

**Company No 01893407**

**BEAZLEY FURLONGE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

# **BEAZLEY FURLONGE LIMITED**

## **Directors and Advisors**

### **Directors**

R S Anarfi  
C C R Bannister  
G P Blunden – Interim Chair  
A P Cox - Chief Executive Officer  
N H Furlonge  
S M Lake  
C LaSala  
R E Quane  
A J Reizenstein  
L Santori  
R A Stuchbery  
N Wall

### **Secretary**

C P Oldridge

### **Registered office**

22 Bishopsgate  
London  
EC2N 4BQ

### **Registered number**

01893407

### **Auditor**

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

### **Banker**

Deutsche Bank AG  
6 Bishopsgate  
London  
EC2N 4DA

# BEAZLEY FURLONGE LIMITED

## Strategic report

The directors of Beazley Furlonge Limited ("BFL" or "the Company") present the Company's financial statements for the year ended 31 December 2022.

### Business review and principal activity

The principal activity of the Company is that of managing agent for seven Lloyds syndicates (2623, 623, 3623, 6107, 3622, 5623 and 4321). The Company received managing agency fees for the year at the rate of 0.60% for syndicates 2623, 623, 3622 and 3623 (2021: 0.6%), 1.0% for 5623 (2021: nil), nil for 6107 (2021: nil) and nil for 4321 (2021: n/a). The Company also receives profit commission from syndicate 623 at a rate of 17.5% (2021: 17.5%).

Syndicate 4321 was established in 2022 to write insurance business at Lloyd's with a focus on clients that perform well against environmental, social and governance (ESG) metrics. It provides follow capacity to an ESG consortium led by Lloyd's Syndicates 2623 and 623, also managed by the Company.

The capacities of the managed syndicates are as follows:

Syndicate Number	Capacity 2022	Capacity 2021
2623	£2,679.0m	£2,348.4m
623	£587.2m	£514.8m
5623	£204.6m	£144.2m
6107	£67.5m	£70.5m
3623	£41.2m	£65.4m
3622	£29.7m	£27.8m
4321	£29.0m	n/a

The principal risks and uncertainties of the Company arise from the management of syndicates 2623, 623, 3623, 6107, 3622, 5623 and 4321.

Further information on the Beazley Group's ("the Group's") strategy can be found in the annual report and accounts of Beazley plc.

### Key performance indicators ("KPIs")

The Company's directors are of the opinion that the KPIs for the Company are best represented by the turnover and related notes, in particular note 2 and note 4, set out on pages 28 and 29.

### Risk governance and reporting

The Company's Board of directors has responsibility for defining and monitoring the risk appetite within which the Company and the managed syndicates operate, with key individuals and committees accountable for day-to-day management of risks and controls. Regular reporting by the risk management team in Board meetings and senior management committees ensures that risks are monitored and managed as they arise.

# **BEAZLEY FURLONGE LIMITED**

## **Strategic report (continued)**

### **Climate change and responsible business**

Led by Beazley's plc Board and supported by the Boards of the Company, Beazley Insurance Dac, and Beazley Insurance Company Inc, ESG issues and climate-related risk have become regular agenda items throughout 2022. In March 2021 the group launched its first Responsible Business Strategy. This document, and the subsequent update which is published alongside the Beazley plc annual report and accounts, sets out the goals and targets across a wider range of ESG issues, including climate change.

In addition to the summary Responsible Business report, Beazley plc has disclosed its compliance with the Task Force on Climate-Related Financial Disclosures' Recommendations and Recommended Disclosures at the consolidated Group level in the Beazley plc annual report and accounts.

### **Risk management**

The Company's Board of directors prides itself on understanding the drivers of risk, and is aided by the risk function in challenging management on managing risks for the Company's managed syndicates and its clients. Growth brings additional challenges, and the Board remains mindful of emerging risks as well as regulatory and legal changes. The risk function continues engaging in key strategic projects to provide second line challenge and ensure the risk management framework adapts accordingly.

During the year, the Board and the Risk Committee made refinements to the risk management framework including our approach to articulating and monitoring risk appetite. This work will continue during 2023 to ensure the framework adapts to the risk profile and continues to embed a strong risk culture. The Board and the Risk Committee have also worked to ensure the risk management supports risk oversight responsibilities and effective challenge of the changing risk landscape. This includes risks arising from growth plans, and the business' programme of operational enhancement. The risk framework will also need to adapt to ensure it remains able to manage an increasingly complex risk and controls environment.

Key to the success of the performance of risk management across the business has been overseeing continued collaboration between the Company's assurance functions, in particular the compliance and risk teams, to deliver a robust second line oversight function. Moving forward, the Company will further embed risk management into its business processes to ensure that it is able to achieve its goals supported by a robust risk culture.

### **Control statement**

The latest chief risk officer report to the Board has confirmed that the control environment has not identified any significant failings or weaknesses in key processes.

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Risk management oversight and framework

The Board delegates direct oversight of the risk management function and framework to its risk committee. The Board delegates executive oversight of the risk management function and framework to the Beazley plc executive committee, which fulfils this responsibility primarily through its risk and regulatory committee.

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

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

A suite of risk management reports support senior management and The Board in discharging their oversight and decision-making responsibilities. The risk reports include updates on risk appetite, risk profiles, stress and scenario testing, reverse stress testing, emerging and heightened risks, and the Own Risk and Solvency Assessment (ORSA) report.

The Board approved the Company's risk appetite statements during 2022 and received updates on monitoring against risk appetite throughout the year.

The business operated a control environment which supported mitigating risks to stay within risk appetite. The risk management function reviewed and challenged the control environment through various risk management activities throughout the year. In addition, the risk management function worked with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and through the business planning process. These teams provided regular reports to the Group's underwriting governance committee which the Company's Chief Risk Officer chairs.

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

The Group approach to identifying emerging risks includes inputs from 'risk owners', post-risk incident lessons learned and discussions at horizon scanning groups. The potential materiality and likelihood of impacts helps classify emerging risks which the risk management function monitors. Key emerging risks in 2022 included geopolitical risks, the macroeconomic environment (e.g.- inflation, global insurance market trends) and ESG.

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Principal risks BFL faces

Below summarises both the principal risks BFL and the syndicates it manages faces, and the control environment, governance and oversight that mitigate these risks.

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

Principal risks and summary descriptions	Mitigation and monitoring
<p><b>Insurance ▲</b></p> <p>The risk arising from the inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves.</p> <ul style="list-style-type: none"> <li>• Market cycle: potential systematic mispricing of medium or long-tailed business that does not support revenue to invest and cover future claims;</li> <li>• Catastrophe: one or more large events caused by nature (e.g., hurricane, windstorm, earthquake and / or wildfire) or mankind (e.g., coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and / or a political event) impacting a number of policies, and therefore giving rise to multiple losses;</li> <li>• Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e., mismatch); and</li> <li>• Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.</li> </ul>	<p>BFL used a range of techniques to mitigate insurance risks including pricing tools, analysis of macro trends and claim frequency, including alignment with pricing and ensured exposure was not overly concentrated in any one area, especially those with higher risk.</p> <p>The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure with the transfer of risk.</p> <p>The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering the right outcome to clients. High calibre claims and underwriting professionals deliver expert service to insureds and claims handling, The underwriting committee oversaw these risks.</p>
<p><b>Credit ▲</b></p> <p>This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from its reinsurers, brokers, and coverholders, of which the reinsurance asset was the largest exposure for BFL.</p>	<p>BFL's managed syndicates traded with strategic reinsurance partners over the long term that support the managed syndicate's through the cycle despite catastrophic claim events. Each syndicate did not have significant concentration to reinsurers ensuring these partners meet internal approval criteria overseen by the reinsurance security committee. Credit risk arising from brokers (non-payment of premiums or claims) and coverholders being low relied on robust due diligence processes and ongoing monitoring of aged debt and financial status.</p>
<p><b>Group ▲</b></p> <p>The risk of an occurrence in one area of the Group, which adversely affects another area in BFL resulting in financial loss and / or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and / or decisions including dilution of culture or negative impact on the brand.</p>	<p>Risk culture was centred on principles of transparency, accountability, and awareness. This expected outcome continued to help maintain a strong risk culture that supported the embedding of risk management such that it makes a difference and was overseen by the Board. An effective risk culture supported strong risk management, encouraged sound risk taking, created an awareness of risks and emerging risks. The executive committee and the Board oversaw this risk.</p>

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

<p><b>Liquidity ▲</b> Investments and / or other assets are not available or adequate in order to settle financial obligations when they fall due.</p>	<p>By managing liquidity BFL maximised flexibility in the management of each managed syndicate's and its own financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon and in doing so helps to ensure that clients and creditors were financially protected. BFL periodically assessed the liquidity position of BFL and each managed syndicate and overseen by the audit and risk committees. This included a benchmarking view from a third-party assessment.</p>
<p><b>Regulatory and legal ▲</b> Noncompliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where BFL operates leading to being unable to underwrite, manage claims, fines, etc.</p>	<p>The control environment supports the nature, exposure scale and complexity of the business with oversight from the risk and regulatory committee. BFL maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and robust process, policies and procedures being followed in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, were experienced and maintained regular dialogue with regulators. BFL horizon scans for regulatory and legal matters and considers their potential impacts on the business.</p>
<p><b>Operational ▲</b> Failures of people, processes and systems or the impact of an external event on operations (e.g., a cyber-attack having a detrimental impact on operations) including transformation and change related risks.</p>	<p>We attract and nurture talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. BFL employs high calibre, motivated, loyal, and productive people with sufficient competence to perform the required duties.</p> <p>BFL invests in technology and re-engineering processes to support the operation of these activities which is overseen by the operations committee. BFL has policies and procedures across the organisation which ensure effective and efficient operations and drive productivity and quality across people, processes and systems to continue to enable scalable growth.</p> <p>The business continuity and disaster recovery and incident response plans help ensure the processes and systems enable our people to deliver the right outcomes for clients and overall productivity. There were effective controls in the day-to-day operations around information security, including cyber resilience to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate.</p>

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

<p><b>Strategic ▲</b>  Events or decisions that potentially stop BFL from achieving its goals or danger of strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage.</p>	<p>BFL continuously addresses key strategic opportunities and challenges itself to be the highest performing sustainable specialist insurer. Beazley commits to ensuring it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation.</p> <p>BFL creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise where BFL can create value. The executive committee and the Board oversee these risks.</p> <p>BFL maintains coverage above regulatory capital to a target level, ensuring sufficient capital to facilitate meeting the business plan and strategic objectives in the short, medium and long terms.</p>
<p><b>Enterprise ▲</b>  Pervasive risks impacting multiple areas of BFL (e.g. conduct, reputation, ESG, concentration and / or viability) occurring through real or perceived action, or lack of action taken, a regulatory body, market and / or third-party used by the business. A negative change to BFL reputation would have a detrimental impact to profitability and public perception.</p>	<p>BFL aims to strategically create a sustainable business for our people, partners and planet through its responsible business goals. BFL embeds ESG principles and ambitions, focusses on reducing its carbon footprint, and contributing appropriately to its social environment. BFL recognises the impact of climate change. As part of our responsible business objectives, BFL sets out targets for our carbon footprint impact, the consideration of climate change in its underwriting and pricing and its investment portfolio.</p> <p>Inclusion and diversity and peoples well-being continue to be fundamental to achieving these goals. BFL considers regulatory requirements and expectations and market practice, however, does not necessarily move with every prevailing market trend.</p> <p>BFL recognises the needs of our clients in everything we do. We deliver the right outcomes to our clients through the product lifecycle. The conduct review group oversees this risk.</p>

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Section 172 statement and stakeholder engagement

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

### Overall approach

The Board is responsible for the long-term success of the Company. The Company is part of the Beazley plc group, and its ultimate shareholder is Beazley plc. The Board is responsible for setting the Company's strategy, in consultation with Beazley plc, and ensuring that the necessary resources are in place to meet its objectives. The Board reviews and approves annual business plans which are aligned with the agreed strategy.

The Board meets at least quarterly and has agreed a schedule of matters specifically reserved for its consideration, including its responsibilities and how it interacts with Beazley plc. The governance framework applied to the Company ensures that the Board has overall regard to the strategy and interests of the group and its stakeholders, while acting in the interests of its own stakeholders and promoting the long-term success of the Company. In line with the governance framework, the Board has established an audit committee and a risk committee to help it discharge its duties.

The Board is responsible for considering its stakeholders in its decision-making. The Board has identified that its key stakeholders are:

- the members of the Beazley plc group workforce who act on behalf of the managed syndicates or provide services to the Company;
- external capital providers (the "Names") on its managed syndicates;
- the managed syndicates' customers and brokers;
- regulators including Lloyd's, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"); and
- Beazley plc and its stakeholders.

The Board is also responsible for ensuring that it has regard to the need to foster business relationships with suppliers in its discussions and when taking decisions.

### Board decision making

Throughout the year the Board considered the wider impact of strategic and operational decisions on the Company's stakeholders. Information is provided below on three of the principal decisions taken by the Board during the year to show how key stakeholders (including employees, customers, suppliers and others) and other matters set out in section 172 were considered by the Board in making these decisions.

<b>Principal decision 1: Approval of interim dividend</b>
<b>Stakeholders:</b> <i>shareholders, regulators</i>
<b>Other section 172 considerations:</b> <i>promoting the success of the Company for the benefit of the Company's members, long-term consequences, maintaining a reputation for high standards</i>

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Section 172 statement and stakeholder engagement (continued)

In March 2022, the Board recommended the payment of an interim dividend of £25m to its sole shareholder, Beazley Furlonge Holdings Limited. In approving the payment of the interim dividend, the directors considered the long-term consequences for the Company and the impact on its stakeholders. The directors considered the views of the Company's immediate shareholder, and those of its ultimate parent, Beazley plc. Beazley plc uses dividend payments from its subsidiaries to ensure the long-term success and viability of the group as a whole and to ensure it meets its aims of providing a reasonable return on equity to its shareholders, while ensuring the group has sufficient reserves and capital. In addition, the Board took into account the regulatory and geo-political environment and considered the views of its regulators in paying a dividend. To ensure the dividend was prudent from a financial and regulatory perspective, the Board reviewed financial information and ensured the company had sufficient distributable reserves. After considering these factors, together with other considerations when paying a dividend, the directors concluded that the payment of the interim dividend would promote the success of the Company for the benefit of its members.

#### **Principal decision 2: Conduct risk, strategy, and consumer duty**

**Stakeholders:** *customers, regulators, employees*

**Other section 172 factors:** *promoting the success of the Company, long-term consequences, maintaining a reputation for high standards*

Throughout the year, the risk committee and the Board have had oversight of conduct risk, including the new consumer duty regulations introduced by the FCA. In September, the implementation plan for meeting the consumer duty requirements was approved. In December, following recommendation from the risk committee, the Board reviewed and approved the conduct strategy for 2023, which was designed to deliver customer value through the new consumer duty. The Board also approved the appointment of one of the non-executive directors as the consumer duty champion for the Company with effect from 1 January 2023. In considering these matters and taking decisions related to the consumer, the Board had regard to the long-term consequences and reputational impacts of not meeting the requirements or not implementing the requirements in the required timeframe. The Board considered the benefits to the ultimate customers of products offered to them via the syndicates managed by the Company, as well as any risks from the Company's processes and operations which may need to be mitigated. Consideration was given to all stages of the customer journey, including product governance and ensuring products delivered good customer value and were not priced differently dependent on distribution channels; the use of data and mitigating potential customer harm; the claims experience and ensuring good and timely outcomes for customers; and customer satisfaction. In approving the conduct strategy, the Board also had regard to the Company's governance and culture. The Board believed that Beazley's values and expected behaviours of 'being bold', 'striving for better' and 'doing the right thing' would help ensure customer needs were at the forefront and that the appropriate products were provided to the right groups of customers with good outcomes achieved. The Board was satisfied that the right approach was being taken in relation to the consumer duty implementation plan and the conduct strategy and that the views of the regulator, interests of customers and maintaining a reputation for high standards were appropriately considered, and that the approach would promote the long-term success of the Company.

#### **Principal decision 3: Impact of Beazley plc raising capital on the Company's business plans**

**Stakeholders:** *regulators, customers, employees, Names*

**Other section 172 factors:** *promoting the success of the Company, long-term consequences, maintaining a reputation for high standards*

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Section 172 statement and stakeholder engagement (continued)

In November, the Beazley plc considered whether to seek additional equity capital through a capital raise. The Company's Board considered the impact on its own business plans and whether the Company had the capacity to support growth across the relevant lines of business, and whether to recommend the progression of the project. It was noted that the growth plans would require amendments to the Company's business plan for 2023. The Board considered its stakeholders including the impact on relevant teams and levels of resourcing, the reputation of the group and the Company, the views of Lloyd's and other regulators and the impact on the business plan and the managed syndicates. After due consideration, the Board concluded that supporting the project for Beazley plc to seek to raise additional capital was also in the long-term interests of the Company.

### ***Other matters relevant to section 172: the impact of the Company's operations on the environment and community***

The Beazley group has a responsible business strategy which sets out four central ambitions: a sustainable world, responsible culture, enhancing livelihoods and positive procurement. The group's responsible business strategy covers the impact of the group's activities on the environment, supporting clients and partners to transition to a decarbonised future and charity activities supporting communities impacted by climate change.

As part of the group, the Company's operations and activities are integrated into the strategy. The Board has oversight of the responsible business strategy through reporting received on these activities from the group's Head of Responsible Business. The Board also receives updates from the Chief Underwriting Officer on the impact of climate change on underwriting activities and how the risks and opportunities from climate change and other ESG matters are factored into the Company's strategy and business plans and the potential future impacts on the Company's performance.

Through its responsible business strategy, the group is committed to actively engaging with and supporting the communities in which it operates. Employees are encouraged to engage with the local communities in which they work through the 'make a difference' programme. This programme encourages all employees to devote one working day a year to volunteering and Beazley matches any charitable funds raised. Beazley also has a global charity committee, which helps support charitable work in the local communities.

Further information on the group's responsible business strategy and how the group aims to provide support for our communities and the environment are discussed in Beazley plc's 2022 annual report.

### ***How we engage with our stakeholders:***

The workforce who act on behalf of the managed syndicates and provide services to the Company:

The Company does not employ any staff and has an agreement with a fellow subsidiary of the Beazley plc group to provide staff to the Company. The approach to engagement with the workforce is led by Beazley plc. However, the Company is responsible for ensuring the workforce are appropriately considered in Board discussions and decision making about the Company's activities.

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Section 172 statement and stakeholder engagement (continued)

Beazley plc recognises that the workforce is fundamental to the long-term success of the group and People have been identified as one of the five pillars of Beazley's strategy. Active engagement with the workforce has always been a priority and has become increasingly important whilst we adjust to and benefit from hybrid working. During this time, direct engagement with the workforce has continued as before, utilising opportunities for both in person and remote events. This has consisted of regular all-employee meetings, newsletters, a CEO podcast, Q&As with senior management, and smaller meetings between the leadership of the group and employees where employees can directly engage with the executive leadership on topics of importance to them.

The group also has five employee networks which provide an opportunity for employees to be involved in matters of importance to them. The networks can put forward ideas and engage on potential changes impacting employees.

In addition, Beazley plc carries out an annual workforce engagement survey, which provides valuable information to the Board and leadership of Beazley plc regarding matters of importance to the workforce and any actions required to be taken. The most recent survey conducted in November 2022 gave an overall engagement score of 85%, down 1% from 2021. However, the score was still much higher than the global benchmark of 80% and actions will be considered to ensure engagement remains high.

In order to support formal engagement by the Beazley plc Board with the workforce, Bob Stuchbery has acted as the Non-Executive Director nominated by the Board to bring the views of the workforce to the Boardroom since 2019. In November 2022, Fiona Muldoon took over this 'employee voice' role.

More information on workforce engagement is provided in the Stakeholder engagement section of Beazley plc's 2022 annual report.

The Names on our syndicates: The support and engagement of the Names is imperative to the future success of the Company. In all relevant discussions and decision making, the Board ensure that they act fairly with regard to the Names supporting the syndicates. We have appropriate channels for Members' Agents to contact us to discuss the performance and management of the syndicates.

The syndicates' customers and brokers: Customers are at the heart of Beazley's decision making and one of the five pillars of the Beazley plc strategy. The current global uncertainty has brought into sharp focus the need to actively engage with and support our insureds during a time of challenge and uncertainty.

During 2022, to build on the significant work undertaken through the 'Closer to the Client' strategic initiative, which aimed to engage with and better understand the needs of our ultimate clients, the role of client engagement manager was created. This role has responsibility for coordinating activities across the business to focus on our ultimate clients.

There is also regular, coordinated engagement with our key broker partners which is facilitated through the group's broker relations team. There are a number of annual industry-wide events that bring our senior management together with the senior leaders of the broking firms. The Board receives updates on our key broker relationships and client engagement through reports from the CEO. The Board also receive reports from the Group Head of Claims. Further information on client and broker engagement and the outcomes can be found in Beazley plc's 2022 annual report.

# BEAZLEY FURLONGE LIMITED

## Strategic report (continued)

### Section 172 statement and stakeholder engagement (continued)

Regulators: We have transparent communication with our key regulators supported by our compliance function. Our compliance function, executive leadership team, and the non-executive directors have ongoing engagement with our regulators, including when requested to discuss specific matters. Any significant regulatory engagements are reported to the Board.

Lloyd's: As a Lloyd's managing agency that manages seven active syndicates, the Board views the success of the Lloyd's market as fundamental to the Company's success. The Company has been part of the Lloyd's market since its incorporation and is a strong supporter of market initiatives. The Company and the Board regularly engage with Lloyd's on the Company's activities, strategy, and business plans.

#### Beazley plc and its stakeholders

A key stakeholder for the Company is its ultimate shareholder, Beazley plc and its stakeholders. The Board ensures it is engaged with the Beazley plc Board and the wider group on all matters. In order to ensure engagement between the Board and Beazley plc, the Board contains some directors who are also directors of Beazley plc; the Company and Beazley plc audit committee and the risk committee are also chaired by the same directors; and where there are topics that are of importance to both entities, joint Board meetings are held to enable the Boards to discuss and approve proposals in the interests of the Company and the group.

#### Suppliers

The Board is cognisant of the need to foster business relationships with its suppliers. The Board is kept informed of matters related to the group's key suppliers through updates received during the year. The Board also reviews and approves any changes to key policies impacting the Company's activities.

Supplier engagement is led by the procurement team within Beazley plc, who engage with suppliers and outsource providers. Processes are in place in relation to ensure due diligence and communication regarding service expectations is carried out for new engagements. Suppliers are expected to adopt the same standards of ethical business practice as the group, which includes respecting human rights and ensuring supply chains do not involve modern slavery or human trafficking. Further information is available in Beazley's modern slavery statement which is available on the website ([www.beazley.com](http://www.beazley.com)). Annual monitoring and communication take place with material suppliers and outsource providers to ensure performance and practices continue at a high standard. This annual monitoring is a good opportunity for open engagement with suppliers outside of day-to-day activities, and two-way feedback on areas for improvement is encouraged. We also encourage suppliers to raise any concerns independently through Beazley's independent whistleblowing hotline. In addition, the Board receives services from other subsidiaries within the group, which are overseen by the Board and managed in accordance with a services agreement.



A P Cox  
Director

1 March 2023

Registered office: 22 Bishopsgate, London, EC2N 4BQ

# **BEAZLEY FURLONGE LIMITED**

## **Directors' report**

### **Business review**

The Directors present their report together with the audited financial statements for the year end 31 December 2022. A review of the 'Company's (registered no: 01893407) activities is included in the strategic report.

### **Future developments**

The future developments of the Company are disclosed within the strategic report.

### **Results and dividends**

The results for the period are shown in the profit or loss account on page 21. An interim dividend of £25.0m was approved and paid in 2022 (2021: nil).

### **Donations**

During the period the Company made no charitable donations (2021: £nil).

### **Director's indemnity insurance**

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

### **Directors**

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

R S Anarfi  
C C R Bannister (appointed 8 February 2023)  
G P Blunden – Interim Chair  
A P Cox - Chief Executive Officer  
I Fantozzi (resigned 1 March 2023)  
N H Furlonge  
S M Lake  
C LaSala  
R E Quane (appointed 21 December 2022)  
A J Reizenstein  
D L Roberts (Chair, resigned 21 October 2022)  
L Santori  
R A Stuchbery  
N Wall  
K W Wilkins (resigned 1 January 2022)

# BEAZLEY FURLONGE LIMITED

## Directors' report (continued)

The directors of Beazley Furlonge Limited during the period covered by this annual report who participated in syndicate 623 through Beazley Staff Underwriting Limited are as follows:

Year of Account	2021 year of account underwriting capacity £	2022 year of account underwriting capacity £	2023 year of account underwriting capacity £
A P Cox	400,000	400,000	400,000
S M Lake	100,000	100,000	250,000
I Fantozzi	350,000	350,000	400,000
R S Anarfi	-	100,000	112,143
R Quane	-	100,000	100,000

### Disclosure of information to auditor

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

### Going concern

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

In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic and financial plan, taking account of possible changes in trading performance and funding retention. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for twelve months from the date the financial statements are authorised for issue. At its most recent 2022 QF1 regulatory submission, the Company's capital ratios and its total capital resources are in excess of Lloyds regulatory requirements.

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 Company's financial statements.

### Auditor

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

# BEAZLEY FURLONGE LIMITED

## Directors' report (continued)

### Energy and Carbon Reporting

Reporting required in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 can be found at a consolidated Group level in the Beazley plc annual report and accounts.

### Matters disclosed in the strategic report

The directors consider the following matter to be of strategic importance and have chosen to disclose these in the strategic report:

- how directors have had regard to the need to foster business relationships with customers, suppliers and others;
- exposure to credit and liquidity risk; and
- financial risk management objectives and policies.

Signed on behalf of the Board



A P Cox  
Director

1 March 2023  
22 Bishopsgate  
London  
EC2N 4BQ

## BEAZLEY FURLONGE LIMITED

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- State whether applicable UK Accounting Standards have been followed, subject to material departures disclosed and explained in the financial statements.

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



S M Lake  
Director

1 March 2023

# **BEAZLEY FURLONGE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY FURLONGE LIMITED**

### **Opinion**

We have audited the financial statements of Beazley Furlonge Limited for the year ended 31 December 2022 which comprise the primary statements such as the Profit or Loss Account, the Statement of comprehensive income, the Statement of changes in equity and the Balance Sheet and related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### **Basis for opinion**

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

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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

## **BEAZLEY FURLONGE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY FURLONGE LIMITED (CONTINUED)**

#### **Other information**

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

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **BEAZLEY FURLONGE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY FURLONGE LIMITED (CONTINUED)**

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law, tax legislation and the financial reporting framework. Our considerations to other laws that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA') and the Companies Act 2006.
- We understood how Beazley Furlonge Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for the legal and compliance matters. We also reviewed minutes of the Board and attended the Audit and Risk Committees and gained an understanding of the company's approach to governance demonstrated by the Board's approval of the company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Additionally, we tested year-end adjustments i.e. early close topside adjustments and manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws and regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA.

## **BEAZLEY FURLONGE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY FURLONGE LIMITED (CONTINUED)**

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

#### **Use of our report**

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

*Ernst & Young UP*

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

## BEAZLEY FURLONGE LIMITED

### Profit or loss account For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Turnover	2	25.8	20.1
Other operating income	2	280.8	197.5
		<hr/> 306.6	<hr/> 217.6
Administrative expenses	4	(284.2)	(199.9)
Foreign exchange gain		2.7	1.0
		<hr/>	<hr/>
<b>Operating profit</b>		<b>25.1</b>	<b>18.7</b>
		<hr/>	<hr/>
Profit on ordinary activities before taxation		25.1	18.7
Income tax expense	5	(4.8)	(3.5)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>20.3</b>	<b>15.2</b>
		<hr/>	<hr/>

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

The notes on pages 25 to 35 form part of these financial statements.

## BEAZLEY FURLONGE LIMITED

### Statement of comprehensive income For the year ended 31 December 2022

	Note	2022 £m	2021 £m
<b>Profit for the financial year</b>		<b>20.3</b>	<b>15.2</b>
Actuarial gain/(loss) on retirement benefit obligations	10	(10.2)	9.1
Tax effect of actuarial gain on retirement benefit obligations		2.5	(2.4)
Distributed to managed syndicates		10.2	(9.1)
Tax on distribution to managed syndicates.		(1.9)	1.7
<b>Total comprehensive income for the year</b>		<b>20.9</b>	<b>14.5</b>

The notes on pages 25 to 35 form part of these financial statements.

## BEAZLEY FURLONGE LIMITED

### Statement of changes in equity For the year ended 31 December 2022

	Called up share capital £m	Profit and loss account £m	Total £m
Balance as at 1 January 2021	0.4	29.3	29.7
Total comprehensive income for the year	-	14.5	14.5
Balance at 31 December 2021	0.4	43.8	44.2
Balance as at 1 January 2022	0.4	43.8	44.2
Total comprehensive income for the year	-	20.9	20.9
Dividend paid	-	(25.0)	(25.0)
Balance at 31 December 2022	0.4	39.7	40.1

The notes on pages 25 to 35 form part of these financial statements.

# BEAZLEY FURLONGE LIMITED

## Balance sheet As at 31 December 2022

	Note	2022 £m	2021 £m
<b>Assets</b>			
Debtors	6	127.2	99.0
Cash at bank in hand		3.7	7.7
Retirement benefit assets	10	3.7	13.7
<b>Total assets</b>		<b>134.6</b>	<b>120.4</b>
<b>Liabilities, capital and reserves</b>			
Called up share capital	9	0.4	0.4
Profit and loss account		39.7	43.8
<b>Total capital and reserves</b>		<b>40.1</b>	<b>44.2</b>
<b>Liabilities</b>			
Creditors	7	93.6	72.8
Deferred tax liability	8	0.9	3.4
<b>Total liabilities, capital and reserves</b>		<b>134.6</b>	<b>120.4</b>

Signed on behalf of the Board of directors



S M Lake  
Director

The financial statements were approved by the Board of directors on 1 March 2023.

The notes on pages 25 to 35 form part of these financial statements.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements

### 1. Accounting policies

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

#### Statement of compliance and basis of preparation

The Company is a limited liability company incorporated in England under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 12.

The financial statements of the Company were authorised for issue by the Board of directors on 1 March 2023. The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK (FRS 102), as it applies to the financial statements of the Company for the year ended 31 December 2022 and in accordance with the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations. The financial statements are presented in pounds sterling, being the functional currency of the Company, and in millions unless otherwise stated.

#### Exemptions for qualifying entities under FRS 102

The Company has taken advantage of section 400 of the Companies Act 2006 and claimed exemption from preparing Group accounts as it's a wholly owned subsidiary of the ultimate parent Company, Beazley plc, whose financial statements are publicly available, please refer to note 12.

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

- (i) from preparing a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- (ii) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the Group's consolidated financial statements, includes the Company's cash flows;
- (iii) from disclosing share based payment arrangements concerning its own equity instruments. The Group's share based payment arrangements and relevant disclosures are presented in the Group's consolidated financial statements;
- (iv) from disclosing the Company key management personnel compensation, as required by FRS 102; and
- (v) from disclosing transactions entered into between related parties within a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### Going Concern

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

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Going Concern(continued)

In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position and the Company's strategic and financial plan. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for the twelve months from the date financial statement are authorised for issue.

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.

#### Use of estimates and judgements

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

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.

Information about areas of judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and also specifically in the following:

#### Post-retirement benefits

The Company operates a defined benefit pension plan that is now closed to future service accruals.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors like age, years of service and compensation. The pension costs are assessed using the projected unit credit method. Under this method the costs of providing pensions are charged to the profit or loss account so as to spread the regular costs over the service lives of employees in accordance with the advice of the qualified actuary, who values the plans annually. The pension obligation is measured at the present value of the estimated future net cash flows and is stated net of plan assets.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income and retained earnings, actuarial gains and losses.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Significant accounting policies

##### (1) Turnover

Turnover represents agency fees and profit commission derived from underwriting names at Lloyd's.

Agency fees represent net retained fees in respect of the 2022 underwriting account.

Profit commission, which is recognised as profit, is commission on profit earned in syndicate 623.

##### (2) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in those locations.

##### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

##### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

##### (3) Cash

Cash consists of cash at bank and in hand.

##### (4) Other debtors

Other debtors are carried at amortised cost less any impairment losses.

##### (5) Other creditors

Other creditors are stated at amortised cost determined on the effective interest rate method.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### Significant accounting policies (continued)

##### (6) Foreign currencies

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 at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

##### (7) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are not recognised in the financial statements but are disclosed in the notes to the financial statements.

### 2. Turnover and other operating income

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Underwriting agency fees	19.7	17.5
Profit Commissions	6.1	2.6
	<u>25.8</u>	<u>20.1</u>

Turnover and profit before taxation arise in the United Kingdom, from business underwritten at Lloyd's on behalf of names resident in the United Kingdom and overseas.

Other operating income of £280.8m (2021: £197.5m) represents charges to managed syndicates (2623, 623, 3623, 6107, 3622, 5623 and 4321). All charges to the syndicates other than those directly charged by Lloyd's to the syndicates are paid by Beazley Management Limited and are then charged through the Company to the relevant syndicate. The financial statements provide for these charges gross, as income and expense.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 3. Directors and employees

The directors and employees rendering services to the Company are paid for those services through Beazley Management Limited. The charges in relation to the services provided by directors and employees are subsequently recharged through the Company to the managed syndicates. Remuneration paid to directors of the Company specifically relating to services rendered to the Company are shown below.

During the year the aggregate total of remuneration paid to the company directors was £371k (2021:£405k). The highest remuneration paid to a director was £70k (2021: £64k). All remuneration was recharged to managed syndicates.

Further details of the remuneration paid to directors and employees for their services to the Group are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at [www.beazley.com](http://www.beazley.com).

### 4. Administrative expenses

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Recharged from Beazley Management Limited	284.2	199.9
Administrative expenses	284.2	199.9

The audit fee in the current financial year was £24,000 (2021: £24,000) and was paid by Beazley Management Limited.

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

All staff are employed and paid by Beazley Management Limited. The executive directors of the Company are paid by Beazley Management Limited in relation to their directorships of this Company.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 5. Income tax expense

#### Tax expense included in profit or loss

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<i>Current tax:</i>		
UK corporation tax charge at 19.0% (2021: 19.0%)	4.8	3.3
Total current tax	<u>4.8</u>	<u>3.3</u>
<i>Deferred tax:</i>		
Origination of and reversal of timing differences	-	0.2
Total deferred tax	<u>-</u>	<u>0.2</u>
Tax charge for the year	<u>4.8</u>	<u>3.5</u>

#### Tax expense included in other comprehensive income

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Current Tax	(1.9)	1.7
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1.9	(1.7)
Impact of change in tax rate	0.6	(0.7)
Total tax expense included in other comprehensive income	<u>0.6</u>	<u>(0.7)</u>

#### Reconciliation of tax charge

The tax charge for the current year is equal to (2021: equal to) the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%):

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Profit on ordinary activities before taxation	25.1	18.7
Tax calculated at 19% (2021: 19.0%)	<u>4.8</u>	<u>3.5</u>
Tax charge for the year	<u>4.8</u>	<u>3.5</u>

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 6. Debtors

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Amounts due from other group companies	-	2.1
Amounts due from syndicates	65.5	49.9
Profit commission receivable	9.1	2.7
Managing agent fee receivable	52.6	44.3
	<u>127.2</u>	<u>99.0</u>

Managing agent fees receivable of £14.5m relate to the 2020 underwriting year and are due within one year. The remainder of the managing agent fees of £38.1m are due after one year. Profit commissions of £3.0m relate to the 2020 underwriting year and are due within one year. The remainder of the profit commissions of £6.1m are due after one year. The remainder of the Company's debtors are due within one year.

### 7. Creditors

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Amounts due to other group companies	85.3	71.2
Amounts due to syndicates	0.8	-
Current tax payable	6.8	1.6
Group relief payable	0.7	-
	<u>93.6</u>	<u>72.8</u>

All creditors are due within one year.

### 8. Deferred tax

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
The movement in deferred tax during the year was:		
Opening balance	(3.4)	(0.7)
Movement in comprehensive income during the year	1.9	(1.9)
Effect of change in tax rate	0.6	(0.8)
Closing liability	<u>(0.9)</u>	<u>(3.4)</u>

Deferred tax liabilities provided in the accounts are:

Defined benefit pension scheme	<u>(0.9)</u>	<u>(3.4)</u>
--------------------------------	--------------	--------------

The total movement in deferred tax relates to other comprehensive income.

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

The timing of the unwinding of the deferred tax liabilities in respect of the defined benefits pension scheme cannot be predicted.

## BEAZLEY FURLONGE LIMITED

### Notes to the financial statements (continued)

#### 9. Share capital

	2022		2021	
	No. of shares (m)	£m	No. of shares (m)	£m
<b>Ordinary shares of £1 each</b>				
Issued and fully paid	0.4	0.4	0.4	0.4
<b>Balance at 1 January and 31 December</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

#### 10. Retirement benefit obligations

The Company operates a defined benefit pension scheme ('the Beazley Furlonge Limited Pension Scheme') which closed to new members in 2002 and to future service accrual in 2006. The scheme provides benefits based on final pensionable pay, with contributions being charged to the profit or loss account so as to spread the cost of pensions over employees' working lives with the Company. No additional years of service can be accrued for those members still employed by the Company. Contributions are determined by a qualified independent actuary using the projected unit credit method and the most recent valuation was at 31 December 2022.

The major assumptions used in this valuation were:

	2022	2021
Future salary increases	3.5%	3.8%
Future pensions increases	3.0%	1.9%
Discount rate	4.8%	1.9%
Inflation rate	3.5%	3.8%
Life expectancy for male members aged 60 at 31 December	90 years	90 years
Life expectancy for female members aged 60 at 31 December	90 years	91 years

The assumptions used by the actuary are chosen from the range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

During 2022, the pension scheme trustees completed a transaction that insures all of the scheme's liabilities to a third party via a bulk annuity buy-in with an external insurance company. The buy-in covers all members of the scheme and preserves their existing pension entitlements. The annuity contracts meet the criteria to be classified as qualifying insurance policies as defined in FRS 102 section 28 as the cash flows match the timing and value of the benefits payable to members that they cover. These annuities are thus valued at the present value of the obligations insured.

The pension scheme trustees and the Company will consider in due course whether to move to a full buy-out of the plan, whereby the buy-in policies held by the plan will be converted to individual annuity policies which will be issued to scheme members. This is a separate decision for the trustees and the Company and whilst the buy-in policy allows for such a buy-out to happen, this is not a requirement. At the reporting date, the trustees and the Company retain all obligations to ensure benefits due to scheme members are paid.

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 10. Retirement benefit obligations (continued)

The purchase of these annuities has not been treated as a settlement, and the difference between the purchase price of the annuities and their carrying value has been recognised in the Statement of comprehensive income on the revaluation of plan assets, which also includes any valuation movements during the year before the buy-in transaction completed.

As a result of the buy-in transaction, the company is no longer exposed to longevity, interest or inflation risk linked to the pension scheme and no further funding is expected to be required.

#### Plan assets

The fair value of plan assets and the present value of funded obligations, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
Purchased annuities	25.4	-
Bonds	-	2.5
UCITS funds	-	52.9
Cash	3.7	1.3
	<hr/> 29.1	<hr/> 56.7
Fair value of plan assets	29.1	56.7
Present value of funded obligations	(25.4)	(43.0)
	<hr/> 3.7	<hr/> 13.7
Net pension asset	<hr/> 3.7	<hr/> 13.7

The expected rate of return on scheme assets (including bonds, equities and UCITS funds) was 4.8% at 31 December 2022 (31 December 2021: 1.9%). This expected return on scheme assets reflects the discount rate. During the year, the scheme had no exposure to liability driven investment products (2021: nil).

Movement in defined benefit obligation:

	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
Balance at beginning of year	43.0	47.5
Interest cost	0.8	0.5
Actuarial (gain) / loss	(18.0)	(3.0)
Benefits paid	(0.4)	(2.1)
Balance at the end of year	<hr/> 25.4	<hr/> 43.0

Movement in fair value of plan assets:

	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
Balance at beginning of year	56.7	51.0
Expected return on assets	1.0	0.7
Contributions paid	-	1.0
Actuarial gain / (loss)	(28.2)	6.1
Benefits paid	(0.4)	(2.1)
Balance at the end of year	<hr/> 29.1	<hr/> 56.7

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 10. Retirement benefit obligations (continued)

Analysis of amounts recognised in Statement of comprehensive income:

	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
Actual return less expected return on plan assets	(28.2)	6.1
Experience (loss)/gain on scheme liabilities	(1.6)	0.8
Changes in assumptions underlying the present value of scheme liabilities	19.6	2.2
	<hr/>	<hr/>
Actuarial (loss)/gain recognised in Statement of comprehensive income	(10.2)	9.1
	<hr/>	<hr/>
	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
<i>Difference between the expected and actual return on scheme</i>		
- Amount	(28.2)	6.1
- Percentage of year end scheme assets	97%	11%
<i>Experience (loss)/gain on scheme liabilities</i>		
- Amount	(1.6)	0.8
- Percentage of year end present value of scheme liabilities	6%	2%
<i>Total recognised in statement of income and retained earnings</i>		
- Amount	(10.2)	9.1
- Percentage of year end present value of scheme liabilities	40%	21%

### 11. Dividends

The following dividends were recognised during the period:

	<b>2022</b> <b>£m</b>	<b>2021</b> <b>£m</b>
£62.50 (2021: £nil) per qualifying ordinary share	<hr/> 25.0	<hr/> -

The directors propose the payment of a £20.0m dividend in respect of the year ended 31 December 2022 (2021: £25.0m).

# BEAZLEY FURLONGE LIMITED

## Notes to the financial statements (continued)

### 12. Ultimate controlling Company

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

The largest and the smallest Groups in which the results of the Company are consolidated is that headed by Beazley plc.

The consolidated financial statements of the ultimate controlling Company, Beazley plc, can be obtained from the website [www.beazley.com](http://www.beazley.com).

### 13. Related party disclosures

Certain directors of the Company participate in syndicate 623 through Beazley Staff Underwriting Limited. The details of the participations are disclosed in the Directors' report on page 13.

### 14. Subsequent events

The board declared a dividend of £20.0m on 23 February 2023 payable to the Company's parent company, Beazley Furlonge Holdings Limited.