Consolidated statement of profit or loss

for the year ended 31 December 2023

	Note	2023 $m	2022[1] $m
Insurance revenue	5	5,442.4	4,848.4
Insurance service expenses	6	(3,592.6)	(4,014.0)
Allocation of reinsurance premium	7	(1,127.3)	(965.4)
Amounts recoverable from reinsurers for incurred claims	7	528.5	953.9
Insurance service result		**1,251.0**	**822.9**
Net investment income/(loss)	8	480.2	(179.7)
Net finance (expense)/income from insurance contracts issued	8	(169.3)	279.5
Net finance income/(expense) from reinsurance contracts held	8	15.9	(96.5)
Net insurance and financial result		**1,577.8**	**826.2**
Other income	9	78.5	32.1
Operating expenses[2]	10	(365.8)	(217.6)
Foreign exchange gains/(losses)		4.5	(17.3)
Results from operating activities		**1,295.0**	**623.4**
Finance costs	12	(40.6)	(39.4)
Profit before tax		**1,254.4**	**584.0**
Tax expense	13	(227.6)	(100.7)
Profit after tax for the year		**1,026.8**	**483.3**
Earnings per share (cents per share):			
Basic	14	154.7	79.0
Diluted	14	151.4	78.0
Earnings per share (pence per share):			
Basic	14	124.8	63.4
Diluted	14	122.1	62.6

1 The Group has restated its consolidated statement of profit or loss for the year ended 31 December 2022 following the adoption of IFRS 17. The earnings per share for this year has also been restated - refer to Note 14 for further details.
2 The Group has not presented its impairment losses determined in accordance with IFRS 9 separately in the statement of profit or loss as the amounts are not material. These are included within operating expenses.

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	2023 $m	2022[1] $m
Profit after tax for the year		1,026.8	483.3
Items that will never be reclassified to profit or loss:			
Loss on remeasurement of retirement benefit obligations	17	(0.1)	(12.5)
Tax credit on defined benefit obligation		0.7	2.7
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation gains/(losses)		5.7	(12.6)
Total other comprehensive income/(expense)		6.3	(22.4)
Total comprehensive income recognised		**1,033.1**	**460.9**

1 Profit after tax for the year and foreign exchange translation differences have been restated for the year ended 31 December 2022 following the adoption of IFRS 17.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance as at 31 December 2021 (previously reported)		42.9	5.3	(97.2)	(4.0)	2,183.8	2,130.8
IFRS 17 adjustment[1]		–	–	–	–	59.4	59.4
Restated balance as at 01 January 2022		**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,243.2**	**2,190.2**
Total comprehensive (expense) /income		–	–	(12.6)	–	473.5	460.9
Dividend paid	15	–	–	–	–	(103.0)	(103.0)
Acquisition of own shares held in trust	23	–	–	–	(17.8)	–	(17.8)
Issue of shares	22	0.1	0.8	–	–	–	0.9
Equity raise	22	3.6	3.6	–	397.2	–	404.4
Transfer of merger reserve to retained earnings		–	–	–	(397.2)	397.2	–
Equity settled share based payments	23	–	–	–	15.7	–	15.7
Tax on share option vestings	23	–	–	–	3.1	0.6	3.7
Transfer of shares to employees	23	–	–	–	(4.6)	4.6	–
Balance at 31 December 2022		**46.6**	**9.7**	**(109.8)**	**(7.6)**	**3,016.1**	**2,955.0**
IFRS 9 adjustment[1]		–	–	–	–	(1.0)	(1.0)
Balance at 01 January 2023		**46.6**	**9.7**	**(109.8)**	**(7.6)**	**3,015.1**	**2,954.0**
Total comprehensive income		—	—	5.7	—	1,027.4	1,033.1
Dividend paid	15	—	—	—	—	(107.7)	(107.7)
Issue of shares	22	0.1	0.9	—	—	—	1.0
Equity settled share based payments	23	—	—	—	36.2	—	36.2
Acquisition of own shares held in trust	23	—	—	—	(33.6)	—	(33.6)
Tax on share option vestings	23	—	—	—	0.7	(1.6)	(0.9)
Transfer of shares to employees	23	—	—	—	(8.5)	8.5	—
Balance at 31 December 2023		**46.7**	**10.6**	**(104.1)**	**(12.8)**	**3,941.7**	**3,882.1**

1 Refer to Note 2 which shows the opening balance sheet ("OBS") positions and equity adjustments on adoption of both IFRS 17 and IFRS 9.

Consolidated statement of financial position

as at 31 December 2023

	Note	31 December 2023 $m	31 December 2022[1] $m	1 January 2022[1] $m
Intangible assets	16	165.3	128.8	123.5
Plant and equipment		15.9	14.9	19.2
Right-of-use assets	27	59.4	60.5	75.5
Deferred tax asset[2]	25	46.9	30.8	18.0
Retirement benefit asset	17	4.5	4.6	18.1
Insurance contract assets	28	101.5	84.1	—
Reinsurance contract assets	28	2,426.7	2,175.3	1,674.3
Financial assets at fair value	18	9,665.5	8,345.6	7,283.5
Other assets[2]	20	354.2	204.2	238.1
Current tax asset		13.2	11.7	11.9
Cash and cash equivalents	21	812.3	652.5	591.8
Total assets		**13,665.4**	**11,713.0**	**10,053.9**
Share capital	22	46.7	46.6	42.9
Share premium		10.6	9.7	5.3
Foreign currency translation reserve		(104.1)	(109.8)	(97.2)
Other reserves	23	(12.8)	(7.6)	(4.0)
Retained earnings		3,941.7	3,016.1	2,243.2
Total equity		**3,882.1**	**2,955.0**	**2,190.2**
Deferred tax liability	25	202.2	79.2	15.0
Financial liabilities	18	554.6	562.5	554.7
Lease liabilities	27	76.6	72.7	84.3
Insurance contract liabilities	28	7,992.2	7,349.8	6,559.5
Reinsurance contract liabilities	28	333.5	161.2	139.7
Current tax liability		13.7	8.6	24.5
Other liabilities	29	610.5	524.0	486.0
Total liabilities		**9,783.3**	**8,758.0**	**7,863.7**
Total equity and liabilities		**13,665.4**	**11,713.0**	**10,053.9**

1 The Group has restated its consolidated statement of financial position as at 01 January 2022 and 31 December 2022 following the adoption of IFRS 17. Refer to Note 2 which sets out the full impact by balance sheet line item.

2 The Group recognised IFRS 9 expected credit losses ("ECLs") of $1.3m against its other receivables as at 01 January 2023, offset by $0.3m of deferred tax assets. Refer to Note 2 for further details.

The financial statements were authorised for issue by the Board of Directors on 6 March 2024 and were signed on its behalf by:

C Bannister
Chair

S M Lake
Group Finance Director

6 March 2024

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note	2023 $m	2022[1] $m
Cash flows from operating activities:			
Profit before tax		**1,254.4**	**584.0**
Adjustments for non-cash items:			
Interest and dividends receivable on financial assets	8	(215.3)	(101.1)
Finance costs payable	12	40.6	39.4
Net fair value (gains)/losses on financial assets	8	(325.2)	274.4
Other non-cash items[2]		45.7	62.6
Changes in operational assets and liabilities:			
Increase in net insurance and reinsurance contract liabilities	28	545.9	226.7
Increase in other liabilities	29	86.5	38.0
(Increase)/decrease in other assets	20	(150.0)	33.9
Purchases of investments		(7,115.9)	(6,645.4)
Proceeds from sale of investments		6,129.8	5,325.3
Interest and dividends received on financial assets	8	207.4	94.2
Tax paid		(110.7)	(61.1)
Net cash in/(out)flows from operating activities		**393.2**	**(129.1)**
Cash flows from investing activities:			
Purchase of plant and equipment		(4.3)	(1.0)
Expenditure on software development and other intangible assets	16	(50.9)	(22.7)
Net cash outflows from investing activities		**(55.2)**	**(23.7)**
Cash flows from financing activities:			
Acquisition of own shares in trust		(33.6)	(17.8)
Payment of lease liabilities	27	(12.0)	(11.6)
Equity raise		—	404.4
Finance costs paid	12	(37.5)	(36.3)
Dividend paid	15	(107.7)	(103.0)
Net cash (out)/inflows from financing activities		**(190.8)**	**235.7**
Net increase in cash and cash equivalents		147.2	82.9
Opening cash and cash equivalents		652.5	591.8
Effect of exchange rate changes on cash and cash equivalents		12.6	(22.2)
Closing cash and cash equivalents	**21**	**812.3**	**652.5**

1 The consolidated statement of cash flows has been restated for the year ended 31 December 2022 following the adoption of IFRS 17.
2 Other non-cash items includes amounts relating to depreciation, amortisation, and foreign exchange differences.

Notes to the financial statements

Notes to the financial statements

1 General information

1a Nature of operations

Beazley plc (registered number 09763575) is a public company incorporated in England and Wales. The Company's registered address is 22 Bishopsgate, London, EC2N 4BQ, United Kingdom. The principal activity of the Company and its subsidiaries ("the Group") is to participate as a specialist insurer which transacts primarily in commercial lines of business through its subsidiaries and Lloyd's syndicates. The Group's consolidated financial statements for the year ended 31 December 2023 comprise the parent company, its subsidiaries and the Group's interest in associates. For the separate parent company financial statements, refer to page 246.

1b Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2006. These are prepared on the historical cost basis, with the exception of financial assets and derivative financial instruments which are stated at their fair value, and the defined benefit pension asset which is measured at the fair value of plan assets less the present value of the defined benefit pension obligation. All amounts are presented in US dollars and millions, unless stated otherwise.

1c New accounting standards

International Financial Reporting Standard 17, Insurance Contracts ("IFRS 17")
IFRS 17 replaces IFRS 4 for annual periods beginning on or after 01 January 2023. The Group has applied the transitional provisions per Appendix C of IFRS 17 and taken a fully retrospective approach, restating comparative information for the year ended 31 December 2022.

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")
IFRS 9 was issued by the International Accounting Standards Board ("IASB") in July 2014 and became effective for accounting periods beginning on or after 01 January 2018. The Group previously applied the amendment issued by the IASB which exempted eligible entities from applying IFRS 9 until accounting periods beginning on or after 01 January 2023.

1d Amendments to existing standards

In the current year, the Group has applied several amendments to IFRS issued by the IASB and endorsed by the UK Endorsement Board ("UKEB") that are mandatorily effective for accounting periods beginning on or after 01 January 2023. Of these, the following amendments have not had a material impact on the Group on adoption:

- Amendment to IAS 8 - Definition of Accounting Estimates;
- Amendment to IAS 1 - Disclosure of Accounting Policies; and
- Amendment to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The Group has also applied the amendment to IAS 12 - International Tax Reform - Pillar Two Model Rules from 01 January 2023, as issued by the IASB and endorsed by the UKEB. This amendment was issued in response to the Pillar Two framework issued by the Organisation for Economic Co-operation and Development, which aims to ensure that large multinational enterprises pay a minimum effective corporate tax rate of 15% on the income arising in each jurisdiction in which they operate. The amendment introduces a mandatory temporary exemption from recognising and disclosing deferred taxes arising from the Pillar Two rules. For jurisdictions in which legislation has been substantively enacted, the Group has applied this exemption. Refer to Note 13 for further details.

The IASB has issued a number of other minor amendments to standards which are not yet effective at the reporting date and have not been applied in preparing these financial statements. These have been endorsed by the UKEB with an effective date of 01 January 2024 unless noted otherwise below. None of these are expected to have a material impact on the Group.

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants;
- Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback;
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangement Disclosures;
- Amendment to IAS 21 - Lack of exchangeability (not yet endorsed, effective date 01 January 2025); and
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet endorsed, effective date postponed indefinitely).

Notes to the financial statements continued

1 General information continued

1e Going concern

The consolidated financial statements of Beazley plc have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's current and forecast solvency and liquidity positions for the 12 months from the date that the financial statements are authorised for issue. The Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out in the strategic report contained in this Annual Report & Accounts. In addition, the risk report and financial review includes the Group's risk management objectives and the Group's objectives, policies and processes for managing its capital.

In assessing the Group's going concern position as at 31 December 2023, the Directors have considered a number of factors, including:

- the current statement of financial position and in particular the adequacy of technical provisions;
- the Group's strategic and financial plan, taking account of possible changes in trading performance and funding retention;
- the Group's capital forecast, which takes into account the capital requirements of major subsidiaries and their current external credit rating and outlook;
- the Group's liquidity at both a Group and material Subsidiary level;
- stress testing and scenario analysis assessing the impact of natural and cyber catastrophe events on the Group's capital and liquidity positions and reverse stress test scenarios designed to render the business model unviable; and
- other qualitative factors, such as the market environment, the Group's ability to raise additional capital and/or liquidity, and climate change.

For further details, refer to the Viability Statement on Page 73 of this Annual Report & Accounts.

As a result of the assessment, no material uncertainty in relation to going concern has been identified. As at its most recent regulatory submission, the Group's capital ratios and its total capital resources are comfortably in excess of regulatory solvency requirements, and internal stress testing indicates that the Group can withstand severe economic and competitive stresses.

Based on the going concern assessment performed, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of 12 months from the date of this report being authorised for issue, and therefore believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

2 Impact of new accounting standards

2a IFRS 17

i. Transition

IFRS 17 Insurance Contracts is a new accounting standard applicable for reporting periods beginning on or after 01 January 2023. The accounting policies applied by the Group on adoption of IFRS 17 have been disclosed in Note 3b.

The Group has applied the transitional provisions under IFRS 17, meaning changes in accounting policies resulting from the adoption of IFRS 17 have been applied on a fully retrospective basis. This required assumptions to be made (for example, in relation to discount rates and the risk adjustment for non-financial risk) based on what management’s intentions would have been in previous periods.

Under the fully retrospective approach, the Group has made the following changes to classification and measurement as at 01 January 2022.

- The Group has elected to apply the General Measurement Model (“GMM”) to the insurance and reinsurance contracts that it issues, and applies the GMM with certain prescribed modifications to the reinsurance contracts that it holds. This is the default measurement model under IFRS 17.
- Insurance contracts issued are identified and recognised by management as those contracts under which significant insurance risk is accepted from another party (either the policyholder or the cedant) by agreeing to compensate the third party if a specified uncertain future event ("the insured event") adversely affects the policyholder or cedant. This category also includes some reinsurance contracts which are issued by the Group.
- Reinsurance contracts held are those under which the Group acts as cedant as opposed to reinsurer. These are measured separately from the underlying contracts to which the arrangement relates.
- The Group allocates insurance contracts to portfolios based on whether they share similar risk characteristics and are managed together. Generally, all insurance contracts within a product line (being similar types of underlying coverage and geography) represent a portfolio of contracts.
- For each portfolio, contracts issued within a calendar year (i.e. annual cohorts) are further disaggregated into groups based on those which are/are not onerous at initial recognition. The non-onerous contracts are further broken down into those which do and do not have a significant possibility of becoming onerous subsequently. Note that onerous here means that the expected costs of meeting contractual obligations will exceed the expected economic benefits.
- These groups represent the level of aggregation at which insurance contracts are initially recognised and measured, and such groupings are not subsequently reconsidered.
- The Group measures its insurance contracts issued and reinsurance contracts held as the sum of the following:
  - the estimated present value of future cash flows ("PVFCF"), discounted in order to account for the time value of money;
  - a risk adjustment for non-financial risks that are expected to arise as the Group fulfils its contractual obligations; and
  - a contractual service margin (“CSM”), which represents unearned profit.
- The Group recognises profit through release of the CSM for a group of insurance contracts over each period as insurance contract services are provided. The amount of CSM released is based on assumptions around coverage units, which typically correspond to the length of cover on a policy. Assumptions include the number of coverage units included in a group of insurance contracts, the allocation of CSM to each coverage unit, and the number of coverage units provided in the period. If a group of contracts is expected to be onerous on day one or subsequently becomes so, a loss is recognised immediately in the profit or loss account.
- Insurance contracts issued can also be represented as the sum of the liability for remaining coverage and the liability for incurred claims. For portfolios of issued insurance contracts that are onerous, a loss component is included within the liability for remaining coverage and recognised in profit or loss upon initial recognition. Reinsurance contracts held are comprised of the asset for remaining coverage (which contains a loss recovery component) in addition to the asset for incurred claims.

The following changes have been made to the presentation of the Group's financial statement on adoption of IFRS 17:

- Balances that existed under IFRS 4 and continue to exist under the new standard, such as reinsurance premiums payable, have been reclassified.
- Balances that would not have existed if IFRS 17 had always been applied, primarily being deferred acquisition costs ("DAC") and the unearned premium reserve (“UPR”), have been derecognised.
- Groups of insurance and reinsurance contracts have been identified, recognised and measured as if IFRS 17 had always been applied. This has resulted in insurance and reinsurance contract assets and liabilities being recognised on the balance sheet.

Notes to the financial statements continued

2 Impact of new accounting standards continued

- Insurance revenue, insurance finance income/expenses, and net income/expenses from reinsurance contracts held (comprised of the allocation of reinsurance premium and amounts recoverable from reinsurers for incurred claims) have been recognised in the statement of profit or loss.
- The net effect of adopting IFRS 17 as at 01 January 2022 has been recognised through the statement of changes in equity. Refer to Section ii below for further details.

ii. Opening equity adjustment

The following table sets out the impact of the adoption of IFRS 17 on the Group's consolidated statement of financial position as at 01 January 2022, with the net position posted as an adjustment to retained earnings.

The overall increase in equity is largely due to the following reclassification and measurement differences between IFRS 4 and IFRS 17.

- There is a requirement under IFRS 17 to discount technical provisions to reflect the time value of money, whereas under IFRS 4 no such discounting was applied. This change therefore causes a timing difference in the way that profit is recognised as the discount unwinds throughout the claims settlement period. There will initially be a favourable impact on profit as the discount is established, followed by an unfavourable impact as the initial credit from discounting unwinds (assuming a positive interest rate environment).
- In order to cover claims expected to be paid, the Group has historically held reserves within a range of 5-10% over an actuarial estimate. This actuarial estimate itself had an embedded level of prudence. Under IFRS 17, reserves are held at a best estimate with an additional risk adjustment calculated to a specified confidence level. This percentile indicates where reserves sit compared to the best estimate and the capital requirement. Under IFRS 4 at the date of transition, the level of prudence within reserves equated to a confidence level at the upper end of an 80th to 90th percentile range. Under IFRS 17, the confidence level on transition is in the middle of this range. Accordingly, the provision for claims recognised on adoption of IFRS 17 is lower than under IFRS 4.
- Under IFRS 4, the unearned premium reserve and deferred acquisition costs were treated as non-monetary items and were translated to the Group's functional currency using historic exchange rates. Under IFRS 17, all insurance contract balances are considered to be monetary items and are revalued using spot rates at each reporting date.
- Balances which existed under IFRS 4 have been reclassified. This includes reinsurance premiums payable and insurance receivables and payables (all of which are now measured under IFRS 17).
- Other amounts that would not have existed if IFRS 17 had always been applied (namely DAC and UPR) have been derecognised.
- In addition, the adoption of IFRS 17 has caused a number of temporary differences for tax purposes, resulting in the recognition of an additional deferred tax asset of $1.7m and deferred tax liability of $15.0m as at 01 January 2022. Refer to Note 25 for further details.

2 Impact of new accounting standards continued

Consolidated statement of financial position

	31 December 2021 (previously reported) $m	IFRS 17 reclassification $m	IFRS 17 measurement $m	01 January 2022 (restated under IFRS 17) $m
Assets				
Intangible assets	123.5	—	—	123.5
Plant and equipment	19.2	—	—	19.2
Right-of-use assets	75.5	—	—	75.5
Deferred tax asset	16.3	—	1.7	18.0
Deferred acquisition costs	477.8	(477.8)	—	—
Retirement benefit asset	18.1	—	—	18.1
Reinsurance assets	2,386.4	(2,386.4)	—	—
Insurance receivables	1,696.1	(1,696.1)	—	—
Reinsurance contract assets	—	2,386.4	(712.1)	1,674.3
Financial assets at fair value	7,283.5	—	—	7,283.5
Other assets	107.3	130.8	—	238.1
Current tax asset	11.9	—	—	11.9
Cash and cash equivalents	591.8	—	—	591.8
Total assets	**12,807.4**	**(2,043.1)**	**(710.4)**	**10,053.9**
Liabilities				
Insurance liabilities	8,871.8	(8,871.8)	—	—
Insurance contract liabilities	—	6,828.7	(269.2)	6,559.5
Reinsurance contract liabilities	—	655.3	(515.6)	139.7
Financial liabilities	554.7	—	—	554.7
Lease liabilities	84.3	—	—	84.3
Deferred tax liabilities	—	—	15.0	15.0
Current tax liability	24.5	—	—	24.5
Other liabilities	1,141.3	(655.3)	—	486.0
Total liabilities	**10,676.6**	**(2,043.1)**	**(769.8)**	**7,863.7**
Equity				
Share capital	42.9	—	—	42.9
Share premium	5.3	—	—	5.3
Foreign currency translation	(97.2)	—	—	(97.2)
Other reserves	(4.0)	—	—	(4.0)
Retained earnings	2,183.8	—	59.4	2,243.2
Total equity	**2,130.8**	**—**	**59.4**	**2,190.2**
Total liabilities and equity	**12,807.4**	**(2,043.1)**	**(710.4)**	**10,053.9**

2 Impact of new accounting standards continued

2b IFRS 9

i. Transition

IFRS 9 *Financial Instruments* is a new accounting standard applied prospectively by the Group from 01 January 2023. The classification and measurement of financial instruments under IFRS 9 has been determined based on facts and circumstances that existed at this date. For example, if a financial asset had low credit risk as at 01 January 2023, then the credit risk of that asset is considered not to have increased significantly since initial recognition.

ii. Changes to the classification and measurement of financial assets

IFRS 9 requires all financial assets to be classified either at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortised cost. This has resulted in some reclassifications when compared to the measurement categories under IAS 39. Namely, cash and cash equivalents has been reclassified from FVTPL (designated) to amortised cost, other receivables has been reclassified from loans and receivables to amortised cost, and all other financial assets have been reclassified from FVTPL (designated) to FVTPL (mandatory). Included below is a reconciliation between the carrying amounts under IAS 39 as at 31 December 2022 and the balances reported under IFRS 9 as at 01 January 2023. The equity adjustment on adoption of IFRS 9 has been included at Section iv.

	Under IAS 39 $m	Reclassification $m	ECL $m	Under IFRS 9 $m
Total financial assets at fair value through profit or loss				
Fixed and floating rate debt securities:				
– Government issued	5,006.3	—	—	5,006.3
– Corporate bonds				
– Investment grade	2,050.5	—	—	2,050.5
– High yield	308.7	—	—	308.7
Syndicate loans	32.5	—	—	32.5
Equity funds	159.4	—	—	159.4
Hedge funds	530.6	—	—	530.6
Illiquid assets	222.9	—	—	222.9
Derivative financial assets	34.7	—	—	34.7
Cash and cash equivalents	652.5	(652.5)	—	—
Total financial assets at fair value through profit or loss	**8,998.1**	**(652.5)**	**—**	**8,345.6**
Financial assets at amortised cost				
Cash and cash equivalents	—	652.5	—	652.5
Amounts due from managed syndicates and other receivables	181.8	—	(1.3)	180.5
Total financial assets at amortised cost	**181.8**	**652.5**	**(1.3)**	**833.0**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	14.5	—	—	14.5
Total financial liabilities at fair value through profit or loss	**14.5**	**—**	**—**	**14.5**
Financial liabilities at amortised cost				
Tier 2 subordinated debt (2026)	249.4	—	—	249.4
Tier 2 subordinated debt (2029)	298.6	—	—	298.6
Other liabilities	524.0	—	—	524.0
Total financial liabilities at amortised cost	**1,072.0**	**—**	**—**	**1,072.0**

2 Impact of new accounting standards continued

iii. Expected credit losses ("ECLs")

The table below shows the receivables for which loss allowances have been measured using a lifetime ECL (as permitted by the simplified approach) on the adoption of IFRS 9 as at 01 January 2023. These loss allowances have been estimated by applying inputs and assumptions in relation to the following:

- the period of assessment for the receivables;
- the creditworthiness of counterparties;
- the probability of default by these counterparties over the lifetime of the assets; and
- the loss given default based on historical rates.

We have determined that a reasonable change in any of these assumptions would not have a material impact on the ECLs recognised in the financial statements.

as at 01 January 2023	Before ECL $m	ECL $m	Net $m
Investment receivables	53.9	(0.3)	53.6
Accrued investment income	35.7	(0.3)	35.4
Other receivables	92.2	(0.7)	91.5
Total amounts due from managed syndicates and other receivables	**181.8**	**(1.3)**	**180.5**

iv. Opening equity adjustment

The difference between the carrying amounts of the Group's financial assets before and after the adoption of IFRS 9 has been posted as an opening adjustment to retained earnings. The adjustment is comprised of $1.3m in ECLs offset by $0.3m in deferred tax assets – refer to Section b(iii) above for further details.

	31 December 2022 $m	IFRS 9 adjustment $m	01 January 2023 $m
Assets			
Deferred tax asset	30.8	0.3	31.1
Other assets	204.2	(1.3)	202.9
Total impact on assets	**235.0**	**(1.0)**	**234.0**
Equity			
Retained earnings	3,016.1	(1.0)	3,015.1
Total impact on equity	**3,016.1**	**(1.0)**	**3,015.1**

Notes to the financial statements continued

3 Statement of accounting policies

3a Use of key judgements and estimates

The preparation of financial statements requires the use of judgements and estimates that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based.

Inputs and assumptions are evaluated on an ongoing basis by considering historical experience, expectations of reasonably possible future events, 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 rising inflation, rising interest rates, 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, the estimate for which there is the highest potential exposure to climate risk is the estimation of future cash flows within insurance contract assets and liabilities. Management currently include allowances in the determination of best estimate cash flows for the potential impact of changes arising from climate risks (which could include but is not limited to an increased frequency of natural catastrophes, liability claims for green-washing and changes in legislation related to climate). Management are of the view that for all other estimates, climate risk would not have a material impact on the valuation of the assets and liabilities held by the Group at the year end date.

Information about the Group's key judgements and estimates has been disclosed below. Note that key judgements made by management in applying its accounting policies are those that have the most significant effect on the amounts recognised in the financial statements. Key estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next 12 months. The Group's key judgements and estimates are reassessed at each reporting period and updated within the financial statements. These have changed in the current year due to the adoption of IFRS 17.

i. Key judgements

Impairment assessment of goodwill

As part of the goodwill impairment assessment, management determines whether the recoverable amount of the cash generating unit exceeds the carrying amount. The recoverable amount is deemed to be the value-in-use, which is estimated as the present value of projected future cash flows. A number of judgemental inputs and assumptions are used in making this assessment, including premium growth rates, claims experience, discount rates, retention rates and expected future market conditions. Further detail is provided in Note 16, including a sensitivity analysis showing that a reasonably possible change in the key inputs and assumptions would not have a material impact on the outcome of impairment testing. As a result, this is considered to be an area of key judgement rather than a significant source of estimation uncertainty.

Measurement of insurance contract liabilities

Judgement has been applied in determining the Group's results on an IFRS 17 basis.

- Management has exercised judgement in determining an appropriate level of aggregation in the measurement of insurance contracts. Contracts are aggregated into portfolios based on shared risk and management characteristics (i.e. by type of cover, classes covered, and the reinsurer). These are then split into two groups representing contracts which are onerous and those which are non-onerous on initial recognition. The latter category is broken down further based on whether there is a significant possibility of contracts becoming onerous in the future.
- Under IFRS 17, discount rates are applied to expected future cash flows in measuring insurance contract liabilities. Management has applied judgement in determining that the 'bottom-up' estimation technique should be used in calculating these rates.
- Management has also applied judgement in determining an appropriate calculation basis for the risk adjustment. The Cost of Capital ("CoC") approach has been applied as this is consistent with the basis on which the risk margin is calculated under Solvency II, meaning work in this area could be leveraged. The main difference between the two methods is that the CoC is prescribed by EIOPA under Solvency II, whereas under IFRS 17 this is calculated in line with the Group's view of the required return.
- Judgement has been applied by management in determining the amount of contractual service margin ("CSM") that should be released into the profit or loss in each period. This process is carried out by identifying the coverage units in the group of contracts based on straight-line earnings patterns, allocating the CSM to coverage units, and then assessing at each reporting date the amount of CSM to be amortised and recognised as profit.

3 Statement of accounting policies continued

- Finally, the Group has applied the IFRS 17 expense principles by allocating costs to the 'insurance service expense' line based on those which are deemed to be 'directly attributable'. The amount recognised as insurance service expenses is determined by excluding certain costs as prescribed by IFRS 17, breaking down the balance by classes of expense (administrative, other acquisition, claims handling and brokerage), and then applying percentages representing amounts that are directly attributable. These proportions are calculated with references to both forecast and historical figures.

For further details on the accounting for insurance and reinsurance contracts under IFRS 17, refer to the policies set out at section (b)(iii) below. For details of the estimates applied in the calculation of discount rates and the risk adjustment, refer to section (ii) below.

ii. Key estimates

Measurement of insurance contract liabilities - Future cash flows

The Group has estimated the amount, timing and probability of future cash flows. Estimates are formed by applying assumptions about past events, current conditions and forecasts of future conditions. These have been outlined below:

- Future expected premium cash flows are based on data entered into underwriting systems. These have a level of estimate embedded for certain contracts, with payment/settlement patterns used to determine timing.
- Gross and reinsured claims payments are determined using an approach whereby cash flows are set at a Year of Account and reserving class level based on the latest quarterly reserving exercise.
- Expenses are deemed to be within the contract boundary, and therefore included in the cash flows, when these are directly attributable to fulfilling insurance contracts.
- Lapses/cancellations are projected by applying assumptions determined through statistical measures based on the Group's experience. These vary by product type, policy duration and sales trends.

For carrying values of insurance contracts by measurement component (including future cash flows), refer to Note 28(a).

Measurement of insurance contract liabilities - Discount rates

The discount rates applied to expected future cash flows in measuring insurance contract liabilities have been determined using the bottom-up approach. This method takes the risk-free rates and adjusts for an illiquidity premium.

- Risk-free rates are derived using government yield curves denominated in the same currency as the product being measured, which are sourced from Moody's. These are based on quarter-start and quarter-end rates.
- The Group's illiquidity premium is also sourced from Moody's and adjusted to reflect the Group's own asset portfolio. This represents the differences in the liquidity characteristics between the financial assets used to derive the risk-free yield and the insurance contract liability characteristics. The illiquidity premium applied by management is a flat percentage which varies by currency. For the USD discount rate, which is the dominant currency of the Group, as at 31 December 2023 this was 0.4% (2022: 0.5%).

The discount rates applied in determining the Group's IFRS 17 results are as follows.

31 December 2023	1 Year	3 Year	5 Year
USD	5.1 %	4.5 %	4.3 %
CAD	5.3 %	4.4 %	4.1 %
GBP	4.9 %	4.0 %	3.8 %
EUR	3.5 %	2.7 %	2.6 %

31 December 2022	1 Year	3 Year	5 Year
USD	5.2 %	4.8 %	4.5 %
CAD	5.3 %	4.6 %	4.3 %
GBP	4.4 %	4.4 %	4.5 %
EUR	2.9 %	3.1 %	3.1 %

For carrying values of insurance contract liabilities, refer to Note 28. Sensitivities to a change in interest rate against the carrying value of insurance contract liabilities are included in Note 30(b)(iii).

Notes to the financial statements continued

3 Statement of accounting policies continued

Measurement of insurance contract liabilities - Risk adjustment

Estimation of the risk adjustment for non-financial risk is based on various inputs and assumptions, particularly relating to non-financial risk components of the SCR from the Solvency II internal model which captures all material exposure elements for the Group. IFRS 17 does not prescribe a specific methodology for the calculation of the risk adjustment for non-financial risk and the Group has elected to use a CoC approach. This is determined at a segment level comparing the required return by segment. Our overall cross cycle return on capital target is 15%. Projected capital amounts are derived from the annual business plan, with adjustments made to factor in emerging risks and uncertainties. The risk adjustment therefore differs between portfolios depending on the inherent risk associated with each. Diversification is considered between segments (to allow for negative/ positive correlation between risks) and between years (to allow for the different kind of risk written across years).

The risk adjustment calculations as defined above are performed on a net basis, and the resulting risk adjustment percentage is then applied separately to insurance contracts issued and reinsurance contracts held.

The reserve confidence level determined by the actuarial department is considered as part of a quarterly reserve review exercise. These meetings are attended by senior management, senior underwriters, and representatives from actuarial, claims and finance. The reserve confidence level was deemed to be at the 85th percentile for the 2023 year end as per output from the latest governed reserve review (2022: 85th percentile) at the balance sheet date. This is in line with the preference that the Group maintains a reserve confidence level in the 80th to 90th percentile range. The carrying values of insurance contracts by measurement component (including risk adjustment) are disclosed in Note 28(a). For sensitivities to a change in risk adjustment, refer to Note 30(a)(iv).

Valuation of level 3 financial assets

The Group holds its syndicate loans and illiquid assets at level 3 within the fair value hierarchy. This means that fair values are estimated using model valuations which incorporate both observable and unobservable market inputs and assumptions. For further details on the methodologies, inputs and assumptions used by the Group, in addition to carrying values of level 3 financial assets, refer to Note 18. For the sensitivity of level 3 financial assets to price risk, refer to Note 30(b)(iv).

3 Statement of accounting policies continued

3b Material accounting policies

i. Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies where the Group has control are consolidated within these financial statements.

Certain Group subsidiaries underwrite as corporate members of Lloyd’s on syndicates managed by Beazley Furlonge Limited. In view of the several and direct liability of underwriting members at Lloyd’s for the transactions of syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those syndicates are included in the Group financial statements. The Group continues to conclude that it remains appropriate to consolidate its share of the result of these syndicates and accordingly, as the Group is the sole provider of capacity on syndicates 2623, 3622 and 3623, these financial statements include 100% of the economic interest in these syndicates.

The Group provides 10% of the capacity on Syndicate 4321 for the 2022 and 2023 years of account and approximately 18% of the capacity on Syndicate 5623 for the 2023 year of account. These syndicates are both managed by Beazley Furlonge Limited. These financial statements include the corresponding economic interest in these syndicates for the relevant years of account and show the Group's share of the transactions, assets and liabilities of these syndicates. For the remaining capacity of these syndicates (including for 5623 the 2021 and 2022 years of account where capital was solely provided by third parties), the Group's economic interest in the form of agency fees and profit commission attributable to non group capital providers is included within these financial statements.

Beazley Furlonge Limited is also the managing agent of syndicates 623 and 6107. Capacity for these syndicates is provided entirely by third parties to the Group, and these financial statements reflect Beazley’s economic interest in the form of agency fees and profit commission to which it is entitled.

ii. Foreign currency translation

The Group financial statements are presented in US dollars, being the functional and presentational currency of the parent and its main trading subsidiaries, as the majority of trading assets and insurance premiums are denominated in US dollars.

The Group has subsidiaries with different functional currencies, the results and financial position of which are translated into the USD presentational currency as follows:

- assets and liabilities are translated at the closing rate as at the statement of financial position date;
- income and expenses are translated at average exchange rates for the reporting period where this is determined to be a reasonable approximation of the actual transaction rates; and
- all resulting exchange differences are recognised in other comprehensive income and as a separate component of equity (the foreign currency translation reserve).

iii. Insurance and reinsurance contracts

Recognition and measurement

The Group applies IFRS 17 to all insurance contracts issued and reinsurance contracts held. These are defined respectively as contracts under which the Group accepts significant insurance risk by agreeing to compensate a policyholder/cedant if they are adversely affected by an insured event, and contracts which are issued by a reinsurer to compensate the Group as cedant for claims arising from underlying contracts. Insurance risk is considered in further detail in Note 30. The Group has elected to apply the General Measurement Model (“GMM”) to all insurance and reinsurance contracts that it issues, and applies the GMM with certain modifications to all reinsurance contracts that it holds. This is the default approach under IFRS 17 - the optional simplified Premium Allocation Approach has not been applied. Under the GMM, insurance contracts issued are aggregated into groups. Contracts are then recognised at the earliest of (i) the beginning of the coverage period of the group; (ii) the date when first payment from a policyholder/cedant in the group is due; or (iii) where applicable, when the group becomes onerous. The Group measures its reinsurance contracts held separately from the underlying contracts to which the arrangement relates. For proportional reinsurance contracts, these are recognised at the later of the date on which the first underlying contract is initially recognised, or the date into which the reinsurance is entered. Non-proportional reinsurance contracts are typically recognised at the beginning of the coverage period of the group of reinsurance contracts. However if the underlying group is determined to be onerous, then the reinsurance contract is recognised on the date at which this assessment took place.

Notes to the financial statements continued

3 Statement of accounting policies continued

Level of aggregation

The Group is required under IFRS 17 to allocate its insurance contracts into groups. These are first aggregated into portfolios at a granular level based on whether they share similar risk characteristics and are managed together. Generally, all insurance contracts within a product line are considered by management to represent a portfolio of contracts. These are then aggregated further into groups based on profitability characteristics. The three categories are as follows:

- Contracts that are onerous on initial recognition, meaning the expected costs of meeting contractual obligations will exceed the expected economic benefits;
- Contracts that are not onerous on initial recognition but have a significant possibility of becoming onerous subsequently; and
- Contracts that are not onerous on initial recognition and have no significant possibility of becoming onerous subsequently.

The majority of the Group's insurance contracts are deemed not to be onerous on initial recognition with a possibility of becoming onerous subsequently.

Finally, these are aggregated into annual cohorts with contracts issued more than one year apart separated out. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groupings are not subsequently reconsidered.

Components of insurance and reinsurance contracts

Insurance and reinsurance contracts included within the Group's statement of financial position are comprised of the following components.

- The present value of future cash flows. Cash flows are comprised of future expected premium which is based on data entered into underwriting systems, gross and reinsured claims payments derived from the latest quarterly reserving exercise, expenses deemed to be within the contract boundary, and lapses/cancellations which are projected by applying assumptions determined through statistical measures based on the Group's experience. Cash flows also include amounts due to and from insureds, brokers and reinsurers. An allowance is made for default by these parties. The future cash flows are discounted using a rate derived by applying the 'bottom-up' estimation technique. As referenced in Section 3a, the future cash flows and their discounting are both sensitive to changes in accounting estimates.
- A risk adjustment for non-financial risk. This represents the compensation that the Group requires for bearing uncertainty around the amount and timing of the cash flows that arise from non-financial risk. IFRS 17 does not prescribe a specific approach, therefore the Group has opted to apply the CoC approach. Under this method, the risk adjustment is calculated by applying a cost of capital rate to the present value of the projected capital for non-financial risk. The risk adjustment changes as cash flows crystallise on existing business, new business is recognised, and any changes to the cost of capital are applied.
- The contractual service margin. This represents the unearned profit that the Group will recognise as it provides services in the future. If the contract is not deemed to be onerous on initial recognition, the CSM is measured as the equal and opposite of the sum of its related cash flows and risk adjustment. If deemed to be onerous, then the full CSM is immediately recognised as a loss in the statement of profit or loss, and included within the loss component on subsequent measurement. The Group has elected not to calculate its CSM on a year-to-date basis. Instead, the CSM is taken as the weighted average of the year-to-date quarters, meaning this is updated periodically and then "locked in" at the year end position. Groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items. As the Group measures fulfilment cash flows based on the four major transactional currencies (USD, GBP, EUR and Canadian dollars), the Group maintains the CSM based on these respective currencies.

Coverage units

Management is required to identify coverage units in order to determine the amount of CSM that should be released into the profit or loss in each period. Coverage units are determined at a policy level by considering the quantity of the benefits provided and the expected coverage duration. For insurance contracts issued and proportional reinsurance contracts held, the number of coverage units in a group reflects the expected pattern of underwriting of the contracts, as the level of service provided depends on the number of contracts in force. Once management has determined the number of coverage units included in a group of insurance contracts, CSM is allocated to each coverage unit. An assessment is then made at each reporting period as to how much of the CSM should be released and recognised as profit. For non-proportional reinsurance contracts held, the CSM is amortised on a straight-line basis over the life of the policy, as benefits are received evenly over the coverage period.

Liability for remaining coverage ("LRC") and liability for incurred claims ("LIC")

The LRC represents the Group's obligation for insurance contracts written where insured events have not yet occurred. The LIC represents the Group's obligation to pay claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported. Insurance contracts issued are comprised of the LRC, which includes a loss component, and the LIC. Reinsurance contracts held are comprised of the asset for remaining coverage ("ARC"), containing a loss recovery component, and an asset for incurred claims ("AIC"). Note that the LRC and ARC include an element of the PVFCF, a risk adjustment for non-financial risk, and the CSM. The LIC and AIC include the remainder of the PVFCF and a risk adjustment for non-financial risk.

Amounts recognised in profit or loss

- Insurance revenue in each reporting period represents the changes in the LRC that relate to services for which the Group expects to receive consideration, in addition to an allocation of premiums that relate to the recovery of insurance acquisition cash flows. Changes in the LRC include claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, changes in the risk adjustment for non-financial risk, amounts recognised as profit through release of the CSM for insurance contract services provided, and other amounts including experience adjustments (which represent the difference between the expected present value of future cash flows versus the actual cash flows generated, and any resultant second order impacts).
- Insurance service expenses are comprised of incurred claims and other directly attributable expenses, changes that relate to past service, changes that relate to future service, and the amortisation of insurance acquisition cash flows.
- Income/expenses from reinsurance contracts are presented separately from income/expenses from underlying insurance contracts. The Group has elected to present its net expenses from reinsurance contracts in the statement of profit or loss as the allocation of reinsurance premium and amounts recoverable from reinsurers for incurred claims.
- Finance income/expense from insurance contracts issued and reinsurance contracts held shows the interest accreted and the effect of changes in discount rates and other financial assumptions.
- Changes in the risk adjustment for non-financial risk are disaggregated between insurance service expenses and insurance finance income/expenses.
- Insurance and reinsurance contract amounts denominated in foreign currencies are translated to the Group's reporting currency at the balance sheet date, with any translation differences recognised in the statement of profit or loss.

iv. Financial instruments

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

Classification

The Group is required to classify its financial instruments into one of the following categories on subsequent measurement: fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is based on the business model in which these are managed and the characteristics of the associated contractual cash flows. Almost all of the Group's financial assets are measured at FVTPL under IFRS 9. This is with the exception of cash and cash equivalents, amounts due from managed syndicates, and other receivables, all of which are measured at amortised cost.

The Group's financial liabilities are held at amortised cost, with the exception of its derivative financial liabilities and a potential profit uplift commission payment, both of which are held at FVTPL (mandatory) under IFRS 9.

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are carried at amortised cost less any impairment losses. These are included within 'Other assets' on the face of the consolidated statement of financial position.

Hedge funds, equity funds and illiquid assets

The Group invests in a number of hedge funds, equity funds and illiquid assets for which there are no available quoted market prices. The valuation of these assets is based on fair value techniques as described in Note 18. The fair value of our hedge fund and illiquid asset portfolio is calculated by reference to the underlying net asset values ("NAV") of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions and the timing of the latest available valuations. At certain times, the Group will have uncalled unfunded commitments in relation to its illiquid assets and these are are actively monitored by the Group. These amounts are not shown on the consolidated statement of financial position, and any additional investment into the illiquid asset portfolio is recognised on the date that this funding is provided by the Group. Further information is included in Note 18 to the financial statements.

3 Statement of accounting policies continued

Other payables

Other payables are stated at amortised cost determined according to the effective interest rate method. Other payables are included within 'Other liabilities' on the face of the consolidated statement of financial position.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group does not hold any derivatives designated as fair value hedges, cash flow hedges or net investment hedges and therefore all fair value movements are recorded through profit or loss. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Impairment of financial assets

The 'expected credit losses' ("ECLs") model is applied to the Group's financial assets measured at amortised cost. This requires an entity to calculate an allowance for credit losses by taking the sum of various probability weighted outcomes. The general approach is the default method which management applies in determining the ECLs against its cash and cash equivalents. A simplified approach is permitted for trade receivables, contract assets and lease receivables where there is no significant financing component. This results in an entity recognising an ECL that is always equal to a lifetime ECL, rather than assessing periodically whether there has been an increase in credit risk. The main impact of this new IFRS 9 impairment model is that credit losses are based on the risk of default, as opposed to whether a loss has been incurred, and consequently credit losses are recognised earlier than under the previous accounting standard. Note that the Group has been able to determine the credit risk of financial assets on transition using reasonable and supportable information, rather than placing reliance on transitional provisions.

Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at amortised cost under IFRS 9.

v. Share based compensation

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

When options are exercised and new shares are issued, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) with the excess amount going to share premium. For other plans, when no proceeds are received, the nominal value of shares issued is to share capital and debited to retained earnings. When the options are exercised and the shares are granted from the employee share trust, the proceeds received, net of any transaction costs, and the value of shares held within the trust, are credited to retained earnings.

4 Segmental reporting

4a Reporting segments

Segmental information is presented based on the Group’s management and internal reporting structures which represent the level at which financial information is reported, performance is analysed and resources are allocated by the Group’s Executive Committee, being the chief operating decision maker as defined by IFRS 8.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis are split based on each segment’s capital requirement which is taken from the Group’s most up-to-date business plan. The reporting segments do not cross-sell business to each other.

Finance costs and taxation have not been allocated to operating segments as these items are determined at a consolidated level and do not relate to operating performance.

As a result of the adoption of IFRS 17, comparative information has been restated for the year ended 31 December 2022.

An overview of the Group's segments is set out below.

Cyber Risks
This segment underwrites cyber and technology risks.

Digital
This segment underwrites a variety of marine, contingency and SME liability risks through digital channels such as e-trading platforms and broker portals.

MAP Risks
This segment underwrites marine, portfolio underwriting and political and contingency business.

Property Risks
This segment underwrites first party property risks and reinsurance business.

Specialty Risks
This segment underwrites a wide range of liability classes, including employment practices risks and directors and officers, as well as healthcare, lawyers and international financial institutions.

Notes to the financial statements continued

4 Segmental reporting continued

4b Segmental information

2023	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
	Year ended 31 December 2023					
Insurance revenue	1,174.9	224.7	1,015.4	1,145.2	1,882.2	5,442.4
Insurance service expenses	(802.1)	(144.0)	(635.5)	(643.9)	(1,367.1)	(3,592.6)
Current year claims	(565.2)	(90.5)	(430.8)	(470.1)	(940.1)	(2,496.7)
Adjustments to prior year claims	(8.9)	33.7	88.6	108.1	39.8	261.3
(Loss on)/reversal of onerous contracts	(2.6)	2.6	1.4	(0.1)	0.5	1.8
Insurance acquisition cash flows amortisation and other directly attributable expenses	(225.4)	(89.8)	(294.7)	(281.8)	(467.3)	(1,359.0)
Allocation of reinsurance premium	(308.5)	(24.3)	(236.1)	(198.5)	(359.9)	(1,127.3)
Amounts recoverable from reinsurers for incurred claims	210.1	7.1	23.9	26.4	261.0	528.5
Current year claims	211.8	13.0	107.6	57.0	294.2	683.6
Adjustments to prior year claims	(1.0)	(5.7)	(83.0)	(30.1)	(31.7)	(151.5)
Share of expenses and other amounts	(0.7)	(0.2)	(0.7)	(0.5)	(1.5)	(3.6)
Insurance service result	**274.4**	**63.5**	**167.7**	**329.2**	**416.2**	**1,251.0**
Net investment income	86.6	14.8	53.5	75.2	250.1	480.2
Net finance expense from insurance contracts issued	(17.5)	(2.9)	(12.6)	(10.9)	(125.4)	(169.3)
Net finance (expense)/income from reinsurance contracts held	(1.3)	0.5	2.1	(13.7)	28.3	15.9
Net insurance and financial result	**342.2**	**75.9**	**210.7**	**379.8**	**569.2**	**1,577.8**
Other income	16.9	3.2	14.8	16.5	27.1	78.5
Other operating expenses	(52.7)	(19.9)	(68.1)	(42.5)	(182.6)	(365.8)
Foreign exchange gains	1.0	0.2	0.8	0.9	1.6	4.5
Segment result	**307.4**	**59.4**	**158.2**	**354.7**	**415.3**	**1,295.0**
Finance costs						(40.6)
Profit before tax						**1,254.4**
Tax expense						(227.6)
Profit after tax						**1,026.8**
Claims ratio	42 %	23 %	41 %	35 %	42 %	39 %
Expense ratio	26 %	45 %	38 %	30 %	31 %	32 %
Combined ratio	68 %	68 %	79 %	65 %	73 %	71 %
Insurance assets	50.5	14.1	0.5	13.7	22.7	101.5
Reinsurance assets	469.0	27.5	322.6	287.2	1,320.4	2,426.7
Other	2,411.3	368.1	1,511.2	1,961.7	4,884.9	11,137.2
Total assets	**2,930.8**	**409.7**	**1,834.3**	**2,262.6**	**6,228.0**	**13,665.4**
Insurance liabilities	1,634.8	208.8	1,006.6	1,173.3	3,968.7	7,992.2
Reinsurance liabilities	73.2	8.7	160.2	—	91.4	333.5
Other	333.8	52.5	182.2	297.3	591.8	1,457.6
Total liabilities	**2,041.8**	**270.0**	**1,349.0**	**1,470.6**	**4,651.9**	**9,783.3**

The calculation bases for the claims, expense and combined ratios are disclosed within the APMs section on page 254.

4 Segmental reporting continued

2022	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
	Year ended 31 December 2022 (restated)					
Insurance revenue	1,013.5	211.3	970.3	807.2	1,846.1	4,848.4
Insurance service expenses	(750.9)	(161.3)	(859.5)	(699.5)	(1,542.8)	(4,014.0)
Current year claims	(506.3)	(104.3)	(436.2)	(524.0)	(974.5)	(2,545.3)
Adjustments to prior year claims	(81.4)	9.1	(139.4)	37.0	(102.2)	(276.9)
(Loss on)/reversal of onerous contracts	23.2	(0.2)	(0.5)	1.2	0.4	24.1
Insurance acquisition cash flows amortisation and other directly attributable expenses	(186.4)	(65.9)	(283.4)	(213.7)	(466.5)	(1,215.9)
Allocation of reinsurance premium	(198.3)	(27.2)	(250.1)	(175.7)	(314.1)	(965.4)
Amounts recoverable from reinsurers for incurred claims	208.4	21.5	296.3	108.5	319.2	953.9
Current year claims	128.2	26.2	172.9	123.4	282.9	733.6
Adjustments to prior year claims	80.5	(4.6)	123.7	(14.6)	37.0	222.0
Share of expenses and other amounts	(0.3)	(0.1)	(0.3)	(0.3)	(0.7)	(1.7)
Insurance service result	**272.7**	**44.3**	**157.0**	**40.5**	**308.4**	**822.9**
Net investment loss	(34.5)	(8.7)	(20.5)	(27.1)	(88.9)	(179.7)
Net finance income from insurance contracts issued	30.2	4.8	45.3	24.5	174.7	279.5
Net finance expense from reinsurance contracts held	(9.0)	(0.9)	(19.6)	(5.2)	(61.8)	(96.5)
Net insurance and financial result	**259.4**	**39.5**	**162.2**	**32.7**	**332.4**	**826.2**
Other income	7.9	2.3	1.0	7.4	13.5	32.1
Other operating expenses	(33.7)	(9.9)	(34.8)	(35.5)	(103.7)	(217.6)
Foreign exchange (losses)	(3.6)	(0.8)	(3.5)	(2.9)	(6.5)	(17.3)
Segment result	**230.0**	**31.1**	**124.9**	**1.7**	**235.7**	**623.4**
Finance costs						(39.4)
Profit before tax						**584.0**
Tax expense						(100.7)
Profit after tax						**483.3**
Claims ratio	44 %	40 %	39 %	60 %	49 %	47 %
Expense ratio	23 %	36 %	39 %	34 %	31 %	32 %
Combined ratio	67 %	76 %	78 %	94 %	80 %	79 %
Insurance assets	0.4	—	44.1	14.0	25.6	84.1
Reinsurance assets	308.6	26.5	327.0	430.8	1,082.4	2,175.3
Other	2,169.6	340.6	1,307.0	1,436.5	4,199.9	9,453.6
Total assets	**2,478.6**	**367.1**	**1,678.1**	**1,881.3**	**5,307.9**	**11,713.0**
Insurance liabilities	1,285.8	198.2	1,141.9	1,141.9	3,582.0	7,349.8
Reinsurance liabilities	17.9	2.1	82.6	3.9	54.7	161.2
Other	348.6	49.5	134.6	218.3	496.0	1,247.0
Total liabilities	**1,652.3**	**249.8**	**1,359.1**	**1,364.1**	**4,132.7**	**8,758.0**

Notes to the financial statements continued

4 Segmental reporting continued

4c Information about geographical areas

The Group generates revenue in multiple geographies, an overview of which is set out below. The basis for attributing insurance revenues is as follows:

- UK insurance revenue represents all risks placed at Lloyd's;
- US insurance revenue represents all risks placed at the Group's US insurance companies (Beazley Insurance Company, Inc. and Beazley America Insurance Company, Inc); and
- European insurance revenue represents all risks placed at the Group's European insurance company (Beazley Insurance dac).

	2023 $m	2022[1] $m
Insurance revenue		
UK (Lloyd's)	4,539.0	3,990.6
US (Non-Lloyd's)	603.5	625.7
Europe (Non-Lloyd's)	299.9	232.1
	5,442.4	**4,848.4**

1 Restated for the year ended 31 December 2022 following the adoption of IFRS 17.

Provided below is a geographical split of a portion of the Group's non-current assets, namely intangible assets, plant and equipment, right of use assets, and investments in associates. This excludes financial instruments, deferred tax assets, pension assets and insurance / reinsurance contract assets.

	2023 $m	2022 $m
Non-current assets		
UK	186.7	151.0
US	51.4	51.4
Europe	2.8	2.2
	240.9	**204.6**

4d Total revenue

The table below sets out the Group's total revenue, being insurance revenue, interest on cash and cash equivalents and other income within the scope of IFRS 15.

	2023 $m	2022 $m
Insurance revenue	5,442.4	4,848.4
Interest on cash and cash equivalents	16.8	0.5
Other income	78.5	32.1
	5,537.7	**4,881.0**

5 Insurance revenue

Insurance revenue represents the total changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration. This includes the difference between the claims and other expenses expected at the beginning of the year versus those actually incurred (per Note 6), after the loss component allocation.

	2023 $m	2022 $m
Amounts relating to changes in the liability for remaining coverage:		
Expected incurred claims and other expenses after loss component allocation	3,015.7	2,723.8
Change in risk adjustment for non-financial risk for the risk expired after loss component allocation	316.8	274.7
CSM recognised in profit or loss for services provided	691.4	565.2
Other amounts including experience adjustments	503.7	434.6
Insurance acquisition cash flows recovery	914.8	850.1
Total insurance revenue	**5,442.4**	**4,848.4**

6 Insurance service expenses

The table below shows the insurance service expenses recognised on groups of insurance contracts issued by the Group. These are recognised in the consolidated statement of profit or loss as they are incurred.

	2023 $m	2022 $m
Incurred claims and other directly attributable expenses	2,911.6	2,908.6
Changes that relate to past service - adjustments to the LIC	(232.0)	279.4
Losses on onerous contracts and reversal of those losses	(1.8)	(24.1)
Insurance acquisition cash flows amortisation	914.8	850.1
Total insurance service expense	**3,592.6**	**4,014.0**

7 Net income / expenses from reinsurance contracts held

The table below shows the net income/expenses from reinsurance contracts held, comprised of the allocation of reinsurance premium and amounts recoverable from reinsurers for incurred claims.

	2023 $m	2022 $m
Amounts relating to changes in the remaining coverage:		
– Expected claims and other expenses recovery	(740.5)	(731.8)
– Changes in the risk adjustment recognised for the risk expired	(105.2)	(74.3)
– CSM recognised for the services received	(290.8)	(195.3)
– Other amounts including experience adjustments	9.2	36.0
Allocation of reinsurance premium	**(1,127.3)**	**(965.4)**
Effect of changes in the risk of reinsurers non-performance	4.2	(32.6)
Claims recovered	680.1	733.4
Other incurred directly attributable expenses	(3.6)	(1.7)
Changes that relate to past service - adjustments to incurred claims recovery	(152.2)	254.8
Amounts recoverable from reinsurers for incurred claims	**528.5**	**953.9**
Total net expenses from reinsurance contracts held	**(598.8)**	**(11.5)**

Notes to the financial statements continued

8 Net financial result

Finance income/(expense) from insurance contracts issued and reinsurance contracts held represents the interest accreted and the effect of changes in discount rates and other financial assumptions. The net financial result is comprised of the Group's net investment income/(loss) and its net insurance finance income/(expense).

	2023 $m	2022 $m
Interest and dividends on financial assets at fair value	215.3	101.1
Interest on cash and cash equivalents	16.8	0.5
Net realised fair value losses on financial assets at FVTPL	(69.2)	(7.6)
Net unrealised fair value gains/(losses) on financial assets at FVTPL	325.2	(266.8)
Investment income/(expense) from financial assets	488.1	(172.8)
Investment management expenses	(7.9)	(6.9)
Net investment income/(loss)	**480.2**	**(179.7)**
Interest accreted	(379.1)	(153.7)
Effect of changes in financial assumptions	209.8	433.2
Net finance (expense)/income from insurance contracts issued	(169.3)	279.5
Interest accreted	84.4	28.5
Effect of changes in financial assumptions	(68.5)	(125.0)
Net finance income/(expense) from reinsurance contracts held	15.9	(96.5)
Net insurance finance (expense)/income	**(153.4)**	**183.0**
Net financial result	**326.8**	**3.3**

Investment income by category of financial asset

The tables below show the Group's investment income/(expense), split by category of financial asset. Note that 'Other financial assets' includes cash and cash equivalents and derivative financial assets.

2023	Debt securities and syndicate loans $m	Capital growth assets $m	Other financial assets $m	Total $m
Interest and dividends received	208.4	3.7	20.0	232.1
Net realised (losses)/gains	(117.8)	52.6	(4.0)	(69.2)
Net unrealised fair value gains	291.2	34.0	–	325.2
Total investment income from financial assets	**381.8**	**90.3**	**16.0**	**488.1**

2022	Debt securities and syndicate loans $m	Capital growth assets $m	Other financial assets $m	Total $m
Interest and dividends received	96.6	3.6	1.4	101.6
Net realised (losses)/gains	(93.3)	31.9	53.8	(7.6)
Net unrealised fair value losses	(235.6)	(30.9)	(0.3)	(266.8)
Total investment expense from financial assets	**(232.3)**	**4.6**	**54.9**	**(172.8)**

9 Other income

	2023 $m	2022 $m
Commissions received by Beazley service companies	42.8	20.0
Profit commissions from syndicates	29.9	7.2
Managing agent fees from third party syndicates	3.6	4.0
Other income	2.2	0.9
Total other income	**78.5**	**32.1**

Commissions received by Beazley service companies

Commissions are received from non-Group syndicates by Group service companies writing business on their behalf. These are recognised as the services are provided, and therefore the performance obligations of the contracts are met. Commission is payable to the Group by syndicate 623 due to Group service companies writing business on behalf of the syndicate. While the commercial purpose of the contract is to pass business to syndicate 623, the remuneration is triggered by incurring expenses, irrespective of volume of business gained. Fees are recognised as the services are provided, and therefore the performance obligations of the contracts are met. In addition, the Group charges syndicates 5623 and 4321 for a portion of the profit-related remuneration paid to its underwriting staff. Payment is therefore triggered by the underlying profitability of the syndicate.

Profit commissions from syndicates

Profit commission agreements are in place between the third party capital syndicates managed by the Group and their managing agent, Beazley Furlonge Limited. Under these agreements, the transaction price represents a fixed percentage on profit by year of account. As such, the profitability of the syndicates is a performance criterion. No other variable consideration (for example: discounts, rebates, refunds, incentives) is attached. The value of each transaction price is derived at the reporting date from the actual profits made by the syndicates, and therefore represents the most likely amount of consideration at the reporting date.

10 Operating expenses

	2023 $m	2022 $m
Staff costs	527.6	355.6
Other administrative expenses	401.2	325.0
Total administrative expenses	928.8	680.6
Recharged to third party syndicates	(115.5)	(75.8)
Expenses reclassified within the insurance service result	(447.5)	(387.2)
Total operating expenses	**365.8**	**217.6**

Depreciation of $17.1m (2022: $15.6m) and amortisation of $16.2m (2022: $14.3m) is included within other administrative expenses.

Net staff costs

	2023 $m	2022 $m
Wages and salaries	259.8	215.8
Short term incentive payments	167.5	78.1
Social security	45.3	30.0
Share based remuneration	33.8	14.7
Pension costs[1]	21.2	17.0
Staff costs	**527.6**	**355.6**
Recharged to third party syndicates	(78.2)	(53.1)
Net staff costs	**449.4**	**302.5**

1 Pension costs primarily include contributions made under the defined contribution scheme. Further information on the defined benefit pension scheme can be found in Note 17.

Average number of employees

A breakdown by category of employee is disclosed below.

	2023	2022
Directors	11	10
Senior managers	145	107
Other employees	1,988	1,691
Total average number of employees	**2,144**	**1,808**

11 Auditor's remuneration

	2023 $m	2022 $m
Operating expenses include amounts receivable by the Group's auditors in respect of:		
– audit of the Group's annual report & accounts	6.5	1.7
– audit of subsidiaries pursuant to legislation	3.6	3.1
– audit-related assurance services	1.1	1.4
– other non-audit services	0.9	0.7
Total auditor's remuneration	**12.1**	**6.9**

Other than the fees disclosed above, no other fees were paid to the Company's auditor. Audit-related assurance services primarily comprise the review and audit of regulatory reporting pursuant to legislation and review of the Group's condensed interim financial statements. Included within the 2023 audit fees are fees of $5.1m (2022: $0.5m) that relate to the audit of IFRS 17 balances and transition, including the opening balance sheet and 2022 restated comparatives. Fees incurred for other non-audit services primarily relate to reporting required by Regulators and additional assurance work performed on material included within the annual report.

12 Finance costs

	2023 $m	2022 $m
Interest expense on financial liabilities	31.6	31.5
Interest expense on lease liabilities	3.1	3.1
Interest and charges related to letters of credit	5.9	4.1
Equity raise costs not charged to share premium	—	0.7
Total finance costs	**40.6**	**39.4**

Notes to the financial statements continued

13 Tax expense

	2023 $m	2022[1] $m
Current tax expense		
Current tax expense	121.8	53.2
Prior year adjustment	1.5	(9.9)
	123.3	43.3
Deferred tax expense		
Origination and reversal of temporary differences	97.3	58.5
Difference between current and deferred tax rates	6.8	(1.0)
Prior year adjustments	0.2	(0.1)
	104.3	57.4
Tax expense	**227.6**	**100.7**

1 Restated for the year ended 31 December 2022 following the adoption of IFRS 17.

Reconciliation of tax expense

The Group makes the majority of its profit in Ireland, the UK and the US. The weighted average of statutory tax rates based on the profits earned in each country in which the Group operates is 17.6% (2022: 19.0%), whereas the tax charged for the year ending 31 December 2023 as a percentage of profit before tax is 18.1% (2022: 17.2%). The reasons for the difference are explained below:

	2023 $m	2023 %	2022[1] $m	2022 %
Profit before tax	1,254.4		584.0	
Tax calculated at the weighted average of statutory tax rate	221.4	17.6	111.0	19.0
Effects of:				
– non-deductible/(non-taxable) expenses	(2.0)	(0.2)	1.9	0.3
– losses not previously recognised	(1.2)	(0.1)	—	—
– tax charge/(relief) on remuneration	0.9	0.1	(1.2)	(0.2)
– under/(over) provided in prior years	1.7	0.1	(10.0)	(1.7)
– Difference between current and deferred tax rates[2]	6.8	0.6	(1.0)	(0.2)
Tax expense for the year	**227.6**	**18.1**	**100.7**	**17.2**

1 Restated for the year ended 31 December 2022 following the adoption of IFRS 17.
2 The Finance Act 2021 provided for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023. This tax rate change has been reflected in the calculation of the deferred tax balances as at 31 December 2023.

Global minimum tax rate

The Organisation for Economic Co-operation and Development ("OECD") released the Pillar Two framework to ensure that large multinational enterprises pay a minimum effective corporate tax rate of 15% on the income arising in each jurisdiction in which they operate. In June 2023, the UK enacted legislation to implement these new rules in respect of accounting periods beginning on or after 31 December 2023.

We continue to assess the development of Pillar Two and expect that the impact will not be significant as the Group mainly operates in jurisdictions with a statutory tax rate above 15%. We anticipate the main impact for the Group will be in Ireland, where the tax rate is 12.5%. In December 2023, Ireland enacted a Qualified Domestic Minimum Top-Up Tax such that in-scope businesses pay at least a 15% effective tax rate on their profits. Based on the FY 2023 results, the impact is estimated to be an additional $18m of corporate income tax payable in Ireland. The impact on the Beazley Group will depend on the actual profits in each period.

14 Earnings per share

	2023	2022
Profit after tax[1] ($m)	1,026.8	483.3
Weighted average number of shares in issue (m)	663.8	611.7
Adjusted weighted average number of shares in issue (m)	678.3	619.7
Basic (cents)	154.7c	79.0c
Diluted (cents)	151.4c	78.0c
Basic (pence)	124.8p	63.4p
Diluted (pence)	122.1p	62.6p

1 The Profit after tax figure has been restated for the year ended 31 December 2022 following the adoption of IFRS 17. The adoption of IFRS 9 has not had a material impact on the Group's basic or diluted earnings per share in the year to 31 December 2023.

Basic earnings per share is calculated by dividing profit after tax of $1,026.8m (2022: $483.3m) by the weighted average number of shares in issue during the year of 663.8m (2022: 611.7m).

Diluted earnings per share is calculated by dividing profit after tax of $1,026.8m (2022: $483.3m) by the adjusted weighted average number of shares of 678.3m (2022: 619.7m) in issue. This assumes conversion of dilutive potential ordinary shares, being shares from equity settled employee compensation schemes. Share options with performance conditions attaching to them have been excluded from the weighted average number of shares to the extent that these conditions have not been met at the reporting date.

Further details of equity compensation plans can be found in Note 24 as well as in the Directors' remuneration report on pages 124 to 145.

Note that both calculations exclude the shares held in the Employee Share Options Plan of 9.8m (31 December 2022: 5.7m) until such time as they vest unconditionally with the employees.

15 Dividends per share

An interim dividend of 14.2p covering the whole of 2023 (2022: 13.5p) will be payable on 3 May 2024 to Beazley plc shareholders registered on 22 March 2024. The Group expects the total amount to be paid in respect of the interim dividend to be approximately £95.5m (2022: £90.6m). These financial statements do not provide for the interim dividend as a liability.

Notes to the financial statements continued

16 Intangible assets

	Goodwill $m	Syndicate capacity $m	Licences $m	IT development costs $m	Renewal rights $m	Total $m
Opening cost at 01 January 2023	72.0	13.7	9.3	125.3	58.9	279.2
Derecognition	—	—	—	(13.2)	—	(13.2)
Additions	—	17.6	—	33.3	—	50.9
Foreign exchange gain	—	—	—	3.3	—	3.3
Closing cost at 31 December 2023	**72.0**	**31.3**	**9.3**	**148.7**	**58.9**	**320.2**
Opening amortisation and impairment at 01 January 2023	(10.0)	—	—	(81.5)	(58.9)	(150.4)
Amortisation	—	—	—	(16.2)	—	(16.2)
Derecognition	—	—	—	13.2	—	13.2
Foreign exchange loss	—	—	—	(1.5)	—	(1.5)
Closing amortisation and impairment at 31 December 2023	**(10.0)**	**—**	**—**	**(86.0)**	**(58.9)**	**(154.9)**
Carrying amount at 31 December 2023	**62.0**	**31.3**	**9.3**	**62.7**	**—**	**165.3**

	Goodwill $m	Syndicate capacity $m	Licences $m	IT development costs $m	Renewal rights $m	Total $m
Opening cost at 01 January 2022	72.0	10.7	9.3	115.4	61.4	268.8
Additions	—	3.0	—	19.7	—	22.7
Foreign exchange loss	—	—	—	(9.8)	(2.5)	(12.3)
Closing cost at 31 December 2022	**72.0**	**13.7**	**9.3**	**125.3**	**58.9**	**279.2**
Opening amortisation and impairment at 01 January 2022	(10.0)	—	—	(74.3)	(61.0)	(145.3)
Amortisation	—	—	—	(13.6)	(0.7)	(14.3)
Foreign exchange gain	—	—	—	6.4	2.8	9.2
Closing amortisation and impairment at 31 December 2022	**(10.0)**	**—**	**—**	**(81.5)**	**(58.9)**	**(150.4)**
Carrying amount at 31 December 2022	**62.0**	**13.7**	**9.3**	**43.8**	**—**	**128.8**

16 Intangible assets continued

Impairment tests

Goodwill, syndicate capacity and US insurance authorisation licences are deemed to have indefinite useful lives as they are expected to have a recoverable amount that does not erode or become obsolete over the course of time. Consequently, these intangible assets are not amortised but are instead annually tested for impairment. For the purpose of impairment testing, they are allocated to the following cash-generating units ("CGUs"):

2023	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
Goodwill	1.7	0.3	31.9	25.7	2.4	62.0
Syndicate capacity	5.7	0.7	6.7	9.2	9.0	31.3
Licences	2.8	0.6	—	1.9	4.0	9.3
Total	**10.2**	**1.6**	**38.6**	**36.8**	**15.4**	**102.6**

2022	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
Goodwill	1.7	0.3	31.9	25.7	2.4	62.0
Syndicate capacity	3.1	0.6	3.0	3.7	3.3	13.7
Licences	2.8	0.6	—	1.9	4.0	9.3
Total	**7.6**	**1.5**	**34.9**	**31.3**	**9.7**	**85.0**

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

The Group determines the recoverable amount of its indefinite useful life intangible assets using the value-in-use ("VIU"). This is estimated by discounting the CGU's expected future cash flows sourced from financial budgets approved by management which cover a five-year period. These cash flows give consideration to the Group's capital requirements, ensuring that a suitable solvency range is maintained. A discount rate based on weighted average cost of capital of 16.6% (2022: 10.9%) has been applied to determine the present value of projected future cash flows. This has been calculated using independent measures of the risk-free rate of return and is indicative of the Group's risk profile relative to the market.

The Group has performed the following sensitivity analysis to ensure that the key assumptions used in deriving the VIU for each CGU considers the potential adverse effects of any changes in economic or regulatory environments. As a result, management has determined that a reasonably possible change in any of the key assumptions outlined above would not have a material impact on the outcome of impairment testing.

- **Projected cash flows** – The Group has used projected cash flows generated from operating profit consistent with five-year financial forecasts. Sensitivity testing has been performed to model the impact of reasonably possible changes in these profits (5% and 10% fall) when compared to the base impairment analysis and headroom. Within these ranges, the recoverable amounts remain supportable.
- **Future market conditions** – To test each CGU's sensitivity to variances in forecast profits, the discount rate has been flexed to 5% above and 5% below the central assumption. Within this range, the recovery of goodwill was stress tested and remains supportable across all CGUs. Headroom was calculated in respect of the VIU of all of the Group's other intangible assets.
- **Premium growth rates/Retention rates** – The Group has used a terminal growth rate of 0% (2022: 0%) to extrapolate projections beyond the covered five-year period.

The impairment test for goodwill is carried out annually and confirms that the recoverable amount exceeds the carrying amount, therefore no impairment or reversal of impairment is required.

Notes to the financial statements continued

16 Intangible assets continued

Syndicate capacity

The syndicate capacity represents the cost of purchasing the Group's participation in the combined syndicates. The capacity is capitalised at cost in the statement of financial position. It has an indefinite useful life and is carried at cost less accumulated impairment. It is annually tested for impairment by reference to the latest auction prices provided by Lloyd's. The Group's intangible assets relating to syndicate capacity is allocated across all CGUs.

During the year the Group purchased £35.5m of capacity on syndicate 623/2623 (2022: £9.2m) at a cost of $17.6m (2022: $3.0m).

Based upon the latest market prices, management has concluded that the fair value exceeds the carrying amount and as such no impairment or reversal of impairment is necessary.

Licenses

US insurance authorisation licences represent the privilege to write insurance business in particular states in the US. Licences are allocated to the relevant CGU. There is no active market for licences, therefore the recoverable amount is estimated as the present value of projected future cash flows which are sourced from management approved budgets. Key assumptions are consistent with those outlined in the Goodwill section above. Licences are annually tested for impairment and based upon all available evidence, the results of the testing indicate that no impairment or reversal of impairment is required.

17 Retirement benefit asset

	2023 $m	2022 $m
Present value of funded obligations	(34.9)	(31.1)
Fair value of plan assets	39.4	35.7
Retirement benefit asset in the statement of financial position	**4.5**	**4.6**
Amounts recognised in the statement of profit or loss:		
Interest cost	(1.5)	(1.1)
Expected return on plan assets	1.7	1.4
Retirement benefit return recognised in the statement of profit or loss	**0.2**	**0.3**

Beazley Furlonge Limited operates a defined benefit pension scheme (‘the Beazley Furlonge Limited Pension Scheme’), which closed to new entrants in 2002 and to future accrual in 2006.

The scheme is administered by a trust that is legally separated from the Group.

The pension scheme trustees completed a transaction that insures all of the scheme’s liabilities to a third party via a bulk annuity buy-in with an external insurance company in 2022. The annuity contracts meet the criteria to be classified as qualifying insurance policies as defined in IAS 19 as the cash flows match the timing and value of the benefits payable to members that they cover. These annuities are thus valued at the present value of the obligations insured.

At the reporting date, the trustees and the Company retain all obligations to ensure benefits due to scheme members are paid. Following the buy-in transaction the Group expects to make no further contributions to the scheme.

Historically the scheme exposed the Group to additional actuarial, interest rate and market risk. However as a result of the buy-in transaction in 2022 these risks are now born by the insurance company to which liabilities have been insured. The buy-in transaction does expose the Group to additional credit risk with regard to the insurance company from whom the annuities were purchased. This counterparty has an investment grade credit rating and therefore the Group considers the credit risk to be minimal.

Notes to the financial statements continued

17 Retirement benefit asset continued

Included below is a reconciliation from opening to closing of the present value of funded obligations and the fair value of plan assets. The amount recognised in the statement of comprehensive income is the net position of the actuarial gains/losses due to changes in financial assumptions and the loss/gain on asset return.

	2023 $m	2022 $m
Movement in present value of funded obligations recognised in the statement of financial position		
Balance at 1 January	**31.1**	**56.9**
Interest cost	1.5	1.0
Actuarial loss/(gain) due to changes in financial assumptions	2.0	(22.1)
Benefits paid	(0.5)	(0.5)
Foreign exchange loss/(gain)	0.8	(4.2)
Balance at 31 December	**34.9**	**31.1**

	2023 $m	2022 $m
Movement in fair value of plan assets recognised in the statement of financial position		
Balance at 1 January	**35.7**	**75.0**
Expected return on plan assets	1.7	1.3
Gain/(loss) on asset return	1.9	(34.6)
Administrative expenses	(0.3)	—
Benefits paid	(0.5)	(0.5)
Foreign exchange gain/(loss)	0.9	(5.5)
Balance at 31 December	**39.4**	**35.7**

	2023 $m	2022 $m
Plan assets are comprised as follows:		
Purchased annuities	34.9	31.1
Cash	4.5	4.6
Total	**39.4**	**35.7**

18 Financial assets and liabilities

18a Carrying values of financial assets and liabilities

Set out below are the carrying values of the Group's 'financial assets at fair value' and 'financial liabilities' per the statement of financial position. These amounts exclude the following financial assets and liabilities which are presented separately:

- Cash and cash equivalents carried at amortised cost (refer to Section d and Note 21); and
- Amounts due from managed syndicates, other receivables, lease liabilities, and other payables, all of which are carried at amortised cost (per Section d).

	2023 $m	2022 $m
Debt securities:		
– Government issued	4,469.1	5,006.3
– Corporate bonds		
– Investment grade	3,578.3	2,050.5
– High yield	489.0	308.7
Syndicate loans	34.1	32.5
Total debt securities and syndicate loans	8,570.5	7,398.0
Equity funds	282.7	159.4
Hedge funds	582.2	530.6
Illiquid assets	220.1	222.9
Total capital growth assets	1,085.0	912.9
Total financial investments at fair value through statement of profit or loss	**9,655.5**	**8,310.9**
Derivative financial assets	10.0	34.7
Total financial assets at fair value	**9,665.5**	**8,345.6**

Investment corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 31 December 2023 excludes an unfunded commitment of $32.0m (2022: $30.5m).

	2023 $m	2022 $m
Tier 2 subordinated debt (2026)	249.5	249.4
Tier 2 subordinated debt (2029)	298.8	298.6
Derivative financial liabilities	6.3	14.5
Total financial liabilities	**554.6**	**562.5**

The Group has given a fixed and floating charge over certain of its investments and other assets to secure obligations to Lloyd's in respect of its corporate member subsidiary. Further details are provided in Note 33.

For a maturity analysis showing the financial assets and liabilities due within and after one year of the reporting date, refer to Note 30d.

Notes to the financial statements continued

18 Financial assets and liabilities continued

18b Valuation hierarchy

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

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but before the valuation is supported wholly by observable market data or the transaction is closed out.

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

Level 2 – Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data, directly or indirectly (e.g. interest rates and exchange rates). Level 2 inputs include:
- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); and
- Market corroborated inputs. Included within level 2 are government bonds and treasury bills, equity funds and corporate bonds which are not actively traded, hedge funds and senior secured loans.

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

18 Financial assets and liabilities continued

Valuation approach - level 2 instruments

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

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

c) Subordinated debt and tier 2 subordinated debt fair value are based on quoted market prices.

Valuation approach - level 3 instruments

a) Our illiquid fund investments are generally closed ended limited partnerships or open ended funds. The Group relies on a third party fund manager to manage these investments and provide valuations. Note that while the funds report with full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments. The valuation techniques used by the fund managers to establish the fair values therefore require a degree of estimation. For example, these may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple.

b) Syndicate loans are non-tradeable instruments provided by our Group syndicates to the Central Fund at Lloyd’s in respect of the 2019 and 2020 underwriting years. These are valued internally using discounted cash flow models provided by Lloyd's to the market, designed to appropriately reflect the credit and illiquidity risk of the instruments. Valuation outputs are then validated using a control model, with the following inputs and assumptions. Note that these internally valued instruments are deemed by management to be inherently more subjective than external valuations.

- Cash flows are comprised of the notional cost of the loans, annual interest income, and the final repayment of the loans at the end of the 5-year term. The weighted average interest rate applicable across all syndicate loans is 3.8% (2022: 3.8%).
- A discount rate of 7.0% (2022: 9.2%) is applied. This is calculated using a combination of the long-term treasury bond risk-free rate, the industry/geographic average regression beta, and a selected risk premium.

There were no changes in the valuation techniques during the year compared to those described in the Group's 2022 Annual Report and Accounts.

18 Financial assets and liabilities continued

18c Fair values of financial assets and liabilities

The following table shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	3,291.9	1,177.2	—	4,469.1
– Corporate bonds				
– Investment grade	1,596.7	1,981.6	—	3,578.3
– High yield	488.1	0.9	—	489.0
Syndicate loans	—	—	34.1	34.1
Equity funds	282.7	—	—	282.7
Hedge funds	—	582.2	—	582.2
Illiquid assets	—	—	220.1	220.1
Derivative financial assets	10.0	—	—	10.0
Total financial assets carried at fair value	**5,669.4**	**3,741.9**	**254.2**	**9,665.5**
Financial liabilities carried at fair value				
Derivative financial liabilities	6.3	—	—	6.3
Total financial liabilities carried at fair value	**6.3**	**—**	**—**	**6.3**
Fair value of financial liabilities carried at amortised cost				
Tier 2 subordinated debt (2026)	—	241.7	—	241.7
Tier 2 subordinated debt (2029)	—	271.9	—	271.9
Total fair value of financial liabilities carried at amortised cost	**—**	**513.6**	**—**	**513.6**

2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	4,022.5	983.8	—	5,006.3
– Corporate bonds				
– Investment grade	893.8	1,156.7	—	2,050.5
– High yield	34.2	274.5	—	308.7
Syndicate loans	—	—	32.5	32.5
Equity funds	159.4	—	—	159.4
Hedge funds	—	530.6	—	530.6
Illiquid assets	—	—	222.9	222.9
Derivative financial assets	34.7	—	—	34.7
Total financial assets carried at fair value	**5,144.6**	**2,945.6**	**255.4**	**8,345.6**
Financial liabilities carried at fair value				
Derivative financial liabilities	14.5	—	—	14.5
Total financial liabilities carried at fair value	**14.5**	**—**	**—**	**14.5**
Fair value of financial liabilities carried at amortised cost				
Tier 2 subordinated debt (2026)	—	240.3	—	240.3
Tier 2 subordinated debt (2029)	—	265.9	—	265.9
Total fair value of financial liabilities carried at amortised cost	**—**	**506.2**	**—**	**506.2**

18 Financial assets and liabilities continued

18d Financial assets and liabilities measured at amortised cost

The tables above exclude the following financial assets and liabilities that are, in accordance with the Group's accounting policies, measured at amortised cost. For all of these, the carrying amounts included below are deemed to be reasonable approximations of fair values at the reporting date.

	2023 $m	2022 $m
Cash and cash equivalents	812.3	652.5
Amounts due from managed syndicates	25.4	1.9
Other receivables	272.1	179.9
Total financial assets at amortised cost [1]	**1,109.8**	**834.3**
Lease liabilities	76.6	72.7
Amounts due to managed syndicates	304.3	308.0
Other payables	207.3	184.5
Total financial liabilities at amortised cost	**588.2**	**565.2**

1 The Group has recognised expected credit losses ("ECLs") of $1.8m against its financial assets held at amortised cost as at 31 December 2023. Refer to Note 2 for the ECLs recognised on adoption of IFRS 9 as at 01 January 2023.

18e Transfers

The Group determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period. The following transfers between levels 1 & 2 for the period ended 31 December 2023 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool. There were no transfers into or out of level 3 in the year to 31 December 2023 (2022: no transfers).

31 December 2023 vs 31 December 2022 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	446.0	(446.0)

31 December 2023 vs 31 December 2022 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	(525.3)	525.3

The values shown in the transfer tables above are translated using spot foreign exchange rates as at 31 December 2023.

18f Level 3 investment reconciliations

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values. All realised and unrealised gains/(losses) are recognised through net investment income in the statement of profit or loss (refer to Note 8).

	2023 $m	2022 $m
Opening position as at 01 January	255.4	315.8
Purchases	21.8	13.0
Sales	(37.4)	(81.4)
Realised gain	20.2	13.2
Unrealised loss	(6.6)	(2.7)
Foreign exchange gain/(loss)	0.8	(2.5)
Closing position as at 31 December	**254.2**	**255.4**

Notes to the financial statements continued

18 Financial assets and liabilities continued

18g Unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

As part of its standard investment activities the Group holds fixed interest investments in high yield bond funds, as well as capital growth investments in equity funds, hedge funds and illiquid assets which in accordance with IFRS 12 are classified as unconsolidated structured entities. The Group does not sponsor any of the unconsolidated structured entities. The assets classified as unconsolidated structured entities are held at fair value on the statement of financial position. As at 31 December the investments comprising the Group's unconsolidated structured entities are as follows:

	2023 $m	2022 $m
High yield bond funds	489.0	308.7
Equity funds	282.7	159.4
Hedge funds	582.2	530.6
Illiquid assets	220.1	222.9
Investments through unconsolidated structured entities	**1,574.0**	**1,221.6**

The majority of our unconsolidated structured entity exposures fall within our capital growth assets. The capital growth assets are held in investee funds managed by asset managers who apply various investment strategies to accomplish their respective investment objectives. The Group's investments in investee funds are subject to the terms and conditions of the respective investee fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investee funds. Investment decisions are made after extensive due diligence on the underlying fund, its strategy and the overall quality of the underlying fund's manager and assets.

The right to sell or request redemption of investments in high yield bond funds, asset backed securities, equity funds and hedge funds ranges in frequency from daily to semi-annually. The Group did not sponsor any of the respective structured entities. The Group's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in investee funds and unfunded commitments.

18 Financial assets and liabilities continued

18h Currency exposures

The currency exposures of our financial assets held are detailed below:

2023	UK £ $m	CAD $ $m	EUR € $m	Sub Total $m	US $ $m	Total $m
Financial assets at FVTPL:						
- Fixed and floating rate debt securities	789.6	432.5	—	1,222.1	7,314.3	8,536.4
- Syndicate loans	34.1	—	—	34.1	—	34.1
- Equity Linked Funds	—	—	—	—	282.7	282.7
- Hedge funds	—	—	—	—	582.2	582.2
- Illiquid assets	6.4	—	45.9	52.3	167.8	220.1
- Derivative financial assets	—	—	—	—	10.0	10.0
Cash and cash equivalents	125.8	51.5	93.5	270.8	541.5	812.3
Amounts due from managed syndicates and other receivables	27.6	9.4	51.4	88.4	209.1	297.5
Total	**983.5**	**493.4**	**190.8**	**1,667.7**	**9,107.6**	**10,775.3**

2022	UK £ $m	CAD $ $m	EUR € $m	Sub Total $m	US $ $m	Total $m
Financial assets at FVTPL:						
- Fixed and floating rate debt securities	636.1	365.9	—	1,002.0	6,363.5	7,365.5
- Syndicate loans	32.5	—	—	32.5	—	32.5
- Equity Linked Funds	—	—	—	—	159.4	159.4
- Hedge funds	—	—	—	—	530.6	530.6
- Illiquid assets	0.1	—	46.2	46.3	176.6	222.9
- Derivative financial assets	—	—	—	—	34.7	34.7
Cash and cash equivalents	93.1	53.8	83.4	230.3	422.2	652.5
Amounts due from managed syndicates and other receivables	9.5	3.4	32.8	45.7	136.1	181.8
Total	**771.3**	**423.1**	**162.4**	**1,356.8**	**7,823.1**	**9,179.9**

Notes to the financial statements continued

19 Derivative financial instruments

Derivative financial instruments are utilised by the Group to manage its exposure to market risks on existing assets and liabilities. For currency risk, over-the-counter foreign exchange forward agreements are used to economically hedge the balance sheet's net assets by currency exposure.

The assets and liabilities of these contracts are detailed below. The Group has the right and intention to settle each contract on a net basis.

	2023		2022	
	Notional contract amount $m	Market value of derivative position $m	Notional contract amount $m	Market value of derivative position $m
Contract assets	648.8	10.0	560.1	34.7
Contract liabilities	436.4	(6.3)	549.7	(14.5)
Total derivative financial instruments		**3.7**		**20.2**

20 Other assets

	2023 $m	2022 $m
Investment in associates	0.3	0.4
Prepayments and accrued income	56.4	22.0
Due from syndicate 623	19.1	—
Due from syndicate 4321	6.3	1.9
Other receivables	272.1	179.9
Total other assets	**354.2**	**204.2**

Other assets are due within one year of the reporting date, with the exception of the Group's investment in associates and $13.7m (2022: $6.1m) of accrued income which is due after one year of the reporting date.

Investment in associates

The Group's investment in associates consists of the following:

2023	Country/region of incorporation	% interest held
Falcon Money Management Holdings Limited (and subsidiaries)	Malta[1]	25 %
Pegasus Underwriting Limited	Hong Kong[2]	33 %
CyberAcu View LLC	USA[3]	14 %

1 259 St Paul Street, Valletta, Malta
2 Suite 126, 12/F Somptuex Central, 52-54 Wellington Street, Hong Kong
3 8130 Lakewood Main Street, Suite 103 #329. Lakewood Ranch, FL 34202

The Group has the ability to appoint a member to the board of CyberAcuView LLC to represent its interest, therefore the Group is deemed to have significant influence and this investment is recognised as an associate.

A share of loss on associates of $0.1m (2022: $0.2m) has been recognised in profit or loss for the year.

21 Cash and cash equivalents

	2023 $m	2022 $m
Cash at bank and in hand	812.3	652.5
Total cash and cash equivalents	**812.3**	**652.5**

Included within Cash and cash equivalents held by the Group are balances totalling $132.6m (31 December 2022: $184.0m) not available for immediate use by the Group outside of the Lloyd's syndicate within which they are held. Additionally, $73.1m (31 December 2022: $66.0m) is pledged cash held against Funds at Lloyd's, and $13.3m (31 December 2022: $43.6m) is held in Lloyd's Singapore trust accounts which are only available for use by the Group to meet local claim and expense obligations.

22 Share capital

	2023		2022	
	No. of shares (m)	$m	No. of shares (m)	$m
Ordinary shares of 5p each				
Issued and fully paid	672.5	46.7	671.2	46.6
Balance at 01 January	**671.2**	**46.6**	**609.2**	**42.9**
Issue of shares to satisfy employee share schemes	1.3	0.1	1.0	0.1
Equity raise	—	—	61.0	3.6
Balance at 31 December	**672.5**	**46.7**	**671.2**	**46.6**

There are no limits to the authorised share capital of the Company.

On 16 November 2022, the Group completed an equity raise with the issue of 60,959,017 new ordinary shares of 5 pence each in the share capital of the Company. This equity raise was primarily comprised of 60,403,895 Placing shares, in addition to Retail Offer shares and Subscription shares.

The shares were issued at a price of 575 pence per share, representing a discount of 8.0% to the closing share price of 625 pence on 15 November 2022. This represented approximately 9.99% of the Company's issued ordinary share capital on the day prior to the equity raise. In aggregate, the equity raise represented net proceeds of £340.8m ($404.4m).

No share premium was recorded in relation to the Placing shares as merger relief under the Companies Act was available. The premium over the nominal value of these shares was credited to a merger reserve and subsequently recognised in retained earnings as it was deemed to be distributable.

Notes to the financial statements continued

23 Other reserves

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Balance at 01 January 2022	**17.0**	**(21.0)**	**(4.0)**
Share based payments	15.7	—	15.7
Tax on share option vestings	3.1	—	3.1
Acquisition of own shares held in trust	—	(17.8)	(17.8)
Transfer of shares to employees	(7.2)	2.6	(4.6)
Balance at 31 December 2022	**28.6**	**(36.2)**	**(7.6)**
Share based payments	36.2	—	36.2
Tax on share option vestings	0.7	—	0.7
Acquisition of own shares held in trust	—	(33.6)	(33.6)
Transfer of shares to employees	(14.8)	6.3	(8.5)
Balance at 31 December 2023	**50.7**	**(63.5)**	**(12.8)**

The employee share options reserve is held in accordance with IFRS 2 *Share-based payments*. For awards satisfied by the employee share trust ("EBT"), shares are purchased on the market and carried at cost. For further information refer to Note 24. A reconciliation of the amounts included within the EBT reserve is provided below.

	2023 Number (m)	2022 Number (m)
Balance at 01 January	5.7	3.1
Additions	5.1	3.0
Transfer of shares to employees	(1.0)	(0.4)
Balance at 31 December	**9.8**	**5.7**

24 Equity compensation plans

The Group offers the following equity compensation plans: long term incentive plan (“LTIP”), save-as-you-earn ("SAYE") plan, deferred share plan, and retention share plan. Provided vesting conditions are met, the methods of settlement for each plan are as follows:

- LTIPs – share options which entitle executives and senior management to acquire shares in the Company, satisfied either through new issue or the EBT;
- SAYE – share options which entitle the Group’s employees to buy shares at a set option price. These are satisfied through new issue;
- Deferred awards – conditional awards granted to employees in the form of shares, satisfied through the EBT; and
- Retention shares – conditional awards granted to senior management in the form of shares, satisfied through the EBT.

The terms and conditions of the grants are as follows:

Equity compensation plans	No. outstanding (m)	Vesting conditions	Contractual life
LTIP (5 year)	6.1	Five years' service + NAVps + minimum shareholding	10 years
LTIP (3 year)	8.9	Three years' service + NAVps + minimum shareholding + ESG	10 years
SAYE (UK)	2.6	Three years' service	6 months
SAYE (US)	0.2	Two years’ service	3 months
SAYE (Others)	0.2	Two years’ service	Various
Total options outstanding	**18.0**		
Deferred share plan	3.6	Three years’ service	N/A
Retention plan	0.1	Three to six years’ service (25% per year)	N/A
Total outstanding	**21.7**		

In summary the vesting conditions are defined as:

- two, three, five or six years’ service – an employee has to remain in employment until the second, third, fifth or sixth anniversary respectively from the grant date;
- NAVps – the net asset value per share ("NAVps") growth, after adjusting for the effect of dividends, is greater than the risk-free rate of return plus a premium per year;
- the CEO and Group Finance Director ("Executive Directors") must hold and maintain a shareholding of 300% and 200% respectively of base salary. The Executive Directors must maintain 100% of their shareholding requirement for two years post-departure. Other executive management and senior management of the business are expected to hold and maintain a shareholding of 150% and 100% respectively of base salary; and
- ESG requirements – newly introduced in 2023, the Group must reduce its carbon emissions and increase its female and people of colour representation at the Board and Senior Manager level.

Further details can be found in the Directors’ remuneration report on pages 124 to 145. The total gain on Directors’ exercises of share option plans during the year was £0.5m (2022: £0.2m).

Number of options and exercise prices

The following table summarises the number of options outstanding at the balance sheet date, the weighted average remaining contractual life of these options, and the weighted average share price at exercise of options exercised during the year.

	2023		2022	
	Weighted average exercise price (pence per share)	No. of options (m)	Weighted average exercise price (pence per share)	No. of options (m)
Outstanding at 01 January	**56.5**	**15.9**	**80.7**	**14.9**
Forfeited during the year	40.9	(2.2)	74.5	(3.2)
Exercised during the year[1]	76.6	(1.4)	124.3	(1.1)
Granted during the year	57.8	5.7	54.5	5.3
Outstanding at 31 December[2]	**58.0**	**18.0**	**56.5**	**15.9**
Exercisable at 31 December	—	—	—	—

1 The weighted average share price at the point of exercise of these options was 610.2p (2022: 498.7p).
2 The weighted average remaining contractual life for the outstanding options at end of the year was 1.33 years (2022: 1.89 years).

Notes to the financial statements continued

24 Equity compensation plans continued

The range of exercise prices for options outstanding at the end of the year were as follows:

Exercise prices (pence per option)	2023 No. outstanding (m)	2022 No. outstanding (m)
0 – 100	15.0	13.0
201 – 300	1.6	1.8
301 – 400	0.6	0.7
401 – 500	0.7	0.4
501 – 518	0.1	—
Total options outstanding	**18.0**	**15.9**

Fair values

The fair values of the LTIP and SAYE plans are measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted.

For these plans, amounts are recognised in the profit or loss as an employee expense over the period in which the employees become unconditionally entitled to the options, with a corresponding increase in the employee share options reserve. The amount recognised as an expense is adjusted to reflect the actual number once vested. The below table is a summary of the assumptions used to calculate the fair value of share options awarded during the year ended 31 December 2023.

	2023	2022
Share options charge to employee share options reserve	**33.8**	**14.7**
LTIP		
Weighted average share price (pence per option)	614.0	509.9
Weighted average fair value (pence per option)	613.9	509.8
Weighted average exercise price (pence per option)	–	–
Average expected life of options (years)	2.9yrs	4.3yrs
Expected volatility	35.0 %	38.9 %
Expected dividend yield	— %	— %
Average risk-free interest rate	3.9 %	3.0 %
SAYE		
Weighted average share price (pence per option)	582.5	435.7
Weighted average fair value (pence per option)	184.2	143.4
Weighted average exercise price (pence per option)	480.1	350.6
Average expected life of options (years)	3.3yrs	3.3yrs
Expected volatility	34.8 %	39.3 %
Expected dividend yield	2.5 %	2.6 %
Average risk-free interest rate	3.8 %	2.6 %

The expected volatility is based on historic volatility over a period of at least two years.

For the deferred share plan and retention share plan, fair values are determined based on the share price at date of grant. Amounts are recognised in the statement of profit or loss on a straight-line basis over a period of three years and six years respectively.

25 Deferred tax

	2023 $m	2022[1] $m
Deferred tax asset	46.9	30.8
Deferred tax liability	(202.2)	(79.2)
Net deferred tax liability	**(155.3)**	**(48.4)**

1 Deferred tax amounts as at 31 December 2022 have been restated on adoption of IFRS 17. Refer below for further details.

	Balance 01 Jan 23 $m	Recognised in total comprehensive income $m	Recognised in equity $m	FX translation differences $m	Balance 31 Dec 23 $m
Plant and equipment	(0.8)	(0.3)	—	—	(1.1)
Intangible assets	(1.8)	0.5	—	—	(1.3)
Underwriting profits	7.4	(101.6)	—	—	(94.2)
Deferred acquisition costs	1.7	(1.7)	—	—	—
Tax losses carried forward	4.0	5.7	—	—	9.7
Share based payments	8.4	1.5	(0.9)	—	9.0
Unrealised gains/(losses) on investments	9.9	(11.1)	—	—	(1.2)
IFRS 17 adjustments	(83.7)	(3.4)	—	—	(87.1)
Other	6.5	6.8	—	(2.4)	10.9
Net deferred tax asset/(liability)	**(48.4)**	**(103.6)**	**(0.9)**	**(2.4)**	**(155.3)**

	Balance 01 Jan 22[1] $m	Recognised in total comprehensive income $m	Recognised in equity $m	FX translation differences $m	Balance 31 Dec 22 $m
Plant and equipment	(1.2)	0.4	—	—	(0.8)
Intangible assets	(0.5)	(1.3)	—	—	(1.8)
Underwriting profits	14.2	(6.8)	—	—	7.4
Deferred acquisition costs	(7.8)	9.5	—	—	1.7
Tax losses carried forward	9.6	(5.6)	—	—	4.0
Share based payments	2.6	3.1	3.1	(0.4)	8.4
Unrealised gains/(losses) on investments	(1.7)	11.6	—	—	9.9
IFRS 17 adjustments	(13.4)	(70.3)	—	—	(83.7)
Other	1.2	4.7	0.6	—	6.5
Net deferred tax asset/(liability)	**3.0**	**(54.7)**	**3.7**	**(0.4)**	**(48.4)**

1 Deferred tax amounts as at 01 January 2022 have been restated on adoption of IFRS 17.

Geographical analysis

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Group's balance sheet. A geographical analysis has been included below.

	2023 $m	2022 $m
UK	(152.8)	(35.3)
US	46.7	29.8
Ireland	(38.7)	(39.0)
Other[1]	(10.5)	(3.9)
Net deferred tax liability	**(155.3)**	**(48.4)**

1 Includes Canada, France, Germany, Spain and Switzerland.

25 Deferred tax continued

Under IFRS 17, the timing of the recognition of the Group's profits differs significantly from the basis on which corporate taxes are levied in the tax jurisdictions where the Group operates. None of the Group's material profit making entities pay corporate taxes based on IFRS 17 profits and therefore significant temporary differences arise. In some jurisdictions, such as the UK and Ireland, profits are recognised earlier under IFRS 17 and thus a deferred tax liability is recognised. The Group expects this to unwind over time as profits are recognised (offset by new profits on an IFRS 17 basis). In the US, profits are recognised more slowly on an IFRS 17 basis than under the US Stat basis on which tax is determined, with the Group recognising a deferred tax asset of $23.2m (2022: $13.1m). The Group is of the view that sufficient future profits will arise on an IFRS 17 basis to realise this deferred tax asset.

The Group has recognised a deferred tax liability of $94.2m (2022: asset of $7.4m) which relates to timing differences between the recognition of the Group's share of syndicate profits and when they are taxed. Profits or losses arising from membership of a syndicate are deferred for tax purposes until the year in which the result is declared. Typically, a year of account lasts for 36 months and is declared the following year. The deferred tax liability relates to the results of the 2021, 2022 and 2023 Years of Account. The 2020 Year of Account closed at the end of 2022 and was declared and taxed in 2023.

Additionally the Group recognises deferred tax assets of $9.7m (2022: $4.0m) which depend on the availability of future taxable profits to offset tax losses previously recognised. The Group has concluded that it is probable that these deferred tax assets will be recovered using estimated future taxable profits based on approved business plans. The losses which make up this part of the deferred tax asset can be carried forward indefinitely and have no expiry date. The Group has no unrecognised trading losses as at December 31 2023 (2022: nil) and has unrecognised capital losses of $4.0m (2022: $2.2m).

Pillar Two Taxes

No deferred taxes have been recognised by the Group in relation to the OECD's project to implement a global minimum tax rate. Refer to Note 13 for further details.

26 Subordinated liabilities

In November 2016, the Group issued $250m of subordinated Tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875%, is payable in May and November each year. In September 2019, the Group issued $300m of subordinated Tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5% is payable in March and September each year.

The carrying amounts of the subordinated liabilities are as follows. The total fair value of the Group's subordinated liabilities is $513.6m (2022: $506.2m).

	Tier 2 subordinated debt (2029) $m	Tier 2 subordinated debt (2026) $m	Total $m
Opening balance at 01 January 2022	298.4	249.2	547.6
Amortisation of capitalised borrowing costs	0.2	0.2	0.4
Closing balance at 31 December 2022	**298.6**	**249.4**	**548.0**
Amortisation of capitalised borrowing costs	0.2	0.1	0.3
Closing balance at 31 December 2023	**298.8**	**249.5**	**548.3**

The annual interest expense on the Group's subordinated liabilities is included in Note 8. Accrued interest of $7.4m (2022: $7.4m) is included within Other liabilities in Note 29.

27 Leases

The Group leases offices, IT equipment and motor vehicles. The leased offices are in several locations and the leases of large offices such as London and New York typically run for a period of 10 years with an option to renew the lease after that date or continue on a rolling month-by-month basis. Lease payments are renegotiated as agreed in the lease contracts. Information about leases for which the Group is a lessee are presented below. Note that the right-of-use assets do not meet the definition of investment property as per IAS 40.

Right-of-use assets

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 01 January 2022	**63.4**	**12.0**	**0.1**	**75.5**
Depreciation	(8.0)	(4.2)	(0.1)	(12.3)
Additions	0.9	—	—	0.9
Foreign exchange translation differences	(3.0)	(0.6)	—	(3.6)
Balance at 31 December 2022	**53.3**	**7.2**	**—**	**60.5**
Depreciation	(9.6)	(3.3)	—	(12.9)
Additions	10.9	—	—	10.9
Foreign exchange translation differences	0.8	0.1	—	0.9
Balance at 31 December 2023	**55.4**	**4.0**	**—**	**59.4**

Lease liabilities

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 01 January 2022	**72.1**	**12.1**	**0.1**	**84.3**
Lease payments	(6.9)	(4.5)	(0.2)	(11.6)
Interest on lease liabilities and dilapidation provision	2.8	0.4	—	3.2
Additions to lease portfolio	0.9	—	—	0.9
Foreign exchange translation differences	(3.5)	(0.7)	0.1	(4.1)
Balance at 31 December 2022	**65.4**	**7.3**	**—**	**72.7**
Lease payments	(8.5)	(3.5)	—	(12.0)
Interest on lease liabilities and dilapidation provision	3.1	0.2	—	3.3
Additions to lease portfolio	10.9	—	—	10.9
Foreign exchange translation differences	1.5	0.2	—	1.7
Balance at 31 December 2023	**72.4**	**4.2**	**—**	**76.6**

The amount falling due within 12 months is $13.5m (2022: $9.6m). For a detailed maturity analysis, refer to Note 30d.

28 Insurance and reinsurance contracts

28a Reconciliations by measurement component

This section shows how the net carrying amounts of insurance contracts issued and reinsurance contracts held by the Group have changed during the year, as a result of changes in cash flows and amounts recognised in profit or loss. An explanation of how amounts have moved in the year is set out in Note 2.

i) Insurance contracts issued

The tables below set out the estimated present value of future cash flows, the risk adjustment for non-financial risk and the CSM for insurance contracts issued.

31 December 2023	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening insurance contract assets	123.5	(12.9)	(26.5)	84.1
Opening insurance contract liabilities	(6,324.0)	(711.3)	(314.5)	(7,349.8)
Net insurance contract liabilities at 01 January 2023	**(6,200.5)**	**(724.2)**	**(341.0)**	**(7,265.7)**
CSM recognised in profit or loss for services provided	—	—	691.4	691.4
Changes in the risk adjustment for non-financial risk for risk expired	—	316.8	—	316.8
Experience adjustments	893.3	(285.5)	—	607.8
Total changes relating to current service	893.3	31.3	691.4	1,616.0
Changes in estimates that adjust the CSM	135.0	(19.1)	(115.9)	—
Changes in estimates that result in onerous contract losses or reversal of such losses	6.0	(1.1)	7.5	12.4
Contracts initially recognised in the period	870.2	(264.2)	(616.6)	(10.6)
Total changes relating to future service	1,011.2	(284.4)	(725.0)	1.8
Total changes relating to past service - adjustments to the LIC	16.2	215.8	—	232.0
Recognised in insurance service result	**1,920.7**	**(37.3)**	**(33.6)**	**1,849.8**
Finance (expenses)/income from insurance contracts issued	(190.2)	(13.9)	34.8	(169.3)
Foreign exchange gains/(losses)	1.9	(0.6)	(4.2)	(2.9)
Other amounts recognised in total comprehensive income	**(188.3)**	**(14.5)**	**30.6**	**(172.2)**
Premiums received net of insurance acquisition cash flows	(4,526.4)	—	—	(4,526.4)
Claims and other directly attributable expenses paid	2,223.8	—	—	2,223.8
Total cash flows	**(2,302.6)**	**—**	**—**	**(2,302.6)**
Closing insurance contract assets	103.8	(1.2)	(1.1)	101.5
Closing insurance contract liabilities	(6,874.5)	(774.8)	(342.9)	(7,992.2)
Net insurance contract liabilities at 31 December 2023	**(6,770.7)**	**(776.0)**	**(344.0)**	**(7,890.7)**

28 Insurance and reinsurance contracts continued

31 December 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening insurance contract assets	—	—	—	—
Opening insurance contract liabilities	(5,628.3)	(740.3)	(190.9)	(6,559.5)
Net insurance contract liabilities at 01 January 2022	**(5,628.3)**	**(740.3)**	**(190.9)**	**(6,559.5)**
CSM recognised in profit or loss for services provided	—	—	565.2	565.2
Changes in the risk adjustment for non-financial risk for risk expired	—	274.7	—	274.7
Experience adjustments	518.4	(268.6)	—	249.8
Total changes relating to current service	518.4	6.1	565.2	1,089.7
Changes in estimates that adjust the CSM	57.2	61.5	(118.7)	—
Changes in estimates that result in onerous contract losses or reversal of such losses	42.7	(3.0)	18.5	58.2
Contracts initially recognised in the period	898.3	(324.8)	(607.6)	(34.1)
Total changes relating to future service	998.2	(266.3)	(707.8)	24.1
Total changes relating to past service - adjustments to the LIC	(517.3)	237.9	—	(279.4)
Recognised in insurance service result	**999.3**	**(22.3)**	**(142.6)**	**834.4**
Finance income/(expenses) from insurance contracts issued	261.8	29.5	(11.8)	279.5
Foreign exchange gains	45.9	8.9	4.3	59.1
Other amounts recognised in total comprehensive income	**307.7**	**38.4**	**(7.5)**	**338.6**
Premiums received net of insurance acquisition cash flows	(4,141.0)	—	—	(4,141.0)
Claims and other directly attributable expenses paid	2,261.8	—	—	2,261.8
Total cash flows	**(1,879.2)**	**—**	**—**	**(1,879.2)**
Closing insurance contract assets	123.5	(12.9)	(26.5)	84.1
Closing insurance contract liabilities	(6,324.0)	(711.3)	(314.5)	(7,349.8)
Net insurance contract liabilities at 31 December 2022	**(6,200.5)**	**(724.2)**	**(341.0)**	**(7,265.7)**

Notes to the financial statements continued

28 Insurance and reinsurance contracts continued

ii) Reinsurance contracts held

The tables below set out the estimates of the present value of future cash flows, risk adjustment for non-financial risk and CSM for reinsurance contracts held.

31 December 2023	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening reinsurance contract assets	1,853.3	184.6	137.4	2,175.3
Opening reinsurance contract liabilities	(193.8)	12.7	19.9	(161.2)
Net reinsurance contract assets at 01 January 2023	**1,659.5**	**197.3**	**157.3**	**2,014.1**
CSM recognised in profit or loss for the services provided	—	—	(290.8)	(290.8)
Changes in the risk adjustment for non-financial risk for the risk expired	—	(105.2)	—	(105.2)
Experience adjustments	(139.0)	84.2	—	(54.8)
Total changes relating to current service	(139.0)	(21.0)	(290.8)	(450.8)
Changes in estimates that adjust the CSM	91.6	(16.1)	(75.5)	—
Contracts initially recognised in the period	(436.3)	84.2	352.1	—
Total changes relating to future service	(344.7)	68.1	276.6	—
Adjustments to incurred claims recovery	(110.9)	(41.3)	—	(152.2)
Effect of changes in the risk of reinsurers non-performance	4.2	—	—	4.2
Total changes relating to past service	(106.7)	(41.3)	—	(148.0)
Recognised in insurance service result	**(590.4)**	**5.8**	**(14.2)**	**(598.8)**
Finance income/(expenses) from reinsurance contracts held	24.0	5.7	(13.8)	15.9
Foreign exchange (losses)/gains	(20.6)	15.8	0.3	(4.5)
Other amounts recognised in total comprehensive income	**3.4**	**21.5**	**(13.5)**	**11.4**
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,080.4	—	—	1,080.4
Recoveries from reinsurance	(413.9)	—	—	(413.9)
Total cash flows	**666.5**	**—**	**—**	**666.5**
Closing reinsurance contract assets	2,143.4	166.2	117.1	2,426.7
Closing reinsurance contract liabilities	(404.4)	58.4	12.5	(333.5)
Net reinsurance contract assets at 31 December 2023	**1,739.0**	**224.6**	**129.6**	**2,093.2**

28 Insurance and reinsurance contracts continued

31 December 2022	Present value of future cash flows $m	Risk adjustment for non-financial risk $m	CSM $m	Total $m
Opening reinsurance contract assets	1,453.7	177.0	43.6	1,674.3
Opening reinsurance contract liabilities	(156.6)	13.8	3.1	(139.7)
Net reinsurance contract assets at 01 January 2022	**1,297.1**	**190.8**	**46.7**	**1,534.6**
CSM recognised in profit or loss for the services provided	—	—	(195.3)	(195.3)
Changes in the risk adjustment for non-financial risk for the risk expired	—	(74.3)	—	(74.3)
Experience adjustments	(29.8)	65.7	—	35.9
Total changes relating to current service	(29.8)	(8.6)	(195.3)	(233.7)
Changes in estimates that adjust the CSM	264.4	7.1	(271.5)	—
Contracts initially recognised in the period	(646.2)	74.1	572.1	—
Total changes relating to future service	(381.8)	81.2	300.6	—
Adjustments to incurred claims recovery	307.8	(53.0)	—	254.8
Effect of changes in the risk of reinsurers non-performance	(32.6)	—	—	(32.6)
Total changes relating to past service	275.2	(53.0)	—	222.2
Recognised in insurance service result	**(136.4)**	**19.6**	**105.3**	**(11.5)**
Finance expenses from reinsurance contracts held	(82.6)	(10.7)	(3.2)	(96.5)
Foreign exchange (losses)/gains	(6.9)	(2.4)	8.5	(0.8)
Other amounts recognised in total comprehensive income	**(89.5)**	**(13.1)**	**5.3**	**(97.3)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	961.7	—	—	961.7
Recoveries from reinsurance	(373.4)	—	—	(373.4)
Total cash flows	**588.3**	**—**	**—**	**588.3**
Closing reinsurance contract assets	1,853.3	184.6	137.4	2,175.3
Closing reinsurance contract liabilities	(193.8)	12.7	19.9	(161.2)
Net reinsurance contract assets at 31 December 2022	**1,659.5**	**197.3**	**157.3**	**2,014.1**

Notes to the financial statements continued

28 Insurance and reinsurance contracts continued

28b Analysis of the liability for remaining coverage and the liability for incurred claims

i) Insurance contracts issued

The tables below analyse insurance contract assets and liabilities between the LRC and the LIC for insurance contracts issued.

	LRC			
	Excluding Loss Component	Loss Component	LIC	Total
31 December 2023	$m	$m	$m	$m
Opening insurance contract assets	87.2	—	(3.1)	84.1
Opening insurance contract liabilities	(824.7)	(10.1)	(6,515.0)	(7,349.8)
Net insurance contract liabilities at 01 January 2023	**(737.5)**	**(10.1)**	**(6,518.1)**	**(7,265.7)**
Insurance revenue	5,442.4	—	—	5,442.4
Insurance service expenses:				
- Incurred claims and other directly attributable expenses	(86.3)	—	(2,825.3)	(2,911.6)
- Changes that relate to past service - adjustments to the LIC	—	—	232.0	232.0
- Losses on onerous contracts and reversal of those losses	—	1.8	—	1.8
- Insurance acquisition cash flows amortisation	(914.8)	—	—	(914.8)
Recognised in insurance service result	**4,441.3**	**1.8**	**(2,593.3)**	**1,849.8**
Finance income/(expenses) from insurance contracts issued	70.8	—	(240.1)	(169.3)
Foreign exchange gains/(losses)	4.7	—	(7.6)	(2.9)
Other amounts recognised in total comprehensive income	**75.5**	**—**	**(247.7)**	**(172.2)**
Premiums received net of insurance acquisition cash flows	(4,526.4)	—	—	(4,526.4)
Claims and other directly attributable expenses paid	—	—	2,223.8	2,223.8
Total cash flows	**(4,526.4)**	**—**	**2,223.8**	**(2,302.6)**
Closing insurance contract assets	101.7	—	(0.2)	101.5
Closing insurance contract liabilities	(848.8)	(8.3)	(7,135.1)	(7,992.2)
Net insurance contract liabilities at 31 December 2023	**(747.1)**	**(8.3)**	**(7,135.3)**	**(7,890.7)**

28 Insurance and reinsurance contracts continued

31 December 2022	LRC Excluding Loss Component $m	Loss Component $m	LIC $m	Total $m
Opening insurance contract assets	—	—	—	—
Opening insurance contract liabilities	(688.1)	(34.3)	(5,837.1)	(6,559.5)
Net insurance contract liabilities at 01 January 2022	**(688.1)**	**(34.3)**	**(5,837.1)**	**(6,559.5)**
Insurance revenue	4,848.4	—	—	4,848.4
Insurance service expenses:				
- Incurred claims and other directly attributable expenses	(41.0)	—	(2,867.6)	(2,908.6)
- Changes that relate to past service - adjustments to the LIC	—	—	(279.4)	(279.4)
- Losses on onerous contracts and reversal of those losses	—	24.1	—	24.1
- Insurance acquisition cash flows amortisation	(850.1)	—	—	(850.1)
Recognised in insurance service result	**3,957.3**	**24.1**	**(3,147.0)**	**834.4**
Finance income from insurance contracts issued	129.5	—	150.0	279.5
Foreign exchange gains	4.8	0.1	54.2	59.1
Other amounts recognised in total comprehensive income	**134.3**	**0.1**	**204.2**	**338.6**
Premiums received net of insurance acquisition cash flows	(4,141.0)	—	—	(4,141.0)
Claims and other directly attributable expenses paid	—	—	2,261.8	2,261.8
Total cash flows	**(4,141.0)**	**—**	**2,261.8**	**(1,879.2)**
Closing insurance contract assets	87.2	—	(3.1)	84.1
Closing insurance contract liabilities	(824.7)	(10.1)	(6,515.0)	(7,349.8)
Net insurance contract liabilities at 31 December 2022	**(737.5)**	**(10.1)**	**(6,518.1)**	**(7,265.7)**

Notes to the financial statements continued

28 Insurance and reinsurance contracts continued

ii) Reinsurance contracts held

The tables below analyse reinsurance contract assets and liabilities between the ARC and AIC for reinsurance contracts held.

31 December 2023	ARC[1] $m	AIC $m	Total $m
Opening reinsurance contract assets	24.9	2,150.4	2,175.3
Opening reinsurance contract liabilities	(254.7)	93.5	(161.2)
Net reinsurance contract assets at 01 January 2023	**(229.8)**	**2,243.9**	**2,014.1**
Expected claims and other expenses recovery	(1,419.8)	679.3	(740.5)
Changes in the risk adjustment recognised for the risk expired	(189.4)	84.2	(105.2)
CSM recognised for the services received	(290.8)	—	(290.8)
Other amounts including experience adjustments	9.2	—	9.2
Allocation of reinsurance premium	(1,890.8)	763.5	(1,127.3)
Effect of changes in the risk of reinsurers' non-performance	(1.3)	5.5	4.2
Claims recovered	767.1	(87.0)	680.1
Other incurred directly attributable expenses	(0.5)	(3.1)	(3.6)
Changes that relate to past service – adjustments to incurred claims recovery	—	(152.2)	(152.2)
Amounts recoverable from reinsurers for incurred claims	765.3	(236.8)	528.5
Net expenses from reinsurance contracts held	**(1,125.5)**	**526.7**	**(598.8)**
Finance (expenses)/income from reinsurance contracts held	(40.9)	56.8	15.9
Foreign exchange (losses)/gains	(6.1)	1.6	(4.5)
Other amounts recognised in total comprehensive income	**(47.0)**	**58.4**	**11.4**
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,080.4	—	1,080.4
Recoveries from reinsurance	—	(413.9)	(413.9)
Total cash flows	**1,080.4**	**(413.9)**	**666.5**
Closing reinsurance contract assets	758.4	1,668.3	2,426.7
Closing reinsurance contract liabilities	(1,080.3)	746.8	(333.5)
Net reinsurance contract assets at 31 December 2023	**(321.9)**	**2,415.1**	**2,093.2**

1 Includes loss recovery component of $3.8m at 01 January 2023 and $0.9m at 31 December 2023.

28 Insurance and reinsurance contracts continued

31 December 2022	ARC[1] $m	AIC $m	Total $m
Opening reinsurance contract assets	(29.0)	1,703.3	1,674.3
Opening reinsurance contract liabilities	(223.4)	83.7	(139.7)
Net reinsurance contract assets/(liabilities) at 01 January 2022	**(252.4)**	**1,787.0**	**1,534.6**
Expected claims and other expenses recovery	(1,002.1)	270.3	(731.8)
Changes in the risk adjustment recognised for the risk expired	(140.0)	65.7	(74.3)
CSM recognised for the services received	(195.3)	—	(195.3)
Other amounts including experience adjustments	36.0	—	36.0
Allocation of reinsurance premium	(1,301.4)	336.0	(965.4)
Effect of changes in the risk of reinsurers' non-performance	(1.4)	(31.2)	(32.6)
Claims recovered	368.3	365.1	733.4
Other incurred directly attributable expenses	5.1	(6.8)	(1.7)
Changes that relate to past service – adjustments to incurred claims recovery	—	254.8	254.8
Amounts recoverable from reinsurers for incurred claims	372.0	581.9	953.9
Net expenses from reinsurance contracts held	**(929.4)**	**917.9**	**(11.5)**
Finance expenses from reinsurance contracts held	(22.5)	(74.0)	(96.5)
Foreign exchange gains/(losses)	12.8	(13.6)	(0.8)
Other amounts recognised in total comprehensive income	**(9.7)**	**(87.6)**	**(97.3)**
Premiums paid net of ceding commissions and other directly attributable expenses paid	961.7	—	961.7
Recoveries from reinsurance	—	(373.4)	(373.4)
Total cash flows	**961.7**	**(373.4)**	**588.3**
Closing reinsurance contract assets	24.9	2,150.4	2,175.3
Closing reinsurance contract liabilities	(254.7)	93.5	(161.2)
Net reinsurance contract assets/(liabilities) at 31 December 2022	**(229.8)**	**2,243.9**	**2,014.1**

1 Includes loss recovery component of $3.4m at 01 January 2022 and $3.8m at 31 December 2022.

28 Insurance and reinsurance contracts continued

28c New business

i) Impact of insurance contracts issued in the year

The following tables show the impact of new insurance contracts issued in the period. These are broken down by contracts which were/were not deemed to be onerous on initial recognition.

Year ended 31 December 2023	Non-onerous contracts originated $m	Onerous contracts originated $m	Total $m
Estimated present value of future cash outflows:			
- Insurance acquisition cash flows	(759.3)	(68.1)	(827.4)
- Claims and other directly attributable expenses	(2,489.8)	(176.7)	(2,666.5)
Estimated present value of future cash inflows	4,115.0	249.1	4,364.1
Risk adjustment for non-financial risk	(249.3)	(14.9)	(264.2)
Contractual service margin	(616.6)	—	(616.6)
Net increase in insurance contract liabilities	**—**	**(10.6)**	**(10.6)**

Year ended 31 December 2022	Non-onerous contracts originated $m	Onerous contracts originated $m	Total $m
Estimated present value of future cash outflows:			
- Insurance acquisition cash flows	(531.9)	(112.1)	(644.0)
- Claims and other directly attributable expenses	(1,720.7)	(391.2)	(2,111.9)
Estimated present value of future cash inflows	3,077.9	576.3	3,654.2
Risk adjustment for non-financial risk	(217.7)	(107.1)	(324.8)
Contractual service margin	(607.6)	—	(607.6)
Net increase in insurance contract liabilities	**—**	**(34.1)**	**(34.1)**

ii) Impact of reinsurance contracts held in the year

The following table shows the impact of new reinsurance contracts initially recognised in the period which were not deemed to originate with a loss recovery component. Contracts originating with a loss recovery component are $0.3m (2022: $12.1m).

	2023 $m	2022 $m
Estimated present value of future cash outflows	(1,253.5)	(1,671.6)
Estimated present value of future cash inflows	817.2	1,025.4
Risk adjustment for non-financial risk	84.2	74.1
Contractual service margin	352.1	572.1
Net increase in reinsurance contract assets	**—**	**—**

28 Insurance and reinsurance contracts continued

28d Future CSM release

The tables below show when the Group expects to release the closing CSM to the profit or loss in appropriate future time bands. It is presented for both insurance contracts issued and reinsurance contracts held.

Insurance contracts issued	2023 $m	2022 $m
Number of years until expected to be recognised		
1	299.0	301.7
2	14.7	12.5
3	10.5	8.9
4	7.6	6.6
5	5.1	4.8
6-10	7.1	6.5
>10	—	—
Total	**344.0**	**341.0**

Reinsurance contracts held	2023 $m	2022 $m
Number of years until expected to be recognised		
1	118.7	143.0
2	3.7	4.4
3	2.6	3.0
4	1.8	2.2
5	1.2	1.7
6-10	1.6	3.0
>10	—	—
Total	**129.6**	**157.3**

Notes to the financial statements continued

28 Insurance and reinsurance contracts continued

28e Claims development

The following tables show the estimates of cumulative ultimate claims for each successive underwriting year from five years prior to the reporting date, reconciled back to LIC. This information has been provided on a gross of reinsurance basis and separately for reinsurance contracts held. As the Group has not previously published claims development information on an IFRS 17 basis, only claims development from the 2019 underwriting year onward (being five years before the end of the annual reporting period in which IFRS 17 was first applied by the Group) has been disclosed below. In the below tables, historic periods have been revalued using current exchange rates. The cumulative estimate of claims and recoveries comprise expected claims and reinsurance recovery cash flows only and do not include the risk adjustment, premiums or acquisition costs.

			Underwriting year			
Insurance contracts issued	2019	2020	2021	2022	2023	Total
2023	$m	$m	$m	$m	$m	$m
At end of underwriting year	1,712.5	2,309.3	2,699.4	3,123.8	3,112.0	
1 year later	2,205.2	2,696.3	2,966.1	3,030.4		
2 years later	2,236.2	2,802.2	2,782.1			
3 years later	2,231.5	2,649.2				
4 years later	2,221.9					
Cumulative gross estimate of claims	2,221.9	2,649.2	2,782.1	3,030.4	3,112.0	13,795.6
Cumulative payments to date	(1,696.9)	(1,765.3)	(1,319.5)	(941.9)	(287.3)	(6,010.9)
Carrying amount relating to 2018 and prior underwriting years						1,102.7
Less liability for remaining coverage claims only						(1,835.6)
Impact of discounting (LIC)						(555.5)
LIC risk adjustment for non-financial risk						639.0
Gross discounted LIC						**7,135.3**

			Underwriting year			
Reinsurance contracts held	2019	2020	2021	2022	2023	Total
2023	$m	$m	$m	$m	$m	$m
At end of underwriting year	(290.9)	(455.4)	(700.1)	(934.1)	(520.9)	
1 year later	(412.1)	(635.1)	(708.9)	(884.2)		
2 years later	(376.4)	(700.0)	(708.1)			
3 years later	(394.9)	(577.1)				
4 years later	(423.5)					
Cumulative gross estimate of claims recoveries	(423.5)	(577.1)	(708.1)	(884.2)	(520.9)	(3,113.8)
Cumulative payments to date	263.5	347.1	119.0	69.5	13.8	812.9
Carrying amount relating to 2018 and prior underwriting years						(451.9)
Less asset for remaining coverage claims only						338.7
Impact of discounting (AIC)						190.4
AIC risk adjustment for non-financial risk						(191.4)
Reinsurance discounted AIC						**(2,415.1)**

29 Other liabilities

	2023 $m	2022 $m
Accrued expenses including staff bonuses	98.9	31.5
Due to syndicate 623	—	21.8
Due to syndicate 5623	217.7	208.4
Due to syndicate 6107	86.6	77.8
Other payables	207.3	184.5
Total other liabilities	**610.5**	**524.0**

All other liabilities are payable within one year of the reporting date.

Profit uplift payment

The Group has agreed a potential profit uplift commission payment to the Members of Syndicate 623 on the 2023 year of account contingent upon the underwriting profit recognised in certain entities in the 2025 to 2028 financial years, which would become payable in 2029.

Notes to the financial statements continued

30 Risk and sensitivity analysis

The symbol † by a table or numerical information means it has not been audited.

30a Insurance risk

The Group issues insurance contracts under which it accepts significant insurance risk from persons or organisations that are directly exposed to an underlying loss from an insured event. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of cash flows associated with the insured event. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below.

i. Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the Group:
- 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 Group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes. The annual business plans for each underwriting team reflect the Group's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written which are approved by the appropriate Boards.

Our underwriters determine premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions, and acquisition expenses depending on the type of risk. A proportion of the Group's insurance risks are transacted by third parties under delegated underwriting and claims authorities. Each third party is thoroughly vetted by our coverholder approval group before it can bind risks, and is subject to monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines. 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.

The Group 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 Group sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios ("RDS"). 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 Group is exposed.

The Group 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 its 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.

30 Risk and sensitivity analysis continued

One of the largest types of event exposure relates to natural catastrophe events such as windstorms or earthquakes, with the increasing risk from climate change impacting the frequency and severity of natural catastrophes. The Group continues to monitor its exposure in this area. Where possible, the Group 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 Group's catastrophe risk appetite is set by the risk management function and approved by the Board and the business plans of each team are determined within these parameters. The Board may adjust these limits over time as conditions change. In 2023, the Group operated to a catastrophe risk appetite for a probabilistic 1-in-250 years US event of † $534.0m (2022: $438.0m) net of reinsurance. This represents an increase of 22% in 2023.

Lloyd's has also defined its own specific set of RDS events for which all syndicates with relevant exposures must report. Of these, the three largest (net of reinsurance) events which could have impacted Beazley in 2022 and 2023 were as follows.

† 2023	Modelled PML[1](before reinsurance) $m	Modelled PML[1](after reinsurance) $m
Lloyd's prescribed natural catastrophe event (total incurred losses)		
Los Angeles earthquake (2023: $78bn)	827.2	325.1
San Francisco earthquake (2023: $80bn)	854.1	315.0
Gulf of Mexico windstorm (2023: $118bn)	927.5	291.3

† 2022	Modelled PML[1](before reinsurance) $m	Modelled PML[1](after reinsurance) $m
Lloyd's prescribed natural catastrophe event (total incurred losses)		
Los Angeles earthquake (2022: $78bn)	692.4	266.8
US Northeast windstorm (2022: $81bn)	579.6	257.2
Gulf of Mexico windstorm (2022: $118bn)	725.0	253.2

1 Probable market loss.

The tables above show each event independent of each other and considered on their own.

- Net of reinsurance exposures for the Los Angeles quake scenario have increased by $58.3m or 22% in 2023, with gross exposures increasing by $134.8m or 19%. The increase in gross exposures is being driven by growth in the Property Risks division and specifically direct Property, which is also leading to the increase in the San Francisco quake and Gulf of Mexico windstorm events. The increase in net exposure is less than the increase in gross as additional Reinsurance was bought during 2023 for the Property Risks division.
- For 2023, the second largest scenario is now the San Francisco earthquake scenario which has replaced the US Northeast windstorm scenario. The San Francisco earthquake scenario has increased by $139.3m or 19% gross and $66.3m or 27% net (2022: $714.8m gross and $248.7m net). Similar to the Los Angeles quake scenario, the increase in net exposure is less than gross as additional Reinsurance was bought during 2023.
- Windstorm exposures have increased in the Gulf of Mexico during 2023, which has resulted in the Gulf of Mexico scenario increasing by $38.1m or 15% net, with the gross exposure increasing by $202.5m or 28%. Similar to the two earthquake scenarios, the net exposure has increased less than gross due to additional Reinsurance being bought for the Property Risks division.
- The net natural catastrophe risk appetite increased by 22% in 2023 to $534.0m from $438.0m in 2022, with the increase in appetite being driven by the Property Risks division.

The net exposure of the Group to each of these modelled events at a given point in time is a function of assumptions made about how and where the event occurs, its magnitude, the amount of business written that is exposed to each event and the reinsurance arrangements in place.

Notes to the financial statements continued

30 Risk and sensitivity analysis continued

The Group also has exposure to man-made claim aggregations, such as those arising from terrorism, liability, and cyber events. Beazley chooses to underwrite cyber insurance within the Cyber Risks and Specialty Risks divisions using our team of specialist underwriters, claims managers and data breach services managers. Other than for affirmative cyber coverage, Beazley’s preference is to exclude cyber exposure where possible.

To manage the potential exposure, the Board has approved a risk appetite for the aggregation of cyber related claims which is monitored by reference to the largest of seventeen realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform, the failure of a cloud provider, and physical damage scenarios. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent. To manage underwriting exposures, the Group 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 maximum line that any one underwriter could commit the managed syndicates to was $150m. In most cases, maximum lines for classes of business were much lower than this.

The Board also manages cyber to a 1-250 net probabilistic budget of $651.0m net of reinsurance for the Group. The reinsurance programmes that protect the Cyber and Specialty Risks divisions would partially mitigate the cost of most, but not all, Cyber catastrophes. The largest Cyber net realistic disaster scenario for the Group as at 31 December 2023 was just under $205m. Beazley also reports on Cyber exposure to Lloyd’s using the three largest internal realistic disaster scenarios and three new prescribed scenarios which include a cloud provider scenario and a ransomware scenario.

Exposure by operating division

In 2023, the Group’s business consisted of five operating divisions. The following table sets out the Group’s insurance revenue by operating division.

	2023 %	2022 %
Cyber Risks	22%	21%
Digital	4%	4%
MAP Risks	19%	20%
Property Risks	20%	17%
Specialty Risks	35%	38%
Total	**100%**	**100%**

Concentration by geography

Included below is a geographical analysis of the Group's insurance revenue based on placement of risk.

	2023 %	2022 %
UK (Lloyd’s)	83%	82%
US (Non-Lloyd’s)	11%	13%
Europe (Non-Lloyd’s)	6%	5%
Total	**100%**	**100%**

Sensitivity analysis

The table below analyses the impact on the Group’s profit after tax and equity of changes in underwriting risk variables that were reasonably possible at the reporting date. This analysis has been performed assuming a uniform percentage change in loss ratios used to determine best estimate cash flows within the liability for remaining coverage, and a uniform percentage change in the best estimate liability within the liability for incurred claims, including any consequential impact on the risk adjustment or CSM. It should be noted that movements in these variables are non–linear.

	Profit after tax / Equity[1]		Profit after tax / Equity[1]	
	Gross 2023 $m	Net 2023 $m	Gross 2022 $m	Net 2022 $m
Reserves (5% increase)	(289.4)	(179.6)	(266.5)	(172.6)
Reserves (5% decrease)	287.7	178.0	263.9	171.1

1 Impact of changes in risk variables is consistent across profit after tax and equity

30 Risk and sensitivity analysis continued

ii. Reinsurance risk

Reinsurance risk arises for the Group where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, resulting in coverage disputes or proving 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 in the credit risk section on page 236. In some cases, the Group deems it more economic to hold capital than to purchase reinsurance. These decisions are regularly reviewed. The reinsurance security committee examines and approves all reinsurers to ensure that they possess suitable security. The Group's ceded reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts, and monitors and instigates our responses to any erosion of the reinsurance programmes.

iii. Claims management risk

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

iv. Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the Group where established insurance liabilities are insufficient due to inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserve risk, a risk adjustment for non-financial risk is included within the valuation of insurance contract liabilities.

The following sensitivity analysis shows how a change in risk adjustment impacts profit after tax and equity. The sensitivity was calculated by selecting the risk adjustment 2.5 points above/below the current confidence level on the distribution by which it is calibrated and flowing the consequential impact through the CSM and liability for incurred claims. This was performed both before and after risk mitigation by reinsurance. It should be noted that movements in these variables are non–linear.

	Profit after tax / Equity[1]		Profit after tax / Equity[1]	
	Gross 2023 $m	Net 2023 $m	Gross 2022 $m	Net 2022 $m
Change in risk adjustment (2.5% increase)	(80.0)	(57.9)	(67.8)	(49.4)
Change in risk adjustment (2.5% decrease)	78.5	56.7	60.5	44.1

1 Impact of changes in risk variables is consistent across profit after tax and equity

30 Risk and sensitivity analysis continued

30b Market risk

Market risk is referred to as 'asset risk' in the Group's risk management framework. This risk arises from adverse financial market movements in addition to other external market forces. The four key components of asset risk are investments, foreign exchange, interest rate, and prices of assets and derivatives. Each element is considered in further detail below.

i. Investments

Efficient management of market risk is key to the investment of Group assets for matching to future liabilities. Beazley uses an Economic Scenario Generator to create multiple simulations of financial conditions in order to support stochastic analysis of asset risk. Beazley uses these outputs to assess the value at risk of its investments, at different confidence levels, including '1 in 200', which reflects Solvency II modelling requirements, and '1 in 10', reflecting scenarios which are more likely to occur in practice. It is assessed for investments in isolation and also in conjunction with the present value of our liabilities, to assist in the monitoring and management of asset risk for solvency and capital purposes. By its nature, stochastic modelling does not provide a precise measure of risk, and Economic Scenario Generator outputs are regularly validated against actual market conditions. Beazley also uses a number of other qualitative measures to support the monitoring and management of investment risk, including stress testing and scenario analysis.

The Group's investment strategy is developed with reference to an investment risk appetite, approved annually by the Board. The asset risk element of our Solvency II internal model is used to monitor actual investment risk against this appetite, which specifies how far investment return may deviate from target, at 90% confidence. The investment risk appetite was set at $260m for 2023. From 2024, the investment risk appetite additionally incorporates interest rate risks to the present value of our underwriting liabilities.

ii. Foreign exchange risk

The functional currency and presentational currency of Beazley plc and its main trading entities is US dollars. As a result, the Group is mainly exposed to fluctuations in exchange rates for non-dollar denominated transactions and to net asset translation risk on non-dollar functional currency entities.

The Group operates in four main currencies: US dollars, sterling, Canadian dollars and euros. Transactions in all currencies are converted to US dollars on initial recognition, with any resulting monetary items being translated to the US dollar spot rate at the reporting date. If any foreign exchange risk arises it is actively managed as described below.

In 2023, the Group managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting to have net assets that are predominantly denominated in US dollars. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Group. Details of foreign currency derivative contracts entered into with external parties are disclosed in Note 19. On a forward looking basis, an assessment is made of expected future exposure development and appropriate currency trades are put in place to reduce risk. The Group's underwriting capital is matched by currency to the principal underlying currencies of its insurance transactions. This helps to mitigate the risk that the Group's capital required to underwrite business is materially affected by any future movements in exchange rates.

The Group also has foreign operations with functional currencies that are different from the Group's presentational currency. The effect of this on foreign exchange risk is that the Group is exposed to fluctuations in exchange rates for US dollar denominated transactions and net assets arising in those foreign currency operations. It also gives rise to a currency translation exposure for the Group to sterling, euro, Canadian dollars, Singapore dollars and Australian dollars on translation to the Group's presentational currency. These exposures are minimal and are not hedged.

30 Risk and sensitivity analysis continued

Exposure and risk concentrations by currency

The following tables summarise the carrying values of the insurance/reinsurance contract assets and liabilities and overall net assets held by the Group, categorised by its main currencies. For a breakdown of financial assets by currency, refer to Note 18(h).

2023	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $ $m
Insurance contract assets	2.4	13.6	(3.6)	12.4	89.1	101.5
Reinsurance contract assets	243.1	37.0	166.4	446.5	1,980.2	2,426.7
Other	574.8	257.8	69.2	901.8	10,235.4	11,137.2
Total assets	**820.3**	**308.4**	**232.0**	**1,360.7**	**12,304.7**	**13,665.4**
Insurance contract liabilities	(804.4)	(229.0)	(782.3)	(1,815.7)	(6,176.5)	(7,992.2)
Reinsurance contract liabilities	(31.2)	(0.6)	(7.7)	(39.5)	(294.0)	(333.5)
Other	(69.1)	20.7	441.0	392.6	(1,850.2)	(1,457.6)
Total liabilities	**(904.7)**	**(208.9)**	**(349.0)**	**(1,462.6)**	**(8,320.7)**	**(9,783.3)**
Net assets	**(84.4)**	**99.5**	**(117.0)**	**(101.9)**	**3,984.0**	**3,882.1**

2022	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $ $m
Insurance contract assets	6.6	2.0	(18.2)	(9.6)	93.7	84.1
Reinsurance contract assets	236.7	78.3	35.0	350.0	1,825.3	2,175.3
Other	267.9	278.8	(352.4)	194.3	9,259.3	9,453.6
Total assets	**511.2**	**359.1**	**(335.6)**	**534.7**	**11,178.3**	**11,713.0**
Insurance contract liabilities	(470.5)	(363.7)	(42.4)	(876.6)	(6,473.2)	(7,349.8)
Reinsurance contract liabilities	(60.2)	(15.8)	(35.1)	(111.1)	(50.1)	(161.2)
Other	5.7	40.5	397.4	443.6	(1,690.6)	(1,247.0)
Total liabilities	**(525.0)**	**(339.0)**	**319.9**	**(544.1)**	**(8,213.9)**	**(8,758.0)**
Net assets	**(13.8)**	**20.1**	**(15.7)**	**(9.4)**	**2,964.4**	**2,955.0**

Sensitivity analysis

Fluctuations in the Group's trading currencies against the US dollar would result in a change in profit after tax and equity. The table below gives an indication of this impact for reasonably possible percentage changes in the relative strength of the US dollar against the value of sterling, the Canadian dollar and the euro, simultaneously. The analysis is prepared based on the net assets held by the Group at the balance sheet date.

	Profit after tax		Equity	
	2023	2022	2023	2022
Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	$m	$m	$m	$m
Dollar weakens (30%)	(25.0)	(2.4)	45.2	39.9
Dollar weakens (20%)	(16.7)	(1.6)	30.1	26.6
Dollar weakens (10%)	(8.3)	(0.8)	15.1	13.3
Dollar strengthens (10%)	8.3	0.8	(15.1)	(13.3)
Dollar strengthens (20%)	16.7	1.6	(30.1)	(26.6)
Dollar strengthens (30%)	25.0	2.4	(45.2)	(39.9)

Notes to the financial statements continued

30 Risk and sensitivity analysis continued

iii. Interest rate risk

The Group's financial instruments (e.g. cash and cash equivalents, certain financial assets at fair value, and subordinated debt), in addition to its insurance and reinsurance contracts, are exposed to movements in market interest rates. The Group manages interest rate risk by primarily investing in short duration financial assets along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis. The Group also entered into bond futures contracts to manage the interest rate risk on bond portfolios.

Exposure and risk concentrations by duration

The following table shows the modified duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. Modified duration is a commonly used measure of volatility which represents the percentage change of the price of a security to yield. The Group believes this gives a better indication than maturity of the likely sensitivity of the portfolio to changes in interest rates.

2023	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Financial assets at FVTPL:							
- Fixed and floating rate debt securities	2,499.9	3,123.8	1,214.6	1,419.5	229.1	49.5	8,536.4
- Syndicate loans	7.6	26.5	—	—	—	—	34.1
Cash and cash equivalents	812.3	—	—	—	—	—	812.3
Subordinated debt	—	—	(249.5)	—	—	(298.8)	(548.3)
Total financial instruments	**3,319.8**	**3,150.3**	**965.1**	**1,419.5**	**229.1**	**(249.3)**	**8,834.5**

2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Financial assets at FVTPL:							
- Fixed and floating rate debt securities	1,962.9	3,094.1	1,430.9	441.2	434.9	1.5	7,365.5
- Syndicate loans	—	6.9	25.6	—	—	—	32.5
Cash and cash equivalents	652.5	—	—	—	—	—	652.5
Subordinated debt	—	—	—	(249.4)	—	(298.6)	(548.0)
Total financial instruments	**2,615.4**	**3,101.0**	**1,456.5**	**191.8**	**434.9**	**(297.1)**	**7,502.5**

30 Risk and sensitivity analysis continued

Sensitivity analysis

All elements of the carrying values of the Group's insurance and reinsurance contracts are exposed to interest rate risk. The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

	Profit after tax / Equity[1]	
	2023	2022
Insurance and reinsurance contracts	$m	$m
Interest rate increases (150 bps)	114.3	95.8
Interest rate increases (100 bps)	77.1	64.5
Interest rate increases (50 bps)	39.1	32.6
Interest rate decreases (50 bps)	(40.0)	(33.5)
Interest rate decreases (100 bps)	(81.0)	(67.8)
Interest rate decreases (150 bps)	(123.0)	(102.8)

1 Impact of changes in risk variables is consistent across profit after tax and equity.

	Profit after tax / Equity[1]	
	2023	2022
Financial assets	$m	$m
Interest rate increases (150 bps)	(190.6)	(179.0)
Interest rate increases (100 bps)	(127.1)	(119.3)
Interest rate increases (50 bps)	(63.5)	(59.7)
Interest rate decreases (50 bps)	63.5	59.7
Interest rate decreases (100 bps)	127.1	119.3
Interest rate decreases (150 bps)	190.6	179.0

1 Impact of changes in risk variables is consistent across profit after tax and equity.

iv. Price risk

Listed investments that are quoted in an active market are recognised in the statement of financial position at quoted bid price, which is deemed to be approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to Note 18). This includes comparison of orderly transactions between market participants, reference to the current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

Price risk applies to financial assets that are susceptible to losses due to adverse changes in prices. At the reporting date, the Group’s exposure to price risk was $1,085.0m (2022: $912.9m). This is comprised of hedge funds, equity investments and illiquid assets, with no significant concentrations in one area. Note that the price of debt securities is affected by interest rate risk and credit risk, both of which have been described above. In addition, the Group does not have any insurance or reinsurance contracts which are exposed to price risk.

Notes to the financial statements continued

30 Risk and sensitivity analysis continued

Sensitivity analysis

Included below is a sensitivity analysis of the Group's financial assets against price risk. With all other variables remaining constant, changes in fair values of the Group's hedge funds, equity investments and illiquid assets would affect reported profit after tax and equity as indicated in the following table.

	Profit after tax / Equity[1]	
	2023	2022
	$m	$m
Fair value increases (30%)	266.6	230.6
Fair value increases (20%)	177.7	153.7
Fair value increases (10%)	88.9	76.9
Fair value decreases (10%)	(88.9)	(76.9)
Fair value decreases (20%)	(177.7)	(153.7)
Fair value decreases (30%)	(266.6)	(230.6)

1 Impact of changes in risk variables is consistent across profit after tax and equity.

A 10% decrease in the fair value of the Group's level 3 financial assets would have an impact of ($20.8m) on profit after tax/equity (2022: ($21.5m)).

30c Credit risk

This risk arises due to the failure of another party to perform its financial or contractual obligations to the Group in a timely manner. The Group accepts credit risk overall and recognises credit risk is aligned to its appetite for insurance risk. The primary sources of credit risk for the Group are:

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

An approval system exists for brokers with their credit and performance monitored. The investment committee has established parameters for investment managers regarding the type, duration and quality of investments including credit ratings acceptable to the Group. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines. The Group has developed processes to examine all reinsurers before entering into new business arrangements, and ongoing relationships with Beazley are continually assessed. In addition, reinsurance recoverables are reviewed regularly to assess their collectability.

2023	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

30 Risk and sensitivity analysis continued

Maximum exposure

The following tables summarise the Group's maximum exposure to credit risk by reinsurance contract assets and financial assets.

2023	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Reinsurance contracts assets	2,387.5	—	—	—	39.2	2,426.7
Financial assets at FVTPL:						
- Fixed and floating rate debt securities	7,101.7	1,434.7	—	—	—	8,536.4
- Syndicate loans	34.1	—	—	—	—	34.1
- Equity funds	—	—	—	—	282.7	282.7
- Hedge funds	—	—	—	—	582.2	582.2
- Illiquid assets	—	—	—	—	220.1	220.1
- Derivative financial assets	—	—	—	—	10.0	10.0
Cash and cash equivalents	812.3	—	—	—	—	812.3
Amounts due from managed syndicates and other receivables	—	—	—	—	297.5	297.5
Total	**10,335.6**	**1,434.7**	**—**	**—**	**1,431.7**	**13,202.0**

2022	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Reinsurance contracts assets	2,139.4	—	—	—	35.9	2,175.3
Financial assets at FVTPL:						
- Fixed and floating rate debt securities	6,767.1	598.4	—	—	—	7,365.5
- Syndicate loans	32.5	—	—	—	—	32.5
- Equity funds	—	—	—	—	159.4	159.4
- Hedge funds	—	—	—	—	530.6	530.6
- Illiquid assets	—	—	—	—	222.9	222.9
- Derivative financial assets	—	—	—	—	34.7	34.7
Cash and cash equivalents	652.5	—	—	—	—	652.5
Amounts due from managed syndicates and other receivables	—	—	—	—	181.8	181.8
Total	**9,591.5**	**598.4**	**—**	**—**	**1,165.3**	**11,355.2**

The Group's maximum exposure to credit risk from insurance contract assets is $101.5m (2022: $84.1m). Overall exposure to credit risk is concentrated within Tier 1, with the largest counterparty being $3,258.7m of US treasuries (2022: $3,715.8m).

Financial investments falling within the unrated category are those for which there is no readily available market data to allow classification within the respective tiers.

Notes to the financial statements continued

30 Risk and sensitivity analysis continued

Credit quality of reinsurance contract assets

Reinsurance recoveries are specifically referenced in IFRS 17 and explicitly de-scoped from IFRS 9 (refer to Note 2). IFRS 17 requires the effect of any risk of non-performance by the reinsurer, including the effects of collateral and losses from disputes, to be considered when determining the estimates of the present value of future cash flows for the group of reinsurance contracts held. The Group has developed an internal policy, which involves calculating and re-evaluating expected credit losses for reinsurance assets and actively following up on disputes with reinsurers for recoveries. Reinsurance recoveries are assessed for Non-Performance Risk Provision using a % of the reinsurance programme/year of account level under IFRS 17.

The Group has reinsurance recoveries that are past due at the reporting date. An aged analysis of these (on an undiscounted basis) is presented below.

2023	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Reinsurance recoveries	61.3	57.5	4.1	54.9	177.8

2022	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Reinsurance recoveries	24.7	29.2	8.9	82.6	145.4

30d Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business which is an industry norm. In the majority of the cases, these claims are settled from the premiums received held as assets. Beazley avoids the risk of having insufficient liquid assets to meet expected cash flow requirements.

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the Group's exposure to RDS are provided on pages 228 to 230). This means that the Group maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. The Group also makes use of loan facilities and subordinated liabilities, details of which can be found in Note 26. Further information on the Group's capital resources is contained on pages 67 to 68.

Maturity analysis – Insurance and reinsurance contracts

Included below is a maturity analysis of the present value of future cash flows of the Group's net insurance contract liabilities (per Note 28a). The tables also include the weighted average term to settlement, calculated based on undiscounted future cash flows for total ultimate claims, excluding the risk adjustment and premium-related claims cash flows.

2023	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m	Weighted average term to claims settlement Years
Cyber Risks	503.0	372.8	214.5	116.0	56.7	64.8	1,327.8	1.9
Digital	65.6	44.5	21.7	10.8	5.2	6.6	154.4	1.5
MAP Risks	344.5	232.3	130.4	71.0	37.9	50.0	866.1	1.7
Property Risks	510.3	247.5	93.9	39.6	18.8	21.0	931.1	1.2
Specialty Risks	796.9	884.1	677.1	453.2	280.1	399.9	3,491.3	2.6
Net insurance contract liabilities	**2,220.3**	**1,781.2**	**1,137.6**	**690.6**	**398.7**	**542.3**	**6,770.7**	**2.1**

30 Risk and sensitivity analysis continued

2022	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m	Weighted average term to claims settlement Years
Cyber Risks	348.9	300.9	188.2	90.4	33.9	25.4	987.7	1.7
Digital	72.9	44.9	21.0	9.2	4.4	3.5	155.9	1.4
MAP Risks	399.0	266.5	141.5	79.0	42.0	54.8	982.8	1.7
Property Risks	550.2	236.8	88.4	35.4	15.7	14.9	941.4	1.2
Specialty Risks	734.5	776.2	605.7	412.0	250.1	354.2	3,132.7	2.6
Net insurance contract liabilities	**2,105.5**	**1,625.3**	**1,044.8**	**626.0**	**346.1**	**452.8**	**6,200.5**	**2.1**

No insurance contract liabilities held by the Group as at 31 December are payable on demand.

Included below is a maturity analysis of the present value of future cash flows of the Group's net reinsurance contract assets (per Note 28a). The tables also include the weighted average term to settlement for claims recoveries, calculated based on undiscounted future cash flows for total ultimate claims, excluding the risk adjustment and premium-related cash flows.

2023	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m	Weighted average term to settlement of claims recoveries Years
Cyber Risks	(51.4)	169.3	94.6	51.4	24.3	26.5	314.7	1.7
Digital	(11.4)	9.3	4.5	1.9	0.9	0.9	6.1	1.5
MAP Risks	(70.4)	61.7	52.3	30.7	18.2	25.6	118.1	1.5
Property Risks	104.4	59.2	27.0	15.6	3.4	5.3	214.9	1.1
Specialty Risks	75.8	336.5	249.7	167.7	105.9	149.6	1,085.2	2.8
Net reinsurance contract assets	**47.0**	**636.0**	**428.1**	**267.3**	**152.7**	**207.9**	**1,739.0**	**2.0**

2022	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m	Weighted average term to settlement of claims recoveries Years
Cyber Risks	(149.1)	153.3	105.8	51.2	17.8	12.6	191.6	1.7
Digital	(14.3)	13.6	6.4	2.5	1.2	0.8	10.2	1.4
MAP Risks	(168.7)	154.9	88.5	57.3	32.9	41.2	206.1	1.7
Property Risks	219.0	92.3	32.1	10.5	4.3	6.6	364.8	1.0
Specialty Risks	(108.7)	278.4	260.5	182.6	115.5	158.5	886.8	2.9
Net reinsurance contract assets	**(221.8)**	**692.5**	**493.3**	**304.1**	**171.7**	**219.7**	**1,659.5**	**2.0**

30 Risk and sensitivity analysis continued

Maturity analysis – Total liabilities

The following is a maturity analysis of the net contractual cash flows of the Group's liabilities as at 31 December. This excludes current tax and deferred tax liabilities, and reinsurance contracts which are in a net asset position at 31 December.

2023	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m
Net insurance contract liabilities	2,220.3	1,781.2	1,137.6	690.6	398.7	542.3	6,770.7
Financial liabilities:	—	—	—	—	—	—	—
- Derivative financial liabilities	6.3	—	—	—	—	—	6.3
- Subordinated debt	31.2	31.2	278.9	16.5	16.5	311.4	685.7
Lease liabilities	13.5	10.3	9.2	8.2	7.7	32.6	81.5
Other liabilities	610.5	—	—	—	—	—	610.5
Total liabilities	**2,881.8**	**1,822.7**	**1,425.7**	**715.3**	**422.9**	**886.3**	**8,154.7**

2022	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m
Net insurance contract liabilities	2,105.5	1,625.3	1,044.8	626.0	346.1	452.8	6,200.5
Financial liabilities:	—	—	—	—	—	—	—
- Derivative financial liabilities	14.5	—	—	—	—	—	14.5
- Subordinated debt	31.2	31.2	31.2	278.9	16.5	327.9	716.9
Lease liabilities	9.6	11.8	8.9	7.7	—	37.3	75.3
Other liabilities	524.0	—	—	—	—	—	524.0
Total liabilities	**2,684.8**	**1,668.3**	**1,084.9**	**912.6**	**362.6**	**818.0**	**7,531.2**

Maturity analysis – Financial assets

Included below is a maturity analysis of the Group's financial assets as at 31 December, based on their carrying values per the balance sheet.

2023	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m
Financial assets at FVTPL:							
- Fixed and floating rate debt securities	2,014.6	3,061.5	1,336.2	929.6	1,045.3	149.2	8,536.4
- Syndicate loans	7.6	26.5	—	—	—	—	34.1
- Derivative financial assets	10.0	—	—	—	—	—	10.0
Cash and cash equivalents	812.3	—	—	—	—	—	812.3
Amounts due from managed syndicates and other receivables	297.5	—	—	—	—	—	297.5
Total financial assets	**3,142.0**	**3,088.0**	**1,336.2**	**929.6**	**1,045.3**	**149.2**	**9,690.3**

2022	<1 year $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total $m
Financial assets at FVTPL:							
- Fixed and floating rate debt securities	1,854.9	2,651.4	1,676.5	431.0	652.8	98.9	7,365.5
- Syndicate loans	—	6.9	25.6	—	—	—	32.5
- Derivative financial assets	34.7	—	—	—	—	—	34.7
Cash and cash equivalents	652.5	—	—	—	—	—	652.5
Amounts due from managed syndicates and other receivables	181.8	—	—	—	—	—	181.8
Total financial assets	**2,723.9**	**2,658.3**	**1,702.1**	**431.0**	**652.8**	**98.9**	**8,267.0**

30 Risk and sensitivity analysis continued

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, all $282.7m (2022: $159.4m) of equity funds could be liquidated within two weeks, $440.2m (2022: $416.8m) of hedge fund assets within six months and the remaining $142.0m (2022: $113.8m) of hedge fund assets within 18 months, in normal market conditions. Illiquid assets are not readily realisable and principal will be returned over the life of these assets, which may be up to 12 years. The Group makes regular interest payments for its subordinated debt. Further details are provided in Notes 12 and 26.

30e Capital management

The Group follows a risk-based approach to determine the amount of capital required to support its activities. Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is regularly performed and the results are documented and reconciled to the Board's risk appetite where necessary.

The Group has several requirements for capital, including:

- to support underwriting at Lloyd's through the syndicates in which it participates, being 2623, 3622, 3623, 5623 and 4321. This is based on the Group's own individual capital assessment. It may be provided in the form of either the Group's cash, investments, debt facilities, or letter of credit;
- to support underwriting in Beazley Insurance Company, Inc., Beazley America Insurance Company, Inc., and Beazley NewCo Captive Company, Inc. in the US;
- to support underwriting in Beazley Insurance dac in Europe; and
- to support strategic acquisitions and investments.

All entities within the Group have been in compliance with externally imposed capital requirements during the year. The Group uses letters of credit ("LOC") available under a syndicated short term banking facility led by Lloyds Banking Group plc to support Funds at Lloyd's ("FAL") requirements. Lloyd's of London apply certain criteria to banks issuing LOCs as FAL, including minimum credit rating requirements and counterparty limits. Should any of the banks on the existing LOC facility breach Lloyd's of London requirements, the Group might be asked to replace the LOC provided with alternative eligible issuer(s) and/or assets meeting Lloyd's requirements. The creditworthiness of the counterparties on the facility is monitored by the Group on an ongoing basis.

The Group considers Shareholders' Funds, Tier 2 subordinated debt and letters of credit to be the primary sources of capital for the Group. For more detail on the value of capital managed and how its value has changed in the year, please see pages 67 to 68.

The Internal Model Solvency Capital Requirement is a dedicated quantitative review of syndicate models and it sets outs to be a key input to the Lloyd's Internal Model.

The Board operates a progressive dividend strategy, intending to grow the dividend each year but recognising that some earnings fluctuations are to be expected. When determining the level of the dividend, the Board considers the Group's capital position, future investment and growth opportunities and its ability to generate cash flows. Dividends are typically paid on an annual basis to align with the Group's capital planning cycle. The Group's capital management strategy is to carry some surplus capital which makes it possible to take advantage of growth opportunities which may arise. Where surplus capital cannot be profitably deployed it will be returned to shareholders.

Notes to the financial statements continued

31 Subsidiary undertakings

Beazley plc, a company incorporated in England and Wales and resident for tax purposes in the United Kingdom, is the ultimate parent and the ultimate controlling party within the Group.

The following is a list of all the subsidiaries in the Group as at 31 December 2023, all of which are wholly owned.

	Country/region of incorporation
Beazley Underwriting Pty Limited	Australia
Beazley Canada Limited	Canada
Beazley Corporate Member (No.2) Limited	England
Beazley Corporate Member (No.3) Limited	England
Beazley Corporate Member (No.6) Limited	England
Beazley Furlonge Holdings Limited	England
Beazley Furlonge Limited	England
Beazley Group Limited	England
Beazley Investments Limited	England
Beazley Management Limited	England
Beazley Staff Underwriting Limited	England
Beazley Solutions Limited	England
Beazley Underwriting Limited	England
Beazley Underwriting Services Limited	England
Lodestone Security Limited	England
Beazley Corporate Governance Services Limited	England
BHI Digital UK Limited	England
Beazley Insurance dac	Ireland
Beazley Solutions International Limited	Ireland
Beazley Ireland Holdings plc	Jersey
Beazley Labuan Limited	Malaysia
Beazley America Insurance Company, Inc.***	USA
Beazley Group (USA) General Partnership**	USA
Beazley Holdings, Inc.*	USA
Beazley Insurance Company, Inc.***	USA
Beazley Newco Captive Company, Inc.***	USA
Beazley USA Services, Inc.*	USA
Beazley Excess and Surplus Insurance, Inc.***	USA
BHI Digital, LLC.*****	USA
Beazley RI Manager, Inc.*	USA
Lodestone Securities LLC****	USA
Beazley Pte. Limited	Singapore

Please see page 243 for registered addresses.

31 Subsidiary undertakings continued

The following is a list of the Group's registered office locations:

Address	City	Postcode	Country/region
United Kingdom and Continental Europe			
22 Bishopsgate	London	EC2N 4AJ	England
2 Northwood Avenue	Dublin	D09 X5N9	Ireland
22 Grenville Street	Saint Helier	JE4 8PX	Jersey
North America			
1209 Orange Street*	Wilmington, Delaware	19801	USA
2711 Centerville Road Suite 400**	Wilmington, Delaware	19808	USA
30 Batterson Park Road***	Farmington, Connecticut	06032	USA
160 Greentree Drive, Suite 101****	Dover, Delaware	19904	USA
55 University Avenue, Suite 550	Toronto, Ontario	M5J 2HJ	Canada
251 Little Falls Drive*****	Wilmington, Delaware	19808	USA
Asia			
138 Market Street, 03-04 Capita Green	Singapore	048946	Singapore
Kensington Gardens, No. I1317, Lot 7616, Jalan Jumidar Buyong	Labuan	87000	Malaysia
Australia			
Level 15, 1 O'Connell Street	Sydney	NSW 2000	Australia

Notes to the financial statements continued

32 Related party transactions

The Group has related party relationships with syndicates 623, 4321, 5623, 6107, in addition to its subsidiaries, associates and Directors.

32a Syndicates 623, 4321, 5623 and 6107

The Group received management fees and profit commissions for providing a range of management services to syndicates 623, 4321, 5623 and 6107 which are all managed by the Group. In addition, the Group ceded portions of a group of insurance policies to syndicates 6107 and historically ceded certain business to 5623. The participants on syndicates 623 and 6107 are solely third party capital while the Group provides 10% of the capital for syndicate 4321 and approximately 18% of capital to 5623 for the 2023 year of account.

Details of transactions entered into and the balances with these syndicates are as follows:

	2023 $m	2022 $m
Written premium ceded to syndicates	425.8	318.7
Other income received from syndicates	74.1	20.7
Services provided	83.2	58.9
Balances due:		
- Due from / (to) syndicate 623	19.1	(7.2)
- Due from syndicate 4321	6.3	1.9
- Due to syndicate 5623	(217.7)	(208.4)
- Due to syndicate 6107	(86.6)	(77.8)

32b Key management compensation

	2023 $m	2022 $m
Salaries and other short term benefits	38.4	18.9
Pension costs	0.6	0.5
Share based remuneration	11.9	8.0
	50.9	**27.4**

Key management include Executive and Non-Executive Directors and other senior management.

The total number of Beazley plc ordinary shares held by key management is 2.5m. Apart from the transactions listed in the table above, there were no further related party transactions involving key management or a close member of their family. Further details of Directors' shareholdings and remuneration can be found in the Directors' remuneration report on pages 124 to 145.

32c Other related party transactions

At 31 December 2023, the Group had purchased services from Falcon Money Management Holdings Limited of $3.1m (2022: $2.9m) throughout the year. All transactions with the associates and subsidiaries are priced on an arm's length basis.

33 Contingencies

Funds at Lloyd’s ("FAL")

The following amounts are held in trust by Lloyd’s to secure underwriting commitments:

	2023 $m	2022 $m
Financial assets at fair value and cash[1]	1,277.8	1,307.6
Letters of credit ("LOC")	225.0	225.0
Total Funds at Lloyd’s	**1,502.8**	**1,532.6**

1 Included within 'financial assets at fair value' and 'cash and cash equivalents' on the statement of financial position.

The funds are held in trust and can be used to meet claims liabilities should syndicates fail to meet their claim liabilities. The funds can be only used to meet claim liabilities of the relevant member.

Letters of credit (FAL)

The Group has a syndicated short term banking facility which was renewed on 25 May 2023, under which $450.0m may be utilised as LOC placed as FAL to provide capital support for the Group’s underwriting at Lloyd’s. The cost of the facility is based on a commitment fee of 0.4725% per annum and any amounts drawn are charged at a margin of 1.35% per annum. As at 31 December 2023, $225.0m (2022: $225.0m) has been issued as LOC and is being utilised to support FAL requirements. LOC issued under the facility are uncollateralised. No liability is recognised in these financial statements for the LOC (2022: $nil), as amounts would only become due if called upon to fund liabilities. These borrowings are subject to covenants, with which the Group has complied throughout the year. The Group considers the risk of covenants being breached to be remote.

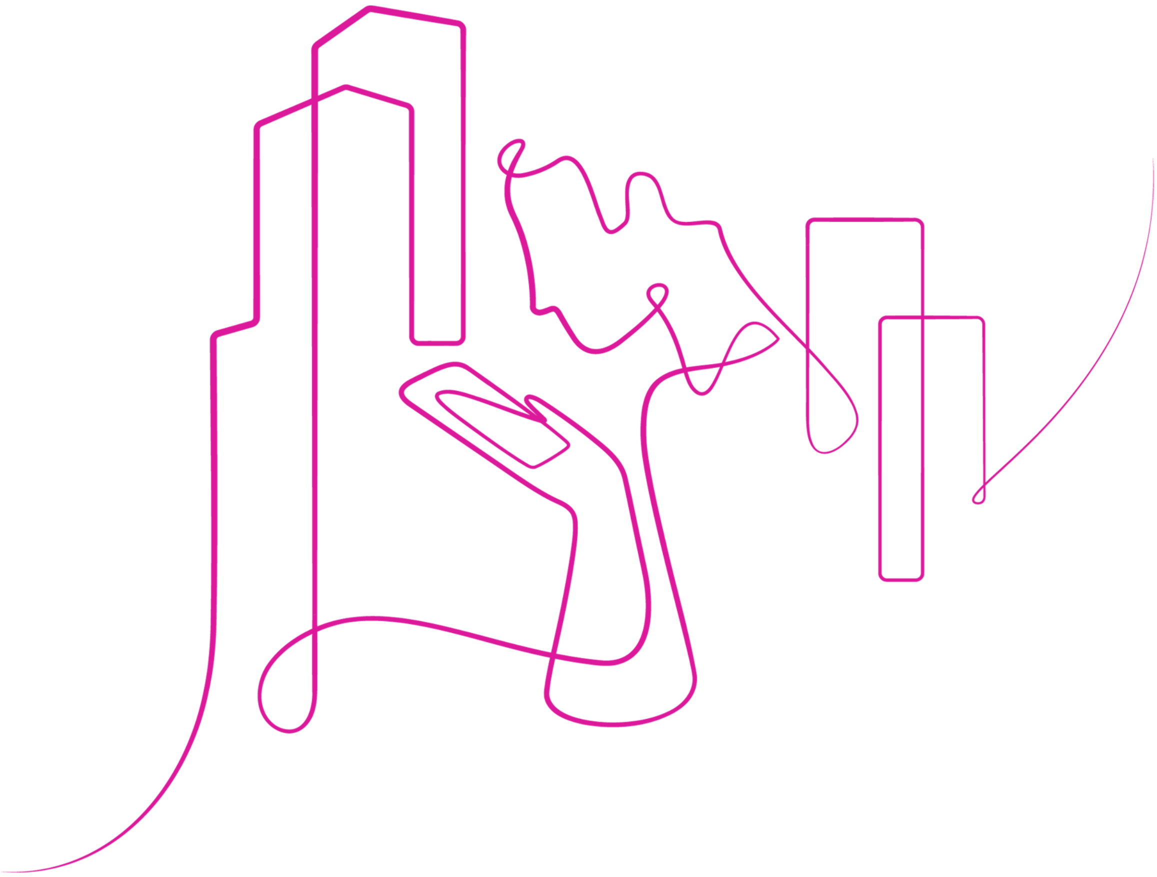
Letters of credit (US)

During the year, the Group has also placed LOC totalling $47.0m (2022: $35.0m) with the State of Connecticut Insurance Department to collateralise reinsurance arrangements between the Group’s US admitted carrier, Beazley Insurance Company Inc. (“BICI”) and Beazley NewCo Captive Company Inc. These amounts are guaranteed by Beazley plc. In addition, BICI has a standby letter of credit of $7.5m (2022: $5.3m) in place to secure certain reinsurance transactions settled through Lloyd’s. No amounts relating to these letters of credit are recognised in the Group's statement of financial position (2022: $nil).

34 Subsequent events

On 6 March 2024, the Board of Beazley plc approved a share buyback of its ordinary shares for up to a maximum aggregate consideration of $325m which is expected to commence on 8 March 2024. The buyback will reduce the Group's net asset value by approximately $325m.

Company financial statements



Company statement of financial position

as at 31 December 2023

	Notes	2023 $m	2022 $m
Investment in subsidiaries	7	724.6	724.6
Other receivables		799.3	919.1
Current tax asset		4.3	0.3
Cash and cash equivalents		0.9	3.4
Total assets		**1,529.1**	**1,647.4**
Share capital	5	46.7	46.6
Share premium		10.6	9.7
Merger reserve		55.4	55.4
Foreign currency translation reserve		0.7	0.7
Other reserves	6	(20.2)	(14.3)
Retained earnings		1,431.9	1,545.1
Total equity		**1,525.1**	**1,643.2**
Other liabilities		4.0	4.2
Total liabilities		**4.0**	**4.2**
Total equity and liabilities		**1,529.1**	**1,647.4**

No statement of profit or loss is presented for the parent company as permitted by Section 408 of the Companies Act 2006. The result after tax of the parent company for the year was a loss of $14.0m (2022: profit of $303.6m).

The financial statements were approved by the Board of Directors on 6 March 2024 and were signed on its behalf by:

C Bannister
Chair

S M Lake
Group Finance Director

6 March 2024

Company statement of changes in equity

for the year ended 31 December 2023

	Notes	Share capital $m	Share premium $m	Merger reserve[1] $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Balance at 01 January 2022		**42.9**	**5.3**	**55.4**	**0.7**	**(7.6)**	**943.2**	**1,039.9**
Total comprehensive income		—	—	—	—	—	303.1	303.1
Dividend paid	4	—	—	—	—	—	(103.0)	(103.0)
Issue of shares	5	0.1	0.8	—	—	—	—	0.9
Equity raise	5	3.6	3.6	397.2	—	—	—	404.4
Transfer of merger reserve to retained earnings	6	—	—	(397.2)	—	—	397.2	—
Equity settled share based payments	6	—	—	—	—	15.7	—	15.7
Acquisition of own shares held in trust	6	—	—	—	—	(17.8)	—	(17.8)
Transfer of shares to employees	6	—	—	—	—	(4.6)	4.6	—
Balance at 31 December 2022		**46.6**	**9.7**	**55.4**	**0.7**	**(14.3)**	**1,545.1**	**1,643.2**
Total comprehensive loss		—	—	—	—	—	(14.0)	(14.0)
Dividend paid	4	—	—	—	—	—	(107.7)	(107.7)
Issue of shares	5	0.1	0.9	—	—	—	—	1.0
Equity settled share based payments	6	—	—	—	—	36.2	—	36.2
Acquisition of own shares held in trust	6	—	—	—	—	(33.6)	—	(33.6)
Transfer of shares to employees	6	—	—	—	—	(8.5)	8.5	—
Balance at 31 December 2023		**46.7**	**10.6**	**55.4**	**0.7**	**(20.2)**	**1,431.9**	**1,525.1**

1 A merger reserve was created through a scheme of arrangement on 13 April 2016, in which Beazley plc became the parent company of the Group.

Company statement of cash flows

for the year ended 31 December 2023

	2023 $m	2022 $m
Cash flows from operating activities:		
(Loss)/profit before tax	**(18.0)**	**303.3**
Adjustments for non-cash items:		
Interest and dividends receivable	(0.1)	(305.0)
Finance costs payable	5.9	4.8
Equity settled share based compensation	36.2	15.7
Other non-cash items	3.0	—
Changes in operational assets and liabilities:		
Increase in other receivables[1]	(21.4)	(3.4)
(Decrease)/increase in other liabilities	(0.2)	3.5
Interest received on financial assets	0.1	—
Net cash inflows from operating activities	**5.5**	**18.9**
Cash flows from investing activities:		
Dividend received from subsidiaries	—	305.0
Decrease/(increase) in loan to subsidiary[1]	141.2	(600.7)
Net cash in/(out)flows from investing activities	**141.2**	**(295.7)**
Cash flows from financing activities:		
Acquisition of own shares in trust	(33.6)	(17.8)
Equity raise	—	404.4
Finance costs paid	(5.9)	(4.8)
Dividend paid	(107.7)	(103.0)
Net cash (out)/inflows from financing activities	**(147.2)**	**278.8**
Net (decrease)/increase in cash and cash equivalents	(0.5)	2.0
Opening cash and cash equivalents	3.4	0.3
Effect of exchange rate changes on cash and cash equivalents	(2.0)	1.1
Closing cash and cash equivalents	**0.9**	**3.4**

1 Loan to subsidiary is included within Other receivables on the Company balance sheet.

Notes to the financial statements

1 General information

Nature of operations

Beazley plc ("the Company", registered number 09763575) is a public company incorporated in England and Wales. The Company's registered address is 22 Bishopsgate, London, EC2N 4BQ, United Kingdom. The principal activity of the Company is to act as a holding company for the Beazley group of companies.

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2006. The exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account has been applied. The Company financial statements are prepared on the historical cost basis. All amounts presented are in US dollars and millions, unless stated otherwise.

New standards and amendments to existing standard

In the current year, the Company has applied new standards and amendments to IFRS issued by the International Accounting Standards Board ("IASB") and endorsed by the UK Endorsement Board ("UKEB") that are mandatorily effective for accounting periods beginning on or after 01 January 2023. These amendments are consistent with those set out in Note 1 of the Group financial statements. None of the amendments issued by the IASB and endorsed by the UKEB have had a material impact to the Company.

Going concern

The basis of the assessment for going concern as set out in Note 1 of the Group's consolidated financial statements also applies to the Company. The Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2023.

2 Material accounting policies

Foreign currency translation

The Company financial statements are presented in US dollars, being its functional and presentational currency.

Subsidiary undertakings

Equity financial investments made by the Company in subsidiary undertakings and associates are stated at cost and are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired.

Other receivables

Other receivables primarily relate to amounts due from other Group companies and are carried at amortised cost less any impairment losses. Intercompany receivables and payables are disclosed on a net basis as the Company intends to settle these on a net basis. Under IFRS 9, expected credit losses are recognised for all financial assets held at amortised cost. The amount of expected credit losses held by the Company on a standalone basis in 2022 and 2023 was not material.

Other reserves

The employee share options reserve is held in accordance with IFRS 2: Share-based payment. The Company accounting policy follows that of the Group which is detailed within Note 3 of the Group's consolidated financial statements.

Dividends paid

Dividend distributions to the shareholders of the Company are recognised in the period in which the dividends are paid.

3 Risk and sensitivity analysis – Company risk

Foreign exchange risk

The functional and presentational currency of Beazley plc is US dollars. As a result, the Company is mainly exposed to fluctuations in exchange rates for non-dollar denominated transactions and to net asset translation risk on non-dollar functional currency entities.

Exposure and risk concentrations by currency

The following table summarises the carrying value of total assets and total liabilities categorised by the Company's main currencies:

2023	EUR € $m	UK £ $m	US $ $m	Total $ $m
Investment in subsidiaries	—	724.6	—	724.6
Other receivables	(1.2)	(136.5)	937.0	799.3
Current tax asset	—	4.3	—	4.3
Cash and cash equivalents	0.5	0.4	—	0.9
Total	**(0.7)**	**592.8**	**937.0**	**1,529.1**
Other liabilities	—	3.4	0.6	4.0
Total	**—**	**3.4**	**0.6**	**4.0**

2022	EUR € $m	UK £ $m	US $ $m	Total $ $m
Investment in subsidiaries	—	724.6	—	724.6
Other receivables	(0.7)	(118.1)	1,037.9	919.1
Current tax asset	—	0.3	—	0.3
Cash and cash equivalents	0.1	1.3	2.0	3.4
Total	**(0.6)**	**608.1**	**1,039.9**	**1,647.4**
Other liabilities	—	3.5	0.7	4.2
Total	**—**	**3.5**	**0.7**	**4.2**

Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The other receivables in 2023 consist of amounts owed from other entities within the Group. The maximum exposure to credit risk has been assessed within Note 8 of the Company financial statements and is not material to the Company. All other receivables are intergroup in nature and the directors are of the view that the Group companies have sufficient liquidity and assets to pay all loans as and when they fall due.

4 Dividends per share

A dividend of 14.2p per share (2022: 13.5p per share) will be payable on 3 May 2024, as described in Note 15 of the Group consolidated financial statements.

5 Share capital

Details of the ordinary shares in issue at 31 December 2023 are set out in Note 22 of the Group consolidated financial statements.

6 Other reserves

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Balance at 01 January 2022	**(8.3)**	**0.7**	**(7.6)**
Share based payments	15.7	—	15.7
Acquisition of own shares held in trust	—	(17.8)	(17.8)
Transfer of shares to employees	(7.2)	2.6	(4.6)
Balance at 31 December 2022	**0.2**	**(14.5)**	**(14.3)**
Share based payments	36.2	—	36.2
Acquisition of own shares held in trust	—	(33.6)	(33.6)
Transfer of shares to employees	(14.8)	6.3	(8.5)
Balance at 31 December 2023	**21.6**	**(41.8)**	**(20.2)**

The employee shares are held in accordance with IFRS 2 *Share-based payment*. For more information refer to Notes 23 & 24 of the Group's consolidated financial statements.

7 Subsidiary undertakings

Beazley plc holds a 100% ownership interest in Beazley Ireland Holdings plc. All other entities in the Group are held directly or indirectly as subsidiaries of that entity. For a full list of subsidiary undertakings of the Company at 31 December 2023, refer to Note 31 of the Group's consolidated financial statements.

8 Related party transactions

Beazley plc lends funds to subsidiary entities to help meet group working capital and liquidity requirements. Such loans are repayable on demand and no interest is payable. A summary of amounts due to Beazley plc from other group entities is set out below:

	2023 $m	2022 $m
Balances due:		
Due from Beazley Furlonge Holdings Limited	192.6	192.7
Due from Beazley Management Limited	58.9	39.0
Due from Beazley Underwriting Limited	519.7	667.2
Due from other Group companies	28.3	20.2

The key management of Beazley plc as a standalone entity is deemed to be the same as that of the wider Beazley Group. Further details of related party relationships can be found within Note 32 of the Group's consolidated financial statements.

9 Subsequent events

On 6 March 2024, the Board of Beazley plc approved a share buyback of its ordinary shares for up to a maximum aggregate consideration of $325m which is expected to commence on 8 March 2024. The buyback will reduce the Company's net asset value by approximately $325m.

Alternative performance measures ("APMs")

Beazley plc uses APMs to help explain its financial performance and position. These measures are not defined under IFRS. The Group is of the view that the use of these measures enhances the usefulness of our financial reporting and allows for improved comparison to industry peers.

Information on APMs used by the Group is set out below. Unless otherwise stated, amounts are disclosed in millions of dollars ($m). As a result of the adoption of IFRS 17, comparative information has been restated for the year ended 31 December 2022. This applies to income statement figures in addition to net assets (total equity). Amounts which have been restated are indicated with an asterisk (*).

Insurance written premiums & net insurance written premiums

Insurance written premiums ($m) is calculated by deducting the reinstatement premiums and profit commissions from the gross premiums written. Net insurance written premiums ($m) is calculated by adding insurance ceded premiums to this result. These APMs represent management's view of premiums written in each period, similar to the previous "Gross premiums written" metric reported under IFRS 4. The primary difference between insurance written premiums and insurance revenue relates to the deferral and earning of income over the period in which coverage is provided.

	2023 $m	2022 $m
Insurance written premiums	5,601.4	5,246.3
Earnings adjustment	(159.0)	(397.9)
Insurance revenue	**5,442.4**	**4,848.4**

	2023 $m	2022 $m
Insurance ceded premiums	(905.2)	(1,473.9)
Earnings adjustment	(222.1)	508.5
Allocation of reinsurance premiums	**(1,127.3)**	**(965.4)**

	2023 $m	2022 $m
Insurance written premiums	5,601.4	5,246.3
Add insurance ceded premiums	(905.2)	(1,473.9)
Net insurance written premiums	**4,696.2**	**3,772.4**

CSM sustainability index

The CSM reflects the expected profit of contracts within the liability for remaining coverage. The sustainability index (%) is calculated by dividing the closing CSM at 31 December by the opening CSM at 1 January. A ratio of 100% and above shows that the expected profit within the LRC is higher than the previous valuation.

	Gross 2023	Net 2023	Gross 2022	Net 2022
Closing CSM	344.0	214.4	341.0	183.7
Divided by opening CSM	341.0	183.7	190.9	144.2
CSM sustainability index	**101 %**	**117 %**	**179 %**	**127 %**

Claims, expense & combined ratios

Claims ratio (%) is calculated as insurance service expenses less directly attributable expenses, net of reinsurance recoveries, divided by insurance revenue net of reinsurance ceded revenue. Expense ratio (%) is calculated as the sum of insurance acquisition cash flows amortisation and other directly attributable expenses, divided by insurance revenue net of reinsurance ceded revenue. Combined ratio (%) is calculated as insurance service expenses net of reinsurance recoveries, divided by the insurance revenue net of reinsurance ceded revenue. This is also the sum of the claims and expense ratios. The combined ratio below is shown with and without the impact of discounting.

	2023	2022
Insurance service expenses ($m)	3,592.6	4,014.0
Less directly attributable expenses ($m)[1]	(1,362.6)	(1,217.6)
Amounts recoverable from reinsurers for incurred claims ($m)	(528.5)	(953.9)
Net claims ($m)	1,701.5	1,842.5
Insurance revenue ($m)	5,442.4	4,848.4
Allocation of reinsurance premium ($m)	(1,127.3)	(965.4)
Divided by net insurance revenue ($m)	4,315.1	3,883.0
Claims ratio	**39%**	**47%**
Directly attributable expenses ($m)[1]	1,362.6	1,217.6
Divided by net insurance revenue ($m)	4,315.1	3,883.0
Expense ratio	**32%**	**32%**
Combined ratio	**71%**	**79%**
Effect of discounting	3%	3%
Combined ratio (undiscounted)	**74%**	**82%**

1 Directly attributable expenses are comprised of insurance acquisition cash flows amortisation, other directly attributable expenses, and share of expenses and other amounts per Note 4.

Net assets per share & net tangible assets per share

Net assets per share is the ratio (in pence and cents) calculated by dividing the net assets or total equity of the Group by the number of shares in issue at the end of the period, excluding those held by the employee benefits trust. Net tangible assets per share excludes intangible assets from net assets in the above calculation.

	2023	2022
Net assets* ($m)	3,882.1	2,955.0
Less intangible assets ($m)	(165.3)	(128.8)
Net tangible assets* ($m)	3,716.8	2,826.2
Divided by the shares in issue at the period end (millions)[1]:	662.7	665.4
Net assets per share (cents)*	**585.8**	**444.1**
Net tangible assets per share (cents)*	**560.9**	**424.7**
Converted at spot rate:	0.80	0.82
Net assets per share (pence)*	**468.6**	**364.2**
Net tangible assets per share (pence)*	**448.7**	**348.3**

1 Shares in issue at the period end exclude those held by the employee benefits trust.

Return on equity

Return on equity (%) is calculated by dividing the consolidated profit after tax by the average equity for the period. Average equity for the period was previously calculated as the monthly weighted average closing equity position. We have updated our approach to use an average of the opening and closing equity positions, and this is reflected in both the current and comparative periods.

	2023	2022
Profit after tax* ($m)	1,026.8	483.3
Divided by average total equity* ($m)	3,418.6	2,572.6
Return on equity*	**30 %**	**19 %**

APMs continued

Investment return

Investment return (%) is calculated by dividing the net investment income by the average financial assets at fair value and cash and cash equivalents held by the Group over the period.

	2023	2022
Net investment income/(loss) ($m)	480.2	(179.7)
Opening invested assets:		
Financial assets at fair value ($m)	8,345.6	7,283.5
Cash and cash equivalents ($m)	652.5	591.8
Invested assets at the beginning of the period ($m)	**8,998.1**	**7,875.3**
Closing invested assets:		
Financial assets at fair value ($m)	9,665.5	8,345.6
Cash and cash equivalents ($m)	812.3	652.5
Invested assets at the end of the period: ($m)	**10,477.8**	**8,998.1**
Divided by average invested assets ($m)	**9,738.0**	**8,436.7**
Annualised investment return	**4.9 %**	**(2.1)%**