Beazley plc | Solvency and Financial Condition Report (SFCR) 2022

Insurance. Just different.

Welcome to our 2022 SFCR

Beazley plc is the ultimate holding company for the Beazley group, a global specialist risk insurance and reinsurance business operating through: its managed syndicates at Lloyd's in the UK; Beazley Insurance Company, Inc. and Beazley American Insurance Company, Inc., both of which are admitted insurance carriers in the United States; and Beazley Insurance dac, a European insurance company, in Ireland.

Contents

Summary

In accordance with the EU-wide regulatory regime for insurance and reinsurance companies (Solvency II), Beazley plc (Beazley or the Group) is required to publish annually its SFCR.

The report covers the business and performance of the Group, its system of governance, risk profile, valuation for solvency purposes and capital management and has been approved by the Board of directors.

Business Review

Beazley delivered strong premium growth in 2022, with gross premiums written rising 14% to $5,268.7m (2021: 4,618.9m). Rates on renewal business on average increased by 14% across the portfolio (2021: increased by 24%). All of our five divisions saw growth in 2022, with Cyber Risks and Marine, Aviation and Political (MAP) Risks achieving double-digit growth of 42% and 23% respectively. Beazley had a profit before tax of $191.0m (2021: $369.2m). This was achieved through a substantial underwriting profit of $402.0m (2021: $216.3m) or a combined ratio of 89% (2021: 93%) offset by an investment loss of ($179.7m) (2021: gain of $116.4m) or an investment return of (2.1%) (2021: 1.6%).

Beazley Insurance dac (BIdac) continues to act as an intra-group reinsurer and provides capital to support the underwriting activities of its sister company, Beazley Underwriting Limited (BUL). BUL is a corporate member which participates in the Lloyd's insurance market on a limited liability basis through syndicates 2623, 3622 and 3623 at Lloyd's. BIdac reinsures BUL, providing aggregate excess of loss cover for the declared result of syndicates 2623 and 3623. BUL cedes 75% of the final declared result of its participation on the 2020, 2021 and 2022 years of account in syndicates 2623 and 3623. This is subject to a $4m profit retention within BUL. In the event that the declared result is a loss, the extent of the reinsurance is limited so the loss cannot exceed 75% of the Funds at Lloyd's (FAL), which is posted by BIdac, to support the underwriting of syndicates 2623 and 3623.

The reinsurance contract for the 2023 year of account was entered into by BIdac and BUL in December 2022. The terms for the contract have been revised such that, among other changes, the contract for the 2023 year of account now includes an effective 65% cede from BUL to BIdac.

Solvency Coverage

The Group Solvency II balance sheet comprises the consolidated assets and liabilities of the insurance undertakings, insurance holding companies and ancillary service companies included in the Group. The Solvency II technical provisions of BIdac are consolidated with those of Beazley Insurance Company, Inc (BICI) and the Group's other insurance undertakings. Corporate members within the Group are accounted for using the adjusted equity method and are included in the participations line within the Group Solvency II balance sheet.

The Solvency II technical provisions of BIdac have been calculated in line with a strict application of the Solvency II regulation that considers the contract cash flows, particularly in relation to the aggregate excess of loss reinsurance agreement with BUL.

The cash flows represent the premium (provided the declared result of BUL is a profit) or claim (in the case of a loss) paid in respect of BUL's declared result and the fees for providing capital to support BUL's reinsured underwriting at Lloyd's.

Whilst the Group Solvency II balance sheet presentation separates the BUL and BIdac sides of this intra-group RI contract (see section D), the underlying cash flows eliminate.

Beazley holds a level of capital over and above its regulatory requirements. As at 31 December 2022, total own funds eligible to meet the Group Solvency Capital Requirement (SCR) is $3,836.7m (2021: $2,743.2m), compared to the group SCR of $1,573.8m (2021: $1,459.3m) giving a solvency ratio of 244% (2021: 188%). The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework and opportunities for organic growth, prudence and a desire to maximise returns for investors.

Investment Performance

The Group's investment portfolio at 31 December 2022 continued to be heavily weighted toward government issued and investment grade corporate debt securities. US Treasury yields at shorter maturities increased by more than four percentage points during 2022; the biggest increase in more than half a century. We acted to reduce portfolio duration for much of the period, which helped to reduce the adverse impact of rising yields, but our fixed income investments still generated a loss of 3.0%.

Global equities lost more than 18% in 2022 and our equity portfolio, which reflects our responsible investment objectives, saw modestly greater losses. However, equities make up less than 3% of our portfolio and all of our other capital growth investments achieved positive returns. Our hedge funds, in particular, proved resilient in the difficult market conditions in a year when the hedge fund universe recorded losses. Overall, our capital growth investments returned a small gain, of 0.3%, offsetting fixed income losses and taking the total portfolio loss to 2.4%, excluding the return on cash and cash equivalents and loss on Lloyd's Overseas deposits.

Climate Related Issues

The Group is focused on how we can play our part in addressing the climate crisis. The primary responsibility for climate related issues sits with the Group boards and committees. The Group considers climate-related matters as part of the annual process to approve the risk framework and Own Risk and Solvency Assessment (ORSA). Further details can be seen in section B1.

A. Business and performance

All financial data in this section is presented on an International Financial Reporting Standards (IFRS) basis, consistent with the financial statements of Beazley plc Annual report and accounts 2022 unless otherwise stated.

A.1 Business

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 address of the registered office is:

22 Bishopsgate
London
EC2N 4BQ
United Kingdom

The supervisor of BIdac and the Group is the Central Bank of Ireland (CBI), and can be contacted at:

Central Bank of Ireland
PO Box 559
New Wapping Street,
North Wall Quay, Dublin 1
Ireland

The independent auditor of the Group's SFCR is:

Ernst & Young
Harcourt Centre
Harcourt Street
Dublin 2

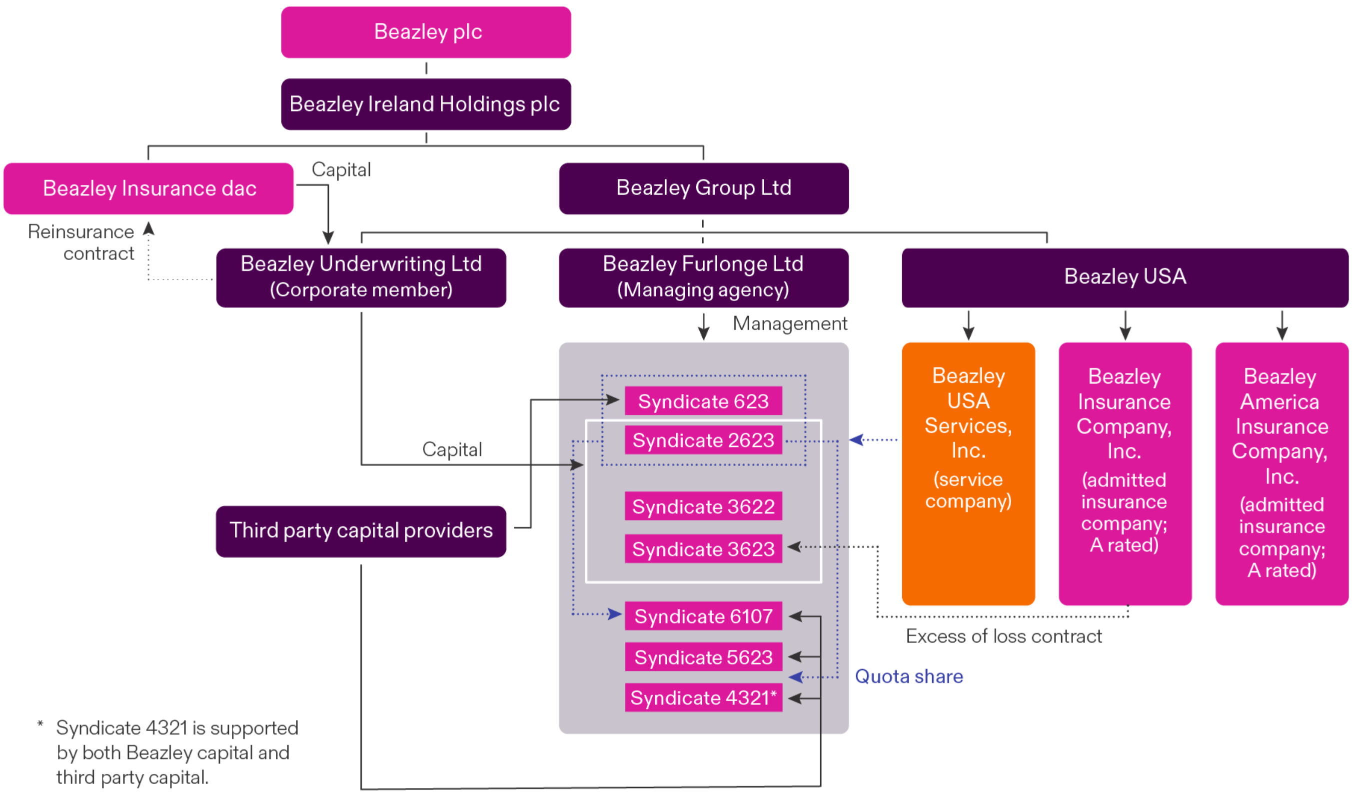
As at 19 May 2023, there are no holders of qualifying holdings in Beazley plc (being a holder of 10% or more of the capital or voting rights). For details of significant shareholders in Beazley plc, see the Directors' report in the Beazley plc Annual report and accounts 2022.

The Group operates across Europe, Asia, Canada and the United States (US) through a variety of legal entities and structures. As at 31 December 2022, the main entities within the legal entity structure are as follows:

- **Beazley plc** – Group holding company, listed on the London Stock Exchange;
- **Beazley Ireland Holdings plc** – intermediate holding company;
- **Beazley Underwriting Limited (BUL)** – corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- **Beazley Furlonge Limited (BFL)** – managing agency for the seven syndicates managed by the Group (623, 2623, 3622, 3623, 6107, 5623 and 4321);
- **Beazley Insurance dac (BIdac)** – insurance company based in Ireland that accepts non-life reinsurance premiums ceded by the corporate member BUL and also writes business directly from Europe;
- **Syndicate 2623** – corporate body regulated by Lloyd's through which the Group underwrites its general insurance business excluding accident, life and facilities. Business is written in parallel with syndicate 623;
- **Syndicate 623** – corporate body regulated by Lloyd's which has its capital supplied by third party names;
- **Syndicate 6107** – special purpose syndicate writing reinsurance business, and from 2017 cyber, on behalf of third-party names;
- **Syndicate 3622** – corporate body regulated by Lloyd's through which the Group underwrites its life insurance and reinsurance business;
- **Syndicate 3623** – corporate body regulated by Lloyd's through which the Group underwrites its personal accident, BICI reinsurance business and, from 2018, Market Facilities business;
- **Syndicate 5623** – corporate body regulated by Lloyd's through which the Group underwrites across a diverse mix of classes;
- **Syndicate 4321** – a Lloyd's syndicate in a box focussing on writing business on a consortium basis led by syndicate 2623/623 based on Environmental, Social and Governance (ESG) scores of insureds;
- **Beazley Corporate Member (No.3) Limited (BC3L)** – participates in syndicate 4321 and 5623 on a limited liability basis;
- **Beazley America Insurance Company, Inc (BAIC)** – insurance company regulated in the US. In the process of obtaining licenses to write insurance business in all 50 states;
- **Beazley Insurance Company, Inc. (BICI)** – insurance company regulated in the US. Licensed to write insurance business in all 50 states;
- **Beazley USA Services, Inc. (BUSA)** – service company based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates, 2623 and 623, BICI and BAIC; and
- **Beazley NewCo Captive Company, Inc. (BNCC)** – provides internal reinsurance to BICI on older accident years.

A. Business and performance continued

A.1 Business continued



* Syndicate 4321 is supported by both Beazley capital and third party capital.

A. Business and performance continued

A.1 Business continued

The following is a list of all the subsidiaries in the Group as at 31 December 2022:

	Country/ region of incorporation	Ownership interest
Beazley Ireland Holdings plc	Jersey	100%
Beazley Underwriting Pty Ltd	Australia	100%
Beazley Canada Limited	Canada	100%
Beazley Corporate Member (No.2) Limited	England	100%
Beazley Corporate Member (No.3) Limited	England	100%
Beazley Corporate Member (No.6) Limited	England	100%
Beazley Furlonge Holdings Limited	England	100%
Beazley Furlonge Limited	England	100%
Beazley Group Limited	England	100%
Beazley Investments Limited	England	100%
Beazley Leviathan Limited (in liquidation)	England	100%
Beazley Management Limited	England	100%
Beazley Staff Underwriting Limited	England	100%
Beazley Solutions Limited	England	100%
Beazley Underwriting Limited	England	100%
Beazley Underwriting Services Limited	England	100%
Lodestone Security Limited	England	100%
Beazley Insurance dac	Ireland	100%
Beazley Solutions International Limited	Ireland	100%
Beazley Labuan Limited	Malaysia	100%
Beazley America Insurance Company, Inc.	USA	100%
Beazley Group (USA) General Partnership	USA	100%
Beazley Holdings, Inc.	USA	100%
Beazley Holdings, Inc. Digital LLC	USA	100%
Beazley Insurance Company, Inc.	USA	100%
Beazley Newco Captive Company, Inc.	USA	100%
Beazley USA Services, Inc.	USA	100%
Lodestone Securities LLC	USA	100%
Beazley Pte. Limited	Singapore	100%

All of the entities under Group supervision, as listed above, are included within the Quantitative Reporting Template (QRT) S.32.01.22 'Undertakings in the scope of the Group' (see appendix).

The Group Solvency II balance sheet has been prepared using the default accounting consolidation based method (described as "Method 1"), which gives material differences to the scope of consolidation of the Corporate Members (BUL and BC3L). The assets and liabilities of these entities, and their participations in the Lloyd's Syndicates are consolidated on a line-by-line basis within the Group's IFRS consolidated financial statements. Under Solvency II, the Group's investments within the Corporate Members is shown as a single line participation in the Solvency II balance sheet.

Further detail on the above can be found in section D.

A. Business and performance continued

A.1 Business continued

In March 2022, the Group updated its underwriting team structure with the creation of four underwriting divisions: Cyber Risks, MAP Risks, Property Risks and Specialty Risks. From January 2022, the Group began separately reporting the performance of the Digital division, following the creation of that team in 2021.

Accordingly the Group has determined that its reporting segments are now as follows:

Cyber Risks
This segment underwrites cyber and technology risks.

Digital
This segment underwrites a variety of marine, contingency and 'small and medium sized enterprises' (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 (D&O), as well as healthcare, lawyers and international financial institutions.

The following table provides a breakdown of gross premiums written by division, and also provides a geographical split based on placement of risk:

2022	Lloyd's Worldwide	Non-Lloyd's US	Non-Lloyd's Europe	Total
Cyber Risks	17 %	3 %	2 %	22 %
Digital	3 %	1 %	–	4 %
MAP Risks	19 %	2 %	–	21 %
Property Risks	16 %	–	–	16 %
Specialty Risks	28 %	6 %	3 %	37 %
Total	**83 %**	**12 %**	**5 %**	**100 %**

2021	Lloyd's Worldwide	Non-Lloyd's US	Non-Lloyd's Europe	Total
Cyber Risks	13 %	4 %	1 %	18 %
Digital	2 %	2 %	–	4 %
MAP Risks	18 %	1 %	–	19 %
Property Risks	18 %	–	–	18 %
Specialty Risks	31 %	7 %	3 %	41 %
Total	**82 %**	**14 %**	**4 %**	**100 %**

Beazley achieved a fifth year of double digit premium growth in 2022, with rate rises driving gross premiums written up 14% to $5,268.7m (2021: $4,618.9m). Profit before income tax for the year was $191.0m (2021: $369.2m). Our combined ratio of 89% (2021: 93%) was offset by an investment loss of $179.7m (2021: gain of $116.4m) or an investment return of (2.1)% (2021: 1.6%).

A. Business and performance continued

A.1 Business continued

The war in Ukraine has shaken us all, causing real human suffering; and, as we all take stock, it is right to reflect on the impact it has had on our business. Firstly, the conflict resulted in us provisioning for claims directly from the war itself, for which our estimate of loss remains unchanged since our 2022 interim report and accounts. Secondly, the energy price spike and rising inflation caused central banks to increase interest rates, leading to mark to market losses in our fixed income portfolio resulting in an $179.7m investment loss. Finally, the war has reinforced the value a specialty insurer like Beazley brings in complex situations. From our claims team's support for mariners injured by missiles in the conflict zone, or enabling shipments of grain needed by some of the world's poorest people, to offering clients reassurance as they navigate a complex sanctions regime - the innovation and responsiveness of the Beazley team has shone through.

Our business received a strong endorsement from the capital markets in November 2022 as we raised $404.4m in new equity capital to support our exciting growth agenda. We see a multi-dimensional opportunity to show our agility and grow in response to changes in market conditions whilst continuing to pursue our sustainable long-term growth strategy, which this additional capital will further support.

The market dislocation in Property is a signal of structural change as it adjusts to the increased exposure climate change brings. This gives us a strategic opportunity to accelerate rather than simply re-grow our Property franchise (which used to be a significantly larger proportion of the business than it is now) but also to retain more of our Cyber and Specialty Risks business.

Our ability to pivot our business to take up new opportunities as they emerge is part of our DNA. Platform strength, product and geographical diversity are cornerstones of this. Our strategy is to achieve the successful intersection of platforms and products to offer our brokers and clients access to our expertise and specialist underwriting capacity where and when they do business. We believe that a mix of international, wholesale and domestic platforms delivers straightforward access to us and adds real value.

Beazley believes that fundamentally we must deliver what we promise; and in 2022, we did just that with the launch of the ESG consortium and Syndicate 4321, Lloyd's first ESG syndicate. Since its launch on 1 January 2022 the new syndicate has offered additional capacity to clients who achieve high scores on ESG metrics. The syndicate is also helping Beazley to understand more about how high scoring businesses operate and test our hypothesis that companies which do well on ESG criteria are also likely to be less risky. We are using the lessons learned as part of a wider effort, which got fully underway in 2022, to embed ESG thinking into all our underwriting.

A. Business and performance continued

A.2 Underwriting performance

The following table presents our underwriting performance by operating segment:

	12 months ended 31 Dec 22					
	Cyber Risks	Digital	MAP Risks	Property Risks	Specialty Risks	Total
2022	$m	$m	$m	$m	$m	$m
Gross premiums written	1,156.1	204.9	1,107.8	859.8	1,940.1	5,268.7
Net premiums written	832.3	168.8	777.0	687.9	1,410.2	3,876.2
Net earned premiums	783.9	163.4	726.5	663.4	1,277.0	3,614.2
Net investment loss	(34.5)	(8.7)	(20.5)	(27.1)	(88.9)	(179.7)
Other income	7.9	2.3	1.0	7.4	13.5	32.1
Revenue	**757.3**	**157.0**	**707.0**	**643.7**	**1,201.6**	**3,466.6**
Net insurance claims	432.1	74.4	312.1	403.2	734.6	1,956.4
Expenses for the acquisition of insurance contracts	155.7	47.8	232.2	170.9	345.5	952.1
Administrative expenses	34.5	19.3	66.3	74.4	109.2	303.7
Foreign exchange loss	5.2	1.1	4.8	4.4	8.5	24.0
Expenses	**627.5**	**142.6**	**615.4**	**652.9**	**1,197.8**	**3,236.2**
Segment result	**129.8**	**14.4**	**91.6**	**(9.2)**	**3.8**	**230.4**
Finance costs						(39.4)
Profit before income tax						**191.0**
Income tax expense						(30.2)
Profit for the year attributable to equity shareholders						**160.8**
Claims ratio	55 %	46 %	43 %	61 %	57 %	54 %
Expense ratio	24 %	41 %	41 %	37 %	36 %	35 %
Combined ratio	79 %	87 %	84 %	98 %	93 %	89 %
Segment assets and liabilities						
Segment assets	2,964.1	461.5	2,258.4	2,370.8	7,044.2	15,099.0
Segment liabilities	(2,244.6)	(359.3)	(1,980.6)	(1,920.3)	(6,020.7)	(12,525.5)
Net assets	**719.5**	**102.2**	**277.8**	**450.5**	**1,023.5**	**2,573.5**

A. Business and performance continued

A.2 Underwriting performance continued

2021	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks	Total $m
	12 months ended 31 Dec 21					
Gross premiums written	814.3	190.8	897.5	812.6	1,903.7	4,618.9
Net premiums written	624.8	166.2	671.5	573.1	1,476.8	3,512.4
Net earned premiums	499.7	149.3	613.3	521.7	1,363.3	3,147.3
Net investment income	14.5	3.6	17.0	22.6	58.7	116.4
Other income	4.6	1.9	2.7	7.5	11.5	28.2
Gain from sale of business[1]	–	–	54.4	–	–	54.4
Revenue	**518.8**	**154.8**	**687.4**	**551.8**	**1,433.5**	**3,346.3**
Net insurance claims	326.9	56.1	252.5	335.4	855.3	1,826.2
Expenses for the acquisition of insurance contracts	100.7	42.2	206.8	149.4	322.7	821.8
Administrative expenses	29.0	15.6	59.2	66.9	112.3	283.0
Foreign exchange loss	1.2	0.3	1.4	1.3	3.0	7.2
Expenses	**457.8**	**114.2**	**519.9**	**553.0**	**1,293.3**	**2,938.2**
Segment result	**61.0**	**40.6**	**167.5**	**(1.2)**	**140.2**	**408.1**
Finance costs						(38.9)
Profit before income tax						**369.2**
Income tax expense						(60.5)
Profit for the year attributable to equity shareholders						**308.7**
Claims ratio	65 %	37 %	41 %	64 %	63 %	58 %
Expense ratio	26 %	39 %	44 %	42 %	32 %	35 %
Combined ratio	91 %	76 %	85 %	106 %	95 %	93 %
Segment assets and liabilities						
Segment assets operational strategy of Beazley	2,289.7	432.1	1,844.6	2,244.5	5,996.5	12,807.4
Segment liabilities	(1,737.8)	(322.7)	(1,599.6)	(1,809.8)	(5,206.7)	(10,676.6)
Net assets	**551.9**	**109.4**	**245.0**	**434.7**	**789.8**	**2,130.8**

1 The gain from sale of business relates to the sale of the Beazley Benefits business in the second half of 2021. A net gain of $54.4m was recognised, following the receipt of gross proceeds of $56.7m and recognised closing costs of $2.3m. Further details can be found in note 5b of Beazley's 2021 Annual report and accounts.

Divisional performance

Cyber Risks

Cyber Risks saw gross premiums written grow in 2022 up 42% to $1,156.1m (2021: $814.3m). Cyber Risks continued to see strong rate increases of 40% (2021: 88%).

New business was strong across all geographies with our business outside of our core US client base growing exponentially. In the US, we are seeing strong demand from the mid-market segment which is driving ongoing growth. Outside of the US, demand came from Europe, Asia, Australia and beyond and we expect this trend to continue as business becomes increasingly aware of and keen to protect itself from the Cyber threat. The substantial rate increases we have seen over the last two years did begin to moderate during 2022, but they remained at very significant levels, reflecting the scale of the challenge that Cyber poses.

Our positive result reflects the good work we have done since October 2020, to build our Cyber ecosystem, which focuses on pre-underwriting and post-loss mitigation efforts. In 2022 we also added our threat intelligence and Beazley Cyber Council to this offering.

To reflect the demand we are experiencing and to respond to that opportunity, the team has continued to grow during the year, we've invested in people, expertise and resources across the globe. We also made specific investments into threat and intelligence pilots during 2022, of which the successful ones will become operational during 2023.

A. Business and performance continued

A.2 Underwriting performance continued

We are a market leader in Cyber and we believe we need to use that position to address the challenges the market faces. In 2022 this saw us tackle the issue of Cyber catastrophes. To date no Cyber attack has been big enough to create a widespread breakdown in essential services; however, we have modelled the possible scenarios and believe now is the time to actively build market awareness and the capital needed to address the threat as the market grows.

Looking ahead, we believe that the flattening of rate increases will continue through 2023, but we expect that to be a moderation in what have been substantial, but required, rate increases over the last two to three years. We expect to see continued strong new business demand, particularly outside of the US, where we see the mid-market as the largest area of growth for our Cyber products and services. In Europe and across the globe, we are seeing large corporations seek greater Cyber protection and expect the level of demand to continue. Our continued focus is on maintaining and advancing our knowledge and understanding of the Cyber threat, and maintaining vigilance about the threat actors and their changing methods of operation as we move forward.

In January 2023 we launched the market's first cyber catastrophe bond and with strong demand from investors we expect to be able to launch additional tranches through 2023 and beyond.

Through the equity raise in 2022, we are also looking to retain more of the business which we write, and capitalise on future profitability in this division.

Digital

The Digital division achieved profit before tax of $14.4m (2021: $40.6m), which reflects the successful build out of our small business proposition across our key territories. Demand for our digital underwriting and distribution capabilities continues to grow and our delivery of $204.9m (2021: $190.8m) in gross premiums written for our first year of full operation and combined ratio of 87% (2021: 76%) demonstrate our success.

It is testament to the outstanding work of our team, that in our first year of operating as a separate division we have delivered a strong performance. Throughout the year we have made considerable progress in technology innovation and are seeing the benefits of a multi-skilled team working across all lines of business.

Digital started underwriting as a separate division in January 2022. It was created to build on the success of our myBeazley portal and to respond to demand from clients and brokers for accessible Digital insurance placement for small to medium sized risks. Digital gives brokers one Beazley point of contact, supported by a cross functional team, to access multiple product lines and digital services via their preferred platform or channel.

By committing to our strategy of meeting the client where they want to be met, we are seeing success across all access points: the myBeazley portal, Application Programming Interface (APIs), on digital market hubs and our artificial intelligence enhanced email submission capabilities.

Take up of each channel differs depending on location. In the US, the prevalent method of placement remains via email, but through 2022 we have seen a shift to engagement via APIs and market hubs. In Europe and the UK, myBeazley has established itself as a key link in the insurance chain, while for our German business, market hubs or ‘broker pools’ are increasing in use.

We recognise that not all small businesses are the same and neither are the risks they face. A small manufacturing business has very different exposures to business interruption risk than a small financial consultancy. By leveraging the deep-seated specialist knowledge that we are known for and that is prevalent across our organisation, we are able to effectively design and price relevant cover for a myriad of organisation types and sizes, which can be accessed at the touch of a button and delivered digitally.

At our core, we have a broad Specialist Lines portfolio, focused on lines such as Professional Indemnity, Management Liability, Tech Professions Errors and Omissions, Medical Malpractice for small scale health and care services providers, Event Cancellation and Pleasure Craft. During 2022, we have also matured the way we underwrite flagship products like Cyber for small business, where we are seeing significant demand and there is an opportunity to grow at pace.

We remain confident about our growth trajectory going into 2023 and expect to see moderate rate increases across the portfolio.

Service is key, and we continue to invest in the people and technology of our customer success team who support our brokers with client queries, providing product information, and transacting business. Similarly, our dedicated territory manager sales team continues to grow and expand our distribution by region and by digital channel.

A. Business and performance continued

A.2 Underwriting performance continued

In the year ahead, we are targeting growth in all regions. We see plenty of opportunity to expand our digital distribution in the US, and Europe. In 2023, we will also launch the myBeazley portal in Canada, with the support of our well established specialist teams in Toronto, Montreal and Vancouver.

Although Digital is tailored for the small to medium business segment, looking ahead, we see opportunities to direct more digitally placed larger risk business to our complex risk underwriting teams via channels such as APIs.

MAP Risks

MAP Risks reported gross premiums written of $1,107.8m (2021: $897.5m), and a combined ratio of 84% (2021: 85%). The division is exposed to the war in Ukraine in its Marine, Aviation, Political Risk and Terrorism lines of business - yet, despite the claims arising from the conflict, delivered a profit of $91.6m (2021: $167.5m).

The 2022 result was impacted by the war in Ukraine, and this has represented a potentially material loss to our book which remains unchanged since our 2022 interim report. Despite this, MAP Risks delivered a profit for 2022, which is a credit to the expertise and hard work of our team, who have been focusing on helping clients as they have faced extraordinary difficulties.

Bringing together Beazley's Marine division with the Political, Accident and Contingency division and Portfolio Underwriting has brought synergies and opportunities for cross selling. Our specialist underwriting teams are leading members of the Lloyd's market and we see positive opportunities to expand access to their technical skill and sector knowledge by leveraging our domestic underwriting platforms: in the US and Europe alongside Asia via our Singapore operation, where business comes into our Lloyd's syndicates.

The rating environment remains buoyant, with an overall rate increase of 4%, although we are now seeing pressure in some lines, including Aviation where capacity has returned after COVID-19. The war in Ukraine has impacted a range of classes and as a result we have seen significant uplifts in the rating environment in some of these areas. As a responsible business we are mindful of the importance of Ukraine as an exporter of grain, and the negative impact the conflict is having on world food supplies, and are supportive of market efforts to assist in facilitating the flow of these vital global commodities.

2022 saw our Contingency underwriting recover from the impact of COVID-19 with positive premium growth and, despite recessionary fears, we expect that trend to continue into 2023.

The value of our Political Risk cover has been fully demonstrated by the geopolitical turmoil of the past 12 months and we are seeing heightened interest from businesses looking to protect overseas assets, and the rating environment remains robust for this class.

Our Portfolio Underwriting business, which is primarily reinsured to an external special purpose Syndicate 5623, has delivered three consecutive years of profit. In January 2023, Syndicate 5623 became a full stand alone syndicate, writing all Portfolio Underwriting business directly. Beazley will be providing circa 18% of the capacity for the 2023 year of account for this syndicate.

ESG Syndicate 4321 launched in the year and wrote $10.5m of premium of which the Group has a 10% share. The syndicate provides additional follow capacity across several different classes of business to over 250 Beazley clients with a strong ESG rating since January 2022, building momentum through the year. A unique offering, the ESG consortium has been particularly successful for clients actively seeking to include ESG within their insurance programme and we have registered strong uptake for both Financial Lines and Cyber clients in particular, and we are exploring growth opportunities in Europe.

Our specialist underwriters continue to innovate in established lines, be it on Marine, Cyber, embedding ESG principles and helping clients transition to net zero, or in underwriting the first commercial insurance on the moon and acting as the leader in the development of insurance for commercial space ports.

While there are rating pressures beginning to be felt in some classes, the geopolitical turbulence of the last 12 months only serves to demonstrate the importance of the specialist insurance and sector expertise that our underwriters consistently deliver.

A. Business and performance continued

A.2 Underwriting performance continued

Property Risks

2022 saw the combining of our Property insurance and Reinsurance business. Non-catastrophe exposed business performed well contributing to an increase in gross premiums written to $859.8m (2021: $812.6m). Hurricane Ian has, in line with expectations for such a large event, dampened our overall result, which nevertheless saw the combined ratio improve to 98% (2021: 106%).

The success of work painstakingly done in recent years to address the impact of climate events and refine our risk selection, has seen the book progressively improve. With market conditions reaching a pivot point during 2022, we are now in a great position to reap the rewards. While Hurricane Ian will see a claims burden in the range of a $120m net loss and has undoubtedly had an impact on the 2022 result, we comprehensively plan for events of this size, and it falls within our expectations for such an event.

The combined expertise of our Property insurance and Reinsurance teams is allowing us to look across our portfolio strategically and benefit from both detailed site level insights and high-level trends, giving us a bird's eye view of market dynamics. Over time we believe this bottom up and top down approach will deliver competitive advantages as we address the sector's challenges of which climate change is perhaps the most urgent.

Throughout 2022 we continued to further our understanding of and implement enhancements to our underwriting approach and analysis around climate risk. We believe we are ahead of the curve, having actively invested in modelling tools and taking steps to embed the learnings into our underwriting processes. We are also making strides in regards to the impact of climate change on non-modelled perils such as wildfire, flood, and severe convective storm.

Our non-catastrophe business continues to benefit from the work we've done in the last few years to improve risk selection. A key driver of that has been the use of better, more insightful, modelling and tools. In particular, we released a new dynamic Property underwriting tool that provides the teams with the ability to analyse, model and rate all aspects of a risk at a location level with an informed view.

These focused efforts have put us firmly on the front foot to strongly build our Property premium base through 2023 - not just as we respond to an immediate and much needed improvement in the rating environment, but for the long term. As the rating environment remains favourable we will lean into the market opportunity; the equity raise in November 2022 has given further charge to this effort as we anticipate Property Treaty rate increases of up to 50% and over 15% in the direct Property book during 2023.

In contrast, as a buyer of reinsurance we are seeing an increase in costs; but balanced against the overall benefit of more effective market pricing and our dual role as a Property reinsurer, we believe this environment creates excellent opportunities for Beazley as a leading specialist Property insurer.

Specialty Risks

Specialty Risks achieved gross premiums written of $1,940.1m (2021: $1,903.7m) with rate increases of 2%. The combined ratio improved to 93% (2021: 95%). Through 2022 we achieved synergies and gained insights as we brought together our Executive Risk and Specialty Lines teams.

Specialty Risks offers scale and diversification over 27 different product lines, across global geographies, serving insureds from SMEs to the world's largest companies. Our distribution methods are equally diverse and include; broker partners along the insurance value chain, coverholders, delegated authority arrangements and reinsurance. This not only creates a truly diversified book of casualty business but actively offers diversification benefits to Beazley as whole.

The newly combined division leverages its expertise and interconnected broker relationships to deliver strong and effective cycle management across our diverse book, by pushing and pulling the relevant levers of geographies, platforms and products and moving our focus as market conditions evolve and change.

Our focus on active cycle management lets us see where risks are growing, or the rating environment is becoming unattractive and move swiftly to protect that business area.

A good example of how this works is in the current D&O market cycle. We avoided growing in the depth of the soft D&O market by methodical underwriting, and when the market changed direction in 2020/21 we stepped up and seized the opportunity. As conditions have moderated since the second quarter of 2022, we've become more selective on rate and in some instances, reduced our appetite. We are hopeful that conditions will stabilise during this year and we will adjust our underwriting as opportunity emerges.

A. Business and performance continued

A.2 Underwriting performance continued

This year we've seen growth across areas where innovation plays a key role, such as our Safeguard Product and Beazley Product Solutions embedded reinsurance segment. Here we take a market leading position in these smaller or niche lines and invest significantly, giving them airtime to grow at pace. This approach sees us able to move swiftly into new or emerging areas where growth potential and client demand is high for Beazley's unique solutions. Another new area for 2022 was our geographic expansion of Product Recall to Singapore alongside our overall Specialty Risks growth in the Asia Pacific region.

Discipline is the watch word of our approach to underwriting; while growth makes the headlines, profit is the real mark of success. The current economic environment is challenging but the hard de-risking work we undertook during the last recession gives us confidence that we are well placed at the start of 2023.

Our underwriting capabilities are fully demonstrated by how we behave at these moments and this includes leveraging our net growth and varying our reinsurance purchasing, to ensure we deliver market share and a positive result in any given year, regardless of market conditions. Our November equity raise will see us keep more of our carefully selected risk within our own business rather than purchase additional, more expensive, reinsurance thus maintaining our outperformance.

It takes discipline to leave our egos at the door, invest in future business areas and to pull back on some of our most respected classes of business if the rating environment is wrong.

However, this mantra is key to our strategy of growing in a smart, sustainable way.

Segmental Analysis

The tables below show the 2022 and 2021 underwriting performance split into Solvency II lines of business.

2022	Income protection $m	Marine, aviation and transport $m	Fire and other damage to property $m	General liability $m	Credit and suretyship $m	Misc. financial loss $m	Health $m	Casualty $m	Property $m	Other life insurance $m	Life reinsurance $m	Total $m
Net premiums written	62.9	418.6	618.3	2,376.5	104.7	65.1	21.1	40.2	139.5	26.2	3.1	3,876.2
Net earned premiums	66.3	390.4	586.5	2,180.5	98.4	61.8	20.5	41.5	140.1	25.4	2.8	3,614.2
Net claims incurred	(27.8)	(133.8)	(328.0)	(1,167.6)	(71.0)	(42.1)	(6.1)	(17.8)	(102.8)	(13.8)	(1.0)	(1,911.8)
Expenses incurred	(30.3)	(140.2)	(221.1)	(784.5)	(39.0)	(19.7)	(5.5)	(16.6)	(41.2)	(8.6)	(0.8)	(1,307.5)
Underwriting performance	**8.2**	**116.4**	**37.4**	**228.4**	**(11.6)**	**–**	**8.9**	**7.1**	**(3.9)**	**3.0**	**1.0**	**394.9**

2021	Income protection $m	Marine, aviation and transport $m	Fire and other damage to property $m	General liability $m	Credit and suretyship $m	Misc. financial loss $m	Health $m	Casualty $m	Property $m	Other life insurance $m	Life reinsurance $m	Total $m
Net premiums written	88.1	352.4	458.3	2,268.7	86.6	42.0	19.0	43.9	131.1	22.3	0.0	3,512.4
Net earned premiums	92.3	322.4	403.1	2,008.5	74.7	33.1	18.4	41.9	132.2	20.9	(0.2)	3,147.3
Net claims incurred	(34.1)	(105.2)	(213.4)	(1,176.2)	(42.1)	(48.5)	(7.1)	(19.7)	(122.3)	(11.1)	0.6	(1,779.1)
Expenses incurred	(48.5)	(130.2)	(185.0)	(678.6)	(24.1)	(14.6)	(5.5)	(16.4)	(46.6)	(7.6)	(0.7)	(1,157.8)
Underwriting performance	**9.7**	**87.0**	**4.7**	**153.7**	**8.5**	**(30.0)**	**5.8**	**5.8**	**(36.7)**	**2.2**	**(0.3)**	**210.4**

A. Business and performance continued

A.2 Underwriting performance continued

Geographical breakdown

The tables provide an analysis of the geographical breakdown of gross premiums written. Data in the tables below is presented using Solvency II criteria for activity by geographic location. For direct lines of business the Solvency II criteria is the country where the risk is located or the country where the contract was entered into, determined by the line of business. For reinsurance business the location is based on where the ceding undertaking is based. As presented in the S.05.02, the home country and the top five countries only are reported.

	2022 $m	2022 %
United Kingdom	2,492.6	47.3 %
United States of America	2,175.6	41.3 %
Belgium	92.3	1.7 %
France	91.7	1.7 %
Singapore	88.7	1.7 %
Germany	82.3	1.6 %
Other	245.5	4.7 %
Total	**5,268.7**	**100.0 %**

	2021 $m	2021 %
United Kingdom	2,272.2	49.2%
United States of America	1,908.6	41.3%
Singapore	77.3	1.7%
Belgium	63.8	1.4%
Germany	59.0	1.3%
Spain	54.9	1.2%
Other	183.1	3.9%
Total	**4,618.9**	**100.0 %**

A.3 Investment performance

Summary of investment return

	2022 %	2022 $m	2021 %	2021 $m
Investment (loss)/income derived from financial assets	–	(169.8)	–	121.4
Investments expenses and charges	–	(6.9)	–	(5.9)
Total[1]	**(2.4)**	**(176.7)**	**1.8**	**115.5**

1 The difference between the investment loss of ($179.7m) reported in the Business Review on page 1 and the investment loss of ($176.7m) is the return on cash and cash equivalents of $0.5m and and the loss on Lloyd's Overseas deposits of ($3.5m).

Income and expenses by asset class ($m)

		Capital growth				
2022	Fixed interest	Equity	Hedge funds	Illiquid credit	Total	Total
(Loss)/Income	(175.8)	(44.9)	35.1	15.8	6.0	(169.8)
Expenses	(4.0)	–	(2.3)	(0.6)	(2.9)	(6.9)
Total	**(179.8)**	**(44.9)**	**32.8**	**15.2**	**3.1**	**(176.7)**

A. Business and performance continued

A.3 Investment performance continued

2021	Fixed interest	Equity	Capital growth: Hedge funds	Capital growth: Illiquid credit	Capital growth: Total	Total
Income	9.4	49.6	39.2	23.2	111.9	121.4
Expenses	(3.2)	–	(1.9)	(0.8)	(2.7)	(5.9)
Total	**6.2**	**49.6**	**37.3**	**22.4**	**109.2**	**115.5**

Expense allocations by asset class are estimates.

Investment return vs benchmark (%)

2022	Fixed interest	Equity	Capital growth: Hedge funds	Capital growth: Illiquid credit	Capital growth: Total	Total
Investment assets	(3.0)	(22.4)	6.5	6.1	0.3	(2.4)
Benchmark	(3.9)	(18.4)	(4.4)	(0.6)	(5.6)	(4.2)

2021	Fixed interest	Equity	Capital growth: Hedge funds	Capital growth: Illiquid credit	Capital growth: Total	Total
Investment assets	0.2	25.6	8.1	8.9	12.4	1.8
Benchmark	–	18.5	3.7	2.8	6.2	0.8

Recent rapid growth in our financial assets continued in 2022 as the business grew significantly and the value of our investments, cash and cash equivalents increased to $8,998.1m at year end (2021: $7,875.3m). We generated an investment return of $(179.7)m, or (2.1)% (2021: $116.4m, 1.6%) on these assets during the year.

Inflation became the key consideration for financial markets in 2022, as remaining supply-chain pressures arising from the COVID-19 pandemic were exacerbated by the war in Ukraine, affecting energy and food costs. Earlier expectations that higher inflation would be temporary were revised and central banks became increasingly aggressive in raising interest rates as inflation accelerated. Unusually, both Sovereign bonds and risk assets saw significant losses, as yields rose and economic growth forecasts declined.

US Treasury yields at shorter maturities increased by more than four percentage points during 2022; the biggest increase in more than half a century. We acted to reduce portfolio duration for much of the period, which helped to reduce the adverse impact of rising yields, but our fixed income investments still generated a loss of 3.0%. Global equities lost more than 18% in 2022 and our equity portfolio, which reflects our responsible investment objectives, saw modestly greater losses. However, equities make up less than 3% of our portfolio and all of our other capital growth investments achieved positive returns. Our hedge funds, in particular, proved resilient in the difficult market conditions, returning more than 7% in a year when the hedge fund universe recorded losses. Overall, our capital growth investments returned a small gain, of 0.3%. As part of our responsible investment initiative we have committed to build an 'impact' portfolio, of up to $100m, targeting investment opportunities which have measurable social or environmental benefits. We made our first such investment in the fourth quarter of 2022, in a private equity fund supporting the creation of renewable energy capacity in Europe. We expect to make further investments throughout 2023.

The unrealised investment loss in 2022 is significant, notwithstanding some recovery in the fourth quarter, as yields stabilised. However, losses were mostly the result of rising yields, which have also acted to reduce the present value of our Solvency II liabilities, such that our capital position has not been materially affected. Bond yields are now much higher than they were a year ago (our fixed income portfolio yield at 31 December 2022 was 4.7%), suggesting that future investment returns may be better than we have seen for some years. However, many of the factors that drove financial market volatility in 2022, including rampant inflation and rising interest rates, remain unresolved, such that investment returns are likely to remain volatile.

A. Business and performance continued

A.4 Performance from other activities

Other income

Other income is analysed as follows in the financial statements.

	2022 $m	2021 $m
Commissions received by Beazley service companies	20.0	19.4
Profit commissions from syndicates	7.2	3.8
Agency fees from Syndicate 623	4.0	3.9
Other income	0.9	1.1
	32.1	**28.2**

Profit Commissions

There is an agreement between syndicate 623 and BFL (the managing agent) where the syndicate remunerates Beazley for writing business in parallel with syndicate 2623. As such, profitability of 623 is a performance criterion for this contract. The transaction price represents a fixed percentage on profit by year of account. No other variable considerations (for example: discounts, rebates, refunds, incentives) are attached. The value of a transaction price is derived at each reporting period from the actual profit syndicate 623 has made to date and therefore represents the most likely amount of consideration at the reporting date.

Commissions received from service companies

Commission is payable to the Group by syndicate 623 and 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. The performance criterion is deemed to be the realisation of expenses.

Lease Arrangements

For disclosures on the lease arrangements please refer to note 29 in the Beazley plc Annual report and accounts 2022.

A.5 Any other information

Ukraine/Russia Conflict & Hurricane Ian

2022 proved to be a year of several market events, including Hurricane Ian and the war in Ukraine. Despite this our claims ratio for 2022 reduced to 54% (2021: 58%).

Syndicate 4321

Beazley is committed to being a responsible business and in 2022 we launched our ESG Consortium and Syndicate 4321. We also made significant strides towards embedding ESG criteria through the underwriting process with the addition of tools and talent to truly get our arms around this challenge.

Financial Markets

Inflation became the key consideration for financial markets in 2022, as remaining supply-chain pressures arising from the COVID-19 pandemic were exacerbated by the war in Ukraine, affecting energy and food costs. Earlier expectations that higher inflation would be temporary were revised and central banks became increasingly aggressive in raising interest rates as inflation accelerated. Unusually, both Sovereign bonds and risk assets saw significant losses, as yields rose and economic growth forecasts declined.

B. System of governance

B.1 General information on the system of governance

Governance framework

Beazley operates through the main Board and a number of committees. During 2022, those committees were the Audit and Risk, Nomination and Remuneration Committees. With effect from 1 January 2023, the combined Audit and Risk Committee has been replaced by separate Audit and Risk Committees. The Board has also established the Disclosure Committee with responsibility for matters relating to the control and disclosure of inside information. There are terms of reference for each committee and details of their main responsibilities and activities are set out below. The Chief Executive Officer (CEO) has also constituted an Executive committee that he chairs and which acts under delegated authority from the Board. The Executive Committee usually meets monthly and is responsible for implementing the Group's strategy and managing all operational activities of the Group.

The governance framework (in place at 31 December 2022) of the main Board and its committees is shown in the diagram on the next page.

Effective 25 April 2023, Clive Bannister became the Chair of the Board and the Nomination Committee, replacing Christine LaSala (see page 18), and with effect from 9 May 2023, Nicola Hodson became the permanent Chair of the Remuneration Committee.

B. System of governance continued

B.1 General information on the system of governance continued

Company Secretary
Christine Oldridge

Key responsibilities
- Ensuring accurate, timely and clear information flows within the Board and its committees and between senior management and non-executive directors
- Advising the Board through the chair on all governance matters
- Responsible for: corporate governance, listing rules, and disclosure and transparency rules compliance; statutory compliance and reporting; corporate responsibility

Shareholders

Chair
Christine LaSala (Interim)

Key responsibilities
- Effective and objective leadership and governance of the Board, developing the Group's overall strategy and objectives in alignment with the Group's culture
- Managing constructive dialogue between executive and non-executive directors, ensuring that the Board discharges its duties effectively
- Ensuring effective communication between shareholders, executive management, the Board and stakeholders
- Independent on appointment

Chief Executive Officer
Adrian Cox

Key responsibilities
- Implementation and delivery of the strategy agreed by the Board and the day-to-day management of the business
- Maintaining dialogue with the Chair on key strategic issues
- Leading shareholder engagement

The Board

Key responsibilities
Leadership, strategic aims, financial reporting and controls, risks, cultural values, communication with key stakeholders, upholding company corporate governance standards and policies.

Chair
Christine LaSala (Interim)

Members
Clive Bannister
Adrian Cox
Pierre-Olivier Desaulle
Nicola Hodson
Sally Lake
Christine LaSala
John Reizenstein
Robert Stuchbery
Fiona Muldoon
Rajesh Agrawal
Cecilia Reyes Leuzinger

Audit committee

Chair
John Reizenstein

Members
Rajesh Agrawal
Fiona Muldoon
Cecilia Reyes Leuzinger
Robert Stuchbery

Key responsibilities
- Assisting the Board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal financial controls and the audit process

Risk committee

Chair
Robert Stuchbery

Members
Pierre-Olivier Desaulle
John Reizenstein
Nicola Hodson
Cecilia Reyes Leuzinger
Fiona Muldoon

Key responsibilities
- To provide oversight of the Group's risk management framework and processes of monitoring compliance with laws and regulation

Nomination committee

Chair
Christine LaSala (Interim)

Members
Pierre-Olivier Desaulle
John Reizenstein

Key responsibilities
- Evaluating the Board of directors, ensuring an appropriate balance of skills, experience, independence, knowledge and diversity
- Considering and recommending Board and committee candidates and considering Board succession and ongoing director training needs
- Reviewing regulatory and corporate governance developments and making recommendations to the Board

Remuneration committee

Chair
Nicola Hodson (Interim)

Members
Rajesh Agrawal
Nicola Hodson
Cecilia Reyes Leuzinger

Key responsibilities
- Ensuring remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population

Disclosure committee

Chair
Sally Lake

Members
Adrian Cox
Rob Anarfi
Christine Oldridge

Key responsibilities
- Overseeing the implementation of the governance and procedures associated with the assessment, control and disclosure of inside information in relation to the company

Executive committee

Chair
Adrian Cox

Members
Rob Anarfi
Paul Bantick
Troy Dehmann
Beth Diamond
Ian Fantozzi
Bethany Greenwood
Sally Lake
Lou Ann Layton
Richard Montminy
Bob Quane
Rachel Turk
Tim Turner
Pippa Vowles

Key responsibilities
- Managing all operational activities of the group under the powers delegated by the board
- Proposing strategic projects and group/syndicate business plans to the board
- Reviewing the risk management framework and oversight of the Group's sub-committees and business functions
- Oversight of strategy, business planning, new business initiatives, financial and control matters, risk management framework and strategy, governance and operations including performance of the underwriting divisions as well as other key functions

B. System of governance continued

B.1 General information on the system of governance continued

The roles of the Chair and CEO are separate, with each having clearly defined responsibilities as set out in the corporate governance framework diagram. They maintain a close working relationship to ensure the integrity of the Board's decision-making process and the successful delivery of the Group's strategy. The Board evaluates the membership of its individual Board committees on at least an annual basis, as well as when required during the year. The Board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions. The terms of reference for the Board committees can be found at www.beazley.com.

The Board

During 2022, the Board was headed by the Non-Executive Chair David Roberts, who was independent on appointment, until his resignation on 21 October 2022. Following this, Christine LaSala, who was independent on appointment to the Board, was appointed as Interim Chair and has led the Board whilst the recruitment process for a new Chair was being conducted. In addition to the Chair, at 31 December 2022, the Board consisted of seven independent Non-Executive Directors. Prior to David's resignation, there were eight independent Non-Executive Directors in addition to the Chair. Christine LaSala was the Senior Independent Non-Executive Director until her appointment as interim Chair on 21 October 2022. Robert Stuchbery was appointed as the Interim Senior Independent Director on 21 October 2022. The Board also consists of two Executive Directors, Adrian Cox who is CEO and Sally Lake who is the Group Finance Director. The Non-Executive Directors, who have been appointed for specified terms and are subject to annual election or re-election by the shareholders, are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

On 8 February 2023, it was announced that Clive Bannister had been appointed as Chair Designate and as a Non-Executive Director with immediate effect. Clive took up the role of Chair at the conclusion of the Company's AGM on 25 April 2023.

The Board has a schedule of matters reserved for its decision. This includes, inter alia: strategic matters; statutory matters; matters intended to generate and preserve value over the longer term; acquisitions and disposals over a certain quantum; approval of financial statements and dividends; appointments and terminations of Directors, officers and auditors; and appointments of committees and setting of their terms of reference. The Board is responsible for: setting the Group's values, strategy and purpose; oversight of the Group's long-term commercial and sustainable success; reviewing Group performance against budgets; generation of long-term shareholder value; approving material contracts; determining authority levels within which management is required to operate; overseeing the internal control framework; reviewing the Group's annual forecasts; and approving the Group's corporate business plans, including capital adequacy and the ORSA. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in pursuing its strategic objectives. To this end, the Board is responsible for the capital strategy, including the Group's Solvency II internal model. The Board is responsible for climate-related matters including the Group's own impact on the environment and climate-related risks. Furthermore, the Board is responsible for considering how stakeholder interests have been considered within decision-making processes and to perform their duties as outlined in Section 172 of the UK Companies Act 2006.

A well defined operational and management structure is in place and the roles and responsibilities of senior executives and key members of staff are clearly defined.

An evaluation of the performance of the Board and its committees is carried out annually. On 9 December 2022 the Board approved the proposal to replace the Audit and Risk Committee with a separate Audit Committee and Risk Committee from 1 January 2023. This step was taken to strengthen the Group's overall approach to corporate governance and enable each committee to give greater focus to their areas of responsibility.

Remuneration policy and practices

The Board has adopted a remuneration policy which is overseen and reviewed by the Beazley Remuneration Committee. The main aim of the policy is to ensure that management and staff are remunerated fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel.

Beazley believes that:

- performance-related remuneration is an essential motivation to management and staff and should be structured to ensure that Executives' interests are aligned with those of shareholders;
- individual remuneration reflects Group objectives but is dependent on the profitability of the Group and is appropriately balanced against risk considerations. Potential rewards are market-competitive and the committee is comfortable that the range of potential out-turns are appropriate and reasonable; and
- the structure of remuneration packages supports meritocracy, which is an important part of Beazley's culture. All employees at Beazley are eligible to participate in a defined contribution pension plan and a bonus plan. Bonuses are funded by a pool approach which reflects our commitment to encourage teamwork at every level, which is one of our key cultural strengths.

B. System of governance continued

B.1 General information on the system of governance continued

Beazley's policy is to maintain a suitable balance between fixed and variable remuneration which will vary depending on the individual's role and seniority.

The table below sets out an illustration of the operation of the remuneration policy for the current executive directors in respect of 2023 and includes base salary, pension, benefits, and incentives. Other than as regards the fourth scenario ('Maximum + share price appreciation'), the illustrations do not reflect potential share price increases or decreases. Dividends, dividend equivalents and any deferral of bonus into the investment in underwriting arrangements are disregarded.

Element		'Minimum'	'On-plan'	'Maximum'	'Maximum + share price appreciation'
Fixed remuneration	Base salary	Annual base salary for 2023			
	Pension	12.5% of base salary			
	Benefits	Taxable value of annual benefits provided in 2022			
Annual variable remuneration (cash and deferred shares)		0% of maximum	50% of maximum	100% of maximum	100% of maximum
Long Term Remuneration Long Term Incentive Plan (LTIP)		0% vesting	25% vesting	100% vesting	100% vesting + assumed 50% share price appreciation

The fees of Non-Executive Directors, as disclosed within the Beazley plc Annual report and accounts 2022, are determined by the Board and are reviewed annually. When setting fee levels consideration is given to levels in comparable companies for comparable services and also to the time commitment and responsibilities of the individual Non-Executive Director. No Non-Executive Director is involved in the determination of their fees. No independent non-executive director participates in the Group's incentive arrangements or pension plan.

The following tables set out the additional incentive arrangements for staff other than executive directors of Beazley.

Element	Objective	Summary
Profit related pay (PRP)	To align underwriters' reward with the profitability of their account.	Profit on the relevant underwriting account as measured at three years and later.
Support bonus plan	To align staff bonuses with individual performance and achievement of objectives.	Participation is limited to staff members not on the Group executive or in receipt of PRP bonus. The support bonus pool may be enhanced by a contribution from the enterprise bonus pool.
Retention shares	To retain key staff.	Used in certain circumstances. Full vesting dependent on continued employment over six years

The Remuneration Committee regularly reviews developing remuneration governance in the context of Solvency II remuneration guidance, other corporate governance developments and institutional shareholders' guidance. The Group Chief Risk Officer (CRO) reports annually to the Remuneration Committee on risk and remuneration as part of the regular agenda. The committee believes the Group is adopting an approach which is consistent with, and takes account of, the risk profile of the Group.

B. System of governance continued

B.1 General information on the system of governance continued

The performance criteria on which variable components of remuneration are based are as follows:

Incentive plan	Performance measures	Why performances measures were chosen and target is set
Annual bonus plan	Financial performance (including profit and return on equity (ROE), corporate/strategic performance (including risk adjustment) and individual performance.	• The committee believes the approach to the determination of bonuses creates alignment to shareholders' interests and ensures that bonuses are affordable, while the ROE targets increase the performance gearing and the risk adjustment is consistent with and promotes effective risk management. • The committee reviews the bonus pool framework each year to ensure that it remains appropriate and targets are set taking into account the prevailing environment, interest rates and expected investment returns, headcount and any other relevant factors. • A key principle of the process is that the committee exercises its judgement in determining individual awards taking into account the individual's contribution and performance.
PRP	To align the interests of the Group and the individual through aligning underwriters to the long-term profitability of their portfolio. Profit related pay is awarded irrespective of the results of the Group. Awards are capped.	• Underwriters that have significant influence over a portfolio are offered this arrangement. There is no automatic eligibility. • This bonus is awarded as cash and is based upon a fixed proportion of profit achieved on the relevant underwriting account as measured at three years and later. Any movements in prior years are reflected in future year payments as the account develops after three years. For long-tail accounts the class is still relatively immature at the three-year stage and therefore payments will be modest. Underwriters may receive further payouts in years four, five and six (and even later) as the account matures. Therefore each year they could be receiving payouts in relation to multiple underwriting years. • Targets are set through the business planning process and reviewed by a committee formed of executive committee members and functional specialists including Group actuary. Underwriting risk is taken into account when setting profit targets. • If the account deteriorates as it develops, any payouts are 'clawed back' through reductions in future PRP bonuses. From 2012 onwards any new PRP plans may be at risk of forfeiture or reduction if, in the opinion of the Remuneration Committee, there has been a serious regulatory breach by the underwriter concerned, including but not limited to the Group's policy on conduct risk. The Remuneration Committee also have oversight for all materials risk takers who participate in the PRP plan.
Deferred share plan	Award of nil cost share awards. Generally awarded as a deferred element of the annual bonus.	• This is a discretionary award. • Vesting is dependent on continued employment for three years. • An element of all bonuses (including those from the variable incentive pool), apart from PRP, may be awarded in deferred shares.
LTIP	Award of shares subject to the achievement of stretching performance conditions. Vesting of awards is based on growth in net asset value per share (NAVps), one of Beazley's key performance indicators. NAVps performance is assessed equally over a three year and five year period. In accordance with the UK Corporate Governance Code the first tranche of LTIP awards is subject to a further two year holding period, taking the total time frame for the entire award to five years.	• Creates alignment to one of Beazley's key performance indicators. • The committee reviews the NAVps targets periodically to ensure they remain appropriate with reference to the internal business plan, the external environment and market practice. • In the event that NAVps were to become unsuitable as a performance measure in the opinion of the committee (for example due to a change in accounting standards) the committee would substitute a measure which followed broadly similar principles.

B. System of governance continued

B.1 General information on the system of governance continued

Incentive plan	Performance measures	Why performances measures were chosen and target is set
Investment in underwriting	The plan mirrors investment in an underwriting syndicate.	• The Beazley staff underwriting plan provides for participants to contribute personal capital to Beazley syndicates. Selected staff are invited to participate through bonus deferral with an element of cash incentives 'at risk' as capital commitments.
Malus	To include provisions that would enable the Group to recover sums paid or withhold payment of any sum in circumstances when it would be appropriate to do so.	• Malus provisions apply to the LTIP and deferred shares whereby the committee has the discretion to reduce or withhold an award in certain circumstances.

Executive directors receive a pension allowance of 12.5% of salary, in-line with the rate available to the majority of the UK workforce.

Prior to 31 March 2006 the Group provided pension entitlements to directors that are defined benefit in nature, based on its legacy policy under the BFL Final Salary Pension Scheme. Future service accruals ceased on 31 March 2006.

Material transactions with shareholders, with persons who exercise a significant influence on Beazley, and with members of the Board

The members of the Board are deemed to have significant power to influence the direction, planning and activities of the Group, the remuneration of the Board is described above on page 19. Further details of the Board's remuneration can be found on pages 111 to 138 of the Beazley plc Annual report and accounts 2022. There are no other material transactions with shareholders or persons who exercise a significant influence on Beazley.

Climate Change

The Group is focused on how we can play our part in addressing the climate crisis. The Board is responsible for ensuring that the Group is operating in accordance with legal and regulatory requirements and with relevant Beazley policies and procedures. The Group considers climate-related matters as part of the annual process to approve the risk framework and ORSA.

Board/Committee	Description of how climate-related matters are considered
The Board	The Group considers climate-related matters as part of the annual process to approve: • Risk framework; • The Group's corporate business plan, including capital adequacy and the ORSA; • Updates to the Group's Responsible Business Strategy; • Responsible Investment Policy; • Investment strategy; and • Annual Report and Accounts, including Task Force on Climate related Financial Disclosures (TCFD) report. Throughout the year the Group Board monitors progress against the goals and targets set to address climate-related issues, through the update papers provided primarily from the following functions: responsible business, risk and underwriting.
Audit Committee and Risk Committee	The Board has delegated oversight of the risk management framework to the Audit Committee and the Risk Committee. Committee responsibilities include overseeing the effectiveness of the risk management framework at Beazley, of which climate-related risk is one element. In 2022, the committee has reviewed the drafted TCFD report, and accompanying assurance report. A paper providing an update on the development of TCFD reporting has also been reviewed. One audit on TCFD reporting was undertaken during the year, for which the audit findings have been sent to the committees for review.
Nomination Committee	The Nomination Committee considers the current and anticipated future needs of the organisation to operate effectively. Given the growing importance of climate change, this is to be a consideration in assessing candidates for future board and senior executive positions. The Nomination Committee also recommends, for approval to the Board, the annual board knowledge and training plan. Climate-related matters can form part of this plan.

B. System of governance continued

B.1 General information on the system of governance continued

Board/Committee	Description of how climate-related matters are considered
Remuneration Committee	The Remuneration Committee is responsible for ensuring climate-related risk is considered within executive remuneration. Evidence that this occurs is documented within the executive director's remuneration scorecard, where climate-related risk matters are considered as part of Beazley's wider approach to ESG. Remuneration is reviewed on an annual basis.

Further details of the Boards's oversight on climate-related risks and opportunities can be found on pages 29 to 49 of the Beazley plc Annual report and accounts 2022.

B.2 Fit and proper requirements

Beazley's approach is to ensure that all senior management functions of the firm are identified with prescribed responsibilities allocated and that persons who effectively run the undertaking or have other key functions, and are important to the sound and prudential management of the undertaking, fulfil the following requirements:
- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit);
- they are of good repute and integrity (proper); and
- they meet the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Monetary Authority of Singapore (MAS) conduct standards.

Beazley's policy is that Board members, PRA and FCA Senior Management Functions (SMFs) and Certification Functions, CBI Pre-approved Controlled Functions (PCFs) and Controlled Functions (CFs) and MAS Core Management Functions (CMFs) and Market Risk Personnel (MRP) for these entities must meet the fit and proper criteria and conduct standards as set out by the PRA and FCA, the fitness and probity standards as required by the CBI and conduct standards as set out by MAS and in that regard Beazley will ensure compliance with the provisions of Solvency II, to which the Senior Managers & Certification Regime (SM&CR) and the CBI regime are aligned. The high level requirements are:
- honesty, integrity and reputation;
- competence and capability; and
- financial soundness.

Beazley seeks to ensure that members of the supervisory bodies of BFL, BIdac, Beazley Solutions International Ltd and Beazley Pte all SMFs, Certification Functions, PCFs, CFs, CMFs and MRPs (collectively – 'approved persons') possess sufficient professional qualifications, knowledge and experience in the relevant areas of the business to give adequate assurance that they are collectively able to provide a sound and prudent management of the entities. Beazley also applies this approach to the directors of Beazley in addition to the regulated entity boards.

The assessment of whether a person is 'fit' shall take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of the person. In the case of members of the relevant boards, the assessment shall take account of the respective duties allocated to individual members to ensure appropriate diversity of qualification, knowledge and relevant experience to ensure that the business is managed and overseen in a professional manner.

In respect of roles identified under the fit and proper requirements, Beazley's policy is to assess the fitness of approved persons against the key competencies required by the FCA and PRA, namely:
- **Market knowledge** – awareness and understanding of the wider business, economic and market environment in which the firm operates;
- **Business strategy and model** – awareness and understanding of the firm's business strategy and model appropriate to the role;
- **Risk management and control** – the ability to identify, assess, monitor, control and mitigate risks to the firm. An awareness and understanding of the main risks facing the firm and the role the individual plays in managing them;
- **Financial analysis and control** – the ability to interpret the firm's financial information, identify key issues based on this information and put in place appropriate controls and measures;
- **Governance, oversight and controls** – the ability to assess the effectiveness of the firm's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas; and
- **Regulatory framework and requirements** – awareness and understanding of the regulatory framework in which the firm operates, and the regulatory requirements and expectations relevant to the SMF role.

B. System of governance continued

B.2 Fit and proper requirements continued

Additionally Beazley’s policy is to assess the fitness of approved persons against the key competencies required by the CBI, namely:

- conduct to be competent and capable – a person shall have the qualifications, experience, competence and capacity to perform the relevant function;
- conduct to be honest, ethical and to act with integrity – a person must be able to demonstrate that his or her ability to perform the relevant function is not adversely affected to a material degree; and
- financial soundness – a person shall manage his or her affairs in a sound and prudent manner.

Beazley’s policy is to apply this approach to both external and internal appointments. Beazley then tailors individual development plans, including mentoring as appropriate, for the appointee to ensure that they are able to fulfil their obligations in their approved person roles.

B.3 Risk management system including ORSA

Risk management oversight and framework

The Board delegates direct oversight of the risk management function and framework to its Audit and Risk Committee (separated into two separate committees from 1 January 2023), and the primary regulated subsidiary boards and their audit and risk committees. The Board delegates executive oversight of the risk management function and framework to the Executive Committee, which fulfills this responsibility primarily through its Risk and Regulatory Committee.

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

Beazley leverages the ‘three lines of defence’ model, in which the risk management function is part of the second line of defence. Ongoing communication and collaboration across the three lines of defence ensures that the Group identifies and manages risks effectively.

A suite of risk management reports support senior management and the Board in discharging their oversight and decision-making responsibilities. The risk reports include updates on risk appetite, risk profiles, stress and scenario testing, reverse stress testing, emerging and heightened risks, a report to the Remuneration Committee, and the ORSA report.

The Board approved the Group risk appetite statements during 2022 and received updates on monitoring against key risk appetites throughout the year.

The business operated a control environment which supported mitigating risks to stay within risk appetite. The risk management function reviewed and challenged the control environment through various risk management activities throughout the year. In addition, the risk management function worked with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and through the business planning process. These teams provided regular reports to the Underwriting Governance Committee which the CRO chairs.

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

In 2022, the Group's approach to identifying, managing and mitigating emerging risks was enhanced to include inputs from the business, post-risk incident lessons learned and industry thought leaders. The approach considers the potential materiality and likelihood of impacts which helps prioritise emerging risks which the Group monitors or undertakes focused work on. Key emerging risks in 2022 included geopolitical risks, the macroeconomic environment (e.g. inflation, global insurance market trends) and ESG. The Board carried out a robust assessment of the Group's emerging and principal risks.

B. System of governance continued

B.3 Risk management system including ORSA continued

Principal risks the Group faces

Below summarises the principal risks the Group faces, the control environment, governance and oversight that mitigate these risks.

Key to below table:
▲ Within risk appetite
► Trending outside of risk appetite
▼ Outside of risk appetite

Principal risks and summary descriptions	Mitigation and monitoring
Insurance ▲ The risk arising from inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves. • Market cycle: potential systematic mispricing of medium- or long-tailed business that does not support revenue to invest and cover future claims; • Catastrophe: one or more large events caused by nature (e.g. hurricane, windstorm, earthquake and/or wildfire) or mankind (e.g. coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and/or a political event) impacting a number of policies, and therefore giving rise to multiple losses; • Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e.-mismatch); and • Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.	Beazley uses a range of techniques to mitigate insurance risks including pricing tools, analysis of macro trends and claim frequency- including alignment with pricing and ensured exposure is not overly concentrated in any one area, especially those with higher-risk. The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helps to reduce volatility of profits in addition to managing net exposure by the transfer of risk. The prudent and comprehensive approach to reserving helps ensure that claims covered by the policy wording are paid, delivering the right outcome to clients. High calibre claims and underwriting professionals deliver expert service to insureds and claims handling. The Underwriting Committee oversees these risks.
Market (asset)▲ The value of investments may be adversely impacted by financial market movements of values of investments, interest rates, exchange rates, or external market forces. Expected asset returns may not align to risk and capital requirements.	Beazley operates a conservative investment strategy with a view to limiting investment losses that would impact the Group's financial result. Beazley mitigates this risk by carrying out asset liability matching as per the investment constraints specified in the investment strategy. More detail on climate related risks and mitigations impacting the investment strategy can be found in the TCFD report found on pages 29 to 49 of the Beazley plc Annual report and accounts 2022. The Investment Committee oversees the investment strategy and its implementation.
Credit ▲ The risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from reinsurers, brokers, and coverholders, of which the reinsurance asset is the largest exposure for the Group.	Beazley trades with strategic reinsurance partners over the long term that support Beazley through the cycle despite catastrophic claim events. The Group does not have significant concentration to reinsurers, ensuring these partners meet internal approval criteria overseen by the Reinsurance Security Committee. Credit risk arising from brokers (non-payment of premiums or claims) and coverholders being low, relies on robust due diligence processes and ongoing monitoring of aged debt and financial status.
Group ▲ The risk of an occurrence in one area of the Group, which adversely affects another area in the Group, resulting in financial loss and/or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and/or decisions including dilution of culture or negative impact on the Group brand.	Group risk culture is centred on principles of transparency, accountability, and awareness. This expected outcome continues to help maintain a strong risk culture that supports the embedding of risk management within Beazley, such that it makes a difference and is overseen by the Board. An effective risk culture supports strong risk management, encourages sound risk taking, created an awareness of risks and emerging risks. The Executive Committee and the Board oversee this risk.
Liquidity ▲ Investments and/or other assets are not available or adequate in order to settle financial obligations when they fall due.	By managing liquidity Beazley maximises flexibility in the management of financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon; and in doing so helps to ensure that clients and creditors are financially protected. The Group periodically assesses the liquidity position of Beazley and each entity, and the Risk Committee oversees this. The review includes a benchmarking opinion from a third-party assessment.

B. System of governance continued

B.3 Risk management system including ORSA continued

Principal risks and summary descriptions	Mitigation and monitoring
Regulatory and legal ▲ Non-compliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the Group operates leading to being unable to underwrite, manage claims, fines, etc.	The control environment supports the nature, exposure scale and complexity of the business with oversight from the Risk and Regulatory Committee. The Group maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and the following of robust processes, policies and procedures in the business. In addition, key staff, particularly those who hold defined roles with regulatory requirements, are experienced and maintain regular dialogue with regulators. Beazley horizon scans for regulatory and legal matters and considers their potential impacts on the business.
Operational ▲ Failures of people, processes and systems or the impact of an external event on operations (e.g. a cyber-attack having a detrimental impact on operations), including transformation and change related risks.	We attract and nurture talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. The Group employs high calibre, motivated, loyal, and productive people with sufficient competence to perform their required duties. The Group invests in technology and re-engineering processes to support the operation of these activities which are overseen by the Operations Committee. Beazley has policies and procedures across the organisation which ensure effective and efficient operations and drive productivity and quality across people, processes and systems to continue to enable scalable growth. The business continuity, and disaster recovery and incident response plans, help ensure that processes and systems enable our people to deliver the right outcomes for clients and overall productivity. There are effective controls in the day-to-day operations around information security, including cyber resilience, to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate.
Strategic ▲ Events or decisions that potentially stop the Group from achieving its goals or danger of the Group strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage.	Beazley continuously addresses key strategic opportunities and challenges itself to be the highest performing sustainable specialist insurer. Beazley commits to ensuring it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation. Beazley creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise where the Group can create value. The Executive Committee and the Board oversee these risks. Beazley maintains coverage above regulatory capital to a target level, ensuring sufficient capital to facilitate meeting the business plan and strategic objectives in the short, medium and long term.
Enterprise ▲ Pervasive risks impacting multiple areas of the Group (e.g. conduct, reputation, ESG, concentration and/or viability) occurring through real or perceived action, or lack of action taken, by a regulatory body, market and/or third-party used by the business. A negative change to Beazley's reputation would have a detrimental impact to Group profitability and public perception.	Beazley aims to strategically create a sustainable business for our people, partners and planet through its responsible business goals. Beazley embeds ESG principles and ambition. Beazley focuses on reducing its carbon footprint (refer to more detail on climate related risks and mitigations in the TCFD report found on pages 29 to 49 of the Beazley plc Annual report and accounts 2022), contributing appropriately to its social environment, and enhancements to governance. Note that while Beazley considers market practice, it does not necessarily move with every prevailing market trend. Being Beazley includes considering the needs of our clients in everything we do. We deliver the right outcomes to our clients through the product lifecycle. The conduct review group oversees this risk. We aim to do the right thing to minimise reputational risk via stakeholder management and oversight through governance. We carry out periodic analysis to identify significant areas of concentration risk across our business and monitor solvency regularly to ensure we are adequately capitalised.

B. System of governance continued

B.3 Risk management system including ORSA continued

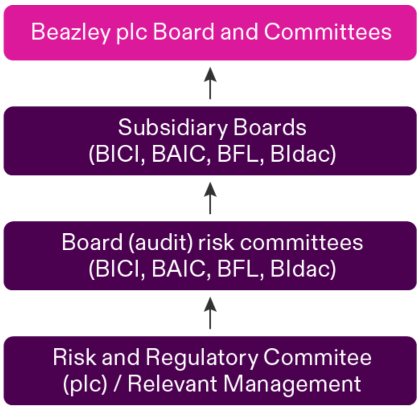
Own Risk and Solvency Assessment

The Solvency II Directive indicates that the ORSA is 'the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a company faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times'.

In other words, the ORSA is the consolidation of a collection of processes resulting in the production of a report to provide risk committees and boards with sufficient information to enable an assessment of the short term and long term risks faced by the entity and the capital required to support these risks.

Beazley's interpretation is that there are three parts to the ORSA deliverables:
- ORSA governance;
- ORSA processes: coordination of a number of underlying processes; and
- ORSA reports: summary of the findings from these processes.

The overarching governance structure is illustrated below. Within this context, each board has ultimate responsibility for the ORSA for their respective entity.



The risk management function is responsible for the coordination of the ORSA process and the production of the ORSA report with input from relevant first line Risk Owners and their respective teams. Risk management presents draft reports to the Risk and Regulatory Committee, boards and board sub-committees.

The ORSA report is produced and approved by the respective boards on at least an annual basis.

Ad hoc ORSAs

An ad hoc ORSA will be produced when there has been a material change to the risk profile or the environment within which Beazley is operating. Example triggers for such an ad hoc ORSA are:
- Major internal model changes as per the model change policy;
- New business plan is created (e.g. following a major CAT event);
- Prior to the completion of a board sponsored acquisition; and
- Any other changes deemed to be significant, as judged by the relevant boards.

These ORSA reports will focus on the matter in hand and will not necessarily cover all aspects that are included in the annual ORSA report. The content should be relevant to the trigger of the ad hoc ORSA report and the purpose to inform management and the Board of relevant risk assessments, changes to the risk profile, and implications for strategy, business plans, and capital.

Relationship between the internal model and the ORSA

The internal model is an important input into the ORSA. The ORSA uses the same internal model and basis as that used to estimate the SCR and so there is no difference in the recognition and valuation bases. Any limitations of the internal model relevant to the ORSA will be considered in the relevant ORSA report as part of the overall solvency needs assessment.

B. System of governance continued

B.3 Risk management system including ORSA continued

ORSA process

The underlying processes that make up Beazley's ORSA process are summarised in the table below and these are applicable for all in-scope entities. The table also indicates the process owner, primary oversight committee and identifies the Solvency II process document and name of the report.

Process	Process owner/ oversight committee	Document
Group strategy Bi-annual strategy and performance group meetings; Annual Board strategy away day; and Monthly monitoring of the strategic initiatives by the Executive Committee.	plc and subsidiary CEOs; and Executive Committee.	**Process document:** S2-0595 Beazley strategy process. **Report:** Beazley's strategy document.
Risk appetite The link between the risk profile and the risk appetite statements; and Quarterly risk appetite levels for Beazley, BICI, BAIC, BFL and BIdac.	plc and subsidiary CRO; and plc and subsidiary boards.	**Process document:** S2-0102 Risk management framework. **Report:** Risk appetite reporting.
Risk assessment – current Risk register and risk summaries. Risk Management reporting: • Control performance and comments from the 2nd Line Assurance function; • Comparison of residual risk score with risk appetite; • Risk incidents; • Key risk indicators; • Heightened risk report; and • Risk profiles.	plc and subsidiary CROs; and plc and subsidiary risk committees.	**Process document:** S2-0102 Risk management framework. **Report:** Risk Management reports.
Risk assessment – emerging risk Periodic review and assessment of strategic and emerging risks.	plc and subsidiary CROs; and plc and subsidiary risk committees.	**Process document:** S2-0102 Risk management framework – emerging risk. **Report:** Emerging risk reporting.
One year business plan Challenge process overseen by underwriting committee; and Formal report produced by Underwriting Committee.	plc and subsidiary Chief underwriting officers; and plc and subsidiary underwriting committees.	**Process document:** S2-0596 Business planning process. **Report:** The annual business plans.
Regulatory capital assessment Parameterised from one year business plan; and Analysis of change and capital requirement agreed with regulators.	plc and subsidiary CRO; and plc and subsidiary risk committees.	**Process document:** S2-0050 Internal model overall. **Report:** Internal model reports.
Economic capital assessment Capital required to achieve and maintain rating agency ratings; Capital fungibility; and Establish dividends in line with dividend strategy.	plc and subsidiary finance directors; and Executive Committee.	**Process document:** S2-0260 Liquidity contingency plan. **Report:** Capital management reports.
Five year business plan Annual update of the five-year plan; Consideration of key scenarios; Assessment of capital requirements under each scenario; and Identification of capital and dividend stress points.	plc and subsidiary Chief Underwriting Officers; and Executive Committee.	**Process document:** Cycle Management Terms of reference. **Report:** Long Term Plan, 5 year plan scenarios.
Multi-term (1-5 years) capital and business plan stress and scenario testing Testing (sensitivity testing and reverse stress testing); and Scenario analysis (including stress).	plc and subsidiary CROs; and plc and subsidiary Risk committees.	**Process document:** S2-0543 Stress and scenario framework. **Report:** Stress and scenario reporting.

B. System of governance continued

B.3 Risk management system including ORSA continued

Assumptions are generally set and challenged in the related underlying processes and would be evidenced through papers and minutes in those committees. However, the Risk and Regulatory Committee has oversight of all the underlying processes coming together and so has the remit to review and challenge assumptions being used. Where this occurs the CRO will provide feedback to the executive owner of the underlying process.

The ORSA considers the range of the profit and loss probability distribution forecast, with a focus on the 1:200 (capital requirement) point of the distribution.

A range of stress and scenario tests are undertaken and monitored throughout the year by various governance committees – notably the Nat Cat Exposure Management Group and the Cyber and Casualty Management Group and the Operational Resilience Committee. Any stress and scenario tests that are produced for the purpose of the ORSA processes will be overseen and monitored by the Risk and Regulatory Committee before onwards reporting to risk committees and the Board. The ORSA report summarises the process and outcome of relevant tests.

Each year, a list of strategic and emerging risks are considered, investigated by working groups comprising executives and non-executive directors and debated further following the Board strategy day. The outcome of the review, including any actions, are summarised in the ORSA report.

B.4 Internal control system

Beazley's internal control system includes administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the business and a compliance function. It is designed to:

- secure compliance with applicable laws, regulations and administrative processes, the effectiveness and efficiency of operations in view of the business objectives and the availability and reliability of financial and non-financial information;
- ensure that adequate and orderly records of the business and internal organisation are maintained; and
- create a strong control environment with control activities that are adequately aligned to the risks of the business and the Group's processes.

The effectiveness of the internal control system is monitored regularly to ensure that it remains relevant, effective and appropriate.

Beazley operates a 'three lines of defence' framework. The actuarial function and the three assurance functions of 2nd line assurance, compliance, risk management and internal audit are defined as 'required' functions under the Solvency II framework. Each function is structured so that it is free from influences which may compromise its ability to undertake its duties in an objective, fair and independent manner and in the case of the internal audit function in a fully independent manner.

The Board receives assurance that the business is operating how it expects from the following required functions:

- the actuarial function provides assurance that the reserves held on the balance sheet are appropriate;
- the compliance function provides assurance that Beazley is operating within the relevant legal and regulatory framework;
- the risk management function provides assurance that the business is operating within risk appetite; and
- the internal audit function provides assurance that the whole internal control framework (including the activities of the other functions set out above) is designed and operating effectively.

Compliance function

1. The Group's approach to compliance

The Board has set a residual minimal risk appetite for regulatory breaches. The boards of the Group entities and the service companies are committed to ensuring that the Group adopts an ethical and compliant culture that is cascaded throughout the organisation. Non-executive directors, senior management and staff are all expected to comply with these high standards of ethical and compliant business conduct.

2. Compliance within the corporate governance and risk management frameworks

Ultimately the boards of the various regulated entities are responsible for ensuring compliance with the relevant regulations. The Group's governance framework includes a number of boards and committees with delegated authority to consider matters within their remit. The Executive Committee has been delegated a number of activities by Beazley, such as the receipt of reports and updates relating to matters associated with BFL, service companies, BIdac, BICI, and BAIC. To assist with this responsibility, the Executive Committee has set up a Risk and Regulatory Committee to maintain direct oversight of the compliance function and matters pertaining to regulatory risk. The Risk and Regulatory Committee escalates matters to the Executive Committee, boards and board committees as appropriate.

B. System of governance continued

B.4 Internal control system continued

The CRO has oversight of the Compliance function and is a member of the BFL Board, Executive Committee, and Risk & Regulatory Committee. They attend by invitation the BFL Risk and Beazley Risk Committees. Compliance provides regular reporting to these fora.

Within the Group's risk management framework, the compliance function's activities fall within both the first and second "lines of defence" which is detailed on page 48.

3. Compliance framework
Independence and authority
To help ensure independence, Compliance has full and free access to the chair of the Group's Audit Committee and Risk Committee and the chair of the boards of all relevant Beazley entities, including Beazley, BIdac, BFL, BICI, BAIC and service companies. Compliance has full, free and unrestricted access to all members of the Group's management, its books and records, physical property, vendors, and other sources of information relevant to the performance of its work.

Compliance monitoring activity
Compliance monitoring activity is performed by the second line assurance (2LA) function which is independent of the first line, and the compliance function. The 2LA function reports directly to the CRO.

Adequacy of resources
Management continually assesses the adequacy of the resourcing of the compliance function, including as part of the planning process. In situations where additional resources are needed in the short term (e.g. for projects), management has the option of considering the use of contract staff, and consultants.

Risk appetite
Compliance undertakes all of its responsibilities within the regulatory risk appetite set by the Board and agreed by other boards in the Group. Within the risk management framework, there are four regulatory risk events with associated controls. The compliance function is responsible for these events including reporting on the controls mapped to them:
- **regulatory and legal risk** – risk arising from not complying with external regulatory and legislative requirements leading to financial loss, sanctions or reputational damage;
- **trading status** – risk arising from Beazley entities and staff trading without appropriate licenses and permissions leading to financial loss, sanctions or reputational damage;
- **regulatory reporting** – risk arising from insufficient or incorrect disclosures to relevant regulatory authorities leading to financial loss, sanctions or reputational damage; and
- **financial crime risk** – risk of regulator or police action as a result of money laundering, breach of trading restrictions, internal or external fraud, bribery or corruption or other financial crime leading to financial loss, sanctions or reputational damage.

4.1. Compliance activities
The compliance team's primary responsibility is to advise the Group on the proper application of existing and upcoming regulatory requirements. It does this primarily through horizon scanning, documenting policies and procedures, and providing training.

The compliance function's other key activities are summarised below:

Regulatory relationships – the Group seeks to maintain positive and transparent relationships with each of its regulators. Compliance coordinates the Group's relationships with its regulators.

Authorisations, approvals, licenses and permissions – compliance is responsible for obtaining the necessary authorisations, licenses and permissions for the Group. This is to ensure that syndicates, legal entities, products and employees in the Group have the appropriate authorities throughout each country for their business activities. Below are some examples of the type of licenses and permissions compliance obtains:
- regulated entity permissions;
- FCA/PRA/CBI approved persons' applications;
- service company permissions globally – legal entity and individuals;
- Lloyd's trading licenses;
- Lloyd's permissions for branch offices of our services companies;
- admitted products – US;
- producer/surplus lines licenses – corporate and individual – US;
- claims manager licenses – US;
- entity adjuster licenses – US; and
- reinsurance intermediary licenses – US.

B. System of governance continued

B.4 Internal control system continued

Group policies: the function supports certain Group policies as follows:
- Whistleblowing – compliance supports the chair of the Beazley Risk Committee in their overall ownership of the Group's whistleblowing process. Details of the process and compliance's responsibilities can be found in the whistleblowing policy;
- Financial crime – this policy is owned by compliance, which is responsible for setting and disseminating the policy and its associated control framework;
- Sanctions – this policy is owned by the global head of compliance and compliance is primarily responsible for:
  - advising on appropriate preventative controls,
  - monitoring that the controls are being implemented by the proper business functions and
  - performing enhanced due diligence when required by the policy;
- Anti-Fraud – this policy is owned by the global head of compliance who is primarily responsible for:
  - maintaining and communicating this policy,
  - delivering mandatory anti-fraud training, and
  - monitoring the application of the policy when alerted to a potential fraud;
- Gifts and hospitality – owned by the global head of compliance and marketing team, this policy explains the Group's approach to giving and receiving gifts and hospitality; and
- Anti-Bribery and Corruption – owned by the global head of compliance, this policy sets out how employees need to comply with anti-bribery and corruption rules and regulations.

Committee and board reporting – compliance provides regular reports to various boards and Board committees, including the Executive Committee and other committees in the executive governance framework. The reports are designed to facilitate oversight of the compliance function's activities, or provide updates on internal and external regulatory matters.

Regulatory returns – there are numerous regulatory returns that must be submitted to the Group's regulators. For some of those returns compliance plays a key role in supporting the business to ensure they are filed in a timely fashion.

Regulatory breaches – compliance is responsible for reporting regulatory breaches both within the internal governance framework and externally as required.

Product development – compliance provides regulatory assistance during the design and launching of new products, including the expansion of existing products. Assistance includes research and advice to ensure products are developed efficiently, consistent with local regulations and in line with the Group's regulatory risk appetite.

Complaints – the responsibility for ensuring that complaints are handled appropriately and in accordance with the Group's complaints handling policy ultimately rests with the relevant regulated board. The complaints team which is part of the operations function is responsible for the complaints policy. Compliance assists with complaints activity, for example by reviewing responses to complaints in the US and by monitoring the effectiveness of the complaints handling process.

4.2. Compliance monitoring activities

The 2LA team provides assurance that the Group is adhering to regulatory requirements by undertaking the following activity:
- checking that regulatory risks are being identified;
- assessing the design and operational effectiveness of the controls in place to mitigate those risks; and
- reporting the results of its work to relevant oversight committees and boards.

The scope of compliance monitoring activity is across all Group functions, entities and locations where regulatory risk is present.

B.5 Internal audit function

Beazley has established an internal audit function, the purpose of which is to provide independent and objective assessments of the design and operating effectiveness of the system of internal controls covering:
- the integrity of financial statements and reports;
- compliance with laws, regulations and corporate policies; and
- the effective management of risks faced by Beazley in executing its strategic and tactical operating plans

The internal audit team

Internal audit operates as a global auditing team and has resources that are appropriate, sufficient, and effectively deployed to achieve the approved annual internal audit plan. Internal audit resource and budget requirements (headcount, co-sourcing, travel, etc.) are approved on an annual basis by the Beazley Audit Committee.

B. System of governance continued

B.5 Internal audit function continued

Co-sourcing

In addition to its headcount the internal audit function has a budget which it uses to supplement its team with subject matter expertise through co-sourcing (e.g. IT and reserving audits where necessary).

Audit universe and annual internal audit plan

The internal audit function has developed an audit ‘universe’. This universe represents the potential range of business areas and topics – known as ‘audit entities’ – that internal audit reviews.

The remit of the internal audit function extends to any business activity undertaken by Beazley. Using a risk-based methodology, audit entities are prioritised with a view to ensuring that the most material or highest-risk audit entities are audited most frequently. The frequency with which audit entities are reviewed is also considered in light of regulatory requirements, emerging risks, change and other factors.

The audit universe – and the resulting annual internal audit plan – is reviewed and approved annually by the Beazley Audit Committee. Any significant changes to the annual internal audit plan are agreed with the Beazley Audit Committee. Typically the annual internal audit plan consists of between 20-30 audits and covers topics which include, for example: underwriting, claims, IT and information security, risk management, compliance and reserving.

Management actions and verification work

An established part of the internal audit process includes undertaking work to verify that management have adequately completed their actions arising from audits. The internal audit function undertakes verification work over management’s audit actions on a risk-based approach (i.e. internal audit checks evidence related to all high-risk actions and checks evidence for a risk-based sample of medium-risk and low-risk actions). To date, where verification work has been undertaken it has been rare for us to identify issues with the actions management have confirmed that they would implement. Verification work can include, for example: interviewing staff, reviewing documentation and re-performing the control. Open and overdue audit actions are reported to the Beazley Audit Committee as part of ongoing committee reporting.

Independence and objectivity

The internal audit function’s independence and objectivity are maintained in a number of ways:

- the Group head of internal audit reports to a non-executive director (the chair of the Beazley Audit Committee), and for administrative matters to the Beazley CEO;
- the Beazley Audit Committee annually reviews and approves an internal audit charter that sets out the roles and responsibilities of the Group head of internal audit and the internal audit function;
- the internal audit function is not mandated to undertake any form of business activity and its remit is restricted to assurance and consultation work as set out in the internal audit charter;
- the internal audit plan and budget is approved by the Beazley Audit Committee (a non-executive committee);
- the Group head of internal audit rotates staff between audit assignments to ensure objectivity and independence; and
- the Group head of internal audit must provide annual representations to the Beazley Audit Committee on the ongoing independence and objectivity of the internal audit function.

B.6 Actuarial function

Actuarial advice provided on a formal basis, for example to a committee or for external publication, is subject to peer review. The actuarial function can express actuarial/professional opinions free from undue influence from the business. The members of the actuarial function are required to be objective and take reasonable steps to ensure they are free from bias or from conflicts of interest that could suggest bias.

The Group actuary does not perform any other function at Beazley that could give rise to a conflict of interest.

B. System of governance continued

B.6 Actuarial function continued

Board and committee interaction

The Group actuary and the actuarial function have a number of interactions with the Board and its various committees. Examples of this include (but are not limited to):

- the Peer Review Committee, delegated from the Underwriting Committee, carries out detailed review of reserves. Here, the members of the actuarial function present details of their reserving output as well as that from the underwriting teams;
- the Group actuary is a member of the Underwriting Committee and presents to the committee on a number of areas including pricing, rate change and reserving (including a summary output from the Peer Review Committee);
- the BIdac head of actuarial function is a member of the BIdac Insurance Management Committee and Reinsurance Underwriting Committee and reports into the Group actuary;
- the Group actuary (or members of the actuarial function) presents summary output from the Peer Review Committee to the BFL Audit Committee, BIdac Audit Committee and Beazley Audit Committee and Risk Committee;
- the Group actuary (or members of the actuarial function) presents results of the technical provision valuation to the BFL Audit Committee;
- the Group actuary (or members of the actuarial function) presents the BFL, BIdac and Beazley audit committees with the actuarial function report;
- the Group actuary (or members of the actuarial function) has Knowledge Requirements of An internal Model (KRAM) meetings with both executive and non-executive directors. As well as each Board member receiving one actuarial/technical provisions related KRAM session, delivered in a Group setting, further individual sessions are held with those directors that are required to have a detailed knowledge of the internal model and/or have specific technical provisions related responsibilities. As well as technical provisions matters, these one-to-one meetings are used to discuss various other outputs from the actuarial function. This is in addition to Audit Committee presentations, and enables greater detailing and questioning. These one-to-one meetings occur once or twice a year; and
- the Group actuary has regular one-to-one catch ups with the CEO, chief financial officer, chief underwriting officer, chair of the Audit Committee, and the chair of the Board when required.

Interaction with other key functions

The actuarial function at Beazley interacts with key functions as summarised below:

Function	Relationship
Underwriting teams	The actuarial function provides support and challenge during the business planning process, support on pricing of risks and development of pricing tools and analyses in support of reinsurance purchase and optimisation.
Claims teams	The actuarial function interacts with claims managers throughout the quarterly claims reserving process and particularly during pre-peer reviews where individual assessments are reviewed. The actuarial function liaises with the BIdac claims manager as appropriate.
Risk management	Within the actuarial function, there is review of the initial reserve risk ranges from the internal model and adjustments are made to the range in specific cases where it is not deemed appropriate. The actuarial function provides the CRO with reserve surplus and reserve strength metrics for reference in the ORSA and is involved in a number of other areas of the ORSA.
Culture and People	Supports the training and development needs of the actuarial function such that a professional staff can be maintained with sufficient skills, experience and professional qualifications to meet the requirements of the actuarial function.
Data management	The actuarial function is a key consumer of data at Beazley and that data is managed by the data management team. The data management team and various business system owners ensure that the actuarial function has the internal data necessary to discharge its responsibilities. The key data inputs for the actuarial function are the gross and net triangles produced on a monthly basis.
Finance	The actuarial function and finance function work closely together, particularly during the valuation of insurance liabilities on an underwriting year, GAAP or Solvency II basis. The Group actuary and BIdac head of actuarial function have regular catch-ups with the heads of the finance function. The finance function provides the expense data from which the actuarial function builds up the expense provision to include within technical provisions. The actuarial function and the finance function are also working closely on the implementation of the new IFRS17 accounting standard.
IT	The actuarial function relies on IT for the maintenance of its hardware and software to agreed service levels, and for the delivery of agreed projects. The Group actuary is the business system owner for ResQ, the reserving software.
Underwriting and claims operations	Ensures the data in the source systems is of the required quality.

B. System of governance continued

B.7 Outsourcing

Although activities may be transferred to an outsourced provider, the responsibility, including regulatory responsibility, may not be outsourced. Each relevant Beazley company remains fully responsible for meeting all of their obligations when they outsource functions or any insurance or reinsurance activities.

Outsourcing of critical or important functions or activities shall not be undertaken in such a way as to lead to any of the following:
- materially impairing the quality of the system of governance of the undertaking concerned;
- unduly increasing the operational risk;
- impairing the ability of the supervisory authorities, including Lloyd's, to monitor the compliance of the undertaking with its obligations; and
- undermining continuous and satisfactory service to policyholders.

The boards of the relevant regulated entities outsourcing activities are responsible for ensuring that the outsourcing policy and the outsourcing arrangements themselves comply with the relevant regulatory regime(s) for ensuring that the due skill, care and diligence is exercised when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical, important or material functions or activities.

Beazley requires service providers to cooperate with the relevant supervisory authorities in connection with the outsourced function or activity. The service provider is required to notify and seek Beazley's approval prior to subcontracting any of the outsourced functions and the due diligence undertaken. Any sub-contract is required to contain no lesser terms and conditions as that of the main contract with Beazley. Beazley staff, auditors and the relevant supervisory authorities have effective access to data related to the outsourced functions or activities and, where appropriate, the supervisory authorities have effective access to the business premises of the service provider and must be able to exercise those rights of access.

Critical or important outsourced functions

The table below is a list of the critical or important outsourced functions:

Contract name	Description of service	Regulated entity	Legal domicile of service provider
Davies (JMD)	Open market, Facilities/Treaty credit control functions	BFL	UK
Endava	Near Shore IT professional services/ Product/Technical Strategies	BFL	UK
RMSI	Data cleansing	BFL	India
OIP	UW risk clearance/quote capture, Delegated Ops, Ceded RI Support	Beazley Management Ltd (BML)	USA
Polo Commercial Insurance services Limited ("Polo Works") (formerly Capita)	Risk capture/Syndicate UW	BML	UK
Xchanging (Claims)	Lloyd's claims processing	BFL	UK
Xchanging (Insure)	Processing of Lloyd's premiums, claims and transactions	BFL	UK
Loomis*	Accident & health TPA (third-party agreement)	BICI	USA
HPS*	Accident & health TPA	BICI	USA
Pro Global US	Risk clearance/binding process/FNOL/ claims payment	BFL	USA
CXIS	Risk clearance/binding process Digital Business Unit renewal	BFL	USA
Brighton Management Limited Malaysia	Local manager to guide on local compliance & requirements for UW Admin.	Beazley Labuan Ltd.	Malaysia

*Loomis and HPS provided services to the Accident & Health business sold to Globe in 2021. Under an agreement with Globe, we agreed to manage these TPAs until certain conditions are fulfilled.

B. System of governance continued

B.7 Outsourcing continued

Intra-group services are provided by BML, a UK registered company which employs all UK staff and some staff in rest of world offices. BML provides services for the following Beazley companies though two management services agreements:
- BFL and Service Companies – A contract between BML and the majority of Beazley companies, including BFL and the Lloyd's service companies, sets out the services provided and these include business premises and facilities, IT, other operational arrangements, actuarial, finance, internal audit, compliance, risk management. These may be supplemented by locally based staff as well. For ease of reference there is a single management services agreement, however the agreement operates as a series of separate agreements with each party receiving services; and
- BIdac and Beazley Solutions International – Beazley's Irish authorised insurance company and insurance intermediary has a contract with BML for the provision of services. This a separate arrangement from the one above and ensures that, given the relative size of the entities, the board of BIdac has sufficient control over the services provided by BML.

Services are also BUSA through an agency agreement to the following US based Beazley companies:
- BICI and BAIC – There is an agency agreement between BUSA and each of the US admitted insurance carriers – BICI and BAIC. All staff in the US are employed by BUSA, and therefore all the activities of BICI and BAIC are outsourced. BUSA, in turn, outsources some of its shared services to BML through the contract with Beazley companies noted above.

The board of BML is responsible for ensuring that the outsourced services are being delivered as agreed under the management services agreements.

Collectively, the Beazley Executive Committee and sub-committees ensure, on behalf of BML, that services are being delivered day-to-day and act as a first point of escalation if service levels are breached – ahead of escalation to the BML board. The Group Operations Committee is responsible for oversight of the intra-group outsource arrangements on behalf of BML.

The boards of the Beazley entities outsourcing services within the Group under the management services agreements remain fully accountable for those services. Each board is responsible for ensuring that intra-group outsource arrangements comply with the relevant regulatory regime(s) and for ensuring that the due skill, care and diligence is exercised when entering into, managing, or terminating any arrangement. Each board is responsible for ensuring that their outsourced services are being received as agreed under their contract for services.

B.8 Any other information

Catherine Woods stepped down from the Board at the conclusion of the Annual General Meeting on 25 March 2022.

C. Risk profile

Beazley has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The Group categorises its risks into following areas: underwriting, market, credit, liquidity, operational and other, which includes strategic, senior management performance, regulatory and legal, group, capital management and enterprise risk. The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk.

The risk management framework described in section B.3 includes the ongoing assessment of these risks and of the continued effectiveness of risk mitigation techniques.

The stress and scenario framework is an important element of the risk management framework. The stress and scenario framework is applied to a range of business processes to assist senior management in understanding the vulnerabilities within the business model. This approach encourages management's involvement in risk oversight by using real life scenarios to provide qualitative and quantitative information on what risks might look like under stressed conditions and encourages a forward looking view of risk.

In addition, as a validation tool the stress and scenario framework tests:
- assumptions, particularly where data is sparse;
- assumed correlations between assumptions;
- the availability of resources and what action might be required under stressed situations;
- whether controls perform as expected under stressed situations; and
- the effect of changes in the operating environment (e.g. external events).

There are three elements to the framework:
- stress testing involves looking at the impact on the business model of changing a single factor;
- scenario testing involves the impact on the business model of simulating or changing a series of factors within the operating environment; and
- reverse stress testing involves considering scenarios that are most likely to render the current business model unviable.

C.1 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.

C. Risk profile continued

C.1 Underwriting risk continued

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 (RDSs). 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.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. With climate change now impacting the frequency and severity of natural catastrophes, the Group continues to monitor its exposure. 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 as part of the business planning process and approved by the Board. The business plans of each team are determined within these parameters. The Board may adjust these limits over time as conditions change. In 2022 the Group operated to a catastrophe risk appetite for a probabilistic 1-in-250 years US event of $438.0m (2021: $520.0m) net of reinsurance. This represents a reduction of 16% in 2022.

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 events, net of reinsurance, which could have impacted Beazley in 2021 and 2022 are:

	2022	
	Modelled PML[1](before reinsurance)	Modelled PML[1](after reinsurance)
Lloyd's prescribed natural catastrophe event (total incurred losses)	$m	$m
Los Angeles quake (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.

	2021	
	Modelled PML[1](before reinsurance)	Modelled PML[1](after reinsurance)
Lloyd's prescribed natural catastrophe event (total incurred losses)	$m	$m
Los Angeles quake (2021: $78bn)	737.6	265.2
San Francisco quake (2021: $78bn)	708.0	249.9
US Northeast windstorm (2021: $112bn)	560.4	231.5

1 Probable market loss.

The tables above show each event independent of one another and considered on their own. Net of reinsurance exposures for the Los Angeles quake scenario have increased by less than 1% in 2022, whereas gross exposures have reduced by 6%. The reduction in gross exposures is being driven by less exposure being written in the Property Risks division, which has had minimal impact on the net, as the loss is contained within the Reinsurance protections. The US Northeast windstorm scenario has increased by 3% gross and 11% net, with the increase in gross being driven by an increase in exposure in Contingency, and the net increasing across both Contingency & Property Risks. Windstorm exposures have increased in the Gulf of Mexico during 2022, which has resulted in the Gulf of Mexico scenario replacing the San Francisco quake scenario as one of the three largest net scenarios for 2022.

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.

C. Risk profile continued

C.1 Underwriting risk 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 RDSs 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 & 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 2022, the maximum line that any one underwriter could commit the managed syndicates to was $150m (y/e 2021 $150m). In most cases, maximum lines for classes of business were much lower than this.

The largest net realistic disaster scenario is currently just under $140m for the Group as at 31 December 2022. The reinsurance programmes that protect the Cyber and Specialty Risks divisions would partially mitigate the cost of most, but not all, Cyber catastrophes.

Beazley also reports on Cyber exposure to Lloyd's using the three largest internal RDSs and three new prescribed scenarios which include a cloud provider scenario and a ransomware scenario.

Operating divisions

In 2022, the Group's business consisted of five operating divisions. The tables on page 5 provide a breakdown of gross premiums written by division, and also provide a geographical split based on placement of risk.

a) Reinsurance risk

Reinsurance risk to the Group arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section on page 41. In some cases the Group deems it more economic to hold capital than 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.

C. Risk profile continued

C.1 Underwriting risk continued

b) 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 Claims function is focused on delivering quality, reliability and speed of service to both internal and external clients. Its 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.

c) Reserving and ultimate reserves risk
Reserving and ultimate reserves risk occurs within the Group where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The Group aims to hold reserves within a range of 5-10% above the actuarial estimates, which themselves include some margin for uncertainty. The objective of the Group's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The estimates of gross premiums written and claims prepared by the actuarial department are used through a formal quarterly peer review process to independently test the integrity of the estimates produced by the underwriting teams for each class of business. These meetings are attended by executives, senior management, senior underwriters, actuarial, claims, and finance representatives.

C.2 Market Risk

Market risk (known as asset risk in the Group's risk management framework) arises from adverse financial market movements of values of investments, interest rates, exchange rates, or external market forces. Efficient management of market risk is key to the investment of Group assets for matching to future liabilities. Appropriate levels of investment risk are determined by limiting the proportion of forecast Group earnings which could be at risk from lower than expected investment returns, using a 1-in-10 confidence level as a practical measure of such risk. In 2022, this permitted variance from the forecast investment return was set at $200m. For 2023, the permitted variance is likely to be modestly increased due to the higher level of investment assets. Investment strategy is developed to be consistent with this limit and investment risk is monitored on an ongoing basis, using outputs from our internal model.

Changes in interest rates also impact the present values of estimated Group liabilities, which are used for solvency and capital calculations. The four key components of asset risk are foreign exchange, interest rate, prices of assets and derivatives and investment. Each element is in more detail considered below.

a) Foreign exchange risk
The functional currency of Beazley and its main trading entities is US dollars and the presentational currency in which the Group reports its consolidated results is US dollars. The effect of this on foreign exchange risk is that 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 2022, 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 dollar. 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 17 in the Beazley plc Annual report and accounts 2022. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

The Group's underwriting capital is matched by currency to the principal underlying currencies of its written premiums. 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.

C. Risk profile continued

C.2 Market risk continued

The Group also has foreign operations with functional currencies that are different from the Group's functional 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.

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

31 December 2022	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $ $m
Total assets	1,123.7	268.0	669.5	2,061.2	13,037.8	15,099.0
Total liabilities	(1,151.9)	(280.1)	(628.4)	(2,060.4)	(10,465.1)	(12,525.5)
Net assets	**(28.2)**	**(12.1)**	**41.1**	**0.8**	**2,572.7**	**2,573.5**

31 December 2021	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $ $m
Total assets	904.3	248.8	501.9	1,655.0	11,152.4	12,807.4
Total liabilities	(1,038.0)	(236.1)	(561.7)	(1,835.8)	(8,840.8)	(10,676.6)
Net assets	**(133.7)**	**12.7**	**(59.8)**	**(180.8)**	**2,311.6**	**2,130.8**

Sensitivity analysis to foreign currency fluctuations

Fluctuations in the Group's trading currencies against the US dollar would result in a change to profit after tax and net asset value. The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the US dollar against the value of Sterling, the Canadian dollar and the Euro, simultaneously. The analysis is based on information on net asset positions as at the balance sheet date.

	Impact on profit after tax for the year ended		Impact on net assets	
Change in exchange rate of Sterling, Canadian dollar and Euro relative to US dollar	2022 $m	2021 $m	2022 $m	2021 $m
Dollar weakens 30% against other currencies	0.2	(45.3)	(13.5)	(64.0)
Dollar weakens 20% against other currencies	0.1	(30.2)	(9.0)	(42.7)
Dollar weakens 10% against other currencies	0.1	(15.1)	(4.5)	(21.3)
Dollar strengthens 10% against other currencies	(0.1)	15.1	4.5	21.3
Dollar strengthens 20% against other currencies	(0.1)	30.2	9.0	42.7
Dollar strengthens 30% against other currencies	(0.2)	45.3	13.5	64.0

b) Interest rate risk

Some of the Group's financial instruments, including cash and cash equivalents, certain financial assets at fair value and borrowings, 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.

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.

C. Risk profile continued

C.2 Market risk continued

Duration 31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
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
Derivative financial instruments	34.7	–	–	–	–	–	34.7
Borrowings	–	–	–	(249.4)	–	(298.6)	(548.0)
Total	**2,650.1**	**3,101.0**	**1,456.5**	**191.8**	**434.9**	**(297.1)**	**7,537.2**

Duration 31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,938.5	2,624.4	1,033.2	390.8	216.6	68.8	6,272.3
Syndicate loans	–	–	7.8	30.1	–	–	37.9
Cash and cash equivalents	591.8	–	–	–	–	–	591.8
Derivative financial instruments	7.3	–	–	–	0.3	–	7.6
Borrowings	–	–	–	–	(249.2)	(298.4)	(547.6)
Total	**2,537.6**	**2,624.4**	**1,041.0**	**420.9**	**(32.3)**	**(229.6)**	**6,362.0**

Borrowings consist of two items. The first is $250m of subordinated tier 2 debt raised in November 2016. This debt is due in 2026 and has annual interest of 5.875% payable in May and November of each year. The second comprises $300m of subordinated tier 2 debt raised in September 2019. This debt is due in 2029 and has annual interest of 5.5% payable in March and September each year.

Sensitivity analysis of yields

Changes in yields, with all other variables constant, would result in changes in the capital value of debt securities and syndicate loans as well as subsequent interest receipts and payments. This would affect reported profits and net assets as indicated in the table below:

	Impact on profit after income tax for the year		Impact on net assets	
	2022 $m	2021 $m	2022 $m	2021 $m
Shift in yield (basis points)				
150 basis point increase	(179.0)	(124.1)	(179.0)	(124.1)
100 basis point increase	(119.3)	(82.8)	(119.3)	(82.8)
50 basis point increase	(59.7)	(41.4)	(59.7)	(41.4)
50 basis point decrease	59.7	41.4	59.7	41.4
100 basis point decrease	119.3	82.8	119.3	82.8

c) Price risk of assets and derivatives

Financial assets and derivatives that are recognised in the statement of financial position at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk.

Financial assets include fixed and floating rate debt securities, syndicate loans, hedge funds, illiquid credit assets, equity investments and derivative financial assets. The price of debt securities is affected by interest rate risk, as described above, and also by issuer's credit risk. The sensitivity to price risk that relates to the Group's hedge fund, syndicate loans, illiquid credit and equity investments is presented below.

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 16 in the Beazley plc Annual report and accounts 2022). 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.

C. Risk profile continued

C.2 Market risk continued

	Impact on profit after income tax for the year		Impact on net assets	
	2022	2021	2022	2021
	$m	$m	$m	$m
Change in fair value of hedge funds, equity funds and illiquid credit assets				
30% increase in fair value	230.6	242.2	230.6	242.2
20% increase in fair value	153.7	161.5	153.7	161.5
10% increase in fair value	76.9	80.7	76.9	80.7
10% decrease in fair value	(76.9)	(80.7)	(76.9)	(80.7)
20% decrease in fair value	(153.7)	(161.5)	(153.7)	(161.5)
30% decrease in fair value	(230.6)	(242.2)	(230.6)	(242.2)

d) Investment risk

The value of the Group's investment portfolio is impacted by interest rate and market price risks, as described above. Managing the Group's exposures to these risks is an intrinsic part of the investment strategy. Beazley uses an Economic Scenario Generator to simulate multiple simulations of financial conditions, to support stochastic analysis of asset risk. Beazley uses these outputs to assess the value at risk (VAR) 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 help us monitor and manage 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, and Beazley also uses a number of other, qualitative measures to support the monitoring and management of investment risk. These include stress testing and scenario analysis.

Beazley's investment strategy is developed by reference to an investment risk budget, approved annually by the Board. The Solvency II internal model is used to monitor compliance with the budget, which limits the amount by which our reported annual investment return may deviate from a predetermined target, at the 1-in-10 confidence level. In 2022, this permitted deviation was set at $200m (y/e 2021 $180m). Additionally, a limit is specified for the net interest rate sensitivity of assets and liabilities combined and investments are managed to ensure that this limit is not exceeded.

C.3 Credit Risk

The risk arises when there is 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 fail to pass on premiums or claims collected or paid on behalf of the Group;
- investments – issuer default results in the Group losing all or part of the value of a financial instrument or a derivative financial instrument; and
- cash and cash equivalents.

An approval system also 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 they receive periodic review of their continued relationship with Beazley. Reinsurance recoverables are reviewed regularly to assess their collectability.

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

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

C. Risk profile continued

C.3 Credit risk continued

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

31 December 2022	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
– fixed and floating rate debt securities	6,767.0	598.5	–	–	–	7,365.5
– syndicate loans	32.5	–	–	–	–	32.5
– equity funds	–	–	–	–	159.4	159.4
– hedge funds	–	–	–	–	530.6	530.6
– illiquid credit assets	–	–	–	–	222.9	222.9
– derivative financial instruments	–	–	–	–	34.7	34.7
Insurance receivables	157.4	–	–	–	1,654.3	1,811.7
Reinsurance assets	2,487.4	–	–	–	799.2	3,286.6
Other receivables	–	–	–	–	196.4	196.4
Cash and cash equivalents	652.5	–	–	–	–	652.5
Total	**10,096.8**	**598.5**	**–**	**–**	**3,597.5**	**14,292.8**

31 December 2021	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
– fixed and floating rate debt securities	5,517.1	755.2	–	–	–	6,272.3
– syndicate loans	37.9	–	–	–	–	37.9
– equity funds	–	–	–	–	209.6	209.6
– hedge funds	–	–	–	–	478.2	478.2
– illiquid credit assets	–	–	–	–	277.9	277.9
– derivative financial instruments	–	–	–	–	7.6	7.6
Insurance receivables	177.0	–	–	–	1,519.1	1,696.1
Reinsurance assets	1,829.4	–	–	–	557.0	2,386.4
Other receivables	–	–	–	–	106.7	106.7
Cash and cash equivalents	589.7	0.3	–	–	1.8	591.8
Total	**8,151.1**	**755.5**	**–**	**–**	**3,157.9**	**12,064.5**

The largest counterparty exposure within tier 1 is $3,715.8m of US treasuries (2021: $2,956.3m).

Financial investments falling within the unrated category comprise hedge funds and illiquid credit assets for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated, due to premium debtors not being credit rated with the exception of certain amounts due from reinsurers. At 31 December 2022, no cash and cash equivalents fell within the unrated category (2021: $1.8m, this was due to the Group transacting with a bank in the US that did not have an external credit rating). Additionally the reinsurance share of unearned premium provision is classified as unrated.

Insurance receivables and other receivables balances held by the Group have not been impaired, based on all evidence available, and no impairment provision has been recognised in respect of these assets. Insurance receivables in respect of coverholder business are credit controlled by third-party managers. We monitor third party coverholders' performance and their financial processes. These assets are individually impaired after considering information such as the occurrence of significant changes in the counterparties' financial position, patterns of historical payment information and disputes with counterparties. An analysis of the overall credit risk exposure indicates that the Group has reinsurance assets that are impaired at the reporting date.

C. Risk profile continued

C.3 Credit risk continued

The total impairment in respect of the reinsurance assets, including reinsurers' share of outstanding claims, at 31 December 2022 was as follows:

	Total $m
Balance at 1 January 2021	14.8
Impairment loss written back	(3.3)
Balance at 31 December 2021	11.5
Impairment loss recognised	17.8
Balance at 31 December 2022	**29.3**

The Group has insurance receivables and reinsurance assets that are past due at the reporting date. An aged analysis of these is presented below:

31 December 2022	Up to and including 30 days past due $m	31-60 days past due $m	61-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	102.0	28.0	16.6	62.0	208.6
Reinsurance assets	24.7	29.2	8.9	82.6	145.4

31 December 2021	Up to and including 30 days past due $m	31-60 days past due $m	61-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	79.3	23.7	16.0	33.4	152.4
Reinsurance assets	55.6	16.7	9.9	81.9	164.1

The total impairment provision in the statement of financial position in respect of reinsurance assets past due (being reinsurance recoverables due on paid claims) by more than 30 days at 31 December 2022 was $17.3m (2021: $2.1m). This $17.3m provision in respect of overdue reinsurance recoverables is included within the total provision of $29.3m shown in the table at the top of the page.

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

C.4 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 RDSs are provided on pages 36 to 37). 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 borrowings, details of which can be found in note 25 of the Beazley plc Annual report and accounts 2022. Further information on the Group's capital resources is contained on pages 64 to 66 of the Beazley plc Annual report and accounts 2022.

C. Risk profile continued

C.4 Liquidity risk continued

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

31 December 2022	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years) $m
Cyber Risks	219.4	321.4	112.2	30.3	683.3	2.0
Digital	70.2	56.4	10.7	1.4	138.7	1.3
MAP Risks	294.5	241.2	73.1	44.5	653.3	1.8
Property Risks	343.9	265.9	69.9	45.3	725.0	1.7
Specialty Risks	520.8	933.7	584.0	656.3	2,694.8	3.6
Net claims liabilities	**1,448.8**	**1,818.6**	**849.9**	**777.8**	**4,895.1**	

December 31, 2021	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years) $m
Cyber Risks	184.4	264.5	92.0	23.6	564.5	1.9
Digital	58.1	51.1	9.9	1.1	120.2	1.3
MAP Risks	270.4	230.5	69.5	40.2	610.6	1.8
Property Risks	321.8	258.5	68.3	41.7	690.3	1.7
Specialty Risks	463.4	910.4	576.2	634.1	2,584.1	3.7
Net claims liabilities	**1,298.1**	**1,715.0**	**815.9**	**740.7**	**4,569.7**	

The following tables are an analysis of the net contractual cash flows based on all the liabilities held at 31 December:

December 31, 2022	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m
Net claims liabilities	1,448.8	1,818.6	849.9	777.8	4,895.1
Borrowings	31.2	62.4	295.4	327.9	716.9
Lease liabilities	9.6	20.8	7.7	37.3	75.4
Other payables	1,527.5	–	–	–	1,527.5

December 31, 2021	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m
Net claims liabilities	1,298.1	1,715.0	815.9	740.7	4,569.7
Borrowings	31.2	62.4	310.1	344.4	748.1
Lease liabilities	10.6	22.2	17.4	47.0	97.2
Other payables	1,141.3	–	–	–	1,141.3

C. Risk profile continued

C.4 Liquidity risk continued

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

Maturity 31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,854.9	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 instruments	34.7	–	–	–	–	–	34.7
Cash and cash equivalents	652.5	–	–	–	–	–	652.5
Insurance receivables	1,811.7	–	–	–	–	–	1,811.7
Other receivables	196.4	–	–	–	–	–	196.4
Other payables	(1,527.5)	–	–	–	–	–	(1,527.5)
Borrowings	–	–	–	(249.4)	–	(298.6)	(548.0)
Total	**3,022.7**	**2,658.3**	**1,702.1**	**181.6**	**652.8**	**(199.7)**	**8,017.8**

Maturity 31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,675.6	2,316.7	953.5	706.8	361.9	257.8	6,272.3
Syndicate loans	–	–	7.8	30.1	–	–	37.9
Derivative financial instruments	7.6	–	–	–	–	–	7.6
Cash and cash equivalents	591.8	–	–	–	–	–	591.8
Insurance receivables	1,696.1	–	–	–	–	–	1,696.1
Other receivables	106.7	–	–	–	–	–	106.7
Other payables	(1,141.3)	–	–	–	–	–	(1,141.3)
Borrowings	–	–	–	–	(249.2)	(298.4)	(547.6)
Total	**2,936.5**	**2,316.7**	**961.3**	**736.9**	**112.7**	**(40.6)**	**7,023.5**

Illiquid credit assets, hedge funds and equity funds are not included in the maturity profile because the basis of their maturity profiles cannot be determined with any degree of certainty.

The Group makes additional interest payments for borrowings. Further details are provided in notes 8 and 25 of the Beazley plc Annual report and accounts 2022.

C.5 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes and systems, from people or external events.

There are a number of business activities for which the Group uses the services of a third-party company, such as investment back office, control monitoring and data entry. These service providers are selected against criteria and service level agreements are in place, and regularly monitored and reviewed.

Operational risk is inherent in all activities undertaken by the Group and can be organised into the following key elements:
- People: the management of human resources including employee behaviour and performance;
- Systems: complex information technology (IT) systems are required to process large amounts of data in relatively short timeframes to facilitate timely service levels to customers; and
- Processes: daily business operations generally involve a significant number of individual processes to enable the business to function efficiently.

The Group recognises that it is necessary for people, systems and infrastructure to be available to support its operations. Therefore Beazley has taken significant steps to mitigate the impact of business interruption which could follow a variety of events, including the loss of key individuals and facilities. Beazley operates formal disaster recovery, business continuity and incident response plans which help ensure that, in the event of an incident, processes and systems enable our people to deliver the right outcomes for clients and overall productivity.

C. Risk profile continued

C.5 Operational risk continued

The Group does not actively seek operational risk rather, it actively manages and minimises it where appropriate through its control environment. This is achieved primarily by implementing and communicating guidelines to staff and other third parties. The Group also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of the Group's operational control environment include:
- modelling of operational risk exposure and scenario testing;
- contingency planning, training and development programmes, and employee performance framework;
- system controls, data backup and IT security;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes; and
- capture, investigation and review of risk incidents.

C.6 Other material risks

a) Strategic risk
This is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy. Where events supersede the Group's strategic plan this is escalated at the earliest opportunity through the Group's monitoring tools and governance structure.

b) Senior management performance
Management stretch is the risk that business growth might result in an insufficient or overly complicated management team structure, thereby undermining accountability and control within the Group. As the Group expands its worldwide business in the UK, North America, Europe, South America and Asia, management stretch may make the identification, analysis and control of Group risks more complex.

On a day-to-day basis, the Group's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low Group risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Group as a whole.

c) Regulatory and legal risk
Regulatory and legal risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Group are subject to legal and regulatory requirements within the jurisdictions in which it operates and the Group's compliance function is responsible for ensuring that these requirements are adhered to.

d) Group risk
Group risk occurs where business units fail to consider the impact of their activities on other parts of the Group, as well as the risks arising from these activities. There are two main components of group risk which are explained below:
- Contagion risk - the risk arising from actions of one part of the Group which could adversely affect any other part of the Group. As the two largest components of the Group, this is of particular relevance for actions in any of the US operations, which could adversely affect the UK operations, and vice versa. The Group has limited appetite for contagion risk and minimises the impact of this occurring by operating with clear lines of communication across the Group to ensure all Group entities are well informed and working to common goals; and
- Reputation risk - the risk of negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities. Key sources of reputation risk include operation of a Lloyd's franchise, interaction with capital markets since the Group's IPO during 2002, and reliance upon the Beazley brand in North America, Europe, South America and Asia. The Group's preference is to minimise reputation risks but where it is not possible or beneficial to avoid them, to seek to minimise their frequency and severity by management through public relations and communication channels.

e) Capital Management risk
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.

C. Risk profile continued

C.6 Other material risks continued

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 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 (LOC);
- to support underwriting in BICI, BAIC, and BNCC in the US;
- to support underwriting in BIdac 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 LOC available under a syndicated short term banking facility led by Lloyds Banking Group plc to support 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 LOCs 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 61 to 64.

The Internal Model SCR 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 our ability to generate cash flows. Dividends are typically paid on an annual basis to align with the Group's capital planning cycle. Our capital management strategy is to carry some surplus capital to enable us to take advantage of growth opportunities which may arise. At 31 December 2022, we have surplus capital of 44% of Economic Capital Requirement (ECR) (on a Solvency II basis), above our preferred target range of 15% to 25% of ECR. The capital base has been strengthened following the recent equity raise to enable us to continue to pursue our sustainable long-term growth strategy, particularly in opportunities identified in Property Risks.

f) Enterprise risk

ESG is the umbrella term for environmental, social and governance factors that are used to measure the sustainability and ethical impact of a business. The risk is that we fall short of the expected standard of ESG in relation to our stakeholders. For example, this could stem from failing to understand and keep pace with ESG related thinking (that continues to gain momentum) and consequently not taking appropriate actions to address Beazley’s stance and exposure in those areas. This could result in actual, or a potential, material negative impact on the Group and/or reputation of Beazley, arising from an adverse sustainability impact. We mitigate this risk by ensuring there is a clearly defined and documented ESG strategy driven by the executive team, that includes targets and milestones which are communicated to all staff. This is primarily governed via the Responsible Business Steering Group to ensure we take a consistent approach across the Group. Sustainability initiatives are incorporated into the business planning process.

C. Risk profile continued

C.7 Any other information

Internal model governance

Beazley operates a three lines of defence process throughout the business. As with any other process in Beazley this approach is applied to the internal model. An overview of the three lines of defence for the internal model is set out below:

- **first line of defence:** capital modelling team with controls including:
  - formal governance through committees;
  - governance through the KRAM process; and
  - in team testing process;
- **second line of defence:** risk management with controls including:
  - control monitoring and reporting; and
  - annual validation for all entities with internal model approval; and
- **third line of defence:** internal audit with controls including:
  - conducting annual reviews of the validation framework and process.

Stress and scenario testing

Purpose

The stress and scenario framework is performed as part of business processes to assist senior management in understanding the vulnerabilities within the business model. This approach encourages management's involvement in risk oversight by using real life scenarios to provide qualitative and quantitative information on what risks might look like under stressed conditions and encourages a forward looking view of risk.

In addition, as a validation tool the stress and scenario framework:

- tests assumptions, particularly where data is sparse;
- tests assumed correlations between assumptions;
- tests the availability of resources and what action might be required under stressed situations;
- tests whether controls perform as expected under stressed situations; and
- considers the effect of changes in the operating environment (e.g. external events).

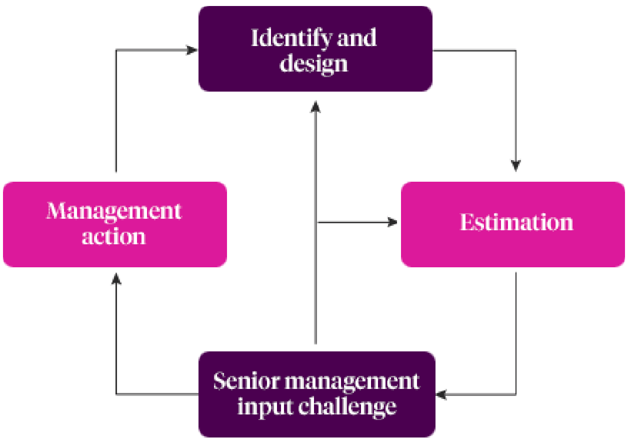
Scope

Beazley's stress and scenario framework covers the following three tests:

- stress testing involves looking at the impact on the business model of changing a single factor;
- scenario testing involves assessing the impact on the business model of simulating or changing a series of factors within the operating environment; and
- reverse stress testing involves considering scenarios that are most likely to render the current business model to become unviable.

The framework is outlined in the diagram on this page and consists of a four step process, namely:

1. identify and design;
2. estimation;
3. senior management input and challenge; and
4. management action and feedback loop.



Identify and design (step one)

The risk management team identifies potential assumptions and scenarios for testing within each of the following business processes:

- one year business planning;
- five year business planning;
- risk assessment and risk appetite;
- emerging and strategic risk;
- capital assessment;
- RDSs;
- asset portfolio;
- liquidity risk;
- disaster recovery and business continuity planning; and
- corporate transactions such as acquisitions.

C. Risk profile continued

C.7 Any other information continued

Estimation (step two)
Once scenarios are defined, the risk management team facilitates the estimation of the stress test or scenario. In summary, the following steps are performed:
- identify data and where necessary cleanse or adjust data onto a consistent basis;
- validate data;
- where there is insufficient data apply expert judgement and document this in line with the expert judgement policy;
- run the stress test or scenario test and quantify impact;
- review results for reasonableness and validate against available data; and
- iterate this process as required.

Senior management input and challenge (step three)
Following the completion of step two, the risk management team then meets with the relevant executive and non-executive directors (for example risk owners or as set out in the KRAM) and presents the analysis performed and associated results for further discussion. This is an important step in the stress and scenario testing process as it:
- helps inform the senior management team at a detailed level of the key sensitivities and vulnerabilities for Beazley; and
- makes use of the directors' experience to sense test the analysis and results.

It is expected that further iteration is required following discussion which in turn is summarised.

Management action and feedback loop (step four)
The results of the stress test and scenario planning exercises are reported to the relevant first line of defence committees (the Underwriting, Investment, Operations and Executive committees) as part of the business process and the second line of defence committee (the Risk and Regulatory committee) within the ORSA. The ORSA is then reported to the relevant subsidiary board and the Board, usually through their risk committees. It is expected that the discussion at these forums will facilitate further management input and challenge and will give rise to management actions which are captured by the minutes and actioned by the relevant individual. Where relevant, this may include informing other business processes of the results of certain tests.

Management of climate risk
The changing global climate is recognised as an important emerging risk due to its widespread potential impact on the global population, environment and economy. A key aspect of the Group's business model is to support our clients who have been affected by natural catastrophes, helping them return to pre-catastrophe conditions as soon as possible. As a specialist insurer, various classes of business we underwrite are subject to the effect climate change presents to the risk environment.

As part of the underwriting process, we work with our insureds to understand the risks facing their organisations, including applicable climate-related risks and to tailor insurance coverages to mitigate the associated financial risks.

We acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to the Group as described below:

Pricing risk: This is the risk that current pricing levels do not adequately consider the prospective impact of climate change, resulting in systemic underpricing of climate-exposed risks. The Group's business planning process establishes how much exposure in certain classes of business or geographic areas we wish to accept. We benefit from a feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk-by-risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk.

Catastrophe risk: This is the risk that current models do not adequately capture the impact of climate change on the frequency, severity or nature of natural catastrophes or other extreme weather events (e.g. wildfires) that could drive higher-than-expected insured losses. The Group utilises commercial catastrophe models to facilitate the estimation of aggregate exposures based on the Group's underwriting portfolio. These catastrophe models are updated to reflect the latest scientific perspectives. Catastrophe models are evolving to include new or secondary perils which may be related to climate change. In addition, the Group runs a series of natural catastrophe RDSs on a monthly basis which monitor the Group's exposure to certain scenarios that could occur. These RDSs include hurricanes in the US, typhoons in Japan, European windstorms and floods in the UK.

Reserve risk: This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes unanticipated liability risk losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our Group actuarial team, claims teams and other members of management, the Group establishes financial provisions for our ultimate claims liabilities. The Group maintains a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process.

C. Risk profile continued

C.7 Any other information continued

Asset risk: This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The Group considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist company in the field of ESG research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for ESG performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes consideration of the sustainability of each company with regard to the potential decline in demand in specific sectors.

External event risk: This is the risk that the physical impact of climate-related events has a material impact on our own people, processes and systems, leading to increased operating costs or the inability to deliver uninterrupted client service. The Group has business continuity plans in place to minimise the risk of an interrupted client service in the event of a disaster.

Commercial management risk: The Group aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is limited. However, we do choose office space with climate change mitigation in mind, and engage with our employees, vendors and customers in an effort to reduce overall waste and our environmental footprint.

Credit risk: As a result of material natural catastrophe events, there is a risk that our reinsurance counterparties are unable to pay reinsurance balances due to the Group. If the frequency or severity of these events is increased due to climate change this could cause a corresponding increase in credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking exercise, which considers financial strength ratings, capital metrics, performance metrics and other considerations.

Regulatory and legal risk: Regulators, investors and other stakeholders are becoming increasingly interested in companies' responses to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The Group regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.

Liquidity and capital risk: Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims and remain solvent. The Group establishes capital at a 1:200 level based on the prevailing business plan.

The Group runs RDSs, with natural catastrophe and cyber being run on a monthly basis, in order to determine the impact of different risks. This modelling process is overseen by the Exposure Management Team, who have developed a Complex and Emerging Underwriting Risks Protocol. This sets out the activity in place to review the potential/ complex/or emerging risks relating to underwriting and there are circa 60 deterministic realistic disaster scenarios (D-RDS) used to monitor the most significant. A recent focus has been on testing and stressing assumptions. Following this, a series of activities have been initiated to embed good practices, ensuring that the risk landscape is frequently reviewed using claims trends, early flag, and external expert input.

These include:
- challenging and stretching of risk assumptions that are documented and articulated to the relevant oversight committee;
- regular review of all D-RDS;
- external expert intelligence and challenge;
- consideration of Reserving Peer review trend analysis and observations; and
- testing potential application of different policy wordings.

These scenarios are either modelled, using data drawn from third party modelling partners, or non-modelled, where experts across the Group collaborate to determine the impact. An example of our approach to non-modelled risks is our approach to wildfires, an increasing event due to the impacts of climate change. The modelling takes into account the impact of sector, geography and business segments, in order to determine the Group's exposure. In turn this helps to drive decision making across the business. The Group is currently enhancing the number of scenarios it runs to ensure we further understand the financial impact of climate-related risk on the business.

On a bi-annual basis, the risk team reviews the Group's risk assessment. These assessments are a collaborative effort with all the business functions, and are an opportunity to identify emerging risk, review existing risks, and provide appropriate mitigation measures to reduce/manage the risk. This assessment is inward looking and primarily concentrates on operational processes, whilst helping to encourage open dialogue with risk owners. This assessment is where the Group's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

D. Valuation for solvency purposes

Basis of presentation

Beazley uses method 1 (as referred to in Article 230 of Directive 2009/138/EC) to calculate Group solvency meaning that the solvency returns are based on consolidated data for the Group.

Basis of presentation of Beazley plc's 2022 Group Solvency II Balance Sheet

Solvency II regulations state that corporate members (as detailed below) are to be accounted for using the adjusted equity method, under Solvency II valuation rules. That is to say, BUL and BC3L are not consolidated on a line by line basis, as seen within the Group's IFRS balance sheet, and are included within 'Holdings in related undertakings, including participations'. This adjustment is presentational only and does not impact the Solvency II net asset and Own Funds value.

The following provides additional detail on the presentational requirements.

The following entities in the Group structure retain the profits of the Group's underwriting – BIdac, BICI, BAIC, BUL, BNCC and BC3L.

BIdac meets the definition of an EU domiciled insurance undertaking under the Solvency II regulation which requires full consolidation of its Solvency II balance sheet (see below for the basis of preparation) in the Group Solvency II balance sheet.

BICI, BNCC and BAIC are non-EEA insurance undertakings and so their Solvency II balance sheets are also consolidated in full in the Group Solvency II balance sheet.

The Group's Lloyd's corporate member BUL retains any profits from the syndicates to which it provides capacity (syndicates 2623, 3623 and 3622) not reinsured to BIdac. BUL and BC3L do not meet the definition of an insurance undertaking under Solvency II regulations. The net assets of BUL and BC3L on a Solvency II basis have therefore been accounted for using the adjusted equity method in the Group Solvency II balance sheet and are included in the participations line.

Material Intra-Group Reinsurance

BIdac reinsures BUL, providing aggregate excess of loss cover for syndicates 2623 and 3623. BUL cedes 75% of the final declared result of its participation on each year of account in syndicates 2623 and 3623. This is subject to a $4m profit retention within BUL and a $4m excess of loss. In the event that the declared result is a loss, the extent of the reinsurance is limited so the loss cannot exceed 75% of the FAL, which is posted by BIdac, to support the underwriting of syndicates 2623 and 3623.

The reinsurance contract for 2023 was entered into by BIdac and BUL in December 2022. The terms of the contract have been revised such that the contract for the 2023 year of account now includes an effective 65% cede from BUL to BIdac.

Differences between Group statutory and Solvency II Balance Sheets

The table on the next page presents the value of the assets and liabilities on both the statutory and Solvency II consolidated balance sheets of the Group. The adjustments between the statutory and Solvency II value are split between reclassification adjustments (presenting the adjustments made to reflect the difference between the statutory and Solvency II consolidation basis, as detailed above) and Solvency II valuation adjustments (presenting adjustments made to reflect the difference between statutory and Solvency II valuation methodology).

D. Valuation for solvency purposes continued

Basis of presentation continued

The details of the 2022 presentation and valuation differences between the Group IFRS and Solvency II balance sheets are set out below and further discussed in D.1, D.2 and D.3.

Assets	Statutory value $m	Reclassification adjustment $m	Solvency II valuation adjustment $m	Solvency II value $m
Goodwill	62.1	–	(62.1)	–
Deferred acquisition costs	550.1	(532.3)	(17.8)	–
Intangible assets	66.7	(13.7)	(53.0)	–
Deferred tax assets	35.2	12.6	(10.6)	37.2
Pension benefit surplus	4.6	–	–	4.6
Property, plant & equipment held for own use	75.4	–	(12.5)	62.9
Investments (other than assets held for index-linked and unit-linked contracts):				
Holdings in related undertakings, including participations	0.4	333.7	348.1	682.2
Equities	32.5	(32.5)	–	–
Bonds	6,176.3	(3,750.4)	12.8	2,438.7
Collective Investments Undertakings	1,240.7	(991.9)	–	248.8
Derivatives	34.7	(5.9)	–	28.8
Deposits other than cash equivalents	125.2	(125.2)	–	–
Loans and mortgages	0.8	–	–	0.8
Reinsurance recoverables	3,286.6	(2,782.0)	(232.0)	272.6
Insurance and intermediaries receivables	1,678.7	(1,319.3)	(276.6)	82.8
Reinsurance receivables	–	–	32.2	32.2
Receivables (trade, not insurance)	88.3	(34.0)	–	54.3
Cash and cash equivalents	1,387.8	(987.4)	–	400.4
Any other assets, not elsewhere shown	252.9	471.5	(47.2)	677.2
Total assets	**15,099.0**	**(9,756.8)**	**(318.7)**	**5,023.5**
Technical provisions				
Technical provisions – non-life (excluding health)	10,184.3	(8,655.9)	(1,528.4)	–
Best estimate	–	–	209.9	209.9
Risk margin	–	–	151.3	151.3
Technical provisions – health (similar to non-life)	132.9	(132.9)	–	–
Best estimate	–	–	9.7	9.7
Risk margin	–	–	0.4	0.4
Technical Provisions – life (excluding health and index-linked and unit-linked)	37.0	(37.0)	–	–
Risk margin	–	–	–	–
Total technical provisions	**10,354.2**	**(8,825.8)**	**(1,157.1)**	**371.3**
Liabilities				
Deferred tax liabilities	–	–	66.4	66.4
Derivatives	14.6	(12.7)	–	1.9
Subordinated liabilities	547.9	–	(41.7)	506.2
Reinsurance payables	932.7	(812.7)	(120.0)	–
Payables (trade, not insurance)	327.9	39.6	(28.3)	339.2
Any other liabilities, not elsewhere shown	348.2	(145.2)	(10.1)	192.9
Total other liabilities, excluding technical provisions	**2,171.3**	**(931.0)**	**(133.7)**	**1,106.6**
Excess assets over liabilities	**2,573.5**	**–**	**972.1**	**3,545.6**

D. Valuation for solvency purposes continued

D.1 Assets

Goodwill and intangible assets

All goodwill and intangible assets as reported in the statutory balance sheet are valued at nil for Solvency II purposes.

Deferred acquisition costs

Deferred acquisition costs as reported in the statutory balance sheet are valued at nil for Solvency II purposes. However, as the future technical provision cashflows from BUL into BIdac are based on profit or loss arising on a statutory basis, there is an underlying economic value attached to deferred acquisition costs arising within the equity accounted entities that contribute to the future distributions.

Deferred tax assets

Solvency II recognition and valuation with respect to deferred taxes is consistent with the statutory balance sheet (IAS 12). Favourable changes in net assets arising from adjustments applied to the statutory basis to arrive at the Solvency II basis result in a deterioration of deferred tax balances. Where these net asset movements arise in entities that have statutory deferred tax assets, the deferred tax assets are eroded downwards.

The Group does not have any unused tax losses (2021: nil) for which a deferred tax asset has not been recognised.

Deferred tax assets, relating to tax losses, which depend on the availability of future taxable profits, have been recognised. The Group has concluded that it is probable that the deferred tax assets will be recovered using the estimated future taxable profits based on the approved business plans. The losses can be carried forward indefinitely. The valuation principles for deferred tax under Solvency II are consistent with the IFRS approach used to prepare the financial statements.

Pension benefit surplus

The Group operates a defined benefit pension plan for its employees that is now closed to future service accruals. The net pension surplus is measured at the present value of the estimated future net cash flows and is stated net of plan assets in accordance with IAS 19. The same valuation basis has been applied to both the statutory and Solvency II balance sheet.

The assets of the scheme are held separately from those of the Group, being invested with external investment managers to meet the long term pension liabilities of past and present members.

During 2022, 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. The buy-in covers all members of the scheme and preserves their existing pension entitlements. 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.

	2022 $m
Present value of funded obligations	(31.1)
Fair value of plan assets	35.7
Retirement benefit asset in the statement of financial position	**4.6**

Property, plant & equipment held for own use

Property, plant and equipment comprise of:
- computer equipment and furniture and fittings for own use, recorded at costs less accumulated depreciation and impaired losses in the statutory balance sheet, which are considered not to be materially different from fair value; and
- right-of-use assets recognised and valued in accordance with IFRS 16 (refer to note 29 of the Beazley plc Annual report and accounts 2022).

The amounts held as leasehold improvements in statutory reporting are written down to nil under Solvency II.

Investments

On the statutory balance sheet, financial assets (other than participations) are valued using a valuation hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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. Included within level 1 are bonds, treasury bills of government and government agencies and corporate bonds which are measured based on quoted prices in active markets. Assets are valued using the bid price;

D. Valuation for solvency purposes continued

D.1 Assets continued

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 (e.g. interest rates, exchange rates). Included within level 2 are government bonds and treasury bills, corporate bonds, equity funds, hedge funds and senior secured loans which are not actively traded; and
Level 3 – valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

The valuations of the investments categorised in the fair value hierarchy above are consistent with information reported in note 16 (financial assets and liabilities) of the Beazley plc Annual report and accounts 2022.

The reclassification adjustment reallocates the proportion of the Group statutory consolidated investments relating to the Solvency II equity accounted entities into the participations line.

Holdings in related undertakings, including participations

Whilst under statutory reporting, all Group entities are consolidated, the Solvency II Group balance sheet consolidates only the insurance companies, insurance holding company subsidiaries and ancillary service companies, with other entities presented as equity accounted participations. Holdings in related undertakings are valued using the adjusted equity method. In particular participations are valued based on the Beazley plc share of the excess of assets over liabilities of the participations, calculated using a Solvency II valuation of assets and liabilities.

For year-end 2022, and future years, Beazley plc has prospectively changed its valuation method of BUL, with regard to the intra-group reinsurance contract that BUL holds with BIdac. The change has been to value the contract in BUL on a contractual cash-flow basis, from a look through basis to the underlying Syndicate cash flows, ensuring consistent valuation with BIdac. This change has resulted in an increase in the 2022 Solvency Capital Coverage by 12% to 244%. Had the change been implemented in 2021 the Solvency Coverage Ratio would have reduced by 5% to 183%.

The reclassification adjustment column reallocates the proportion of each balance that relates to the equity accounted entities into the participations line.

Loans and mortgages

Loans and mortgages include a $0.8m high-yield loan to a cedant of the Group. This is classified under high-yield corporate bonds for statutory reporting but under Solvency II is classified under loans and mortgages and hence is reclassified out of bonds accordingly. These are valued at amortised cost in the statutory balance sheet which is considered to be materially consistent with their fair value.

Reinsurance recoverables

The statutory balance sheet presents the reinsurer's share of unearned technical provisions and claims outstanding relating to reinsurance of gross business. Syndicate reinsurance assets consolidated within the statutory balance sheet are included in the valuation of participations. These are part of the profit cashflows embedded within the BIdac technical provisions. On a Solvency II basis, this balance presents the net of cash inflows with respect to recoveries on business bound at the reporting date and cash outflows with respect to premiums payable on outwards reinsurance arrangements.

Insurance and intermediaries receivables

Insurance and intermediaries balances are valued at amortised cost in the statutory balance sheet. Amounts which are not past their due date are reclassified to technical provisions under Solvency II. Amounts which are past their due date are valued at fair value, which is considered not to differ materially from amortised cost. Insurance receivables relating to the syndicates are reclassified into the participations line.

Receivables (trade, not insurance)

Other receivables comprise mainly of corporation tax recoverable which has been agreed with the tax authorities, receivables for securities and balances due from syndicate 623 to the Group. The balances are due and are expected to be paid within the next 12 months and are therefore considered to be measured at fair value.

Cash and cash equivalents

On the statutory balance sheet, 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. The Solvency II valuation and recognition of cash and cash equivalents is consistent with that used for the statutory balance sheet except for short term highly liquid investments which are classified within investments. However, cash held in the syndicates and other entities not consolidated under Solvency II are included as part of the valuation of participations.

D. Valuation for solvency purposes continued

D.1 Assets continued

Any other assets, not elsewhere shown

The reclassification adjustment is a result of the different scope of consolidation. The change in scope of consolidation largely results from syndicates not being insurance entities under Solvency II. Consequently, syndicate net assets are shown as a participation rather than recognised in each component of the balance sheet. Within the assets reclassification the main impact is a reduction in investments and the recognition of an intercompany balance receivable from the syndicates to Group entities included within other assets relating to the reinsurance arrangement.

The Solvency II valuation adjustment to other assets reflects the inclusion of the BIdac balance due from the syndicates as part of the Solvency II technical provision valuation.

D.2 Technical provisions

	Undiscounted			Discounted		
All amounts $m Solvency II line of business	Net technical provisions ex risk margin	Risk margin	Net technical provisions inc risk margin	Net technical provisions ex risk margin	Risk margin	Net technical provisions inc risk margin
Non-proportional casualty reinsurance	(951.2)	116.4	(834.8)	(859.8)	112.2	(747.6)
General liability insurance	830.9	40.6	871.5	751.9	35.6	787.5
Income protection insurance	13.2	0.5	13.7	10.3	0.4	10.7
Marine, Aviation & Transport	15.9	2.0	17.9	14.0	1.8	15.8
Non-proportional property reinsurance	18.2	0.7	18.9	17.3	0.6	17.9
Credit & Suretyship	12.6	1.1	13.7	10.3	0.9	11.2
Fire & Other damage to property insurance	1.8	0.1	1.9	1.7	0.1	1.8
Non-proportional health reinsurance	0.1	–	0.1	0.1	–	0.1
Miscellaneous financial loss	1.3	0.1	1.4	1.2	0.1	1.3
Total	**(57.2)**	**161.5**	**104.3**	**(53.0)**	**151.7**	**98.7**

The technical provisions for the Group comprise of:

- the BIdac aggregate excess of loss reinsurance protection of BUL (intra-group reinsurance), which is classified as non-proportional casualty reinsurance;
- the non-life insurance and third-party reinsurance business which BIdac commenced writing in 2017. The insurance business written to date has been a mix of general liability, fire & other damage to property, marine, aviation & transport, miscellaneous financial loss as well as credit & suretyship. Some third party reinsurance has also been written and classified as proportional general liability reinsurance, non-proportional property and non-proportional health reinsurance;
- the net technical provisions for BICI, which are within all of the insurance Solvency II lines of business in the table above. These include the BICI reserves transferred from BICI to BNCC on older accident years. There are no net technical provisions for BAIC due to its 100% reinsurance arrangement with BICI (the exception to this is for unincepted business on 2023 underwriting year, from whence BAIC will begin to retain 20%) ; and
- there are no net technical provisions for BNCC due to its reinsurance arrangement with BICI.

Given the nature of the underlying business, the approach used to estimate the technical provisions for the intra-group reinsurance business differs from that used for the non-life insurance and third-party reinsurance business, and the BICI business (the non intra-group business).

The technical provisions for BUL and BC3L are present within Holdings in related undertakings, including participations. This will be inclusive of BUL's participation on syndicates 2623, 3622 and 3623, and its side of the intra-group reinsurance contract detailed below.

Intra-group reinsurance

Overview of reinsurance contract

The approach used to estimate the technical provisions is based on the structure and expected cashflows under the reinsurance contracts. BIdac enters into a reinsurance contract with BUL covering its participation on a year of account for syndicates 2623 and 3623. The potential cashflows in summary are as follows:

- **premium** – ceded % of any profit distributed by the syndicates reinsured (subject to an excess);
- **claim** – ceded % of any loss made by the syndicates reinsured (subject to a maximum % of the FAL);
- **fees** – BUL pays BIdac a fee as BIdac provides a percentage of FAL for the syndicates covered under the reinsurance contract; and
- **profit commission** – 15% and is payable by BIdac to BUL on any premiums received under the contract.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

Bases, methods and main assumptions used for valuation for solvency purposes
The bases, methods and main assumptions used for valuation for solvency purposes are as follows:
The expected profit/loss of the underlying BUL business reinsured forms the largest component of the technical provisions. The expected profit/loss is the total of the following:
- the current view of the profit/loss of each year of account. For the closing year of account the profit/loss is the final syndicate declared result as reported to Lloyd's. For open years of account this is based on held loss ratios applied to the ultimate premium, with allowance for incurred expenses;
- the reserve releases/strengthening expected between the current view of profitability and when the final syndicate result is declared;
- expected investment income attributable to each year of account;
- expenses that are expected to be incurred until the year of account closes;
- FAL fees payable from BUL to BIdac;
- profit commissions payable for each contract forecasting profit; and
- profit or losses on foreign exchange hedges in place to mitigate currency risk.

Whilst the initial view of profitability is assessed at the end of the first calendar year for the business that has been reinsured, an assumption is made on expected future reserve releases. This is based on analysis of historical data. Furthermore, the expected future investment income is derived from the assumptions used in the Beazley long term business plan. Where the assumptions are not deemed appropriate, alternative assumptions are used.

The provisions for profit commissions and fees have been calculated in line with the terms of the reinsurance contract for each contract forecasting a profit. FAL fees over the term of the contract are calculated. The value of foreign exchange derivatives within the reinsured syndicates is taken from current financial valuations.

Allowance has also been made for Events Not In Data (ENID) and a risk margin:
- the ENID allowance is based on the load included in the underlying syndicates reinsured and this is calculated using the truncated lognormal distribution, as per Lloyd's guidelines; and
- the risk margin is based on the SCR output from the BIdac internal model – this is projected forward and discounted using yield curves prescribed by the European Insurance and Occupational Pensions Authority (EIOPA), with the discounted cost of capital being calculated by multiplying the discounted SCR figures by the prescribed cost of capital rate of 6% and then summing up the resulting discounted cost of capital amounts.

Unincepted business is defined as policies that have not yet incepted, but to which Beazley's insurance entities are legally obliged at the valuation date. The 2023 reinsurance contract between BIdac and BUL which incepts on 1 January 2023 has been included within the technical provisions as it was signed in December 2022.

The technical provisions estimated have been split between the claims and premium provisions based on whether or not the profit/loss for each reinsurance contract is known at the valuation date – the technical provisions arising for those contracts for which the actual profit is as yet unknown have been allocated to the premium provision, with the provisions for those contracts where the profit/loss has been finalised being included within the claims provision.

Future cash flows are projected using payment patterns, as detailed in the contract, and discounted using the latest available EIOPA yield curves for the relevant currencies.

There is no reinsurance on this contract and so no allowance is made for recoverables from reinsurers in respect of this business.

Key uncertainties
At a macro level, the key areas of downside risk in the estimated profit/(loss) figures of the underlying BUL business being reinsured are that:
- claims experience in the Specialty Risks and Cyber Risks divisions could be worse than expected because of adverse claim frequency and/or severity or the systemic inadequacy of premium rates;
- catastrophe claims experience is materially worse than expected (natural and man-made);
- investment returns may be materially different to the returns estimated; and
- the rate at which the cedant releases profit.

Changes in methodology/assumptions since the previous reporting period (BIdac reinsurance of BUL)
There were no changes to methodology since the previous period, although the assumptions underlying the rate at which margin releases are made by the cedant have been updated.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

Statutory reserves vs Solvency II technical provisions

The following table provides, by Solvency II group, a reconciliation between IFRS and Solvency II for both gross and ceded technical provisions.

	IFRS by SII class	Adjustment for scope[1]	Valuation differences	SII Technical Provisions
Technical provisions - non-life	**10,317.2**	**(8,788.8)**	**(1,157.1)**	**371.3**
Technical provisions - non-life (excluding health)	10,184.3	(8,655.9)	(1,167.2)	361.2
Best estimate	10,184.3	(8,655.9)	(1,318.5)	209.9
Risk margin	–	–	151.3	151.3
Technical provisions - health (similar to non-life)	**132.9**	**(132.9)**	**10.1**	**10.1**
Best estimate	132.9	(132.9)	9.7	9.7
Risk margin	–	–	0.4	0.4
Technical Provisions - life (excluding index-linked and unit-linked)	**37.0**	**(37.0)**	–	–
Technical provisions - health (similar to life)	37.0	(37.0)	–	–
Best estimate	–	–	–	–
Risk margin	–	–	–	–

	IFRS by SII class	Adjustment for scope[1]	Valuation differences	SII Technical Provisions
Reinsurance recoverables	3,286.6	(2,782.0)	(232.0)	272.6
Non-life and health similar to non-life	3,286.6	(2,782.0)	(232.0)	272.6
Non-life excluding health	3,273.4	(2,768.7)	(231.4)	273.3
Health similar to non-life	13.2	(13.2)	(0.6)	(0.6)

1 Adjustment for changes in consolidation between IFRS and Solvency II (SII) (see section D, 'Basis of presentation of Beazley 2022 Group Solvency II Balance Sheet')

The main differences between the statutory and Solvency II technical provisions for the intra-group reinsurance business written in BIdac are as follows:

- the statutory reserves only consider the performance of business earned up to and including the valuation date whereas the Solvency II technical provisions allow for both the earned and unearned portions of the business written;
- within Solvency II technical provisions, there is an explicit allowance for premiums and claims on bound but not incepted contracts which are not recognised within the statutory reserves. As a result, the 2023 reinsurance contract between BIdac and BUL which incepts on 1 January 2023 has been included within the Solvency II technical provisions as it was signed in December 2022;
- the Solvency II technical provisions include an allowance for the expected future investment income on the underlying business being reinsured whereas the statutory reserves do not;
- the Solvency II technical provisions include an allowance for ENIDs whereas the statutory reserves do not;
- the Solvency II technical provisions are discounted for the time value of money whilst the statutory reserves are not; and
- the Solvency II technical provisions recognise expected future reserve releases from the 2021, 2022 and 2023 years of account, on the underlying business reinsured up to and including the finalisation of the 2023 reinsurance contract whereas the statutory reserves only recognise reserve releases known as at the valuation date.

The total BIdac statutory reserves are $335.1m on a net of reinsurance basis, and $44.3m of these reserves are for the intra-group reinsurance business. The Solvency II net technical provisions (including the risk margin) for the intra-group reinsurance business amount to ($748.4m) on a discounted basis.

Direct business & third party reinsurance

BIdac writes non-life insurance and third party business. The business written comprises of eight classes – general liability, fire & other damage, marine, aviation & transport, miscellaneous financial loss, non-proportional health, non-proportional casualty, non-proportional property and credit and suretyship.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

BICI predominately writes casualty business (including but not limited to directors & officers, errors & omissions and employment practices liability coverages).

Bases, methods and main assumptions used for valuation for solvency purposes

The bases, methods and main assumptions used for valuation for solvency purposes are as follows:

The best estimate reserves form the largest component of the technical provisions. The gross and net reserves for BIdac business (direct insurance, proportional reinsurance and non-proportional reinsurance) have been set at a level equivalent to that of other similar business written within the Group, except where claims experience suggests otherwise.

Total premiums written are sourced from finance and earnings assumptions are used to allocate between the premium and claims provision. The methodology used to derive earnings patterns assumes that premium is earned uniformly throughout the policy period.

Unincepted business is defined as policies that have not yet incepted, but to which Beazley is legally obliged at the valuation date. For business which has been written by BIdac, the volume of unincepted business is calculated as the premiums from the actual contracts bound as at the valuation date, but due to incept after the valuation date. The unincepted business has resulted in the year end 2022 reinsurance recoverables being negative for premium provisions, reflecting that the outwards reinsurance premiums payable that cover the full subsequent period are allowed for, compared to only the expected recoveries arising from the unincepted gross business.

For BICI, the volume of unincepted business is estimated by considering the business written in the month following the valuation date during the previous year. There is no unincepted business for BNCC as this only reinsures older accident years. The volume of unincepted business for BAIC historically netted to zero due to its 100% reinsurance arrangement with BICI, however from 2023 underwriting year BAIC will retain 20% of it's risk, and this corresponds to unincepted business at the year end 2022 valuation.

Provisions for bad debts, future expenses and ENIDs are added to the best estimate technical provisions:

- the bad debt component uses reinsurer default probabilities and loss given default percentages from the internal model. The expected reinsurer bad debt is calculated as probability of default x loss given default x exposure x average duration;
- the expense provision includes the future expenses required to run off the legally obliged business as at the valuation date. This is calculated using the historical calendar year expenses and budgeted expenses, provided by the finance team; and
- the load for ENIDs is calculated using the truncated lognormal approach, as per Lloyd’s guidelines.

A risk margin is also calculated, though a simplified approach has been used for BIdac. The simplified approach utilises the risk margin estimated for syndicates 2623 and 3623 and then applies the ratio of the BIdac net premium to these syndicates' net premium to this risk margin figure. For BICI, the risk margin is based on the SCR output from the BICI internal model. This is projected forward and discounted using yield curves prescribed by EIOPA, with the discounted cost of capital being calculated by multiplying the discounted SCR figures by the prescribed cost of capital rate of 6% and then summing up the resulting discounted cost of capital amounts.

Future cashflows are projected using payment patterns, allocated into the required currencies and discounted using the latest available EIOPA yield curves for the relevant currencies.

The reinsurance recoverables have been calculated based on the underlying reinsurance cashflows.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

Key uncertainties

At a macro level, the key area of downside risk is in the reserving assumptions used to derive the best estimate reserves. Claims experience may be worse than expected because of adverse claim frequency and/or severity or the systemic inadequacy of premium rates. Additionally, for the BIdac business, the lack of actual claims development history means that an approximation of the expected performance of this business has had to be used.

Statutory reserves vs Solvency II technical provisions

The main differences between the statutory and Solvency II technical provisions are as follows:

- there are items within the statutory reserves that are not included under Solvency II and thus lead to a reduction in the Solvency II technical provisions. This reduction includes:
  - accelerating the recognition of profit within the unearned premium reserve; and
  - a reclassification of premium debtors (not yet due) to Solvency II technical provisions to recognise future premium cashflows;
- Solvency II technical provisions are calculated on a best estimate basis and so the margin included in the statutory reserves is excluded;
- within Solvency II technical provisions, there is an explicit allowance for premiums and claims on bound but not incepted contracts which are not recognised within the statutory reserves; and
- within Solvency II technical provisions, there is an allowance for ENIDs as well as the time value of money. Neither are included within statutory reserves.

The total BIdac statutory reserves are $335.1m on a net of reinsurance basis, and $290.8m of these reserves are for insurance and third-party reinsurance business. The Solvency II net technical provisions (including the risk margin) for the insurance and third-party reinsurance business amount to $251.2m on a discounted basis.

The total BICI statutory reserves are $639.2m on a net of reinsurance basis. The Solvency II net technical provisions (including the risk margin) amount to $595.9m on a discounted basis.

Other items

The matching adjustment referred to in Article 77b of Directive 2009/138/EC is not applied.
The volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.
The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not applied.
The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applied.

D.3 Other liabilities

Deferred tax liabilities

Solvency II recognition and valuation with respect to deferred taxes is consistent with the statutory balance sheet (IAS 12). As a result of the adjustments from the statutory basis to the Solvency II basis, an increase in Solvency II net assets is generated for the Group and hence additional deferred tax liabilities are recognised on a Solvency II basis. These deferred tax liabilities cannot be wholly offset against the original deferred tax asset as some relate to entities subject to different tax jurisdictions within the Group.

Derivatives

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. 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.

Subordinated liabilities

The subordinated liabilities, which are listed on the London Stock Exchange, are held at amortised cost using the effective interest rate method within the statutory financial statements. The subordinated liabilities are valued at fair value as at the reporting date based on quoted market price under Solvency II.

Reinsurance payables

Reinsurance payables are amounts due on the outwards reinsurance operations of the Group, which are due within one year. The amounts as shown on the statutory balance sheet are therefore considered to be equivalent to fair value. Adjustments have been made to reclass not past due amounts to Solvency II technical provisions.

D. Valuation for solvency purposes continued

D.3 Other liabilities continued

Payables (trade, not insurance)
Payables mainly comprise amounts payable to related Group entities and external bodies. The amounts are expected to be paid within the next 12 months and are held at amortised cost in the statutory financial statements, which is considered to be equivalent to fair value under Solvency II.

Any other liabilities, not elsewhere shown
Any other liabilities comprise mainly accrued expenses including staff bonuses. The amounts are expected to be paid within the next 12 months and are held at amortised cost on the statutory balance sheet, which is considered to be equivalent to fair value under Solvency II.

D.4 Alternative methods for valuation

The valuation hierarchy for investments is discussed in section D.1 above. An alternative method of valuation has been adopted for the level 3 financial assets where observable inputs are not available. Refer to note 16 (financial assets and liabilities) of the Beazley plc Annual report and accounts 2022 for further details.

D.5 Any other information

There are no material differences in the valuation bases, methods and assumptions between the Group Solvency II balance sheet and the solo BIdac Solvency II balance sheet.

Beazley continues to closely monitor the potential impact of the ongoing conflict in Ukraine, as well as the current volatility within financial markets, both from an investment asset and a liability perspective.

Lease arrangements
The operating lease arrangements relate to land and buildings. Further information is provided in section A.4.

E. Capital management

E.1 Own funds

Beazley has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's, the US and through our European branches and is subject to prudential regulation by local regulators (PRA, Lloyd's, CBI, and the US state level supervisors). Beazley is subject to the capital adequacy requirements of the European Union Solvency II regime. Beazley has maintained sufficient own funds to meet its solo and Group SCR throughout the year.

Further capital requirements come from rating agencies who provide ratings for BICI and BIdac. Beazley aims to manage its capital levels to obtain the ratings necessary to trade with its preferred client base.

The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework and opportunities for organic growth, prudence and a desire to maximise returns for investors.

In November 2022 the Group raised $404.4m of new capital through a non-pre-emptive share issuance. The decision to raise this additional equity was taken following the market dislocation across the Property market. The Group sees this as an opportunity to expand our Property and Reinsurance books, whilst also enabling further growth within the Cyber Risks and Specialty Risks books, net of reinsurance.

Additionally, in the year, as disclosed in Section D.1, Beazley plc has applied a prospective change to its valuation of BUL (see 'Holdings in related undertaking, including participations'). This change has resulted in an increase in the 2022 Solvency Capital Coverage by 12% to 244%. Had the change been implemented in 2021 the Solvency Coverage Ratio would have reduced by 5% to 183%.

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 our 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 to enable us to take advantage of growth opportunities which may arise.

Beazley has a five year plan, the purpose of which is to review long term profitability, return on capital and capital adequacy thereby helping to plan its management of underwriting, claims, capital and expenses. 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 actively seeks to manage its capital structure. The preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when the Group will generate excess capital and not have the opportunity to deploy it. At such points in time the Board will consider returning capital to shareholders.

The following table sets out the Group's sources of funds on a Solvency II basis:

	Total $m	Tier 1 $m	Tier 2 $m	Tier 3 $m
Basic own funds				
Ordinary share capital	46.6	46.6	–	–
Reconciliation reserve	3,274.2	3,274.2	–	–
Share premium	9.7	9.7	–	–
Deferred Tax[4]	37.2	–	–	37.2
Subordinated liabilities	506.2	–	506.2	–
Total basic own funds after deductions[1]	**3,836.7**	**3,330.5**	**506.2**	**–**
Ancillary own funds	–	–	–	–
Total available own funds to meet the Group SCR	**3,836.7**	**3,330.5**	**506.2**	**–**
Total eligible own funds to meet the consolidated Group SCR[2]	**3,836.7**	**3,330.5**	**506.2**	**–**
Total eligible own funds to meet the consolidated Group MCR[3]	**3,409.2**	**3,330.5**	**78.7**	**–**
Consolidated Group SCR	**1,573.8**	**–**	**–**	**–**
Ratio of Eligible own funds to the consolidated Group SCR	**244 %**	**–**	**–**	**–**

1 Deductions are presented in the reconciliation reserve below.
2 Tier 2 eligible own funds to meet the consolidated Group SCR are capped at 50% of the SCR
3 Tier 2 eligible own funds to meet the consolidated Group MCR are capped at 20% of the MCR.
4 Deferred tax is not included in total basic funds after deductions as the balance is deducted from excess assets over liabilities to determine the reconciliation reserve.

Group own funds have been calculated net of any intra–group transactions.

E. Capital management continued

E.1 Own funds continued

The table below shows the movement of Own Funds by Tier in comparison to 2021:

	Tier 1 unrestricted $m	Tier 1 restricted $m	Tier 2 $m	Tier 3 $m
2021 Eligible Own Funds	**2,013.5**	**–**	**729.7**	–
Movement in Ordinary Share Capital and Share premium account[1]	8.1	–	–	–
Movement in Reconciliation Reserve[1]	1,308.9	–	–	–
Movement in Subordinated Debt Value	–	–	(109.2)	–
Movement in Ancillary Own Funds	–	–	(225.0)	–
Movement in SCR restriction on Tier 2 Own Funds	–	–	110.7	–
2022 Eligible Own Funds	**3,330.5**	**–**	**506.2**	**–**

1 The equity raise of $404.4m is made up of $3.6m ordinary share capital, $3.6m share premium and $397.2m other reserves (recognised as retained earnings in the statutory reserves, as deemed distributable, and therefore within the reconciliation reserve).

Tier 1 basic own funds

	2022 $m	2021 $m
Ordinary share capital	46.6	42.9
Share premium	9.7	5.3
Reconciliation reserve	3,274.2	1,965.3
	3,330.5	**2,013.5**

Tier 1 own funds are eligible in full to meet both the SCR and Minimum Capital Requirement (MCR).

The reconciliation reserve is calculated as follows:

	2022 $m	2021 $m
Reconciliation reserve		
Excess of assets over liabilities	3,545.6	2,630.5
Foreseeable dividends	(110.4)	(105.0)
Ordinary share capital and share premium	(56.3)	(48.3)
Deferred tax asset	(37.2)	(8.4)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	(67.5)	(39.6)
Other non–available own funds	–	(464.0)
	3,274.2	**1,965.2**

The Group has restricted an amount of $67.5m in respect of BIdac's UK branch local capital requirements following the branch's approval by the PRA as a fully authorised third country branch.

Other non–available own funds are explained under the Tier 2 ancillary own funds section below.

Tier 2 basic own funds

	2022 $m	2021 $m
Tier 2 subordinated debt (2026) – issued in 2016	240.3	279.8
Tier 2 subordinated debt (2029) – issued in 2019	265.9	335.6
	506.2	**615.4**

In November 2016, BIdac issued $250m of subordinated tier 2 notes due in 2026 and in September 2019, BIdac issued $300m of additional subordinated tier 2 notes due in 2029.

This debt is listed on the London Stock Exchange and is valued at fair value based on quoted market price. The movement in the valuation is due to changes in fair values based on quoted market prices.

E. Capital management continued

E.1 Own funds continued

Tier 2 ancillary own funds

	2022 $m	2021 $m
Credit Facility	**–**	**225.0**

Beazley has a $450m Multicurrency Standby LOC and Revolving Credit Facility Agreement (the credit facility). Under the credit facility $450m may be drawn as letters of credit to support underwriting at Lloyd's. As at 31 December 2022, $225m of LOC has been utilised and placed as FAL. The CBI has approved the inclusion of an unutilised amount of LOC under the current credit facility ($225m) as ancillary own funds and the method used to determine the eligible amount. This approval was received on 12 October 2021 and is valid until 31 July 2023.

The credit facility allows LOCs to be issued in favour of the Society of Lloyd's. Such a LOC is permissible as an asset supporting FAL requirements for Lloyd's Corporate Members.

The FAL to support the underwriting of BUL on syndicates 2623 and 3623 is provided by both BUL as well as BIdac. These funds are subject to a deed of charge in favour of Lloyd's. The deed of charge restricts the transferability of these assets. For this reason, the FAL may only be included in the calculation of Group solvency up to the contribution of BIdac and BUL to the Group SCR, respectively.

If the BIdac or BUL contributions to Group SCR exceed their portion of the FAL, respectively, no restriction is applicable. However, if the BIdac or BUL contribution to Group SCR is lower than the respective FAL contribution, then a restriction is applied in respect of the excess FAL to the basic own funds for Group.

In order to compensate for this restriction, the ancillary own funds are recognised subject to the following limits of the credit facility:

- LOC outstandings shall not at any time exceed 40% of the value of FAL provided; and
- the limit of the credit facility of $225.0m.

The table below presents the FAL, provided by BIdac and BUL, the BIdac and BUL contribution to Group SCR, the restriction to FAL and the corresponding ancillary own funds recognised. As at 31 December 2022 there is no restriction on the use of FAL to contribute to the Group SCR, hence no ancillary own funds have been recognised. In 2021 a restriction existed and ancillary own funds were recognised.

	2022 $m	2021 $m
FAL provided by BIdac	954.4	1,356.1
BIdac contribution to Group SCR	(966.1)	(892.1)
Excess FAL restriction BIdac	–	464.0
FAL provided by BUL	316.0	217.5
BUL contribution to the Group SCR	(334.1)	(285.3)
Excess FAL restriction BUL	–	–
Ancillary own funds recognised	**–**	**225.0**

The credit facility agreement is between Beazley companies and Lloyds Bank plc, National Westminster Bank plc and the Bank of Nova Scotia London branch as mandated arrangers of the credit facility, Lloyds Bank plc as bookrunner and as agent for the finance parties and the following Financial Institutions; Lloyds bank plc, Sumitomo Mitsui Banking Corporation, London Branch, National Westminster Bank Plc and The Bank of Nova Scotia London Branch.

As at 31 December 2022, there were $506.2m (2021: $840.4m) of basic and ancillary tier 2 own funds available to meet the SCR, of which $506.2m (2021: $729.7m) were eligible to meet the SCR, being 50% of the SCR as at that date. $78.7m (2021: $73.0m) was eligible to meet the MCR, being 20% of the MCR as at that date.

E. Capital management continued

E.1 Own funds continued

Reconciliation of statutory net assets to Solvency II net assets as at 31 December, 2022

The table below presents the changes in net assets from the statutory balance sheet to the Solvency II balance sheet.

	$m
Statutory net assets	**2,573.5**
Elimination of goodwill, DAC and intangible assets	(122.8)
Elimination of leasehold improvements	(12.5)
Revaluation of subordinated debt and other financial liabilities to market value	41.7
Elimination of statutory technical provisions (net of reinsurance and deferred acquisition costs)	1,023.8
Elimination of inter–group debtors relating to future technical cashflows	(34.4)
Elimination of insurance debtors relating to future technical cashflows	(124.4)
Replacement of Solvency II technical provisions	(98.7)
Revaluation of participation balances	348.1
Recognition of profit commission on Solvency II adjustments arising	28.3
Recognition of net deferred tax on Solvency II adjustments arising	(77.0)
Solvency II net assets	**3,545.6**

Restriction to the fungibility and transferability of own funds

BIdac's provision of 75% of the FAL and BUL's provision of 25% of the FAL and the respective restrictions in relation to the FAL capital commitment relative to their contribution to the Group SCR have been described within the tier 2 ancillary own funds section above.

In light of the Lloyd's ECR, which determines the FAL deposited at Lloyd's, being greater than BIdac's contribution to the Group SCR there is no further restriction applied to the fungibility of the Group own funds. In the current Group structure, with Beazley's business being written in or reinsured almost entirely to the syndicates (2623 and 3623), BIdac's capital is available to post as FAL for the purpose of supporting the underwriting activity of the Group.

There are approximately $5.4m (2021: $5.4m) of assets held by BICI that are pledged to nine different states as statutory security deposits. Given that this amount is lower than the contribution of the US business to the Group SCR, no deduction for non–available own funds at Group level is required.

E.2 SCR and MCR

The SCR and MCR for Beazley are as follows (post diversification):

	2022 $m	2021 $m
Solvency Capital Requirement	1,573.8	1,459.3
Minimum Capital Requirement	393.4	364.8

The Group MCR is determined by adding up the Solo MCRs of the (re)insurance entities consolidated for the Group SCR calculation according to Article 230(2) of the Directive 2009/138/EC.

Beazley uses an internal model to calculate its SCR. Beazley's application to use an internal model was approved by the CBI on 10 December 2015. The model is designed to produce output on the required basis, namely the capital required to meet a 1 in 200 adverse loss on the Solvency II balance sheet over a one–year time horizon.

The table below shows the SCR split by risk category (post-diversification):

Model	Insurance risk	Market risk	Operational risk	Credit risk
2023 SCR	87 %	5 %	6 %	2 %
2022 SCR	82 %	12 %	3 %	3 %

E. Capital management continued

E.2 SCR and MCR continued

Use of the internal model

Beazley's internal model is regularly used in a number of management processes as well as to input into a range of ad-hoc analyses that are presented to the business to support decision-making e.g. reinsurance analysis.

Regular uses include:

- capital setting: the internal model is used to calculate the capital for each entity quarterly. The calculated capital is split by major risk i.e. insurance, market, credit, liquidity, operational and group risk;
- business planning including capital allocation: the internal model is used in the business planning process to allocate capital between divisions. This, when combined with the plan profit, allows management to compare the performance of the different business lines on a risk adjusted basis;
- business planning: portfolio optimisation;
- business planning: reinsurance and Special Purpose Arrangement review;
- long term plan: the capital projections in the long-term plan are developed using internal model output;
- reserving: the internal model is used to allow the actuarial team to develop the reserve strength indicators which are used to communicate the level of prudence in the reserves;
- exposure management: the catastrophe model component of the internal model is used to monitor the team's catastrophe risk against appetite and natural catastrophe risk model output is used for capital modelling;
- investment management: the asset risk component of the internal model is used to monitor investment risk and investment risk output is used for capital modelling;
- reinsurance credit risk: credit risk output is used for capital modelling;
- ORSA: 1–in–10 output is used to calculate key risk indicator (KRI) to determine whether the syndicates are operating within risk appetite; and
- remuneration: the internal model is used to test the consistency of underwriters' PRP targets.

Scope of the internal model

The scope of the internal model includes all material risks faced by Beazley. A single internal model is used to calculate the SCR for all entities. No important risks are excluded from the internal model. The material risks currently included in the internal model are:

- premium risk;
- catastrophe risk (both natural and man–made);
- reserving risk;
- market (or asset) risk;
- operational risk (including regulatory and legal risk);
- credit risk;
- group risk; and
- liquidity risk.

The internal model generating the Beazley SCR includes business written and reinsured by BIdac and BICI, as well as the syndicate exposure supported by BUL.

Methods used in the internal model

The internal model estimates the probability distribution forecast using a structured quantitative process that makes use of methods that are: in line with good actuarial and statistical practice; subject to regular independent challenge; and appropriate to the analysis and risk profile in question. These methods use parameters that are estimated using all relevant internally available data; appropriate externally sourced industry data; data embedded in external models that have been prepared by experts; judgements based on appropriately qualified and challenged experts; and distributions which are statistically consistent with the historic data relating to the frequency and severity of loss.

Beazley uses a full internal model to calculate the SCR. The SCR is calculated by the internal model in accordance with the specifications of Article 101 of Directive 2009/138/ EC; specifically that it is taken from the 99.5th percentile VAR over a 1–year time horizon, taken directly from the probability distribution output generated by the calculation kernel and covers insurance (underwriting and reserving), asset (market), credit, and operational and group risk.

E. Capital management continued

E.2 SCR and MCR continued

Data used in the internal model

Model inputs are made up of two key components:
- inputs to model stand–alone risk which requires
  - exposure data. For example the number of policies of a given size and type; and
  - risk assumptions. For example setting out the range of claim sizes for a given policy. These assumptions are based on relevant historic experience: and
- input to aggregate the risk:
  - risk is aggregated using a 'risk drivers' approach where the assumptions are set based on historic experience for each driver.

On–going appropriateness is ensured through the capital team's internal model data input testing which includes reconciliation of key data items. The nature and appropriateness of the data used is set out in the documentation and model change reporting.

Diversification

Diversification effects are allowed for in the internal model. The dependency and risk driver framework ensures that all possible drivers of risk for inclusion in the internal model are considered during the annual risk driver and dependency review to ensure completeness and which considers:
- the key variables driving dependencies;
- evidence for the existence of diversification effects;
- the relevant assumptions underlying the modelling of dependencies;
- extreme scenarios and tail dependence; and
- the core model produces management information that shows diversification benefits between major risk category (e.g. premium risk, reserve risk, market risk, credit risk etc.) as well as between business units. Due to the proportional nature of BIdac's economic interest in syndicates 2623 and 3623, there are no material additional sources of diversification at a Group level.

Loss Absorbing Capacity of Deferred Tax

The Group makes an adjustment for the loss absorbing capacities of Deferred Tax Liabilities but not Deferred Tax Assets.

E.3 Use of the duration-based equity risk-submodule in the calculation of the Solvency Capital Requirement

Not applicable.

E.4 Differences between the standard formula and any internal model

The internal model uses a modular structure comprising a number of free–standing modules each addressing a risk category within scope of the internal model (see section E.2 – scope). A distribution is generated from each module. The modules are aggregated using a 'risk drivers' approach in an overall module that calculates model output. Given the risk profile of Beazley (roughly an equal split of medium–tailed and short–tailed exposures) the most important risk driver is the market cycle which impacts all classes of business and all underwriting years. Driver variables for some risk modules are based upon the output results from other modules. For example, in the credit risk module, the probability of default for reinsurers is increased when the size of the modelled catastrophe exceeds a defined level.

The main differences in the methodologies and underlying assumptions used in the standard formula (SF) and in the internal model by risk module are as follows:
- greater premium & reserve risk is assumed for the internal model reflecting the underlying economic risks while the SF assumptions are applied to the premiums and technical provisions;
- catastrophe risk assumptions are lower in the internal model reflecting the detailed modelling of the portfolio;
- internal model market risk is greater than the SF due to greater interest rate and credit spread risk assumptions as well as making allowance for the full economic risk within the underlying asset portfolio;
- greater credit and operational risk is assumed for the internal model than for the SF;
- the internal model includes less dependency between risk categories than that assumed in the SF with the driver of risk assumptions reflecting the risk profile; and
- internal model explicitly includes profit offsetting the risk.

The risks covered in the internal model are in line with those covered in the SF; however some risks, for example court inflation, are explicitly rather than implicitly modelled.

E. Capital management continued

E.4 Differences between the standard formula and any internal model continued

The internal model used to calculate the Beazley SCR is the same as the internal model used to calculate the BIdac SCR. Where balance sheet items are only included in the Beazley balance sheet, null exposure is included in the BIdac SCR. Similarly items on the BIdac balance sheet that consolidate at the Group level are also included in the Beazley internal model with null exposure

E.5 Non–compliance with the MCR and non-compliance with the SCR

There have been no material changes or instances of non– compliance with the SCR or MCR over the reporting period, nor is there a foreseeable risk of non–compliance which is considered in the ORSA report where a confirmation statement of continued compliance (for regulatory capital requirements and regulatory requirements for technical provisions) is made.

E.6 Any other information

No further information to disclose.

Appendix: Quantitative reporting

The following quantitative reporting templates are appended to this report.

S.02.01.02 – Balance sheet

S.05.01.02 – Premiums, claims and expenses by line of business

S.05.02.01 – Premiums, claims and expenses by country

S.23.01.22 – Own funds

S.25.03.22 – Solvency Capital Requirement calculated using a full internal model

S.32.01.22 – Undertakings in the scope of the Group

The information in the main body of the SFCR is presented in USD and rounded to the nearest one hundred thousand. The monetary amounts in the quantitative reporting templates (QRTs) within the appendix of this document are rounded to the nearest one thousand USD. Please note that this can give rise to rounding differences of +/- one hundred thousand USD and the totals may differ from the sum of component parts due to rounding. For improved presentation, blank columns in some of the quantitative reporting templates have been omitted. All items disclosed are consistent with the quantitative reporting submitted privately to the Central Bank of Ireland.

Appendix:
Quantitative reporting continued

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	–
Deferred tax assets	R0040	37,191
Pension benefit surplus	R0050	4,584
Property, plant & equipment held for own use	R0060	62,924
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**3,398,481**
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	682,248
Equities	R0100	–
Equities – listed	R0110	–
Equities – unlisted	R0120	–
Bonds	R0130	2,438,700
Government Bonds	R0140	1,506,201
Corporate Bonds	R0150	932,499
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	248,775
Derivatives	R0190	28,757
Deposits other than cash equivalents	R0200	–
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	–
Loans and mortgages	**R0230**	**787**
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	787
Reinsurance recoverables from:	**R0270**	**272,645**
Non-life and health similar to non-life	R0280	272,645
Non-life excluding health	R0290	273,254
Health similar to non-life	R0300	(609)
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	–
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	82,752
Reinsurance receivables	R0370	32,239
Receivables (trade, not insurance)	R0380	54,260
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	400,432
Any other assets, not elsewhere shown	R0420	677,238
Total assets	**R0500**	**5,023,532**

Appendix:
Quantitative reporting continued

S.02.01.02 – Balance sheet continued

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	**371,337**
Technical provisions – non-life (excluding health)	**R0520**	**361,214**
TP calculated as a whole	R0530	–
Best estimate	R0540	209,939
Risk margin	R0550	151,275
Technical provisions – health (similar to non-life)	**R0560**	**10,123**
TP calculated as a whole	R0570	–
Best estimate	R0580	9,705
Risk margin	R0590	418
TP – life (excluding index-linked and unit-linked)	R0600	–
Technical provisions – health (similar to life)	R0610	–
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP – life (excluding health and index-linked and unit-linked)	**R0650**	**–**
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP – index-linked and unit-linked	**R0690**	**–**
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	66,384
Derivatives	R0790	1,914
Debts owed to credit institutions	R0800	
Debts owed to credit institutions resident domestically	ER0801	–
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	–
Debts owed to credit institutions resident in rest of the world	ER0803	–
Financial liabilities other than debts owed to credit institutions	R0810	
Debts owed to non-credit institutions	ER0811	–
Debts owed to non-credit institutions resident domestically	ER0812	–
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	–
Debts owed to non-credit institutions resident in rest of the world	ER0814	–
Other financial liabilities (debt securities issued)	ER0815	–
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	339,173
Subordinated liabilities	**R0850**	**506,256**
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	506,256
Any other liabilities, not elsewhere shown	R0880	192,883
Total liabilities	**R0900**	**1,477,947**

Excess of assets over liabilities		**3,545,585**

Appendix: Quantitative reporting continued

S.05.01.02 – Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of Business for: accepted non-proportional reinsurance			
		Income protection insurance C0020	Marine, aviation and transport C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Miscellaneous financial loss C0120	Health C0130	Casualty C0140	Property C0160	Total C0200
Premiums written											
Gross – Direct Business	R0110	109,727	465,863	800,620	3,317,393	71,727	72,632				**4,837,962**
Gross – Proportional reinsurance accepted	R0120	3,711	–	–	71,778	54,071	–				**129,560**
Gross – Non-proportional reinsurance accepted	R0130							22,555	40,413	202,248	**265,216**
Reinsurers' share	R0140	50,545	47,276	182,330	1,012,659	21,071	7,530	1,472	228	62,773	**1,385,883**
Net	R0200	62,893	418,588	618,291	2,376,512	104,728	65,101	21,083	40,185	139,475	**3,846,856**
Premiums earned											
Gross – Direct Business	R0210	113,005	437,582	747,546	2,901,589	67,637	68,964				**4,336,323**
Gross – Proportional reinsurance accepted	R0220	4,082	–	–	66,693	50,249	–				**121,024**
Gross – Non-proportional reinsurance accepted	R0230							22,025	41,700	205,172	**268,898**
Reinsurers' share	R0240	50,746	47,154	161,059	787,767	19,513	7,178	1,532	228	65,039	**1,140,215**
Net	R0300	66,341	390,429	586,486	2,180,515	98,373	61,786	20,493	41,472	140,133	**3,586,029**
Claims incurred											
Gross – Direct Business	R0310	57,890	192,228	494,632	1,860,323	106,543	40,948				**2,752,562**
Gross – Proportional reinsurance accepted	R0320	1,310	–	–	27,520	28,112	–				**56,942**
Gross – Non-proportional reinsurance accepted	R0330							6,128	18,444	146,554	**171,126**
Reinsurers' share	R0340	31,365	58,395	166,674	720,281	63,698	(1,114)	(2)	642	43,778	**1,083,717**
Net	R0400	27,835	133,833	327,957	1,167,562	70,956	42,062	6,130	17,802	102,776	**1,896,913**
Changes in other technical provisions											
Gross – Direct Business	R0410										**–**
Gross – Proportional reinsurance accepted	R0420										**–**
Gross – Non-proportional reinsurance accepted	R0430										**–**
Reinsurers' share	R0440										**–**
Net	R0500	–	–	–	–	–	–	–	–	–	**–**
Expenses incurred	R0550	30,281	140,208	221,104	784,487	39,017	19,725	5,496	16,557	41,238	**1,298,115**
Other expenses	R1200										
Total expenses	R1300										**1,298,115**

The following columns, which are blank, have been omitted for improved presentation: C0010 Medical expense insurance; C0030 Workers' compensation insurance; C0040 Motor vehicle liability insurance; C0050 Other motor insurance; C0100 Legal expenses insurance; C0110 Assistance; and C0150 Accepted Non-Proportional Marine, aviation, transport.

Appendix:
Quantitative reporting continued

S.05.01.02 – Premiums, claims and expenses by line of business continued

		Line of Business for: life insurance obligations	Life reinsurance obligations	Total
		Other life insurance	Life reinsurance	
		C0240	C0280	C0300
Premiums written				
Gross	R1410	32,792	3,131	**35,923**
Reinsurers' share	R1420	6,558	19	**6,577**
Net	**R1500**	**26,233**	**3,112**	**29,345**
Premiums earned				
Gross	R1510	32,300	2,860	**35,161**
Reinsurers' share	R1520	6,914	56	**6,969**
Net	**R1600**	**25,387**	**2,804**	**28,191**
Claims incurred				
Gross	R1610	19,962	935	**20,896**
Reinsurers' share	R1620	6,183	(40)	**6,143**
Net	**R1700**	**13,779**	**975**	**14,754**
Changes in other technical provisions				
Gross	R1710			**–**
Reinsurers' share	R1720			**–**
Net	**R1800**	**–**	**–**	**–**
Expenses incurred	**R1900**	**8,568**	**804**	**9,372**
Other expenses	**R2500**			
Total expenses	**R2600**			**9,372**

The following columns, which are blank, have been omitted for improved presentation: C0210 Health insurance; C0220 Insurance with profit participation; C0230 Index-linked and unit-linked insurance; C0250 Annuities stemming from non-life insurance contracts and relating to health insurance obligations; C0260 Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations; and C0270 Health reinsurance.

Appendix:
Quantitative reporting continued

S.05.02.01 – Premiums, claims and expenses by country

Home country – non-life obligations

		Home country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		GB	US	BE	FR	SG	DE	
R0010		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premium written								
Gross – Direct Business	R0110	2,199,360	2,155,600	–	91,091	80,433	69,508	4,595,992
Gross – Proportional reinsurance accepted	R0120	16,187	19,343	93,323	382	293	2	128,531
Gross – Non-proportional reinsurance accepted	R0130	241,087	699	–	202	7,997	12,763	262,749
Reinsurers' share	R0140	627,776	552,920	77,040	23,050	22,482	20,840	1,324,108
Net	**R0200**	**1,828,857**	**1,622,723**	**15,284**	**68,626**	**66,241**	**61,433**	**3,663,164**
Premium earned								
Gross – Direct Business	R0210	1,971,312	1,932,090	–	81,646	72,093	62,301	4,119,442
Gross – Proportional reinsurance accepted	R0220	15,121	18,069	86,240	357	274	1	120,062
Gross – Non-proportional reinsurance accepted	R0230	244,433	709	–	205	8,108	12,941	266,396
Reinsurers' share	R0240	516,494	454,907	63,383	18,964	18,497	17,145	1,089,390
Net	**R0300**	**1,714,372**	**1,495,961**	**22,857**	**63,244**	**61,979**	**58,097**	**3,416,510**
Claims incurred								
Gross – Direct Business	R0310	1,251,327	1,226,430	–	51,826	45,762	39,546	2,614,893
Gross – Proportional reinsurance accepted	R0320	7,114	8,502	40,577	168	129	1	56,490
Gross – Non-proportional reinsurance accepted	R0330	155,557	451	–	130	5,160	8,235	169,534
Reinsurers' share	R0340	490,902	432,366	20,234	18,024	17,580	16,296	995,402
Net	**R0400**	**923,097**	**803,017**	**20,343**	**34,101**	**33,471**	**31,487**	**1,845,514**
Expenses incurred	**R0550**	**617,144**	**547,585**	**5,157**	**23,158**	**22,353**	**20,730**	**1,236,128**
Other expenses	**R1200**							
Total expenses	**R1300**							**1,236,128**

*deleted rows R0410 to R0500-Changes on other technical provisions as nil value

Appendix:
Quantitative reporting continued

S.05.02.01 – Premiums, claims and expenses by country

Life obligations

R1400		Home country GB C0220	Total Top 5 and home country C0280
Premium written			
Gross	R1410	35,923	35,923
Reinsurers' share	R1420	6,577	6,577
Net	**R1500**	**29,345**	**29,345**
Premium earned			
Gross	R1510	35,161	35,161
Reinsurers' share	R1520	6,969	6,969
Net	**R1600**	**28,191**	**28,191**
Claims paid			
Gross	R1610	20,896	20,896
Reinsurers' share	R1620	6,143	6,143
Net	**R1700**	**14,754**	**14,754**
Changes in other technical provisions			
Gross	R1710		–
Reinsurers' share	R1720		–
Net	**R1800**	**–**	**–**
Expenses incurred	**R1900**	**9,372**	**9,372**
Other expenses	**R2500**		
Total expenses	**R2600**		9,372

Appendix:
Quantitative reporting continued

S.23.01.22 – Own funds

		Total	Tier 1 – unrestricted	Tier 2	Tier 3
		C0010	C0020	C0040	C0050
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	R0010	**46,636**	46,636	–	
Non-available called but not paid in ordinary share capital at group level	R0020	**–**			
Share premium account related to ordinary share capital	R0030	**9,722**	9,722	–	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	**–**	–	–	
Subordinated mutual member accounts	R0050	**–**		–	–
Non-available subordinated mutual member accounts at group level	R0060	**–**			
Surplus funds	R0070	**–**	–		
Non-available surplus funds at group level	R0080	**–**	–		
Preference shares	R0090	**–**		–	–
Non-available preference shares at group level	R0100	**–**			
Share premium account related to preference shares	R0110	**–**		–	–
Non-available share premium account related to preference shares at group level	R0120	**–**			
Reconciliation reserve	R0130	**3,274,113**	3,274,113		
Subordinated liabilities	R0140	**506,256**		506,256	–
Non-available subordinated liabilities at group level	R0150	**–**			
An amount equal to the value of net deferred tax assets	R0160	**37,191**			37,191
The amount equal to the value of net deferred tax assets not available at the group level	R0170	**37,191**			37,191
Other items approved by supervisory authority as basic own funds not specified above	R0180	**–**	–	–	–
Non-available own funds related to other own funds items approved by supervisory authority	R0190	**–**			
Minority interests (if not reported as part of a specific own fund item)	R0200	**–**			
Non-available minority interests at group level	R0210	**–**			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220				
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial act.	R0230	**–**			
Where of deducted according to art 228 of the Directive 2009/138/EC	R0240	**–**			
Deductions for participations where there is non-availability of information (Article 229)	R0250	**–**			
Deduction for participations included by using D&A when a combination of methods is used	R0260	**–**			
Total of non-available own fund items	R0270	**37,191**	–	–	37,191
Total deductions	**R0280**	**37,191**	**–**	**–**	37,191
Total basic own funds after deductions	**R0290**	**3,836,727**	**3,330,471**	**506,256**	**–**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300	**–**			
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type	R0310	**–**			
Unpaid and uncalled preference shares callable on demand	R0320	**–**			
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	**–**			
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	**–**			
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	**–**			
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	**–**			
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	**–**			
Non-available ancillary own funds at group level	R0380	**–**			
Other ancillary own funds	R0390	**–**			
Total ancillary own funds	**R0400**	**–**		**–**	**–**

Appendix:
Quantitative reporting continued

S.23.01.22 – Own funds continued

		Total C0010	Tier 1 – unrestricted C0020	Tier 2 C0040	Tier 3 C0050
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	R0410	–			
Institutions for occupational retirement provision	R0420	–			
Non-regulated entities carrying out financial activities	R0430	–			
Total own funds of other financial sectors	R0440	–	–	–	–
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method	R0450	–			
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460	–			
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	**3,836,727**	**3,330,471**	**506,256**	–
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**3,836,727**	**3,330,471**	**506,256**	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	**3,836,727**	**3,330,471**	**506,256**	–
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**3,409,159**	**3,330,471**	**78,689**	
Minimum consolidated Group SCR	**R0610**	**393,443**			
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**866.5 %**			
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	**3,836,727**	**3,330,471**	**506,256**	–
Group SCR	**R0680**	**1,573,772**			
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**243.8 %**			

Reconciliation reserve		
Excess of assets over liabilities	R0700	**3,545,585**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	110,366
Other basic own fund items	R0730	**93,549**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	67,557
Other non-available own funds	R0750	
Reconciliation reserve	**R0760**	**3,274,113**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	851,107
Total expected profits included in future premiums (EPIFP)	**R0790**	851,107

The following column, which is blank, has been omitted for improved presentation: C0030 Tier 1 restricted.

Appendix:
Quantitative reporting continued

S.25.03.22 - Solvency Capital Requirement calculated using a full internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	**C0020**	**C0030**
RES01	Reserve risk	1,305,252
PRM01	Premium risk	1,621,185
MKT01	Market risk	507,683
OPL01	Operational risk	237,736
CRT01	Credit risk	204,469

Calculation of Solvency Capital Requirement		
Total undiversified components	**R0110**	**3,876,326**
Diversification	R0060	(2,302,554)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,573,772**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,573,772**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(101,655)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Minimum consolidated group solvency capital requirement	R0470	393,443
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	–
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	

Appendix: Quantitative reporting continued

S.32.01.22 – Undertakings in the scope of the Group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% Used for the establish - ment	% voting rights	Level of influence	Group SCR	Yes/No	Method of calculation
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0220	C0230	C0240	C0260
CA	2138006PPOOELDD88116	LEI	Beazley Canada Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800XLBHOUAOEK4C56	LEI	Beazley Corporate Member (No.2) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	2138008PYM4U3JVY5O29	LEI	Beazley Corporate Member (No.3) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800VE5OALBYXHTL82	LEI	Beazley Corporate Member (No.6) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800LRL5PQQ1BNTJ43	LEI	Beazley Furlonge Holdings Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	549300FAQP1YKTIM1S87	LEI	Beazley Furlonge Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138007DO9SL7TQBVH27	LEI	Beazley Group (USA) General Partnership	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Delaware general partnership	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	549300V3F4ZHETMM6P72	LEI	Beazley Group Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	213800VHYDYMDVQ7PK36	LEI	Beazley Holdings, Inc.	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138000BLNEDLYDMHI69	LEI	Beazley Insurance Company, Inc.	Non life insurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance Department	100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
IE	549300WWULDAFCPEU084	LEI	Beazley Insurance dac	Non life insurance undertaking	Incorporated company limited by shares	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800ZFFB8FZNACJ862	LEI	Beazley Investments Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
IE	21380052V9LP6NH9W342	LEI	Beazley Ireland Holdings plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800VTOMUWD41GIT12	LEI	Beazley plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	21380022FM3LXUN3HR40	LEI	Beazley Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
SG	213800DJFLUB3XE1WM21	LEI	Beazley Pte. Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800AQFXRGDD861306	LEI	Beazley Solutions Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800AVDAS3WCGM9K47	LEI	Beazley Staff Underwriting Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method

Appendix:
Quantitative reporting continued

S.32.01.22 – Undertakings in the scope of the Group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% Used for the establis h- ment	% voting rights	Level of influence	Group SCR	Yes/No	Method of calculation
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0220	C0230	C0240	C0260
GB	213800VBCFZ1LXWVAH47	LEI	Beazley Underwriting Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800ESHJJFAEPH8T43	LEI	Beazley Underwriting Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138003E3J3TT2VVA730	LEI	Beazley USA Services, Inc.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138002FMQZV2ESD2P39	LEI	Lodestone Securities LLC	Other	Limited liability company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	UKLSEC	Specific Code	Lodestone Security Limited	Other	Limited liability company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
US	213800CFCH6JNRWK1K74	LEI	Beazley America Insurance Company Inc.	Non life insurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance Department	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
IE	213800CHKXKYN5IR5437	LEI	Beazley Solutions International Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
MT	213800DWGDOMU52RW804	LEI	Falcon Money Management Holdings Limited	Other	Company limited by shares	Non-mutual		25.00%	25.00%	25.00%	Significant	25.00%	Included in the scope	Method 1: Adjusted equity method
US	BHIDLLC	Specific Code	Beazley Holdings, Inc. Digital LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited liability company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
MY	BLL	Specific Code	Beazley Labuan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	CAVLLC	Specific Code	CyberAcuView LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		14.29%	14.29%	14.29%	Significant	14.29%	Included in the scope	Method 1: Adjusted equity method
US	BNCC	Specific Code	Beazley Newco Captive Company, Inc	Reinsurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance Department	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
HK	PUL	Specific Code	Pegasus Underwriting Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		33.00%	33.00%	33.00%	Significant	33.00%	Included in the scope	Method 1: Adjusted equity method

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