may require.

No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

The executors or administrators of a deceased holder of any Note (not being one of several joint holders) and, in the case of the death of one or more of several joint holders, the survivor or survivors of such joint holders, shall be the only persons recognised by the Issuer as having any title to such Notes.

Any person becoming entitled to any Notes in consequence of the death or bankruptcy of the holder of such Notes may, upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Registrar or the Transfer Agent shall reasonably require (including legal opinions), become registered himself as the holder of such Notes or, subject to the provisions of these Regulations, the Notes and the Conditions as to transfer, may transfer such Notes. The Issuer, Transfer Agent, Registrar and the Paying Agents shall be at liberty to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the relevant Notes.

Where there is more than one transferee (to hold other than as joint holders), separate forms of transfer (obtainable from the specified office of the Registrar or the Transfer Agent) must be completed in respect of each new holding.

The Issuer, Transfer Agent and Registrar shall, save in the case of the issue of replacement Notes pursuant to Condition 10 of the Conditions, make no charge to the holders for the registration of any holding of Notes or any transfer thereof or for the issue of any Notes or for the delivery thereof at the specified office of the Transfer Agent or the Registrar or by uninsured post to the address specified by the holder, but such registration, transfer, issue or delivery shall be effected against such indemnity from the holder or the transferee thereof as the Registrar or the Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration, transfer, issue or delivery.

8 LISTING AND GENERAL INFORMATION

1. The registered and head office of the Company is One Aldgate, London EC3N 1AA.
2. The issue of the Notes was authorised by a resolution of the Directors of the Company passed on 18 November 2004. The listing of the Notes on the Official List of the UK Listing Authority will be expressed as a percentage of their principal amount (excluding accrued interest).
3. The ISIN number for the Notes is GB00B0590T09 and the SEDOL code is B0590T0. The Notes have been issued in definitive form and therefore no application has been made for the Notes to be accepted for clearance by any clearing system. Dealings in the Notes may be settled through the Registrar, JP Morgan Chase Bank N.A., Trinity Tower, 9 Thomas More Street, London E1W 1YT.
4. The accounts of the Company for the period from incorporation to 30 June 2001, the year ended 30 June 2002 and for the two periods ended 31 December 2003 have been audited by KPMG Audit Plc, chartered accounts and registered auditors, of 8 Salisbury Square, London EC4Y 8BB. KPMG Audit Plc have reported on such accounts and such reports were unqualified and did not contain a statement under section 237 of the Companies Act 1985.
5. Save as disclosed in the notes to the Capitalisation and Indebtedness table and for the impact on profits for the 2004 financial year of the recent hurricanes as set out in the announcement on 1 October 2004 which is set out in full below and referred to on page 23 under the heading "Recent Developments", there has been no significant change in the financial or trading position of the Beazley Group since 30 June 2004, the date to which the interim statement of results of the Beazley Group was made up and no material adverse change in the financial position or prospects of the Company or the Beazley Group since 31 December 2003:

"Impact of Hurricanes

Total insured losses from the recent hurricanes (Hurricanes Charley, Frances, Ivan and Jeanne), which the insurance industry estimate to be in the range of \$20 billion to \$30 billion, has affected the property, catastrophe reinsurance and energy markets.

Beazley plans within its loss ratios for some level of hurricane activity annually. However, due to the unusually high frequency of hurricanes in the last quarter and the size of the overall expected insurance loss, there will be an estimated impact based on the Beazley Group plc's profit before tax for the 2004 financial year of approximately £15 million.

Our interim statement of first half profits of £22.2 million stated that market conditions are still good across all classes of business. We believe that the impact of the hurricanes will have a beneficial effect on rates and help sustain the good trading conditions."

6. Neither the Company, its subsidiaries, or the Group as a whole are or have been involved in any 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 preceding the date of this document, a significant effect on the financial position of the Group.
7. Copies of the following documents may be inspected during usual business hours on any business day (Saturdays, Sundays and public holidays excepted) at the offices of the Company, One Aldgate, London EC3N 1AA during the period of 14 days from the date of this Document:
 - (i) the Memorandum and Articles of Association of the Company;
 - (ii) the consolidated audited accounts of the Beazley Group for each of the financial years to 31 December 2003 and 31 December 2002, referred to in paragraph 4 above, including all notes, reports or information required by the Companies Act

1985 and 1989 and the unaudited interim financial statements of the Beazley Group dated 30 June 2004; and

- (iii) the Fiscal Agency Agreement dated 26 November 2004.
- 8. The Fiscal Agent and Paying Agent is JP Morgan Chase Bank, N.A. whose offices are at Trinity Tower, 9 Thomas More Street, London E1W 1YT.
- 9. The net proceeds of the issue of the Notes by the Company, which are approximately US\$17,550,000 will be used for its general corporate purposes.
- 11. The Fiscal Agency Agreement provides that for as long as the Notes are admitted to the official list of the UK Listing Authority and to be trading on the London Stock Exchange's market for listed securities and the rules of the UK Listing Authority or the London Stock Exchange so require, the Company will at all times maintain a Paying Agent with a specified office in London until the date that the Notes are finally redeemed.

9 GLOSSARY

The following definitions have the following meanings in this document unless the context requires otherwise:

"Act" or the **"Companies Act"** means the Companies Act 1985 and/or Companies Act 1989;

"Admission" means the admission of the Notes to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities as Notes of Beazley Group;

"business day" on which commercial banks and foreign exchange markets generally settle payments in London and New York;

"Company" - Beazley Group plc;

"CREST Regulations" - the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);

"CREST" - the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations);

"CRESTCo" - CRESTCo Limited, the operator of CREST;

"Existing Ordinary Shares" - the 229,484,941 Ordinary Shares in issue at the date of the offering circular relating to the Rights Issue;

"FSA" - the Financial Services Authority;

"FSMA" - the Financial Services and Markets Act 2000 (as amended);

"Listing Rules" - the listing rules made by the UK Listing Authority under section 74(4) of FSMA, as amended from time to time;

"London Stock Exchange" - London Stock Exchange plc;

"New Ordinary Shares" - up to 131,134,252 new Ordinary Shares which are to be issued by the Company pursuant to the Rights Issue;

"Numis Securities" - Numis Securities Limited, a company regulated by the FSA;

"Official List" - the Official List of the UKLA;

"Ordinary Shares" - the ordinary shares of 5 pence each in the capital of the Company from time to time;

"Overseas Shareholders" - Shareholders who are resident in, or who are citizen of, or who have registered addresses in, territories other than the United Kingdom;

"Provisional Allotment Letters" - the renounceable provisional allotment letters to be despatched to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue and "Provisional Allotment Letter" shall be construed accordingly;

"Qualifying non-CREST Shareholders" - Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the Record Date are in uncertificated form;

"Qualifying Shareholders" - Shareholders on the register of members of the Company on the Record Date;

"Record Date" - the record date for the Rights Issue, being the close of business on 11 November 2004;

"Rights Issue" - the proposed issue to Qualifying Shareholders of New Ordinary Shares by way of rights on the basis described in the offering circular relating to such rights issue, and in the case of Qualifying non-CREST Shareholders, in the Provisional Allotment Letters;

"Shareholders" - holders of Ordinary Shares;

"Shares Admission" - the admission of the New Ordinary Shares, nil paid, (i) to the Official List of the UKLA becoming effective in accordance with the Listing Rules; and (ii) to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Shares Admission and Disclosure Standards of the London Stock Exchange (as amended from time to time);

"Senior Creditors" means creditors of the Company whose claims are admitted to proof in the winding-up of the Company and who are depositors or are not Subordinated Creditors of the Company;

"Subordinated Creditors" means creditors of the Company (including, without limitation, the holders of the Notes) whose claims against the Company are subordinated in the event of the winding-up of the Company in any manner to the claims of any of the Secured Creditors, any unsecured and any unsubordinated creditors of the Company. For the avoidance of doubt, the Company's obligations with respect to the Subordinated Notes rank *pari passu* in right of payment with its obligations with respect to all other Subordinated Creditors other than those by whose express terms are ranked junior to the Subordinated Creditors;

"UK Listing Authority or UKLA" - the FSA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

"UK" or 'United Kingdom' means the United Kingdom of Great Britain and Northern Ireland; and

"Underwriting Agreement" - the conditional underwriting agreement dated 1 November 2004 between the Company and Numis Securities described in paragraph 10 of Part Seven of the offering circular relating to the Rights Issue.

**PRINCIPAL EXECUTIVE OFFICES OF
THE COMPANY**

One Aldgate
London EC3N 1AA

**LEGAL ADVISERS TO THE COMPANY
AS TO ENGLISH LAW**

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

**LEGAL ADVISERS TO THE PURCHASER
AS TO ENGLISH LAW**

Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

AUDITORS OF THE COMPANY

KPMG Audit Plc
8 Salisbury Square
London EC3A 7AN

FISCAL AGENT

JP Morgan Chase Bank, N.A.
Trinity Tower
9, Thomas More Street
London E1W 1YT

PAYING AGENT

JP Morgan Chase Bank, N.A.
Trinity Tower
9, Thomas More Street
London E1W 1YT

REGISTRAR

JP Morgan Chase Bank, N.A.
Trinity Tower
9, Thomas More Street
London E1W 1YT

AUTHORISED ADVISER

Numis Securities Limited
Cheapside House
138 Cheapside
London, EC2V 6LH