Company No: 04538873

BEAZLEY UNDERWRITING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Beazley Underwriting Limited

Directors and Advisors

Directors
S P Johnson
S M Lake
C P Oldridge
S D Rayment

Company Secretary

Callidus Secretaries Limited
15 St Helen's Place
London
EC3A 6DQ

Registered Office

22 Bishopsgate
London
EC2N 4BQ

Registered Number

04538873

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Beazley Underwriting Limited

Strategic report

The directors present their strategic report for Beazley Underwriting Limited ('the Company', registered number: 04538873) that accompanies the audited financial statements for the year ended 31 December 2022.

Business review and principal activities

The principal activity of the Company is to participate in the Lloyd's insurance market on a limited liability basis. The Company increased its underwriting capacity to £2,749.9m for the 2022 year of account from £2,441.6m for the 2021 year of account. Beazley Underwriting Limited is the capital provider for three syndicates, syndicate 2623, syndicate 3623 and syndicate 3622. For 2023 year of account the Company is providing capacity to syndicate 2623, syndicate 3622 and part of the capacity for syndicate 5623. Beazley Furlonge Limited (a fellow Group Company) acts as the managing agent for these syndicates.

Beazley Underwriting Limited is a Lloyd's of London corporate member. It participates in the Lloyd's insurance market on a limited liability basis through syndicates 2623, 3622 and 3623. In addition, for 2023 year of account the Company will provide capacity to syndicate 5623. The Company also has a reinsurance agreement with Beazley Insurance dac. Under the 2022 contract, the Company cedes 75% of the final declared result (less a retention of $4m) of its participation in syndicates 2623 and 3623 to Beazley Insurance dac. This arrangement is unchanged from 2021. In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of $4m not exceeding 75% of the Funds at Lloyd's. For 2023, this cede decreased from 75% to 65%. The Company also has a credit facility agreement with Beazley Insurance dac where, under the 2022 agreement, the Company can avail of up to 25% of the total required Funds at Lloyd's from Beazley Insurance dac. This facility was not utilised during the year. For year ended 2023 will also see the change in arrangement with one syndicate. Syndicate 3623 will not conduct any underwriting. This change will be replaced with a circa 18% interest in syndicate 5623, for which Beazley Furlonge Limited also acts as the managing agent.

Going concern

The financial statements of the Company have been prepared on a going concern basis. As a wholly owned subsidiary of the Beazley plc ('Group'), the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the Group's Annual Report & Accounts. In addition, the Risk report includes the Group's risk management objectives and the Group's objectives, policies and processes for managing its capital.

In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic and financial plan, taking account of possible changes in trading performance and funding retention. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for a period of at least 12 months from the date of the approval of these financial statements.

As a result of the assessment, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are aligned with those of its ultimate parent, Beazley plc. The principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 67 to 68 and 178 to 189 of Beazley plc's annual report which does not form part of this report. Risk management as it relates to the affairs of the Company is set out in note 2 to the financial statements.

Key performance indicators ('KPIs')

The Company's directors are of the opinion that the income, claims and expenses by division are the main KPIs to be used for an understanding of the development, performance, and position of the Company's business.

Section 172 statement

The board of directors confirm that during the year ended 31 December 2022 they have discharged their duties to act in a way they believe promotes the long-term success of the Company for the benefit of its members as a whole, whilst having regard to the matters set out in section 172 of the Companies Act 2006.

The Company is part of the Beazley plc Group, and its ultimate shareholder is Beazley plc. The Group's governance arrangements ensure that when making decisions, the board has overall regard to the interests of the Group and its stakeholders, while acting in the interests of its own stakeholders and promoting the long-term success of the Company. Certain Group stakeholders and their interests (for example, suppliers and community and the environment) are considered at Group level by Beazley plc and its committees.

The Company is a Lloyd's corporate member and has participated on various underwriting years of syndicates 2623, 3623 and 3622 .The managing agent of the syndicates is Beazley Furlonge Limited, a subsidiary within the Group. The Company has entered into a reinsurance agreement with Beazley Insurance dac, a subsidiary within the Group, with regards to business written by syndicates 2623 and 3623.

Strategic report (continued)

Section 172 statement (continued)

The board has identified that its key stakeholders are:

- Beazley Furlonge Limited and syndicates 2623, 3623, 3622, and 5623;
- regulators and Lloyd's of London;
- Beazley Insurance dac; and
- Beazley plc and the Beazley Group.

The principal decisions of the board during 2022 included the approval of the Company's 2021 annual report and accounts; the circa 18% participation by the Company in syndicate 5623 for the 2023 underwriting year of account; and the review and approval of a revised reinsurance agreement with Beazley Insurance dac, to take effect from 1 January 2023. The revised reinsurance agreement for 2023 follows the same terms as described in the business review section except that the cede is at 65%.

When taking these decisions, the board consider the Company's financial position and that it had sufficient capital and liquidity in order to meet its obligations to its stakeholders and to ensure the long-term success of the Company for the benefit of its sole member, the Group and its stakeholders, as set out above. The board also had regard to the desirability of maintaining the Company's and the Group's reputation for high business standards. In respect of the review and approval of the revised reinsurance agreement, the board also had regard to the long-term consequences of the revised agreement on the Company. This included reviewing information on the potential impacts on the Company's capital, financial position, and the legal and tax implications. Taking into account these matters and after due consideration of the Company's stakeholders, the board was satisfied that the revised agreement would promote the success of the Company for the benefit of its members and for the benefit of the Group.

Stakeholder engagement

How the Company engages with its key stakeholders is set out below:

Beazley Furlonge Limited and its syndicates 2623, 3623, 3622 and 5623
Beazley Furlonge Limited monitors returns for the syndicates, including syndicates 2623, 3623, 3622, and 5623 to Lloyd's and is responsible for providing the annual Lloyd's solvency statement. The board engages with Beazley Furlonge Limited, as required, and S M Lake is a director on the board of the Company and Beazley Furlonge Limited.

Regulators and Lloyd's of London
We have transparent communication with our key regulators, including Lloyd's, supported by our compliance function. Our compliance function, executive leadership team, business teams and the directors of our regulated entities have ongoing engagement with Lloyd's, including when requested to discuss specific matters. This includes regular engagement regarding the Group's activities, strategy and business plans. Any significant regulatory engagements are reported to the board of Beazley Furlonge Limited and/or Beazley plc. The board of the Company is kept updated, where relevant.

Beazley Insurance dac
The Company has a reinsurance agreement with Beazley Insurance dac, a subsidiary within the Group, and engages with it as the need arises to ensure that the reinsurance agreement operates effectively and as intended.

Beazley plc
The directors consider the strategic direction of the Group and the long-term success of the Group, when taking decisions. The Company and the board engage with Beazley plc as required, and S M Lake is a director of the Company and of Beazley plc.

Other stakeholder Groups:
As noted above, certain Group stakeholders and their interests are considered at Group level by Beazley plc and its committees. The information below provides an overview of the approach taken by Beazley plc, in relation to suppliers, and the community and the environment.

Suppliers
The board is cognisant of the need to foster business relationships with its suppliers. The Group complies with the Prompt Payment Code reporting requirements and publishes its average payment terms for supplier invoices. The Group also uses best endeavours to accommodate supplier payment terms, which differ from our standard terms. Supplier engagement is led by the procurement team within Beazley plc, who engage with suppliers and outsource providers. Processes are in place to ensure due diligence and communication regarding service expectations is carried out for new engagements. Suppliers are expected to adopt the same standards of ethical business practice as the Group, which includes respecting human rights and ensuring supply chains do not involve modern slavery or human trafficking. Further information is available in Beazley's modern slavery statement which is available on the Beazley plc website. Annual monitoring and communication take place with material suppliers and outsource providers to ensure performance and practices continue at a high standard. This annual monitoring is a good opportunity for open engagement with suppliers outside of day-to-day activities, and two-way feedback on areas for improvement is encouraged. We also encourage suppliers to raise any concerns independently through Beazley's independent whistleblowing hotline.

Strategic report (continued)

Responsible business and community engagement
The Beazley Group has a responsible business strategy which sets out four central ambitions: a sustainable world, responsible culture, enhancing livelihoods and positive procurement. The Group's responsible business strategy covers the impact of the Group's activities on the environment, supporting clients and partners to transition to a decarbonised future and charity activities supporting communities impacted by climate change. As part of the Group, the Company's operations and activities are integrated into the strategy.

Through its responsible business strategy, the Group is committed to actively engaging with and supporting the communities in which it operates. The Group's employees are encouraged to engage with the local communities in which they work through the 'make a difference' programme. This programme encourages all employees to devote one working day a year to volunteering and Beazley matches any charitable funds raised. Beazley also has a global charity committee, which helps support charitable work in the local communities. 2022 saw Beazley's successful arrangement with previous partner, Renewable World, come to an end. A new partner, World Central Kitchen ('WCK') was selected for 2023, an organisation who are first to the frontlines to provide meals in response to humanitarian, climate and community crisis experienced throughout the world.

Further information on the Group's responsible business strategy, its impact on the environment, and how the Group aims to provide support for our communities and the environment are discussed in Beazley plc's 2022 annual report https://investor.relations.beazley.com

On behalf of the board

Christine Oldridge

C P Oldridge
Director

16 May 2023

22 Bishopsgate
London
EC2N 4AJ

Beazley Underwriting Limited

Directors' report

Business review

A review of the Company's activities are included in the strategic report.

Corporate governance statement

For the year ended 31 December 2022, the Company did not apply a corporate governance code. In accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, 2008, as amended, this statement provides an overview of why no code was applied and explains the arrangements for corporate governance which were applied during the year.

The Company is a wholly owned subsidiary of Beazley plc. The Company's principal activity is being a Lloyd's corporate member and participating on syndicates managed by Beazley Furlonge Limited at Lloyd's. The Company has no employees.

The board consists of four directors. One of the directors is an executive director of the Beazley plc and Beazley Furlonge Limited boards and a further director is the Beazley plc Group Company secretary. The remaining two directors have financial expertise to help oversee the financial position of the Company. The Group's strategy, culture, values, governance, and controls are determined by the Beazley plc board. Beazley Furlonge Limited oversees the strategy and business plans in relation to Lloyd's and the syndicates. Through communication channels within Beazley plc and through the cross directorship, the board of the Company is cognisant of Group matters, which are of importance to the Company. The board ensures that its strategy and activities align with those of the Group, while also ensuring it meets its obligations to its own stakeholders.

Given the corporate structure and that the Company is part of the Group, the Company did not apply a specific corporate governance code as it operates in accordance with the internal policies, procedures, governance, and controls established by the Beazley plc and Beazley Furlonge Limited boards, which are applicable to all Group companies. This common approach to corporate governance helps to ensure consistency of values and conduct of business across the Group, including in relation to the Company's activities.

Culture is monitored by the Beazley plc board and by the executive leadership team and applies across the Group to all employees and subsidiaries, including the Company. The Beazley plc culture is defined by our brand and values – being bold, striving for better and doing the right thing – and these values inspire the way we work, how we treat our customers and behave as a responsible business.

Beazley plc applied the UK Corporate Governance Code (the 'Code') to its activities during the year and while the Code would not be applicable to the Company and its activities, the corporate governance framework adopted by the Group influences and informs the way in which the Company conducts business, is governed and considers its stakeholders. It is in the best interests of the Company to adopt the working practices of the Group to ensure good outcomes for its stakeholders.

The board keeps its governance under review, including whether it can continue to rely on the governance framework operated by the Group or whether it should apply and report against a specific corporate governance code.

Risk management

For more information on the Company's financial risk management objectives, policies and exposure to price risk, credit risk, liquidity risk and cash flow risk, please refer to note 2. In respect of the social, environmental and ethical risks, these are managed on a Group basis. More information can be obtained on how the Group manages these risks from the financial statements of Beazley plc.

Results and dividends

The Company recognised a total comprehensive profit for the year of $53.3m (2021: profit $59.8m). No dividends were paid or recommended during the year (2021: Nil).

Future developments

The future developments of the Company are disclosed within the Section 172 statement on page 2 to 4.

Streamlined Energy and Carbon Reporting (SECR)

Beazley Underwriting Limited has taken the exemption not to report in line with SECR requirements due to the Company being a subsidiary of Beazley plc who report on behalf of the Group for the financial year to 31 December 2022.

Donations

No charitable or political donations were made by the Company in either the current or prior year.

Directors' report (continued)

Directors

The directors of the Company who served during the year and/or to the date of this report, were as follows:

S P Johnson
S M Lake
C P Oldridge
S D Rayment

Director's indemnity insurance

Beazley plc, the ultimate parent of this Company, has granted indemnities to one or more of the directors against liability in respect of proceedings brought to third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provisions remain in force as at the date of approving the directors' report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with section 487(2) of the Companies Act 2006 and in the absence of notice proposing that the appointment be terminated at a general meeting, Ernst & Young LLP will be deemed to be reappointed for the next financial year.

On behalf of the board

C P Oldridge
Director

16 May 2023

22 Bishopsgate
London
EC2N 4AJ

Beazley Underwriting Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).*

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Christine Oldridge

C P Oldridge
Director

16 May 2023

22 Bishopsgate
London
EC2N 4AJ

Beazley Underwriting Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY UNDERWRITING LIMITED

Opinion

We have audited the financial statements of Beazley Underwriting Limited for the year ended 31 December 2022 which comprise the primary statements such as the Profit or Loss Account, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 16 May 2024;
- Challenging the assumptions used in the forecasts by performing analytical procedures and enquiring about significant variations in trend analysis;
- Performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern;
- Understanding, through enquiries and review of support letter, the support provided to the company by its parent company and assessed the parent company's ability to provide further support if required, and;
- Assessing the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 16 May 2024, being at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law, tax legislation and the financial reporting framework. Our considerations to other laws that may have a material effect on the financial statements.
- We understood how Beazley Underwriting Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for the legal and compliance matters. We also reviewed minutes of the Board and gained an understanding of the company's approach to governance demonstrated by the Board's approval of the company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Additionally, we tested year-end adjustments i.e. early close topside adjustments and manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws and regulations; inquiring about the policies that have been established to prevent non-

compliance with laws and regulations by officers and employees and inquiring about the company's methods of enforcing and monitoring compliance with such policies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
679A5BA3F9AF494...

Niamh Byrne (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 May 2023

Beazley Underwriting Limited

Profit or loss account
For the year ended 31 December 2022

Technical account – general business

	Note	2022	2021
		$m	**$m**
Gross premiums written	3	4,391.5	3,807.8
Outward reinsurance premiums		(1,288.5)	(1,060.2)
Net premiums written		3,103.0	2,747.6
Change in the gross provision for unearned premiums	17	(278.6)	(444.2)
Change in the provision for unearned premiums, reinsurers' share	17	167.4	148.6
Change in the net provision for unearned premiums		(111.2)	(295.6)
Earned premiums, net of reinsurance		**2,991.8**	**2,452.0**
Allocated investment return transferred from the non-technical account		(67.0)	73.8
		2,924.8	2,525.8
Gross claims paid		(1,634.1)	(1,482.0)
Reinsurers' share of claims paid		319.6	359.7
Net paid claims		**(1,314.5)**	**(1,122.3)**
Change in the gross provision for claims	17	(1,068.2)	(697.9)
Change in the provision for claims, reinsurers' share	17	616.5	292.3
Change in the net provision for claims		(451.7)	(405.6)
Claims incurred, net of reinsurance		**(1,766.2)**	**(1,527.9)**
Net operating expenses	5	(1,109.9)	(921.0)
Balance on the technical account		**48.7**	**76.9**

Beazley Underwriting Limited

Profit or loss account (continued)
For the year ended 31 December 2022

Non-technical account

	Note	2022	2021
		$m	**$m**
Balance on the general business technical account		**48.7**	**76.9**
Investment (loss)/income	4	(62.0)	78.5
Investment expenses and charges	4	(5.0)	(4.7)
Allocated investment return transferred to the general business technical account		67.0	(73.8)
Other income		7.6	0.9
Gain on foreign exchange		16.4	0.2
Profit on ordinary activities before taxation		**72.7**	**78.0**
Tax charge on ordinary activities	8	(19.5)	(18.0)
Profit for the financial year		**53.2**	**60.0**

The Company's operating activities all relate to continuing operations.

The accounting policies and notes on pages 17 to 51 form part of these financial statements.

Beazley Underwriting Limited

Statement of other comprehensive income for the year ended 31 December 2022

	2022	2021
	$m	$m
Profit for the financial year	53.2	60.0
Gain on foreign exchange	0.1	(0.2)
Total comprehensive income for the year	53.3	59.8

Statement of changes in equity 31 December 2022

	Share Capital	Capital Contribution	Foreign exchange reserve	Retained earnings	Total shareholder's funds
	$m	$m	$m	$m	$m
Balance as at 1 January 2021	**-**	166.3	(2.9)	21.4	184.8
Total comprehensive income for the year	**-**	-	(0.2)	60.0	59.8
Balance at 31 December 2021	**-**	**166.3**	**(3.1)**	**81.4**	**244.6**
Balance as at 1 January 2022	-	166.3	(3.1)	81.4	244.6
Total comprehensive income for the year	-	-	0.1	53.2	53.3
Balance at 31 December 2022	**-**	**166.3**	**(3.0)**	**134.6**	**297.9**

The Company's foreign exchange reserve relates primarily to the change in functional currency from sterling to US dollars in 2010.

Beazley Underwriting Limited

Balance sheet
As at 31 December 2022

	Note	2022	2021
		$m	**$m**
Assets			
Intangible assets	10	**4.9**	**2.4**
Investments			
Financial assets at fair value	11	5,604.1	4,443.7
Deposits due from ceding undertakings		4.7	32.1
		5,608.8	**4,475.8**
Reinsurers' share of technical provisions			
Provision for unearned premium	17	587.3	424.6
Claims outstanding	17	2,199.8	1,607.5
		2,787.1	**2,032.1**
Debtors			
Arising out of direct insurance operations		1,493.6	1,432.7
Arising out of reinsurance operations		502.5	433.3
Other debtors	14	337.5	354.2
		2,333.6	**2,220.2**
Other assets			
Cash and cash equivalents	13	**215.6**	**155.0**
Prepayments and accrued income			
Deferred acquisition costs	9	491.3	435.0
Other prepayments and accrued income		45.5	22.6
		536.8	**457.6**
Total assets		**11,486.8**	**9,343.1**

Beazley Underwriting Limited

Balance sheet
As at 31 December 2022 (continued)

	Note	2022	2021
		$m	$m
Equity			
Capital and reserves			
Called up share capital	15	-	-
Foreign exchange reserve		(3.0)	(3.1)
Other reserves	16	166.3	166.3
Retained earnings		134.6	81.4
Shareholder's funds		**297.9**	**244.6**
Liabilities			
Technical provisions			
Provision for unearned premium	17	2,250.5	1,996.9
Claims outstanding	17	6,421.7	5,445.7
		8,672.2	**7,442.6**
Creditors			
Arising out of direct insurance operations		51.8	8.3
Arising out of reinsurance operations		962.4	711.8
Other creditors	18	1,337.1	828.5
Deferred Tax	19	18.3	0.8
		2,369.6	**1,549.4**
Accruals and deferred income		**134.4**	**104.9**
Financial liabilities	12	**12.7**	**1.6**
Total equity and liabilities		**11,486.8**	**9,343.1**

Signed on behalf of
the board of directors

Christine Oldridge
....

C P Oldridge Director – registered company No. 04538873

These financial statements were approved by the board of directors on 16 May 2023.

The accounting policies and notes on pages 17 to 51 form part of these financial statements.

Beazley Underwriting Limited

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

Beazley Underwriting Limited is a limited liability Company incorporated in England. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, Financial Reporting Standard 102 ('FRS 102') and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 ('FRS 103') as issued in January 2022, in accordance with the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) and Schedule 3 of the regulations of the Companies Act (2006).

The financial statements are presented in US dollars, being the Company's functional currency, and in millions unless otherwise stated.

Exemptions for qualifying entities under FRS 102.

FRS 102 allows a qualifying entity certain disclosure exemption, subject to certain conditions. As these conditions have been complied with the Company has taken advantage of the following exemptions:

i. from preparing a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
ii. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the Group's consolidated financial statements, includes the Company's cash flows;
iii. from disclosing the Company key management personnel compensation, as required by FRS 102; and
iv. from disclosing transactions entered into between related parties within a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Basis of accounting for underwriting activities

The accounting information in respect of syndicates 2623, 3622 and 3623 has been provided by Beazley Furlonge Limited to Lloyd's and has been audited by these syndicates' auditor.

The underwriting results are determined on an annual basis. Results reported on an annual basis recognise profits as they are earned instead of at the closure of a particular year of account, which happens after three years.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. As a wholly owned subsidiary of Beazley plc the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the Group's Annual Report & Accounts. In addition, the Risk report includes the Group's risk management objectives and the Group's objectives, policies and processes for managing its capital.

In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic and financial plan, taking account of possible changes in trading performance and funding retention. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for the period to 16 May 2024.

As a result of the assessment, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Notes to the financial statements (continued)

Use of estimates and judgements (continued)

Estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as rising inflation, rising interest rates, climate change, the Russia-Ukraine conflict, and US legislation.

Specific to climate change, since responses to it are still developing, it is not possible to consider all possible future outcomes when determining asset and liability valuations, and timing of future cash flows, as these are not yet known. Nevertheless, the current management view is that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Valuation of insurance contract liabilities

The most critical estimate included within the Company's balance sheet is the estimate for insurance losses incurred but not reported ('IBNR'), which is included within total technical provisions and reinsurers' share of technical provisions in the balance sheet and note 17. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate, then an exposure would arise in future years where a liability has not been provided for.

The best estimate of the most likely ultimate outcome is used when calculating notified claims. This estimate is based upon the facts available at the time, in conjunction with the claims manager's view of likely future developments. The total estimate as at 31 December 2022 included within claims outstanding on the balance sheet is $4,821m (2021: $3,962m).

(b) Valuation of unquoted and illiquid financial assets

Determination of fair value of unquoted and illiquid assets involves judgement in model valuations, through the incorporation of both observable and unobservable market inputs. These inputs include assumptions that lead to the existence of a range of plausible valuations. Further detail on the methodologies and inputs used is described in note 11 (financial assets and liabilities) and note 12 (derivative financial instruments).

(c) Premium estimates

Premium written is initially based on the estimated premium income ('EPI') of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder period. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received. EPI estimates are updated to reflect changes in an underwriter's expectation through consultation with brokers and third-party cover holders, changes in market conditions, historic experience and to reflect actual cash received for a contract.

Due to the nature of Lloyd's business and the settlement patterns of the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and a receivable on the balance sheet remains. The amount of estimated future premium that remains in debtors relating to years of account that are more than three years developed at 31 December 2022 is $29.8m (2021: $15.4m).

Significant accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums

Gross premiums written comprise premiums on contracts incepted during the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross written premiums are stated before the deduction of brokerage, taxes, duties levied on premiums and other deductions.

(b) Unearned premiums

A provision for unearned premiums (gross of reinsurance) represents the part of the gross premiums written that is estimated to be earned in the following financial periods. It is calculated using the daily pro-rata method, under which the premium is apportioned over the period of risk.

(c) Claims incurred

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, claims incurred but not reported ('IBNR') and future claims handling provisions. The provision for outstanding claims comprises amounts set aside for claims advised and IBNR.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques which are reviewed quarterly by the Group actuary and annually by the independent company reporting actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the managing agent. The managing agent takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(d) Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of deferred acquisition costs ('DAC') and unearned premium reserves. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses as well as investment income from the assets backing such liabilities are used.

Any deficiency is immediately charged to the statement of comprehensive income and subsequently by establishing a unexpired risk reserve provision for losses arising from liability adequacy tests.

(e) Acquisition costs

Acquisition costs comprise brokerage, premium levies, and staff related costs of the underwriters acquiring the business. The proportion of acquisition costs in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premiums are earned.

(f) Foreign currencies

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place and where the Company considers these to be a reasonable approximation of the transaction rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction.

(g) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and the original cost of the investment. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, and the valuation at the previous period end or purchase value during the period. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

(h) Ceded reinsurance

Ceded reinsurance can be split into two categories: Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on contracts issued by the Company; and contracts entered into under which the Company

is compensated for losses calculated based on the final declared result subject to excesses and deductibles. Both types of contract meet the definition of an insurance contract.

Any benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(i) Intangible Assets

Reinsurance assets are assessed for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in profit or loss.

Purchased syndicate capacity is included in the balance sheet at cost and amortised over 20 years on a straight line basis, which is the directors' estimate of its useful economic life. Amortisation is commenced in the first year in which underwriting results from the capacity are recognised. Provision is made for permanent diminution in the carrying amount of purchased capacity.

Renewal rights comprise future profits relating to insurance contracts acquired and the expected renewal of those contracts. The costs directly attributable to acquire the renewal rights are recognised as intangible assets where they can be measured reliably, and it is probable that they will be recovered by directly related future profits. These costs are subject to impairment and are amortised on a straight-line basis, based on the estimated useful life of the assets, which is estimated to be between five and ten years.

(j) Financial instruments

Financial instruments are recognised in the balance sheet at such time that the Company becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the Company commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Company's obligations specified in the contract expire, are discharged or cancelled.

Financial assets
On acquisition of a financial asset, the Company is required to classify the asset into the following categories: financial assets at fair value through profit or loss, loans and receivables, assets held to maturity and assets available for sale. The Company does not make use of the held to maturity and available for sale classifications.

Financial assets at fair value through profit or loss
Except for derivative financial instruments, all financial assets are designated as fair value through profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management. The Company's investment strategy is to invest and evaluate performance with reference to their fair values.

Fair value measurement
Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other

Notes to the financial statements (continued)

(j) Financial instruments (continued)

observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised in the income statement when incurred. Financial assets at fair value through profit or loss are continuously measured at fair value, and changes therein are recognised in the statement of comprehensive income. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income, as these items are accounted for separately.

Hedge funds, equity funds and illiquid credit assets
The Company participates in a number of hedge funds and related financial instruments for which there are no readily available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge fund portfolio is calculated by reference to the underlying net asset values ('NAV') of each of the individual funds. Consideration is also given in valuing these funds to any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations. At certain times, the Company will have uncalled unfunded commitments in relation to its illiquid credit assets. These uncalled unfunded commitments are actively monitored by the Company and are disclosed in note 11 to the financial statements. The additional investment into its illiquid credit asset portfolio is recognised on the date that this funding is provided.

(k) Insurance debtors and creditors

Insurance debtors and creditors include amounts due to and from agents, brokers and insurance contract holders. These are classified as debt instruments as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance debtors are measured at amortised cost less any provision for impairments. Insurance creditors are stated at amortised cost. The Company does not have any debtors directly with policyholders, all transactions occur via an intermediary.

(l) Other debtors

Other debtors principally consist of amounts due from members and sundry debtors and are carried at amortised cost less any impairment losses.

(m) Other creditors

Other creditors are stated at amortised cost determined on the effective interest rate method. This line item mostly comprises amounts due to other group companies.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the parties intend to settle on a net basis, or realise the assets and settle the liability simultaneously.

(o) Impairment of financial assets

Assessment is made at each reporting date whether there is objective evidence that a financial asset or Group of financial assets measured at amortised cost is impaired. A financial asset or Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred

Notes to the financial statements (continued)

(o) Impairment of financial assets (continued)

after the initial recognition of the assets and that event has an impact on the estimated cash flows of the financial asset or Group of financial assets that can be reliably estimated.

If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the assets carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss.

(p) Cash and cash equivalents

This consists of cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition. Cash at bank and in hand balances are classified as loans and receivables and carried at amortised cost less any impairment losses.

(q) Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicates in which it participates, and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicate at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

(r) Pension costs

Pension contributions relating to staff who act on behalf of the Company are charged to the Company and included within net operating expenses.

(s) Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of the profit on a year of account basis subject to the operating of a three-year deficit clause. This is charged to the Company as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

2. Risk management

The Company has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below outline the Company's risk appetite and explain how it defines and manages each category of risk.

2.1 Insurance risk

The Company's insurance business (through the syndicates) assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below.

Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the Company:

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

Notes to the financial statements (continued)

2. Risk management (continued)

The Company's underwriting strategy (through the syndicates) is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geography and size.

To manage underwriting exposures, the Company (through the syndicates) has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2022, the absolute maximum gross maximum loss line that any one underwriter could commit the Group syndicates to was $123m (2021: $123m). In most cases, maximum lines for classes of business were much lower than this.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including dual sign-off for all line underwriters and peer review for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance.

Binding authority contracts

A proportion of the Company's insurance risks are transacted by third parties under delegated underwriting authorities. Each third party is thoroughly vetted by our coverholder approval Group before it can bind risks, and is subject to rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

Reinsurance risk

Reinsurance risk to the Company (through the syndicates) arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed separately below.

The reinsurance security committee ('RSC') examines and approves all reinsurers to ensure that they possess suitable security. The ceded reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts, monitors and instigates our responses to any erosion of the reinsurance programmes.

The reinsurance contract with Beazley Insurance dac is relatively simplistic and, as the contract is an intragroup contract, it carries a low risk of dispute. As such this reinsurance contract has very limited reinsurance risk.

Claims management risk

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs within the syndicates. These risks may damage the Group brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Company's claims teams are focused on delivering quality, reliability, and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs where established insurance liabilities within the syndicates are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions.

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the managing agent (Beazley Furlonge Limited).

The objective of the syndicates' reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The estimates of gross premiums written and claims prepared by the actuarial department are used through a formal quarterly peer review process to independently test the integrity of the estimates produced by the underwriting teams for each class of business. These meetings are attended by senior management, senior underwriters, actuarial, claims, and finance representatives.

As outlined in note 1, the Company records a reinsurer's share of an outstanding claim reserve in respect of any open year reinsurance contract with Beazley Insurance dac which, at the reporting date, is in a profit making position. Further information in relation to the claims recorded under these contracts is provided in note 1 and note 17 to the financial statements. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

Notes to the financial statements (continued)

2. Risk management (continued)

Sensitivity to insurance risk (claims reserves)

	5% increase in Net claims reserves		5% decrease in Net claims reserves	
	2022 $m	**2021 $m**	**2022 $m**	**2021 $m**
Impact on profit	(211.1)	(49.1)	211.1	49.1

Syndicates also monitor their exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums.

Concentration of insurance risk

	2022 %	**2021 %**
US	65%	56%
Europe*	13%	19%
Other	22%	25%
Total	**100%**	**100%**

*The UK is included within Europe.

2.2 Market risk

Market risk arises where the value of assets and liabilities changes as a result of movements in foreign exchange rates, interest rates and market prices.

Foreign exchange risk

The functional currency of the Company is US dollars and the presentation currency in which the Company reports its results is US dollars. The effect of this on foreign exchange risk is that the Company is exposed to fluctuations in exchange rates for non-dollar denominated transactions and net assets.

The Company and the syndicates deal in four main currencies: US dollars, Sterling, Canadian dollars and Euros. Transactions in all currencies are converted to US dollars on initial recognition and revalued at the reporting date.

The following table summarises the carrying value of total assets and total liabilities categorised by currency:

31 December 2022	**UK £ $m**	**CAD $ $m**	**EUR € $m**	**Subtotal $m**	**US $ $m**	**Total $m**
Total assets	528.2	130.5	(32.3)	626.4	10,860.4	11,486.8
Total liabilities	(351.1)	(81.2)	(125.7)	(558.0)	(10,630.9)	(11,188.9)
Net assets	**177.1**	**49.3**	**(158.0)**	**68.4**	**229.5**	**297.9**

31 December 2021	**UK £ $m**	**CAD $ $m**	**EUR € $m**	**Subtotal $m**	**US $ $m**	**Total $m**
Total assets	272.1	116.7	68.1	456.9	8,886.2	9,343.1
Total liabilities	(311.8)	(67.0)	(81.3)	(460.1)	(8,638.4)	(9,098.5)
Net assets	**(39.7)**	**49.7**	**(13.2)**	**(3.2)**	**247.8**	**244.6**

Sensitivity analysis

In 2022, the Company (through the syndicates) managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting net assets predominately US dollar denominated. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Company. Details of all foreign currency derivative contracts entered into with external parties are disclosed in note 12. On a forward-looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

Notes to the financial statements (continued)

2. Risk management (continued)

Fluctuations in the Company's trading currencies against the US dollar would result in a change to net asset value. The table below gives an indication of the impact on profits and net assets of a % change in relative strength of US dollar against the value of sterling, Canadian dollar and euro, simultaneously. The analysis is presented net of the impact of the exchange rate derivatives in place in syndicate 2623.

Change in exchange rate of UK sterling, Canadian dollar and euro relative to US dollar	**Impact on profit after tax for the year ended $m**		**Impact on net assets $m**	
	2022	**2021**	**2022**	**2021**
Dollar weakens 30% against other currencies	20.5	0.8	20.5	0.8
Dollar weakens 20% against other currencies	13.7	0.5	13.7	0.5
Dollar weakens 10% against other currencies	6.8	0.3	6.8	0.3
Dollar strengthens 10% against other currencies	(6.8)	(0.3)	(6.8)	(0.3)
Dollar strengthens 20% against other currencies	(13.7)	(0.5)	(13.7)	(0.5)
Dollar strengthens 30% against other currencies	(20.5)	(0.8)	(20.5)	(0.8)

Interest rate risk

Some of the Company's financial instruments, including financial investments, cash at bank, cash equivalents and borrowings, are exposed to movements in market interest rates.

The Company manages interest rate risk by primarily investing in short duration financial investments and cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis.

The Company (through the syndicates) also entered into interest rate futures contracts to manage the interest rate risk on fixed income portfolios.

The following table shows the average duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. Duration is a commonly used measure of volatility and we believe gives a better indication than maturity of the likely sensitivity of our portfolio to changes in interest rates.

Beazley Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

Duration

31 December 2022

	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	1,334.9	2,161.2	993.7	237.5	176.7	0.5	-	4,904.5
Syndicate loan to Lloyd’s central fund	-	6.9	25.7	-	-	-	-	32.6
Derivative financial instruments	6.0	-	-	-	-	-	-	6.0
Cash at bank and in hand	215.6	-	-	-	-	-	-	215.6
Total	**1,556.5**	**2,168.1**	**1,019.4**	**237.5**	**176.7**	**0.5**	**-**	**5,158.7**

31 December 2021

	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	1,305.8	1,449.1	673.5	149.0	104.1	16.6	-	3,698.1
Syndicate loan to Lloyd’s central fund	-	-	7.8	30.1	-	-	-	37.9
Derivative financial instruments	5.9	-	-	-	0.3	-	-	6.2
Cash at bank and in hand	155.0	-	-	-	-	-	-	155.0
Total	**1,466.7**	**1,449.1**	**681.3**	**179.1**	**104.4**	**16.6**	**-**	**3,897.2**

Notes to the financial statements (continued)

2. Risk management (continued)

Sensitivity analysis

The Company holds financial assets and liabilities that are exposed to interest rate risk. Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and derivative financial instruments. This will affect reported profits and net assets as indicated in the below table:

	Impact on profit after income tax for the year		Impact on net assets	
Shift in yield (basis points)	**2022 $m**	**2021 $m**	**2022 $m**	**2021 $m**
150 basis point increase	(34.1)	(19.0)	(28.1)	(19.0)
100 basis point increase	(25.9)	(12.7)	(19.9)	(12.7)
50 basis point increase	(11.4)	(6.3)	(9.4)	(6.3)
50 basis point decrease	11.4	6.3	9.4	6.3
100 basis point decrease	25.9	12.7	19.9	12.7
150 basis point decrease	34.1	19.0	28.1	19.0

Price risk

Debt securities and hedge funds that are recognised on the balance sheet at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk.

Financial assets include fixed and floating rate debt securities, hedge funds, illiquid credit assets, equity linked funds and derivative financial assets depending on the syndicates' appetite for risk. The fixed income securities are well diversified across high quality, liquid securities. The price risk associated with these securities is predominantly interest, foreign exchange and credit risk related. The sensitivity to price risk that relates to the Company's hedge fund investments, illiquid credit assets and equity linked funds is presented below. The investment committee has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or Company.

Listed investments are recognised on the statement of financial position at quoted bid price. If the market for the investment is not considered to be active, then the Company establishes fair value using valuation techniques. This includes using orderly transactions between market participants, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

	Impact on profit after income tax for the year		Impact on net assets	
Change in fair value of hedge funds, equity linked funds and illiquid credit asset	**2022 $m**	**2021 $m**	**2022 $m**	**2021 $m**
30% increase in fair value	40.2	46.4	40.2	46.4
20% increase in fair value	26.8	30.9	26.8	30.9
10% increase in fair value	13.4	15.5	13.4	15.5
10% decrease in fair value	(13.4)	(15.5)	(13.4)	(15.5)
20% decrease in fair value	(26.8)	(30.9)	(26.8)	(30.9)
30% decrease in fair value	(40.2)	(46.4)	(40.2)	(46.4)

2. Risk management (continued)

2.3 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Company are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the Group;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the Group;
- investments – whereby issuer default results in the Group losing all or part of the value of a financial instrument and derivative financial instrument; and
- cash and cash equivalents.

The Company's core business is to accept significant insurance risk through the syndicates and the appetite for other risks is low. This protects the Company's capital from erosion so that it can meet its insurance liabilities.

The Company limits exposure to a single counterparty or a Group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers, and broker performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the Company's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced, incentives are in place to support these priorities.

The investment committee has established comprehensive guidelines for the Company's investment managers regarding the type, duration and quality of investments acceptable to the Company. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines.

The Company has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the RSC, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently.

Beazley Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

	A.M. Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D,E,F,S	Ca to C	CC to D

The following tables summarise the Company's concentrations of credit risk:

31 December 2022	**Tier 1 $m**	**Tier 2 $m**	**Unrated $m**	**Total $m**
Financial assets at fair value				
- Fixed and floating rate debt securities	4,567.6	336.9	-	4,904.5
- Syndicate loan to Lloyd's central fund	32.6	-	-	32.6
- Hedge funds	-	-	475.4	475.4
- Illiquid credit assets	-	-	185.6	185.6
- Derivative financial instruments	-	-	6.0	6.0
Insurance and reinsurance debtors	-	-	1,996.1	1,996.1
Reinsurers' share of technical provisions	2,199.8	-	587.3	2,787.1
Other debtors	337.5	-	-	337.5
Cash at bank and in hand	215.6	-	-	215.6
Total	**7,353.1**	**336.9**	**3,250.4**	**10,940.4**

31 December 2021	**Tier 1 $m**	**Tier 2 $m**	**Unrated $m**	**Total $m**
Financial assets at fair value				
- Fixed and floating rate debt securities	3,226.9	471.2	-	3,698.1
- Equity linked funds	-	-	20.7	20.7
- Syndicate loan to Lloyd's central fund	37.9	-	-	37.9
- Hedge funds	-	-	426.9	426.9
- Illiquid credit assets	-	-	253.9	253.9
- Derivative financial instruments	-	-	6.2	6.2
Insurance and reinsurance debtors	-	-	1,866.0	1,866.0
Reinsurers' share of technical provisions	1,606.5	1.0	424.6	2,032.1
Other debtors	354.2	-	-	354.2
Cash at bank and in hand	155.0	-	-	155.0
Total	**5,380.5**	**472.2**	**2,998.3**	**8,851.0**

Beazley Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

Financial investments falling within the unrated category comprise hedge funds for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated in accordance with Lloyd's guidelines.

Insurance receivables and other receivables balances held by the Company have not been impaired, based on all evidence available, and no impairment provision has been recognised in respect of these assets. Insurance receivables in respect of coverholder business are credit controlled by third-party managers. We monitor third party coverholders' performance and their financial processes through the Group's coverholder management team. These assets are individually impaired after considering information such as the occurrence of significant changes in the counterparties' financial position, pattern of historical payment information and disputes with counterparties.

An analysis of the overall credit risk exposure indicates that the Group has reinsurance assets that are impaired at the reporting date. The total impairment in respect of the reinsurance assets at 31 December 2022 was as follows:

	Total $m
Balance at 1 January 2022	11.5
Impairment recognised	8.1
Balance at 31 December 2022	**19.6**

The Company has insurance debtors and reinsurance assets that are past due but not impaired at the reporting date. An aged analysis of these is presented below:

	Neither due nor impaired $m	Up to 3 months past due $m	3 – 6 months past due $m	6 – 12 months past due $m	Greater than 1 year past due $m	Total $m
31 December 2022						
Insurance debtors	1,305.0	131.4	38.7	14.9	3.6	1,493.6
Reinsurance assets	453.2	25.2	17.7	6.4	-	502.5

	Neither due nor Impaired $m	Up to 3 months past due $m	3-6 months past due $m	6 – 12 months past due $m	Greater than 1 year past due $m	Total $m
31 December 2021						
Insurance debtors	1,292.9	104.3	25.7	5.8	4.0	1,432.7
Reinsurance assets	357.9	35.2	35.4	4.8	-	433.3

Notes to the financial statements (continued)

2. Risk management (continued)

The total impairment in respect of reinsurance assets past due by more than 30 days at 31 December 2022 was $19.6m (2021: $11.5m).

The Company believes that the unimpaired amounts that are past due more than 30 days are still collectable in full, based on historic payment behaviour and analyses of credit risk.

2.4 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of the cases, these claims are settled from the premiums received.

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

The following is an analysis the estimated timing of the net cash flows based on the net claims liabilities balance held at 31 December:

Net Insurance Liabilities	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
	$m	$m	$m	$m	$m
31 December 2022	1,261.5	1,504.0	768.9	687.5	4,221.9
31 December 2021	1,117.9	1,400.9	681.9	637.5	3,838.2

The next two tables summarise the carrying amount at reporting date of financial instruments analysed by maturity date.

Maturity

31 December 2022

	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,294.4	1,836.8	1,199.3	245.7	272.3	56.0	4,904.5
Syndicate loan to Lloyd's central fund	-	6.9	25.7	-	-	-	32.6
Derivative financial instruments assets	6.0	-	-	-	-	-	6.0
Cash at bank and in hand	215.6	-	-	-	-	-	215.6
Other debtors[1]	89.1	-	-	-	-	-	89.1
Other creditors[1]	18.9	-	-	-	-	-	18.9
Total	1,624.0	1,843.7	1,225.0	245.7	272.3	56.0	5,266.7

1. Excludes balances owed to/from entities in the Group and 3rd party syndicates.

Beazley Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

31 December 2021

	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	1,083.4	1,311.1	597.9	387.0	230.8	87.9	-	3,698.1
Syndicate loan to Lloyd's central fund	-	-	7.8	30.1	-	-	-	37.9
Derivative financial instruments assets	6.2	-	-	-	-	-	-	6.2
Cash at bank and in hand	155.0	-	-	-	-	-	-	155.0
Other debtors[1]	44.9	-	-	-	-	-	-	44.9
Other creditors[1]	30.8	-	-	-	-	-	-	30.8
Total	1,320.3	1,311.1	605.7	417.1	230.8	87.9	-	3,972.9

1. Excludes balances owed to/from entities in the Group

2.5 Capital management

The Funds at Lloyd's requirement for the 2023 underwriting year was set $1,363.8m (2022 underwriting year:$1,758.0m). These funds support the underwriting of Beazley Underwriting Limited's three Lloyd's syndicates - 2623, 3622 and 3623. The funding requirements were met through a combination of cash deposits and securities as defined under Lloyd's capital governance rules.

Beazley Underwriting Limited

Notes to the financial statements (continued)

3. Analysis of underwriting result

An analysis of the underwriting result before allocation of investment return is set below

2022	Gross premium written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
Direct Insurance	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Marine aviation and transport	356.9	328.1	(147.7)	(109.7)	(3.4)	67.3
Fire and other damage to property	797.1	722.0	(481.4)	(215.6)	(31.3)	(6.3)
Third party liability	2,385.8	2,235.7	(1,536.0)	(550.1)	(114.7)	34.9
Miscellaneous	167.8	153.7	(151.1)	(47.3)	22.4	(22.3)
Total	**3,707.6**	**3,439.5**	**(2,316.2)**	**(922.7)**	**(127.0)**	**73.6**
Reinsurance accepted						
Third party liability	353.9	340.6	(170.4)	(98.5)	(35.3)	36.4
Fire and other damage to property	235.4	244.6	(174.1)	(59.0)	(20.8)	(9.3)
Marine aviation and transport	91.5	85.4	(40.6)	(28.8)	(1.7)	14.3
Miscellaneous	3.1	2.8	(1.0)	(0.9)	(0.2)	0.7
Total	**683.9**	**673.4**	**(386.1)**	**(187.2)**	**(58.0)**	**42.1**
Total Direct and Reinsurance accepted	**4,391.5**	**4,112.9**	**(2,702.3)**	**(1,109.9)**	**(185.0)**	**115.7**

2021	Gross premium written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
Direct Insurance	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Marine aviation and transport	279.7	254.1	(95.1)	(92.1)	(29.4)	37.5
Fire and other damage to property	650.6	593.6	(381.8)	(184.7)	(69.3)	(42.2)
Third party liability	2,056.4	1,730.4	(1,180.6)	(447.7)	(122.4)	(20.3)
Miscellaneous	125.1	105.8	(83.9)	(34.9)	(10.4)	(23.4)
Total	**3,111.8**	**2,683.9**	**(1,741.4)**	**(759.4)**	**(231.5)**	**(48.4)**
Reinsurance accepted						
Third party liability	318.7	308.0	(163.3)	(63.1)	(28.1)	53.5
Fire and other damage to property	282.4	278.8	(246.6)	(66.4)	11.7	(22.5)
Marine aviation and transport	94.7	92.9	(29.4)	(31.4)	(11.6)	20.5
Miscellaneous	0.2	0.0	0.8	(0.7)	(0.1)	0.0
Total	696.0	679.7	(438.5)	(161.6)	(28.1)	51.5
Total Direct and Reinsurance accepted	**3,807.8**	**3,363.6**	**(2,179.9)**	**(921.0)**	**(259.6)**	**3.1**

Beazley Underwriting Limited

Notes to the financial statements (continued)

4. Net investment return

	2022 $m	2021 $m
Income from investments	54.6	39.9
Net realised gain	36.3	47.0
Unrealised loss	(152.9)	(8.4)
Investment (loss)/income	(62.0)	78.5
Investment expenses and charges	(5.0)	(4.7)
	(67.0)	73.8

5. Net operating expenses

	2022 $m	2021 $m
Brokerage and other business acquisition costs	1,002.6	956.9
Overriding commission	(133.4)	(87.9)
Change in deferred acquisition costs	(62.6)	(84.4)
Other administration costs	303.3	136.4
	1,109.9	921.0

Brokerage and commissions on direct business written was $750.2m (2021:$667.3m)

Beazley Underwriting Limited

Notes to the financial statements (continued)

6. Profit on ordinary activities before taxation

	2022 $m	2021 $m
Profit on ordinary activities and after charging:		
Amortisation of purchased syndicate capacity	0.5	0.5
Amortisation of renewal rights	-	0.9

*The audit fee in the current financial year was $19,180 (2021: $20,328) and was borne by Beazley Management Limited. There were no other services provided by the Auditors in the year (2021: none).

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Beazley plc.

All staff are employed by Beazley Management Limited.

7. Directors and employees

None of the directors of the Company, or employees of the Group, received any remuneration in respect of services rendered to the Company. Details of the remuneration paid to the Group's directors and employees for their services to the Group are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at www.beazley.com

8. Taxation

	2022 $m	2021 $m
Current tax:		
UK corporation tax charge at 19% (2021: 19%)	2.1	-
Foreign taxes	3.1	5.0
Prior year adjustment	(3.2)	(1.7)
	2.0	3.3
Deferred tax:		
Origination of and reversal of timing differences	12.5	15.4
Impact of tax rate change	3.7	(0.7)
Prior year (over) provision	1.3	-
	17.5	14.7
Tax charge/(credit) on profit on ordinary activities	**19.5**	**18.0**

The Finance Act 2021, which provides for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 received Royal Assent on 10 June 2021. This tax rate change to 25% will increase the Group's future current tax charge. It has also been reflected in the calculation of the deferred tax balances as at 31 December 2021 for relevant timing differences expected to reverse on or after 1 April 2023.

Factors affecting the tax charge for the current and prior years

The tax charge for the current year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%) due to the differences explained below.

	2022 $m	2021 $m
Profit on ordinary activities before tax	72.7	78.0
Tax charge at 19% (2021: 19%)	13.8	14.8
Effect of:		
Foreign taxes	3.1	5.0
Permanent differences	0.8	0.6
Prior year under provision	(1.9)	(1.7)
Impact of tax rate change	3.7	(0.7)
	19.5	18.0

The Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti-avoidance tax provisions (the "BEAT"). We have performed an assessment for our intra-Group transactions potentially in scope of BEAT. The application of this new BEAT legislation is still uncertain for some types of transaction, and we are keeping developments under review. With support from external advisors, we believe that the BEAT impact on the Group is not significant. For the year 2022 no amount was provided in the Company accounts for BEAT liabilities (2021 Nil). The ultimate outcome may differ and if any additional amounts did fall within the scope of the BEAT, incremental tax at 10% might arise on some or all of those amounts.

Beazley Underwriting Limited

Notes to the financial statements (continued)

9. Deferred acquisition cost

	2022	2021
	$m	$m
At 1 January	435.0	353.6
Change in deferred commission	52.0	82.0
Change in other deferred costs	10.6	2.5
Exchange adjustments	(6.3)	(3.1)
Balance at 31 December	**491.3**	**435.0**

10. Intangible assets

	Syndicate capacity $m	Renewal rights $m	Total $m
Cost			
Balance at 1 January 2021	9.6	14.7	24.3
Additions	-	-	-
Impairment to asset	-	-	-
Balance at 31 December 2021	9.6	14.7	24.3
Balance at 1 January 2022	9.6	14.7	24.3
Additions	3.0	-	3.0
Impairment to asset	-	-	-
Balance at 31 December 2022	12.6	14.7	27.3
Amortisation			
Balance at 1 January 2021	(6.7)	(13.8)	(20.5)
Amortisation for the year	(0.5)	(0.9)	(1.4)
Balance at 31 December 2021	(7.2)	(14.7)	(21.9)
Balance at 1 January 2022	(7.2)	(14.7)	(21.9)
Amortisation for the year	(0.5)	-	(0.5)
Balance at 31 December 2022	(7.7)	(14.7)	(22.4)
Carrying amount			
31 December 2021	2.4	-	2.4
31 December 2022	4.9	-	4.9

Beazley Underwriting Limited

Notes to the financial statements (continued)

11. Financial assets and liabilities

	Market value		Cost	
	2022 $m	**2021 $m**	**2022 $m**	**2021 $m**
Financial assets at fair value				
Fixed and floating rate debt securities:				
Government issued	3,504.8	2,340.1	3,578.2	2,352.9
Corporate bonds				
- Investment grade	1,126.0	1,018.7	1,175.4	1,022.3
- High yield	273.7	339.3	296.8	318.6
Syndicate loan to Lloyd's central fund	32.6	37.9	31.9	38.7
Total fixed and floating debt securities and syndicate loan	**4,937.1**	**3,736.0**	**5,082.3**	**3,732.5**
Equity linked funds	-	20.7	-	18.7
Hedge funds	475.4	426.9	376.4	338.9
Illiquid credit assets	185.6	253.9	175.7	221.4
Total capital growth	**661.0**	**701.5**	**552.1**	**579.0**
Total financial investments at fair value through profit or loss	5,598.1	4,437.5	5,636.0	4,311.5
Derivative financial instruments	6.0	6.2	-	-
Total financial asset at fair value	**5,604.1**	**4,443.7**	**5,634.4**	**4,311.5**
Financial liabilities at fair value				
Derivative financial instruments	12.7	1.6	-	-

A breakdown of derivative financial instruments is disclosed in note 12.

Overseas deposits are held as a condition of conducting underwriting business in certain countries.

11. Financial assets and liabilities (continued)

Fair value measurement
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Level 2 – Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data, directly or indirectly (e.g. interest rates, exchange rates). Level 2 inputs include:

• Quoted prices similar assets and liabilities in active markets;

• Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;

• Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); and

• Market corroborated inputs. Included within level 2 are government bonds and treasury bills, equity funds and corporate bonds which are not actively traded, hedge funds and senior secured loans.

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

Valuation approach
The valuation approach for fair value assets and liabilities classified as Level 2 is as follows:

a) For the level 2 debt securities, our fund administrator obtains the prices used in the valuation from independent pricing vendors. The independent pricing vendors derive an evaluated price from observable market inputs. These inputs are verified in their pricing assumptions such as weighted average life, discount margins, default rates, and recovery and prepayments assumptions for mortgage securities.

b) For our hedge funds , the pricing and valuation of each fund is undertaken by administrators in accordance with each underlying fund’s valuation policy. Individual fund prices are communicated by the administrators to all investors via the monthly investor statements. The fair value of the hedge fund portfolios are calculated by reference to the underlying net asset values of each of the individual funds.

The valuation approach for fair value assets and liabilities classified as Level 3 is as follows:

a) Our illiquid credit fund investments are managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments. The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple.

b) The syndicate loans are loans provided to the Central Fund at Lloyd’s. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and liquidity risk of instruments.

Beazley Underwriting Limited

Notes to the financial statements (continued)

11. Financial assets and liabilities (continued)

The table below analyses financial instruments measured at fair value based on the level in the fair value hierarchy into which the financial instrument is categorised:

2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value	**$m**	**$m**	**$m**	**$m**
Fixed and floating rate debt securities:				
- Government issued	2,521.0	983.8	-	3,504.8
- Corporate bonds				
- Investment grade credit	521.2	604.8	-	1,126.0
- High yield	-	273.7	-	273.7
- Syndicate loan to Lloyd's central fund	-	-	32.6	32.6
Equity linked funds	-	-	-	-
Hedge funds	-	475.4	-	475.4
Illiquid credit assets	-	-	185.6	185.6
Derivative financial instruments	6.0	-	-	6.0
Total financial assets at fair value	3,048.2	2,337.7	218.2	5,604.1
Financial liabilities				
Derivative financial instruments	12.7	-	-	12.7

Beazley Underwriting Limited

Notes to the financial statements (continued)

11. Financial assets and liabilities (continued)

2021 **Financial assets at fair value**	**Level 1** **$m**	**Level 2** **$m**	**Level 3** **$m**	**Total** **$m**
Fixed and floating rate debt securities:				
- Government issued	1,845.2	494.9	-	2,340.1
- Corporate bonds				
- Investment grade	465.2	553.5	-	1018.7
- High yield	21.7	317.6	-	339.3
- Syndicate loan to Lloyd's central fund	-	-	37.9	37.9
Equity linked funds	20.7	-	-	20.7
Hedge funds	-	426.9	-	426.9
Illiquid credit assets	-	-	253.9	253.9
Derivative financial instruments	6.2	-	-	6.2
Total financial assets at fair value	2,359.0	1,792.9	291.8	4,443.7
Financial liabilities				
Derivative financial instruments	1.6	-	-	1.6

The table below shows the movement in level 3 assets:

	2022 **$m**	**2021** **$m**
As at 1 January	291.8	255.7
Purchases	8.6	79.5
Sales	(80.1)	(60.4)
Total net gain recognised in profit or loss	(0.5)	17.0
As at 31 December	219.8	291.8

The following transfers between levels 2 & 1 and levels 1 & 2 occurred for the period ended 31 December 2022:

31 December 2022 transfer from level 2 to 1	**Level 1** **$m**	**Level 2** **$m**
Fixed and floating rate debt securities:		
Corporate bonds - investment grade	102.4	(102.4)

31 December 2022 transfer from level 1 to 2	**Level 1** **$m**	**Level 2** **$m**
Fixed and floating rate debt securities:		
Corporate bonds - investment grade	(170.4)	170.4
Government issued	(213.7)	213.7

Beazley Underwriting Limited

Notes to the financial statements (continued)

11. Financial assets and liabilities (continued)

The following transfers between levels 2 & 1 and levels 1 & 2 occurred for the period ended 31 December 2021:

	Level 1	Level 2
31 December 2021 transfer from level 2 to 1	**$m**	**$m**
Fixed and floating rate debt securities:	21.8	(21.8)
Corporate bonds - investment grade	85.7	(85.7)
Government issued	39.7	(39.7)

	Level 1	Level 2
31 December 2021 transfer from level 1 to 2	**$m**	**$m**
Corporate bonds - investment grade	(190.2)	190.2

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 76% (2021: 78%) of these underlying assets were level 1 and the remainder level 2. This enabled us to categorise hedge funds as level 2.

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

The above qualitative and quantitative disclosure along with the risk management discussions in note 2 enables more accurate evaluation of the syndicates' exposure to risk arising from financial instruments.

12. Derivative financial instruments

The Company, through syndicate 2623, entered into over-the-counter derivative contracts and exchange traded derivative contracts. The Company had the right and the intention to settle each contract on a net basis.

The assets and liabilities of these contracts at 31 December are detailed below:

Derivative financial instrument assets	Gross contract amount 2022 $m	Fair value of assets 2022 $m	Gross contract amount 2021 $m	Fair value of assets 2021 $m
Foreign exchange forward contracts	173.3	6.0	248.4	5.9
Bond future contracts	-	-	522.7	0.3
	173.3	6.0	771.1	6.2

Derivative financial instrument liabilities	Gross contract Amount 2022 $m	Fair value of assets 2022 $m	Gross contract amount 2021 $m	Fair value of assets 2021 $m
Foreign exchange forward contracts	420.7	12.7	116.2	1.6
Bond future contracts	-	-	-	-
	420.7	12.7	116.2	1.6

Foreign exchange forward contracts
Syndicate 2623 enters into over-the-counter foreign exchange forward agreements in order to hedge the foreign currency exposure resulting from investment portfolio holdings denominated in non-base currency.

Bond future contracts
Syndicate 2623 enters into bond futures trades to manage the investment portfolio duration. The vast majority of the trades are executed in order to partially hedge the duration of fixed income securities held at the same time. Occasionally, bond futures contracts are traded in order to gain interest rate duration exposure to certain areas of the yield curve.

13. Cash and cash equivalents

	2022 $m	2021 $m
Cash at bank and at hand	183.5	120.0
Short term deposits	36.3	35.0
Bank overdraft	(4.2)	-
	215.6	155.0

14. Other Debtors

	2022 $m	2021 $m
Amounts due from Group companies	174.9	179.7
Amounts due from Group syndicates	31.3	78.1
Amounts due from syndicate 623	42.2	51.5
Other	89.1	44.9
	337.5	354.2

All other debtors are receivable within one year of the reporting date. The carrying values approximate fair values.

15. Share capital

	2022 £	2021 £
Authorised: 1 ordinary shares of £1 each*	1.0	1.0
Allotted, issued and fully paid ordinary shares of £1*	1.0	1.0

*The authorised share capital and allotted share capital is £1 (2021: £1).

16. Other reserves

	2022 $m	2021 $m
Balance at the start and end of the financial year	166.3	166.3
	166.3	166.3

The balance included in other reserves of $166.3m (2021: $166.3m) is made up of principally of capital contribution from Group undertakings of $166.3m in 2021.

Beazley Underwriting Limited

Notes to the financial statements (continued)

17. Technical provisions

17.1 Technical provisions reconciliation

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2022	1,996.9	5,445.7
Movement in the provision	278.6	1,068.2
Exchange adjustments	(25.0)	(92.2)
As at 31 December 2022	2,250.5	6,421.7
Reinsurers' share of technical provisions		
As at 1 January 2022	424.6	1,607.5
Movement in the provision	167.4	616.5
Exchange adjustments	(4.7)	(24.2)
As at 31 December 2022	587.3	2,199.8
Net technical provisions		
As at 1 January 2022	1,572.3	3,838.2
As at 31 December 2022	1,663.2	4,221.9

Beazley Underwriting Limited

Notes to the financial statements (continued)

17.1 Technical provisions reconciliation (continued)

	Provision for unearned premium	Claims outstanding	Unexpired risk provision
	$m	$m	$m
Gross technical provisions			
As at 1 January 2021	1,565.0	4,706.4	91.5
Movement in the provision	444.2	789.1	(91.2)
Exchange adjustments	(12.3)	(49.8)	(0.3)
As at 31 December 2021	1,996.9	5,445.7	-
Reinsurers' share of technical provisions			
As at 1 January 2021	278.2	1,315.0	9.0
Movement in the provision	148.6	301.3	(9.0)
Exchange adjustments	(2.2)	(8.8)	-
As at 31 December 2021	424.6	1,607.5	-
Net technical provisions			
As at 1 January 2021	1,286.8	3,391.4	82.5
As at 31 December 2021	1,572.3	3,838.2	-

The closing reinsurers' share of claims outstanding balance represents the reinsurers' share of claims reserves recognised from the reinsurance contracts with Beazley Insurance dac as well as claims reserves from syndicate business. The transition to the accounting treatment of the new reinsurance contracts has been reflected as a balance sheet reclassification and therefore the profit or loss account and net assets have not been affected. The impact of the accounting treatment under the new reinsurance contract means the current year closing balance of technical provisions is not directly comparable to prior year balances.

Beazley Underwriting Limited

Notes to the financial statements (continued)

17.2 Claims development tables

The following claims development tables have been restructured in this year's financial statements to reflect the accounting treatment of the new reinsurance contract with Beazley Insurance dac. The tables presented reflect the gross and net claims development of insurance and reinsurance business written through the syndicates and separately the absolute claims development of open year contracts in place with Beazley Insurance dac. The final table reconciles the claims development of all insurance and reinsurance activities to the balance sheet of the Company. Claims Development tables are inclusive of the unexpired risk provision.

Gross claims development – syndicate business

	2012ae	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
12 months		63.8%	62.7%	63.4%	63.3%	70.8%	67.8%	65.7%	73.8%	74.6%	63.7%	
24 months		59.3%	56.4%	59.2%	63.1%	72.1%	70.4%	74.2%	75.0%	66.3%		
36 months		56.3%	53.4%	55.2%	61.0%	72.6%	72.7%	68.5%	75.7%			
48 months		54.2%	52.5%	53.6%	60.4%	71.5%	72.0%	68.4%				
60 months		52.2%	54.0%	53.8%	59.4%	71.7%	73.3%					
72 months		51.3%	52.8%	56.6%	58.8%	73.1%						
84 months		50.7%	52.3%	57.7%	59.1%							
96 months		50.3%	52.9%	58.4%								
108 months		49.8%	53.1%									
120 months		49.2%										
Gross claims liabilities (Company share)	302.3	54.8	73.0	175.9	190.7	305.2	444.2	711.8	1,261.9	1,797.3	1,104.6	6,421.7

Notes to the financial statements (continued)

17.2. Claims development tables (continued)

Net Claims Development – syndicate business

	2012 ae	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
12 months		62.4%	61.1%	60.8%	60.8%	66.4%	64.7%	62.0%	69.3%	60.1%	57.9%	
24 months		60.6%	56.8%	57.6%	61.3%	68.8%	66.5%	68.3%	68.7%	60.0%		
36 months		57.5%	53.7%	53.7%	59.3%	69.1%	69.2%	62.5%	66.6%			
48 months		54.4%	52.1%	50.8%	57.9%	66.8%	67.0%	60.3%				
60 months		52.2%	52.4%	50.8%	55.8%	66.6%	66.2%					
72 months		51.5%	51.7%	51.6%	55.1%	66.6%						
84 months		51.0%	51.2%	52.4%	55.1%							
96 months		50.7%	51.6%	53.1%								
108 months		50.1%	51.8%									
120 months		49.6%										
Net claims liabilities (Company share)	276.0	46.8	60.9	92.7	110.2	192.2	304.3	511.9	830.1	1,205.5	635.4	4,266.0

Net Claims Development – Excess of loss reinsurance

	2020	2021	2022	Total
12 months	130.2	5.8	(44.1)	
24 months	29.9	-		
36 months	-			
Net claims liabilities (Company share)	-	-	(44.1)	(44.1)

Claims Development– Total

	2012 ae	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Net claims liabilities (Company share)	276.0	46.8	60.9	92.7	110.2	192.2	304.3	511.9	830.1	1,205.5	591.3	4,221.9

Notes to the financial statements (continued)

18. Other creditors

	2022 $m	2021 $m
Other Creditors		
Amounts due to Group companies	990.6	553.3
Amounts due to syndicate 5623	208.7	122.9
Amounts due to syndicate 6107	78.0	81.3
Amounts due to Group syndicates	40.9	41.0
Current tax payable	8.5	5.4
Other	10.4	24.6
	1,337.1	828.5

19. Deferred tax

2022	**Balance 1 Jan 22**	**P&L**	**Balance 31 Dec 22**
The closing deferred tax balance comprises:	**$m**	**$m**	**$m**
Tax losses carried forward	5.3	(5.3)	-
Deferred syndicate underwriting profits	(7.1)	(11.6)	(18.7)
Timing differences in respect of intangible assets	1.0	(0.6)	0.4
Net deferred tax asset/ (liability)	(0.8)	(17.5)	(18.3)

2021	**Balance 1 Jan 21**	**P&L**	**Balance 31 Dec 21**
The closing deferred tax balance comprises:	**$m**	**$m**	**$m**
Tax losses carried forward	5.2	0.1	5.3
Deferred syndicate underwriting profits	7.7	(14.8)	(7.1)
Timing differences in respect of intangible assets	1.0	-	1.0
Net deferred tax asset	13.9	(14.7)	(0.8)

19. Deferred tax (continued)

Net deferred tax assets /(liabilities) provided in the accounts are:

	2022	2021
	$m	$m
Tax losses carried forward	-	5.3
Timing Differences	(18.3)	(6.1)
	(18.3)	(0.8)

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Company's balance sheet.

The Finance Act 2021, which provides for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 received Royal Assent on 10 June 2021. This tax rate change to 25% will increase the Group's future current tax charge. It has also been reflected in the calculation of the deferred tax balances as at 31 December 2022 for relevant timing differences expected to reverse on or after 1 April 2023.

There are no unused tax credits.

The net deferred tax that is expected to reverse in 2023 is a negligible amount of $3.7K. This relates to the reversal of timing differences on the deferred syndicate underwriting profits in relation to 2020 YOA.

There are no deferred tax assets for 2022 (2021: $5.3m), relating to tax losses arising in the UK, which depend on the availability of future taxable profits, have been recognised.

20. Funds at Lloyd's

The Funds at Lloyd's (FAL) requirement for the 2023 underwriting year was set at $1,363.8m (2022 underwriting year: $1,758.0m). These funds support the underwriting of Beazley Underwriting Limited's three Lloyd's syndicates - 2623, 3622 and 3623. The funding requirements were met through a combination of cash deposits and securities as defined under Lloyd's capital governance rules. As at 31 December 2022, the Company has $535.3m (2021: $439.5m) of FAL posted in its own name. The remaining FAL is held by Beazley Insurance dac on Company's behalf. In 2022 $225m under the Group's syndicated short term banking facility has been utilised as letters of credit placed as FAL to provide capital support for the Company's underwriting at Lloyd's. Letters of credit issued under the facility are uncollateralised. Other than the letters of credit, FAL posted in the Company's name are included within financial assets at fair value and cash and cash equivalents on the statement of financial position.

21. Ultimate controlling Company

The Company's ultimate controlling Company is Beazley plc incorporated in the UK. The immediate controlling Company is Beazley Furlonge Holdings Limited incorporated in the UK.

The consolidated financial statements of the ultimate controlling company, Beazley plc, can be obtained from the website www.beazley.com.

Beazley Underwriting Limited

Notes to the financial statements (continued)

22. Related parties

Since 2010, syndicate 2623, alongside syndicate 623 has ceded part of its international reinsurance account to syndicate 6107 at Lloyd's, and since 2017 has also ceded part of its Cyber Risks business to syndicate 6107. Syndicate 6107 is a special purpose syndicate managed by Beazley Furlonge Limited and commissions are received by the syndicates in respect of these transactions. The below represents receivable/(payable) positions with these syndicates as at 31 December:

	2022	**2021**
	$m	**$m**
Syndicate 623	42.2	51.5
Syndicate 6107	(78.0)	(81.3)
	(35.8)	(29.8)

The intercompany position with syndicates where capacity is not wholly provided by subsidiaries of Beazley plc at 31 December 2022 are shown in the table below: 5623 is a special purpose syndicate. Syndicate 3623 cedes a significant portion of its market facility book to syndicate 5623.The below shows the

	2022	**2021**
	$m	**$m**
Syndicate 5623	208.7	(123.0)
	208.7	**(123.0)**

23. Subsequent events

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