Beazley Furlonge Limited | Syndicate 6107 at Lloyd's
Annual report and accounts 2023

Risky Business

Welcome to our Annual report 2023

As a leading global specialist insurer, Beazley are passionate about bringing an innovative and progressive approach to helping our clients mitigate the risks of the world.

Contents

Highlights

Syndicate capacity

£43.3m

(2022: £67.4m)

Profit for the financial year

$25.9m

(2022: $22.7m)

Combined ratio

61%

(2022: 79%)

Gross premiums written

$43.5m

(2022: $80.4m)

Rate increase on renewals

0%

(2022: 30%)

Claims ratio

34%

(2022: 53%)

Expense ratio

27%

(2022: 26%)

Earned premiums, net of reinsurance

$57.3m

(2022: $95.1m)

Strategic report of the managing agent

Overview

Syndicate 6107 ('the syndicate') continued to reinsure a proportion of certain property and cyber business written by syndicates 623 and 2623. There was a reduction in the reinsurance business written during 2023 as syndicates 623 and 2623 retained more of the underlying risks.

The capacities of the syndicates managed by Beazley Furlonge Limited ('BFL') are as follows:

	2023 £m	2022 £m
2623	3,794.5	2,679.0
623	818.6	587.2
5623	339.8	204.4
6107	**43.3**	**67.4**
3623	—	41.2
3622	33.8	29.7
4321	33.1	29.0
Total	**5,063.1**	**3,637.9**

Year of account results

The 2021 underwriting year has closed with a profit of $27.2m, which represents a return on capacity of 30.8% attributable strong premium growth and rate increases on the Cyber Risks portfolio. The 2022 underwriting year is currently forecast to close with a return on capacity of 20.0%. The 2023 underwriting year is currently profitable.

Rating environment

Premium rates for the underlying reinsured business increased slightly during 2023 (2022: increase of 30%). Rates increased on Property Risks and decreased on Cyber Risks.

Combined ratio

The combined ratio is a measure of operating performance and represents the ratio of the syndicate's total costs (excluding foreign exchange movements) to total net earned premium. The syndicate's combined ratio for 2023 improved to 61% (2022: 79%). This is due to an improving claims ratio.

Claims

The claims ratio is a measure of the syndicate's claims experience and represents the ratio of its net insurance claims to net earned premium. The claims ratio of syndicate 6107 has improved to 34% in 2023 (2022: 53%) mostly due to a relatively quiet weather related natural catastrophe season during the year.

Net operating expenses

Net operating expenses, including business acquisition costs, administrative expenses and profit commissions were $15.3m (2022: $24.6m). The breakdown of these costs is shown below:

	2023 $m	2022 $m
Brokerage costs	7.9	13.2
Administrative and other expenses	6.4	10.5
Profit commission	1.0	0.9
Net operating expenses[1]	**15.3**	**24.6**

1 A further breakdown of net operating expenses can be seen in note 4.

Brokerage costs as a percentage of net earned premium were approximately 14% (2022: 14%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines. Administrative expenses comprise primarily an overrider commission charged by the host syndicates. The expense ratio is a measure of the net operating expenses to net earned premium. The expense ratio for 2023 is 27% (2022: 26%).

Outlook

The 2022 underwriting year is currently forecast to close with a strong return on capacity of approximately 20.0%. This has been predominantly driven by rate increases on the cyber book. This positive expected return is despite claims events such as Hurricane Ian and Storm Elliott.

The 2023 underwriting year is developing well and is forecasting a positive return on capacity despite claims events such as the Hawaiian Wildfires in 2023.

Looking ahead to 2024, the syndicate will increase its participation with syndicates 2623 and 623 on the Cyber Risks portfolio and cease to reinsure on the Property Risks portfolio. This change in portfolio mix was driven by the changes in portfolio mix in syndicates 623 and 2623 following a rebalance of the business written by these syndicates. Specifically, business written domestically by Beazley's US-based underwriters has been removed from syndicates 623 and 2623 and the revised syndicate 623 and 2623 portfolio was rebalanced to cover a larger share of Beazley's existing wholesale business written in London, Miami and Singapore. Consequently, Syndicate 6107 will be ceded proportionally more of syndicate 623 and 2623's Cyber Risks portfolio.

A P Cox
Chief Executive Officer

28 February 2024

Managing agent’s report

The managing agent presents its report for the year ended 31 December 2023.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and Financial Reporting Standard 103: Insurance Contracts.

Principal activity

The principal activity of Syndicate 6107 is the transaction of property reinsurance and cyber reinsurance business with syndicates 623 and 2623 at Lloyd’s.

Business review

A review of the syndicate’s activities and future outlook is included in the strategic report.

Risk governance and reporting

BFL’s Board of Directors has the responsibility for defining and monitoring the risk appetite within which BFL and the syndicates operate (collectively, ‘Beazley’), with key individuals and committees accountable for day-to-day management of risks and controls. Regular reporting by the risk management team in Board meetings and senior management committees ensures that risks are monitored and managed as they arise.

Climate change/Responsible business

Led by Beazley plc’s Board and supported by the Boards of BFL, Beazley Insurance dac, and Beazley Insurance Company Inc, Environmental, Social and Governance ('ESG') issues and climate related risks have become regular agenda items throughout 2023. In March 2021 Beazley launched our first Responsible Business Strategy. This document, and the subsequent update which is published alongside the Beazley plc annual report and accounts ('ARA'), sets out the goals and targets across a wider range of ESG issues, including climate change.

In addition to the summary Responsible Business report, Beazley plc discloses its compliance with the Task Force on Climate-Related Disclosures recommendations at the consolidated group level in the Beazley plc annual report and accounts produced annually. The 2023 Beazley plc ARA has not been published as at the date of this report but is expected to be available on the Group's website in March 2024.

Although not specifically listed in the risk categorises detailed further in this report, the Board of BFL deems climate risk to be inherently embedded within all risks managed across the syndicate.

Risk management

Beazley prides itself on understanding the drivers of risk, supporting and challenging management in managing those risks for the syndicate and its clients. During the year, Beazley continued to enhance and roll out elements of the risk management framework. Beazley has continued to work with colleagues across the first and second lines of defence to support the syndicate strategy, including challenging the oversight of climate-related risks (covering physical, transition and litigation) and journey in digitisation. The details of the performance of the risk management framework are further in this report.

Control statement

The Chief Risk Officer's latest report to the Board confirmed that the control environment identified no significant failings or weaknesses in key processes. The report confirmed that the syndicate was operating within risk appetite as at 31 December 2023 and the systems have been in place for the entirety of 2023.

Risk management oversight and framework

The Beazley plc Board delegates direct oversight of the risk management function and framework to its Risk Committee, and the primary regulated subsidiary Boards and their (audit and) Risk Committees. The Board delegates executive oversight of the risk management function and framework to the Executive Committee, which fulfils this responsibility primarily through its risk and Regulatory Committee.

Beazley takes an enterprise-wide approach to managing risk. The risk management framework establishes the approach to identifying, measuring, mitigating, monitoring, and reporting on principal risks. The risk management framework supports the strategy and objectives.

Beazley leverages the 'three lines of defence' model, in which the risk management function is part of the second line of defence. The ongoing communication and collaboration across the three lines of defence ensures that the syndicate identifies and manages risks effectively.

A suite of reports from the risk management function support senior management and the Board in discharging their oversight and decision-making responsibilities throughout the year. The risk management function's reports include updates on risk appetite, risk profiles, stress and scenario testing and analysis, reverse stress testing, emerging and heightened risks, a report to the Remuneration Committee, and the Own Risk and Solvency Assessment (ORSA) report.

The Board approves the risk appetite statements at least annually and receives updates on monitoring against risk appetite throughout the year. This includes an assessment of principal risks.

The business operates a control environment which supports mitigating risks to stay within risk appetite. The risk management function reviews and challenges the control environment through various risk management activities throughout the year. In addition, the risk management function works with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and the business planning process.

The risk management plan considers, among other inputs, the inherent and residual risk scores for the risks in the registers. The risk management function also includes results from internal audits into its risk assessment process. The internal audit function considers the risk management framework in its audit universe to derive a risk-based audit plan.

The approach to identifying, managing and mitigating emerging risks includes inputs from the business, analysis of lessons learned post risk incidents and industry thought leadership. The approach considers the potential materiality and likelihood of impacts, which helps prioritise emerging risks which the syndicate monitors or undertakes focused work on. Key emerging risks in 2023 included geopolitical, artificial intelligence, large cyber attack, legal and regulatory risk, human capital, and climate change. The Board carries out a robust assessment of emerging risks at least annually.

Principal risks the syndicate faces

Beazley assess carefully the principal risks the syndicate faces. Our principal risks are under continuous review with ongoing risk assessments. Consideration is given to new regulations including Consumer Duty, and the Digital Operational Resilience Act. Insurance, Strategic and Operational risks outlook increases from macroeconomic changes, enhancements in technology, people and processes which deliver great benefit, but also introduce risk during and post implementation. The table below summarises the principal risks the syndicate faces, the control environment, governance and oversight that mitigate these risks.

Legend for the principal risks table on the following page

Risk appetite

Within | Trending outside | Outside

Risk outlook

Increasing | Stable | Decreasing

Managing agent's report continued

Principal risks and summary descriptions	Mitigation and monitoring
Insurance The risk arising from the inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves. • Market cycle: potential systematic mispricing of medium or long-tailed business that does not support revenue to invest and cover future claims; • Catastrophe: one or more large events caused by nature (e.g., hurricane, windstorm, earthquake and / or wildfire) or mankind (e.g., coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and / or a political event) impacting a number of policies, and therefore giving rise to multiple losses; • Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e., mismatch); and • Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.	Beazley uses a range of techniques to mitigate insurance risks such as pricing tools, analysis of macro trends and claim frequency, including alignment with pricing and ensuring exposure was not overly concentrated in any one area, especially lines of business with higher risk. The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure with the transfer of risk. The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering good customer outcomes. High calibre claims and underwriting professionals deliver expert service and claims handling to insureds. The Underwriting Committee oversees these risks. Beazley carries out periodic analysis to identify significant areas of concentration risk across our business and monitors solvency regularly to ensure the syndicate is adequately capitalised. Insurance risk outlook continues to be stable as Beazley manages the market cycle across all the lines of business.
Credit This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from its reinsurers, brokers, and coverholders, of which the reinsurance asset was the largest exposure for the syndicate.	Beazley trades with strategic reinsurance partners over the long term to support the syndicate through the insurance cycles despite potentially catastrophic claim events. The syndicate ensures reinsurers meet internal approval criteria overseen by the reinsurance security committee. Credit risk arising from brokers and coverholders continues to be low as the syndicate relies on robust due diligence processes, credit monitoring and ongoing monitoring of aged debts. Credit risk outlook continues to be stable as Beazley manages ceded reinsurance, broker and coverholder credit risks with low levels of aged and bad debt.
Group The risk of an occurrence in one area of Beazley, which adversely affects another area in the syndicate resulting in financial loss and / or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and / or decisions including dilution of culture or negative impact on the brand.	Risk culture centres on principles of transparency, accountability, and awareness. This helps maintain a strong risk culture that supports an embedded risk management framework. An effective risk culture reflects a maturing risk management framework, encourages sound risk taking, creates an awareness of risks and emerging risks. The executive committee and the Board oversee this risk. Group risk outlook continues to be stable as the Executive Committee manages culture through continuous improvement and monitoring.
Regulatory and legal Non-compliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the syndicate operates. This may lead to financial loss (fines, penalties), sanctions, reputational damage, loss of confidence from regulators, regulatory intervention, inability to underwrite or pay claims.	The control environment supports the nature, exposure, scale and complexity of the business overseen by the risk and Regulatory Committee. The syndicate maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and robust process, policies and procedures being followed in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, are experienced and maintained regular dialogue with regulators. The syndicate horizon scans for regulatory and legal matters and considers their potential impacts on the business. Beazley considers the needs of our clients in everything our business does. Beazley delivers good customer outcomes to our clients throughout the product lifecycle. The Conduct Review Group oversees this risk. Beazley aims to do the right thing to minimise reputational risk via stakeholder management and oversight through governance. Regulatory and legal risk outlook continues to increase as Beazley manages evolving regulatory requirements and legislative changes globally.

Principal risks and summary descriptions	Mitigation and monitoring
Operational Failures of people, processes and systems or the impact of an external event on operations (e.g., a cyber-attack having a detrimental impact on operations) including transformation and change related risks.	Beazley attracts and nurtures talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. The managing agent employs high calibre, motivated, loyal, and productive people with sufficient competence to perform their duties. Beazley invests in technology and re-engineering processes to support the operation of activities which are overseen by the Operations Committee. Beazley has policies and procedures across the organisation which ensure effective and efficient operations. This drives productivity and quality across our people, processes and systems to continue to enable scalable growth. The business continuity, disaster recovery and incident response plans, help ensure that processes and systems enable our people to deliver the right outcomes for clients and overall productivity. During 2023, there were effective controls in the day-to-day operations around information security, data management, operational resilience including cyber resilience, etc. to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate. Operational risk outlook continues to be stable as Beazley manages evolving manual processes and controls into digitised processes along with technological and cyber resilience which are continuously evolving risks.
Strategic Events or decisions that potentially stop the syndicate from achieving its goals or danger of strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage. Pervasive risks impacting multiple areas (e.g., reputation, and ESG) occurring through real or perceived action, or lack of action taken by a regulatory body, market and/or third-party used by the business. A negative change to Beazley’s reputation would have a detrimental impact to syndicate profitability and public perception.	Beazley continuously addresses key strategic opportunities and challenges itself to be the highest performing sustainable specialist insurer. Beazley ensures it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation. Beazley creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise to create value. The executive committee and the Board oversee these risks. The syndicate aims to strategically create a sustainable business for our people, partners and planet through its responsible business goals. Beazley embeds ESG principles and ambitions and it focuses on reducing its carbon footprint, contributing appropriately to its social environment, and enhancements to governance. Note that while Beazley considers market practice, it does not necessarily move with every prevailing market trend, considering these for potential opportunities and risks. Strategic risk outlook continues to be stable as Beazley embeds its achievements from 2023.

Managing agent’s report continued

Directors

A list of directors of the managing agent who held office during the year can be found on page 45 of this syndicate annual report.

Syndicate annual general meeting

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose to hold a syndicate annual meeting this year. Members may object to this proposal within 21 days of this notice. Any objections must be made in writing to the managing agent.

Disclosure of information to the auditor

The directors of the managing agent who held office at the date of approval of this managing agent’s report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate’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 syndicate’s auditor is aware of that information.

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

S M Lake
Finance Director

28 February 2024

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their syndicate annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the syndicate'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 cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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.

The directors of the managing agent are responsible for the maintenance and integrity of the syndicate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

S M Lake
Finance Director

28 February 2024

Independent auditor's report to the members of Syndicate 6107

Opinion

We have audited the syndicate annual accounts of syndicate 6107 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of changes in Members' Balances, the Balance Sheet, the Cash Flow statement and the related notes 1 to 11, 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 syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2023 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts 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 syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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 syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent 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 syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report and accounts other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report and accounts.

Our opinion on the syndicate annual accounts 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 syndicate annual accounts 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 syndicate annual accounts 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9 the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts 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 syndicate annual accounts.

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 managing agent and management.

Independent auditor's report to the members of Syndicate 6107 continued

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets and external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk including:
  - Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries, we assessed if there were any indicators of management bias in the valuation of insurance liabilities and the recognition of estimated premium income.
  - Evaluating the business rationale for significant and/or unusual transactions.

These procedures included testing manual journals and were designed to provide reasonable assurance that the Annual Accounts were free from fraud or error.

A further description of our responsibilities for the audit of 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 syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Niamh Byrne (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 February 2024

Statement of comprehensive income

for the year ended 31 December 2023

	Notes	2023 $m	2022 $m
Gross premiums written	3	43.5	80.4
Outward reinsurance premiums	3	2.7	(2.7)
Net premiums written		**46.2**	**77.7**
Change in the gross provision for unearned premiums	9	13.5	20.2
Change in the provision for unearned premiums, reinsurers' share	9	(2.4)	(2.8)
Change in the net provision for unearned premiums		11.1	17.4
Earned premiums, net of reinsurance		**57.3**	**95.1**
Allocated investment return transferred from the non-technical account	**5**	**3.6**	**1.8**
Gross claims paid		(34.6)	(49.6)
Reinsurers' share of claims paid		6.7	1.7
Claims paid net of reinsurance		(27.9)	(47.9)
Change in the gross provision for claims	9	25.8	3.4
Change in the provision for claims, reinsurers' share	9	(17.5)	(6.3)
Change in the net provision for claims		8.3	(2.9)
Claims incurred, net of reinsurance		**(19.6)**	**(50.8)**
Net operating expenses	4	**(15.3)**	**(24.6)**
Balance on the technical account		**26.0**	**21.5**
Investment income	5	3.6	1.8
Allocated investment return transferred to general business technical account		(3.6)	(1.8)
(Loss)/gain on foreign exchange		(0.1)	1.2
Total comprehensive income for the financial year		**25.9**	**22.7**

There were no other comprehensive gains or losses in the year.

The notes on pages 17 to 29 form part of these financial statements.

Statement of changes in members' balances
for the year ended 31 December 2023

	2023 $m	2022 $m
Members' balances brought forward at 1 January	18.1	10.9
Total comprehensive income for the financial year	25.9	22.7
Loss collection before members agent's fees - 2020 YOA	0.6	–
Profit distribution before members agent's fees – 2019 YOA	—	(15.5)
Members' balances carried forward at 31 December	**44.6**	**18.1**

Members participate in syndicates by reference to years of account (YOA) and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Balance sheet
as at 31 December 2023

	Notes	2023 $m	2022 $m
Assets			
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	9	0.8	3.2
Claims outstanding, reinsurers' share	9	24.9	42.4
		25.7	**45.6**
Debtors			
Debtors arising out of reinsurance operations		19.8	26.4
Other debtors	6	106.5	96.5
		126.3	**122.9**
Cash at bank and in hand		**25.7**	**23.2**
Prepayments and accrued income			
Deferred acquisition costs	8	**4.6**	**7.8**
Other prepayments and accrued income		**1.0**	**1.3**
Total assets		**183.3**	**200.8**
Liabilities, capital and reserves			
Capital and reserves			
Members' balances attributable to underwriting participations		44.6	18.1
		44.6	**18.1**
Technical provisions			
Provision for unearned premiums	9	17.6	31.0
Claims outstanding	9	113.6	138.7
		131.2	**169.7**
Creditors			
Creditors arising out of reinsurance operations	7	5.7	11.2
Other creditors	7	1.7	1.6
		7.4	**12.8**
Accruals and deferred income		**0.1**	**0.2**
Total liabilities, capital and reserves		**183.3**	**200.8**

The notes on pages 17 to 29 form part of these financial statements.

The syndicate annual accounts on pages 13 to 29 were approved by the Board of Beazley Furlonge Limited on 28 February 2024 and were signed on its behalf by:

A P Cox
Chief Executive Officer

S M Lake
Finance Director

Cash flow statement
for the year ended 31 December 2023

	2023 $m	2022 $m
Total comprehensive income for the financial year	25.9	22.7
Adjustments for:		
Decrease in net technical provisions	(18.6)	(17.9)
(Increase)/decrease in debtors, prepayments and accrued income	(3.1)	11.7
Decrease in creditors, accruals and deferred income	(5.5)	(4.7)
Investment return	(3.6)	(1.8)
Decrease in deferred acquisition costs	3.2	5.4
Net cash (out)/inflows from operating activities	**(1.7)**	**15.4**
Cash received from investment return	3.6	1.8
Net cash inflows from investing activities	**3.6**	**1.8**
Transfer from/(to) members in respect of underwriting participations	0.6	(15.5)
Net cash in/(out)flows from financing activities	**0.6**	**(15.5)**
Net increase in cash and cash equivalents	**2.5**	**1.7**
Cash and cash equivalents at the beginning of the year	23.2	21.6
Effect of exchange rate changes on cash and cash equivalents	–	(0.1)
Cash and cash equivalents at the end of the year	**25.7**	**23.2**

The notes on pages 17 to 29 form part of these financial statements.

Notes to the syndicate annual accounts

1 Accounting policies

Basis of preparation

Syndicate 6107 (the 'syndicate') comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market.

These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Regulations'), the applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard 102 ('FRS 102') and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 ('FRS 103').

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss which are measured at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in millions, unless noted otherwise.

Going concern

The financial statements of the syndicate have been prepared on a going concern basis. The syndicate's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Managing agent's report pages 4 - 8. In addition, the Strategic report includes the syndicate's risk management objectives and the entity's objectives, policies and processes for managing its capital.

In assessing the syndicate's going concern position as at 31 December 2023, the managing agent has considered a number of factors, including the current statement of financial position and the syndicate's strategic and financial plan. The assessment concluded that, for the foreseeable future, the syndicate has sufficient capital and liquidity for the 12 months from the date the financial statements are authorised for issue.

Use of estimates and judgements

The preparation of financial statements requires the use of 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. For example, estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as the volatile macroeconomic environment, climate change, international conflicts, and significant changes in legislation. Any revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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.

(a) Valuation of insurance contract liabilities

The most critical estimate included within the syndicate'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 9. 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 of IBNR as at 31 December 2023 included within claims outstanding is $84.5m (2022: $103.7m).

Change of estimate

During the period, the managing agent refined its methodology for estimating claims reserves, including revising the actuarial methodology behind determining the risk margin to determine the appropriate level of margin in reserves. These changes have been accounted for prospectively as a change in estimate. As a result of these changes the reserves were strengthened by $4.1m in the period (on a net of reinsurance basis).

Notes to the syndicate annual accounts continued

1 Accounting policies continued

(b) Premium estimates

Premium written is initially based on the estimated premium income ('EPI') of each contract. 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 underwriters expectation through consultation with brokers, coverholders and internal counterparty views, changes in market conditions, historic experience and to reflect actual cash received for a contract.

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 premiums written 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 that part of the gross premiums written that it is estimated will 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

Claims represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, IBNR and future claims handling provisions. The provision for claims outstanding 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 syndicate 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.

1 Accounting policies continued

(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 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 subsequently charged to the statement of comprehensive income and a liability for unexpired risk provision is established.

(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 syndicate 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.

(g) Investment return

Syndicate 6107 is accounted for on a cash withheld basis on the three youngest underwriting years. An investment return payable by the host syndicates to syndicate 6107 is calculated based on premium and claims held by the host syndicate being used as a proxy for cash, as outlined under the terms of the reinsurance contract. 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

These are contracts entered into by the syndicate with reinsurers under which the syndicate is compensated for losses on contracts issued by the syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Any benefits to which the syndicate 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 and Unexpired Risk Reserve, 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.

Reinsurance assets are assessed for impairment at each reporting date. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of comprehensive income.

(i) Insurance debtors and creditors

Insurance debtors and creditors are recognised when the host syndicate is on risk. These include amounts only due from host syndicate. These are classified as 'insurance debtors and creditors' 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 impairment. Insurance creditors are stated at amortised cost.

Notes to the syndicate annual accounts continued

1 Accounting policies continued

(j) Other debtors

Other debtors principally consist of intercompany debtor balances and are carried at amortised cost less any impairment losses.

(k) Other creditors

Other creditors principally consist of amounts due to related entities and sundry creditors, and are stated at amortised cost determined on the effective interest rate method.

(l) 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.

(m) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any US federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

(n) Pension costs

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

2 Risk management

The managing agent 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 syndicate's risk appetite and explain how it defines and manages each category of risk.

2.1 Insurance risk

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

(a) Underwriting risk

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

- 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.

The annual business plans for each underwriting team reflect the syndicate's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the Board of BFL and monitored by the Underwriting Committee.

2 Risk management continued

The host syndicates' underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

The host also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the host sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of Realistic Disaster Scenarios. The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the syndicate is exposed.

The managing agent uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of the syndicate's reinsurance programmes. Stress and scenario tests are also run using these models. The range of scenarios considered includes natural catastrophe, cyber, marine, liability, political, terrorism and war events.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. With the increasing risk from climate change impacts the frequency and severity of natural catastrophes, the managing agent continues to monitor its exposure. Where possible the managing agent measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The syndicates also has exposure to man-made claim aggregations, such as those arising from terrorism and data breach events. The host syndicate choose to underwrite data breach insurance within the Cyber Risks division using its team of specialist underwriters, claims managers and data breach services managers. Other than for data breach, the host syndicates' preference is to exclude cyber exposure where possible.

To manage underwriting exposures, the managing agent 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 2023, the absolute maximum line that any one underwriter in the host syndicates could commit to was $2.5m (2022: $7.1m). 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.

All underwriters also have a right to refuse renewal or change the terms and conditions of insurance contracts upon renewal. Rate monitoring details, including limits, deductibles, exposures, terms and conditions and risk characteristics are also captured and the results are combined to monitor the rating environment for each class of business.

Operating divisions

All risks are underwritten in the UK under one reinsurance contract. All risks relate to property and cyber reinsurance business.

(b) Reinsurance risk

Reinsurance risk to the syndicate 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.

Notes to the syndicate annual accounts continued

2 Risk management continued

The syndicate's reinsurance programmes complement the underwriting team business plans and seek to protect syndicate capital from an adverse volume or volatility of claims on both a per risk and per event basis. In some cases the syndicate deems it more economic to hold capital than purchase reinsurance. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process.

(c) Claims management risk

Claims management risk may arise within the syndicate in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs in the host syndicates. These risks may damage the Beazley 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 managing agent'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's broader interests. Case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

(d) Reserving and ultimate reserves risk

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

To manage reserving and ultimate reserves risk, the managing agent's 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 syndicate.

The objective of the syndicate's 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.

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

	2023 %	2022 %
US	67	60
Europe [1]	13	18
Other	20	22
	100	**100**

1 Includes UK

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and net assets:

	Impact on profit	
Sensitivity to insurance risk (claims reserves)	2023 $m	2022 $m
5% increase in net claims reserves	(4.4)	(4.8)
5% decrease in net claims reserves	4.4	4.8

2.2 Market risk

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

Foreign exchange risk

The functional and presentational currency of the Syndicate is the US dollar. The effect of this on foreign exchange risk is that the syndicate is exposed to fluctuations in exchange rates for non-dollar denominated transactions and net assets.

2 Risk management continued

The syndicate has four main settlement currencies: US dollars, sterling, Canadian dollars and euro. Transactions in all currencies are converted to US dollars on initial recognition and revalued at the reporting date. Remaining foreign exchange risk is actively managed as described below.

The syndicate's assets are broadly matched by currency to the principal underlying settlement currencies of its insurance liabilities. This helps mitigate the risk that future movements in exchange rates would materially impact the syndicate's assets required to cover its insurance liabilities.

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

31 December 2023	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	20.3	6.7	14.3	41.3	142.0	183.3
Total liabilities	(14.0)	(4.9)	(13.4)	(32.3)	(106.4)	(138.7)
Net assets	**6.3**	**1.8**	**0.9**	**9.0**	**35.6**	**44.6**

31 December 2022	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	21.4	7.8	2.2	31.4	169.4	200.8
Total liabilities	(19.9)	(5.2)	(16.8)	(41.9)	(140.8)	(182.7)
Net assets	**1.5**	**2.6**	**(14.6)**	**(10.5)**	**28.6**	**18.1**

Sensitivity analysis

In 2023, the syndicate managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting net assets to be entirely US dollar denominated. As part of this hedging strategy, exchange rate derivatives may be used to rebalance currency exposure. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

Fluctuations in the syndicate's trading currencies against the US dollar would result in a change to profit and to net asset value. The table below gives an indication of the impact on profit and net assets of a percentage change in relative strength of US dollar against the value of sterling, Canadian dollar and euro, simultaneously. The analysis is based on the current information available and an assumption that the impact of foreign exchange on non-monetary items will be nil.

	Impact on profit for the year ended		Impact on net assets	
Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	2023 $m	2022 $m	2023 $m	2022 $m
Dollar weakens 30% against other currencies	2.7	(3.2)	2.7	(3.2)
Dollar weakens 20% against other currencies	1.8	(2.1)	1.8	(2.1)
Dollar weakens 10% against other currencies	0.9	(1.1)	0.9	(1.1)
Dollar strengthens 10% against other currencies	(0.9)	1.1	(0.9)	1.1
Dollar strengthens 20% against other currencies	(1.8)	2.1	(1.8)	2.1
Dollar strengthens 30% against other currencies	(2.7)	3.2	(2.7)	3.2

Interest rate risk

The syndicate receives an investment return from the host syndicates. The host syndicate is exposed to movement in interest rates and interest rates on its cash deposits.

Price risk

This is not a material risk to the syndicate.

Notes to the syndicate annual accounts continued

2 Risk management continued

2.3 Credit risk

Credit risk arises from the failure of another party to perform its financial or contractual obligations to the syndicate or host syndicate in a timely manner. The primary sources of credit risk for the syndicate are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the host syndicate; and
- cash at bank and in hand.

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

The syndicate and host syndicates limit exposure to a single counterparty or a group of counterparties and analyse the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers, and broker performance is carefully monitored by the host syndicates. Regular exception reports highlight trading with non-approved brokers, and the host syndicates' 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 syndicate has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the Reinsurance Security Committee, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently.

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	R, (U,S) 3

31 December 2023	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Reinsurers' share of outstanding claims	23.8	0.2	–	–	0.9	24.9
Reinsurance debtors	7.0	–	–	–	–	7.0
Cash at bank and in hand	25.7	–	–	–	–	25.7
Total	**56.5**	**0.2**	**–**	**–**	**0.9**	**57.6**

31 December 2022	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Reinsurers' share of outstanding claims	41.0	0.2	–	–	1.2	42.4
Reinsurance debtors	6.6	–	–	–	–	6.6
Cash at bank and in hand	23.2	–	–	–	–	23.2
Total	**70.8**	**0.2**	**–**	**–**	**1.2**	**72.2**

Based on all evidence available, debtors arising out of reinsurance operations and other debtors have not been impaired and no impairment provision has been recognised in respect of these assets.

The syndicate has no insurance debtors and reinsurance assets that are past due but not impaired at the reporting date.

2 Risk management continued

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

2.4 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. As syndicate 6107 is a special purpose syndicate, liquidity risk is not material to the syndicate as all financial instruments have a maturity of less than one year at the reporting date.

2.5 Capital management

Capital framework at Lloyd's

The Society of Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000.

Within this supervisory framework, Lloyd's applies capital requirements at a member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, license and ratings objectives. Although, as described below, the Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at an overall and member level respectively, not at a syndicate level. Accordingly the capital requirement in respect of syndicate 6107 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ('SCR') for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ('ECA'). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, license and ratings objectives. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) and/or as the member's share of the Solvency II members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 15, represent resources available to meet members' and Lloyd's capital requirements.

3 Analysis of underwriting result

All business was concluded in the UK under one reinsurance contract. Expressed as a percentage of gross premiums earned, risks relate to third party liability for 2023 was 69% (2022: 67%) and fire and other damage to property for 2023 was 31% (2022: 33%).

Gross written premium decreased year on year, arising from reduced ceding percentages from syndicates 623 and 2623. The decrease in reinsurance premium year on year relates to a reduction in previously accrued reinstatement premiums associated with Hurricane Ian and re-estimations of reinsurance premium payable on proportional reinsurance contracts.

Notes to the syndicate annual accounts continued

4 Net operating expenses

	2023 $m	2022 $m
Acquisition costs	6.2	10.3
Change in deferred acquisition costs	1.7	2.9
Administrative expenses	0.1	0.1
Reinsurance commissions and profit participation	6.3	10.4
Profit commissions payable[1]	1.0	0.9
	15.3	**24.6**

1 Profit commission included in Net operating expenses.

Administrative expenses include:

	2023 $m	2022 $m
Fees payable to the syndicate’s auditor for the audit of these syndicate annual accounts	0.1	0.1
Fees payable to the syndicate’s auditor and its associates in respect of:		
Other services pursuant to legislation	0.1	0.1
	0.2	**0.2**

Fees payable to the syndicate's auditor in relation to other services pursuant to legislation primarily relate to the review and audit of syndicate regulatory returns along with the statement of actuarial opinion.

5 Net investment return

Investment income of $3.6m (2022: $1.8m) predominantly relates to investment income allocated to the syndicate from syndicates 2623 and 623.

6 Other debtors

	2023 $m	2022 $m
Amounts due from syndicate 2623	86.8	78.0
Amounts due from syndicate 623	19.0	17.9
Amounts due from members	0.7	0.6
	106.5	**96.5**

The above balances are due within one year,

7 Creditors

	2023 $m	2022 $m
Creditors arising out of reinsurance operations	5.7	11.2
Amounts due to other related entities	0.3	0.2
Sundry creditors including taxation	1.4	1.4
	7.4	**12.8**

The above creditor balances are payable within one year.

8 Deferred acquisition costs

	2023 $m	2022 $m
Balance at 1 January	7.8	13.2
Change in deferred commission	(1.7)	(2.9)
Change in other deferred costs	(1.5)	(2.5)
Balance at 31 December	**4.6**	**7.8**

9 Technical provisions

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2023	31.0	138.7
Change in the technical provision	(13.5)	(25.8)
Exchange adjustments	0.1	0.7
As at 31 December 2023	**17.6**	**113.6**
Reinsurers' share of technical provisions		
As at 1 January 2023	3.2	42.4
Change in the technical provision	(2.4)	(17.5)
As at 31 December 2023	**0.8**	**24.9**
Net technical provisions		
As at 1 January 2023	27.8	96.3
As at 31 December 2023	**16.8**	**88.7**

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2022	51.6	145.3
Change in the technical provision	(20.2)	(3.4)
Exchange adjustments	(0.4)	(3.2)
As at 31 December 2022	**31.0**	**138.7**
Reinsurers' share of technical provisions		
As at 1 January 2022	6.1	48.8
Change in the technical provision	(2.8)	(6.3)
Exchange adjustments	(0.1)	(0.1)
As at 31 December 2022	**3.2**	**42.4**
Net technical provisions		
As at 1 January 2022	45.5	96.5
As at 31 December 2022	**27.8**	**96.3**

Notes to the syndicate annual accounts continued

9 Technical provisions continued

Gross amounts	2013 ae $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Total												
12 months		16.1	29.1	29.9	81.4	65.7	78.1	55.4	86.3	60.4	23.3	
24 months		8.5	13.6	17.0	71.3	79.9	48.6	65.9	77.3	44.9		
36 months		8.1	9.5	16.4	77.7	71.2	38.3	62.6	70.4			
48 months		7.4	9.7	16.9	74.1	65.6	35.8	62.7				
60 months		7.4	9.9	16.5	73.0	64.0	34.1					
72 months		7.2	9.7	16.4	70.7	62.5						
84 months		7.2	9.4	16.0	69.1							
96 months		7.2	9.2	16.0								
108 months		7.2	9.2									
120 months		7.2										
Total ultimate losses	41.0	7.2	9.2	16.0	69.1	62.5	34.1	62.7	70.4	44.9	23.3	440.4
Less paid claims	(40.5)	(7.1)	(7.8)	(16.0)	(64.6)	(55.7)	(25.8)	(42.3)	(40.8)	(12.8)	(1.3)	(314.7)
Less unearned portion of ultimate losses	—	—	—	—	—	—	—	—	—	(0.1)	(12.0)	(12.1)
Gross claims liabilities	**0.5**	**0.1**	**1.4**	**—**	**4.5**	**6.8**	**8.3**	**20.4**	**29.6**	**32.0**	**10.0**	**113.6**

Net amounts	2013 ae $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Total												
12 months		12.6	24.7	24.6	56.4	50.3	55.6	52.7	54.0	50.0	22.5	
24 months		8.0	12.1	14.3	55.0	54.0	45.5	65.2	56.7	44.7		
36 months		7.8	8.7	15.7	56.7	48.8	36.4	61.4	50.7			
48 months		7.3	9.2	14.5	57.5	43.5	35.2	61.3				
60 months		7.3	9.2	15.0	57.3	45.0	33.6					
72 months		7.2	9.3	15.1	55.8	45.0						
84 months		7.2	9.1	15.4	55.0							
96 months		7.2	9.0	15.6								
108 months		7.2	8.9									
120 months		7.2										
Total ultimate losses	41.0	7.2	8.9	15.6	55.0	45.0	33.6	61.3	50.7	44.7	22.5	385.5
Less paid claims	(40.5)	(7.1)	(7.7)	(15.6)	(51.7)	(43.8)	(25.4)	(41.3)	(34.4)	(12.8)	(1.3)	(281.6)
Less unearned portion of ultimate losses	—	—	—	—	—	—	—	—	—	(0.1)	(15.1)	(15.2)
Net claims liabilities	**0.5**	**0.1**	**1.2**	**—**	**3.3**	**1.2**	**8.2**	**20.0**	**16.3**	**31.8**	**6.1**	**88.7**

10 Related parties transactions

The business written by syndicate 6107 is ceded from syndicates 2623 and 623, for which syndicate 6107 pays an overrider commission and a profit commission. The profit commission payable is disclosed in note 4 and the overrider commission is included within operating expenses.

The intercompany positions with other entities related to BFL at 31 December 2023 are included in note 6 and note 7.

The intercompany positions with other syndicates managed by BFL at 31 December 2023 are disclosed above in note 6 and note 7 respectively.

BFL, the managing agent of syndicate 6107, is a wholly-owned subsidiary of Beazley plc. The directors of BFL during the period covered by these syndicate annual accounts who participated on syndicate 623, managed by the managing agent, indirectly through Beazley Staff Underwriting Limited are as follows:

	2022 year of account underwriting capacity £	2023 year of account underwriting capacity £	2024 year of account underwriting capacity £
A P Cox	400,000	400,000	400,000
S M Lake	100,000	250,000	—
I Fantozzi	350,000	400,000	400,000
R Anarfi	100,000	112,143	175,000
R Quane	100,000	100,000	150,000

The directors of BFL who held office during the period covered by this report have shareholdings in Beazley plc which provides the capacity for syndicates 2623, 3622, 3623, on 2022 and 2023 year of account for 4321, and 2023 year of account for 5623.

11 Subsequent events

There have been no balance sheet events which have occurred between the reporting date and the date which the financial statements have been signed, for which an adjustment and or disclosure is required. The 2021 year of account has closed with a profit of $27.2m.

2021 underwriting year of account for Syndicate 6107

Managing agent's report

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Lloyd's Regulations') and in accordance with the Syndicate Accounting Byelaw (No.9 of 2005), including Financial Reporting Standard 102 (FRS 102) and Insurance Contracts 103 (FRS 103) in accordance with the provisions of Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Members participate on a syndicate by reference to a year of account ('YOA') and each syndicate YOA is a separate annual venture. These accounts relate to the 2021 YOA which has been closed by reinsurance to close at 31 December 2023; consequently the balance sheet represents the assets and liabilities of the 2021 year of account and the profit or loss account reflects the transactions for that YOA during the 36 months period until closure. The 2021 closed YOA profit of $27.2m includes a reinsurance to close surplus from the 2020 YOA of $2.8m (note 7). This profit on the 2021 YOA represents a return on capacity of 30.8% and includes the impact of personal members expenses of $0.2m. Return on capacity excluding these expenses would be 31.0%.

Principal activity

Please refer to the managing agent's report in syndicate 6107 annual accounts for details around the principal activities of the syndicate.

Directors

A list of directors of the managing agent who held office during the current year can be found on page 45 of this document.

Disclosure of information to the auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate'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 syndicate's auditor is aware of that information.

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the Board

S M Lake
Finance Director

28 February 2024

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- assess the syndicate'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 cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

The directors of the managing agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts 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.

On behalf of the Board

S M Lake
Finance Director

28 February 2024

Independent auditor's report to the members of Syndicate 6107 2021 closed year of account

Opinion

We have audited the syndicate underwriting year accounts for the 2021 year of account of syndicate 6107 ('the syndicate') for the three years ended 31 December 2023 which comprise the Profit or Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11, 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 syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2021 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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 syndicate underwriting year accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts 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.

Emphasis of matter – closure of the 2021 year of account

We draw attention to the Note 1 which explains that the 2021 year of account of syndicate 6107 has closed and all assets and liabilities transferred to the 2022 year of account by reinsurance to close at 31 December 2023.

As a result, the syndicate underwriting year accounts for the 2021 year of account of syndicate 6107 have been prepared under basis other than going concern.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Underwriting Year report and accounts other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the Underwriting Year report and accounts.

Our opinion on the syndicate underwriting year accounts 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 syndicate underwriting year accounts 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 syndicate underwriting year accounts 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.

Independent auditor's report to the members of Syndicate 6107 2021 closed year of account continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 32 the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts 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 syndicate underwriting year accounts.

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 managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate underwriting year accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter, or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including :
  - Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of insurance liabilities and the recognition of estimated premium income.
  - Evaluating the business rationale for significant and/or unusual transactions.

These procedures included testing manual journals and were designed to provide reasonable assurance that the underwriting accounts were free from fraud or error.

A further description of our responsibilities for the audit of 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 syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

28 February 2024

Profit or loss account

2021 year of account for the 36 months ended 31 December 2023

	Notes	2021 year of account $m
Gross premiums written		117.1
Outward reinsurance premiums		(16.4)
Earned premiums, net of reinsurance		**100.7**
Allocated investment return transferred from the non-technical account		2.9
Reinsurance to close premiums received, net of reinsurance	4	42.1
		45.0
Reinsurance to close premiums payable, net of reinsurance	5	(46.6)
Gross claims paid		(50.2)
Reinsurers' share		6.8
Claims incurred, net of reinsurance		**(90.0)**
Net operating expenses	6	(28.5)
Balance on the technical account		**27.2**
Gain on foreign exchange		—
Investment return		2.9
Allocated investment return transferred to the technical account		(2.9)
Profit for the 2021 closed YOA	7	**27.2**

Syndicate allocated capacity (£m)	70.5
Profit for the 2021 closed YOA (£m)	21.7
Return on capacity	30.8%

There are no recognised gains or losses in the accounting period other than those dealt with within the profit or loss account above.

Statement of changes in members' balances

for the 36 months ended 31 December 2023

	2021 year of account $m
Profit for the 2021 closed YOA	27.2
Amounts due to members at 31 December 2023	27.2

Members participate in syndicates by reference to YOA and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that YOA in respect of their membership of a particular year.

Balance sheet
closed at 31 December 2023

	Notes	2021 year of account $m
Assets		
Debtors	8	52.7
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	5	20.3
Cash at bank and in hand		25.7
Prepayments and accrued income		0.7
Total assets		**99.4**
Members' balances and liabilities		
Members' balances		
Amounts due from members	9	27.2
Liabilities		
Reinsurance to close premium payable to close the account – gross amount	5	70.8
Creditors	10	1.4
Total liabilities		**99.4**

The underwriting year accounts on pages 36 to 43 were approved by the Board of Directors on 28 February 2024 and were signed on its behalf by:

A P Cox
Chief Executive Officer

S M Lake
Finance Director

Cash flow statement

2021 year of account for the 36 months ended 31 December 2023

	2021 year of account $m
Reconciliation of profit for the financial year to net cash inflow from operating activities	
Profit for the 2021 closed YOA	27.2
Increase in gross reinsurance to close premium payable	70.8
Increase in reinsurance recoveries on reinsurance to close premium	(20.3)
Increase in debtors, prepayments and accrued income	(53.4)
Increase in creditors	1.4
Investment return received	(2.9)
Net cash inflows from operating activities	**22.8**
Investment return received	2.9
Net cash inflows from investing activities	**2.9**
Net increase in cash and cash equivalents	**25.7**
Cash and cash equivalents at 1 January 2021	–
Cash and cash equivalents at 31 December 2023	**25.7**

Notes to the syndicate underwriting year accounts

closed at 31 December 2023

1 Accounting policies

Basis of preparation

These underwriting accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102) and Insurance Contracts (FRS 103). They have also been prepared in accordance with Lloyd's Syndicate Accounting Byelaw (N0.8 of 2005) and in accordance with the provisions of Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2021 year of account ('YOA') which closed on 31 December 2023. The accumulated profits of the 2021 YOA will be distributed shortly after publication of these accounts. Therefore the 2021 YOA is not continuing to trade and, accordingly, the directors have not adopted the going concern basis in the preparation of these accounts. The amounts reported would be identical if the accounts had been prepared on a going concern basis as the 2021 YOA will be closed by payment of a reinsurance to close premium, as outlined in note (a) below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach applied to earlier underwriting years.

The principal accounting policies applied in the preparation of these underwriting accounts are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in millions, unless noted otherwise.

Underwriting transactions

(a) The underwriting accounts for each YOA are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the YOA to be closed by payment of a reinsurance to close premium to the successor YOA.

(b) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the YOA to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the YOA into which the arrangement incepts. Additional and return premiums follow the YOA of the original premium. Premiums in respect of reinsurance ceded are attributed to the same year as the original risk being protected. Gross premiums are stated before the deduction of brokerage, taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified.

(c) Gross claims paid are allocated to the same YOA as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the YOA to which the claim was charged.

(d) A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing YOA, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

(e) The reinsurance to close premium is determined by reference to outstanding liabilities, including claims incurred but not yet reported, relating to the closed year and to all previous closed years reinsured therein. Although the estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium includes a provision for unearned premiums and unexpired risks at the balance sheet date, net of deferred acquisition costs.

(f) Please refer to note 1 Accounting policies in syndicate 6107 annual accounts for details around measurement of insurance contracts.

Comparatives

(g) Comparatives are not provided in these syndicate underwriting year accounts as each syndicate YOA is a separate annual venture.

Investment return

(h) Investment return consists of the syndicates share of the host syndicate's investment return. The investment return is wholly allocated to the technical account.

1 Accounting policies continued

Syndicate operating expenses

(i) Acquisition costs comprise brokerage, premium levy, and staff related costs of the underwriters acquiring the business. Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate. Where expenses do not relate to any specific YOA they are apportioned between years of account on a basis which reflects the benefit obtained by each YOA from each type of expense.

(j) Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned as follows:
- salaries and related costs – according to the staff time spent on dealing with syndicate matters;
- accommodation costs – proportioned based on the overall staff costs allocation above; and
- other costs – as appropriate in each case.

Taxation

(k) Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with the Inland Revenue.

(l) No provision has been made for any US federal income tax payable on the underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Basis of currency translation

(m) The functional and presentational currency of the syndicate is US dollars. Non-USD denominated items going through the profit or loss account are translated to US dollars at the three years' average rates of exchange. Assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date.

2 Risk management

The 2021 YOA has closed and all assets and liabilities have been transferred to a reinsuring YOA. The result for the YOA was declared in sterling so there is no exchange rate risk. To this extent, the risks that it is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open YOA's as disclosed in the syndicate annual accounts. Accordingly, these underwriting year accounts do not have associated risk disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the syndicate annual accounts.

3 Analysis of underwriting result

All business was concluded in the UK under one reinsurance contract. All risks relate to property (33%), digital (6%) and cyber (61%) business.

4 Reinsurance to close premiums received

	2021 year of account $m
Gross reinsurance to close premiums received	54.0
Reinsurance recoveries anticipated	(11.9)
Reinsurance to close premiums received, from 2020 and earlier, net of reinsurance	**42.1**

Notes to the syndicate underwriting year accounts
closed at 31 December 2023 continued

5 Reinsurance to close premiums payable

	2021 year of account $m
Gross reinsurance to close premiums through profit and loss	70.3
Reinsurance recoveries anticipated through profit and loss	(23.7)
Foreign exchange	3.9
Reinsurance to close premiums payable to 2022 net of reinsurance	**50.5**

	Reported $m	IBNR $m	Total $m
Gross reinsurance to close premium payable	21.4	49.4	70.8
Reinsurance recoveries anticipated	(6.6)	(13.7)	(20.3)
Reinsurance to close premiums payable, net of reinsurance	**14.8**	**35.7**	**50.5**

6 Net operating expenses

	2021 year of account $m
Acquisition costs	28.8
Reinsurance commissions and profit participation	(0.4)
Administrative expenses	0.1
	28.5

Administrative expenses include:	$m
Audit services	0.1

7 Analysis of the 2021 year of account result

	2021 year of account $m
Amount attributable to business allocated to the 2021 year of account	24.4
Surplus on the reinsurance to close for the 2020 year of account	2.8
	27.2

8 Debtors

	2021 year of account $m
Debtors arising out of direct insurance operations	3.7
Debtors arising out of reinsurance operations	7.0
Amounts due from other syndicates	41.5
Other debtors	0.5
	52.7

These balances are due within one year.

9 Amounts due to members

	2021 year of account $m
Profit for the 2021 closed YOA before standard personal expenses	27.4
Members standard personal expenses	(0.2)
Amounts due to members at 31 December 2023	**27.2**

10 Creditors

Amounts due to other creditors including taxation for 2021 YOA were $1.4m, relate to "creditors arising out of direct insurance operations" in the year. Balances are payable within one year.

11 Related parties transactions

Please refer to page 29 of the syndicate annual accounts for further details of related party transactions for the 2021 YOA.

The business written by syndicate 6107 is ceded from syndicates 2623 and 623, for which syndicate 6107 pays an overrider commission and a profit commission. The profit commission payable and the overrider commission are included within operating expenses and are disclosed in note 6. As at the balance sheet date, the 2021 YOA has a receivable from Beazley Management Limited ('BML') of $0.4m, and this is included in other debtors, disclosed within note 8. BML provides services to the managing agent, and by extension, to the syndicate.

The intercompany positions with other syndicates managed by BFL at 31 December 2023 are disclosed above in note 8.

All transactions between the syndicate and companies within the Group are conducted on normal market terms.
BFL as the managing agent of the syndicate is responsible for settling intercompany balances with other managed syndicates and net amounts due to/from other related entities.

BFL, the managing agent of syndicate 6107, is a wholly-owned subsidiary of Beazley plc.

Seven-year summary of closed year results (unaudited)

at 31 December 2023

	2021	2020	2019	2018	2017	2016	2015
Syndicate allocated capacity – £'m	70.5	69.5	67.6	55.1	46.6	28.6	28.6
Syndicate allocated capacity – $'m	87.4	88.3	89.3	71.6	62.4	44.9	48.9
Capacity utilised	98%	85%	72%	83%	84%	87%	79%
Aggregate net premiums – $'m	85.2	75.0	55.0	43.8	45.1	32.3	33.5
Underwriting profit as a percentage of gross premiums	23.7%	8.8%	36.1%	(9.3%)	(26.2%)	43.6%	68.2%
Return on capacity	30.8%	(1.0)%	16.9%	(8.9%)	(27.9%)	33.3%	50.6%
Results for an illustrative £10,000 share							
Gross premiums – $'000s	14.4	10.8	9.5	10.7	11.8	11.3	13.6
Net premiums	12.1	9.2	8.1	7.9	9.7	11.3	11.7
Reinsurance to close from an earlier account	6.0	4.5	4.0	3.7	1.7	1.9	1.9
Net claims	(6.1)	(6.6)	(4.0)	(7.9)	(9.9)	(4.4)	(2.6)
Reinsurance to close the year of account	(6.7)	(6.2)	(4.7)	(4.8)	(4.4)	(2.9)	(1.8)
Underwriting profit/(loss)	5.3	0.9	3.4	(1.0)	(3.0)	5.9	9.2
Profit/(loss) on foreign exchange	0.1	0.1	–	0.4	–	—	0.2
Syndicate operating expenses	(1.9)	(1.2)	(1.3)	(0.9)	(0.9)	(0.1)	(0.9)
Balance on technical account	3.5	(0.2)	2.1	(1.6)	(3.9)	5.8	8.5
Gross investment return	0.4	0.1	0.1	0.4	0.3	0.6	0.3
Profit/(loss) before personal expenses	3.9	(0.1)	2.2	(1.2)	(3.6)	6.4	8.8
Illustrative personal expenses							
Illustrative personal expenses	—	—	—	—	—	(0.1)	(0.1)
Managing agent's profit commission	—	—	—	—	—	(2.0)	(2.0)
Profit/(loss) after illustrative profit commission and personal expenses ($)	3.9	(0.1)	2.2	(1.2)	(3.6)	4.3	6.7
Profit/(loss) after illustrative profit commission and personal expenses (£)	3.1	(0.1)	1.7	(0.9)	(2.8)	3.3	5.1

Notes:
1 The illustrative profit commission and personal expenses are estimates of amounts which might be charged on an illustrative share of £10,000. The agency agreements for 1991 and subsequent years of account only provide for the deduction of fees and profit commission on behalf of the managing agent.
2 The effect of any minimum charges on personal expenses or deficit clauses on profit commission have been ignored.
3 Internal claims settlement expenses have been included in 'net claims'.
4 The above figures are stated before members' agents' fees.
5 Profit after illustrative profit commission and personal expenses is shown in dollars and converted to sterling at the closing rate.
6 Gross and net premium amounts shown above are net of brokerage expenses.

Managing agent's corporate information

Beazley Furlonge Limited has been the managing agent of syndicate 6107 throughout the period covered by this report and the registered office is 22 Bishopsgate, London, EC2N 4BQ, United Kingdom.

Directors

R A Stuchbery* - Chair (appointed 18/12/2023)
A P Cox - Chief Executive Officer and Active Underwriter
G P Blunden**
C C R Bannister* (appointed 08/02/2023)
C LaSala* - (resigned 18/12/2023)
N H Furlonge* - (resigned 31/12/2023)
A J Reizenstein*
L Santori*
N Walll*
R S Anarfi
I Fantozzi - (resigned 01/03/2023)
S M Lake
R E Quane

* Non-Executive Director.
** George Blunden resigned from his role as interim chair on 18/12/2023.

Company secretary

C P Oldridge (resigned 29/06/2023)
R Yeoman (appointed 29/06/2023)

Managing agent's registered office

22 Bishopsgate
London
EC2N 4BQ
United Kingdom

Registered number

01893407

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
Winchester House
London
1 Great Winchester Street
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Syndicate 6107
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