

Explore. Create. Build...

Beazley plc Solvency and Financial Condition Report 2021

Welcome to our 2021 SFCR report

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

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Summary

The EU-wide regulatory regime for insurance and reinsurance companies, known as Solvency II, came into force with effect from 1 January 2016, requiring new reporting and public disclosure of information. This document is the sixth issuance of the Solvency and Financial Condition Report (SFCR) that is required to be published annually by Beazley plc (Beazley or the group).

The CBI confirmed on 19 February 2021 that, following the UK's departure from the European Union on 31 December 2020, the CBI would continue to apply Solvency II Group Supervision at the level of Beazley plc.

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

Beazley delivered strong premium growth in 2021, with gross premiums written rising 30% to \$4,618.9m (2020: \$3,563.8m). Rates on renewal business on average increased by 24% across the portfolio (2020: increased by 15%). Every one of our seven divisions saw double digit growth with Cyber & Executive Risk and Market Facilities achieving 49% growth each. Property and Specialty Lines also achieved strong growth of 25% and 23% respectively in 2021. Beazley had a profit before tax of \$369.2m (2020: loss \$50.4m). The Group's combined ratio improved to 93% (2020: 109%). Our investment team achieved an investment return of 1.6% (2020: 3.0%) or \$116.4m (2020: \$188.1m).

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

The Beazley plc Solvency II balance sheet comprises the consolidated assets and liabilities of the insurance undertakings and ancillary service companies included in the group. The Solvency II technical provisions of Bldac are consolidated with those of Beazley Insurance Company, Inc (BICI) and the group's other insurance undertakings.

The Solvency II technical provisions of Bldac have been calculated in line with a strict application of the Solvency II regulation that considers the contract cash flows, particularly in relation to the aggregate excess of loss reinsurance agreement with BUL with effect from the 2017 year end. The cash flows represent the premium (provided the declared result of BUL is a profit) or claim (in the case of a loss) paid in respect of BUL's declared result and the fees for providing capital to support BUL's reinsured underwriting at Lloyd's.

The group continues to be committed to the highest standards of corporate governance and the group's robust system of governance has been designed to establish, implement and maintain effective controls, internal reporting and communication of information across all levels within the group. Beazley believes these to be fundamental to the long term success of the company.

The group's investment portfolio at 31 December 2021 was heavily weighted toward government issued and investment grade corporate debt, however the portfolio has still been impacted by the volatility in financial markets throughout 2021. There was a reduction in the exposure to capital growth assets due to increased investment risk and volatility seen in 2021 however strong investment performance from hedge funds and a subsequent recovery in equities helped contribute to the 1.6% return.

Activity-based working was already successfully underway at Beazley prior to the pandemic with investment in systems and tools to enable colleagues to easily work from home and across 2021 has allowed flexibility between remote and office-based working. Over the course of 2020 and 2021 productivity soared as we continued to recruit exceptional talent, maintain service standards, enhance our systems and integrate digital technology and artificial intelligence to further streamline processes and operational efficiency. Investment in tools and software for our people to work more flexibly has been complemented by a programme to redesign our office space into zones to suit different tasks throughout the day, with our London office at 22 Bishopsgate opening during 2021.

Beazley holds a level of capital over and above its regulatory requirements. As at 31 December 2021, total own funds eligible to meet the group Solvency Capital Requirement (SCR) were \$2,743.2m (2020: \$2,339.3m), compared to the group SCR of \$1,459.3m (2020: \$1,469.5m) giving a solvency ratio of 188% (2020: 159%). The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework and opportunities for organic or acquisitive growth and a desire to maximise returns for investors.

In addition to monitoring the level of capital compared to the group SCR, the Beazley plc board also considers the capital resources required by the group to underwrite at Lloyd's. At 31 December 2021, we have surplus capital of 27% of Lloyd's economic capital requirement (ECR), (on a Solvency II basis), which marginally exceeds the target range Beazley aims to hold over the ECR of 15-25%.

A. Business and performance

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

A.1 Business

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

The address of the registered office is:

22 Bishopsgate
London
EC2N 4BQ
United Kingdom

The supervisor of Beazley Insurance dac and the group is the Central Bank of Ireland (CBI), and can be contacted at:

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

The independent auditor of the group's SFCR is:

Ernst & Young
Harcourt Centre
Harcourt Street
Dublin 2

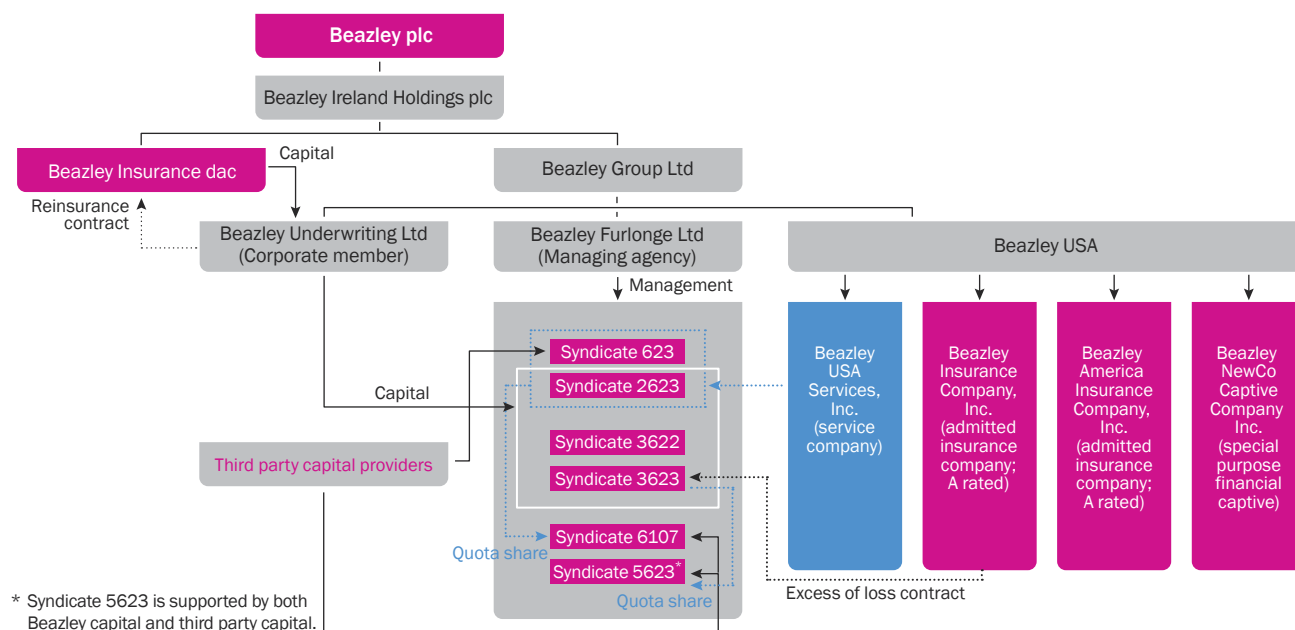
As at 20 May 2022, the board had been notified of, or was otherwise aware of, the following shareholdings of 3% or more of the company's issued ordinary share capital:

Name	Number of ordinary shares	% of overall holding
MFS Investment Management	55,845,069	9.2
Wellington Management	50,253,315	8.2
BlackRock	37,230,669	6.1
Platinum Asset Management	29,724,091	4.9
Fidelity Management & Research	28,178,113	4.6
Vanguard Group	26,760,998	4.4
Janus Henderson Investors	18,690,113	3.1

The group operates across Lloyd's, Europe, Asia, Canada and the US through a variety of legal entities and structures.

The main entities within the legal entity structure are as follows:

- **Beazley plc** – group holding company and investment vehicle, quoted on the London Stock Exchange;
- **Beazley Ireland Holdings plc** – intermediate holding company;
- **Beazley Underwriting Limited (BUL)** – corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- **Beazley Furlonge Limited (BFL)** – managing agency for the six syndicates managed by the group (623, 2623, 3622, 3623, 6107 and 5623);
- **Beazley Insurance dac (Bidac)** – insurance company that accepts non-life reinsurance premiums ceded by the corporate member, BUL and writes direct business in Europe;
- **Syndicate 2623** – corporate body regulated by Lloyd's and the PRA through which the group underwrites its general insurance business excluding accident & life. Business is written in parallel with syndicate 623;
- **Syndicate 623** – corporate body regulated by Lloyd's and the PRA which has its capital supplied by third-party names;
- **Syndicate 6107** – special purpose syndicate writing reinsurance business, and from 2017 cyber, on behalf of third-party names;



A.1 Business *continued*

- **Syndicate 3622** – corporate body regulated by Lloyd’s and the PRA through which the group underwrites its life insurance and reinsurance business;
- **Syndicate 3623** – corporate body regulated by Lloyd’s and the PRA through which the group underwrites its personal accident, BICI reinsurance business and from 2018 facilities business;
- **Syndicate 5623** – special purpose syndicate writing facilities business ceded from syndicate 3623;
- **Beazley Insurance Company, Inc. (BICI)** – insurance company regulated in the US. Licensed to write insurance business in all 50 states;
- **Beazley America Insurance Company, Inc (BAIC)** – insurance company regulated in the US. In the process of obtaining licenses to write insurance business in all 50 states;
- **Beazley USA Services, Inc. (BUSA)** – managing general agent based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates, 2623 and 623, BICI and BAIC; and
- **Beazley Newco Captive Company Inc** – provides internal reinsurance to BICI for adverse development on older accident years.

The following is a list of all the subsidiaries in the group as at 31 December 2021:

	Country of incorporation	Ownership interest	Nature of business	Functional currency	Beazley plc direct investment in subsidiary (\$m)
Beazley Ireland Holdings plc	Jersey	100%	Intermediate holding company	USD	724.6
Beazley Group Limited	England	100%	Intermediate holding company	USD	
Beazley Furlonge Holdings Limited	England	100%	Intermediate holding company	USD	
Beazley Furlonge Limited	England	100%	Lloyd’ managing agents	GBP	
Beazley Investments Limited	England	100%	Investment Company	USD	
Beazley Underwriting Limited	England	100%	Underwriting At Lloyd’s	USD	
Beazley Management Limited	England	100%	Management Company	GBP	
Beazley Staff Underwriting Limited	England	100%	Underwriting At Lloyd’s	USD	
Beazley Solutions Limited	England	100%	Insurance Services	GBP	
Beazley Underwriting Services Limited	England	100%	Insurance Services	GBP	
Beazley Corporate Member (No.2) Limited	England	100%	Underwriting At Lloyd’s	USD	
Beazley Corporate Member (No.3) Limited	England	100%	Underwriting At Lloyd’s	USD	
Beazley Corporate Member (No.6) Limited	England	100%	Underwriting At Lloyd’s	USD	
Beazley Leviathan Limited	England	100%	Underwriting At Lloyd’s	GBP	
Beazley Canada Limited	Canada	100%	Insurance Services	CAD	
Beazley Insurance dac	Ireland	100%	Insurance And Reinsurance Company	USD	
Beazley Solutions International Limited	Ireland	100%	Insurance Services	EUR	
Beazley Underwriting Pty Ltd	Australia	100%	Insurance Services	AUD	
Beazley Newco Captive Company, Inc.	USA	100%	Special Purpose Financial Captive	USD	
Beazley USA Services, Inc.	USA	100%	Insurance Services	USD	
Beazley Holdings, Inc.	USA	100%	Holding Company	USD	
Beazley Holdings, Inc. Digital LLC	USA	100%	Insurance Services	USD	
Beazley Group (USA) General Partnership	USA	100%	General Partnership	USD	
Beazley Insurance Company, Inc.	USA	100%	Underwriting Admitted Lines	USD	
Beazley America Insurance Company, Inc.	USA	100%	Underwriting Admitted Lines	USD	
Lodestone Securities LLC	USA	100%	Consultancy Services	USD	
Beazley Pte. Limited	Singapore	100%	Underwriting At Lloyd’s	SGD	
Lodestone Security Limited	England	100%	Consultancy Services	GBP	
Beazley Labuan Limited	Malaysia	100%	Insurance Services	USD	
					724.6

A. Business and performance

continued

A.1 Business *continued*

In 2021, the group's business consisted of seven operating divisions. The following table provides a breakdown of gross premiums written by division, and also provides a geographical split based on placement of risk.

2021	UK (Lloyd's)	US (non-Lloyd's)	Europe (non-Lloyd's)	Total
Cyber and executive risk	24%	8%	1%	33%
Marine	7%	1%	-	8%
Market Facilities	4%	-	-	4%
Political, accident & contingency	6%	1%	-	7%
Property	13%	-	-	13%
Reinsurance	5%	-	-	5%
Specialty lines	22%	3%	5%	30%
Total	81%	13%	6%	100%

2020	UK (Lloyd's)	US (non-Lloyd's)	Europe (non-Lloyd's)	Total
Cyber and executive risk	19%	10%	1%	30%
Marine	9%	-	-	9%
Market Facilities	4%	-	-	4%
Political, accident & contingency	7%	1%	-	8%
Property	13%	-	-	13%
Reinsurance	5%	-	-	5%
Specialty lines	25%	5%	1%	31%
Total	82%	16%	2%	100%

Beazley achieved a fourth year of double digit premium growth in 2021, with rate rises driving gross premiums written up 30% to \$4,618.9m (2020: \$3,563.8m). Profit before income tax for the year was \$369.2m (2020: Loss (\$50.4m)). Our combined ratio improved to 93% (2020:109%) aided by the subsiding of the pandemic related claims spike of the previous year. Our investment team achieved an investment return of 1.6% (2020: 3.0%).

Our financial performance is testament to our people's considerable resilience throughout a period of continued change and their readiness to step up and embrace the opportunities presented by the positive market conditions of 2021. We have continued to deliver against our long-held strategy of applying skills, experience and problem-solving to excel in providing differentiated insurance solutions for selected areas of specialist risk.

The COVID-19 crisis has dominated the last two years and it is right that Beazley has used the experience to step back and assess what we can do differently to become a stronger partner for our clients and stakeholders in the post-pandemic world.

We have challenged ourselves to look differently at the complexities of risk and to increase our ability to assist our customers to manage and mitigate their complex risk exposures.

As a company grounded in designing innovative solutions for clients through technical underwriting in specialist risk, attracting and nurturing great talent is one of the key reasons why our culture is so important for ensuring we are a place where people from all backgrounds and experience want to work and develop their careers. Of course, in today's digital era, being a market leader in insurance requires a host of skills, knowledge and ways of thinking beyond the traditional scope of underwriting.

As our company evolves, expands geographically, and adopts new technologies to improve our processes, products and services, we must also have a strong purpose and vision to help guide us. To ensure this, we review our strategy every three years and given the significant change of the past two years, it was particularly important to look at this closely during 2021.

Through a collaborative process across the company we have defined our purpose and long term strategy and aligned our vision together with adopting more effective descriptors that better reflect the vital role of clients at the core of our decision-making.

Beazley's purpose is to enable our stakeholders to explore, create and build the future of their business. We do this by investing in understanding the complexity of the risks they face and deploying our expertise to support them in managing those risks. This is how we create value.

A.1 Business continued

To deliver this renewed purpose we will leverage five key elements that are the foundations of our business. Firstly, clients where it's about ensuring we keep our finger on the client pulse and use our expertise to develop progressive and innovative solutions that enable them to thrive. Secondly, Protection. As risk becomes more complex this means going beyond just traditional risk transfer and delivering a more holistic approach through risk management underpinned by expert underwriting. Our People are the third element, they are responsible for making everything happen at Beazley and creating a culture that supports and inspires our people is vital. Fourth, we must have the Tools to deliver, whether in the form

of new technologies or processes, a fast and frictionless service. Finally, and the newest pillar of our strategy, is being a Responsible Business, which is seeing us invest in and measure our progress towards deploying our underwriting and investments, and managing our operations, in ways which mitigate climate change and support social inclusion. Together these five pillars will hold up and support our clients to explore new ideas, create value and build a better future.

Organisational structure

The group has operations in Europe, North America and Asia. Beazley plc's country of domicile is the UK.

A.2 Underwriting performance

The following table presents our underwriting performance by operating segment:

	Cyber & Executive Risk \$m	Marine \$m	Market Facilities \$m	Political, Accident & Contingency \$m	Property \$m	Reinsurance \$m	Specialty Lines \$m	Total \$m
2021								
Gross premiums written	1,515.6	376.5	198.2	322.8	586.5	226.1	1,393.2	4,618.9
Net premiums written	1,150.6	345.6	55.0	270.9	439.7	133.4	1,117.2	3,512.4
Net earned premiums	951.6	316.8	45.3	251.2	386.8	134.9	1,060.7	3,147.3
Net investment income	31.9	8.3	0.6	8.1	15.0	7.6	44.9	116.4
Other income	4.1	1.1	(0.3)	1.9	6.9	0.6	13.9	28.2
Gain from sale of business	-	-	-	54.4	-	-	-	54.4
Revenue	987.6	326.2	45.6	315.6	408.7	143.1	1,119.5	3,346.3
Net insurance claims	622.1	105.8	10.6	136.1	212.4	123.0	616.2	1,826.2
Expenses for the acquisition of insurance contracts	205.9	89.0	33.1	84.7	118.3	31.1	259.7	821.8
Administrative expenses	56.6	33.4	0.7	25.1	51.3	15.6	100.3	283.0
Foreign exchange loss	2.3	0.6	0.3	0.5	0.9	0.4	2.2	7.2
Expenses	886.9	228.8	44.7	246.4	382.9	170.1	978.4	2,938.2
Segment result	100.7	97.4	0.9	69.2	25.8	(27.0)	141.1	408.1
Finance costs								(38.9)
Profit before income tax								369.2
Income tax expense								(60.5)
Profit for the year attributable to equity shareholders								308.7
Claims ratio	65%	33%	23%	54%	55%	91%	58%	58%
Expense ratio	28%	39%	75%	44%	44%	35%	34%	35%
Combined ratio	93%	72%	98%	98%	99%	126%	92%	93%
Segment assets and liabilities								
Segment assets	3,953.7	761.8	339.8	698.3	1,351.1	814.1	4,888.6	12,807.4
Segment liabilities	(3,253.6)	(655.6)	(316.9)	(605.9)	(1,086.5)	(685.9)	(4,072.2)	(10,676.6)
Net assets	700.1	106.2	22.9	92.4	264.6	128.2	816.4	2,130.8
Additional information								
Capital expenditure	7.3	1.1	0.2	1.0	2.8	1.3	8.5	22.2
Amortisation and depreciation	(10.8)	(2.5)	(0.3)	(1.4)	(4.0)	(2.0)	(19.4)	(40.4)
Net cash flow	92.8	14.1	3.0	12.2	35.1	17.0	108.2	282.3

A. Business and performance

continued

A.2 Underwriting performance *continued*

2020	Cyber & executive risk \$m	Marine \$m	Market Facilities \$m	Political, accident & contingency \$m	Property \$m	Reinsurance \$m	Specialty lines \$m	Total \$m
Gross premiums written	1,020.1	337.4	133.4	273.0	470.5	194.5	1,134.9	3,563.8
Net premiums written	864.6	309.4	37.3	227.1	389.9	126.9	961.8	2,917.0
Net earned premiums	787.2	297.1	27.9	213.8	360.7	124.3	882.4	2,693.4
Net investment income	53.6	12.8	0.5	10.6	21.4	11.9	77.3	188.1
Other income	2.8	1.7	0.1	4.1	5.1	1.7	14.3	29.8
Revenue	843.6	311.6	28.5	228.5	387.2	137.9	974.0	2,911.3
Net insurance claims	557.7	160.5	8.3	354.1	291.3	86.8	499.6	1,958.3
Expenses for the acquisition of insurance contracts	180.0	82.2	19.3	75.9	105.4	32.0	244.1	738.9
Administrative expenses	54.4	25.1	1.9	23.1	36.4	12.2	82.4	235.5
Foreign exchange loss	(3.3)	(1.2)	(0.1)	(0.9)	(1.5)	(0.5)	(3.7)	(11.2)
Expenses	788.8	266.6	29.4	452.2	431.6	130.5	822.4	2,921.5
Segment result	54.8	45.0	(0.9)	(223.7)	(44.4)	7.4	151.6	(10.2)
Finance costs								(40.2)
Profit before income tax								(50.4)
Income tax expense								4.3
Profit for the year attributable to equity shareholders								(46.1)
Claims ratio	71%	54%	30%	166%	81%	70%	57%	73%
Expense ratio	30%	36%	76%	46%	39%	35%	37%	36%
Combined ratio	101%	90%	106%	212%	120%	105%	94%	109%
Segment asset and liabilities								
Segment asset	2,909.9	707.4	182.5	786.3	1,216.7	734.1	4,050.8	10,587.7
Segment liabilities	(2,389.8)	(612.2)	(170.7)	(678.4)	(966.0)	(591.2)	(3,369.9)	(8,778.2)
Net assets	520.1	95.2	11.8	107.9	250.7	142.9	680.9	1,809.5
Additional information								
Capital expenditure	8.5	1.6	0.2	1.8	4.1	2.3	11.2	29.7
Amortisation and depreciation	(3.4)	(2.2)	(0.1)	(0.7)	(1.6)	(0.9)	(11.0)	(19.9)
Net cash flow	8.9	1.6	0.2	1.9	4.3	2.4	11.7	31.0

A.2 Underwriting performance *continued*

Divisional performance

Cyber & Executive Risk saw gross premiums written grow in 2021 up 49% to \$1,515.6m (2020: \$1,020.1m). Rate has increased across the portfolio, averaging 49% and the process of re-underwriting the book continues to deliver results in terms of profitability as the combined ratio improved to 93% (2020: 101%).

We have continued to invest in our Cyber business and ecosystem to ensure we are on the front foot of the evolving threat landscape and helping clients on their quest to be more resilient to cyber attacks. The appointment of Raf Sanchez as our Global Head of Cyber Services will enable us to enhance this further as we move into 2022. The proactive underwriting remediation action we took on our book, in response to ransomware (as reported at the half year), continues to pay dividends and we are seeing positive claims trends across our portfolio since October 2020. The hardening market conditions combined with our underwriting actions have resulted in us writing less cyber exposure than previous years but with increased premium.

We have seen rate more than doubling for the second half of 2021. Rates across the Directors & Officers portfolio allowed us to continue executing on our strategy to strengthen our existing relationships with core partners by taking a larger share of both primary and lower excess layers. As we grow, we continue to focus on ensuring we maintain a balanced portfolio that delivers against our focused underwriting strategy whilst continuing to leverage data sources to refine the portfolio mix and equip our clients with the education, tools and resources that enable them to take positive action in this area. Our Mergers & Acquisition book remains well diversified across geography and deal size and is performing well. We are pleased with the remediation of our employment practices liability book and we are confident with the portfolio mix we now have. We will continue to maintain a watchful eye on this book as the post COVID-19 landscape evolves and as liability claims around the return to work including potential litigation against vaccination requirements may escalate. To date we see no major recession risk from the pandemic.

The Marine division achieved gross premiums written of \$376.5m (2020: \$337.4m) with a profit of \$97.4m (2020: \$45.0m) and a combined ratio of 72% (2020: 90%). The result was largely driven by our Cargo, Aviation, Liability, Hull and War portfolios which have seen strong rate rises. In some areas, we have benefitted from a relatively benign claims period due to the ongoing restrictions caused by the pandemic.

The combination of experience, flexibility and client focus shown by our underwriting teams continues to differentiate us, contributing to our outperformance. By focusing on our strong underwriting framework, risk selection and clarity of terms and conditions, we have remained true to our core ethos of underwriting where it makes sense to do so and this is reflected in our results. Climate change remains a key area of focus and we are committed to working with our insureds and the industry to help clients transition to a more sustainable future. As an organisation we work hard to ensure we maintain a tight focus and balance managing our climate risk exposure with our responsibilities. We are very mindful of the impact of what we do and the need to underwrite responsibly.

Our Market Facilities division had two dominant focuses in 2021, the creation of Syndicate 4321, our ESG consortium, and the ongoing success of Beazley Smart Tracker, which reported gross premiums written of \$198.2m (2020: \$133.4m) and achieved a combined ratio of 98% (2020: 106%).

Beazley Smart Tracker's fourth year in business saw ongoing success, both in achieving its business plan and delivering strong results. Smart Tracker works by designing and selecting approved leaders into a bespoke facility that meets the needs of brokers and their clients and there is a strong pipeline of brokers asking for support. Syndicate 5623 continued to see its acquisition costs fall as it grew, delivering an expense ratio of 23% in 2021, demonstrating the success of its low-cost tracker model. Due to Syndicate 5623's performance, it is significantly oversubscribed by third party capital. Looking forward we hope to continue to be able to offer opportunities to existing investors and to new ones. Syndicate 4321, launched on 1 January 2022, and established under the Lloyd's Syndicate In A Box framework, operates a consortium arrangement led by Syndicates 623/2623. It is an innovative and tangible way to support those businesses that invest in ESG by offering additional capacity to eligible clients that can meet the standards of the ESG rating scoring criteria. The syndicate focuses exclusively on offering additional capacity on a multi-line basis, to ensure diversification and balance. All premiums received will be invested responsibly, in line with Beazley's Responsible Investment Strategy.

2021 saw a positive recovery for Political, Accident & Contingency with gross written premium of \$322.8m (2020: \$273.0m) and a combined ratio of 98% (2020: 212%). The profit of \$69.2m (2020: loss \$223.7m) was boosted by \$54.4m gain on the sale of Beazley Benefits, which was non-core to the specialist, Global Life & Health.

Unsurprisingly we saw rate increases in the contingency book as events got under way again. We continue to be a leader in this market and over the last 12 months have re-shaped the team adding both depth and breadth of expertise and are pleased to have appointed Andrew Duxbury as head of Contingency. Committing to finding progressive solutions for clients, we're proud to have worked in partnership with the UK Government and the wider insurance market to create a scheme to provide COVID-19 specific cancellation cover for the events industry. Although initially limited in scope, we are a big supporter of the scheme having drafted policy wordings and as a leading capacity provider. By creating an insurance scheme like this we are contributing to the restart of the events industry and providing a much needed kick start to the traditional contingency market. We remain vigilant about ongoing losses related to the pandemic, but the risk has reduced significantly, most exposed events have taken place or were cancelled, and we are confident that our exposure is limited.

2021 saw the Property business navigate a very dynamic marketplace in which we continued our focus on better risk selection and supporting our clients to improve their risk management. The results of the corrective action taken over the past three years began to be delivered in 2021 as gross premiums written grew to \$586.5m (2020: \$470.5m) and we posted a combined ratio of 99% (2020: 120%).

A. Business and performance

continued

A.2 Underwriting performance *continued*

We are pleased to have successfully navigated our way through the challenging environment by focusing diligently on delivering strong bottom-line results through better risk selection. Through the stable and consistent execution of this strategy we have carefully and purposefully grown our book. Our strategy has also included a shift in our approach to distribution to ensure a balanced pipeline from both wholesale and retail brokers and we've taken advantage of the changes in team to build significant bench strength across our geographies. Most recently we appointed Simon Wilson as head of our UK Open Market business to accelerate this process further. We have also continued to grow and develop our Jewellery, Fine Art, and Specie (JFAS) business by further diversifying the portfolio both geographically and by class. We have deployed underwriters in Shanghai, Singapore, Paris, and Miami supported by the London platform and continue to enhance our private client offerings in Europe and the US. This coverage dovetails well with our existing large risk and commercial JFAS business as well as complementing our product offerings in the High Value Homeowners segment. This increased diversification of business, coupled with consistent rate increases and careful risk selection has enabled the JFAS team to grow profitably in 2021. Whilst overall the hurricane season saw no unexpected loss activity, the Texas Winter storms during the first quarter of 2021 had an impact on our results. Whilst maintaining a responsive approach to portfolio diversification has helped shield us for the most part, we do however, continue to remind brokers and clients that the threat of climate change continues, and these unusual patterns of loss are a threat we must prepare and price for.

2021 saw rates across our reinsurance division rise, by 14%, delivering gross premiums written of \$226.1m (2020: \$194.5m). It was an active year from a catastrophe perspective contributing to a loss of \$27.0m (2020: \$7.4m profit) and combined ratio of 126% (2020: 105%).

Having effectively managed the potential impact of wildfire and specific geographic risk appetite changes in areas such as the US and Caribbean, we continue to recalibrate our approach to secondary perils including flood, hail and freeze. Hurricane Ida demonstrated that primary perils also remain a significant threat as it delivered an impactful loss as its strength continued once it had made landfall leading to flooding in New York and New Jersey. However, by executing against our strategy of moving away from frequency and seek higher attachments we limited the overall potential loss from this event. Climate related risk is clearly on our radar. Given the unpredictable nature of these losses, the potential protection gap is significant, for example only 50% of 2021's European flood damage is estimated to have been insured. As a responsible reinsurance provider we are looking at how the growing loss potential of secondary perils might be addressed whilst delivering sustainable reinsurance capacity to a marketplace that needs it. This could include moving towards an affirmative coverage process of underwriting, with perils specifically included rather than excluded, which would deliver greater security and transparency to our clients.

Specialty Lines is seeing the benefits of its hard work and investment of recent years in re-underwriting and re-pricing across the book, writing gross premiums written of \$1,393.2m (2020: \$1,134.9m). The rating environment remains strong with an average increase of 13% contributing to a profit of \$141.1m (2020: \$151.6m) and the achievement of a combined ratio of 92% (2020: 94%).

In 2021 we continued to benefit from the hardening market, particularly across the International Financial Lines and Financial Institutions markets. In the second half we saw a deceleration of rate increases in these two sectors, after four years of material increases and expect a stable market in 2022. In classes where rate increase has been less extreme, we expect to continue firming through 2022. The claims environment was relatively benign during the pandemic. However, as anticipated litigation and the size of demands has increased as courts re-opened. We remain appropriately reserved and are keeping a close eye on COVID-19 litigation, social justice matters and recession related claims, noting recessionary exposure is decreasing, as the world returns to growth.

For further details on our divisional performance, please see the Chief Underwriting Officer's report within the 2021 Beazley plc Annual Report & Accounts.

A.2 Underwriting performance *continued*

The table below shows the 2021 segmental analysis in the group IFRS accounts, which follows the seven divisions through which the group is managed, reclassified into Solvency II lines of business.

Data in the table below is presented using Solvency II lines of business.

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

2020	Income protection \$m	Marine, aviation and transport \$m	Fire and other damage to property \$m	General liability \$m	Credit and suretyship \$m	Miscellaneous financial loss \$m	Health \$m	Casualty \$m	Property \$m	Other life insurance \$m	Life reinsurance \$m	Total \$m
Net premiums written	90.3	312.7	404.9	1,807.9	90.8	15.7	16.3	31.0	123.8	20.9	2.7	2,917.0
Net earned premiums	72.8	299.6	372.5	1,647.3	87.1	20.9	17.4	26.7	121.4	22.5	5.0	2,693.2
Net claims incurred	(41.6)	(159.9)	(289.9)	(1,000.5)	(50.0)	(238.8)	(25.3)	(7.5)	(86.8)	(14.6)	(1.8)	(1,916.7)
Expenses incurred	(38.7)	(112.8)	(155.4)	(583.3)	(41.1)	(18.3)	(6.3)	(12.3)	(43.8)	(7.9)	(1.8)	(1,021.7)
Underwriting performance	(7.5)	26.9	(72.8)	63.5	(4.0)	(236.2)	(14.2)	6.9	(9.2)	-	1.4	(245.2)

Geographical breakdown

The below table provides an analysis of the geographical breakdown of gross premiums written.

Data in the table below is presented using Solvency II criteria for activity by geographic location.

	2021 \$m	2021 %
United Kingdom	1,436.6	31.1%
United States of America	1,885.9	40.8%
Australia	13.6	0.3%
Other	1,282.8	27.8%
Total	4,618.9	100.0

	2020 \$m	2020 %
United Kingdom	1,281.4	36.0
United States of America	1,713.8	48.1
Australia	17.3	0.4
Other	551.3	15.5
Total	3,563.8	100

A. Business and performance

continued

A.3 Investment performance

Summary of return of income

	2021 %	2021 \$m	2020 %	2020 \$m
Investment assets	1.8	115.5	3.2	181.6
Lloyd's Overseas				
Deposits	0.3	0.9	2.6	6.3
Cash	-	-	0.1	0.2
Total	1.6	116.4	3.0	188.1

Income in the table above includes interest received on cash held in the balance sheet. The analysis below considers returns achieved on the investment assets that are non-overseas deposits alone.

Summary of investment return

	2021 %	2021 \$m	2020 %	2020 \$m
Investment derived from financial assets	-	121.4	-	187.4
Investments expenses and charges	-	(5.9)	-	(5.8)
Total	1.8	115.5	3.2	181.6

Income and expenses by asset class (\$m)

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

2020	Fixed interest	Capital growth				Total	Total
		Equity	Hedge funds	Illiquid credit	Total		
Income	156.0	5.6	20.2	5.6	31.4	187.4	
Expenses	(3.3)	(0.2)	(1.5)	(0.8)	(2.5)	(5.8)	
Total	152.7	5.4	18.7	4.8	28.9	181.6	

Expense allocations by asset class are estimates.

2021 investment return vs benchmark (%)

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

2020	Fixed interest	Capital growth				Total	Total
		Equity	Hedge funds	Illiquid credit	Total		
Investment assets	3.3	13.6	6.5	2.2	4.1	3.2	
Benchmark	4.0	14.2	6.8	0.2	5.8	4.3	

Investment assets returned 1.8% in 2021 (2020: 3.2%). The global economy continued to recover strongly from the initial shock of the COVID-19 pandemic throughout the year, despite the fact that COVID-19 has remained very much in focus. Monetary and fiscal policies have remained generally accommodative, helping to support an ongoing rally in global equities, but also adding to the growing inflationary pressures generated by global supply chain disruptions. Bond yields rose from the very low levels prevailing at the beginning of the year, as markets began to discount future normalisation in interest rates, resulting in poor conditions for fixed income returns during this period. There is no direct exposure to investments in securitisations and indirect exposure via commingled funds is deemed to be de minimus. No significant change to securitisation exposure is planned during 2022.

A.4 Performance from other activities

Other income

Other income is analysed as follows in the financial statements.

	2021 \$m	2020 \$m
Commissions received by Beazley service companies	19.4	23.6
Profit commissions from syndicates	3.8	(0.5)
Agency fees from syndicate 623	3.9	3.0
Other income	1.1	3.7
	28.2	29.8

As at 31 December 2021 there was no accrued profit commission at risk of being reversed if there were to be an adverse impact on syndicate 623's profit (31 December 2020: nil). We have not experienced any deterioration to profits on these contracts recognised previously.

Lease arrangements

For disclosures on the lease arrangements please refer to note 29 in the Beazley plc Annual report and accounts 2021.

A.5 Any other information

Key Appointments - Executive Changes

In 2021 Rob Anarfi joined the Executive team as Chief Risk Officer having led our global compliance function for 6 years and bringing many years of audit, risk management and leadership experience to the role. Rachel Turk also stepped up to become Group Head of Strategy and a member of the Executive Committee. Rachel was previously a focus Group leader and Head of Corporate Development. We also welcomed Troy Dehmann as Chief Operating Officer following our long-standing COO Ian Fantozzi's move to oversee our digital business within Beazley. In a move that is a first for us but reflects our mix of business we appointed Bob Quane as Chief Underwriting Officer; he is based in New York, underlining both our commitment to the US market and our approach to hiring the person who is best for the job rather than limiting ourselves to people located near our headquarters in London.

Russia & Ukraine Conflict

Following the Russian invasion of Ukraine, we have seen a small number of claims to date. We have reviewed all areas of our underwriting portfolio to identify those classes that we believe may be directly impacted by the conflict. The relevant exposures are within our Political Violence, Trade Credit, Aviation and Marine books. Our review is predicated on the current scope of the conflict, and therefore does not contemplate further escalation. Our current estimate of potential exposure within these classes is \$50m net of reinsurance.

Syndicate 4321

On 1 January 2022 we delivered a bold statement of our intent with the launch of our managed Syndicate 4321, Lloyd's first ESG syndicate, which provides additional capacity to responsible risks that perform well against ESG metrics. At the same time across our business, we are engaged in a wide range of activities to improve our impact on the environment. These include our normalised carbon emissions to 50% of 2019 levels by 2023, and receiving approval of our Impact Investment Fund which will see \$100m of our investment portfolio focused on businesses and social enterprises that produce a positive, measurable social or environmental outcome as well as a financial return.

Operating Segment Changes

During Q2 2022, there was a change in the operating segments, reducing the number of divisions within the Group. The changes include Cyber which, following its success and significant growth, will become its own division, and the Specialty Lines and Executive Risk segments forming a new division. Thereafter, the Marine, Market Facilities, and Political, accident & contingency lines will form a new division, as well as Property and Property Treaty ('Reinsurance') forming a new Property Risks division.

This is a change to our underwriting structure but one that is very aligned with our objective of simplification – one of the enablers to help achieve our strategic goals and vision. Note, the changes have no impact on the 2021 SFCR, nor the 2021 Annual Report and Accounts, but will be visible in future reporting from the Beazley Group.

Additionally, Beazley Digital began underwriting on 1 January 2022 and under the leadership of Ian Fantozzi, it has adopted a clear client-centric approach that segments business by the channels that clients choose and uses technology and expert multi-skilled teams to create and build insurance solutions for them and their brokers.

The new underwriting divisions will each have a Group Head which will sit on the Executive Committee rather than the heads of each division, as currently reported in section B.1.

Gain on sale of business

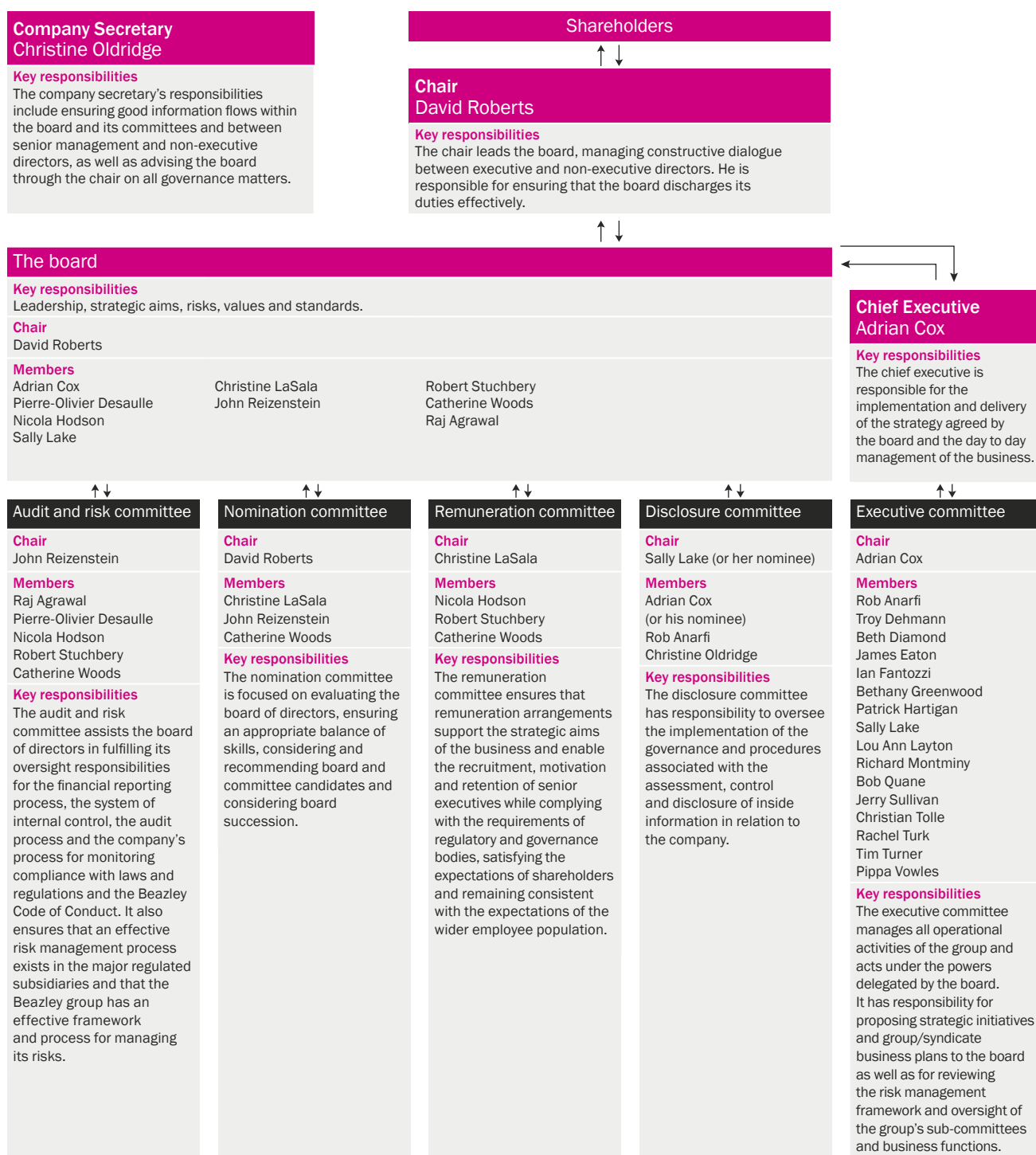
The Group has recognised a net gain on sale of \$54.4m following the sale of the Beazley Benefits business, which provides group supplemental health benefits solutions through employers or affinity groups to employees. Beazley Benefits sits within the Political, Accident & Contingency segment in these financial statements. The sale was completed during 2021, and the transaction transferred the renewal rights on the business beginning effective 1 August 2021, the Minneapolis office lease, and the associated office furniture, fixtures and equipment. The transaction resulted in transfer of \$0.1m of lease and other assets, and \$0.1m of lease liabilities. The Group received closing proceeds of \$56.7m and recognised closing costs of \$2.3m.

B. System of governance

B.1 General information on the system of governance

Governance framework

Beazley plc (Beazley or the group) operates through the main board, the managing agent board, the board of the Irish insurance company (that accepts non-life reinsurance premiums ceded by the corporate member, Beazley Underwriting Limited), the board of the US admitted insurance company and their board committees. The group has established properly constituted audit and risk, remuneration, nomination and disclosure committees of the board. There are terms of reference for each committee and details of their main responsibilities and activities in 2021 are set out below. The CEO has also constituted an executive committee that he chairs and which acts under delegated authority from the board. The executive committee meets on a monthly basis and is responsible for managing all activities of the operational group. The governance framework of the main board and its committees is shown in the diagram below.



B.1 General information on the system of governance *continued*

The roles of the chairman of the board and chief executive are separate with each having clearly defined responsibilities. They maintain a close working relationship to ensure the integrity of the board's decision making process and the successful delivery of the group's strategy. The board evaluates the membership of its individual board committees on an annual basis and the board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions.

The board

In 2021 the board consisted of a non-executive chairman, David Roberts together with seven independent non-executive directors and two executive directors, of whom Adrian Cox is chief executive. The non-executive directors, who have been appointed for specified terms, are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

The board has a schedule of matters reserved for its decision. This includes: inter alia, strategic matters; statutory matters, matters intended to generate and preserve value over the longer term; approval of financial statements and dividends; appointments and terminations of directors, officers and auditors; and appointments to committees and setting of their terms of reference. It is responsible for: the review of group performance against budgets; approving material contracts; determining authority levels within which management is required to operate; reviewing the group's annual forecasts; and approval of the group's corporate business plans, including capital adequacy and the Own Risk and Solvency Assessment (ORSA).

The board is responsible for determining the nature and extent of the principal risks it is willing to take in pursuing its strategic objectives. To this end, the board is responsible for the capital strategy, including the group's Solvency II internal model.

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

A review of the systems of governance is carried out annually and the 2021 review concluded that no further actions were required. There have been no material changes in the system of governance over the reporting period.

Remuneration policy and practices

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

Beazley believes that:

- performance-related remuneration is an essential motivation to management and staff and should be structured to ensure that executives' interests are aligned with those of shareholders;
- individual rewards should reflect the group objectives and be dependent on the profitability of the group but should be appropriately balanced against risk considerations;
- the structure of packages should support meritocracy, an important part of Beazley's culture;
- reward potentials should be market-competitive; and
- executives' pay should include an element of downside risk.

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

The following table illustrates the relative importance of the fixed and variable elements of remuneration for executive directors of Beazley plc.

Element	'Minimum'	'On-plan'	'Maximum'	'Maximum + share price appreciation'
Fixed remuneration	Base salary	Annual base salary for 2021		
	Pension	12.5% of base salary		
	Benefits	Taxable value of annual benefits provided in 2021		
Annual variable remuneration (cash and deferred shares)	0% of salary	150% of salary	400% of salary ¹	400% of salary ¹
Long Term Remuneration (LTIP)	0% vesting	25% vesting	100% vesting	100% vesting + assumed 50% share price appreciation

¹An individual overall cap of 400% of salary applies to the annual bonus depending on financial, corporate/strategic and individual performance.

Independent non-executive directors' fees comprise payment of an annual basic fee and additional fees to reflect specific responsibilities, where applicable. No independent non-executive director participates in the group's incentive arrangements or pension plan.

B. System of governance

continued

B.1 General information on the system of governance *continued*

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

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

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

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

Incentive plan	Performance measures	Why performance measures were chosen and target is set
Annual bonus plan	Profit and Return On Equity (ROE), risk adjustment, individual performance.	<ul style="list-style-type: none"> The committee believes the approach to the determination of bonuses creates alignment to shareholders' interests and ensures that bonuses are affordable, while the ROE targets increase the performance gearing and the risk adjustment is consistent with and promotes effective risk management. The committee reviews the bonus pool framework each year to ensure that it remains appropriate and targets are set taking into account the prevailing environment, interest rates and expected investment returns, headcount and any other relevant factors. A key principle of the process is that the committee exercises its judgement in determining individual awards taking into account the individual's contribution and performance.
Long term incentive plan	<p>Growth in net asset value per share (NAVps) over three years and five years.</p> <p>In accordance with the updated UK Corporate Governance Code the first tranche of the 2021 LTIP award will be subject to a further two year holding period (executive directors only) taking the total time frame for the entire award to five years.</p>	<ul style="list-style-type: none"> Creates alignment to one of Beazley's key performance indicators. The committee reviews the NAVps targets periodically to ensure they remain appropriate with reference to the internal business plan, the external environment and market practice. In the event that NAVps were to become unsuitable as a performance measure in the opinion of the committee (for example due to a change in accounting standards) the committee would substitute a measure which followed broadly similar principles.
Investment in underwriting	The plan mirrors investment in an underwriting syndicate.	<ul style="list-style-type: none"> The Beazley staff underwriting plan provides for participants to contribute personal capital to Beazley syndicates. Selected staff are invited to participate through bonus deferral with an element of cash incentives 'at risk' as capital commitments.
Malus	To include provisions that would enable the company to recover sums paid or withhold payment of any sum in circumstances when it would be appropriate to do so.	<ul style="list-style-type: none"> Malus provisions apply to the LTIP and deferred shares whereby the committee has the discretion to reduce or withhold an award in certain circumstances.

Pension benefits for executive directors and staff are provided by way of a defined contribution scheme.

B.1 General information on the system of governance *continued*

Prior to 31 March 2006 the company provided pension entitlements to directors that are defined benefit in nature, based on its legacy policy under the Beazley Furlonge Limited Final Salary Pension Scheme. Future service accruals ceased on 31 March 2006. Under the Beazley Furlonge Limited Final Salary Pension Scheme, on early retirement the director receives a pension which is reduced to reflect early payment in accordance with the rules of the scheme. No other pension provisions are made.

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

The remuneration of the board was as described above. There were no material transactions with shareholders or persons who exercise a significant influence on Beazley.

B.2 Fit and proper requirements

Beazley's approach is to ensure that all senior management functions of the firm are identified with prescribed responsibilities allocated and that persons who effectively run the undertaking or have other key functions, and are important to the sound and prudential management of the undertaking, fulfil the following requirements:

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit);
- they are of good repute and integrity (proper); and
- they meet the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) conduct standards.

Beazley group's policy is that board members, PRA and FCA Senior Management Functions (SMFs) and Certification Functions, and Central Bank of Ireland (CBI) Pre-approved Controlled Functions (PCFs) and Controlled Functions (CFs) for these entities must meet the fit and proper criteria and conduct standards as set out by the PRA and FCA and the fitness and probity standards as required by the CBI, and in that regard Beazley will ensure compliance with the provisions of Solvency II, to which the Senior Managers & Certification Regime (SM&CR) and the CBI regime are aligned. The high level requirements are:

- honesty, integrity and reputation;
- competence and capability; and
- financial soundness.

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

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

In respect of roles identified under the fit and proper requirements, Beazley's policy is to assess the fitness of approved persons against the key competencies required by the FCA and PRA, namely:

- **Market knowledge** – awareness and understanding of the wider business, economic and market environment in which the firm operates;
- **Business strategy and model** – awareness and understanding of the firm's business strategy and model appropriate to the role;
- **Risk management and control** – the ability to identify, assess, monitor, control and mitigate risks to the firm. An awareness and understanding of the main risks facing the firm and the role the individual plays in managing them;
- **Financial analysis and control** – the ability to interpret the firm's financial information, identify key issues based on the this information and put in place appropriate controls and measures;
- **Governance, oversight and controls** – the ability to assess the effectiveness of the firm's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas; and
- **Regulatory framework and requirements** – awareness and understanding of the regulatory framework in which the firm operates, and the regulatory requirements and expectations relevant to the SMF role.

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

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

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

B. System of governance

continued

B.3 Risk management system including ORSA

Risk management philosophy

Beazley's risk management philosophy is to balance the risks the business takes on with the associated cost of controlling these risks, whilst also operating within the risk appetite agreed by the board. In addition, our risk management processes are designed to continuously monitor our risk profile against risk appetite and to exploit opportunities as they arise.

Risk management strategy

The Beazley plc board has delegated executive oversight of the risk management department to the executive committee, which in turn has delegated immediate oversight to the risk and regulatory committee. The Beazley plc board has also delegated oversight of the risk management framework to the audit and risk committee and the primary regulated subsidiary boards have each established an audit and risk committee or standalone risk committee.

Clear roles, responsibilities and accountabilities are in place for the management of risks and controls, and all employees are aware of the role they play in all aspects of the risk management process, from identifying sources of risk to their part in the control environment. The impact of each risk is recorded in the risk register on a 1:10 likelihood of that risk

manifesting in the next 12 months. A risk owner has been assigned responsibility for each risk, and it is the responsibility of that individual to periodically assess the impact of the risk and to ensure appropriate risk mitigation procedures are in place. External factors facing the business and the internal controls in place are routinely reassessed and changes are made when necessary.

On an annual basis, the board agrees the risk appetite for each risk event and this is documented in the risk management framework document. The residual financial impact is managed in a number of ways, including:

- mitigating the impact of the risk through the application of controls;
- transferring or sharing risk through outsourcing and purchasing insurance and reinsurance; and
- tolerating risk in line with the risk appetite.

In addition, the following risk management principles have been adopted:

- there is a culture of risk awareness, in which risks are identified, assessed, challenged and managed;
- risk management is a part of the wider governance environment in which challenge is sought and welcomed;
- risk mitigation techniques employed are fit for purpose and proportionate to the business;
- risk management is a core capability for all employees;
- risk management is embedded in day-to-day activities
- risk management processes are robust and supported by verifiable management information; and
- risk management information and reporting is timely, clear, accurate and appropriately escalated.

Risk management framework

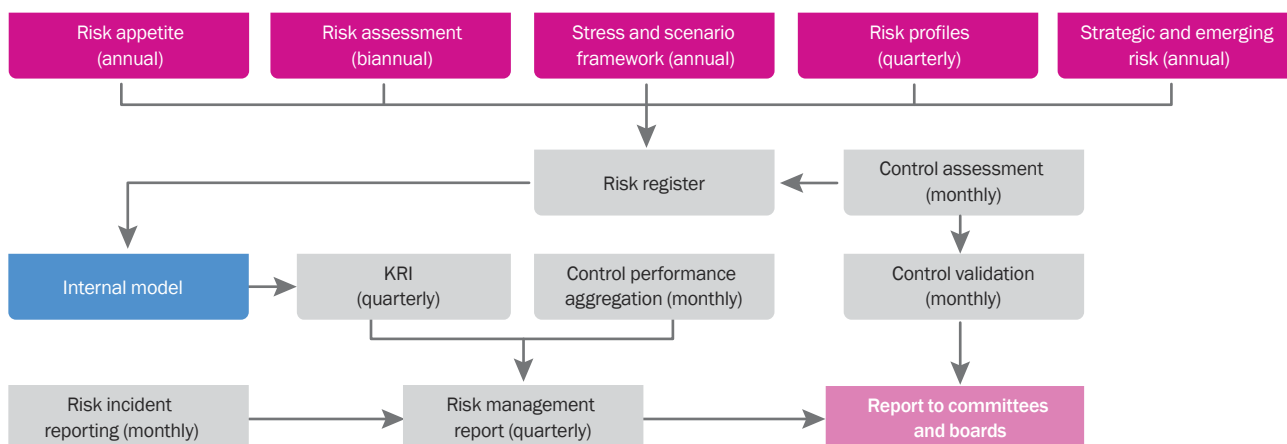
Beazley takes an enterprise-wide approach to managing risk, following the group's risk management framework. The framework establishes our approach to identifying, measuring, mitigating and monitoring the group's key risks. Beazley has adopted the 'three lines of defence' framework. Across the business, there are two defined risk-related roles: risk owner and control reporter. Each risk event is owned by the risk owner, who is a senior member of staff. Risk owners, with support and challenge provided by the risk management team, perform a risk assessment twice a year, including an assessment of heightened and emerging risks.

Business risk management Risk ownership	Risk management Risk oversight	Internal audit Risk assurance
<ul style="list-style-type: none"> - Identifies risk - Assesses risk - Mitigates risk - Monitors risk - Records status - Remediates when required 	<ul style="list-style-type: none"> - Challenge that risks are being identified - Assess the risk mitigation strategy - Monitor that controls are operating effectively - Reports to committees and Board on risk and control issues with risk management opinions 	<ul style="list-style-type: none"> - Independently tests control design - Independently tests control operation - Reports to committees and Board

The risk management framework comprises a number of risk management components, which when added together describe how risk is managed on a day-to-day basis. The framework includes a risk register that captures the risk universe (approximately 50 risk events grouped into eight risk categories: insurance, market, credit, liquidity, operational, regulatory and legal, group and strategic), the risk appetite set by the Beazley plc board, and the control environment that is operated by the business to remain within the risk appetite and which is monitored and signed off by control reporters.

B.3 Risk management system including ORSA *continued*

The following diagram illustrates the components of the risk management framework.



In summary, the board identifies risk, assesses risk and sets risk appetite. The business then implements a control environment which describes how the business should operate to stay within risk appetite. The risk management function reviews and challenges these assessments and reports to the board on how well the business is operating, using a risk management report.

For each risk, the risk management report brings together a view of how successfully the business is managing risk and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually evaluated and where appropriate improved, through the consideration of stress and scenario testing, themed reviews using risk profiles, and an assessment of strategic and emerging risks. During 2021 the risk management framework was enhanced with regards to evidencing risk management challenge, assessing emerging risks and assessing risk culture. A suite of risk management reports are provided to the boards and committees to assist senior management and board members to discharge their oversight and decision-making responsibilities. The risk reports include the risk appetite statement, the risk management report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the remuneration committee and the ORSA report.

The internal audit function considers the risk management framework in the development of its audit universe to determine its annual risk-based audit plan. The plan is based on, among other inputs, the inherent and residual risk scores as captured in the risk register. Finally, a feedback loop operates, with recommendations from the internal audit reviews being assessed by the business and the risk management function for inclusion in the risk register as appropriate.

Own Risk and Solvency Assessment

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

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

Beazley’s interpretation is that there are three parts to the ORSA deliverables:

- ORSA governance;
- ORSA processes: coordination of a number of underlying processes; and
- ORSA reports: summary of the findings from these processes.

B. System of governance

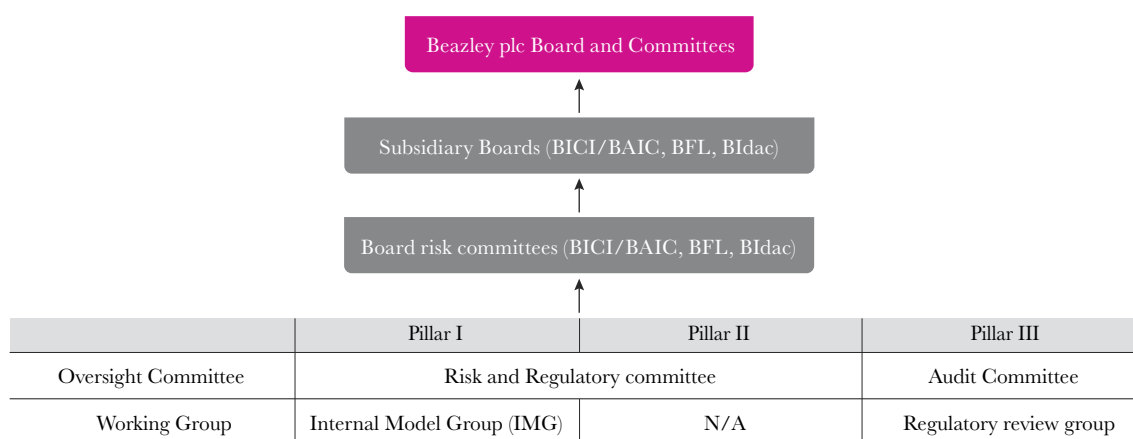
continued

B.3 Risk management system including ORSA *continued*

ORSA Governance

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

Solvency II governance structure



The risk management function is responsible for the coordination of the ORSA process and the production of the ORSA report.

The ORSA report is produced on at least an annual basis in the first quarter of each year for each relevant entity.

A transactional ORSA is run at each Q2 and Q4 to support half-year and full-year financial reporting for Beazley plc.

An ad hoc ORSA will be produced when there has been a material change to the risk profile or the environment within which Beazley is operating. Example triggers for such an ad hoc ORSA are:

- major internal model changes as per the model change policy;
- New business plan is created (e.g. following a major CAT event)
- prior to the completion of a board sponsored acquisition; or
- any other changes deemed to be significant.

Ad hoc ORSAs

An ad hoc ORSA is produced when the trigger conditions are met outside of the usual ORSA production cycle. These ORSA reports will focus on the matter in hand and will not necessarily cover all aspects that are included in the annual ORSA report. The content should be relevant to the trigger of the ad hoc/ transactional ORSA report and the purpose to inform management and the board of relevant risk assessments, changes to the risk profile, and implications for strategy, business plans, and capital.

Relationship between the internal model and the ORSA

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

ORSA process

The underlying processes that make up Beazley's ORSA process are summarised in the table below. The table also indicates the process owner, primary oversight committee and identifies the SII process document and name of the report.

B.3 Risk management system including ORSA *continued*

ORSA process

The underlying processes that make up Beazley's ORSA process are summarised in the table below.

Process	Process owner/ oversight committee	Document
Group strategy	Chief executive	Process document:
Bi-annual strategy and performance group meetings	Executive committee	S2-0595 Beazley strategy process
Annual board strategy away day		Report: Beazley's strategy document
Monthly monitoring of the strategic initiatives by the executive committee		
Risk appetite	Chief Risk Officer	Process document:
Qualitative risk appetite statements	Boards	S2-0102 Risk management framework
Approve risk appetite levels for Beazley plc		Report: Annual risk appetite documents, Risk summary documents
Approve risk appetite levels for BICI/BAIC		
Approve risk appetite levels for BFL		
Approve risk appetite levels for Bldac		
Risk assessment – current	Chief Risk Officer	Process document:
Risk register and risk summaries	Risk and regulatory committee	S2-0102 Risk management framework
Risk Management reporting		Report: Risk Management reports
<ul style="list-style-type: none"> • Control performance and comments from assurance function • Comparison of residual risk score with risk appetite • Risk incidents • Key risk indicators • Heightened risk report • Risk profiles 		
Exposure Management reporting		
Risk assessment – emerging risk	Chief Risk Officer	Process document:
Bi-annual risk assessment with risk owners	Risk and regulatory committee	S2-0102 Risk management framework – emerging risk
Annual review of strategic and emerging risks		Report: Emerging and strategic risk reporting
Risk profiles		
Stress and scenario testing	Chief Risk Officer	Process document:
Stress testing	Risk and regulatory committee	S2-0543 Stress and scenario framework
Scenario testing		Report: Stress and scenario reporting
Reverse stress testing		
One year business plan	Chief underwriting officer	Process document:
Challenge process overseen by underwriting committee	Underwriting committee	S2-0596 Business planning process
Formal report produced by underwriting committee		Report: The annual business plans
Regulatory capital assessment	Chief Risk Officer	Process document:
Parameterised from one year business plan	Risk and regulatory committee	S2-0050 Internal model overall
Analysis of change and capital requirement agreed with regulators		Report: Internal model reports
Economic capital assessment	Finance director	Process document:
Capital required to achieve and maintain rating agency ratings	Executive committee	S2-0260 Liquidity contingency plan
Capital fungibility		Report: Capital management reports
Establish dividends in line with dividend strategy		
Five year business plan	Chief underwriting officer	Process document:
Bi-annual update of the five year plan	Executive committee	Cycle Management Terms of reference
Consideration of a number of scenarios based on macro economic trends		Report: Long Term Plan, 5 year plan scenarios
Assessment of capital requirements under each scenario		
Identification of capital and dividend stress points		

Assumptions are generally set and challenged in the underlying processes. However, the risk and regulatory committee has oversight of all the underlying processes coming together and so has the remit to review and challenge assumptions being used. Where this occurs the chief risk officer will provide feedback to the executive owner of the underlying process.

The ORSA considers the range of the profit and loss probability distribution forecast, with a focus on the 1:10 (risk assessment) and 1:200 (capital requirement) points of the distribution.

A range of stress and scenario tests are overseen and monitored throughout the year by various governance committees – notably the Nat Cat Exposure Management Group and the Cyber and Casualty Management Group and the Operational Resilience Committee. Reverse stress testing is overseen and monitored by the risk and regulatory committee before onwards reporting to risk committees and board. The ORSA report summarises the process and outcome of relevant tests.

Each year, a list of strategic and emerging risks are considered in Q1, investigated by working groups comprising executives and non executive directors and debated further following the board strategy day in May. The outcome of the review, including any actions, are summarised in the ORSA report.

B. System of governance *continued*

B.4 Internal control system

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

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

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

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

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

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

Compliance function

1. *The group's approach to compliance*

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

2. *Compliance within the corporate governance and risk management frameworks*

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

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

Within the group's risk management framework, the compliance function's activities fall within both the first and second "lines of defence".

3. *Compliance framework*

Independence and authority

To help ensure independence, Compliance has full and free access to the chair of the group's audit and risk committees and the chair of the board of directors of all relevant Beazley group boards, including Beazley plc, Bldac, BFL, BICI, BAIC and the Lloyd's service companies. Compliance is authorised to have full, free and unrestricted access to all members of the group's management, its books and records, physical properties, vendors, and other sources of information relevant to the performance of its work.

Within compliance itself, compliance monitoring is performed by a separate team which has a direct reporting line to the global head of compliance.

Adequacy of resources

It is important that compliance is appropriately resourced to meet the current and future needs of the business. A review of the compliance resources is carried out as necessary and at least annually as part of the planning process. In situations where additional resources are needed in the short term (e.g. for projects), compliance management will consider the use of contract staff or external lawyers or other consultants.

B.4 Internal control system *continued*

Risk appetite

Compliance undertakes all of its responsibilities within the regulatory risk appetite set by the Beazley plc board and agreed by other boards in the group. Within the risk management framework, there are four regulatory risk events with associated controls. The compliance function is responsible for these events including reporting on the controls mapped to them:

- **regulatory and legal risk** – risk arising from not complying with external regulatory and legislative requirements leading to financial loss, sanctions or reputational damage;
- **trading status** – risk arising from Beazley entities and staff trading without appropriate licenses and permissions leading to financial loss, sanctions or reputational damage;
- **regulatory reporting** – risk arising from insufficient or incorrect disclosures to relevant regulatory authorities leading to financial loss, sanctions or reputational damage; and
- **financial crime risk** – risk of regulator or police action as a result of money laundering, breach of trading restrictions, internal or external fraud, bribery or corruption or other financial crime leading to financial loss, sanctions or reputational damage.

4. Compliance activities

The compliance function's two overarching activities, advisory and monitoring, fit within the three lines of defence as follows:

- **Advisory (first line of defence)** – assesses the potential impact of changes in the legal & regulatory environment to the group. Advises the business on the proper application of upcoming and existing regulatory requirements in relation to both, business as usual and project activities. Amends policies and procedures accordingly as required and provides corresponding training where necessary; and
- **Monitoring (second line of defence)** – provides assurance that the group's regulatory policies and procedures are being adhered to, which in turn helps to ensure the business operates within established external regulatory requirements.

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

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

Authorisations, approvals, licenses and permissions – compliance is responsible for obtaining the necessary authorisations, licenses and permissions for the group. This is to ensure that syndicates, legal entities, products and employees in the group have the appropriate authorities throughout each country for their business activities. Below are some examples of the type of licenses and permissions compliance obtains:

- regulated entity permissions;
- FCA/PRA/CBI approved persons' applications;
- service company permissions globally – legal entity and individuals;
- Lloyd's trading licenses;
- Lloyd's permissions for branch offices of our services companies;
- admitted products – US;

- producer/surplus lines licenses – corporate and individual – US;
- claims manager licenses – US;
- entity adjuster licenses – US; and
- reinsurance intermediary licenses – US.

Group policies: the function supports certain group policies as follows:

- **Whistleblowing** – compliance supports the chair of the Beazley plc audit and risk committee in their overall ownership of the group's whistleblowing process. Details of the process and compliance's responsibilities can be found in the whistleblowing policy;
- **Financial crime** – this policy is owned by compliance, which is responsible for setting and disseminating the policy and its associated control framework;
- **Sanctions** – this policy is owned by the global head of compliance and compliance is primarily responsible for: 1) advising on appropriate preventative controls, 2) monitoring that the controls are being implemented by the proper business functions, and 3) perform enhanced due diligence when required by the policy;
- **Anti-fraud** – this policy is owned by the global head of compliance who is primarily responsible for: 1) maintaining and communicating this policy, 2) delivering mandatory anti-fraud training, and 3) monitoring the application of the policy when alerted to a potential fraud;
- **Gifts and hospitality** – owned by the group head of compliance and marketing team, this policy explains the group's approach to giving and receiving gifts and hospitality; and
- **Anti-Bribery and Corruption** – owned by the group head of compliance, this policy sets out how employees need to comply with anti-bribery and corruption rules and regulation.

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

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

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

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

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

B. System of governance

continued

B.5 Internal audit function

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

The internal audit team

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

Co-sourcing

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

Audit universe and annual internal audit plan

The audit function has developed an audit 'universe'. This universe represents the potential range of business areas and topics – known as 'audit entities' – that internal audit reviews. The remit of the internal audit function extends to any business activity undertaken by Beazley plc. Using a risk based methodology, audit entities are prioritised with a view to ensuring that the most material or highest risk audit entities are audited most frequently. The frequency with which audit entities are reviewed is also considered in light of regulatory requirements, emerging risks, change and other factors.

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

Management actions and verification work

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

Independence and objectivity

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

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

B.6 Actuarial function

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

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

Board and committee interaction

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

- the peer review committee, delegated from the underwriting committee, carries out detailed review of reserves. Here, the members of the actuarial function present details of their reserving output as well as that from the underwriting teams;
- the group actuary is a member of the underwriting committee and presents to the committee on a number of areas including pricing, rate change and reserving (including a summary output from the peer review committee);
- the Bldac head of actuarial function is a member of the Bldac insurance management committee and reinsurance underwriting committee and reports into the group actuary;
- the group actuary (or members of the actuarial function) presents summary output from the peer review committee to the BFL audit committee, Bldac audit committee and Beazley plc audit and risk committee;
- the group actuary (or members of the actuarial function) presents results of the technical provision valuation to the BFL audit committee;
- the group actuary (or members of the actuarial function) presents the BFL, Bldac and Beazley plc audit committees with the actuarial function report;

B.6 Actuarial function *continued*

- the group actuary has Knowledge Requirements of An internal Model (KRAM) meetings with both executive and non-executive directors. As well as each Board member receiving one actuarial/technical provisions related KRAM session, delivered in a group setting, further individual sessions are held with those directors that are required to have a detailed knowledge of the internal model and/or have specific technical provisions related responsibilities.

As well as technical provisions matters, these one to one meetings are used to discuss various other outputs from the actuarial function. This is in addition to audit committee presentations, and enables greater detailing and questioning. These one to one meetings occur once or twice a year; and

- the group actuary has regular one to one catch ups with the chief executive officer, chief financial officer, chief underwriting officer, chair of the audit committee, and the chair of the Board when required.

Interaction with other key functions

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

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

B.7 Outsourcing

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

Outsourcing of critical or important functions or activities shall not be undertaken in such a way as to lead to any of the following:

- materially impairing the quality of the system of governance of the undertaking concerned;
- unduly increasing the operational risk;
- impairing the ability of the supervisory authorities, including Lloyd's to monitor the compliance of the undertaking with its obligations; and
- undermining continuous and satisfactory service to policyholders.

The boards of the relevant regulated entities outsourcing activities are responsible for ensuring that the outsourcing policy and the outsourcing arrangements themselves comply with the relevant regulatory regime(s) for ensuring that the due skill, care and diligence is exercised when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical, important or material functions or activities. Beazley requires service providers to cooperate with the relevant supervisory authorities in connection with the outsourced function or activity. The service provider is required to notify and seek Beazley's approval prior to subcontracting any of the outsourced functions of the due diligence undertaken. Any subcontract is required to contain no lesser terms and conditions than that of the main contract with Beazley. Beazley staff, auditors and the relevant supervisory authorities have effective access to data related to the outsourced functions or activities and, where appropriate, the supervisory authorities have effective access to the business premises of the service provider and must be able to exercise those rights of access.

B. System of governance *continued*

B.7 Outsourcing *continued*

Critical or important outsourced functions

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

Contract name	Description of service	Regulated entity	Legal domicile of service provider
Capita	Risk capture – syndicate underwriting	BFL	UK
Xchanging Insure Services (LPSO)	Policy and claims processing	BFL	USA
Xchanging Claims Services	Xchanging claims office	BFL	USA
Davies/JMD	Credit control and broker monitoring	BFL	UK
RMSIndia	Data cleansing	BFL	USA
Health Plan Services, Inc.,	Accident & health TPA	BICI	USA
Pro IS Global (US)	Underwriting claims support	BFL	USA
Endava	IT resources	BFL	UK
Loomis	Administrative service for our product line	BICI	USA
OPI	Delegated Services/UW Support	BML	US
CSIX	Support to P&C carriers	BFL	US
Brighton Management Limited	Supports operations	BLL	Malaysia

Intra-group services are provided by Beazley Management Limited (BML), a UK registered company which employs all UK staff and some staff in rest of world offices. BML provides services for the following Beazley group companies through two management services agreements.

- Beazley Furlonge Ltd and Service Companies – A contract between BML and the majority of Beazley group companies, including Beazley Furlonge Ltd and the Lloyd's service companies sets out the services provided and these include business premises and facilities, IT, other operational arrangements, actuarial, finance, internal audit, compliance, risk management. These may be supplemented by locally based staff as well. For ease of reference there is a single management services agreement, however the agreement operates as a series of separate agreements with each party receiving services.
- Beazley Insurance dac and Beazley Solutions International – Beazley's Irish authorised insurance company and insurance intermediary has a contract with BML for the provision of services. This a separate arrangement from the one above and ensures that, given the relative size of the entities, the board of Beazley Insurance dac has sufficient control over the services provided by BML.

Services are also provided by Beazley USA Services Inc (BUSA) through an agency agreement to the following US based Beazley group companies.

- Beazley Insurance Company Inc and Beazley America Insurance Company Inc – There is an agency agreement between BUSA and each of the US admitted insurance carriers – Beazley Insurance Company Inc (BICI) and Beazley America Insurance Company Inc (BAICI). All staff in the US are employed by BUSA, and therefore all the activities of BICI and BAICI are outsourced. BUSA in turn, outsources some of its shared services to BML through the contract with Beazley group companies noted above.

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

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

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

B.8 Any other information

As mentioned within Section A.5, 2022 will see a change in the Operating Segments of the Group, which will therefore impact the Executive Committee as reported within Section B.1. Please see Section A.5 for further details.

The company and the wider Beazley group continue to closely monitor the potential impact of the ongoing conflict in Ukraine, both from an investment asset and a liability perspective.

Catherine Woods stepped down from the Board at the conclusion of the Annual General Meeting on 25 March 2022 and we are in the process of recruiting an additional non-exec to replace Catherine.

C. Risk profile

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

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

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

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

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

There are three elements to the framework:

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

C.1 Underwriting risk

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

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

Beazley manages and model these four elements in the following three categories: attritional claims, large claims and catastrophe events.

The group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

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

Our 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 financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

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

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

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

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible the group measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The group's high level catastrophe risk appetite is set by the board and the business plans of each team are determined within these parameters. The board may adjust these limits over time as conditions change. In 2021 the group operated to a catastrophe risk appetite for a probabilistic 1-in-250 years US event of \$520.0m (2020: \$437.0m) net of reinsurance. This represents an increase of 19% in 2021.

C. Risk profile *continued*

C.1 Underwriting risk *continued*

Lloyd's has also defined its own specific set of RDS events for which all syndicates with relevant exposures must report. Of these the three largest, net of reinsurance, events which could have impacted Beazley in 2020 and 2021 are:

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

Lloyd's prescribed natural catastrophe event (total insured losses)	2020	
	Modelled PML ¹ (before reinsurance) \$m	Modelled PML ¹ (after reinsurance) \$m
San Francisco quake (2020: \$78.0bn)	663.2	232.1
Los Angeles quake (2020: \$78.0bn)	706.4	228.6
Gulf of Mexico windstorm (2020: \$112bn)	642.8	216.0

1. Probable market loss.

The tables above show each event independent of each other and considered on their own. Net of reinsurance exposures for the Los Angeles quake scenario have increased by 16% in 2021, whereas gross exposures have increased by 4%. The increase in net exposures is being driven by a change in reinsurance protections for the Specialty Lines and Political, Accident and Contingency divisions. The increase in the net San Francisco quake scenario is for the same reason but the impact has been less with gross exposures increasing by 7% and net by 8%. Windstorm exposures have increased in the US Northeast during 2021, which has resulted in the US Northeast windstorm scenario replacing the Gulf of Mexico windstorm scenario as being the third largest scenario for 2021. The net natural catastrophe risk appetite increased by 19% in 2021 to \$520.0m from \$437.0m in 2020, with the increase in appetite being shared across the Property & Reinsurance divisions.

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

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

To manage the potential exposure, the Board has established a risk budget for the aggregation of cyber related claims which is monitored by reference to the largest of seventeen RDSs that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform, the failure of a cloud provider & physical damage scenarios. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent.

The largest net RDS is currently just under \$200m for the Group as at 31 December 2021. The reinsurance programmes that protect the Cyber & Executive Risk and Specialty Lines divisions would partially mitigate the cost of most, but not all, cyber catastrophes. Beazley also reports on cyber exposure to Lloyd's using the three largest internal RDSs and three new prescribed scenarios which include a cloud provider scenario and a ransomware scenario.

To manage underwriting exposures, the Group has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2021, the maximum line that any one underwriter could commit the managed syndicates to was \$150m (2020: \$150m). In most cases, maximum lines for classes of business were much lower than this.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including dual sign-off for all line underwriters and peer review for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance.

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

Operating divisions

In 2021, the group's business consisted of seven operating divisions. The following table provides a breakdown of gross premiums written by division, and also provides a geographical split based on placement of risk.

2021	UK (Lloyd's)	US (non-Lloyd's)	Europe (non-Lloyd's)	Total
Cyber & executive risk	24%	8%	1%	33%
Marine	7%	1%	-	8%
Market facilities	4%	-	-	4%
Political, accident & contingency	6%	1%	-	7%
Property	13%	-	-	13%
Reinsurance	5%	-	-	5%
Specialty lines	22%	3%	5%	30%
Total	81%	13%	6%	100%

C.1 Underwriting risk *continued*

2020 ¹	UK (Lloyd's)	US (non-Lloyd's)	Europe (non-Lloyd's)	Total
Cyber & executive risk	19%	10%	1%	30%
Marine	9%	-	-	9%
Market facilities	4%	-	-	4%
Political, accident & contingency	7%	1%	-	8%
Property	13%	-	-	13%
Reinsurance	5%	-	-	5%
Specialty lines	25%	5%	1%	31%
Total	82%	16%	2%	100%

1 From 1 January 2020, the Market Facilities division has been split from Specialty Lines.

a) Reinsurance risk

Reinsurance risk to the Group arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section on page 159 of the Annual report and accounts.

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

The reinsurance security committee examines and approves all reinsurers to ensure that they possess suitable security. The Group's ceded reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates our responses to any erosion of the reinsurance programmes.

b) Claims management risk

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Group's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business's broader interests. Case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

c) Reserving and ultimate reserves risk

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

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The Group aims to hold reserves within a range of 5-10% above the actuarial estimates, which themselves include some margin for uncertainty.

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

C.2 Market risk

Market risk arises where the value of assets and liabilities or future cash flows changes as a result of movements in foreign exchange rates, interest rates and market prices. Efficient management of market risk is key to the investment of Group assets. Appropriate levels of investment risk are determined by limiting the proportion of forecast Group earnings which could be at risk from lower than expected investment returns, using a 1 in 10 confidence level as a practical measure of such risk. In 2021, this permitted variance from the forecast investment return was set at \$180m. For 2022, the permitted variance is likely to be modestly increased due to the higher level of investment assets. Investment strategy is developed to be consistent with this limit and investment risk is monitored on an ongoing basis, using outputs from our internal model.

Changes in interest rates also impact the present values of estimated group liabilities, which are used for solvency and capital calculations. Our investment strategy reflects the nature of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The functional currency of Beazley plc and its main trading entities is US dollars and the presentational currency in which the Group reports its consolidated results is US dollars. The effect of this on foreign exchange risk is that the Group is mainly exposed to fluctuations in exchange rates for non-dollar denominated transactions and to net asset translation risk on non-dollar functional currency entities. The Group operates in four main currencies: US dollars, sterling, Canadian dollars and euros. Transactions in all currencies are converted to US dollars on initial recognition with any resulting monetary items being translated to the US dollar spot rate at the reporting date. If any foreign exchange risk arises it is actively managed as described below. In 2021, the Group managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting to have net assets that are predominantly denominated in US dollar. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Group. Details of foreign currency derivative contracts entered into with external parties are disclosed in note 17 of the Beazley plc Annual report and accounts. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk. The Group's underwriting capital is matched by currency to the principal underlying currencies of its written premiums.

C. Risk profile *continued*

C.2 Market risk *continued*

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

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

	31 December 2021	UK £ \$m	CAD \$ \$m	EUR € \$m	Subtotal \$m	US \$ \$m	Total \$m
Total assets		904.3	248.8	501.9	1,655.0	11,152.4	12,807.4
Total liabilities		(1,038.0)	(236.1)	(561.7)	(1,835.8)	(8,840.8)	(10,676.6)
Net assets		(133.7)	12.7	(59.8)	(180.8)	2,311.6	2,130.8
	31 December 2020	UK £ \$m	CAD \$ \$m	EUR € \$m	Subtotal \$m	US \$ \$m	Total \$m
Total assets		737.6	213.9	420.4	1,371.9	9,215.8	10,587.7
Total liabilities		(828.2)	(203.0)	(431.9)	(1,463.1)	(7,315.1)	(8,778.2)
Net assets		(90.6)	10.9	(11.5)	(91.2)	1,900.7	1,809.5

Sensitivity analysis

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

Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	Impact on profit after tax for the year ended		Impact on net assets	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Dollar weakens 30% against other currencies	(45.3)	(25.0)	(64.0)	(33.9)
Dollar weakens 20% against other currencies	(30.2)	(16.7)	(42.7)	(22.6)
Dollar weakens 10% against other currencies	(15.1)	(8.3)	(21.3)	(11.3)
Dollar strengthens 10% against other currencies	15.1	8.3	21.3	11.3
Dollar strengthens 20% against other currencies	30.2	16.7	42.7	22.6
Dollar strengthens 30% against other currencies	45.3	25.0	64.0	33.9

b) Interest rate risk

Some of the group's financial instruments, including cash and cash equivalents, certain financial assets at fair value and borrowings, are exposed to movements in market interest rates.

The group manages interest rate risk by primarily investing in short duration financial assets along with cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis.

The group also entered into bond futures contracts to manage the interest rate risk on bond portfolios.

C.2 Market risk *continued*

The following table shows the modified duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. 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	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	Total
31 December 2021	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	1,938.5	2,624.4	1,033.2	390.8	216.6	68.8	6,272.3
Syndicate loans	-	-	7.8	30.1	-	-	37.9
Cash and cash equivalents	591.8	-	-	-	-	-	591.8
Derivative financial instruments	7.2	-	-	-	0.3	-	7.5
Borrowings	-	-	-	-	(249.2)	(298.4)	(547.6)
Total	2,537.5	2,624.4	1,041.0	420.9	(32.3)	(229.6)	6,361.9

Duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	Total
31 December 2020	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	1,696.1	2,031.7	640.0	484.3	384.3	183.3	5,419.7
Syndicate loans	-	-	-	8.2	32.4	-	40.6
Cash and cash equivalents	309.5	-	-	-	-	-	309.5
Derivative financial instruments	28.5	-	-	-	-	-	28.5
Borrowings	-	-	-	-	-	(547.1)	(547.1)
Total	2,034.1	2,031.7	640.0	492.5	416.7	(363.8)	5,251.2

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

Sensitivity analysis

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

	Impact on profit after tax for the year		Impact on net assets	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Shift in yield (basis points)				
150 basis point increase	(124.1)	(138.4)	(124.1)	(138.4)
100 basis point increase	(82.8)	(92.3)	(82.8)	(92.3)
50 basis point increase	(41.4)	(46.1)	(41.4)	(46.1)
50 basis point decrease	41.4	46.1	41.4	46.1
100 basis point decrease	82.8	92.3	82.8	92.3

c) Price risk

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

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

Listed investments that are quoted in an active market are recognised in the statement of financial position at quoted bid price, which is deemed to be approximate exit price. If the market for the investment is not considered to be active, then the group establishes fair value using valuation techniques (refer to note 16 of the Beazley plc Annual report and accounts 2021). This includes comparison of orderly transactions between market participants, reference to the current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

C. Risk profile *continued*

C.2 Market risk *continued*

Change in fair value of hedge funds, syndicate loans equity linked funds and illiquid credit assets	Impact on profit after tax for the year		Impact on net assets	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
30% increase in fair value	242.2	239.4	242.2	239.4
20% increase in fair value	161.5	159.6	161.5	159.6
10% increase in fair value	80.7	79.8	80.7	79.8
10% decrease in fair value	(80.7)	(79.8)	(80.7)	(79.8)
20% decrease in fair value	(161.5)	(159.6)	(161.5)	(159.6)
30% decrease in fair value	(242.2)	(239.4)	(242.2)	(239.4)

d) Investment risk

The value of our investment portfolio is impacted by interest rate and market price risks, as described above. Managing the group's exposures to these risks is an intrinsic part of our investment strategy.

Beazley uses an Economic Scenario Generator (ESG) to simulate multiple simulations of financial conditions, to support stochastic analysis of market risk. Beazley uses these outputs to assess the value at risk (VAR) of its investments, at different confidence levels, including '1 in 200', which reflects Solvency II modelling requirements, and '1 in 10', reflecting scenarios which are more likely to occur in practice. Risk is typically considered to a 12 month horizon. It is assessed for investments in isolation and also in conjunction with the present value of our liabilities, to help us monitor and manage market risk for solvency and capital purposes. By its nature, stochastic modelling does not provide a precise measure of risk, ESG outputs are regularly validated against actual market conditions, and Beazley also uses a number of other, qualitative, measures to support the monitoring and management of investment risk. These include stress testing and scenario analysis.

Beazley's investment strategy is developed by reference to an investment risk budget, set annually by the Board as part of the overall risk budgeting framework of the business. The Solvency II internal model is used to monitor compliance with the budget, which limits the amount by which our reported annual investment return may deviate from a predetermined target, at the 1 in 10 confidence level. In 2021, this permitted deviation was set at \$180m (y/e 2020: \$180m). Additionally, a limit is specified for the net interest rate sensitivity of assets and liabilities combined and investments are managed to ensure that this limit is not exceeded.

C.3 Credit risk

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 group are:

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

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

The group limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers, and broker performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the group's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The investment committee has established comprehensive guidelines for the group's investment managers regarding the type, duration and quality of investments acceptable to the group. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines.

The group has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance security committee, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently.

C.3 Credit risk *continued*

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 group's concentrations of credit risk:

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

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	4,813.6	606.1	-	-	-	5,419.7
- Syndicate loans	40.6	-	-	-	-	40.6
- equity funds	-	-	-	-	203.2	203.2
- hedge funds	-	-	-	-	442.1	442.1
- illiquid credit assets	-	-	-	-	227.9	227.9
- derivative financial instruments	-	-	-	-	28.5	28.5
Insurance receivables	-	-	-	-	1,467.9	1,467.9
Reinsurance assets	1,684.7	-	-	-	-	1,684.7
Other receivables	86.5	-	-	-	-	86.5
Cash and cash equivalents	307.2	0.8	-	-	1.5	309.5
Total	6,932.6	606.9	-	-	2,371.1	9,910.6

The largest counterparty exposure within tier 1 is \$2,956.3m of US treasuries (2020: \$2,326.0m).

Financial investments falling within the unrated category comprise hedge funds and illiquid credit assets for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated, due to premium debtors not being credit rated. At 31 December 2021, \$1.8m of cash and cash equivalents fell within the unrated category (2020: \$1.5m). This is due to the Group transacting with a bank in the US that does not have an external credit rating.

Insurance receivables are classified as unrated, due to premium debtors not being credit rated with the exception of the CRI accrual element. Additionally the Reinsurance of share unearned premium provision is classified as unrated. Insurance receivables and other receivables balances held by the Group have not been impaired, based on all evidence available, and no impairment provision has been recognised in respect of these assets. Insurance receivables in respect of coverholder business are credit controlled by third-party managers. We monitor third party coverholders' performance and their financial processes through the Group's coverholder management team. These assets are individually impaired after considering information such as the occurrence of significant changes in the counterparties' financial position, patterns of historical payment information and disputes with counterparties.

C. Risk profile *continued*

C.3 Credit risk *continued*

An analysis of the overall credit risk exposure indicates that the group has reinsurance assets that are impaired at the reporting date. The total impairment in respect of the reinsurance assets, including reinsurer's share of outstanding claims, at 31 December 2021 was as follows:

	Total \$m
Balance at 1 January 2020	13.7
Impairment loss recognised	1.1
Balance at 31 December 2020	14.8
Impairment loss written back	(3.3)
Balance at 31 December 2021	11.5

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

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

	Up to 30 days past due \$m	30-60 days past due \$m	60-90 days past due \$m	Greater than 90 days past due \$m	Total \$m
31 December 2020					
Insurance receivables	52.3	21.6	8.4	30.6	112.9
Reinsurance assets	80.6	32.8	12.4	22.1	147.9

The total impairment provision in the statement of financial position in respect of reinsurance assets past due (being reinsurance recoverables due on paid claims) by more than 30 days at 31 December 2021 was \$2.1m (2020: \$3.0m). This \$2.1m provision in respect of overdue reinsurance recoverables is included within the total provision of \$11.5m shown in the table above.

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

C.4 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of the cases, these claims are settled from the premiums received.

The group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the group's exposure to realistic disaster scenarios are provided on pages 151 – 152 of the Beazley plc Annual report and accounts 2021). This means that the group maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. The group also makes use of loan facilities and borrowings, details of which can be found in note 25 of the Beazley plc Annual report and accounts 2021.

C.4 Liquidity risk *continued*

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

	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)
31 December 2021						
Cyber & executive risk	365.6	589.8	248.5	93.1	1,297.0	2.2
Marine	133.8	123.7	41.8	20.9	320.2	1.8
Market Facilities	4.3	9.5	5.1	2.9	21.8	2.8
Political, accident & contingency	130.9	92.9	24.2	22.3	270.3	1.9
Property	207.4	156.1	38.7	20.6	422.8	1.6
Reinsurance	118.0	99.7	28.8	23.6	270.1	2.0
Specialty lines	338.1	643.3	428.8	557.3	1,967.5	4.0
Net claims liabilities	1,298.1	1,715.0	815.9	740.7	4,569.7	

	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)
31 December 2020						
Cyber & executive risk	300.2	502.6	215.1	79.3	1,097.2	2.2
Marine	133.8	122.1	43.0	20.0	318.9	1.8
Market Facilities	4.7	5.2	1.5	1.3	12.7	2.1
Political, accident & contingency	178.0	123.6	29.3	29.6	360.5	1.9
Property	195.9	166.2	43.3	31.5	436.9	1.9
Reinsurance	110.9	94.1	27.6	23.3	255.9	2.0
Specialty lines	297.6	539.6	357.5	471.7	1,666.4	4.0
Net claims liabilities	1,221.1	1,553.4	717.3	656.7	4,148.5	

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

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

	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
31 December 2020					
Net claims liabilities	1,221.1	1,553.4	717.3	656.7	4,148.5
Borrowings	31.2	62.4	62.4	620.7	776.7
Lease liabilities	6.2	5.8	21.2	54.9	88.1
Other payables	733.9	-	-	-	733.9

The group makes additional interest payments for borrowings. Further details are provided in notes 8 and 25 of the Beazley plc Annual report and accounts 2021.

C. Risk profile *continued*

C.4 Liquidity risk *continued*

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

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

Maturity 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	Total \$m
Fixed and floating rate debt securities	1,620.5	1,899.3	562.5	422.8	445.5	469.1	5,419.7
Syndicate loans	-	-	-	8.2	32.4	-	40.6
Derivative financial instruments	28.5	-	-	-	-	-	28.5
Cash and cash equivalents	309.5	-	-	-	-	-	309.5
Insurance receivables	1,467.9	-	-	-	-	-	1,467.9
Other receivables	86.5	-	-	-	-	-	86.5
Other payables	(733.9)	-	-	-	-	-	(733.9)
Borrowings	-	-	-	-	-	(547.2)	(547.2)
Total	2,779.0	1,899.3	562.5	431.0	477.9	(78.1)	6,071.6

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

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

C.5 Operational risk

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

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

The group also recognises that it is necessary for people, systems and infrastructure to be available to support its operations. Therefore Beazley has taken significant steps to mitigate the impact of business interruption which could follow a variety of events, including the loss of key individuals and facilities. Beazley operates a formal disaster recovery plan which, in the event of an incident, allows the group to move critical operations to an alternative location within 24 hours.

The group actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. The group also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

As a member of the Operational Risk Consortium (ORIC), the group has access to a library of operational risk events that have occurred across the industry. We review how Beazley's control environment might respond to these operational risk events and use these scenario tests to update the control environment as appropriate.

C.5 Operational risk *continued*

Key components of the group'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 shift in the operational strategy of Beazley from an office based environment to a hybrid working environment. This has meant that internal processes, capability of people and systems had been put to the test. The Group have adapted to the changes in the operational environment and business processes have continued to be carried out. The Group continues to actively manage operational risks caused by COVID-19, while engaging in open communication with staff. The Group also continues to regularly monitor the performance of its controls through the risk management reporting process.

C.6 Other material risks

Strategic risk

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

Senior management performance

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

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

Regulatory and legal risk

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

Group risk

Group risk occurs where business units fail to consider the impact of their activities on other parts of the group, as well as the risks arising from these activities. There are two main components of group risk which are explained below.

a) Contagion

Contagion risk is the risk arising from actions of one part of the group which could adversely affect any other part of the group. As the two largest components of the group, this is of particular relevance for actions in any of the US operations, which could adversely affect the UK operations, and vice versa. The group has limited appetite for contagion risk and minimises the impact of this occurring by operating with clear lines of communication across the group to ensure all group entities are well informed and working to common goals.

b) Reputation

Reputation risk is the risk of negative publicity as a result of the group's contractual arrangements, customers, products, services and other activities. Key sources of reputation risk include operation of a Lloyd's franchise, interaction with capital markets since the group's IPO during 2002, and reliance upon the Beazley brand in North America, Europe, South America and Asia. The group's preference is to minimise reputation risks but where it is not possible or beneficial to avoid them, to seek to minimise their frequency and severity by management through public relations and communication channels.

C.7 Any other information

Internal model governance

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

- **first line of defence:** capital modelling team with controls including;
 - formal governance through committees;
 - governance through the 'Knowledge Requirements of An Internal Model' (KRAM) process; and
 - in team testing process.
- **second line of defence:** risk management with controls including;
 - control monitoring and reporting.
- **third line of defence:** internal audit with controls including;
 - conducting annual reviews of the validation framework and process.

Stress and scenario testing

Purpose

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

C. Risk profile *continued*

C.7 Any other information *continued*

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

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

Scope

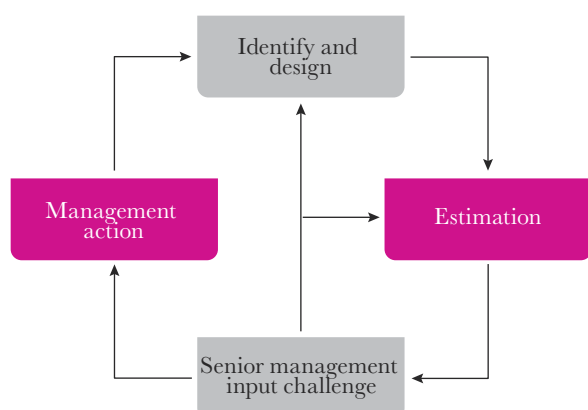
Beazley's stress and scenario framework covers the following three tests:

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

The framework is outlined in the figure below and consists of a four step process, namely:

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

Identify and design (step one)



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

- one year business planning;
- five year business planning;
- risk assessment and risk appetite;

- emerging and strategic risk;
- capital assessment;
- realistic disaster scenarios (RDS);
- asset portfolio;
- liquidity risk;
- disaster recovery and business continuity planning; and
- corporate transactions such as acquisitions.

Estimation (step two)

Once scenarios are defined, the risk management team facilitate the estimation of the stress test or scenario. In summary, the following steps are performed:

- identify data and where necessary cleanse or adjust data onto a consistent basis;
- validate data;
- where there is insufficient data apply expert judgement and document this in line with the expert judgement policy;
- run the stress test or scenario test and quantify impact;
- review results for reasonableness and validate against available data; and
- iterate this process as required.

Senior management input and challenge (step three)

Following the completion of step two, the risk management team then meet with the relevant executive and non-executive directors (for example risk owners or as set out in the KRAM) and present the analysis performed and associated results for further discussion. This is an important step in the stress and scenario testing process as it:

- helps inform the senior management team at a detailed level of the key sensitivities and vulnerabilities for Beazley; and
- makes uses of the directors' experience to sense test the analysis and results.
- It is expected that further iteration is required following discussion which in turn is summarised.

Management action and feedback loop (step four)

The results of the stress test and scenario planning exercises are reported to the relevant first line of defence committees (the underwriting, investment, operations and executive committees) as part of the business process and the second line of defence committee (the risk and regulatory committee) within the ORSA. The ORSA is then reported to the relevant subsidiary board and the Beazley plc board, usually through their risk committees. It is expected that the discussion at these forums will facilitate further management input and challenge and will give rise to management actions which are captured by the minutes and actioned by the relevant individual. Where relevant, this may include informing other business processes of the results of certain tests.

The company and the wider Beazley group continue to closely monitor the potential impact of the ongoing conflict in Ukraine, both from an investment asset and a liability perspective.

Russia & Ukraine Conflict

The company and the wider Beazley group continue to closely monitor the potential impact of the ongoing conflict in Ukraine, both from an investment asset and a liability perspective.

D. Valuation for solvency purposes

Basis of presentation

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

Basis of presentation of Beazley plc's 2021 Group Solvency II Balance Sheet

The following entities in the group structure retain the profits of the group's underwriting – Beazley Insurance dac (Bldac), Beazley Insurance Company, Inc (BICI), Beazley America Insurance Company, Inc (BAIC), Beazley Underwriting Limited (BUL), Beazley Newco Captive Company, Inc (BNCC) and Beazley Corporate Member (No.3) Limited (BC3L).

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

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

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

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

Basis of presentation of Bldac's 2021 Solvency II Balance Sheet

The Solvency II technical provisions of Bldac have been calculated in line with a literal interpretation of the Solvency II regulation that considers the contract cash flows, particularly in relation to the aggregate excess of loss reinsurance agreement with BUL. The cash flows represent the premium (provided the declared result of BUL is a profit) or claim (in the case of a loss) paid in respect of BUL's declared result, profit commissions arising and the fees for providing capital to support BUL's reinsured underwriting at Lloyd's.

Differences between group statutory and Solvency II Balance Sheets

The table on the next page presents the value of the assets and liabilities on both the statutory and Solvency II consolidated balance sheets of the group. The adjustments between the statutory and Solvency II value are split between reclassification adjustments (presenting the adjustments made to reflect the difference between the statutory and Solvency II consolidation basis) and Solvency II valuation adjustments (presenting adjustments made to reflect the difference between statutory and Solvency II valuation methodology). There are two principal reasons why the total quantum of assets, the value of investments and the quantum of liabilities are so much lower on the group Solvency II balance sheet compared to the statutory balance sheet:

- the syndicates' business not reinsured to Bldac is equity accounted at net asset value on the group Solvency II balance sheet; and
- the gross and reinsurance statutory technical provisions under the reinsurance agreement between BUL and Bldac are replaced with a valuation of the contracted cashflows under the reinsurance agreement.

D. Valuation for solvency purposes *continued*

Basis of presentation *continued*

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

	2021 Statutory value \$m	2021 Reclassification adjustment \$m	2021 Solvency II valuation adjustment \$m	2021 Solvency II value \$m
Assets				
Goodwill	62.1	-	(62.1)	-
Deferred acquisition costs	477.8	(436.6)	(41.2)	-
Intangible assets	61.5	(10.7)	(50.8)	-
Deferred tax assets	16.4	0.7	(8.7)	8.4
Pension benefit surplus	18.1	-	-	18.1
Property, plant & equipment held for own use	94.7	-	(14.3)	80.3
Investments (other than assets held for index-linked and unit-linked contracts):			-	-
Holdings in related undertakings, including participations	0.6	200.0	97.5	298.0
Equities	37.9	(37.9)	-	-
Bonds	5,790.2	(3,270.9)	-	2,519.3
Collective Investments Undertakings	1,355.8	(1,055.3)	-	300.6
Derivatives	7.6	(6.2)	-	1.3
Deposits other than cash equivalents	89.3	(89.3)	-	-
Loans and mortgages	2.7	-	-	2.7
Reinsurance recoverables	2,386.4	(2,093.0)	(58.0)	235.4
Insurance and intermediaries receivables	1,696.1	(1,462.4)	(214.4)	19.2
Reinsurance receivables	-	-	36.2	36.2
Receivables (trade, not insurance)	24.6	(1.3)	-	23.3
Cash and cash equivalents	591.8	(192.5)	-	399.3
Any other assets, not elsewhere shown	94.0	158.8	(37.8)	215.0
Total assets	12,807.5	(8,296.6)	(353.6)	4,157.3
Technical provisions				
Technical provisions – non-life (excluding health)	8,701.0	(7,380.6)	(1,320.4)	-
Best estimate	-	-	297.5	297.5
Risk margin	-	-	129.2	129.2
Technical provisions – health (similar to non-life)	135.2	(135.2)	-	-
Best estimate	-	-	5.5	5.5
Risk margin	-	-	0.2	0.2
Technical Provisions – life (excluding health and index-linked and unit-linked)	35.7	(35.7)	-	-
Best estimate	-	-	-	-
Risk margin	-	-	-	-
Total technical provisions	8,872.0	(7,551.6)	(888.0)	432.4
Liabilities				
Deferred tax liabilities	-	-	53.9	53.9
Derivatives	7.1	(1.7)	-	5.4
Subordinated liabilities	547.6	-	67.8	615.4
Reinsurance payables	698.0	(632.2)	(65.8)	-
Payables (trade, not insurance)	252.4	5.8	(17.5)	240.8
Any other liabilities, not elsewhere shown	299.6	(117.0)	(3.7)	178.9
Total other liabilities, excluding technical provisions	1,804.7	(745.0)	34.7	1,094.4
Excess assets over liabilities	2,130.8	-	499.7	2,630.5

D.1 Assets

Goodwill and intangible assets

All goodwill and intangible assets as reported in the statutory balance sheet are valued at nil for Solvency II purposes. In prior years, there had been a value attached to purchased syndicate capacity which was valued using auction prices. With annual capacity auctions not meeting the definition of an active market, Beazley has decided to write-down the value attached which, as at 31 December 2020, was \$46.9m.

Deferred acquisition costs

Deferred acquisition costs comprise brokerage, premium levy and staff related costs of the underwriters acquiring new business and renewing existing contracts. For statutory reporting, the proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in a later period when the related premiums are earned. The reclassification adjustment reallocates the proportion of the group statutory, consolidated deferred acquisition costs relating to the Solvency II equity accounted entities into the participations line. The remaining deferred acquisition costs are excluded from the valuation of assets for Solvency II purposes. However, as the future technical provision cashflows from BUL into Bldac are based on profit or loss arising on a statutory basis, there is an underlying economic value attached to deferred acquisition cost arising within the equity accounted entities that contribute to the future distributions.

Deferred tax assets

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

The group does not have any unused tax losses (2020: nil) for which a deferred tax asset has not been recognised.

Deferred tax assets, relating to tax losses, which depend on the availability of future taxable profits, have been recognised. The Group has concluded that, notwithstanding the impact of the COVID pandemic, it is probable that the deferred tax assets will be recovered using the estimated future taxable profits based on the approved business plans. The losses can be carried forward indefinitely and have no expiry date. The valuation principles for deferred tax under Solvency II are consistent with the IFRS approach used to prepare the financial statements.

Pension benefit surplus

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

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

Plan assets are comprised as follows:

	2021 \$m	2020 \$m
Equities	-	69.5
Corporate bonds	3.4	-
Index linked securities	70.0	-
Cash	1.6	0.1
	75.0	69.6

Property, plant & equipment held for own use

Property, plant and equipment comprise:

- computer equipment and furniture and fitting for own use, recorded at costs less accumulated depreciation and impaired losses in the statutory balance sheet, which are considered not to be materially different from fair value; and
- right of use assets recognised and valued in accordance with IFRS 16 (refer to note 29 of the Beazley plc Annual report and accounts 2021).

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

Investments

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

Level 1 – valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds, treasury bills of government and government agencies and corporate bonds which are measured based on quoted prices in active markets. Assets are valued using the bid price;

Level 2 – valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates, exchange rates). Included within level 2 are government bonds and treasury bills, corporate bonds, equity funds, hedge funds and senior secured loans which are not actively traded; and

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

The valuations of the investments categorised in the fair value hierarchy above are consistent with information reported in note 16 (financial assets and liabilities) of the Beazley plc Annual report and accounts 2021.

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

D. Valuation for solvency purposes *continued*

D.1 Assets *continued*

Holdings in related undertakings, including participations

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

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

Loans and mortgages

Loans and mortgages include a \$2.7m high-yield loan to a cedant of the group. This is classified under high-yield corporate bonds for statutory reporting but under Solvency II is classified under loans and mortgages and hence is reclassified out of bonds accordingly. These are valued at amortised cost in the statutory balance sheet which is considered to be materially consistent with their fair value.

Reinsurance recoverables

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

Insurance and intermediaries receivables

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

Receivables (trade, not insurance)

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

Cash and cash equivalents

On the statutory balance sheet, cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. The Solvency II valuation and recognition of cash and cash equivalents is consistent with that used for the statutory balance sheet except for short term highly liquid investments which are classified within investments. However, cash held in the syndicates and other entities not consolidated under Solvency II are included as part of the valuation of participations.

Any other assets, not elsewhere shown

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

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

D.2 Technical provisions

All amounts \$m Solvency II line of business	Undiscounted		Discounted			
	Net technical provisions ex risk margin	Risk margin	Net technical provisions inc risk margin	Net technical provisions ex risk margin	Risk margin	Net technical provisions inc risk margin
Non-proportional casualty reinsurance	(750.8)	111.9	(638.9)	(735.0)	108.0	(627.0)
General liability insurance	765.1	19.9	785.0	747.9	19.4	767.3
Income protection insurance	11.2	0.2	11.4	11.2	0.2	11.4
Marine, Aviation & Transport	13.7	0.6	14.3	13.3	0.6	13.9
Non proportional property reinsurance	23.5	0.9	24.4	23.8	0.9	24.7
Credit & Suretyship	6.6	0.3	6.9	6.2	0.3	6.5
Fire & Other damage to property insurance	0.1	-	0.1	0.1	-	0.1
Non-proportional health reinsurance	0.1	-	0.1	0.1	-	0.1
Miscellaneous financial loss	-	-	-	-	-	-
Total	69.5	133.8	203.3	67.6	129.4	197.0

D.2 Technical provisions *continued*

The technical provisions for the group comprise of:

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

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

Intra-group reinsurance

Overview of reinsurance contract

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

premium – 75% of any profit distributed by the syndicates reinsured (subject to a \$4m excess);

claim – 75% of any loss made by the syndicates reinsured (subject to a maximum of 75% of the FAL and \$4m excess);

fees – BUL pays Bldac a fee as Bldac provides 75% of FAL for the syndicates covered under the reinsurance contract. The fee payable is 1% of the first £201m (for the 2019 and 2020 contracts) and \$261.3m (for the 2021 and 2022 contracts) of FAL and 3% of the remainder of FAL; and

profit commission – 15% and is payable by Bldac to BUL on any premiums received under the contract.

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

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

The expected profit/loss of the underlying BUL business reinsured forms the largest component of the technical provisions. The expected profit/loss is the total of the following:

- the current view of the profit/loss of each year of account. For the closing year of account the profit/loss is the final syndicate declared result as reported to Lloyd's. For open years of account this is based on held loss ratios applied to the ultimate premium, with allowance for incurred expenses;
- the reserve releases/strengthenings expected between the current view of profitability and when the final syndicate result is declared;

- expected investment income attributable to each year of account;
- expenses that are expected to be incurred until the year of account closes;
- FAL fees payable from BUL to Bldac;
- profit commissions payable for each contract forecasting profit; and
- profit or losses on foreign exchange hedges in place to mitigate currency risk.

Whilst the initial view of profitability is assessed at the end of the first calendar year for the business that has been reinsured, the reserve releases and expected future investment income are derived mostly from the assumptions used in the Beazley long term business plan. These assumptions are updated quarterly to reflect experience to date. Where the assumptions are not deemed appropriate, alternative assumptions are used. The provisions for profit commissions and fees have been calculated in line with the terms of the reinsurance contract for each contract forecasting a profit. FAL fees over the term of the contract are calculated. The value of foreign exchange derivatives within the reinsured syndicates is taken from current financial valuations.

Allowance has also been made for Events Not In Data (ENID) and a risk margin:

- the events not in data allowance is based on the load included in the underlying syndicates reinsured and this is calculated using the truncated lognormal distribution, as per Lloyd's guidelines; and
- the risk margin is based on the Solvency Capital Requirements (SCR) output from the Bldac internal model – this is projected forward and discounted using yield curves prescribed by the European Insurance and Occupational Pensions Authority (EIOPA), with the discounted cost of capital being calculated by multiplying the discounted SCR figures by the prescribed cost of capital rate of 6% and then summing up the resulting discounted cost of capital amounts.

Unincepted business is defined as policies that have not yet incepted, but to which Beazley's insurance entities are legally obliged at the valuation date. The 2022 reinsurance contract between Bldac and BUL which incepts on 1 January 2022 has been included within the technical provisions as it was signed on 21 December 2021.

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

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

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

D. Valuation for solvency purposes *continued*

D.2 Technical provisions *continued*

Key uncertainties

At a macro level, the key areas of downside risk in the estimated profit/loss figures of the underlying BUL business being reinsured are that:

- claims experience in the Specialty Lines and CyEx divisions could be worse than expected because of adverse claim frequency and/or severity or the systemic inadequacy of premium rates;
- catastrophe claims experience is materially worse than expected (natural and man-made); and
- investment returns may be materially different to the returns estimated.

Changes in methodology/assumptions since the previous reporting period (Bldac reinsurance of BUL)

The key changes made in approach at this valuation are as follows:

- the reserve releases expected in future periods that inform the cedants profitability have been adjusted.

Statutory reserves vs Solvency II technical provisions

The following tables provides, by SII group, a reconciliation between IFRS and SII for both gross and ceded technical provisions.

	IFRS by SII class	Adjustment for scope1	IFRS adjusted for scope	Valuation differences	SII Technical Provisions
Technical provisions - non-life	8,836.2	(7,515.8)	1,320.4	(888.0)	432.4
Technical provisions - non-life (excluding health)	8,701.0	(7,380.6)	1,320.4	(893.7)	426.7
Best estimate	8,701.0	(7,380.6)	1,320.4	(1,022.9)	297.5
Risk margin	-	-	-	129.2	129.2
Technical provisions - health (similar to non-life)	135.2	(135.2)	-	5.7	5.7
Best estimate	135.2	(135.2)	-	5.5	5.5
Risk margin	-	-	-	0.2	0.2
TP - life (excluding index-linked and unit-linked)	35.7	(35.7)	-	-	-
Technical provisions - health (similar to life)	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
TP - life (excluding health and index-linked and unit-linked)	35.7	(35.7)	-	-	-
Best estimate	35.7	(35.7)	-	-	-
Risk margin	-	-	-	-	-

	IFRS by SII class	Adjustment for scope1	IFRS adjusted for scope	Valuation differences	SII Technical Provisions
Reinsurance recoverables	2,386.4	(2,093.0)	293.4	(58.0)	235.4
Non-life and health similar to non-life	2,386.4	(2,093.0)	293.4	(58.0)	235.4
Non-life excluding health	2,373.0	(2,079.6)	293.4	(52.2)	241.2
Health similar to non-life	13.4	(13.4)	-	(5.7)	(5.7)

1. Adjustment for changes in consolidation between IFRS and SII (see section D, 'Basis of presentation of Beazley plc's 2021 Group Solvency II Balance Sheet')

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

- the statutory reserves only consider the performance of business earned up to and including the valuation date whereas the Solvency II technical provisions allow for both the earned and unearned portions of the business written;
- within Solvency II technical provisions, there is an explicit allowance for premiums and claims on bound but not incepted contracts which are not recognised within the statutory reserves. As a result, the 2022 reinsurance contract between Bldac and BUL which incepts on 1 January

2022 has been included within the Solvency II technical provisions as it was signed on 22 December 2021;

- the Solvency II technical provisions include an allowance for the expected future investment income on the underlying business being reinsured whereas the statutory reserves do not;
- the Solvency II technical provisions include an allowance for events not in data whereas the statutory reserves do not;
- the Solvency II technical provisions are discounted for the time value of money whilst the statutory reserves are not; and

D.2 Technical provisions *continued*

- the Solvency II technical provisions recognise expected future reserve releases from the 2020, 2021 and 2022 years of account, on the underlying business reinsured up to and including the finalisation of the 2022 reinsurance contract whereas the statutory reserves only recognise reserve releases known as at the valuation date.

The total Bldac statutory reserves are \$236.0m on a net of reinsurance basis, and \$35.7m of these reserves are for the intra-group reinsurance business. The Solvency II net technical provisions (including the risk margin) for the intra-group reinsurance business amount to (\$627.5m) on a discounted basis.

Non intra-group business

Bldac began writing business directly (in addition to the reinsurance contract with BUL) during 2017 and increased the volume of premiums written in each subsequent underwriting year. The business written comprises of eight classes – general liability, fire & other damage to property, marine, aviation & transport, miscellaneous financial loss, credit & suretyship, non-proportional health, non-proportional casualty and non-proportional property.

BICI began writing commercial insurance in 2005 and at year end 2021, the majority of the business written was casualty business (including but not limited to directors & officers, errors & omissions and employment practices liability coverages). During 2018 there was a change to the internal reinsurance contract from BICI to syndicate 3623 for this casualty business. This resulted in more of this business being retained by BICI. During 2020, Beazley NewCo Captive Company, Inc started to provide internal reinsurance against adverse development on older accident years.

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

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

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

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

Unincepted business is defined as policies that have not yet incepted, but to which Beazley is legally obliged at the valuation date. For business which has been written by Bldac, the volume of unincepted business is calculated as the premiums from the actual contracts bound as of the valuation date, but due to incept after the valuation date. The unincepted business has resulted in the year end 2021 reinsurance recoverables being negative for premium provisions, reflecting that the outwards reinsurance premiums payable that cover the full subsequent period are allowed for, compared to only the expected recoveries arising from the unincepted gross business.

For BICI, the volume of unincepted business is estimated by considering the business written in the month following the valuation date during the previous year. There is no unincepted business for BNCC as this only reinsures older accident years. The volume of unincepted business for BAIC nets to zero due to its 100% reinsurance arrangement with BICI.

Provisions for bad debts, future expenses and events not in data are added to the best estimate technical provisions:

- the bad debt component uses reinsurer default probabilities and loss given default percentages from the internal model. The expected reinsurer bad debt is calculated as probability of default x loss given default x exposure x average duration;
- the expense provision includes the future expenses required to run off the legally obliged business as at the valuation date. This is calculated using the historical calendar year expenses and budgeted expenses, provided by the finance team; and
- the load for events not in data is calculated using the truncated lognormal approach, as per Lloyd's guidelines.

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

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

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

Key uncertainties

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

Changes in methodology/assumptions since the previous reporting period (Non intra-group business)

The key changes made in approach at this valuation are as follows:

- The Future premium within the Bldac technical provisions for Bldac are now calculated at a more granular level, although the underlying methodology has not changed but now excludes premium which is overdue.
- There have also been some improvements made to the reinsurance unincepted premium and reinsurance ENIDs calculations (impacting both Bldac and BICI).

D. Valuation for solvency purposes *continued*

D.2 Technical provisions *continued*

Statutory reserves vs Solvency II technical provisions

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

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

The total Bldac statutory reserves are \$236.0m on a net of reinsurance basis, and \$200.3m of these reserves are for insurance and third-party reinsurance business. The Solvency II net technical provisions (including the risk margin) for the insurance and third-party reinsurance business amount to \$175.7m on a discounted basis.

The total BICI statutory reserves are \$437.3m on a net of reinsurance basis. The Solvency II net technical provisions (including the risk margin) amount \$648.7m on a discounted basis.

Other items

The matching adjustment referred to in Article 77b of Directive 2009/138/EC is not applied.

The volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not applied.

The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applied.

D.3 Other liabilities

Deferred tax liabilities

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

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Subordinated liabilities

The subordinated liabilities, which are listed on the London Stock Exchange, are shown in the statutory financial statements valued at fair value at the date of issue less transaction costs and subsequently amortised using the effective interest method. The subordinated liabilities are valued at fair value as at the reporting date based on quoted market price under Solvency II.

Reinsurance payables

Reinsurance payables are measured at amounts due on the outwards reinsurance operations of the group, which are due within one year. The amounts as shown on the statutory balance sheet are therefore considered to be fair value.

Adjustments have been made to reclass not past due amounts to Solvency II technical provisions.

Payables (trade, not insurance)

Payables comprise mainly amounts payable to related group entities and external bodies. The amounts are due and are expected to be paid within the next 12 months and are considered to be held at fair value under Solvency II.

Any other liabilities, not elsewhere shown

Any other liabilities comprise mainly accrued expenses including staff bonuses. The amounts are due and are expected to be paid within the next 12 months and are considered to be held at fair value under Solvency II.

D.4 Alternative methods for valuation

The valuation hierarchy for investments is discussed in section D.1 above. An alternative method of valuation has been adopted for the level 3 financial assets where observable inputs are not available. Refer to note 16 (financial assets and liabilities) of the Beazley plc Annual report and accounts 2021 for further details.

D.5 Any other information

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

The group continues to monitor the potential impact of the ongoing conflict in Ukraine, both from an investment asset and a liability perspective. Although our assessment of the potential impact to the company is still very preliminary, we do not expect the conflict to have a significant impact on the company's overall financial position.

Lease arrangements

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

E. Capital management

E.1 Own funds

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

Further capital requirements come from rating agencies who provide ratings for Beazley Insurance Company, Inc. (BICI) and Beazley Insurance dac (Bldac). Beazley aims to manage its capital levels to obtain the ratings necessary to trade with its preferred client base.

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

The Board have adopted a strategy to pay a progressive dividend going forward but also recognising that some earnings fluctuations are to be expected. Dividends are to be paid annually in March and become aligned more closely to the capital planning cycle.

Beazley has a five year plan, the purpose of which is to review long term profitability, return on capital and capital adequacy thereby helping to plan its management of underwriting, claims, capital and expenses. The group follows a risk-based approach to determine the amount of capital required to support its activities. Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is regularly performed and the results are documented and reconciled to the board's risk appetite where necessary.

The group actively seeks to manage its capital structure. The preferred use of capital is to deploy it on opportunities to underwrite profitably. However, there may be times in the cycle when the group will generate excess capital and not have the opportunity to deploy it. At such points in time the board will consider returning capital to shareholders.

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

	Total \$m	Tier 1 \$m	Tier 2 \$m	Tier 3 \$m
Basic own funds				
Ordinary share capital	43.0	43.0		
Reconciliation reserve	1,965.3	1,965.3	-	-
Share premium	5.3	5.3	-	-
Deferred Tax	8.4	-	-	8.4
Subordinated liabilities	615.4	-	615.4	-
Total basic own fund after deductions¹	2,628.9	2,013.5	615.4	-
Ancillary own funds	225.0	-	225.0	-
Total available own funds to meet the group SCR	2,853.9	2,013.5	840.4	-
Total eligible own funds to meet the consolidated group SCR	2,743.2	2,013.5	729.7²	-
Total eligible own funds to meet the consolidated group MCR	2,086.5	2,013.5	73.0³	-
Consolidated Group SCR	1,459.3			
Ratio of Eligible own funds to the consolidated Group SCR	188%			

1 Deductions are presented in the reconciliation reserve below.

2 Tier 2 eligible own funds to meet the consolidated group SCR are capped at 50% of the SCR.

3 Tier 2 eligible own funds to meet the consolidated group MCR are capped at 20% of the MCR.

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

In 2021, the group renewed the \$450m multi-currency standby letter of credit and revolving credit facility (2020 - \$450m). Under the facility \$450m may be drawn as letters of credit to support underwriting at Lloyd's and up to \$225m may be advanced as cash under a revolving facility. As at 31 December 2021 \$225m of the facility is utilised and deposited as a letter of credit (LOC) as Funds at Lloyd's (FAL). This means that at the end of 2021, taking into account the agreement with the CBI regarding the utilisation of LOC as Ancillary Own Funds, the amount the group can hold within Group Own Funds is \$225m.

E. Capital management

continued

E.1 Own funds *continued*

As the redemption of the cash box entity's shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be immediately distributable and can be recognised within retained earnings. The funds raised are net of issuance costs.

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

	Tier 1 unrestricted \$m	Tier 1 restricted \$m	Tier 2 \$m	Tier 3 \$m
2020 Eligible Own Funds	1,604.6	-	734.7	-
Change in Ordinary Share Capital and Share premium	-	-	-	-
Change in Reconciliation Reserve	408.9	-	-	-
Change in Subordinated Debt	-	-	22.2	-
Change in Ancillary Own Funds	-	-	56.3	-
Change in SCR restriction on Tier 2 Own Funds	-	-	(83.5)	-
2021 Eligible Own Funds	2,013.5	-	729.7	-

Tier 1 basic own funds

	2021 \$m	2020 \$m
Ordinary share capital	43.0	42.9
Share premium	5.3	5.3
Reconciliation reserve	1,965.3	1,556.4
	2,013.5	1,604.6

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

The reconciliation reserve is calculated as follows:

	2021 \$m	2020 \$m
Reconciliation reserve		
Excess of assets over liabilities	2,630.5	2,027.7
Foreseeable dividends	(105.0)	-
Ordinary share capital and share premium	(48.3)	(48.2)
Deferred tax asset	(8.4)	(18.2)
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	(39.6)	-
Other non-available own funds	(464.0)	(404.9)
	1,965.2	1,556.4

The company has ring-fenced an amount of \$39.6m in respect of its UK branch local capital requirement following the branch's approval by the PRA as a fully authorised third country branch.

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

Tier 2 basic own funds

	2021 \$m	2020 \$m
Tier 2 subordinated debt (2026)		
- issued in 2016	279.8	271.5
Tier 2 subordinated debt (2029)		
- issued in 2019	335.6	321.7
	615.4	593.2

In November 2016, Bldac issued \$250m of subordinated tier 2 notes due in 2026 and in September 2019, Bldac issued \$300m of additional subordinated tier 2 notes due in 2029. The net proceeds of the notes were used to redeem other outstanding debt issued by Bldac, and the excess is being used along with our retained earnings to support the future growth plans of the group.

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

Tier 2 ancillary own funds

	2021 \$m	2020 \$m
Credit facility	225.0	168.8

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

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

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

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

E.1 Own funds *continued*

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

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

The table below presents the FAL, provided by Bldac and BUL the Bldac and BUL contribution to group SCR, the restriction to FAL and the corresponding ancillary own funds recognised.

	2021 \$m	2020 \$m
FAL provided by Bldac	1,356.1	1,314.1
Bldac contribution to group SCR	(892.1)	(909.2)
Excess FAL restriction Bldac	464.0	404.9
FAL provided by BUL	217.5	217.6
BUL contribution to the group SCR	(285.3)	(296.0)
Excess FAL restriction BUL	-	-
Ancillary own funds recognised	225.0	168.8

The amount of FAL required is a function of Lloyd's capital requirements and Solvency II net assets within syndicates 2623 and 3623. Usage of the facility has the effect of converting tier 2 ancillary own funds into tier 1, as the amount of FAL provided by Bldac subject to the restriction is replaced with a LOC.

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

As at 31 December 2021, there were \$840.4m of basic and ancillary tier 2 own funds available to meet the SCR, of which \$729.7m were eligible to meet the SCR being 50% of the SCR as at that date. \$73.0m (2020: \$73.5m) was eligible to meet the MCR, being 20% of the MCR as at that date.

Reconciliation of statutory net assets to Solvency II net assets

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

	\$m
Statutory net assets	2,130.8
Elimination of goodwill, DAC and intangible assets	(150.3)
Elimination of leasehold improvements	(14.3)
Revaluation of subordinated debt and other financial liabilities to market value	(67.8)
Elimination of statutory technical provisions (net of reinsurance and deferred acquisition costs)	1,027.0
Elimination of inter-group debtors relating to future technical cashflows	(37.8)
Elimination of insurance debtors relating to future technical cashflows	(112.4)
Replacement of Solvency II technical provisions	(197.0)
Revaluation of participation balances	97.5
Recognition of profit commission on Solvency II adjustments arising	17.5
Recognition of net deferred tax on Solvency II adjustments arising	(62.6)
Solvency II net assets	2,630.5

Restriction to the fungibility and transferability of own funds

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

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

There are approximately \$5.4m (2020: \$5.1m) of assets held by BICI that are pledged to nine different states as statutory security deposits. Given that this amount is lower than the contribution of the US business to the group SCR, no deduction for non-available own funds at group level is required.

E. Capital management

continued

E.2 SCR and MCR

The SCR and MCR for Beazley group are as follows:

	2021 \$m	2020 \$m
Solvency Capital Requirement	1,459.3	1,469.5
Minimum Capital Requirement	364.8	367.4

The SCR is subject to CBI review.

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

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

The table below shows the SCR split by risk category.

Model	Insurance risk	Market risk	Operational risk	Credit risk
2022 SCR	82%	12%	3%	3%
2021 SCR	71%	21%	6%	2%

Use of the internal model

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

Regular uses include:

- capital setting: the internal model is used to calculate the capital for each entity quarterly. The calculated capital is split by major risk i.e. insurance, market, credit, liquidity, operational and group risk;
- business planning including capital allocation: the internal model is used in the business planning process to allocate capital between divisions: This, when combined with the plan profit, allows management to compare the performance of the different business lines on a risk adjusted basis;
- business planning: portfolio optimisation;
- business planning: reinsurance and Special Purpose Arrangement review;
- long term plan: the capital projections in the long term plan are developed using internal model output;

- reserving: the internal model is used to allow the actuarial team to develop the reserve strength indicators which are used to communicate the level of prudence in the reserves;
- exposure management: the catastrophe model component of the internal model is used to monitor the team's catastrophe risk against appetite and natural catastrophe risk model output is used for capital modelling;
- investment management: the asset risk component of the internal model is used to monitor investment risk and investment risk output is used for capital modelling;
- reinsurance credit risk: credit risk output is used for capital modelling;
- ORSA: 1-in-10 output is used to calculate key risk indicator (KRIs) to determine whether the syndicates are operating within risk appetite; and
- remuneration: the internal model is used to test the consistency of underwriters' profit related pay targets.

Scope of the internal model

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

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

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

Methods used in the internal model

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

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

E.2 SCR and MCR *continued*

Data used in the internal model

Model inputs are made up of two key components:

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

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

Diversification

Diversification effects are allowed for in the internal model. The dependency and risk driver framework ensures that all possible drivers of risk for inclusion in the internal model are considered during the annual risk driver and dependency review to ensure completeness and which considers:

- the key variables driving dependencies;
- evidence for the existence of diversification effects;
- the relevant assumptions underlying the modelling of dependencies;
- extreme scenarios and tail dependence; and
- the core model produces management information that shows diversification benefits between major risk category (e.g. premium risk, reserve risk, market risk, credit risk etc) as well as between business units. Due to the proportional nature of Bldac’s economic interest in syndicates 2623 and 3623, there are no material additional sources of diversification at a group level.

Loss Absorbing Capacity of Deferred Tax

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

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

Not applicable.

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

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

The main differences in the methodologies and underlying assumptions used in the standard formula (SF) and in the internal model (IM) by risk module are as follows:

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

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

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

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

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

E.6 Any other information

As disclosed in section A.5, the group continues to monitor the potential impact of the ongoing conflict in Ukraine, both from an investment asset and a liability perspective. Although our assessment of the potential impact to the company is still very preliminary, we do not expect the conflict to have a significant impact on the company’s overall financial position.

Appendix:

Quantitative reporting

The following quantitative reporting templates are appended to this report.

- S.02.01.02 – Balance sheet
- S.05.01.02 – Premiums, claims and expenses by line of business
- S.05.02.01 – Premiums, claims and expenses by country
- S.23.01.22 – Own funds
- S.25.03.22 – Solvency Capital Requirement calculated using a full internal model
- S.32.01.22 – Undertakings in the scope of the group

All monetary amounts are in thousands of US dollars. Please note that totals may differ from the sum of component parts due to rounding. For improved presentation, blank columns in some of the quantitative reporting templates have been omitted. All items disclosed are consistent with the quantitative reporting submitted privately to the Central Bank of Ireland.

S.02.01.02 – Balance sheet

		Solvency II value C0010
Assets		
Intangible assets	R0030	-
Deferred tax assets	R0040	8,393
Pension benefit surplus	R0050	18,122
Property, plant & equipment held for own use	R0060	80,332
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	3,119,263
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	298,002
<i>Equities</i>	<i>R0100</i>	<i>-</i>
Equities - listed	R0110	-
Equities - unlisted	R0120	-
<i>Bonds</i>	<i>R0130</i>	<i>2,519,336</i>
Government Bonds	R0140	1,669,174
Corporate Bonds	R0150	850,161
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	300,590
Derivatives	R0190	1,336
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	2,749
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	2,749
Reinsurance recoverables from:	R0270	235,421
Non-life and health similar to non-life	R0280	235,421
Non-life excluding health	R0290	241,152
Health similar to non-life	R0300	(5,731)
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	19,196
Reinsurance receivables	R0370	36,203
Receivables (trade, not insurance)	R0380	23,288
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	399,305
Any other assets, not elsewhere shown	R0420	214,994
Total assets	R0500	4,157,267

Appendix: Quantitative reporting *continued*

S.02.01.02 – Balance sheet *continued*

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	432,388
Technical provisions – non-life (excluding health)	R0520	426,720
TP calculated as a whole	R0530	-
Best estimate	R0540	297,490
Risk margin	R0550	129,229
Technical provisions – health (similar to non-life)	R0560	5,668
TP calculated as a whole	R0570	-
Best estimate	R0580	5,507
Risk margin	R0590	161
TP – life (excluding index-linked and unit-linked)	R0600	-
Technical provisions – health (similar to life)	R0610	-
TP calculated as a whole	R0620	-
Best estimate	R0630	-
Risk margin	R0640	-
TP – life (excluding health and index-linked and unit-linked)	R0650	-
TP calculated as a whole	R0660	-
Best estimate	R0670	-
Risk margin	R0680	-
TP – index-linked and unit-linked	R0690	-
TP calculated as a whole	R0700	-
Best estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	53,876
Derivatives	R0790	5,428
Debts owed to credit institutions	R0800	-
Debts owed to credit institutions resident domestically	ER0801	-
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	-
Debts owed to credit institutions resident in rest of the world	ER0803	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Debts owed to non-credit institutions	ER0811	-
Debts owed to non-credit institutions resident domestically	ER0812	-
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	-
Debts owed to non-credit institutions resident in rest of the world	ER0814	-
Other financial liabilities (debt securities issued)	ER0815	-
Insurance & intermediaries payables	R0820	-
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	240,772
Subordinated liabilities	R0850	615,363
Subordinated liabilities not in BOF	R0860	-
Subordinated liabilities in BOF	R0870	615,363
Any other liabilities, not elsewhere shown	R0880	178,935
Total liabilities	R0900	1,526,762
Excess of assets over liabilities	R1000	2,630,506

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of Business for: accepted non-proportional reinsurance			Total C0200
		Income protection insurance C0020	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Miscellaneous financial loss C0120	Health C0130	Casualty C0140	Property C0160	
Premiums written											
Gross – Direct Business	R0110	102,699	400,354	658,326	2,937,702	71,000	47,813				4,217,894
Gross – Proportional reinsurance accepted	R0120	3,530	-	-	47,877	31,125	-				82,532
Gross – Non-proportional reinsurance accepted	R0130							20,719	43,552	223,829	288,099
Reinsurers' share	R0140	18,138	47,906	200,028	716,923	15,568	5,849	1,684	(355)	92,716	1,098,458
Net	R0200	88,090	352,448	458,297	2,268,657	86,557	41,964	19,034	43,907	131,113	3,490,068
Premiums earned											
Gross – Direct Business	R0210	105,408	367,812	596,429	2,511,450	60,560	38,656				3,680,315
Gross – Proportional reinsurance accepted	R0220	3,673	-	-	49,159	27,694	-				80,526
Gross – Non-proportional reinsurance accepted	R0230							20,400	41,543	224,807	286,749
Reinsurers' share	R0240	16,779	45,398	193,324	552,074	13,522	5,534	2,026	(345)	92,634	920,947
Net	R0300	92,302	322,415	403,105	2,008,535	74,732	33,121	18,374	41,887	132,173	3,126,644
Claims incurred											
Gross – Direct Business	R0310	41,733	133,313	358,798	1,731,962	27,118	54,087				2,347,011
Gross – Proportional reinsurance accepted	R0320	1,496	-	-	18,232	25,703	-				45,431
Gross – Non-proportional reinsurance accepted	R0330							6,987	18,772	253,619	279,378
Reinsurers' share	R0340	9,178	28,147	145,417	573,972	10,729	5,596	(137)	(934)	131,356	903,325
Net	R0400	34,051	105,165	213,381	1,176,222	42,093	48,491	7,124	19,706	122,263	1,768,496
Changes in other technical provisions											
Gross – Direct Business	R0410	-	-	-	-	-	-				-
Gross – Proportional reinsurance accepted	R0420	-	-	-	-	-	-				-
Gross – Non-proportional reinsurance accepted	R0430										-
Reinsurers' share	R0440	-	-	-	-	-	-				-
Net	R0500	-	-	-	-	-	-	-	-	-	-
Expenses incurred	R0550	48,499	130,156	184,984	678,621	24,136	14,641	5,518	16,437	46,582	1,149,574
Other expenses	R1200										-
Total expenses	R1300										1,149,574

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

Appendix: Quantitative reporting *continued*

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

		Line of Business for: life insurance obligations	Life reinsurance obligations	Total
		Other life insurance	Life reinsurance	
		C0240	C0280	C0300
Premiums written				
Gross	R1410	30,162	210	30,373
Reinsurers' share	R1420	7,829	170	7,999
Net	R1500	22,333	40	22,373
Premiums earned				
Gross	R1510	26,387	(34)	26,353
Reinsurers' share	R1520	5,489	165	5,654
Net	R1600	20,898	(200)	20,698
Claims incurred				
Gross	R1610	15,663	(517)	15,145
Reinsurers' share	R1620	4,571	118	4,688
Net	R1700	11,092	(635)	10,457
Changes in other technical provisions				
Gross	R1710	-	-	-
Reinsurers' share	R1720	-	-	-
Net	R1800	-	-	-
Expenses incurred	R1900	7,608	703	8,311
Other expenses	R2500			
Total expenses	R2600			8,311

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

S.05.02.01 – Premiums, claims and expenses by country
Home country – non-life obligations

		Home country		Total Top 5 and home country
		GB	US	
		C0080	C0090	C0140
R0010				
Premium written				
Gross – Direct Business	R0110	1,392,954	1,703,309	3,296,707
Gross – Proportional reinsurance accepted	R0120	1,462	30,230	152,723
Gross – Non-proportional reinsurance accepted	R0130	11,776	152,367	180,987
Reinsurers' share	R0140	252,999	325,596	585,841
Net	R0200	1,153,193	1,560,310	3,044,576
Premium earned				
Gross – Direct Business	R0210	1,261,174	1,566,976	2,984,088
Gross – Proportional reinsurance accepted	R0220	1,199	30,709	154,540
Gross – Non-proportional reinsurance accepted	R0230	11,203	145,956	172,747
Reinsurers' share	R0240	220,685	282,544	517,455
Net	R0300	1,052,890	1,461,098	2,793,919
Claims incurred				
Gross – Direct Business	R0310	1,097,491	1,155,641	2,330,189
Gross – Proportional reinsurance accepted	R0320	712	116,285	212,138
Gross – Non-proportional reinsurance accepted	R0330	15,620	198,076	236,379
Reinsurers' share	R0340	339,448	391,691	713,630
Net	R0400	774,374	1,078,311	2,065,077
Changes in other technical provisions				
Gross – Direct Business	R0410	-	-	-
Gross – Proportional reinsurance accepted	R0420	-	-	-
Gross – Non-proportional reinsurance accepted	R0430	-	-	-
Reinsurers' share	R0440	-	-	-
Net	R0500	-	-	-
Expenses incurred	R0550	377,242	536,062	973,407
Other expenses	R1200			973,407
Total expenses	R1300			973,407

Appendix: Quantitative reporting *continued*

S.05.02.01 – Premiums, claims and expenses by country Life obligations

		Home Country	Total Top 5 and home country
		GB	
		C0220	C0280
R1400			
Premium written			
Gross	R1410	30,373	30,373
Reinsurers' share	R1420	7,999	7,999
Net	R1500	22,373	22,373
Premium earned			
Gross	R1510	26,353	26,353
Reinsurers' share	R1520	5,654	5,654
Net	R1600	20,698	20,698
Claims paid			
Gross	R1610	15,145	15,145
Reinsurers' share	R1620	4,688	4,688
Net	R1700	10,457	10,457
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720	-	-
Net	R1800	-	-
Expenses incurred	R1900	8,311	8,311
Other expenses	R2500		
Total expenses	R2600		8,311

S.23.01.22 – Own funds

		Total C0010	Tier 1 – unrestricted C0020	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	R0010	42,958	42,958	-	-
Non-available called but not paid in ordinary share capital at group level	R0020	-	-	-	-
Share premium account related to ordinary share capital	R0030	5,299	5,299	-	-
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-
Non-available subordinated mutual member accounts at group level	R0060	-	-	-	-
Surplus funds	R0070	-	-	-	-
Non-available surplus funds at group level	R0080	-	-	-	-
Preference shares	R0090	-	-	-	-
Non-available preference shares at group level	R0100	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-
Non-available share premium account related to preference shares at group level	R0120	-	-	-	-
Reconciliation reserve	R0130	1,965,253	1,965,253	-	-
Subordinated liabilities	R0140	615,363	-	615,363	-
Non-available subordinated liabilities at group level	R0150	-	-	-	-
An amount equal to the value of net deferred tax assets	R0160	8,393	-	-	8,393
The amount equal to the value of net deferred tax assets not available at the group level	R0170	8,393	-	-	8,393
Other items approved by supervisory authority as basic own funds not specified above	R0180	-	-	-	-
Non-available own funds related to other own funds items approved by supervisory authority	R0190	-	-	-	-
Minority interests (if not reported as part of a specific own fund item)	R0200	-	-	-	-
Non-available minority interests at group level	R0210	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-
Deductions					
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial act.	R0230	-	-	-	-
Where of deducted according to art 228 of the Directive 2009/138/EC	R0240	-	-	-	-
Deductions for participations where there is non-availability of information (Article 229)	R0250	-	-	-	-
Deduction for participations included by using D&A when a combination of methods is used	R0260	-	-	-	-
Total of non-available own fund items	R0270	8,393	-	-	8,393
Total deductions	R0280	8,393	-	-	8,393
Total basic own funds after deductions	R0290	2,628,874	2,013,510	615,363	-
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type	R0310	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	225,000	-	225,000	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-
Non-available ancillary own funds at group level	R0380	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-
Total ancillary own funds	R0400	225,000	-	225,000	-

Appendix: Quantitative reporting *continued*

S.23.01.22 – Own funds *continued*

		Total C0010	Tier 1 – unrestricted C0020	Tier 2 C0040	Tier 3 C0050
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	R0410	-	-	-	
Institutions for occupational retirement provision	R0420	-	-	-	-
Non-regulated entities carrying out financial activities	R0430	-	-	-	
Total own funds of other financial sectors	R0440	-	-	-	-
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method	R0450	-	-	-	-
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460	-	-	-	-
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	2,853,874	2,013,510	840,363	-
Total available own funds to meet the minimum consolidated group SCR	R0530	2,628,874	2,013,510	615,363	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	2,743,173	2,013,510	729,663	-
Total eligible own funds to meet the minimum consolidated group SCR	R0570	2,086,477	2,013,510	72,966	
Minimum consolidated Group SCR	R0610	364,832			
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	571.9%			
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	2,743,173	2,013,510	729,663	-
Group SCR	R0680	1,459,326			
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	188.0%			

			C0060	
Reconciliation reserve				
Excess of assets over liabilities	R0700		2,630,506	
Own shares (held directly and indirectly)	R0710			
Foreseeable dividends, distributions and charges	R0720		105,000	
Other basic own fund items	R0730		56,650	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		39,647	
Other non-available own funds	R0750		463,956	
Reconciliation reserve	R0760		1,965,253	
Expected profits				
Expected profits included in future premiums (EPIFP) – Life Business	R0770		-	
Expected profits included in future premiums (EPIFP) – Non-life business	R0780		723,161	
Total expected profits included in future premiums (EPIFP)	R0790		723,161	

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

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

Unique number of component C0010	Components description	Calculation of the Solvency Capital Requirement
	C0020	C0030
RES01	Reserve risk	1,159,091
PRM01	Premium risk	1,245,727
MKT01	Market risk	478,239
OPL01	Operational risk	236,917
CRT01	Credit risk	244,812

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	3,364,786
Diversification	R0060	(1,905,459)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	1,459,326
Capital add-ons already set	R0210	-
Solvency capital requirement	R0220	1,459,326
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(9,988)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-
Minimum consolidated group solvency capital requirement	R0470	364,832
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	-
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	-
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions	R0520	-
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	-
Capital requirement for non-controlled participation requirements	R0540	-
Capital requirement for residual undertakings	R0550	-

Appendix: Quantitative reporting *continued*

S.32.01.22 – Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% Used for the establishment	% voting rights	Level of influence	Group SCR	Yes/No	Method of calculation
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0220	C0230	C0240	C0260
CA	2138006PPO0ELDD88116	LEI	Beazley Canada Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800XLBH0UA0EK4C56	LEI	Beazley Corporate Member (No.2) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	2138008PYM4U3JVY5029	LEI	Beazley Corporate Member (No.3) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800VE50ALBYXHTL82	LEI	Beazley Corporate Member (No.6) Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800RLR5PQQ1BNTJ43	LEI	Beazley Furlonge Holdings Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	549300FAQP1YKTIM1S87	LEI	Beazley Furlonge Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138007D09SL7TQBHVH27	LEI	Beazley Group (USA) General Partnership	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Delaware general partnership	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	549300V3F4ZHETMM6P72	LEI	Beazley Group Limited	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	213800VHYDYMDVQ7PK36	LEI	Beazley Holdings, Inc.	Mixed-activity insurance holding company as defined in Article 212(1) (g) of Directive 2009/138/EC	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	213800BLNEDLYDMH69	LEI	Beazley Insurance Company, Inc.	Non life insurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
IE	549300WUWLDACPEU084	LEI	Beazley Insurance dac	Non life insurance undertaking	Incorporated company limited by shares	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	2138002FFB8FZNACJ862	LEI	Beazley Investments Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
IE	21380052V9LP6NH9W342	LEI	Beazley Ireland Holdings plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800VT0MUWD41GIT12	LEI	Beazley plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Public limited company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800CUN3D4NUYAT124	LEI	Beazley Leviathan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
HK	213800X2D0FUTRXM1081	LEI	Beazley Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	21380022FM3LXUN3HR40	LEI	Beazley Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
SG	213800DJFLB3XE1WM21	LEI	Beazley Pte. Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation

S.32.01.22 – Undertakings in the scope of the group *continued*

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% Used for the establishment	% voting rights	Level of influence	Group SCR	Yes/No	Method of calculation
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0220	C0230	C0240	C0260
GB	213800AQFXRGDD861306	LEI	Beazley Solutions Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800AVDAS3WCGM9K47	LEI	Beazley Staff Underwriting Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
GB	213800VBCFZ1LXWVAH47	LEI	Beazley Underwriting Limited	Other	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
AU	213800PYTRLNDFNFV77	LEI	Beazley Underwriting Pty Ltd	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
GB	213800ESHJJAEPH8T43	LEI	Beazley Underwriting Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138003E3J3TT2VVA730	LEI	Beazley USA Services, Inc.	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	2138002FMQZV2ESD2P39	LEI	Lodestone Securities LLC	Other	Limited liability company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Adjusted equity method
US	213800CFCH6JNRWK1K74	LEI	Beazley American Insurance Company Inc.	Non life insurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
IE	213800CHKXXYN5IR5437	LEI	Beazley Solutions International Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
MT	213800DWGDOMU52RW804	LEI	Falcon Money Management Holdings Limited	Other	Company limited by shares	Non-mutual		25.00%	25.00%	25.00%	Significant	25.00%	Included in the scope	Method 1: Adjusted equity method
US	BHIDLLC	Specific Code	Beazley Holdings, Inc. Digital LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited liability company	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
MY	BLL	Specific Code	Beazley Labuan Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
US	CAVLLC	Specific Code	CyberAcuView LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		14.29%	14.29%	14.29%	Significant	14.29%	Included in the scope	Method 1: Adjusted equity method
US	BNCC	Specific Code	Beazley Newco Captive Company, Inc	Reinsurance undertaking	Company limited by shares	Non-mutual	Connecticut Insurance	100.00%	100.00%	100.00%	Dominant	100.00%	Included in the scope	Method 1: Full consolidation
HK	PUL	Specific Code	Pegasus Underwriting Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual		33.00%	33.00%	33.00%	Significant	33.00%	Included in the scope	Method 1: Adjusted equity method

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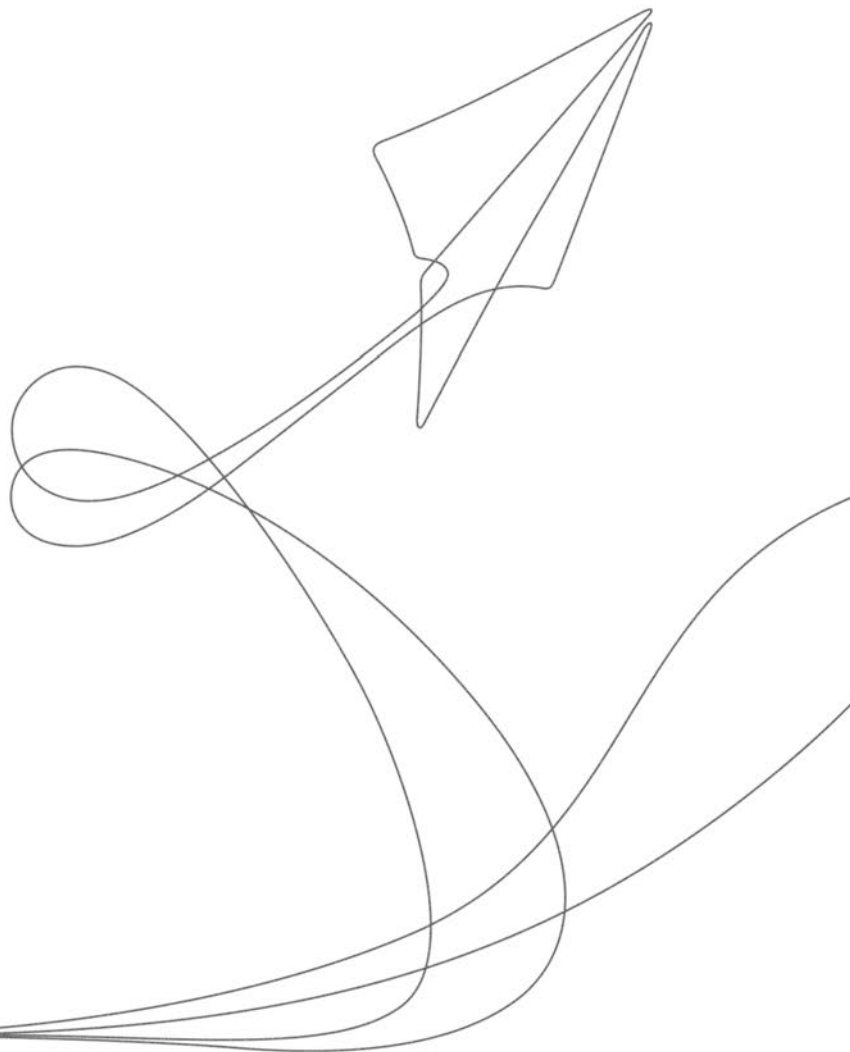
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