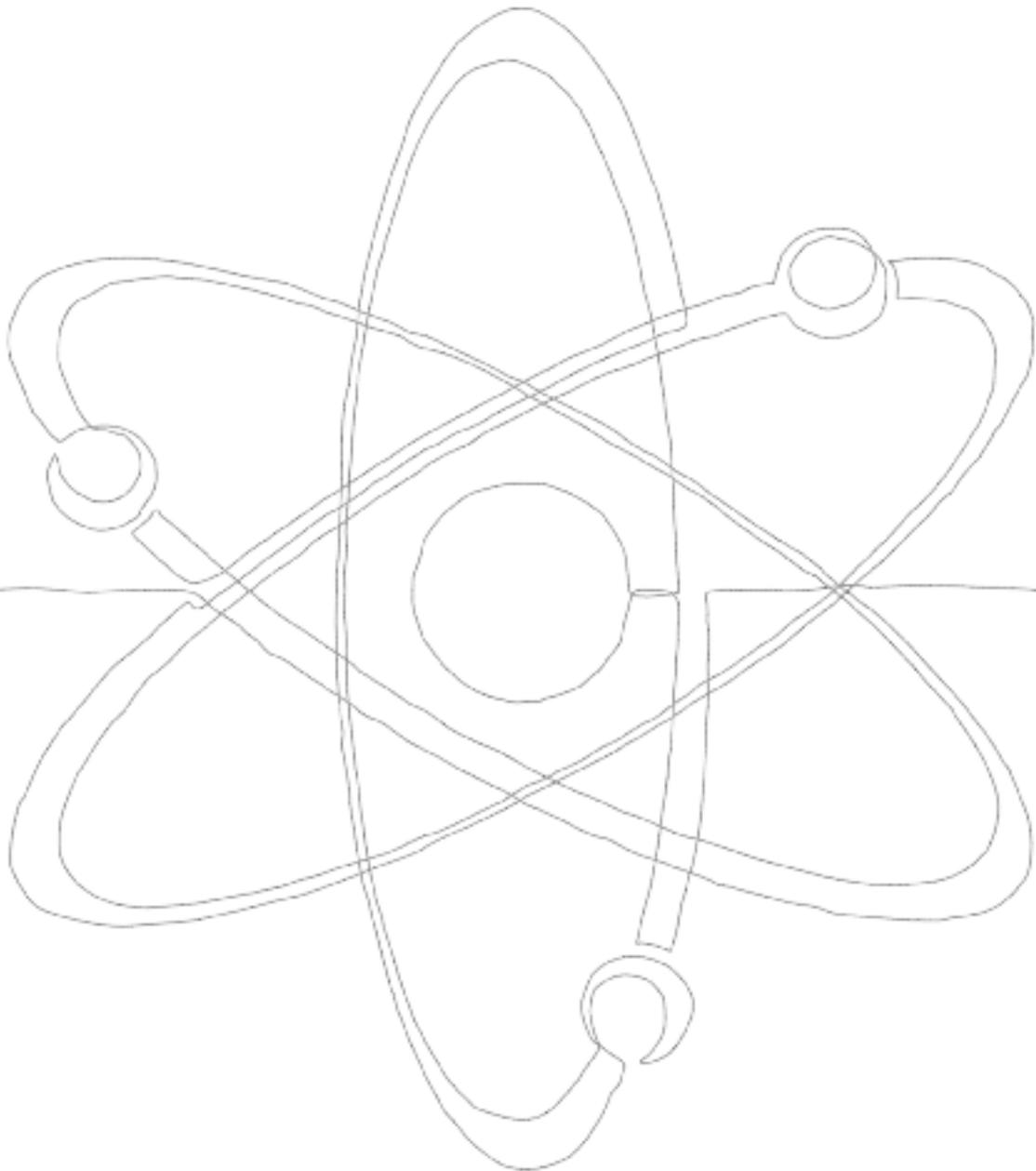


*At our core...*



# Welcome to our annual report 2020

Beazley Insurance dac is a non-life insurance company that reinsures and provides capital to support the underwriting activities of Beazley Underwriting Limited in the Lloyd's market. The company also writes non-life insurance through its European branch network.

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# Highlights

Gross premiums written

**\$115.2m**

(2019: \$43.8m)

Net investment income

**\$83.0m**

(2019: \$114.0m)

Earned premiums, net of reinsurance

**\$72.3m**

(2019: \$26.3m)

Cash and investments

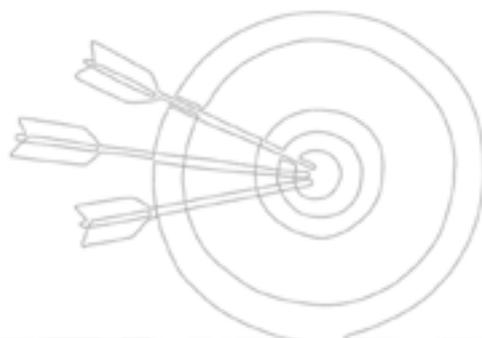
**\$1,731.5m**

(2019: \$1,751.1m)

Loss after tax for the financial year

**\$40.9m**

(2019 profit: \$187.9m)



## Report of the directors

The directors submit their report, together with the financial statements of the company for the year ended 31 December 2020.

### Principal activities and business review

In July 2017 the company received authorisation from the Central Bank of Ireland to convert from a reinsurance company into a non-life insurance company permitted to transact business throughout Europe. To that end the company was renamed Beazley Insurance dac. The company operates a branch network in the United Kingdom, France, Germany, Spain and Switzerland and operates across Europe on a freedom of services basis.

The company also continues to act as an intra-group reinsurer and provides capital to support the underwriting activities of its sister company, Beazley Underwriting Limited. Beazley Underwriting Limited is a Lloyd's of London corporate member. It participates in the Lloyd's insurance market on a limited liability basis through syndicates 2623, 3622 and 3623. Beazley Underwriting Limited cedes 75% of the final declared result (less a retention of \$4m) of its participation in syndicates 2623 and 3623 to the company. In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of \$4m not exceeding 75% of the Funds at Lloyd's.

The company also has a credit facility agreement with Beazley Underwriting Limited. Under this agreement, the company provides up to 25% of Beazley Underwriting Limited's total required Funds at Lloyd's.

In 2020, the COVID-19 outbreak has had a significant impact on the company. The company's reinsurance contracts with Beazley Underwriting Limited were impacted by significant adverse claims activity. In addition, although heavily weighted towards government issued and investment grade corporate debt, the company's investment portfolio has been impacted by the increased volatility in financial markets throughout 2020.

From an operational perspective, the company has invested significantly in the resilience of its workforce, ensuring they can all work remotely, and are able to be flexible about how, when and where they work. Since the outbreak, the company's workforce have largely continued to work remotely. The group and company's boards continue to monitor the situation and are able to activate continuity plans at short notice.

Through 2020, the company continued to invest in and develop its business across Europe. Premiums from the company's non-life insurance and reinsurance business carried out through its branches grew from \$43.8m in 2019 to \$91.0m in 2020. The balance of premiums written relates to our reinsurance contracts with Beazley Underwriting Limited.

During 2020, Beazley recruited a sustainability officer to support the assessment of the financial impact of climate change and to undertake risk assessments on our products. These assessments identify how products need to evolve as we transition to a lower carbon environment. A review of a number of products has been completed and the remainder will be performed in 2021. More detailed information on Beazley's focus on sustainability can be found within the annual report of Beazley plc (available at [www.beazley.com](http://www.beazley.com))

### Future developments in the business

The reinsurance contract for 2021 was signed by the company and Beazley Underwriting Limited on 21 December 2020.

The company will seek to grow and expand its non-life insurance/reinsurance business across Europe through additional underwriting capability through our expanded branch network. The company is also looking to enter into a limited number of delegated underwriting agreements in 2021 as it continues to expand its underwriting capability in Europe. The company's UK branch entered the PRA's temporary permissions regime (TPR) on 1 January 2021 until such time as the application process to be registered as a third country branch has been completed. The branch's activities will continue to operate as normal under the TPR.

### Principal risks and uncertainties

Due to the nature of its activities, the principal risks and uncertainties of the company are aligned with those of 'Beazley plc' (the group) and include:

- Insurance risk
- Asset risk
- Operational risk
- Liquidity risk
- Credit risk
- Group risk
- Regulatory and legal risk
- Strategic risk

## Principal risks and uncertainties *continued*

The impact of COVID-19 and Brexit has been considered as part of the above risks. The company operates a risk management framework, within which risk appetite is defined, risks assumed are identified and managed and key controls are implemented and monitored. Additional information in relation to the company's risk management objectives and policies is included in note 2 of the financial statements.

## Key performance indicators (KPIs)

The company generated a loss before tax of \$47.6m (2019 profit: \$213.7m). The company's negative return on equity for the year was 4% (2019: positive 17%) which was largely driven by the COVID-19 related claims activity with the reinsurance contracts. The company has seen premiums from its non-life insurance and reinsurance business carried out through its branches grow from \$43.8m in 2019 to \$91.0m in 2020 and we anticipate further growth in 2021. The company increased its product offering and underwriting capability through its expanded branch network. The balance of premiums written relates to our reinsurance contracts.

Although impacted by the COVID-19 outbreak, the company maintained a strong capital position throughout 2020, with an SCR coverage ratio of 192% as at 31 December 2020. The company had net investment income of \$83.0m (2019: \$114.0m) and a claims ratio on its direct business of 70% (2019: 60%).

## Results and dividends

The result for the year is shown on the profit or loss account on pages 14 and 15. The company did not pay a dividend in 2020 (2019: £75m (\$96.6m)) to its sole shareholder Beazley Ireland Holdings plc.

## Directors

The names of the persons who were directors at any time during the year ended 31 December 2020 are set out below:

Director

D A Horton (British)	(Non-executive) (Resigned 31 March 2021)
S M Lake (British)	
P O DeSaulle (French)	(Independent non-executive)
P Ruane	(Independent non-executive) (Appointed 28 September 2020)
E J McGivney	
K P Murphy	(Independent non-executive)
I C Stuart	(Independent non-executive) (Resigned 05 February 2021)
C M Woods	(Independent non-executive chairperson)

## Directors and secretary and their interests

The directors and secretary who held office at 31 December 2020 had no interests greater than 1% in the shares of, or debentures or loan stock of, the company or group companies at the beginning (or date of appointment, if later) or end of the year.

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance contracts. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of its profit or loss for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Report of the directors continued

### Statement of directors' responsibilities *continued*

In assessing the company's ability to continue as a going concern, the directors have considered the company's capital position, business plans, cash flow and liquidity, and broader external and internal business factors including the impact of the COVID-19 pandemic on the company. The directors are satisfied that the assessment of the company as a going concern is reasonable.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the company and enable them to ensure that the financial statements comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a directors' report that complies with the requirements of the Companies Act 2014. As required by Section 167 of the Companies Act 2014 (the '2014 Act'), the company confirms that it has established an audit committee, which assists the board in carrying out its oversight and control obligations.

### Relevant audit information

We confirm that to the best of our knowledge:

- so far as the directors are aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- the directors have taken all the steps that he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

### Statement of directors' compliance

The directors of the company acknowledge that they are responsible for securing the company's compliance with its relevant obligations (as defined in the 2014 Act) and, as required by Section 225 of the 2014 Act.

The directors confirm that:

- a compliance policy statement setting out the company's policies with regard to complying with the relevant obligations under the 2014 Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial year to which this directors' report relates.

### Accounting records

The directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act, 2014 with regard to accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at 2 Northwood Avenue, Santry, Dublin 9 (D09 X5N9).

### Political donations

The company made no political donations during the financial year ended 31 December 2020 or 31 December 2019; neither above or below €200.

### Central Bank of Ireland Corporate Governance Code

The company is subject to the Corporate Governance Requirements for Insurance Undertakings issued by the Central Bank of Ireland. The company is not required to comply with the additional requirements for major institutions.

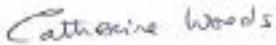
### Post balance sheet events

On 19 March 2021, and subject to regulatory approval, the board approved the appointment of Adrian Cox as group non-executive director of the company. Mr. Cox's appointment will be effective only from the date regulatory approval is received.

### Auditor

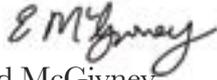
The auditors, Ernst and Young, Chartered Accountants, were appointed as the Company's auditor on 25 June 2019 in accordance with section 383(2) of the Companies Act 2014. This followed a selection procedure in accordance with Article 16(3) of Regulation (EU) No 537/2014 in respect of the appointment of the audit firm.

On behalf of the Board



Catherine Woods

Director



Ed McGivney

Director

1 April 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

### ***Report on the audit of the financial statements***

#### **Opinion**

We have audited the financial statements of Beazley Insurance dac ('the Company') for the year ended 31 December 2020, which comprise the Profit or loss account, Statement of changes in equity, Balance sheet, and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (Generally Accepted Accounting Practice in Ireland).

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard as applied to public interest entities issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### **Conclusions relating to going concern**

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

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management to ensure all key factors were considered in their assessment;
- We obtained management's going concern assessment which covers a period of at least 12 months from the approval of the financial statements, which incorporates the Company's business plans and solvency capital requirements, including modelling a number of scenarios within their assessment.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

- We examined the factors and assumptions included in these scenarios and the business plan including the impact of Covid-19 on the forecasts. We considered the appropriateness of the methods used by Company in the business plan and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriate for the entity.
- We reviewed the Company going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

### **Conclusion**

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

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Accounting for reinsurance result in line with treaty arrangements</b></p> <p><b>Net Earned Premium (2020: \$24.2m 2019: nil)</b></p> <p><b>Net insurance claims (2020: (\$116.0m) 2019: \$126.9m)</b></p> <p>Refer to the Accounting policies in Note 1 of the Financial Statements and note 3</p> <p>Due to the nature of the entity, premiums written are recorded based on the declared result from the syndicates. The results of the Company are dependent on calculations of the cedant's financial reporting, in line with the treaty terms.</p> <p>There is a risk of errors in these calculations of reported results which could lead to a misstatement of premiums (net of commissions) or claims on the reinsurance business.</p>	<p>To obtain sufficient audit evidence to conclude on the accounting for the reinsurance treaty we:</p> <ul style="list-style-type: none"> <li>- obtained an understanding of the internal control framework around these, and tested the effectiveness of relevant controls in place;</li> <li>-obtained an understanding of the terms of the reinsurance treaty with the cedant, Beazley Underwriting Limited; and</li> <li>- tested the calculation of the financial results for the reinsurance business, including testing the data inputs from BUL.</li> </ul>	<p>We completed our planned procedures and have no material matters to report.</p>



**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Audit Committee</b>
<p><b>Valuation of claims liabilities</b></p> <p><b>Gross claims liabilities:</b> (2020: \$220.4m 2019: \$57.4m)</p> <p><b>Net claims liabilities:</b> (2020: \$205.5m 2019: \$54m)</p> <p>Refer to the Accounting policies in Note 1 and to Note 13 of the Financial Statements</p> <p>Gross and net claims liabilities are inherently uncertain and subjective in nature, and therefore subject to a greater degree of risk of misstatement than other balances.</p> <p>The assumptions deriving IBNR involve a significant degree of expert judgement in setting Management’s estimates. In addition loss reserve estimates for certain classes of business can be based on limited data.</p>	<p>To address the risk within the valuation of claims liabilities, we:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding and tested the design and operating effectiveness of key controls over management’s process in respect of the valuation of claims liabilities on a gross and net of reinsurance basis including the setting and updating of actuarial assumptions;</li> <li>- Assessed and challenged the reserving methodology on both a gross and net of reinsurance basis including comparing the reserving methodology with industry practice;</li> <li>- Performed independent re-projections of IBNR applying our own assumptions, on a sample basis;</li> <li>- Challenged and assessed whether the key assumptions applied to key areas of uncertainties were appropriate based on our knowledge of the Company, industry practice and regulatory and financial reporting requirements;</li> <li>- Considered the impact of COVID within the incurred position, and benchmarked the Company’s COVID reserves against external data sources.</li> </ul>	<p>We completed our planned procedures and have no material matters to report.</p>

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.



We determined materiality for the Company to be \$10.8 million (2019: \$10.7 million), which is 1% (2019: 5%) of Equity (2019: Pre-tax income). We used 1% of Equity as basis of our materiality as the entity is in loss making position in 2020.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

### **Performance materiality**

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely €8.1m (2019: €5.3m). We have set performance materiality at this percentage due to nature of the industry in which the Company operates.

### **Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$0.5m (2019: \$0.5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## **An overview of the scope of our audit report**

### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and Directors' Responsibilities Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

### ***Opinions on other matters prescribed by the Companies Act 2014***

In our opinion, based solely on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

### ***Matters on which we are required to report by exception***

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act, which relate to disclosures of directors' remuneration and transactions are not complied with by the Company. We have nothing to report in this regard.

### ***Respective responsibilities***

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework that give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so

#### ***Auditor's responsibilities for the audit of the financial statements***

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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and

implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC**

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Generally Accepted Accounting Practice in Ireland including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Companies Act 2014 and the EU (Insurance and Reinsurance) Regulations 2015 (the Solvency II Directive).
- ▶ We understood how the Company is complying with those frameworks by making enquiries of Management, internal audit, and those responsible for legal and compliance procedures. We corroborated our enquiries through our examination of board minutes, papers provided to the Audit Committees and correspondence with regulatory bodies.
- ▶ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by including through enquiries of Management to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included an examination of board minutes to identify any non-compliance with laws and regulations, an examination of the reporting to the Audit Committee on compliance with regulations and enquiries of Management.
- ▶ The Company operates in the insurance industry which is a highly regulated environment. As such, the Audit Engagement Partner considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate.
- ▶ As the insurance industry is highly regulated, we have obtained an understanding of the regulations and the potential impact on the Company and in assessing the control environment we have considered the compliance by the Company with these regulations as part of our audit procedures, which included an examination of correspondence with regulatory bodies.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). This description forms part of our auditor's report.

### ***Other matters which we are required to address***

We were appointed by Board of Directors in August 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY INSURANCE DAC

### *The purpose of our audit work and to whom we owe our responsibilities*

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report,

A handwritten signature in blue ink that reads 'Ciara McKenna'.

Ciara McKenna  
**for and on behalf of**  
**Ernst & Young Chartered Accountants and Statutory Audit Firm**

**Office:** Dublin

**Date:** 01 April 2021

# Profit or loss account

for the year ended 31 December 2020

## Technical account – non-life insurance business

	Notes	2020 \$m	2019 \$m
Gross premiums written	3	115.2	43.8
Written premiums ceded to reinsurers		(19.3)	(8.1)
<b>Net premiums written</b>		<b>95.9</b>	<b>35.7</b>
Change in the gross provision for unearned premiums	13	(29.8)	(12.8)
Reinsurer's share of change in the provision for unearned premium	13	6.2	3.4
<b>Change in net provision for unearned premiums</b>		<b>(23.6)</b>	<b>(9.4)</b>
<b>Net earned premiums</b>	<b>3</b>	<b>72.3</b>	<b>26.3</b>
Investment return transferred from the non-technical account	4	84.3	116.3
<b>Revenue</b>		<b>156.6</b>	<b>142.6</b>
Gross claims paid		(2.4)	-
Reinsurers' share of claims paid		0.1	-
<b>Claims paid net of reinsurance</b>		<b>(2.3)</b>	<b>-</b>
Change in gross provision for claims	13	(158.2)	108.2
Reinsurer's share of change in provision for claims	13	10.9	2.9
<b>Change in the net provision for claims</b>		<b>(147.3)</b>	<b>111.1</b>
<b>Claims incurred net of reinsurance</b>		<b>(149.6)</b>	<b>111.1</b>
Net operating expenses	5	(26.5)	(16.5)
Investment charges transferred from the non-technical account	4	(1.3)	(2.3)
<b>Balance on the technical account</b>		<b>(20.8)</b>	<b>234.9</b>

## *Profit or loss account continued*

*for the year ended 31 December 2020*

### Non-technical account

	Notes	2020 \$m	2019 \$m
Investment income	4	84.3	116.3
Investment return transferred to the non-life technical account		(84.3)	(116.3)
Investment expenses	4	(1.3)	(2.3)
Investment expenses transferred to the non-life technical account		1.3	2.3
Finance costs	18	(31.6)	(20.0)
Profit/(loss) on foreign exchange		4.8	(1.2)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(47.6)</b>	<b>213.7</b>
<b>Tax on loss/profit on ordinary activities</b>	7	<b>6.7</b>	<b>(25.8)</b>
<b>(Loss)/profit for the financial year</b>		<b>(40.9)</b>	<b>187.9</b>

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

The notes on pages 19 to 40 form part of these financial statements.

# Statement of changes in equity

for the year ended 31 December 2020

	Notes	Capital contribution \$m	Foreign exchange reserve \$m	Retained earnings \$m	Total equity \$m
Balance as at 1 January 2020		536.3	(42.9)	684.4	1,177.8
Profit/(Loss) for the financial year		-	-	(40.9)	(40.9)
Foreign exchange translation differences	12	-	(0.2)	-	(0.2)
Dividend paid	12	-	-	-	-
<b>Balance as at 31 December 2020</b>		<b>536.3</b>	<b>(43.1)</b>	<b>643.5</b>	<b>1,136.7</b>

	Notes	Capital contribution \$m	Foreign exchange reserve \$m	Retained earnings \$m	Total equity \$m
Balance as at 1 January 2019		536.3	(42.8)	593.1	1,086.6
Profit for the financial year		-	-	187.9	187.9
Foreign exchange translation differences		-	(0.1)	-	(0.1)
Dividend paid	12	-	-	(96.6)	(96.6)
<b>Balance as at 31 December 2019</b>		<b>536.3</b>	<b>(42.9)</b>	<b>684.4</b>	<b>1,177.8</b>

The notes on pages 19 to 40 form part of these financial statements.

# Balance sheet

as at 31 December 2020

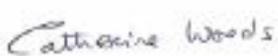
	Notes	2020 \$m	2019 \$m
<b>Assets</b>			
<b>Investments</b>			
Financial assets designated at fair value through profit or loss	2, 8	1,722.5	1,738.6
		<b>1,722.5</b>	<b>1,738.6</b>
<b>Reinsurer's share of technical provision</b>			
Provision for unearned premiums, reinsurer's share	13	10.8	4.2
Claims outstanding, reinsurer's share	13	14.9	3.4
		<b>25.7</b>	<b>7.6</b>
<b>Debtors</b>			
Amounts due from group companies	16	125.0	32.5
Debtors arising from direct insurance operations		42.4	18.3
Debtors arising from reinsurance operations	14	24.2	-
Deferred tax asset	7	1.2	-
Current tax receivable	9	11.8	-
		<b>204.6</b>	<b>50.8</b>
<b>Cash and cash equivalents</b>	10	<b>9.0</b>	<b>12.5</b>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	11	14.0	6.4
Other prepayments and accrued interest		7.2	9.9
		<b>21.2</b>	<b>16.3</b>
<b>Total assets</b>		<b>1,983.0</b>	<b>1,825.8</b>

## Balance sheet continued

as at 31 December 2020

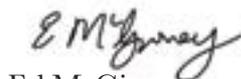
	Notes	2020 \$m	2019 \$m
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital – presented as equity	12	-	-
Capital contribution	12	536.3	536.3
Foreign exchange translation reserve	12	(43.1)	(42.9)
Dividend paid		-	(96.6)
Profit or loss account	12	643.5	781.0
<b>Shareholders' funds attributable to equity interests</b>		<b>1,136.7</b>	<b>1,177.8</b>
<b>Liabilities</b>			
<b>Technical provisions</b>			
Provision for unearned premium	13	51.3	18.0
Claims outstanding	13	220.4	57.4
		<b>271.7</b>	<b>75.4</b>
<b>Creditors</b>			
Accruals and deferred income		9.6	8.7
Other creditors		14.9	10.7
		<b>24.5</b>	<b>19.4</b>
<b>Financial liabilities</b>	2, 8, 18	<b>550.1</b>	<b>553.2</b>
<b>Total liabilities</b>		<b>846.3</b>	<b>648.0</b>
<b>Total equity and liabilities</b>		<b>1,983.0</b>	<b>1,825.8</b>

Approved on behalf of the board of directors:



Catherine Woods

Director



Ed McGivney

Director

1 April 2021

The notes on pages 19 to 40 form part of these financial statements.

# Notes to the financial statements

for the year ended 31 December 2020

## 1 Principal accounting policies

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

### (a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, (the Financial Reporting Standard applicable in the UK and Republic of Ireland) (FRS 102) and Financial Reporting Standard 103 (Insurance Contracts) (FRS 103). All amounts disclosed in the financial statements are presented in US dollars and millions, unless otherwise stated.

The financial statements comply with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015, and the Companies Act 2014.

Under FRS 102.1.12(b), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the voting rights of the company are controlled within the group headed by Beazley plc, the company has taken advantage of the exemption contained in FRS 102.33.1A and has therefore not disclosed transactions with entities which form part of the group. The consolidated financial statements of Beazley plc, within which this company is included, can be obtained from the registered address listed on page 41 of these accounts.

### (b) Basis of accounting for insurance/reinsurance activities

As noted on page 2, the company undertakes both insurance and reinsurance activities. The company writes direct insurance through a network of European branches and has an aggregate excess of loss reinsurance agreement with Beazley Underwriting Limited.

Under the terms of the reinsurance agreements the company reinsures and indemnifies Beazley Underwriting Limited in respect of all losses up to 75% of the declared result of Beazley Underwriting Limited's participation in syndicates 2623 and 3623 (subject to a \$4m excess). In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of \$4m not exceeding 75% of the Funds at Lloyds. The underwriting results relating to this reinsurance contract are determined on an annual basis. Results under this contract reported on an annual basis recognise profits or losses as they are earned instead of at the closure of a particular Lloyd's year of account, normally after three years.

The excess of loss cede is reflected in the profit or loss account in accordance with the definition of premium and the limits of liability contained in the excess of loss agreement. This treatment results in each contract being accounted for as either a single premium or outstanding claim balance depending on whether the declared result of the syndicates is a profit or a loss. In this regard, the company will recognise a premium receivable when an underlying reinsurance contract is in a profitable position at the reporting date, and will show an outstanding claim reserve when an underlying contract is in a loss making position at the reporting date. Movements in premium receivables and outstanding claims reserves will be shown through the profit and loss account and outlined in further detail through the notes to the financial statements.

As the premium/claim balance presented in the profit or loss account represents the company's share of the profit or loss before tax of the syndicates, premium earnings adjustments and expense deferrals in respect of the underlying syndicate business have already been recognised through the premium or claims recognised under the contract. In this regard, the company's balance sheet does not contain technical balances such as deferred acquisition costs and the provision for unearned premium relating to these reinsurance contracts.

Profit commissions and financing fees, included in the terms of the reinsurance agreements, are accounted for separately and are included in operating expenses and investment income in the profit or loss account.

## Notes to the financial statements continued

### 1 Principal accounting policies continued

#### (b) Basis of accounting for insurance/reinsurance activities continued

##### Premiums

Gross premiums written represent:

- premium as defined in the aggregate excess of loss reinsurance agreement (see note 1(b) above) with Beazley Underwriting Limited.
- direct insurance premiums written through branches located in Europe.

For completeness, a premium is recognised by the company under a reinsurance contract if at the reporting date, the underlying result of the syndicates is a profit (and in excess of \$4m). If the underlying result of the syndicate is loss making at the reporting date, only a minimum premium of £100 will be recognised.

In relation to direct insurance, gross premiums written are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and reinsurance deductions; and outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance or inwards reinsurance business except in relation to excess of loss contracts, where the initial premium is charged when paid.

Unearned premiums represent the proportion of premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

##### Claims incurred

Claims incurred represent all claims payments and internal and external settlement expense payments made by the company in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation expenses. Where appropriate, statistical methods have been applied to past experience of claims frequency and severity. Included in the movement in the provision for outstanding claims is the movement in claims reserves relevant to the reinsurance contracts with Beazley Underwriting Limited, as defined by the aggregate excess of loss agreement (see note 1(b) above) with that company.

##### Claims provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

## 1 Principal accounting policies *continued*

### (b) Basis of accounting for insurance/reinsurance activities *continued*

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Claims provisions include claims reserves as calculated in accordance with the definition of the limit of liability contained in the aggregate excess of loss agreement with Beazley Underwriting Limited. To the extent that a claim provision is recognised on an open contract at the reporting period, it is reflected as an outstanding claim reserve, which may increase or decrease depending on the final declared results of the syndicates under the relevant reinsurance contracts.

Claims provisions are also recognised for direct insurance/reinsurance written through branches in Europe, net of any estimates of amounts that will be recoverable from reinsurers having due regard to collectability.

### *Deferred acquisition costs*

Deferred acquisition costs represent the deferral of costs of writing premium through branches in Europe.

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

### *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The potential full impact of COVID-19 on the company has been considered in the preparation of the financial statements including our evaluation of critical accounting judgements and estimates. Actual results may differ from these estimates.

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

The most critical estimates included within the company's financial statements are the estimates for the fair value of investments and the estimate of the premium receivable or claims provision arising under the reinsurance contracts and direct insurance business. Further information about our investment portfolio can be found at note 2 and note 8 of the financial statements. Information on the premium receivable and claims provisions can be found at notes 13 and 14.

### (c) Financial instruments

Financial instruments are recognised in the balance sheet at such time that the company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the company's obligations specified in the contract expire, are discharged or cancelled. Purchases and sales of financial assets are recognised on the trade date, which is the date the company commits to purchase or sell the asset. In recognising and measuring financial instruments, the company has adopted IAS 39 (as permitted by FRS 102).

### *Financial assets and liabilities*

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

## Notes to the financial statements continued

### 1 Principal accounting policies continued

#### (c) Financial instruments continued

##### *Financial assets and liabilities at fair value through profit or loss*

This category has two sub-categories: financial assets and liabilities held for trading and those designated at fair value through profit or loss at inception.

Financial assets and liabilities held for trading are those assets which are acquired principally for the purpose of selling in the short term, or which are held as part of a portfolio in which there is evidence of short-term profit taking or if it is designated so by management. At present all derivatives are classified as held for trading by the company.

All non-derivative financial investments are designated as fair value through profit or loss upon initial recognition because their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management. The investment strategy is to invest and evaluate their performance with reference to their fair values.

##### *Fair value measurement*

Fair value is the amount for which an asset and liability could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the company and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the company believes a third-party market participant would take them into account in pricing a transaction.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value are recognised in profit or loss account when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the profit and loss account. Net changes in the fair value of financial assets at fair value through profit or loss exclude interest and dividend income.

## 1 Principal accounting policies *continued*

### (c) Financial instruments *continued*

#### *Investment income*

Investment income consists of dividends, interest, fees from intercompany financing arrangements, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets or liabilities at fair value through profit or loss. Interest is recognised on an accruals basis for financial assets or liabilities at fair value through profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the balance sheet date, and the carrying value at the previous year end or purchase value during the year.

Investment income earned through the syndicates and ceded to the company through the reinsurance agreements with Beazley Underwriting Limited is reflected as part of either the premium or claim under the relevant reinsurance contract(s) (depending on whether each individual contract is profit making or loss making at a given point in time). In this regard, investment income in the profit or loss account of the company represents investment income earned directly by the company and includes no share of syndicate investment income.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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. The best evidence of fair value of a derivative at initial recognition is the transaction price.

#### *Borrowings*

Borrowings are initially recorded at fair value less transaction costs incurred. Subsequently borrowings are stated at amortised cost and interest is recognised in the profit or loss account over the period of the borrowings using the effective interest method.

#### (d) Cash and cash equivalents

This consists of cash at bank and in hand and short term deposits held at call with banks.

#### (e) Other payables

Other payables are stated at amortised cost.

#### (f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is provided on the company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

#### (g) Foreign currency translation

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss account. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

The results and financial position of foreign operations that have a functional currency different from the company's presentational currency are translated into the presentational currency as follows:

- assets and liabilities are translated at the closing rate ruling at the balance sheet date;
- income and expenses for each profit or loss account are translated at average exchange rates for the reporting period where this is determined to be a reasonable approximation of the actual transaction rates; and
- all resulting exchange differences are recognised as a separate component of equity.

## Notes to the financial statements *continued*

### 1 Principal accounting policies *continued*

#### (h) Going concern

The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Directors' report contained in the financial statements. In addition, the Risk review section of the financial statements includes the company's risk management objectives and the company's objectives, policies and processes for managing its capital.

The company and the Beazley group continue to monitor the global COVID-19 outbreak, in particular, in relation to the impact on the company through its reinsurance contracts with Beazley Underwriting Limited. The current assessment is that the reinsured syndicates incurred a loss of \$340m in respect of COVID-19. The impact to the company through the reinsurance contracts is estimated to be \$255m. It is still too early to say what the value of claims within our liability classes will be as these will emerge as the impact of the pandemic is fully realised over the next few years. The group has taken a number of underwriting actions which should reduce this impact.

The company took further action in 2020 to reduce its investment portfolio's exposure to equities and to lengthen the duration of the portfolio overall. The company expects this action will help reduce the impact of the volatility currently in financial markets. In addition, the group raised additional capital in 2020 of \$292.6m to support future growth within the Beazley group.

In assessing the company's going concern position as at 31 December 2020, the directors have considered a number of factors, including the current statement of financial position, the company's strategic and financial plan, taking account of possible changes in trading performance and funding retention, and stress testing and scenario analysis. The assessment concluded that, for the foreseeable future, the company has sufficient capital and liquidity for the next 12 months. As at its most recent regulatory submission, the company's capital ratios and its total capital resources are comfortably in excess of regulatory solvency requirements and internal stress testing indicates the company can withstand severe economic and competitive stresses.

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

### 2 Risk review

The company has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The company categorises its risks into eight areas: insurance, strategic, market, operational, credit, regulatory and legal, liquidity and group risk. The sections below outline the company's risk appetite and explain how it defines and manages each category of risk.

#### Risk management framework

##### *Corporate governance*

The board gives high priority to risk management and risk control. Procedures are in place within the company to ensure that risks are being measured, monitored and reported adequately and effectively to the board risk committee. The company is subject to regular internal audit review which is carried out by the group internal audit function.

##### *Capital management*

The company is required to maintain minimum capital requirements as set out in the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485/2015). Regulations stipulate that the company should maintain capital, allowable for solvency purposes, of at least the calculated threshold amount. At no time during the year has the company failed to meet this requirement. The current SCR has been established using the Beazley plc Solvency II internal model as approved by the Central Bank of Ireland.

The internal model is used by management to aid decision making, in particular in terms of business planning, reinsurance purchasing, setting risk appetites, long term planning, exposure management and reserving.

The company also monitors capital against a Strategic Solvency Target (SST) which has been set at the capital required to meet a 1 in 500 adverse loss over a one-year time horizon. At no time during the year has the company failed to meet this target capital level.

The company's capital strategy is to:

- invest its capital to generate an appropriate level of return;
- maintain sufficient solvency cover;
- support other Beazley group businesses; and
- pay dividends to its shareholders.

## 2 Risk review *continued*

### Risk management framework *continued*

The company holds a significant amount of the group's capital. Since inception the company has always been well capitalised and the capital base has grown with earnings from the reinsurance contracts with Beazley Underwriting Limited. The capital structure of the company consists of subordinated loans and shareholder funds attributable to equity interests, comprising capital contributions and retained earnings as disclosed in note 18, the statement of changes in equity and note 12, respectively.

In 2016, the company issued \$250m of subordinated tier 2 notes due in 2026. In 2019, the company issued \$300m additional subordinated tier 2 notes due in 2029. The amount of dividend paid is determined by the solvency of the company and the requirements of the group.

The company holds a level of capital over and above its regulatory requirements. The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework, opportunities for growth and a desire to maximise returns. Available capital and capital requirements are projected as part of the company's five year business plan, which in turn is considered as part of the ORSA process.

More detailed information about the company's capital strategy, capital management and capital position can be found in the company's Solvency and Financial Condition Reports (available at [www.beazley.com](http://www.beazley.com)).

### 2.1 Insurance risk

The insurance risk exposure is documented in the business plan which is approved by the board and used to guide current activities and any future developments.

#### a) Underwriting risk

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

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

The board reviews detailed underwriting information relating to the syndicate business reinsured by the company through its excess of loss arrangements with Beazley Underwriting Limited. The below section provides an overview of the underwriting risk associated with the underlying syndicate business as well as the insurance/reinsurance business underwritten directly by the company through its European branches. This reflects how the board monitors and manages the business and the associated risks. The underlying risk profile of the company is materially consistent year on year. It is on this basis that additional information in respect of the underlying syndicate business is provided.

The company'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, geography and size. The annual business plans for each underwriting team reflect the company's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the board of Beazley Furlonge Limited, for syndicate business, and by the board of Beazley Insurance dac for insurance/reinsurance business. These plans are monitored by the monthly Beazley Furlonge Limited underwriting committee and the Beazley Insurance dac insurance underwriting group and the quarterly Beazley Insurance dac reinsurance underwriting group.

The company's underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses. The company 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 company sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDS). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the company is exposed. The company 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 include natural catastrophes, cyber, marine, liability, political, terrorism and war events.

## Notes to the financial statements continued

### 2 Risk review continued

#### *Underwriting risk continued*

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible the company 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 company also has exposure to man-made claim aggregations, such as those arising from terrorism and data breach events.

The company chooses to underwrite data breach insurance within the cyber and executive risk division and indirectly through the reinsurance contract with Beazley Underwriting Limited using its team of specialist underwriters, claims managers and data breach services managers. Other than for data breach, the company's preference is to exclude cyber exposure where possible.

To manage the potential exposure, the company's board has established a risk budget for the aggregation of data breach related claims which is monitored by reference to the largest of ten realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform and the failure of a cloud provider. 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. The reinsurance programmes purchased by Beazley entities, whether directly by the company or indirectly by syndicates 2623 and 3623, would partially mitigate the cost of most, but not all, data breach catastrophes. In 2020, a review of the complete suite of realistic disaster scenarios was performed by the group. Whilst no fundamental changes were required, it has created an opportunity for enhanced fine tuning of the insurance portfolio within the 2021 business plan.

#### *b) Claims management risk*

Similar to section 2.1(a) above, the following section provides an overview of the claims management processes carried out by the company in respect of its direct insurance/reinsurance business, as well as the processes carried out at a syndicate level in respect of the business covered by the company's reinsurance contract with Beazley Underwriting Limited.

Claims management risk may arise within the company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Beazley brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claims life-cycle.

Beazley's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business's broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

#### *c) Reserving and ultimate reserves risk*

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

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the syndicates (a significant element of this business being ultimately reinsured to Beazley Insurance dac).

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

In accordance with the terms of the reinsurance contracts, the company records an outstanding claim reserve in respect of any open year reinsurance contract with Beazley Underwriting Limited which, at the reporting date, is in a loss making position for the company. The company receives detailed information on Beazley Underwriting Limited underwriting and claims activity, and continues to closely monitor both first and third party claims experience related to COVID-19. Further information in relation to the claims recorded under these contracts is provided in note 1 and note 13 to the financial statements.

## 2 Risk review *continued*

### c) Reserving and ultimate reserves risk *continued*

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

Sensitivity to insurance risk (claims reserves)	5% increase in claims reserves		5% decrease in claims reserves	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
<b>Impact on profit after tax</b>	<b>(9.6)</b>	<b>(2.5)</b>	<b>9.6</b>	<b>2.5</b>

The company also monitors its exposure to insurance risk by location. All risks underwritten by the company are located in Europe.

### 2.2 Strategic risk

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

### 2.3 Market risk

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

#### *Foreign exchange risk*

The functional and reporting currency of the company is US dollar. Therefore, the foreign exchange risk is that the company is exposed to fluctuations in exchange rates for any non-dollar denominated transactions and net assets. However foreign exchange risk is actively managed as described below. The company is exposed to changes in the value of assets and liabilities due to movements in foreign exchange rates. The company deals in five main currencies, US dollars, UK sterling, Canadian dollars, Swiss francs and Euro. Transactions in all non-dollar currencies are converted to US dollars on initial recognition and revalued at the reporting date. The company holds the majority of its net assets in US dollars, which is also the company's functional currency. The following table summarises the carrying value of net assets categorised by currency:

Net assets by currency	UK £ \$m	CAD \$ \$m	EUR € \$m	CHF \$m	Subtotal \$m	US \$ \$m	Total \$m
31 December 2020	153.2	(18.1)	8.7	4.6	148.4	988.3	1,136.7
31 December 2019	67.0	(16.2)	2.1	1.8	54.7	1,123.1	1,177.8

The company's assets are predominantly matched by currency to the principal underlying currencies of its insurance liabilities. This helps mitigate the risk that the company's assets required to cover its insurance liabilities are not materially affected by any future movements in exchange rates. Fluctuations in the company's trading currencies against the US dollar would result in a change to net asset value.

The table below gives an indication of the impact on net assets of a % change in relative strength of US dollar against the value of sterling, Canadian dollar, euro, and Swiss franc simultaneously. The analysis is based on the current information available and is presented net of the impact of the exchange rate derivatives referenced above.

Change in exchange rate of UK Sterling, Canadian dollar, Swiss francs and Euro relative to US dollar	Impact on profit after tax for the year ended		Impact on net assets	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Dollar weakens 30% against other currencies	39.0	14.4	39.0	14.4
Dollar weakens 20% against other currencies	26.0	9.6	26.0	9.6
Dollar weakens 10% against other currencies	13.0	4.8	13.0	4.8
Dollar strengthens 10% against other currencies	(13.0)	(4.8)	(13.0)	(4.8)
Dollar strengthens 20% against other currencies	(26.0)	(9.6)	(26.0)	(9.6)
Dollar strengthens 30% against other currencies	(39.0)	(14.4)	(39.0)	(14.4)

#### *Interest rate risk*

Some of the company's financial instruments, including financial investments, are exposed to movements in market interest rates. The company manages interest rate risk by primarily investing in short duration financial investments. The board of Beazley Insurance dac monitors the duration of these assets on a regular basis.

## Notes to the financial statements continued

### 2 Risk review continued

#### Interest rate risk continued

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

Duration 31 December 2020	<1 yr \$m	1-2 yrs \$m	2-3 yrs \$m	3-4 yrs \$m	4-5 yrs \$m	5-10 yrs \$m	>10 yrs \$m	Total \$m
Fixed and floating rate securities	388.3	507.8	209.3	147.5	152.1	102.5	-	1,507.5
Cash and cash equivalents	9.0	-	-	-	-	-	-	9.0
Derivative financial instruments	7.1	-	-	-	-	-	-	7.1
Borrowings	-	-	-	-	-	(547.2)	-	(547.2)
<b>Total</b>	<b>404.4</b>	<b>507.8</b>	<b>209.3</b>	<b>147.5</b>	<b>152.1</b>	<b>(444.7)</b>	<b>-</b>	<b>976.4</b>

Duration 31 December 2019	<1 yr \$m	1-2 yrs \$m	2-3 yrs \$m	3-4 yrs \$m	4-5 yrs \$m	5-10 yrs \$m	>10 yrs \$m	Total \$m
Fixed and floating rate securities	508.5	420.1	210.7	164.2	135.2	87.6	14.3	1,540.6
Cash and cash equivalents	12.5	-	-	-	-	-	-	12.5
Derivative financial instruments	4.1	-	-	-	-	-	-	4.1
Borrowings	-	-	-	-	-	(546.8)	-	(546.8)
<b>Total</b>	<b>525.1</b>	<b>420.1</b>	<b>210.7</b>	<b>164.2</b>	<b>135.2</b>	<b>(459.2)</b>	<b>14.3</b>	<b>1,010.4</b>

In November 2016, the company issued \$250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875%, is payable on this debt. In September 2019, the company issued \$300m of additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5%, is payable each year on this debt.

#### Sensitivity analysis

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

Shift in yield (basis points)	Impact on profit after tax for the year ended		Impact on net assets	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
150 basis point increase	(37.8)	(43.3)	(37.8)	(43.3)
100 basis point increase	(25.2)	(28.9)	(25.2)	(28.9)
50 basis point increase	(12.6)	(14.4)	(12.6)	(14.4)
50 basis point decrease	12.6	14.4	12.6	14.4
100 basis point decrease	25.2	28.9	25.2	28.9

#### Price risk

Debt securities and equities that are recognised on the balance sheet at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk. Investments are made in debt securities and equities depending on the company's appetite for risk. These investments are well diversified with high quality, liquid securities. The board has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or company. Listed investments are recognised on the balance sheet at quoted bid price. If the market for the investment is not considered to be active, then the company establishes fair value using valuation techniques. This includes using recent arm's length market transactions, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

## 2 Risk review *continued*

### Price risk *continued*

	Impact on profit after tax for the year ended		Impact on net assets	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
<b>Change in fair value of capital growth portfolio</b>				
30% increase in fair value	54.6	49.2	54.6	49.2
20% increase in fair value	36.4	32.8	36.4	32.8
10% increase in fair value	18.2	16.4	18.2	16.4
10% decrease in fair value	(18.2)	(16.4)	(18.2)	(16.4)
20% decrease in fair value	(36.4)	(32.8)	(36.4)	(32.8)
30% decrease in fair value	(54.6)	(49.2)	(54.6)	(49.2)

### 2.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. The company actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. The company also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of the company's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

COVID-19 has caused a temporary shift in the operational strategy of the company and the group from an office based environment to a remote working environment. The company has adapted to the changes in the operational environment and business processes have continued to be carried out. The company and the group continue to actively manage the operational risks, while engaging in open communication with staff. We continue to monitor the performance of controls through our risk management reporting processes.

### 2.5 Regulatory and legal risk

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

### 2.6 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. The two main components of group risk are contagion and reputation.

Contagion risk is the risk arising from actions of one part of the group which could adversely affect any other part of the group. The company 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.

Reputation risk is the risk of negative publicity as a result of the group's contractual arrangements, customers, products, services and other activities. The group's preference is to minimise reputation risks but where it is not possible or beneficial to avoid them, we seek to minimise their frequency and severity by management through public relations and communication channels.

### 2.7 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The company's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the company maintains sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. Due to the nature of the company's cashflows, and the composition of our asset portfolio, we do not deem COVID-19 to have led to an increase in the liquidity risk of the company.

## Notes to the financial statements continued

### 2 Risk review *continued*

#### 2.7 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 2020 and 31 December 2019:

	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)
<b>31 December 2020</b>						
Specialty lines	5.8	10.4	6.9	9.1	32.2	4.0
Cyber & executive risk	4.4	7.3	3.1	1.2	16.0	2.2
Reinsurance	1.8	1.6	0.5	0.4	4.3	2.0
Marine	0.1	-	-	-	0.1	1.8
Property	-	-	-	-	-	1.9
PAC	0.2	0.1	-	-	0.3	1.9
Intra-group Reinsurance	-	152.6	-	-	152.6	1.5
<b>Net insurance claims</b>	<b>12.3</b>	<b>172.0</b>	<b>10.5</b>	<b>10.7</b>	<b>205.5</b>	
	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)
<b>31 December 2019</b>						
Specialty lines	1.9	3.8	2.7	3.1	11.5	3.8
Cyber & executive risk	1.2	2.0	0.8	0.3	4.3	2.2
Reinsurance	0.7	0.6	0.2	0.1	1.6	1.9
Intra-group Reinsurance	-	36.6	-	-	36.6	1.5
<b>Net insurance claims</b>	<b>3.8</b>	<b>43.0</b>	<b>3.7</b>	<b>3.5</b>	<b>54.0</b>	

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

#### Maturity

	<1 yr \$m	1-2 yrs \$m	2-3 yrs \$m	3-4 yrs \$m	4-5 yrs \$m	5-10 yrs \$m	>10 yrs \$m	Total \$m
<b>31 December 2020</b>								
Fixed and floating rate securities	340.2	535.5	194.2	132.1	132.6	172.9	-	1,507.5
Cash and cash equivalents	9.0	-	-	-	-	-	-	9.0
Derivative financial instruments	7.1	-	-	-	-	-	-	7.1
Borrowings	-	-	-	-	-	(547.2)	-	(547.2)
<b>Total</b>	<b>356.3</b>	<b>535.5</b>	<b>194.2</b>	<b>132.1</b>	<b>132.6</b>	<b>(374.3)</b>	<b>-</b>	<b>976.4</b>
	<1 yr \$m	1-2 yrs \$m	2-3 yrs \$m	3-4 yrs \$m	4-5 yrs \$m	5-10 yrs \$m	>10 yrs \$m	Total \$m
<b>31 December 2019</b>								
Fixed and floating rate securities	395.9	447.3	228.3	177.3	238.3	27.5	26.0	1,540.6
Cash and cash equivalents	12.5	-	-	-	-	-	-	12.5
Derivative financial instruments	4.1	-	-	-	-	-	-	4.1
Borrowings	-	-	-	-	-	(546.8)	-	(546.8)
<b>Total</b>	<b>412.5</b>	<b>447.3</b>	<b>228.3</b>	<b>177.3</b>	<b>238.3</b>	<b>(519.3)</b>	<b>26.0</b>	<b>1,010.4</b>

In November 2016, the company issued \$250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875%, is payable in May and November each year. In September 2019, the company issued \$300m of additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5%, is payable each year on this debt.

#### 2.8 Credit risk

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

- Investments – whereby issuer default results in the company losing all or part of the value of a financial instrument; and
- Amounts receivable under the reinsurance contracts – whereby counterparties fail to pass on premiums due under the reinsurance contracts. The main credit risk exposure facing the company arises by virtue of the reinsurance contract in place with its sister company, Beazley Underwriting Limited and the underlying risk facing that company.
- Brokers and insureds - counterparties fail to pass on premiums or claims collected or paid on behalf of the company.

The company has not seen an increase in defaults as a result of the COVID-19 outbreak, however we continue to monitor this closely.

## 2 Risk review *continued*

### 2.8 Credit risk *continued*

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

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

31 December 2020	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	1,252.0	255.5	–	–	–	1,507.5
– Equity linked funds	–	–	–	–	160.3	160.3
– Hedge funds	–	–	–	–	47.6	47.6
– Derivative financial assets	–	–	–	–	7.1	7.1
Cash and cash equivalents	8.2	0.8	–	–	–	9.0
Accrued interest	7.2	–	–	–	–	7.2
Claims outstanding, reinsurer's share	–	–	–	–	14.9	14.9
Debtors arising from reinsurance operations	–	–	–	–	24.2	24.2
Debtors arising from direct insurance operations	–	–	–	–	42.4	42.4
<b>Total</b>	<b>1,267.4</b>	<b>256.3</b>	<b>–</b>	<b>–</b>	<b>296.5</b>	<b>1,820.2</b>

31 December 2019	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	914.1	626.5	–	–	–	1,540.6
– Equity linked funds	–	–	–	–	135.6	135.6
– Hedge funds	–	–	–	–	51.9	51.9
– Derivative financial assets	–	–	–	–	10.5	10.5
Cash and cash equivalents	12.5	–	–	–	–	12.5
Accrued interest	9.9	–	–	–	–	9.9
Claims outstanding, reinsurer's share	–	–	–	–	3.4	3.4
Debtors arising from reinsurance operations	–	–	–	–	–	–
Debtors arising from direct insurance operations	–	–	–	–	18.3	18.3
<b>Total</b>	<b>936.5</b>	<b>626.5</b>	<b>–</b>	<b>–</b>	<b>219.7</b>	<b>1,782.7</b>

The carrying amount of financial assets at the reporting date represents the maximum credit exposure. At 31 December 2020, the company held no financial assets that were past due or impaired, either for the current year under review or on a cumulative basis.

## 3 Segmental analysis

### a) Reporting segments

Segment information is presented in respect of reportable segments. These are based on the company's management and internal reporting structures and represent the level at which financial information is reported to the board, being the chief operating decision-maker as defined in IFRS 8.

The company's business consists of two operating divisions – direct insurance/reinsurance and intra-group reinsurance, reflecting the reporting and governance structure of the company, with the reinsurance underwriting group monitoring the performance of the intra-group reinsurance business and the insurance management committee monitoring the performance of the direct insurance/reinsurance business. Within the insurance division, the company has underwrote policies in the Specialty lines, Cyber & executive risk, Reinsurance, Political, accident & contingency (PAC), Property and Marine divisions and our segmental analysis is presented at this level in accordance with the segment information reported to the chief operating decision-makers.

## Notes to the financial statements continued

### 3 Segmental analysis *continued*

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The reporting segments do not cross-sell business to each other. Due to the accounting presentation of the reinsurance contracts with Beazley Underwriting Limited (represented below as Intra-group reinsurance), claims ratios, expense ratios and combined ratios are disclosed in respect of direct insurance business only.

#### b) Segment information

31 December 2020	Specialty lines \$m	Cyber & executive risk \$m	Reinsurance \$m	Marine \$m	PAC \$m	Intra-group Reinsurance \$m	Total reportable segments \$m	Unallocated \$m	Total \$m
<b>Segment results</b>									
Gross premiums written	53.4	28.2	7.0	0.3	2.1	24.2	115.2	-	115.2
Net earned premiums	28.0	13.8	5.6	0.2	0.5	24.2	72.3	-	72.3
Net investment income	1.4	0.8	0.2	-	-	80.6	83.0	-	83.0
<b>Revenue</b>	<b>29.4</b>	<b>14.6</b>	<b>5.8</b>	<b>0.2</b>	<b>0.5</b>	<b>104.8</b>	<b>155.3</b>	-	<b>155.3</b>
Net insurance claims	(18.5)	(11.6)	(3.1)	(0.1)	(0.2)	(116.1)	(149.6)	-	(149.6)
Net operating expenses	(12.5)	(5.2)	(2.0)	(0.1)	(0.4)	(6.3)	(26.5)	-	(26.5)
Foreign exchange gain	-	-	-	-	-	-	-	4.8	4.8
Finance costs	-	-	-	-	-	-	-	(31.6)	(31.6)
<b>Expenses</b>	<b>(31.0)</b>	<b>(16.8)</b>	<b>(5.1)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(122.4)</b>	<b>(176.1)</b>	<b>(26.8)</b>	<b>(202.9)</b>
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(1.6)</b>	<b>(2.2)</b>	<b>0.7</b>	<b>-</b>	<b>(0.1)</b>	<b>(17.6)</b>	<b>(20.8)</b>	<b>(26.8)</b>	<b>(47.6)</b>
Segment assets	86.5	40.5	10.6	0.3	2.0	1,843.1	1,983.0	-	1,983.0
Segment liabilities	(93.0)	(49.8)	(7.9)	(0.4)	(2.7)	(692.5)	(846.3)	-	(846.3)
<b>Net assets</b>	<b>(6.5)</b>	<b>(9.3)</b>	<b>2.7</b>	<b>(0.1)</b>	<b>(0.7)</b>	<b>1,150.6</b>	<b>1,136.7</b>	<b>-</b>	<b>1,136.7</b>

	Specialty lines %	Cyber & executive risk %	Reinsurance %	Marine %	PAC %
<b>Claims ratio</b>	<b>66</b>	<b>84</b>	<b>56</b>	<b>38</b>	<b>47</b>
<b>Expense ratio</b>	<b>44</b>	<b>38</b>	<b>36</b>	<b>78</b>	<b>88</b>
<b>Combined ratio</b>	<b>110</b>	<b>122</b>	<b>92</b>	<b>116</b>	<b>134</b>

31 December 2019	Specialty lines \$m	Cyber & executive risk \$m	Reinsurance \$m	Marine \$m	PAC \$m	Intra-group Reinsurance \$m	Total reportable segments \$m	Unallocated \$m	Total \$m
<b>Segment results</b>									
Gross premiums written	22.8	13.6	7.2	0.1	0.1	-	43.8	-	43.8
Net earned premiums	14.1	6.6	5.6	-	-	-	26.3	-	26.3
Net investment income	-	-	-	-	-	114.0	114.0	-	114.0
<b>Revenue</b>	<b>14.1</b>	<b>6.6</b>	<b>5.6</b>	<b>-</b>	<b>-</b>	<b>114.0</b>	<b>140.3</b>	<b>-</b>	<b>140.3</b>
Net insurance claims	(10.0)	(4.1)	(1.7)	-	-	126.9	111.1	-	111.1
Net operating expenses	(7.9)	(2.9)	(2.3)	-	(0.3)	(3.1)	(16.5)	-	(16.5)
Foreign exchange loss	-	-	-	-	-	-	-	(1.2)	(1.2)
Finance costs	-	-	-	-	-	-	-	(20.0)	(20.0)
<b>Expenses</b>	<b>(17.9)</b>	<b>(7.0)</b>	<b>(4.0)</b>	<b>-</b>	<b>(0.3)</b>	<b>123.8</b>	<b>94.6</b>	<b>(21.2)</b>	<b>73.4</b>
<b>Profit on ordinary activities before tax</b>	<b>(3.8)</b>	<b>(0.4)</b>	<b>1.6</b>	<b>-</b>	<b>(0.3)</b>	<b>237.8</b>	<b>234.9</b>	<b>(21.2)</b>	<b>213.7</b>
Segment assets	26.8	13.3	4.9	-	-	1,780.8	1,825.8	-	1,825.8
Segment liabilities	(29.8)	(15.9)	(4.4)	(0.7)	(0.3)	(596.9)	(648.0)	-	(648.0)
<b>Net assets</b>	<b>(3.0)</b>	<b>(2.6)</b>	<b>0.5</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>1,183.9</b>	<b>1,177.8</b>	<b>-</b>	<b>1,177.8</b>

### 3 Segmental analysis *continued*

#### b) Segment information *continued*

	Specialty lines %	Cyber & executive risk %	Reinsurance %	Marine %	PAC %
<b>Claims ratio</b>	71	62	30	-	-
<b>Expense ratio</b>	56	44	41	-	-
<b>Combined ratio</b>	127	106	71	-	-

An analysis of gross premiums written by reference to the location of the risk insured by the company is provided below. In 2020, over 37% of our premium was sourced from the UK, with the remainder in continental Europe.

	2020 \$m	2019 \$m
Risks located in US	-	-
Risks located in Europe	115.2	43.8
Risks located in other countries	-	-
	<b>115.2</b>	<b>43.8</b>

#### 4 Investment return

	2020 \$m	2019 \$m
Income derived from financial assets	52.2	87.7
Income from intercompany financing arrangements	32.1	28.6
Investment income	<b>84.3</b>	<b>116.3</b>
Investment expenses and charges	(1.3)	(2.3)
	<b>83.0</b>	<b>114.0</b>

Investment income derived from financial assets and income from intercompany financing arrangements are trading income and are included in the company's technical account as the assets are held to support the company's reinsurance and insurance activities. The company's investment return is significantly lower than the prior year as a result of volatility in the markets as a result of the COVID-19 pandemic. The company took proactive measures to reduce risk within the portfolio at various points throughout the year.

#### 5 Net operating expenses

	2020 \$m	2019 \$m
Administration costs including commissions payable to Beazley Underwriting Limited	26.5	16.5
	<b>26.5</b>	<b>16.5</b>

Administrative expenses include:

	2020 \$	2019 \$
Auditor's remuneration:		
Fees payable for the audit of these annual accounts	117,147	63,903
Fees payable in respect of other services pursuant to legislation	66,951	62,070
Fees payable in respect of tax advisory services	-	-
Fees payable in respect of other non-audit services	2,000	101,600
	<b>186,098</b>	<b>227,573</b>

## Notes to the financial statements continued

### 5 Net operating expenses continued

The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

Number of employees	2020	2019
Management	1	1
Compliance	1	1
Actuarial	1	1
Risk	1	1
Administration	0.5	0.5
	<b>4.5</b>	<b>4.5</b>

### 6 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2020 \$m	2019 \$m
Wages and salaries	0.9	0.8
Social security costs	-	-
<b>Charged to profit or loss account</b>	<b>0.9</b>	<b>0.8</b>

Executive director, S M Lake and Group non-executive director, D A Horton, are both executive directors of the company's parent company, Beazley plc. Throughout the year, non-executive director of the company C M Woods was also a director of Beazley plc. Effective 1 January 2021, company non-executive P O Desaulle also joined the board of Beazley plc. Details of all director's remuneration is included in the table below. Of the amount disclosed in the table below, \$0.5m (2019: \$0.4m) was borne by the company. The remaining amount represents an estimated allocation of the emoluments paid or payable by Beazley plc to certain directors as part of their group wide executive management role. The estimated allocation is based on an estimate of the qualifying services, including management of the affairs of the company, they provided to the company during the year.

	2020 \$m	2019 \$m
Directors' emoluments	0.6	0.5
Pension contributions	-	-
	<b>0.6</b>	<b>0.5</b>

### 7 Taxation

	2020 \$m	2019 \$m
<b>Current tax:</b>		
Irish corporation tax (credit)/charge	(5.9)	25.8
Adjustment in respect of prior year	0.3	-
<b>Deferred tax:</b>		
Origination and reversal of temporary timing differences	(0.4)	-
Adjustment in respect of prior year	(0.7)	-
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(6.7)</b>	<b>25.8</b>

#### Factors affecting the tax charge for the current period

The tax credit (2019: tax charge) for the year is lower (2019 lower) than the standard rate of corporation tax in Ireland, 12.5% due to the differences explained below.

	2020 \$m	2019 \$m
Profit/(loss) on ordinary activities before tax	(47.6)	213.7
Corporation tax at 12.5%	(6.0)	26.7
Effect of:		
Tax rates in foreign jurisdictions	0.1	(0.4)
Permanent differences	(0.4)	(0.5)
Prior year over provision	(0.4)	-
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(6.7)</b>	<b>25.8</b>

## 7 Taxation *continued*

Deferred tax assets of \$1.2m (2019: \$nil), relating to tax losses, which depend on the availability of future taxable profits, have been recognised. The company 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.

## 8 Financial instruments

### Fair value measurement

The table below summarises financial assets carried at fair value 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 and treasury bills of government and government agencies which are measured based on quoted prices in active markets.

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 which are not actively traded, corporate bonds, asset backed securities and mortgage-backed securities.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

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

The table below analyses financial instruments measured at fair value at the 31 December 2020, by the level in the fair value hierarchy into which the fair value measurements is categorised:

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value:	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities				
1) Government issued	681.3	-	-	681.3
2) Corporate bonds – Investment grade	385.5	393.4	-	778.9
3) Corporate bonds – High yield	47.3	-	-	47.3
Equity linked funds	160.3	-	-	160.3
Hedge funds	-	47.6	-	47.6
Derivative financial assets	7.1	-	-	7.1
<b>Total financial assets at fair value</b>	<b>1,281.5</b>	<b>441.0</b>	<b>-</b>	<b>1,722.5</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	2.9	-	-	2.9
<b>Total financial liabilities measured at fair value</b>	<b>2.9</b>	<b>-</b>	<b>-</b>	<b>2.9</b>
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2026) – issued in 2016	-	249.0	-	249.0
Tier 2 subordinated debt (2029) – issued in 2019	-	298.2	-	298.2
<b>Total financial liabilities not measured at fair value</b>	<b>-</b>	<b>547.2</b>	<b>-</b>	<b>547.2</b>

## Notes to the financial statements continued

### 8 Financial instruments continued

The table below analyses financial instruments measured at fair value at the 31 December 2019, by the level in the fair value hierarchy into which the fair value measurements is categorised:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through:	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities				
1) Government issued	459.1	8.1	-	467.2
2) Supernational	-	-	-	-
3) Corporate bonds - Investment grade	419.9	567.7	-	987.6
4) Corporate bonds - High yield	-	85.8	-	85.8
Equity linked funds	-	135.6	-	135.6
Hedge funds	-	51.9	-	51.9
Derivative financial assets	10.5	-	-	10.5
<b>Total financial assets at fair value</b>	<b>889.5</b>	<b>849.1</b>	<b>-</b>	<b>1,738.6</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	6.4	-	-	6.4
<b>Total financial liabilities measured at fair value</b>	<b>6.4</b>	<b>-</b>	<b>-</b>	<b>6.4</b>
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2026) - issued in 2016	-	248.9	-	248.9
Tier 2 subordinated debt (2029) - issued in 2019	-	297.9	-	297.9
<b>Total financial liabilities not measured at fair value</b>	<b>-</b>	<b>546.8</b>	<b>-</b>	<b>546.8</b>

### 9 Current tax receivable

	2020	2019
	\$m	\$m
Current tax receivable	11.8	-
	<b>11.8</b>	<b>-</b>

The company's current tax receivable is driven by an expected carry back of tax adjusted losses arising in 2020.

### 10 Cash and cash equivalents

	2020	2019
	\$m	\$m
Cash at bank and in hand	9.0	15.0
Short term deposits	-	(2.5)
	<b>9.0</b>	<b>12.5</b>

### 11 Deferred acquisition cost

	2020	2019
	\$m	\$m
Balance at 1 January	6.4	1.4
Additions	7.6	5.0
<b>Balance at 31 December</b>	<b>14.0</b>	<b>6.4</b>

## 12 Share capital and other reserves

	2020 \$m	2019 \$m
Authorised: 100,000,000 ordinary shares of (€1) each	128.4	128.4
Allotted, issued and fully paid	-	-

There is one share with a nominal value of €1 in issue. A capital contribution of \$536.3m was received from Beazley plc on 29 June 2009. The company also holds a foreign exchange translation reserve of (\$42.9m) which arose on the change in functional currency to USD in 2010. The exchange differences from translating foreign operations are also included as a separate component of equity. There was no dividend payment in 2020 (2019: \$96.6m).

The profit or loss account was comprised of profits carried forward from previous years of \$684.4m and a loss for the financial year of \$40.9m.

## 13 Technical provisions

### 13.1 Technical provisions reconciliation

	Provision for unearned premium \$m	Claims outstanding \$m
<b>Gross technical provisions</b>		
<b>At 1 January 2020</b>	18.0	57.4
Exchange adjustments	3.5	4.8
Movement in provision	29.8	158.2
<b>At 31 December 2020</b>	<b>51.3</b>	<b>220.4</b>
<b>Reinsurer's share of technical provisions</b>		
<b>At 1 January 2020</b>	(4.2)	(3.4)
Exchange adjustments	(0.4)	(0.6)
Movement in provision	(6.2)	(10.9)
<b>At 31 December 2020</b>	<b>(10.8)</b>	<b>(14.9)</b>
<b>Net technical provisions</b>		
<b>At 31 December 2020</b>	<b>40.5</b>	<b>205.5</b>
<b>At 1 January 2020</b>	<b>13.8</b>	<b>54.0</b>
	Provision for unearned premium \$m	Claims outstanding \$m
<b>Gross technical provisions</b>		
<b>At 1 January 2019</b>	5.4	165.7
Exchange adjustments	(0.2)	(0.1)
Movement in provision	12.8	(108.2)
<b>At 31 December 2019</b>	<b>18.0</b>	<b>57.4</b>

## Notes to the financial statements continued

### 13 Technical provisions *continued*

#### 13.1 Technical provisions reconciliation *continued*

	Provision for unearned premium \$m	Claims outstanding \$m
<b>Reinsurer's share of technical provisions</b>		
<b>At 1 January 2019</b>	(0.7)	(0.5)
Exchange adjustments	(0.1)	-
Movement in provision	(3.4)	(2.9)
<b>At 31 December 2019</b>	<b>(4.2)</b>	<b>(3.4)</b>
<b>Net technical provisions</b>		
<b>At 31 December 2019</b>	<b>13.8</b>	<b>54.0</b>
<b>At 1 January 2019</b>	<b>4.7</b>	<b>165.2</b>

#### 13.2 Technical provisions breakdown

As noted in note 1 above, outstanding claims include claims reserves in respect of the company's insurance activities, as well as claims reserves held in respect of the company's reinsurance contracts with Beazley Underwriting Limited. The current year gross claims reserves are split as follows:

	Gross \$m	Net \$m
As at 31 December 2020		
2020 underwriting year reinsurance contract	130.2	130.2
2019 underwriting year reinsurance contract	22.5	22.5
2018 underwriting year reinsurance contract	-	-
Direct insurance	119.0	93.3
<b>At 31 December 2020</b>	<b>271.7</b>	<b>246.0</b>
As at 31 December 2019		
2019 underwriting year reinsurance contract	20.9	20.9
2018 underwriting year reinsurance contract	15.7	15.7
2017 underwriting year reinsurance contract	-	-
Direct insurance	38.8	31.2
<b>At 31 December 2019</b>	<b>75.4</b>	<b>67.8</b>

#### 13.3 Loss development tables

The tables presented reflect the gross and net claims development of direct insurance/reinsurance business written through the company's European branch network (on a percentage of gross premium basis) and the absolute claims development of open year Intra-group reinsurance contracts in place with Beazley Underwriting Limited. The final table reconciles the claims development of all insurance and reinsurance activities to the balance sheet of the company. Each table is split by underwriting year.

	2017 %	2018 %	2019 %	2020 %	
<b>Gross claims development direct insurance/reinsurance</b>					
12 months	59.9	72.1	64.8	71.3	
24 months	59.9	72.2	66.3	-	
36 months	59.9	74.5	-	-	
48 months	58.7	-	-	-	
	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<b>Gross claims liabilities, Direct insurance/reinsurance</b>	<b>0.3</b>	<b>3.9</b>	<b>28.2</b>	<b>35.3</b>	<b>67.7</b>

### 13 Technical provisions *continued*

#### 13.3 Loss development tables *continued*

Net claims development direct insurance/reinsurance	2017 %	2018 %	2019 %	2020 %
12 months	55.8	69.7	62.2	67.3
24 months	55.8	70.0	61.9	
36 months	69.7	77.0		
48 months	54.8			

	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<b>Net claims liabilities, Direct insurance/reinsurance</b>	<b>0.3</b>	<b>2.6</b>	<b>20.6</b>	<b>29.3</b>	<b>52.8</b>

Gross/Net claims development Intra-group reinsurance	2018 \$m	2019 \$m	2020 \$m
12 months	88.0	20.9	130.2
24 months	15.7	22.5	-
36 months	-	-	-

	2018 \$m	2019 \$m	2020 \$m	Total \$m
<b>Gross and net claims liabilities, Intra-group reinsurance</b>	<b>-</b>	<b>22.5</b>	<b>130.2</b>	<b>152.7</b>

	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<b>Gross claims liabilities, Total</b>	<b>0.3</b>	<b>3.9</b>	<b>50.7</b>	<b>165.5</b>	<b>220.4</b>

	2017 \$m	2018 \$m	2019 \$m	2020 \$m	Total \$m
<b>Net claims liabilities, Total</b>	<b>0.3</b>	<b>2.6</b>	<b>43.1</b>	<b>159.5</b>	<b>205.5</b>

### 14 Debtors arising from reinsurance activities

The following table displays the amounts due from Beazley Underwriting Limited under the excess of loss reinsurance agreements. Debtors arising from reinsurance activities are recognised when a reinsurance contract is in a profitable position at the reporting date.

	2020 \$m	2019 \$m
Balance at 1 January	-	121.2
Additions/(distributions)	24.2	(121.2)
<b>Balance at 31 December</b>	<b>24.2</b>	<b>-</b>

The following table provides an additional split of reinsurance debtors, into each open year of account contract in place at the reporting date:

	2018 \$m	2019 \$m	2020 \$m
Balance at 1 January	-	-	-
Additions	24.2	-	-
<b>Balance at 31 December</b>	<b>24.2</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements continued

### 15 Funds at Lloyd's

The Funds at Lloyd's to support the underwriting of Beazley Underwriting Limited on syndicates 2623 and 3623 have been provided by the company by way of deposits of \$1,303.1m (2019: \$1,494.3m). The Funds at Lloyd's, included in financial assets on the company's balance sheet, may consist of certain approved assets only and are subject to a deed of charge in favour of Lloyd's. In return for providing the Funds at Lloyd's, Beazley Underwriting Limited pays the company an annual fee.

In addition, the company acts as a guarantor in respect of the group's banking facility of \$450m (2019: \$225m). As at 31 December 2020, \$225m (2019: \$nil) of the facility has been drawn down by the group and placed as a letter of credit at Lloyd's to support the FAL of Beazley Underwriting Limited.

### 16 Related parties

The direct owner of the company's share capital is Beazley Ireland Holdings plc and ultimate controlling party is Beazley plc. The company has an amount due from group undertakings of \$125.0m at the reporting date (2019: \$32.5m).

The following table displays compensation paid to key management during the year. Key management compensation includes amounts paid by the company to executive and non-executive directors and other senior management.

	2020 \$m	2019 \$m
Salaries and other short term benefits	0.9	0.9
Pension contributions	0.1	0.1
	<b>1.0</b>	<b>1.0</b>

### 17 Ultimate parent undertaking

The ultimate parent undertaking is Beazley plc, incorporated and resident in the United Kingdom. The largest and the smallest group in which the results of the company are consolidated is that headed by Beazley plc. The accounts of Beazley plc are available to the public at www.beazley.com and at 22 Bishopsgate, London EC2N 4BQ, United Kingdom.

### 18 Financial liabilities

	2020 \$m	2019 \$m
<b>Carrying value</b>		
Tier 2 subordinated debt – issued in 2016	249.0	248.9
Tier 2 subordinated debt – issued in 2019	298.2	297.9
Derivative financial instruments	2.9	6.4
<b>Total financial liabilities</b>	<b>550.1</b>	<b>553.2</b>
<b>Fair value</b>		
Tier 2 subordinated debt issued in 2016	271.0	276.8
Tier 2 subordinated debt – issued in 2019	320.5	318.6
Derivative financial instruments	2.9	6.4
<b>Total financial liabilities</b>	<b>594.4</b>	<b>601.8</b>

The fair value of the tier 2 subordinated debt is based on quoted market price.

In November 2016, the company issued \$250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875% is payable each year. In September 2019, the company issued \$300m additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5% is payable each year. All subordinated debt is listed on the London Stock Exchange. Interest paid on this debt during 2020 was \$32m (2019: \$20.0m).

### 19 Post balance sheet events

On 19 March 2021, and subject to regulatory approval, the board approved the appointment of Adrian Cox as group non-executive director of the company. Mr. Cox's appointment will be effective only from the date regulatory approval is received.

### 20 Approval of financial statements

The board of directors approved these financial statements on 1 April 2021.

## *Directors and advisors*

### Directors

D A Horton (British) (resigned 31 March 2021)  
S M Lake (British)  
P Ruane (appointed 28 September 2020)  
P O Desaulle (French)  
E J McGivney  
K Murphy  
I C Stuart (resigned 5 February 2021)  
C M Woods (Chairperson)

### Secretary

R Yeoman

### Registered office

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### Registered number

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### Auditor

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Harcourt Centre  
Dublin 2  
Ireland

### Banker

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Dublin 2  
D02 VR66

### Solicitors

William Fry  
2 Grand Canal Square  
Dublin  
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