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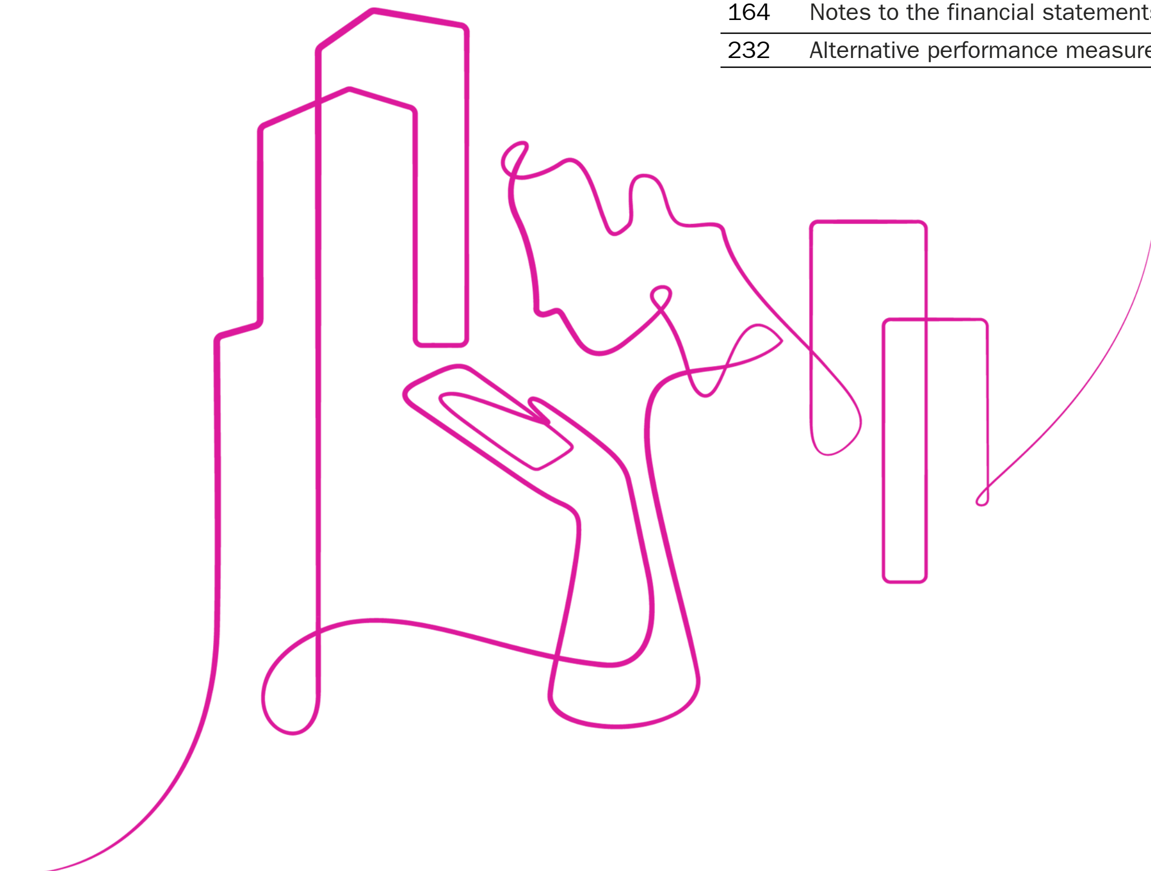


Consolidated statement of profit or loss

for the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Gross premiums written	3	5,268.7	4,618.9
Written premiums ceded to reinsurers		(1,392.5)	(1,106.5)
Net premiums written	3	**3,876.2**	**3,512.4**
Change in gross provision for unearned premiums		(507.3)	(545.0)
Reinsurers' share of change in the provision for unearned premiums		245.3	179.9
Change in net provision for unearned premiums		**(262.0)**	**(365.1)**
Net earned premiums	3	**3,614.2**	**3,147.3**
Net investment (loss)/income	4	(179.7)	116.4
Other income	5	32.1	28.2
Gain from sale of business		–	54.4
		(147.6)	199.0
Revenue		**3,466.6**	**3,346.3**
Insurance claims		3,046.3	2,734.3
Insurance claims recoverable from reinsurers		(1,089.9)	(908.1)
Net insurance claims	3	**1,956.4**	**1,826.2**
Expenses for the acquisition of insurance contracts	3	952.1	821.8
Administrative expenses	3	303.7	283.0
Foreign exchange loss	3	24.0	7.2
Operating expenses		**1,279.8**	**1,112.0**
Expenses	3	**3,236.2**	**2,938.2**
Results of operating activities		**230.4**	**408.1**
Finance costs	8	(39.4)	(38.9)
Profit before income tax		**191.0**	**369.2**
Income tax expense	9	(30.2)	(60.5)
Profit for the year attributable to equity shareholders		**160.8**	**308.7**
Earnings per share (cents per share):			
Basic	10	26.3	50.9
Diluted	10	25.9	50.3
Earnings per share (pence per share):			
Basic	10	21.1	37.0
Diluted	10	20.8	36.5

Statement of comprehensive income

for the year ended 31 December 2022

	2022 $m	2021 $m
Group		
Profit for the year attributable to equity shareholders	160.8	308.7
Other comprehensive (expense)/income		
Items that will never be reclassified to profit or loss:		
(Loss)/gain on remeasurement of retirement benefit obligations	(12.5)	13.0
Income tax on defined benefit obligation	2.7	(1.8)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(12.2)	(5.9)
Total other comprehensive income	(22.0)	5.3
Total comprehensive income recognised	**138.8**	**314.0**

Statement of comprehensive income

for the year ended 31 December 2022

	2022 $m	2021 $m
Company		
Profit for the year attributable to equity shareholders	303.1	37.2
Total comprehensive income recognised	**303.1**	**37.2**

Statement of changes in equity

for the year ended 31 December 2022

	Notes	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group							
Balance at 1 January 2021		**42.9**	**5.3**	**(91.3)**	**(9.4)**	**1,862.0**	**1,809.5**
Total comprehensive (loss) / income recognised		–	–	(5.9)	–	319.9	314.0
Equity settled share based payments	22	–	–	–	11.0	–	11.0
Tax on share option vestings	9	–	–	–	(3.9)	–	(3.9)
Transfer of shares to employees	22	–	–	–	(1.7)	1.9	0.2
Balance at 31 December 2021		**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,183.8**	**2,130.8**
Balance at 1 January 2022		**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,183.8**	**2,130.8**
Total comprehensive (loss) / income recognised		–	–	(12.2)	–	151.0	138.8
Dividends paid	11	–	–	–	–	(103.0)	(103.0)
Issue of shares	21	0.1	0.8	–	–	–	0.9
Equity raise[1]	21	3.6	3.6	–	397.2	–	404.4
Transfer of merger reserve to retained earnings[1]	21	–	–	–	(397.2)	397.2	–
Equity settled share based payments	22	–	–	–	15.7	–	15.7
Acquisition of own shares held in trust	22	–	–	–	(17.8)	–	(17.8)
Tax on share option vestings	9	–	–	–	3.1	0.6	3.7
Transfer of shares to employees	22	–	–	–	(4.6)	4.6	–
Balance at 31 December 2022		**46.6**	**9.7**	**(109.4)**	**(7.6)**	**2,634.2**	**2,573.5**

1 In November 2022, the Company issued 60,959,017 new ordinary shares of 5 pence each, comprising the 'Placing Shares', the 'Retail Offer Shares' and the 'Subscription Shares'. No share premium was recorded in relation to the Placing Shares as merger relief under the Companies Act was available. The premium over the nominal value of these shares was credited to a merger reserve and subsequently recognised in retained earnings as it was deemed to be distributable. Refer to Note 21 for further details.

Statement of changes in equity

for the year ended 31 December 2022

	Notes	Share capital $m	Share premium $m	Merger reserve[1] $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company								
Balance at 1 January 2021		**42.9**	**5.3**	**55.4**	**0.7**	**(16.9)**	**904.1**	**991.5**
Total comprehensive income recognised		–	–	–	–	–	37.2	37.2
Equity settled share based payments	22	–	–	–	–	11.0	–	11.0
Transfer of shares to employees	22	–	–	–	–	(1.7)	1.9	0.2
Balance at 31 December 2021		**42.9**	**5.3**	**55.4**	**0.7**	**(7.6)**	**943.2**	**1,039.9**
Balance at 1 January 2022		**42.9**	**5.3**	**55.4**	**0.7**	**(7.6)**	**943.2**	**1,039.9**
Total comprehensive income recognised		–	–	–	–	–	303.1	303.1
Dividends paid	11	–	–	–	–	–	(103.0)	(103.0)
Issue of shares	21	0.1	0.8	–	–	–	–	0.9
Equity raise[2]	21	3.6	3.6	397.2	–	–	–	404.4
Transfer of merger reserve to retained earnings	22	–	–	(397.2)	–	–	397.2	–
Equity settled share based payments	22	–	–	–	–	15.7	–	15.7
Acquisition of own shares held in trust	22	–	–	–	–	(17.8)	–	(17.8)
Transfer of shares to employees	22	–	–	–	–	(4.6)	4.6	–
Balance at 31 December 2022		**46.6**	**9.7**	**55.4**	**0.7**	**(14.3)**	**1,545.1**	**1,643.2**

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

2 In November 2022, the Company issued 60,959,017 new ordinary shares of 5 pence each, comprising the ‘Placing Shares’, the ‘Retail Offer Shares’ and the ‘Subscription Shares’. No share premium was recorded in relation to the Placing Shares as merger relief under the Companies Act was available. The premium over the nominal value of these shares was credited to a merger reserve and subsequently recognised in retained earnings as it was deemed to be distributable. Refer to Note 21 for further details.

Statements of financial position

as at 31 December 2022

	Notes	2022 Group $m	2022 Company $m	2021 Group $m	2021 Company $m
Assets					
Intangible assets	12	128.8	–	123.5	–
Plant and equipment	13	14.9	–	19.2	–
Right of use assets	29	60.5	–	75.5	–
Deferred tax asset	28	35.2	–	16.3	–
Investment in subsidiaries	31	–	724.6	–	724.6
Investment in associates	14	0.4	–	0.6	–
Deferred acquisition costs	15	550.1	–	477.8	–
Retirement benefit asset	27	4.6	–	18.1	–
Reinsurance assets	19, 24	3,286.6	–	2,386.4	–
Financial assets at fair value	16, 17	8,345.6	–	7,283.5	–
Insurance receivables	18	1,811.7	–	1,696.1	–
Other receivables	30	196.4	919.1	106.7	315.0
Current income tax asset		11.7	0.3	11.9	0.7
Cash and cash equivalents	20	652.5	3.4	591.8	0.3
Total assets		**15,099.0**	**1,647.4**	**12,807.4**	**1,040.6**
Equity					
Share capital	21	46.6	46.6	42.9	42.9
Share premium		9.7	9.7	5.3	5.3
Merger reserve		–	55.4	–	55.4
Foreign currency translation reserve		(109.4)	0.7	(97.2)	0.7
Other reserves	22	(7.6)	(14.3)	(4.0)	(7.6)
Retained earnings		2,634.2	1,545.1	2,183.8	943.2
Total equity		**2,573.5**	**1,643.2**	**2,130.8**	**1,039.9**
Liabilities					
Insurance liabilities	24	10,354.2	–	8,871.8	–
Financial liabilities	16, 17, 25	562.5	–	554.7	–
Lease liabilities	29	72.7	–	84.3	–
Current income tax liability		8.6	–	24.5	–
Other payables	26	1,527.5	4.2	1,141.3	0.7
Total liabilities		**12,525.5**	**4.2**	**10,676.6**	**0.7**
Total equity and liabilities		**15,099.0**	**1,647.4**	**12,807.4**	**1,040.6**

No income statement is presented for the parent company as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was $303.6m (2021: $37.2m).

The financial statements were approved by The Board of Directors on 12 March 2023 and were signed on its behalf by:

C LaSala
Chair

S M Lake
Group Finance Director

12 March 2023

Statements of cash flows

for the year ended 31 December 2022

	Notes	2022 Group $m	2022 Company $m	2021 Group $m	2021 Company $m
Cash flow from operating activities					
Profit before income tax		**191.0**	**303.3**	**369.2**	**36.4**
Adjustments for:					
Amortisation of intangibles	12	14.3	–	20.5	–
Equity settled share based compensation	22	15.7	15.7	11.0	11.0
Net fair value loss/(gain) on financial assets	4	274.4	–	(45.8)	–
Depreciation of plant and equipment	13	3.3	–	4.9	–
Depreciation of right of use assets	29	12.3	–	15.0	–
Impairment/(write back) of reinsurance assets recognised	2	17.8	–	(3.3)	–
Increase/(decrease) in insurance and other payables		1,868.6	3.5	1,900.8	(3.1)
(Increase) in insurance, reinsurance and other receivables		(1,105.5)	(3.4)	(950.1)	(47.1)
(Increase) in deferred acquisition costs		(72.3)	–	(92.9)	–
Interest and dividends received on investments	4	(101.1)	(305.0)	(76.5)	(40.0)
Finance costs	8	39.4	4.8	38.9	3.6
Income tax paid		(61.1)	–	(22.2)	–
Net cash from/(used in) operating activities		**1,096.8**	**18.9**	**1,169.5**	**(39.2)**
Cash flow from investing activities					
Purchase of plant and equipment	13	(1.0)	–	(4.5)	–
Expenditure on software development and other intangible assets	12	(22.7)	–	(17.7)	–
Purchase of investments		(6,645.4)	–	(7,979.1)	–
Proceeds from sale of investments		5,325.3	–	7,037.1	–
Proceeds from sale of business		–	–	54.4	–
Loan to subsidiary		–	(600.7)	–	–
Interest and dividends received	4	94.2	305.0	70.6	40.0
Net cash (used in)/from investing activities		**(1,249.6)**	**(295.7)**	**(839.2)**	**40.0**
Cash flow from financing activities					
Acquisition of own shares in trust	22	(17.8)	(17.8)	–	–
Payment of lease liabilities	29	(11.6)	–	(12.8)	–
Equity raise	21	404.4	404.4	–	–
Finance costs	8	(36.3)	(4.8)	(35.2)	(3.6)
Dividend paid		(103.0)	(103.0)	–	–
Net cash from/(used in) financing activities		**235.7**	**278.8**	**(48.0)**	**(3.6)**
Net increase/(decrease) in cash and cash equivalents		82.9	2.0	282.3	(2.8)
Cash and cash equivalents at beginning of year		591.8	0.3	309.5	0.9
Effect of exchange rate changes on cash and cash equivalents		(22.2)	1.1	–	2.2
Cash and cash equivalents at end of year	20	**652.5**	**3.4**	**591.8**	**0.3**

Notes to the financial statements

1 Statement of accounting policies

Beazley plc (registered number 09763575) is a public company incorporated in England and Wales. The company's registered address is 22 Bishopsgate, London, EC2N 4BQ, United Kingdom. The principal activity of the company and its subsidiaries (the 'Group') is to participate as a specialist insurer which transacts primarily in commercial lines of business through its subsidiaries and through Lloyd's syndicates. The Group financial statements for the year ended 31 December 2022 comprise the parent company, its subsidiaries and the Group's interest in associates.

The financial statements of the parent company, Beazley plc, and the Group's consolidated financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2006.

By publishing the parent company financial statements together with the Group financial statements, the company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of profit or loss.

In the current year, the Group have applied amendments to IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the UK Endorsement Board (UKEB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The new effective amendments are:

- Amendments to IAS 37 'Onerous contracts – Cost of Fulfilling a Contract' issued in May 2020;
- Annual Improvements to IFRS Standards 2018–2020 issued in May 2020;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' issued in May 2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3 'Business combinations' issued in May 2020.

None of the amendments issued by the IASB and endorsed by the UKEB have had a material impact to the Group.

A number of new standards and interpretations adopted by the UKEB which are not mandatorily effective, as well as standards and interpretations issued by the IASB but not yet adopted by the UKEB, have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it expects to apply them from their effective dates as determined by their dates of UKEB endorsement. The Group expects the following upcoming standards to have an impact on its future financial statements:

- IFRS 9: Financial Instruments (UKEB effective date: 1 January 2018, deferred in line with implementation of IFRS 17);
- IFRS 9: Amendment: Prepayment Features with Negative Compensation (UKEB effective date: 1 January 2019, deferred in line with implementation of IFRS 17); and
- IFRS 17: Insurance Contracts (UKEB effective date: 1 January 2023);

The IASB have issued a number of other minor amendments to standards which are not yet effective. None of these are expected to have a material impact on the Group.

Notes to the financial statements continued

1 Statement of accounting policies continued

Significant changes in accounting policy not yet effective

International Financial Reporting Standard 17, Insurance Contracts ('IFRS 17')

IFRS 17, Insurance Contracts, was issued by the International Accounting Standards Board (IASB) in May 2017 and was approved for adoption in the United Kingdom by the UK endorsement Board on 16 May 2022. UK-adopted IFRS 17 is effective for accounting periods beginning on or after 1 January 2023. IFRS 17 will materially change the way the Group accounts for, and reports, (re)insurance contracts issued and reinsurance contracts entered into in its consolidated financial statements.

Changes to accounting policies

The IFRS 17 general measurement model requires that the following balances are recognised on initial recognition of an insurance contract:

- a discounted probability-weighted best estimate of future cash flows relating to the insurance contract;
- a risk adjustment for non-financial risk; and
- a contractual service margin ('CSM') representing the unearned profit that will be recognised over the coverage period of the contract. The CSM is measured such that no profit arises on initial recognition.

The Group intends to measure all contracts consistently using the general measurement model set out above and does not expect to use the simplified premium allocation approach for any portfolios or groups of insurance contracts currently issued. A discount rate to discount future cash flows will be derived using the 'bottom-up' approach, based on a risk-free discount rate that is then adjusted with an illiquidity premium. Subsequent changes in discount rates on remeasurement will be accounted for through the statement of profit or loss.

IFRS 17 requires that insurance contracts where the underlying risks are of a similar nature and where they are managed together be aggregated into groups of insurance contracts. These will then be subdivided based on the year coverage begins and whether it is onerous on initial recognition. The Group intends to align its IFRS 17 groupings with the way it currently manages and reports its business. Where a contract is onerous on initial recognition, the Group will be required to recognise any losses up-front. The Group is currently assessing the extent to which contracts currently in issue may be onerous.

Reinsurance contracts which the Group takes out (reinsurance contracts held) will be measured similarly to (re)insurance contracts issued. However the concept of onerosity does not exist in IFRS 17 for reinsurance and therefore the reinsurance CSM is measured such that no income or expense is recognised on initial recognition.

Changes to presentation of financial statements on adoption of IFRS 17

The adoption of IFRS 17 will result in significant changes to the consolidated statement of profit or loss, the consolidated statement of financial position and related notes. These include:

- An insurance service result comprised of insurance revenue, insurance service expense and insurance finance income or expense will replace the current premium and claims lines in the statement of profit or loss.
- Reinsurance will be presented separately to insurance contracts issued.
- The statement of financial position will contain less detail, with all balances in the scope of IFRS 17 being included in insurance assets/liabilities or reinsurance assets/liabilities.
- More extensive analysis of the IFRS 17 balances will be found in the notes to the financial statements.

Estimated impact of the adoption of IFRS 17

IFRS 17 requires that on transition comparative information is restated in accordance with the new accounting policies in force. The Group expects to apply the fully retrospective transition approach. Contracts in the scope of IFRS 17 will be recognised and measured as if IFRS 17 had always applied, and previously reported balances which would not have existed if IFRS 17 had always been applied (such as certain insurance receivables and some deferred acquisition costs) will be derecognised. Any resulting net difference will be included as a transition adjustment to retained earnings.

The Group has assessed the initial impact of IFRS 17 will have on its statement of financial position as at 1 January 2022. Based on assessments undertaken to date, the total adjustment (after tax) to the balance of the Group's consolidated retained earnings is expected to be an increase of at least 2% of equity.

1 Statement of accounting policies continued

This increase is due to a number of valuation differences between IFRS 4 and IFRS 17:

- IFRS 17 technical provisions are discounted to reflect the time value of money. Under IFRS 4 the Group does not discount technical provisions, and thus under IFRS 17 net technical provisions will be less than when measured under IFRS 4.
- In order to cover claims expected to be paid, the Group has historically held reserves within a range of 5-10% over an actuarial estimate. This actuarial estimate itself has a level of prudence within it. Under IFRS 17, reserves will be held at a best estimate (with no prudence), with an added risk adjustment calculated to a specified confidence level. This will show a percentile giving an indication about where reserves sit compared to the best estimate and the capital requirement. The reserve margin at date of transition had a confidence level at the upper end of a 80th to 90th percentile range under IFRS 4. Under IFRS 17 we expect the confidence level on transition to be nearer the middle of this range. Accordingly, the Group expects the provision for claims recognised on adoption of IFRS 17 to be lower than current IFRS 4 technical provisions.
- Under IFRS 4 unearned premium reserves and deferred acquisition costs are treated as non-monetary and are translated to the Group's functional currency using historic exchange rates. These balances are eliminated upon adoption of IFRS 17 and all insurance contract balances are considered to be monetary and are revalued using spot rates at each reporting date.

The assessment above is preliminary as we work to finalise the transition to IFRS 17. The actual impact of the adoption of IFRS 17 may change as the Group refines the accounting processes and internal controls required for applying IFRS 17 whilst carrying out parallel runs alongside IFRS 4 reporting. Additionally, the new accounting policies, judgements and estimation techniques which will be adopted are subject to change until the Group finalises its first set of IFRS 17 compliant financial reporting in 2023.

As at the date of approval of these financial statements, the Group is conducting parallel runs of the IFRS 17 model which will produce an IFRS 17 compliant result for the year ended 31 December 2022. The output of these parallel runs is currently being reviewed by management and will be subject to external audit. As the quantification of the impact of IFRS 17 on these financial statements for the year ended 31 December 2022 is not fully audited, the Group has not disclosed this impact.

International Financial Reporting Standard 9, Financial Instruments ('IFRS 9')

IFRS 9 was issued by the IASB in July 2014 and became effective for accounting periods beginning on or after 1 January 2018. The IASB issued amendment to IFRS 4, Insurance Contracts in September 2016 and June 2020 which exempts eligible entities from applying IFRS 9 for accounting periods beginning before 1 January 2023. The Group remains eligible to apply the temporary exemption in IFRS 4 and thus will begin to apply IFRS 9 for accounting periods beginning on 1 January 2023.

The Group qualifies for this exemption because, as at 31 December 2015, $5,040.7m or 95% of its total liabilities were connected with insurance. There has been no material change in the Group's activities since 31 December 2015, therefore the Group is still eligible to use the exemption. The Group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with the entities applying IFRS 9. As such, fair values are disclosed separately for the Group's financial assets which are managed and evaluated on a fair value basis and those which meet the solely payments of principal and interest (SPPI) test under IFRS 9.

The below table sets out the disclosures required by the amendments to IFRS 4 for the deferral of IFRS 9 and sets out the fair value of assets which are managed and evaluated on a fair value basis and those which meet the SPPI test under IFRS 9. Information on credit exposures can be found in note 2 on page 183.

1 Statement of accounting policies continued

Financial assets managed and evaluated on a fair value basis	2022 $m	2021 $m
Fixed and floating rate debt securities:		
– Government issued	5,006.3	4,008.1
– Corporate bonds		
– Investment grade	2,050.5	1,861.9
– High yield	308.7	402.3
Syndicate loans	32.5	37.9
Equity funds	159.4	209.6
Hedge funds	530.6	478.2
Illiquid credit assets	222.9	277.9
Derivative financial assets	34.7	7.6
Total financial assets managed and evaluated on a fair value basis	**8,345.6**	**7,283.5**

Financial assets meeting the SPPI test	2022 $m	2021 $m
Cash and cash equivalents	652.5	591.8
Other receivables	196.4	106.7
Total financial assets meeting the SPPI test	**848.9**	**698.5**

Estimated impact of the adoption of IFRS 9

The Group expects the impact of IFRS 9 on the valuation of financial assets to be immaterial at transition as these assets are already held at fair value through profit or loss in accordance with IAS 39. This practice will continue under IFRS 9 as the Group does not manage its investments using a ‘hold to collect’ or ‘hold to collect and sell’ business model and therefore is required to measure its investments at fair value through profit or loss. Certain receivable balances will continue to be measured at amortised cost and will have an expected credit loss applied on adoption of IFRS 9. The Group will continue to measure borrowings at amortised cost. The Group does not expect the adoption of IFRS 9 to have a material impact on the Group's earnings or the timing of when profits are recognised.

IFRS 9 is not required to be applied retrospectively, as such the new standard will be applied prospectively from 1 January 2023. At this point an expected credit loss provision will be recognised with the resulting difference recognised as an adjustment in retained earnings. The Group expects this resulting difference to be insignificant on the date of transition.

Beazley plc as a standalone entity adopted IFRS 9 from 1 January 2018, which had an immaterial impact on its financial statements.

1 Statement of accounting policies continued

1.1 Basis of presentation

The Group financial statements are prepared on the historical cost basis, with the exception of financial assets and derivative financial instruments which are stated at their fair value, and the defined benefit pension asset which is measured as the fair value of plan assets less the present value of the defined benefit pension obligation. All amounts presented are in US dollars and millions, unless stated otherwise.

1.2 Going concern

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

In assessing the Group's going concern position as at 31 December 2022, the Directors have considered a number of factors, including:

- the current statement of financial position and in particular the adequacy of technical provisions;
- the Group's strategic and financial plan for the next 12 months, taking account of possible changes in trading performance and funding retention;
- the Group's capital forecast, which takes into account the capital requirements of major subsidiaries and their current external credit rating and outlook;
- the Group's liquidity at both a group and material subsidiary level;
- stress testing and scenario analysis which, among others, assess the impact of natural and cyber catastrophe events on the Group's capital and liquidity positions and reverse stress test scenarios designed to render the business model unviable; and
- other qualitative factors, such as the market environment and the Group's ability to raise additional capital and/or liquidity.

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

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

1.3 Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as rising inflation, rising interest rates, climate change, the Russia-Ukraine conflict, and US legislation.

Specific to climate change, since responses to it are still developing, it is not possible to consider all possible future outcomes when determining asset and liability valuations, and timing of future cash flows, as these are not yet known. Nevertheless, the current management view is that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

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

1 Statement of accounting policies continued

a) Valuation of insurance contract liabilities

The most critical estimate included within the Group's financial position is the estimate for insurance losses incurred but not reported (IBNR), which is included within total insurance liabilities and reinsurance assets in the statement of financial position and in note 24. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate then an exposure would arise in future years where a liability has not been provided for.

The best estimate of the most likely ultimate outcome is used when calculating notified claims. This estimate is based upon the facts available at the time, in conjunction with the claims manager's view of likely future developments. Further detail on how the Group determines its technical provisions is included in note 24.

b) Valuation of unquoted and illiquid financial assets

Determination of fair value of unquoted and illiquid assets involves judgement in model valuations, through the incorporation of both observable and unobservable market inputs. These inputs include assumptions that lead to the existence of a range of plausible valuations. Further detail on the methodologies and inputs used by the Group is included in note 16.

c) Premium estimates

A portion of gross written premiums is based on the estimated premium income (EPI) of each contract, which is an underwriters' estimate of the ultimate premium expected to be paid over the life of the contract. Where premium is written through delegated authority agreements, the EPI is pro-rated across the agreement period. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received. EPI estimates are updated to reflect changes in an underwriters expectation through consultation with brokers and third-party coverholders, changes in market conditions, historic experience and to reflect actual cash received for a contract.

Due to the nature of the Lloyd's business and the settlement patterns of the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and a receivable on the balance sheet remains. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2022 is $29.8m (2021: $15.4m).

d) Assessing indicators of impairment of Goodwill

A number of estimates are used in determining the key assumptions underlying the recoverable amounts used in assessing the impairment of goodwill. The key assumptions used in the preparation of future cash flows are: premium growth rates, claims experience, discount rates, retention rates and expected future market conditions. Further detail is provided in note 12.

1.4 Significant Accounting Policies

Consolidation

a) Subsidiary undertakings

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

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

Certain Group subsidiaries underwrite as corporate members of Lloyd's on syndicates managed by Beazley Furlonge Limited. In view of the several and direct liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those syndicates are included in the Group financial statements. The Group continues to conclude that it remains appropriate to consolidate its share of the result of these syndicates and accordingly, as the Group is the sole provider of capacity on syndicates 2623, 3622 and 3623, these financial statements include 100% of the economic interest in these syndicates. The Group provides 10% of the capacity on Syndicate 4321 and these financial statements include 10% of the economic interest in this syndicate.

For the following syndicates to which Beazley is appointed managing agent, being syndicates 623, 6107, and 5623, for which the capacity is provided entirely by third parties to the Group, these financial statements reflect Beazley's economic interest in the form of agency fees and profit commission to which it is entitled.

1 Statement of accounting policies continued

b) Associates

Associates are those entities over which the Group has power to exert significant influence but which it does not control. Significant influence is generally presumed if the Group has between 20% and 50% of voting rights. Other factors may be taken into consideration when determining the existence of significant influence. Investments in associates are accounted for using the equity method of accounting.

c) Intercompany balances and transactions

All intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated in the Group financial statements. Transactions and balances between the Group and associates are not eliminated.

Foreign currency translation

a) Functional and presentational currency

Items included in the financial statements of the parent and the subsidiaries are measured using the currency of the primary economic environment in which the relevant entity operates (the functional currency). The Group financial statements are presented in US dollars, being the functional and presentational currency of the parent and its main trading subsidiaries, as the majority of trading assets and insurance premiums are denominated in US dollars.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction.

c) Foreign operations

The results and financial position of the Group companies that have a functional currency different from the Group presentational currency are translated into the presentational currency as follows:

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

Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause Beazley to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Net earned premiums

a) Premiums

Gross premiums written represent premiums on business commencing in the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions.

b) Unearned premiums

A provision for unearned premiums (gross of reinsurance) represents that part of the gross premiums written that it is estimated will be earned in the following financial periods. It is calculated using the daily pro-rata method, under which the premium is apportioned over the period of risk.

Notes to the financial statements continued

1 Statement of accounting policies continued

Deferred acquisition costs (DAC)

Acquisition costs comprise brokerage, premium levy and staff-related costs (excluding performance related pay) of the underwriters acquiring new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in later periods when the related premiums are earned.

Claims

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. The provision for claims comprises amounts set aside for claims advised and IBNR, including claims handling expenses.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques which are reviewed quarterly by the Group actuary and annually by Beazley's independent syndicate reporting actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced.

For more recent underwriting years, attention is paid to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of DAC and unearned premium reserves. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, and investment income from the assets backing such liabilities are used.

Any deficiency is immediately charged to the statement of profit or loss and subsequently by establishing a URR provision for losses arising from liability adequacy tests.

Ceded reinsurance

Any benefits to which the Group is entitled under its outwards reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for IBNR and URR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when a contract incepts.

The Group assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of profit or loss.

Other income

Other income is made up of commissions received from Beazley service companies, profit commissions, managing agent's fees and service fees. Profit commissions are recognised and earned as the performance obligations of the related contracts are met. Commissions received from service companies and managing agent's fees are recognised as the services are provided, and therefore the performance obligations of the contracts are met.

Dividends paid

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

Plant and equipment

All plant and equipment is recorded at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, which vary from three to ten years.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the statement of profit or loss.

1 Statement of accounting policies continued

Intangible assets

a) Goodwill

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

Goodwill has an indefinite life and is annually tested for impairment. Goodwill is allocated to each cash-generating unit ('CGU') for the purpose of impairment testing. Goodwill is impaired when the net carrying amount of the relevant CGU exceeds its recoverable amount, being its value in use. Value in use is defined as the present value of the future cash flows expected to be derived from the CGU.

b) Syndicate capacity

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

c) Licences

Licences have an indefinite useful life and are initially recorded at fair value. Licenses are allocated to each CGU for the purpose of impairment testing. Licences are annually tested for impairment and provision is made for any impairment when the recoverable amount, being the higher of its value in use and fair value, is less than the carrying value.

d) IT development costs

Costs that are directly associated with the development of identifiable and unique software products and that are anticipated to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include external consultants' fees, certain qualifying internal staff costs and other costs incurred to develop software programs. The Group does not routinely capitalise costs relating to software products hosted in the cloud. Costs are amortised over their estimated useful life, three years, on a straight-line basis and subject to impairment testing annually. Amortisation commences when the asset becomes operational. Other non-qualifying costs are expensed as incurred.

e) Renewal rights

Renewal rights comprise future profits relating to insurance contracts acquired and the expected renewal of those contracts. The costs directly attributable to acquire the renewal rights are recognised as intangible assets where they can be measured reliably and it is probable that they will be recovered by directly related future profits. These costs are subject to an impairment review annually and are amortised on a straight-line basis, based on the estimated useful life of the assets, which is estimated to be between five and 10 years.

Financial instruments

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

a) Financial Assets

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

Except for derivative financial instruments and other financial assets listed in policies (c), (e) and (f) below, all financial assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The Group's investment strategy is to invest and evaluate their performance with reference to their fair values.

Notes to the financial statements continued

1 Statement of accounting policies continued

b) Fair value measurement

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but before the valuation is supported wholly by observable market data or the transaction is closed out.

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

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost less any impairment losses.

d) Hedge funds, equity funds and illiquid credit assets

The Group invests in a number of hedge funds, equity funds and illiquid credit assets for which there are no available quoted market prices. The valuation of these assets is based on fair value techniques as described in note 16. The fair value of our hedge fund and illiquid asset portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions and the timing of the latest available valuations. At certain times, we will have uncalled unfunded commitments in relation to our illiquid credit assets. These uncalled unfunded commitments are actively monitored by the Group and are disclosed in the notes 2 and 16 to the financial statements. The additional investment into our illiquid credit asset portfolio is recognised on the date that this funding is provided by the Group.

e) Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are classified as ‘loans and receivables’ as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance receivables are measured at amortised cost less any impairment losses. Insurance payables are stated at amortised cost.

f) Other receivables

Other receivables categorised as loans and receivables are carried at amortised cost less any impairment losses.

g) Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets and liabilities at fair value through the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised on an effective rate basis for financial assets at fair value through the statement of profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the reporting date, and the carrying value at the previous period end or purchase value during the period.

1 Statement of accounting policies continued

h) Borrowings

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

Finance costs comprise interest, fees paid for the arrangement of debt and letter of credit facilities, and commissions charged for the utilisation of letters of credit. These costs are recognised in the statement of profit or loss using the effective interest method.

In addition, finance costs include gains on the early redemption of the Group’s borrowings. These gains are recognised in the statement of profit or loss, being the difference between proceeds paid plus related costs and the carrying value of the borrowings redeemed.

i) Other payables

Other payables are stated at amortised cost determined according to the effective interest rate method.

j) Hedge accounting and derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

The Group has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges and therefore all fair value movements are recorded through profit or loss.

k) Impairment of financial assets

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and a collective level. The Group assesses at each reporting date whether there is objective evidence that a specific financial asset measured at amortised cost is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that event has an impact on the estimated cash flows of the financial asset that can be reliably estimated. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the asset’s carrying amount and the value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. The amount of the loss is recognised in the statement of profit or loss.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

l) Cash and cash equivalents

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

m) Unfunded commitment capital

Unfunded committed capital arising in relation to certain financial asset investments is not shown on the statement of financial position as unfunded committed capital represents a loan commitment that is scoped out of IAS 39.

1 Statement of accounting policies continued

Leases

Where the Group is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of use asset equal to cost are initially recognised at the commencement of the lease. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of any costs to be incurred at expiration of the lease agreements and lease payments made at or before the commencement date less any lease incentives received. Recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affect its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group applies the IFRS 16 election not to recognise any amounts on the balance sheet associated with leases that are either deemed to be short-term, or where the underlying asset is of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Employee benefits

a) Pension obligations

The Group operates a defined benefit pension plan that is closed to new entrants and future service accruals. All employees may now participate in defined contribution pension arrangements, to which the Group contributes.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Group also determines the net interest income/expense for the period on the net defined benefit asset/liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/liability at the beginning of the annual period, taking into account any changes in the net defined benefit asset/liability during the period as a result of contributions and benefit payments. Consequently, the net interest on the defined benefit asset/ liability comprises:
- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest on the effect of the asset ceiling.

Net interest income/expense is recognised in the statement of profit or loss.

Past service costs are recognised as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits.

For the defined contribution plan, the Group pays contributions to a privately administered pension plan. Once the contributions have been paid, the Group has no further obligations. The Group’s contributions are charged to the statement of profit or loss in the period to which they relate.

1 Statement of accounting policies continued

b) Share based compensation

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

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

Income taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised respectively in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the year end reporting date and any adjustments to tax payable in respect of prior periods.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised in the statement of financial position to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Earnings per share

Basic earnings per share are calculated by dividing profit or loss after tax available to shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares such as share options granted to employees. Share options with performance conditions attaching to them have been excluded from the weighted average number of shares to the extent that these conditions have not been met at the reporting date.

The shares held in the employee share options plan (ESOP) and treasury shares are excluded from both the calculations, until such time as they vest unconditionally with the employees.

Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources or economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is most probable.

Contingent liabilities are present obligations that are not recognised because it is not probable that an outflow of resources will be required to meet the liabilities or because the amount of the obligation cannot be measured with sufficient reliability.

2 Risk management

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

2.1 Insurance Risk

Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance premium and claim liabilities. The Group seeks insurance risks as its core business. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below.

a) Underwriting risk

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

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

Our underwriters determine premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses depending on the type of risk. A proportion of the Group's insurance risks are transacted by third parties under delegated underwriting and claims authorities. Each third party is thoroughly vetted by our coverholder approval group before it can bind risks, and is subject to monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines. All underwriters also have a right to refuse renewal or change the terms and conditions of insurance contracts upon renewal. Rate monitoring details, including limits, deductibles, exposures, terms and conditions and risk characteristics are also captured and the results are combined to monitor the rating environment for each class of business.

The Group also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. To address this, the Group sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDSs). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the Group is exposed.

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

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

2 Risk management continued

The Group's catastrophe risk appetite is set by the risk management function and approved by The Board and the business plans of each team are determined within these parameters. The Board may adjust these limits over time as conditions change. In 2022 the Group operated to a catastrophe risk appetite for a probabilistic 1-in-250 years US event of † $438.0m (2021: $520.0m) net of reinsurance. This represents a reduction of 16% in 2022.

Lloyd's has also defined its own specific set of RDS events for which all syndicates with relevant exposures must report. Of these the three largest, net of reinsurance, events which could have impacted Beazley in 2021 and 2022 are:

†

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

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

1 Probable market loss.

The tables above show each event independent of each other and considered on their own. Net of reinsurance exposures for the Los Angeles quake scenario have increased by less than 1% in 2022, whereas gross exposures have reduced by 6%. The reduction in gross exposures is being driven by less exposure being written in the Property Risks division, which has had minimal impact on the net, as the loss is contained within the Reinsurance protections. The US Northeast windstorm scenario has increased by 3% gross and 11% net, with the increase in gross being driven by an increase in exposure in Contingency, and the net increasing across both Contingency & Property Risks. Windstorm exposures have increased in the Gulf of Mexico during 2022, which has resulted in the Gulf of Mexico scenario replacing the San Francisco quake scenario as one of the three largest net scenarios for 2022. The net natural catastrophe risk appetite reduced by 16% in 2022 to $438.0m from $520.0m in 2021, with the reduction in appetite coming from the Property Risks division.

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

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

To manage the potential exposure, The Board has approved a risk budget for the aggregation of cyber related claims which is monitored by reference to the largest of seventeen realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform, the failure of a cloud provider & physical damage scenarios. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent. To manage underwriting exposures, the Group has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2022, the maximum line that any one underwriter could commit the managed syndicates to was $150m. In most cases, maximum lines for classes of business were much lower than this.

2 Risk management continued

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

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

Operating divisions

In 2022, the Group's business consisted of five 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.

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

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

b) 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 183. In some cases the Group deems it more economic to hold capital than purchase reinsurance. These decisions are regularly reviewed.
The reinsurance security committee examines and approves all reinsurers to ensure that they possess suitable security.
The Group's ceded reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates our responses to any erosion of the reinsurance programmes.

c) 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.

d) 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.

2 Risk management continued

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.

2.2 Market risk

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

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

a) Foreign exchange risk

The functional currency of Beazley 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 2022, the Group managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting to have net assets that are predominantly denominated in US dollar. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Group. Details of foreign currency derivative contracts entered into with external parties are disclosed in note 17. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

The Group’s underwriting capital is matched by currency to the principal underlying currencies of its written premiums. This helps to mitigate the risk that the Group’s capital required to underwrite business is materially affected by any future movements in exchange rates.

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.

2 Risk management continued

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

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

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

Sensitivity analysis to foreign currency fluctuations

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

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

b) Interest rate risk

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

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

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

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

2 Risk management continued

Duration 31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,962.9	3,094.1	1,430.9	441.2	434.9	1.5	7,365.5
Syndicate loans	–	6.9	25.6	–	–	–	32.5
Cash and cash equivalents	652.5	–	–	–	–	–	652.5
Derivative financial instruments	34.7	–	–	–	–	–	34.7
Borrowings	–	–	–	(249.4)	–	(298.6)	(548.0)
Total	**2,650.1**	**3,101.0**	**1,456.5**	**191.8**	**434.9**	**(297.1)**	**7,537.2**

2 Risk management continued

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

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

Sensitivity analysis of yields

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

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

c) Price risk of assets and derivatives

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

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

Listed investments that are quoted in an active market are recognised in the statement of financial position at quoted bid price, which is deemed to be approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to note 16). 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.

2 Risk management continued

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

d) Investment risk

The value of the Group's investment portfolio is impacted by interest rate and market price risks, as described above. Managing the Group's exposures to these risks is an intrinsic part of the investment strategy. Beazley uses an Economic Scenario Generator to simulate multiple simulations of financial conditions, to support stochastic analysis of asset risk. Beazley uses these outputs to assess the value at risk (VAR) of its investments, at different confidence levels, including '1 in 200', which reflects Solvency II modelling requirements, and '1 in 10', reflecting scenarios which are more likely to occur in practice. It is assessed for investments in isolation and also in conjunction with the present value of our liabilities, to help us monitor and manage asset risk for solvency and capital purposes. By its nature, stochastic modelling does not provide a precise measure of risk, and Economic Scenario Generator outputs are regularly validated against actual market conditions, and Beazley also uses a number of other, qualitative measures to support the monitoring and management of investment risk. These include stress testing and scenario analysis.

Beazley's investment strategy is developed by reference to an investment risk budget, approved annually by The Board. The Solvency II internal model is used to monitor compliance with the budget, which limits the amount by which our reported annual investment return may deviate from a predetermined target, at the 1 in 10 confidence level. In 2022, this permitted deviation was set at † $200m. 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.

2.3 Credit risk

The risk arises when failure of another party to perform its financial or contractual obligations to the Group in a timely manner. The Group accepts credit risk overall and recognizes credit risk is aligned to its appetite for insurance risk. The primary sources of credit risk for the Group are:
- reinsurers – reinsurers may fail to pay valid claims against a reinsurance contract held by the Group;
- brokers and coverholders – counterparties fail to pass on premiums or claims collected or paid on behalf of the Group;
- investments – issuer default results in the Group losing all or part of the value of a financial instrument or a derivative financial instrument; and
- cash and cash equivalents.

An approval system also exists for brokers with their credit and performance monitored. The investment committee has established parameters for investment managers regarding the type, duration and quality of investments including credit ratings acceptable to the Group. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines. The Group has developed processes to examine all reinsurers before entering into new business arrangements and they receive periodic review of their continued relationship with Beazley. Reinsurance recoverables are reviewed regularly to assess their collectability.

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

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

2 Risk management continued

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

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

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

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

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

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

2 Risk management continued

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

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

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

31 December 2022	Up to 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
Insurance receivables	102.0	28.0	16.6	62.0	208.6
Reinsurance assets	24.7	29.2	8.9	82.6	145.4

31 December 2021	Up to 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
Insurance receivables	79.3	23.7	16.0	33.4	152.4
Reinsurance assets	55.6	16.7	9.9	81.9	164.1

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

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

2.4 Liquidity risk

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

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the Group's exposure to realistic disaster scenarios are provided on pages 177 to 179. 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. Further information on the Group's capital resources is contained on pages 64 to 66.

2 Risk management continued

The following is an analysis by business segment of the estimated timing of the net cash flows based on the net claims liabilities[1] balance held at 31 December:

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

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

1 For a breakdown of net claims liabilities refer to note 24.

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

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

31 December 2021	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
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

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

2 Risk management continued

Maturity

31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,854.9	2,651.4	1,676.5	431.0	652.8	98.9	7,365.5
Syndicate loans	–	6.9	25.6	–	–	–	32.5
Derivative financial instruments	34.7	–	–	–	–	–	34.7
Cash and cash equivalents	652.5	–	–	–	–	–	652.5
Insurance receivables	1,811.7	–	–	–	–	–	1,811.7
Other receivables	196.4	–	–	–	–	–	196.4
Other payables	(1,527.5)	–	–	–	–	–	(1,527.5)
Borrowings	–	–	–	(249.4)	–	(298.6)	(548.0)
Total	**3,022.7**	**2,658.3**	**1,702.1**	**181.6**	**652.8**	**(199.7)**	**8,017.8**

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
Fixed and floating rate debt securities	1,675.6	2,316.7	953.5	706.8	361.9	257.8	6,272.3
Syndicate loans	–	–	7.8	30.1	–	–	37.9
Derivative financial instruments	7.6	–	–	–	–	–	7.6
Cash and cash equivalents	591.8	–	–	–	–	–	591.8
Insurance receivables	1,696.1	–	–	–	–	–	1,696.1
Other receivables	106.7	–	–	–	–	–	106.7
Other payables	(1,141.3)	–	–	–	–	–	(1,141.3)
Borrowings	–	–	–	–	(249.2)	(298.4)	(547.6)
Total	**2,936.5**	**2,316.7**	**961.3**	**736.9**	**112.7**	**(40.6)**	**7,023.5**

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

The Group makes additional interest payments for borrowings. Further details are provided in notes 8 and 25.

2.5 Capital management

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

The Group has several requirements for capital, including:

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

2 Risk management continued

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

The Group considers Shareholders' Funds, Tier 2 subordinated debt and letters of credit to be the primary sources of capital for the Group. For more detail on the value of capital managed and how its value has changed in the year, please see pages 64 to 66.

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

The Board operates a progressive dividend strategy, intending to grow the dividend each year but recognising that some earnings fluctuations are to be expected. When determining the level of the dividend, The Board considers the Group's capital position, future investment and growth opportunities and our ability to generate cash flows. Dividends are typically paid on an annual basis to align with the Group's capital planning cycle. Our capital management strategy is to carry some surplus capital to enable us to take advantage of growth opportunities which may arise. At 31 December 2022, we have surplus capital of 44% of ECR (on a Solvency II basis), above our preferred target range of 15% to 25% of ECR. The capital base has been strengthened following the recent equity raise to enable us to continue to pursue our sustainable long-term growth strategy, particularly in opportunities identified in Property Risks.

2.6 Company risk

The Group's parent company is exposed to the same interest rate and liquidity risk exposure experienced on its mutual borrowings with the Group. The Group's exposure can be seen in sections 2.3b and 2.7. The company also experiences operational, regulatory and legal risks as defined in section 2.4 and 2.6.

Notes to the financial statements continued

3 Segmental analysis

a) Reporting Segments

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

In March 2022, the Group updated its underwriting team structure with the creation of four underwriting divisions: Cyber Risks, Marine, Accident and Political (MAP) Risks, Property Risks and Specialty Risks.

From January 2022, the Group began separately reporting the performance of the Digital division, following the creation of that team in 2021.

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

Cyber Risks
This segment underwrites cyber and technology risks.

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

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

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

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

3 Segmental analysis continued

b) Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis, including net investment income, are split based on each segment's capital requirements which is taken from the Group's most up to date business plan.

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

As a result of the changes in reporting segments, prior period comparative information has been re-presented in accordance with the requirements of IFRS 8.

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

3 Segmental analysis continued

12 months ended 31 December 2021 (re-presented)

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

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

3 Segmental analysis continued

c) Information about geographical areas

The Group's generates revenue in multiple geographies, an overview of which is set out below. UK earned premium in the analysis below represents all risks placed at Lloyd's; US earned premium represents all risks placed at the Group's US insurance companies, Beazley Insurance Company, Inc. and Beazley America Insurance Company, Inc; and Europe earned premium represents all risks placed at the Group's European insurance company, Beazley Insurance dac. An analysis of gross premiums written split geographically by placement of risk and by reportable segment is provided in note 2 on page 179.

	2022 $m	2021 $m
Net earned premiums		
UK (Lloyd's)	3,008.7	2,550.6
US (Non-Lloyd's)	437.6	477.1
Europe (Non-Lloyd's)	167.9	119.6
	3,614.2	**3,147.3**

	2022 $m	2021 $m
Assets by Geography		
UK (Lloyd's)	13,256.7	11,267.5
US (Non-Lloyd's)	1,281.5	1,164.9
Europe (Non-Lloyd's)	560.8	375.0
	15,099.0	**12,807.4**

Segment assets are allocated based on where the assets are located.

4 Net investment income

	2022 $m	2021 $m
Interest and dividends on financial investments at fair value through profit or loss	101.1	76.5
Interest on cash and cash equivalents	0.5	–
Net realised (losses)/gains on financial investments at fair value through profit or loss	(7.6)	79.8
Net unrealised fair value (losses) on financial investments at fair value through profit or loss	(266.8)	(34.0)
Investment income from financial investments	**(172.8)**	**122.3**
Investment management expenses	(6.9)	(5.9)
	(179.7)	**116.4**

Notes to the financial statements continued

5 Other Income

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

Profit commissions

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

Commissions received from service companies

Commission is payable to the Group by syndicate 623 due to Group service companies writing business on behalf of the syndicate. While the commercial purpose of the contract is to pass business to syndicate 623, the remuneration is triggered by incurring expenses, irrespective of volume of business gained. The performance criterion is deemed to be the realisation of expenses.

6 Auditor's Remuneration

	2022 $m	2021 $m
Operating expenses include amounts receivable by the Group's auditors in:		
– audit of the Group's annual report & accounts	1.7	0.8
– audit of subsidiaries pursuant to legislation	3.1	1.9
– audit-related assurance services	1.4	1.1
– other non-audit services	0.7	0.6
	6.9	**4.4**

Other than the fees disclosed above, no other fees were paid to the company's auditor. Audit-related assurance services primarily comprise the review and audit of regulatory reporting pursuant to legislation and review of the Group's condensed interim financial statements.

7 Employee benefit expenses

	2022 $m	2021 $m
Wages and salaries	215.8	199.1
Short term incentive payments	78.1	82.5
Social security	30.0	26.6
Share based remuneration	14.7	11.6
Pension costs[1]	17.0	15.7
	355.6	335.5
Recharged to syndicate 623	(53.1)	(48.5)
	302.5	**287.0**

1 Pension costs primarily include contributions made under the defined contribution scheme. Further information on the defined benefit pension scheme can be found in note 27.

The average number of employees for 2022 was 1,808 (2021: 1,617). An overview of employees by type is included on page 25.

8 Finance costs

	2022 $m	2021 $m
Interest expense on financial liabilities	35.6	35.2
Interest expense on lease liabilities	3.1	3.7
Equity raise costs not charged to share premium	0.7	–
	39.4	**38.9**

9 Income tax expense

	2022 $m	2021 $m
Current tax expense		
Current tax expense	53.2	64.0
Prior year adjustment	(9.9)	(7.5)
	43.3	56.5
Deferred tax expense		
Origination and reversal of temporary differences	(12.0)	4.4
Impact of change in UK/US tax rates	(1.0)	(0.6)
Prior year adjustments	(0.1)	0.2
	(13.1)	4.0
Income tax charge	**30.2**	**60.5**

Reconciliation of tax expense

The Group makes the majority of its profit in Ireland, the UK and the US. The weighted average of statutory tax rates applied to the profits earned in each country in which the Group operates is 21.2% (2021: 17.2%), whereas the tax charged for the year ending 31 December 2022 as a percentage of profit before tax is 15.8% (2021: 16.4%). The reasons for the difference are explained below:

	2022 $m	2022 %	2021 $m	2021 %
Profit before tax	191.0		369.2	–
Tax calculated at the weighted average of statutory tax rate	40.6	21.2	63.3	17.2
Effects of:				
– non-deductible expenses	1.8	1.0	3.5	1.0
– tax relief on remuneration	(1.2)	(0.6)	1.6	0.4
– over provided in prior years	(10.0)	(5.2)	(7.3)	(2.0)
– change in UK/US tax rates[1]	(1.0)	(0.5)	(0.6)	(0.2)
Tax charge for the period	**30.2**	**15.8**	**60.5**	**16.4**

1 The Finance Act 2021, which provides for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 received Royal Assent on 10 June 2021. This tax rate change to 25% will increase the Group's future current tax charge. It was reflected in the calculation of the deferred tax balances as at 31 December 2021 for relevant temporary differences expected to reverse on or after 1 April 2023.

The Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti-avoidance tax provisions (the 'BEAT'). We have performed an assessment for our intra-group transactions potentially in scope of BEAT. The application of this new BEAT legislation is still uncertain for some types of transaction and we are keeping developments under review. With support from external advisors, we believe that the BEAT impact on the Group is not significant. No amount has been provided for BEAT liabilities in these financial statements (2021: nil). The ultimate outcome may differ and if any additional amounts did fall within the scope of the BEAT, incremental tax at 10% might arise on some or all of those amounts.

9 Income tax expense continued

The Group is monitoring the impact of the implementation of a Global Minimum Tax Rate of 15%, expected to apply in some countries from 2024. Our initial assessment is that the impact will not be significant as the Group mainly operates in jurisdictions with a statutory tax rate above 15%. We anticipate some additional tax arising in Ireland if profits are taxed at 15% rather than 12.5%.

Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

	2022 $m	2021 $m
Current tax: share based payments	(0.6)	–
Deferred tax: share based payments	(3.1)	3.9
	(3.7)	**3.9**

10 Earnings per share

	2022	2021
Basic (cents)	26.3c	50.9c
Diluted (cents)	25.9c	50.3c
Basic (pence)	21.1p	37.0p
Diluted (pence)	20.8p	36.5p

Basic

Basic earnings per share are calculated by dividing profit after tax of $160.8m (2021: $308.7m) by the weighted average number of shares in issue during the year of 611.7m (2021: 606.0m). The shares held in the Beazley plc Employee Benefit Trust of 5.7m (2021: 3.1m) have been excluded from the calculation, until such time as they vest unconditionally with the employee.

Diluted

Diluted earnings per share are calculated by dividing profit after tax of $160.8m (2021: $308.7m) by the adjusted weighted average number of shares of 619.7m (2021: 614.3m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the equity settled compensation schemes. The shares held in the Employee Benefit Trust of 5.7m (2021: 3.1m) have been excluded from the calculation, until such time as they vest unconditionally with the employees. Further details of equity compensation plans can be found in note 23 as well as in the Directors' remuneration report on pages 112 to 139.

11 Dividends per share

An interim dividend of 13.5p covering the whole of 2022 (2021: 12.9p) will be payable on 28 April 2023 to Beazley plc shareholders registered on 10 March 2023. The company expects the total amount to be paid in respect of the interim dividend to be approximately £91m (2021: £78m). These financial statements do not provide for the interim dividend as a liability.

12 Intangible assets

	Goodwill $m	Syndicate capacity $m	Licences $m	IT development costs $m	Renewal rights $m	Total $m
Cost						
Balance at 1 January 2021	72.0	10.7	9.3	109.2	61.3	262.5
Disposal	–	–	–	(10.4)	–	(10.4)
Other additions	–	–	–	17.7	–	17.7
Foreign exchange (loss) / gain	–	–	–	(1.1)	0.1	(1.0)
Balance at 31 December 2021	**72.0**	**10.7**	**9.3**	**115.4**	**61.4**	**268.8**
Balance at 1 January 2022	72.0	10.7	9.3	115.4	61.4	268.8
Disposal	–	–	–	–	–	–
Additions	–	3.0	–	19.7	–	22.7
Foreign exchange (loss)	–	–	–	(9.8)	(2.5)	(12.3)
Balance at 31 December 2022	**72.0**	**13.7**	**9.3**	**125.3**	**58.9**	**279.2**
Amortisation and impairment						
Balance at 1 January 2021	(10.0)	–	–	(73.6)	(52.6)	(136.2)
Disposal	–	–	–	10.4	–	10.4
Amortisation for the year	–	–	–	(12.4)	(8.1)	(20.5)
Foreign exchange gain / (loss)	–	–	–	1.3	(0.3)	1.0
Balance at 31 December 2021	**(10.0)**	**–**	**–**	**(74.3)**	**(61.0)**	**(145.3)**
Balance at 1 January 2022	(10.0)	–	–	(74.3)	(60.8)	(145.1)
Disposal	–	–	–	–	–	–
Amortisation for the year	–	–	–	(13.6)	(0.7)	(14.3)
Foreign exchange gain	–	–	–	6.4	2.6	9.0
Balance at 31 December 2022	**(10.0)**	**–**	**–**	**(81.5)**	**(58.9)**	**(150.4)**
Carrying amount						
31 December 2022	**62.0**	**13.7**	**9.3**	**43.8**	**–**	**128.8**
31 December 2021	**62.0**	**10.7**	**9.3**	**41.1**	**0.4**	**123.5**

12 Intangible assets continued

Impairment tests

Goodwill, syndicate capacity and US insurance authorisation licences are deemed to have indefinite life as they are expected to have value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but annually tested for impairment. For the purpose of impairment testing, they are allocated to the Group's cash-generating units (CGUs) as follows:

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

2021	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
Goodwill	1.7	0.3	31.9	25.7	2.4	62.0
Capacity	1.8	0.4	2.6	3.3	2.6	10.7
Licences	2.8	0.6	–	1.9	4.0	9.3
Total	**6.3**	**1.3**	**34.5**	**30.9**	**9.0**	**82.0**

Value in use is defined as the present value of the future cash flows expected to be derived from the CGU and represents recoverable amount for goodwill. It is estimated by discounting future cash flows sourced from financial budgets approved by management which cover specific estimates for a five year period. The key assumptions used in the preparation of future cash flows are: premium growth rates,combined ratios, retention rates and expected future market conditions.

A discount rate, based on weighted average cost of capital (WACC) of 10.9% (2021: 9%) has been applied to projected future cash flows. This has been calculated using independent measures of the risk-free rate of return and is indicative of the Group's risk profile relative to the market. The impairment test for goodwill confirms that no impairment is required.

The Group has taken the following measures to ensure that the key assumptions used in deriving value in use for each CGU considers the potential adverse effects of these potential changes in economic and regulatory environments:

- **Projected combined ratio** – The Group has used projected combined ratios consistent with its five year financial budgets. Sensitivity testing (a 5% increase in combined ratio for all classes and all years) has been performed to model the impact of reasonably possible changes in combined ratio to our base case impairment analysis and headroom. Within these ranges, the recoverable amounts remain supportable.
- **Future market conditions** – to test the segment's sensitivity to variances (including those caused by the factors listed above) from forecast profits, the discount rate has been flexed to 5% above and 5% below the central assumption. Within this range, the recovery of goodwill was stress tested and remains supportable across all CGUs. Headroom was calculated in respect of the value in use of all the Group's other intangible assets.
- **Premium growth rates/Retention rates** – The Group has used a terminal growth rate of 0% (2021: 0%) to extrapolate projections beyond the covered five year period.

The Group's intangible assets relating to syndicate capacity is allocated across all CGUs. The fair value of syndicate capacity can be determined from the latest Lloyd's of London capacity auctions. Based upon the latest market prices, management concludes that the fair value exceeds the carrying amount and as such no impairment is necessary.

US insurance authorisation licences represent the privilege to write insurance business in particular states in the US. Licences are allocated to the relevant CGU. There is no active market for licences, therefore the recoverable amount is deemed to be the fair value. As described above, a WACC discount rate applied to projected future cash flows sourced from management approved budgets. Key assumptions are the same as those outlined above. Based upon all available evidence the results of the testing indicate that no impairment is required.

13 Plant and equipment

	Fixtures & fittings $m	Computer equipment $m	Total $m
Cost			
Balance at 1 January 2021	**37.8**	**14.3**	**52.1**
Additions	3.8	0.7	4.5
Disposals	(9.7)	–	(9.7)
Foreign exchange gain / (loss)	0.7	(0.1)	0.6
Balance at 31 December 2021	**32.6**	**14.9**	**47.5**
Balance at 1 January 2022	**32.6**	**14.9**	**47.5**
Additions	0.8	0.2	1.0
Foreign exchange (loss)	(1.3)	(0.5)	(1.8)
Balance at 31 December 2022	**32.1**	**14.6**	**46.7**
Accumulated Depreciation			
Balance at 1 January 2021	**(22.9)**	**(9.5)**	**(32.4)**
Depreciation charge for the year	(2.3)	(2.6)	(4.9)
Disposals	9.7	–	9.7
Foreign exchange (loss)	(0.5)	(0.2)	(0.7)
Balance at 31 December 2021	**(16.0)**	**(12.3)**	**(28.3)**
Balance at 1 January 2022	**(16.0)**	**(12.3)**	**(28.3)**
Depreciation charge for the year	(2.8)	(0.5)	(3.3)
Foreign exchange gain / (loss)	0.3	(0.5)	(0.2)
Balance at 31 December 2022	**(18.5)**	**(13.3)**	**(31.8)**
Carrying amounts			
31 December 2022	**13.6**	**1.3**	**14.9**
31 December 2021	**16.6**	**2.6**	**19.2**

14 Investment in associates

Associates are those entities over which the Group has power to exert significant influence but which it does not control. Significant influence is generally presumed if the Group has between 20% and 50% of voting rights.

Group	2022 $m	2021 $m
As at 1 January	**0.6**	**0.3**
Investment in CyberAcuView LLC	–	0.3
Share of loss	(0.2)	–
As at 31 December	**0.4**	**0.6**

The Group's investment in associates consists of:

	Country/region of incorporation	% interest held	Carrying value $m
2022			
Falcon Money Management Holdings Limited (and subsidiaries)	Malta[1]	25 %	—
Pegasus Underwriting Limited	Hong Kong[2]	33 %	—
CyberAcu View	USA[3]	13 %	0.4
			0.4

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

The CyberAcuView LLC board is charged with governance over its affairs. The board is composed of individuals who are selected by the investors. The Group has the ability to appoint a member to the board of CyberAcuView LLC to represent the Group's interest. As a result, the Group is deemed to have significant influence over CyberAcuView LLC and therefore this investment is recognised as an associate.

15 Deferred acquisition costs

	2022 $m	2021 $m
Balance at 1 January	477.8	384.9
Additions	1,024.4	914.7
Amortisation charge	(952.1)	(821.8)
Balance at 31 December	**550.1**	**477.8**

16 Financial assets and liabilities

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities.

	2022 $m	2021 $m
Financial assets at fair value		
Debt securities:		
– Government issued	5,006.3	4,008.1
Corporate bonds		
– Investment grade	2,050.5	1,861.9
– High yield	308.7	402.3
Syndicate loans	32.5	37.9
Total debt securities and syndicate loans	**7,398.0**	**6,310.2**
Equity funds	159.4	209.6
Hedge funds	530.6	478.2
Illiquid credit assets	222.9	277.9
Total capital growth assets	**912.9**	**965.7**
Total financial investments at fair value through statement of profit or loss	**8,310.9**	**7,275.9**
Derivative financial assets	34.7	7.6
Total financial assets at fair value	**8,345.6**	**7,283.5**

16 Financial assets and liabilities continued

Investment corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid credit assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 31 December 2022 excludes an unfunded commitment of $30.5m (2021: $40.5m).

The amounts expected to mature within and after one year are:

	2022 $m	2021 $m
Assets		
Within one year	1,673.5	1,409.4
After one year	5,759.2	4,908.4
Total	**7,432.7**	**6,317.8**
Liabilities		
Within one year	14.5	7.1
After one year	548.0	547.6
Total	**562.5**	**554.7**

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, all $159.4m (2021: $209.6m) of equity funds could be liquidated within two weeks, $416.8m (2021: $378.1m) of hedge fund assets within six months and the remaining $113.8m (2021: $100.0m) of hedge fund assets within 18 months, in normal market conditions. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to 12 years.

Financial liabilities	2022 $m	2021 $m
Tier 2 subordinated debt (2026)	249.4	249.2
Tier 2 subordinated debt (2029)	298.6	298.4
Derivative financial liabilities	14.5	7.1
Total financial liabilities	**562.5**	**554.7**

The Group has given a fixed and floating charge over certain of its investments and other assets to secure obligations to Lloyd's in respect of its corporate member subsidiary. Further details are provided in note 32.

Valuation hierarchy

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

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.

16 Financial assets and liabilities continued

Level 2 – Valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data, directly or indirectly (e.g. interest rates and exchange rates). Level 2 inputs include:

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

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

Our valuation approach for fair value assets and liabilities classified as level 2:

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

b) For our hedge funds , the pricing and valuation of each fund is undertaken by administrators in accordance with each underlying fund's valuation policy. Individual fund prices are communicated by the administrators to all investors via the monthly investor statements. The fair value of the hedge fund portfolios are calculated by reference to the underlying net asset values of each of the individual funds.

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

Our valuation approach for fair value assets and liabilities classified as level 3:

a) Our illiquid credit fund investments are managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments. The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple.

b) The syndicate loans are loans provided by our Group syndicates to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments.

There were no changes in the valuation techniques during the year compared to those described in the Group's 2021 Annual Report and Accounts.

16 Financial assets and liabilities continued

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

2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	4,022.5	983.8	–	5,006.3
– Corporate bonds				
– Investment grade	893.8	1,156.7	–	2,050.5
– High yield	34.2	274.5	–	308.7
Syndicate loans	–	–	32.5	32.5
Equity funds	159.4	–	–	159.4
Hedge funds	–	530.6	–	530.6
Illiquid credit assets	–	–	222.9	222.9
Derivative financial assets	34.7	–	–	34.7
Total financial assets carried at fair value	**5,144.6**	**2,945.6**	**255.4**	**8,345.6**
Financial liabilities carried at fair value				
Derivative financial liabilities	14.5	–	–	14.5
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	–	265.9	–	265.9
Tier 2 subordinated debt (2026)	–	240.3	–	240.3
Total financial liabilities measured at fair value	**14.5**	**506.2**	**–**	**520.7**

2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets carried at fair value				
Fixed and floating rate debt securities				
– Government issued	3,513.2	494.9	–	4,008.1
– Corporate bonds				
– Investment grade	802.8	1,059.1	–	1,861.9
– High yield	82.1	320.2	–	402.3
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 assets	7.6	–	–	7.6
Total financial assets carried at fair value	**4,615.3**	**2,352.5**	**315.8**	**7,283.5**
Financial liabilities carried at fair value				
Derivative financial liabilities	7.1	–	–	7.1
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	–	334.6	–	334.6
Tier 2 subordinated debt (2026)	–	279.0	–	279.0
Total financial liabilities measured at fair value	**7.1**	**613.6**	**–**	**620.7**

16 Financial assets and liabilities continued

The table above does not include financial assets and liabilities that are, in accordance with the Group's accounting policies, recorded at amortised cost, if the carrying amount of these financial assets and liabilities approximates their fair values at the reporting date. Cash and cash equivalents have not been included in the table above; however, the full amount of cash and cash equivalents would be classified under level 1 in both the current and prior year.

Transfers

The Group determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period.

The following transfers between levels 1 & 2 for the period ended 31 December 2022 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool.

31 December 2022 vs 31 December 2021 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	187.7	(187.7)

31 December 2022 vs 31 December 2021 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	(307.2)	307.2
– Government issued	(213.7)	213.7

The values shown in the transfer tables above are translated at foreign exchange rate as at 31 December 2022.

Level 3 investment reconciliations

The table below shows a reconciliation from the opening balances to the closing balances of level 3 fair values.

	2022 $m	2021 $m
As at 1 January	315.8	268.5
Purchases	13.0	87.1
Sales	(81.4)	(60.2)
Realised gain	13.2	12.1
Unrealised (loss) / gain	(5.2)	8.3
As at 31 December	**255.4**	**315.8**

Unconsolidated structured entities

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

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

16 Financial assets and liabilities continued

As at 31 December the investments comprising the Group's unconsolidated structured entities are as follows:

	2022 $m	2021 $m
High yield bond funds	308.7	402.3
Equity funds	159.4	209.6
Hedge funds	530.6	478.2
Illiquid credit assets	222.9	277.9
Investments through unconsolidated structured entities	**1,221.6**	**1,368.0**

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

The right to sell or request redemption of investments in high yield bond funds, asset backed securities, equity funds and hedge funds ranges in frequency from daily to semi-annually. The Group did not sponsor any of the respective structured entities.

The Group's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in investee funds and unfunded commitments.

Currency exposures

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

2022	UK £ $m	CAD $ $m	EUR € $m	Sub Total $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	636.1	365.9	–	1,002.0	6,363.5	7,365.5
Syndicate loans	32.5	–	–	32.5	–	32.5
Equity Linked Funds	–	–	–	–	159.4	159.4
Hedge funds	–	–	–	–	530.6	530.6
Illiquid credit assets	0.1	–	46.2	46.3	176.6	222.9
Derivative financial assets	–	–	–	–	34.7	34.7
Total	**668.7**	**365.9**	**46.2**	**1,080.8**	**7,264.8**	**8,345.6**

2021	UK £ $m	CAD $ $m	EUR € $m	Sub Total $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	465.0	341.4	–	806.4	5,465.9	6,272.3
Syndicate loans	37.9	–	–	37.9	–	37.9
Equity funds	–	–	–	–	209.6	209.6
Hedge funds	–	–	–	–	478.2	478.2
Illiquid credit assets	0.5	–	39.8	40.3	237.6	277.9
Derivative financial assets	–	–	–	–	7.6	7.6
Total	**503.4**	**341.4**	**39.8**	**884.6**	**6,398.9**	**7,283.5**

17 Derivative financial instruments

The Group uses a variety of derivative financial instruments, including both over-the-counter and exchange traded contracts. These derivatives help the Group to manage exposure to market and foreign currency and/or interest rate risk on existing assets or liabilities. The Group had the right and the intention to settle each contract on a net basis.

The assets and liabilities of these contracts at 31 December are detailed below:

	2022		2021	
	Gross contract amount	Market value of derivative position	Gross contract amount	Market value of derivative position
Derivative financial instrument assets	$m	$m	$m	$m
Foreign exchange forward contracts	560.1	34.7	317.8	7.3
Bond futures contract	–	–	522.7	0.3
	560.1	**34.7**	**840.5**	**7.6**

	2022		2021	
	Gross contract amount	Market value of derivative position	Gross contract amount	Market value of derivative position
Derivative financial instrument liabilities	$m	$m	$m	$m
Foreign exchange forward contracts	549.7	(14.5)	351.4	(7.1)
Bond futures contract	–	–	141.2	–
	549.7	**(14.5)**	**492.6**	**(7.1)**

Foreign exchange forward contracts

The Group utilises over-the-counter foreign exchange forward agreements to economically hedge the foreign currency risk resulting from transactions and balances held in currencies that are different to the functional currency of the Group.

Bond futures positions

The Group utilises bond futures transactions for the purpose of efficiently managing the term structure of its interest rate exposures. A negative gross contract amount represents a notional short position that generates positive fair value as interest rates rise.

18 Insurance receivables

	2022 $m	2021 $m
Insurance receivables	1,811.7	1,696.1
	1,811.7	**1,696.1**

These are receivables due within one year and relate to business transacted with brokers and intermediaries. All insurance receivables are classified as loans and receivables and their carrying values approximate fair value at the reporting date.

Notes to the financial statements continued

19 Reinsurance assets

	2022 $m	2021 $m
Reinsurers’ share of claims	2,516.7	1,840.9
Impairment provision	(29.3)	(11.5)
	2,487.4	1,829.4
Reinsurers’ share of unearned premium reserve	799.2	557.0
	3,286.6	**2,386.4**

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

Operating expenses include an impairment loss / (write back) on reinsurance assets of $17.8m (2021: $(3.3)m).

20 Cash and cash equivalents

Group	2022 $m	2021 $m
Cash at bank and in hand	652.5	591.8

Company	2022 $m	2021 $m
Cash at bank and in hand	3.4	0.3

21 Share capital

	2022		2021	
	No. of shares (m)	$m	No. of shares (m)	$m
Ordinary shares of 5p each				
Issued and fully paid	671.2	46.6	609.2	42.9
Balance at 1 January	**609.2**	**42.9**	**608.9**	**42.9**
Issue of shares to satisfy employee share schemes	1.0	0.1	0.3	–
Equity raise	61.0	3.6	–	–
Balance at 31 December	**671.2**	**46.6**	**609.2**	**42.9**

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

On 16 November 2022, the company issued 60,959,017 new ordinary shares of 5 pence each, comprising the ‘Placing Shares’, the ‘Retail Offer Shares’ and the ‘Subscription Shares’ (together, the ‘equity raise’). The shares issued represented approximately 9.99% of the company's issued ordinary share capital on the day to prior to the equity raise. The shares were issued at a price of 575 pence per share, representing a discount of 8.0% to the closing share price of 625 pence on 15 November 2022. In aggregate, the equity raise represented gross proceeds of £350.5m ($415.8m) and net proceeds of £340.8m ($404.4m). The company incurred other transaction costs of $0.7m which were recognised in the consolidated statement of profit or loss.

21 Share capital continued

The 60,403,895 Placing Shares were issued for non-cash consideration by way of a 'cash box' structure structure. involving a newly incorporated subsidiary of the company (‘Cash Box’). This structure involved the issue of ordinary and preference shares by Cash Box to one of the investment banks advising the company in respect of the equity raise. These preference and ordinary shares were subsequently acquired by the company and the preference shares were redeemed by Cash Box. The acquisition by the company of the ordinary shares in Cash Box held by the investment bank resulted in the company securing over 90% of the equity share capital of Cash Box. The company was therefore able to rely on Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. Therefore, no share premium was recorded in relation to the Placing shares.

The premium over the nominal value of the Placing shares was credited to a merger reserve and subsequently recognised in retained earnings. The merger reserve created was determined to be distributable for the purposes of the Companies Act 2006. Certain Directors of the company participated in the equity raise via the Placing Shares and the 26,086 Subscription Shares.

Retail investors were able to participate in the equity raise on the same terms as institutional investors via the retail offer, which was hosted on the PrimaryBid platform. A total of 529,036 Retail Offer Shares were issued, and Share Premium of $3.6m was recognised.

22 Other reserves

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Group			
Balance at 1 January 2021	**16.0**	**(25.4)**	**(9.4)**
Share based payments	11.0	–	11.0
Tax on share option vestings	(3.9)	–	(3.9)
Transfer of shares to employees	(6.1)	4.4	(1.7)
Balance at 31 December 2021	**17.0**	**(21.0)**	**(4.0)**
Share based payments	15.7	–	15.7
Tax on share option vestings	3.1	–	3.1
Acquisition of own shares held in trust	–	(17.8)	(17.8)
Transfer of shares to employees	(7.2)	2.6	(4.6)
Balance at 31 December 2022	**28.6**	**(36.2)**	**(7.6)**

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Company			
Balance at 1 January 2021	**(13.2)**	**(3.7)**	**(16.9)**
Share based payments	11.0	–	11.0
Transfer of shares to employees	(6.1)	4.4	(1.7)
Balance at 31 December 2021	**(8.3)**	**0.7**	**(7.6)**
Share based payments	15.7	–	15.7
Acquisition of own shares held in trust	–	(17.8)	(17.8)
Transfer of shares to employees	(7.2)	2.6	(4.6)
Balance at 31 December 2022	**0.2**	**(14.5)**	**(14.3)**

The merger reserve is shown within the statement of changes in equity as a separate category and as such has been excluded from the other reserves note.

The employee share options reserve is held in accordance with IFRS 2: Share-based payment. For more information refer to note 23.2.

More information on the employee share trust reserve is included in note 23.

23 Equity compensation plans

23.1 Employee share trust

	2022		2021	
	Number (m)	$m	Number (m)	$m
Movements in employee share trust reserve				
Balance at 1 January	3.1	21.0	3.7	25.4
Additions	3.0	17.6	–	–
Transfer of shares to employees	(0.4)	(2.5)	(0.6)	(4.4)
Balance at 31 December	**5.7**	**36.1**	**3.1**	**21.0**

The shares are owned by the employee share trust to satisfy awards under the Group's deferred share plan, retention plan, one-off share incentive plan and long term incentive plan (LTIP). These shares are purchased on the market and carried at cost.

On the third anniversary of an award the shares under the deferred share plan are transferred from the trust to the employee. Under the retention plan, on the third anniversary, and each year after that up to the sixth anniversary, 25.0% of the shares awarded are transferred to the employee.

The deferred share plan is recognised in the statement of profit or loss on a straight-line basis over a period of three years, while the retention share plan is recognised in the statement of profit or loss on a straight-line basis over a period of six years.

23.2 Employee share option plans

The Group has a long term incentive plan (LTIP), one-off share incentive plan, deferred share plan, retention plan and save-as-you-earn (SAYE) plan that entitle employees to purchase shares in the Group.

The terms and conditions of the grants are as follows:

Share option plan	Grant date	No. of options (m)	Vesting conditions	Contractual life of options
LTIP	20/10/2022	0.3	Five year's service + NAV + minimum shareholding requirement	10 years
	15/02/2022	1.9		
	10/02/2021	2.1		
	11/02/2020	1.2		
	12/02/2019	1.1		
	13/02/2018	0.9		
LTIP	20/10/2022	0.3	Three year's service + NAV + minimum shareholding requirement	10 years
	15/02/2022	1.9		
	10/02/2021	2.1		
	11/02/2020	1.2		
SAYE (UK)	28/03/2022	0.6	Three years' service	N/A
	30/03/2021	1.7		
	30/03/2020	0.2		
SAYE (US)	30/05/2022	0.1	Two years' service	N/A
	02/06/2021	0.1		
SAYE (Others)	28/03/2022	0.2	Two years' service	N/A
Total share options outstanding		**15.9**		

Vesting conditions

In summary the vesting conditions are defined as:

- two years' service – an employee has to remain in employment until the second anniversary from the grant date;
- three years' service – an employee has to remain in employment until the third anniversary from the grant date; and
- NAV – the NAV growth, after adjusting for the effect of dividends, is greater than the risk-free rate of return plus a premium per year.

23 Equity compensation plans continued

Further details of equity compensation plans can be found in the Directors' remuneration report on pages 112 to 139. The total gain on Directors' exercises of share option plans during the period was £0.2m (2021: £nil).

The number and weighted average exercise prices of share options are as follows:

	2022		2021	
	Weighted average exercise price (pence per share)	No. of options (m)	Weighted average exercise price (pence per share)	No. of options (m)
Outstanding at 1 January	**80.7**	**14.9**	**63.5**	**13.6**
Forfeited during the year	74.5	(3.2)	58.0	(5.8)
Exercised during the year	124.3[1]	(1.1)	25.0[2]	(0.3)
Granted during the year	54.5	5.3	80.9	7.4
Outstanding at 31 December	**56.5**	**15.9**	**80.7**	**14.9**
Exercisable at 31 December	–	–	–	–

1 The weighted average share price at the point of exercise of these options was 498.7p.
2 The weighted average share price at the point of exercise of these options was 366.2p.

The range of exercise prices for options outstanding at the end of the year was £0 to £4.56 (2021: £0 to £4.56). The weighted average remaining contractual life for the outstanding options at end of the year was 1.89 years (2021: 1.87 years).

The share option programmes allow Group employees to acquire shares of the company. The fair value of options granted is recognised as an employee expense with a corresponding increase in the employee share options reserve. The fair value of the options granted is measured at grant date and spread over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The following is a summary of the assumptions used to calculate the fair value of share options awarded during the period:

	2022 $m	2021 $m
Share options charge to employee share options reserve	**14.7**	**11.6**
LTIP		
Weighted average share price (pence per option)	509.9	366.6
Weighted average fair value (pence per option)	509.8	367.0
Weighted average exercise price (pence per option)	–	–
Average expected life of options	4.3yrs	4.3yrs
Expected volatility	38.9 %	36.4 %
Expected dividend yield	–	–
Average risk-free interest rate	3.0 %	0.4 %
SAYE		
Weighted average share price (pence per option)	435.7	348.7
Weighted average fair value (pence per option)	143.4	95.0
Weighted average exercise price (pence per option)	350.6	287.8
Average expected life of options	3.3yrs	3.3yrs
Expected volatility	39.3 %	36.6 %
Expected dividend yield	2.6 %	3.2 %
Average risk-free interest rate	2.6 %	0.4 %

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

24 Insurance liabilities and reinsurance assets

	2022 $m	2021 $m
Gross		
Claims reported and loss adjustment expenses	1,758.4	1,627.4
Claims incurred but not reported	5,624.1	4,771.7
Gross claims liabilities	7,382.5	6,399.1
Unearned premiums	2,971.7	2,472.7
Total insurance liabilities, gross	**10,354.2**	**8,871.8**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	420.6	371.4
Claims incurred but not reported	2,066.8	1,458.0
Reinsurers' share of claims liabilities	2,487.4	1,829.4
Unearned premiums	799.2	557.0
Total reinsurers' share of insurance liabilities	**3,286.6**	**2,386.4**

	2022 $m	2021 $m
Net		
Claims reported and loss adjustment expenses	1,337.8	1,256.0
Claims incurred but not reported	3,557.3	3,313.7
Net claims liabilities	4,895.1	4,569.7
Unearned premiums	2,172.5	1,915.7
Total insurance liabilities, net	**7,067.6**	**6,485.4**

The gross claims reported, the loss adjustment liabilities and the liabilities for claims incurred but not reported are net of recoveries from salvage and subrogation.

24 Insurance liabilities and reinsurance assets continued

24.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses`

	2022			2021		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Claims reported and loss adjustment expenses	1,627.4	(371.4)	1,256.0	1,507.3	(262.2)	1,245.1
Claims incurred but not reported	4,771.7	(1,458.0)	3,313.7	3,855.3	(1,034.4)	2,820.9
Unexpired risk reserve	–	–	–	91.5	(9.0)	82.5
Balance at 1 January	**6,399.1**	**(1,829.4)**	**4,569.7**	**5,454.1**	**(1,305.6)**	**4,148.5**
Claims paid	(1,936.7)	371.7	(1,565.0)	(1,718.5)	378.9	(1,339.6)
Increase in claims						
Arising from current year claims	3,093.0	(1,003.9)	2,089.1	2,911.5	(875.5)	2,036.0
Arising from prior year claims	(46.8)	(85.9)	(132.7)	(177.2)	(32.6)	(209.8)
Net exchange differences	(126.1)	60.1	(66.0)	(70.8)	5.4	(65.4)
Balance at 31 December	**7,382.5**	**(2,487.4)**	**4,895.1**	**6,399.1**	**1,829.4**	**4,569.7**
Claims reported and loss adjustment expenses	1,758.4	(420.6)	1,337.8	1,627.4	(371.4)	1,256.0
Claims incurred but not reported	5,624.1	(2,066.8)	3,557.3	4,771.7	(1,458.0)	3,313.7
Unexpired risk reserve	–	–	–	–	–	–
Balance at 31 December	**7,382.5**	**(2,487.4)**	**4,895.1**	**6,399.1**	**(1,829.4)**	**4,569.7**

24 Insurance liabilities and reinsurance assets continued

b) Unearned premiums reserve

	2022			2021		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Balance at 1 January	2,472.7	(557.0)	1,915.7	1,924.3	(379.1)	1,545.2
Increase in the year	5,268.7	(1,392.5)	3,876.2	4,618.9	(1,122.8)	3,496.1
Release in the year	(4,769.7)	1,150.3	(3,619.4)	(4,070.5)	944.9	(3,125.6)
Balance at 31 December	**2,971.7**	**(799.2)**	**2,172.5**	**2,472.7**	**(557.0)**	**1,915.7**

24.2 Assumptions, changes in assumptions and claims reserve strength analysis

a) Process used to decide on assumptions

The peer review reserving process

Beazley uses a quarterly dual track process to set its reserves:

- the actuarial team uses several actuarial and statistical methods to estimate the ultimate premium and claims costs, with the most appropriate methods selected depending on the nature of each class of business; and
- the underwriting teams concurrently review the development of the incurred loss ratio over time, work with our claims managers to set reserve estimates for identified claims and utilise their detailed understanding of both risks underwritten and the nature of the claims to establish an alternative estimate of ultimate claims cost, which is compared to the actuarially established figures.

A formal internal peer review process is then undertaken to determine the reserves held for accounting purposes which, in totality, are not lower than the actuarially established figure.

The Group has a consistent reserving philosophy, with initial reserves being set to include risk margins which may be released over time as uncertainty reduces.

Actuarial assumptions

Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business, or for underwriting years that are still at immature stages of development where there is a higher level of assumption volatility.

The Bornhuetter-Ferguson method uses a combination of a benchmark/market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations where developed claims experience was not available for the projection (e.g. recent underwriting years or new classes of business).

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

Notes to the financial statements continued

24 Insurance liabilities and reinsurance assets continued

We also review triangulations of the paid/outstanding claim ratios as a way of monitoring any changes in the strength of the outstanding claim estimates between underwriting years so that adjustments can be made to mitigate any subsequent over/(under) reserving. To date, this analysis indicates no systematic change to the outstanding claim strength across underwriting years.

Where significant large losses impact an underwriting year (e.g. first-party COVID-19 losses, the events of 11 September 2001, the hurricanes in 2004, 2005, 2008, 2012, 2017, 2018 and 2019, the typhoons in 2018 and 2019, or the earthquakes in 2010, 2011 and 2017), the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected.

Further assumptions are required to convert gross of reinsurance estimates of ultimate claims cost to a net of reinsurance level and to establish reserves for unallocated claims handling expenses and reinsurance bad debt.

b) Major assumptions

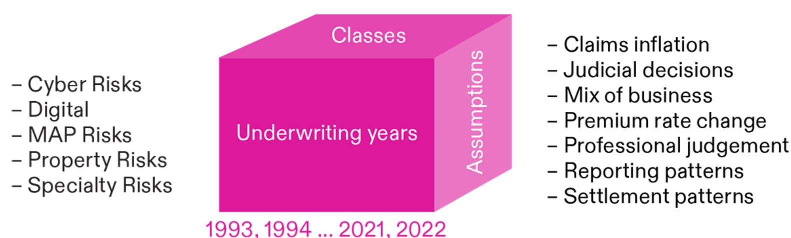
The main assumption underlying these techniques is that the Group's past claims development experience (with appropriate adjustments for known changes) can be used to project future claims development and hence ultimate claims costs. As such these methods extrapolate the development of premiums, paid and incurred losses, average costs per claim and claim numbers for each underwriting year based on the observed development of earlier years.

Another assumption used within insurance liabilities is the estimation of an unexpired risk reserve (URR) for the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date which exceeds the unearned premium reserve.

Throughout, judgement is used to assess the extent to which past trends may or may not apply in the future; for example, to reflect changes in external or market factors such as economic conditions, public attitudes to claiming, levels of claims inflation, premium rate changes, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

c) Changes in assumptions

As already discussed, general insurance business requires many different assumptions. The diagram below illustrates the main categories of assumptions used for each underwriting year and class combination.



Further information on the calculation of loss reserves and the risks associated with them is provided in the risk disclosures section in note 2. The risks associated with general insurance contracts are complex and do not readily lend themselves to meaningful sensitivity analysis. Given the range of assumptions used, the Group's profit or loss is relatively insensitive to changes to an individual assumption used for an underwriting year/class combination.

The Group's profit or loss is potentially more sensitive to a systematic change in assumptions that affect many classes, such as judicial changes or when catastrophes produce more claims than expected. The impact of an unreported event could lead to a significant increase in the Group's loss reserves. The Group believes that the loss reserves established are adequate, however a 20% increase in estimated losses would lead to a $1,476.5m (2021: $1,279.8m) increase in gross loss reserves and a $979.0m (2021: $913.9m) increase in net loss reserves. The Group uses a range of risk mitigation strategies to reduce such volatility including the purchase of reinsurance. In addition, the Group holds capital to absorb volatility.

24 Insurance liabilities and reinsurance assets continued

d) Claims reserve strength analysis

The estimation of IBNR reserves for future claim notifications is subject to a greater degree of uncertainty than the estimation of the outstanding claims already notified. This is particularly true for the Specialty Risk business, which will typically display greater variations between initial estimates and final outcomes as a result of the greater degree of difficulty in estimating these reserves. The estimation of IBNR reserves for other business written is generally subject to less variability as claims are generally reported and settled relatively quickly.

As such, our reserving assumptions contain a reasonable margin for prudence given the uncertainties inherent in the insurance business underwritten, particularly on the longer tailed Specialty Risk classes.
Since year end 2004, we have identified a range of possible outcomes for each class and underwriting year combination directly from our internal model (previously our individual capital assessment (ICA)) process. Comparing these with our pricing assumptions and reserving estimates gives our management team increased insight into our perceived reserving strength and the relative uncertainties of the business written.

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the five segments – Cyber Risks, Digital, MAP Risks, Property Risks and Specialty Risks. The tables are by underwriting year which in our view provides the most transparent reserving basis. We have supplied tables for both ultimate gross claims and ultimate net claims.

The top part of the table illustrates how the Group's estimate of the claims ratio for each underwriting year has changed at successive year ends. The bottom half of the table reconciles the gross and net claims to the amount appearing in the statement of financial position.

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The Group believes that the estimate of total claims liabilities as at 31 December 2022 is adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Notes to the financial statements continued

24 Insurance liabilities and reinsurance assets continued

Gross ultimate claims	2012 ae %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %
Cyber Risks											
12 months		67.8	62.9	60.7	57.5	55.1	56.7	57.6	79.9	65.6	56.0
24 months		68.3	61.9	60.8	58.0	55.2	57.7	74.6	91.1	58.1	
36 months		69.5	55.6	52.8	52.8	45.8	53.0	79.1	110.9		
48 months		74.3	60.3	44.4	48.3	42.0	54.8	81.4			
60 months		74.1	68.4	42.4	47.8	42.5	50.5				
72 months		71.7	64.9	41.2	45.7	41.1					
84 months		69.0	65.3	41.0	43.2						
96 months		71.5	64.9	38.7							
108 months		71.8	69.3								
120 months		66.5									
Digital											
12 months		71.5	64.9	64.1	60.1	55.2	62.0	61.6	65.9	64.6	55.3
24 months		72.2	59.4	64.2	59.8	56.3	60.8	70.4	70.6	65.3	
36 months		48.8	36.7	26.9	32.5	41.5	50.5	50.6	63.4		
48 months		24.7	28.7	24.2	21.5	31.2	40.6	42.9			
60 months		23.2	25.4	22.3	20.9	27.1	43.6				
72 months		20.3	25.4	21.8	19.8	27.9					
84 months		18.0	23.1	21.6	19.7						
96 months		17.5	23.2	21.5							
108 months		17.5	23.2								
120 months		17.5									
MAP Risks											
12 months		57.7	58.5	58.5	60.7	63.9	61.0	60.0	81.0	58.9	61.9
24 months		51.5	49.1	56.8	63.5	56.9	62.7	93.0	80.2	71.2	
36 months		44.8	47.6	52.7	58.3	55.1	76.1	87.8	80.9		
48 months		43.3	48.4	52.0	56.8	54.3	76.7	89.7			
60 months		43.6	54.0	49.1	55.2	51.5	77.6				
72 months		43.0	52.5	48.3	53.7	51.9					
84 months		42.1	52.3	48.0	53.5						
96 months		41.4	52.7	47.9							
108 months		41.2	52.2								
120 months		40.6									

24 Insurance liabilities and reinsurance assets continued

Gross ultimate claims	2012 ae %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	Total
Property Risks												
12 months		55.9	56.0	58.5	61.7	92.5	75.4	70.4	72.0	72.8	69.8	
24 months		47.1	42.7	43.4	58.5	100.1	84.3	64.7	75.7	74.5		
36 months		44.0	37.5	38.6	60.1	106.0	84.6	58.4	73.9			
48 months		43.5	35.9	37.8	60.8	106.7	82.0	54.9				
60 months		42.4	35.2	37.0	60.6	106.2	81.7					
72 months		43.4	35.4	38.4	60.2	105.4						
84 months		42.7	35.1	38.0	60.1							
96 months		43.0	35.3	37.8								
108 months		43.0	34.9									
120 months		42.9										
Specialty Risks												
12 months		74.7	70.0	69.6	68.7	67.3	69.4	68.2	68.0	66.8	65.5	
24 months		74.4	70.6	70.1	68.5	69.1	70.3	69.1	68.6	65.2		
36 months		74.8	69.7	71.1	69.6	71.6	70.3	64.3	62.3			
48 months		70.1	66.5	70.9	71.6	71.1	69.1	64.4				
60 months		64.9	64.5	74.7	70.1	73.9	75.6					
72 months		62.0	63.0	83.0	70.7	79.4						
84 months		62.5	62.2	87.5	72.7							
96 months		61.0	63.3	89.6								
108 months		59.6	63.4									
120 months		59.5										
Total												
12 months		63.6	62.1	62.6	63.2	70.4	66.8	65.1	73.2	66.1	62.9	
24 months		59.2	55.9	58.5	62.9	71.5	69.7	74.1	75.7	66.7		
36 months		56.4	52.7	54.5	60.7	71.4	71.2	69.8	75.4			
48 months		54.4	51.7	52.7	60.2	70.2	70.1	69.6				
60 months		52.4	53.2	52.8	59.2	70.4	72.1					
72 months		51.4	52.0	55.6	58.5	71.9						
84 months		50.8	51.6	56.8	58.7							
96 months		50.5	52.1	57.2								
108 months		50.0	52.3									
120 months		49.3										
Estimated total ultimate losses ($m)	8,586.5	886.4	985.6	1,135.5	1,242.1	1,731.5	1,892.2	2,117.4	2,711.2	3,033.0	3,286.9	27,608.3
Less paid claims ($m)	(8,415.5)	(831.2)	(932.8)	(991.1)	(1,055.7)	(1,379.1)	(1,377.6)	(1,252.3)	(1,168.4)	(566.0)	(72.6)	(18,042.3)
Less unearned portion of ultimate losses ($m)	–	–	–	–	–	–	–	–	(43.9)	(288.8)	(1,850.8)	(2,183.5)
Gross claims liabilities ($m)	171.0	55.2	52.8	144.4	186.4	352.4	514.6	865.1	1,498.9	2,178.2	1,363.5	7,382.5

24 Insurance liabilities and reinsurance assets continued

Net ultimate claims	2012 ae %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %
Cyber Risks											
12 months		63.6	60.4	56.9	54.8	53.7	53.5	55.6	80.2	64.6	53.9
24 months		64.1	59.4	57.1	55.5	53.1	55.6	71.2	79.0	56.1	
36 months		61.7	53.6	50.3	51.0	44.0	54.0	72.7	86.9		
48 months		65.8	56.0	41.7	46.6	41.1	53.3	73.5			
60 months		64.5	62.4	38.7	42.9	40.1	45.1				
72 months		62.6	58.5	34.2	41.2	36.6					
84 months		59.7	59.3	33.6	39.1						
96 months		61.6	58.3	31.3							
108 months		61.8	63.2								
120 months		56.2									
Digital											
12 months		65.7	62.9	60.5	57.8	54.0	59.7	60.8	65.2	63.0	52.2
24 months		66.8	56.9	60.9	57.7	54.9	59.9	68.8	69.0	61.9	
36 months		47.2	36.8	25.0	31.7	40.8	49.6	49.1	60.9		
48 months		22.8	28.9	22.4	21.6	30.9	38.7	41.0			
60 months		21.4	25.0	20.5	20.7	27.0	40.4				
72 months		18.9	24.9	20.0	19.6	27.7					
84 months		16.6	22.6	19.9	19.4						
96 months		16.1	22.7	19.1							
108 months		16.0	22.8								
120 months		16.0									
MAP Risks											
12 months		57.3	56.9	57.5	58.8	57.5	58.2	55.3	67.5	51.5	51.2
24 months		52.8	49.5	54.7	59.1	56.2	60.8	78.2	63.8	53.0	
36 months		47.7	46.5	51.6	56.5	54.6	72.6	73.1	59.4		
48 months		45.7	47.6	51.0	55.5	53.5	73.8	72.3			
60 months		45.4	48.5	49.0	54.0	51.4	72.6				
72 months		45.0	47.7	48.4	52.7	50.7					
84 months		43.6	47.5	47.5	51.9						
96 months		43.5	47.2	47.8							
108 months		43.3	46.7								
120 months		42.8									
Property Risks											
12 months		56.0	56.0	57.0	58.5	86.5	71.1	65.6	73.1	64.3	65.6
24 months		54.4	47.5	45.7	60.4	94.8	76.3	67.1	79.9	69.7	
36 months		50.6	41.4	40.4	61.7	99.5	76.4	61.5	77.1		
48 months		48.9	39.5	38.9	62.0	98.9	73.7	57.2			
60 months		47.5	38.8	38.7	61.6	99.7	73.4				
72 months		48.5	39.4	40.0	61.4	98.7					
84 months		48.3	39.0	38.7	61.3						
96 months		48.5	38.8	38.4							
108 months		48.2	38.4								
120 months		48.1									

24 Insurance liabilities and reinsurance assets continued

Net ultimate claims	2012 ae %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	
Specialty Risks												
12 months		70.8	67.4	65.7	66.4	65.3	67.2	66.3	65.0	64.9	61.9	
24 months		70.3	68.2	66.2	66.3	66.7	68.9	65.3	63.4	62.9		
36 months		71.1	68.4	67.0	66.0	69.8	69.5	60.9	55.6			
48 months		65.3	63.9	63.1	65.7	68.2	67.8	59.7				
60 months		60.5	62.5	65.6	62.7	69.2	69.4					
72 months		58.5	62.1	69.2	62.6	71.8						
84 months		59.0	61.1	73.7	63.7							
96 months		57.6	62.6	75.5								
108 months		56.3	62.6									
120 months		56.2										
Total												
12 months		62.0	60.7	60.1	60.7	66.2	63.7	62.1	69.5	62.1	58.1	
24 months		60.2	56.4	56.9	61.2	68.1	66.4	69.3	69.1	60.9		
36 months		57.4	53.1	53.0	59.0	68.1	68.2	64.7	65.1			
48 months		54.4	51.4	50.0	57.7	66.2	66.6	63.1				
60 months		52.2	51.6	49.9	55.7	65.7	65.6					
72 months		51.5	51.0	50.7	55.0	65.8						
84 months		50.9	50.5	51.7	54.8							
96 months		50.6	50.8	51.9								
108 months		50.1	51.1									
120 months		49.4										
Estimated total ultimate losses ($m)	6,395.5	756.4	825.7	868.3	975.6	1,335.0	1,453.5	1,638.9	1,871.2	2,163.3	2,150.9	20,434.3
Less paid claims ($m)	(6,230.6)	(710.5)	(783.3)	(803.7)	(870.1)	(1,106.6)	(1,102.9)	(1,003.5)	(891.4)	(459.2)	(47.7)	(14,009.5)
Less unearned portion of ultimate losses ($m)	–	–	–	–	–	–	–	–	(30.3)	(217.1)	(1,282.3)	(1,529.7)
Net claims liabilities ($m)	164.9	45.9	42.4	64.6	105.5	228.4	350.6	635.4	949.5	1,487.0	820.9	4,895.1

Analysis of movements in loss development tables

We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2022 for each underwriting year. The impact of amounts reported in respect of the unexpired risk reserve are embedded within the loss ratios presented.

Cyber Risks

The 2021 underwriting year has released following favourable experience. The 2019 and 2020 underwriting years have strengthened in response to adverse claims development on existing claims. However, as these years are recovering under aggregate excess of loss reinsurance programmes, the impact is reduced net of reinsurance.

Digital

The deterioration on the 2018 underwriting year arises from adverse claims experience on the tech & media private enterprise class. The recent underwriting years have released following the expiry of risk.

MAP Risks

The 2019 to 2021 underwriting years have been impacted by the Russian invasion of Ukraine. The impact is lower net of reinsurance as a result of the excess of loss reinsurance programmes in place.

24 Insurance liabilities and reinsurance assets continued

Property Risks

Favourable developments on attritional claims and established catastrophe events have led to releases on the 2019 and 2020 underwriting years. The 2021 underwriting year has been impacted by weather related events in the US during 2022. The impact is less gross of reinsurance due to favourable developments on established catastrophe events.

Specialty Risks

The 2017 and 2018 underwriting years have seen adverse claims development gross of reinsurance predominantly driven by the healthcare book. Both these years are recovering under aggregate excess of loss reinsurance programmes, so the impact is lower net of reinsurance. Recent underwriting years continue to improve as the risk expires.

Claim releases

The below table analyses our net claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by segment and underwriting year. Beazley's reserving policy is to maintain catastrophe reserve margins either until the end of the exposure period or until catastrophe events occur. Therefore margins have been released from prior year reserves where risks have expired during 2022.

The below table has been prepared on an underwriting year of account basis, whereas the net loss development tables on pages 219 to 220 have been prepared on an accident year basis in relation to our US admitted business. However, in aggregate the net release or strengthening is consistent.

Reserve releases during the year totalled $132.6m (2021: $209.8m). The net of reinsurance estimates of ultimate claims costs have improved on the 2021, 2020 and 2019 and earlier underwriting years, with releases of $13.3m, $96.6m and $22.7m respectively. Our MAP Risks division saw strong releases across all years of account, while the other four divisions each saw a strengthening on one of the years of account. Our Cyber Risks division saw a large strengthening on the 2020 year of account, while Specialty Risks saw a strengthening on 2019 year and earlier.

The movements shown on 2019 and earlier are absolute claim movements and are not impacted by any current year movements in premium on those underwriting years.

2022	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
Current year	440.1	89.9	378.3	417.8	762.9	2,089.0
Prior year						
– 2019 underwriting year and earlier	(31.2)	(6.5)	(13.5)	(19.1)	47.6	(22.7)
– 2020 underwriting year	33.2	(9.8)	(32.0)	(16.8)	(71.2)	(96.6)
– 2021 underwriting year	(10.0)	0.8	(20.7)	21.2	(4.6)	(13.3)
	(8.0)	(15.5)	(66.2)	(14.7)	(28.2)	(132.6)
Net insurance claims	**432.1**	**74.4**	**312.1**	**403.1**	**734.7**	**1,956.4**

2021	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Total $m
Current year	353.1	95.8	315.4	394.6	877.1	2,036.0
Prior year						
– 2018 underwriting year and earlier	(38.3)	(21.2)	(15.6)	(19.5)	11.0	(83.6)
– 2019 underwriting year	20.2	(19.5)	(36.6)	(31.1)	(30.6)	(97.6)
– 2020 underwriting year	(8.2)	1.0	(10.8)	(8.5)	(2.1)	(28.6)
	(26.3)	(39.7)	(63.0)	(59.1)	(21.7)	(209.8)
Net insurance claims	**326.8**	**56.1**	**252.4**	**335.5**	**855.4**	**1,826.2**

25 Borrowings

The carrying amount and fair values of the non-current borrowings are as follows:

Carrying Value	Tier 2 subordinated debt (2029) $m	Tier 2 subordinated debt (2026) $m	Total $m
Balance at 1 January 2021	**298.1**	**249.0**	**547.1**
Amortisation of capitalised borrowing costs	0.3	0.2	0.5
Balance at 31 December 2021	**298.4**	**249.2**	**547.6**
Amortisation of capitalised borrowing costs	0.2	0.2	0.4
Balance at 31 December 2022	**298.6**	**249.4**	**548.0**

The total fair value of borrowings is $506.2m (2021: $613.6m). Interest accrued of $7.4m (2021: $7.4m) is included within Other Payables.

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

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

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. The cost of the facility is based on a commitment fee of 0.4725% per annum and any amounts drawn are charged at a margin of 1.35% per annum. The cash element of the facility will expire on 23 July 2023, whilst letters of credit issued under the facility can be used to provide support for the 2021, 2022 and 2023 underwriting years. As at 31 December 2022 $225m has been drawn down under the facility and placed as a letter of credit as Funds at Lloyd's (FAL). No liability is recognised in these financial statements for the letter of credit (2021: nil) All of the above borrowings are subject to covenants, with which the Group has complied with throughout the year. The Group considers the risk of covenants being breached to be remote.

26 Other payables

Group	2022 $m	2021 $m
Reinsurance premiums payable	894.3	660.2
Accrued expenses including staff bonuses	276.9	229.8
Other payables	48.3	47.2
Due to syndicate 623	21.8	–
Due to syndicate 6107	77.8	81.2
Due to syndicate 5623	208.4	122.9
	1,527.5	**1,141.3**

Company	2022 $m	2021 $m
Other payables	4.2	0.7
	4.2	**0.7**

All other payables are payable within one year of the reporting date. The carrying value approximates fair value.

27 Retirement benefit obligations

	2022 $m	2021 $m
Present value of funded obligations	(31.1)	(56.9)
Fair value of plan assets	35.7	75.0
Retirement benefit asset in the statement of financial position	**4.6**	**18.1**
Amounts recognised in the statement of profit or loss		
Interest cost	(1.1)	(0.9)
Expected return on plan assets	1.4	0.9
Retirement benefit return recognised in the statement of profit or loss	**0.3**	**–**

Beazley Furlonge Limited operates a defined benefit pension scheme ('the Beazley Furlonge Limited Pension Scheme'), which closed to new entrants in 2002. The scheme provides the following benefits:
- an annual pension payable to the member from his or her normal pension age (60th birthday) of generally 1/60th of final pensionable salary for each year of pensionable service up to 31 March 2006;
- a spouse's pension of 2/3rds of the member's pension payable on the member's death after retirement;
- a lump sum of four times current pensionable salary for death in service at the date of death; and
- a pension of 2/3rds of the member's prospective pension at the date of death, payable to the spouse until their death. This pension is related to salary at the date of death.

The scheme is administered by a trust that is legally separated from the Group. The trustees consist of both employee and employer representatives and an independent chair, all of whom are governed by the scheme rules.

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

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

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

Historically the scheme exposed the Group to additional actuarial, interest rate and market risk. However as a result of the buy-in transaction in December these risks are now born by the insurance company to which liabilities have been insured. The buy-in transaction does expose the Group to additional credit risk with regard to the insurance company from whom the annuities were purchased.

Contributions to the scheme are determined by a qualified actuary using the projected unit credit method as set out in the scheme rules and the most recent valuation was at 31 December 2022. Following the buy-in transaction the Group expects to make no further contributions to the scheme.

27 Retirement benefit obligations continued

Trustees obligations

Under section 222 of the Pension Act 2004, every scheme is subject to the Statutory Funding Objective (SFO), which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every three years using assumptions agreed between the Trustees and the employer as set out in the Statement of Funding Principles produced in accordance with the Occupational Pensions (Scheme Funding) Regulations 2005 (OP(SF)R 2005) Regulation 6.

The Trustees written Statement of Funding Principles is dated 29 January 2021 and it sets out their policy for securing that the SFO is met (that the scheme will have sufficient assets to cover its technical provisions). In accordance with the OP(SF)R 2005 Regulation 5(2) trustees have chosen the Defined Accrued Benefit Method, a variant of the projected unit credit method where accrual has ceased.

The most recently completed Actuarial Valuation of the Scheme was carried out at 1 January 2020 including a valuation carried out in accordance with the Pensions Protection Fund (Valuation) Regulations 2005 and with appropriate section 179 guidance and assumptions issued by The Board of the Pension Protection Fund.

During 2021 a decision was made to move the plan assets out of equities and to reinvest in quoted corporate bonds and index linked securities. The rationale for this was to protect the scheme’s funding position and provide protection against movements in interest rates and expected inflation. Following the buy-in transaction, the main class of plan assets is the purchased annuity contracts. During the year, the scheme had no exposure to liability driven investment products (2021: nil).

The Trust Deed provides Beazley with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

	2022 $m	2021 $m
Movement in present value of funded obligations recognised in the statement of financial position		
Balance at 1 January	**56.9**	**64.8**
Interest cost	1.0	0.8
Actuarial (gain) due to changes in financial assumptions	(22.1)	(4.0)
Benefits paid	(0.5)	(2.8)
Foreign exchange (gain)	(4.2)	(1.9)
Balance at 31 December	**31.1**	**56.9**

	2022 $m	2021 $m
Movement in fair value of plan assets recognised in the statement of financial position		
Balance at 1 January	**75.0**	**69.6**
Expected return on plan assets	1.3	0.9
(Loss)/gain on asset return	(34.6)	8.1
Employer contributions	–	1.3
Benefits paid	(0.5)	(2.8)
Foreign exchange (loss)	(5.5)	(2.1)
Balance at 31 December	**35.7**	**75.0**
Plan assets are comprised as follows:		
Purchased annuities	31.1	–
Corporate bonds	–	3.4
Index linked securities	–	70.0
Cash	4.6	1.6
Total	**35.7**	**75.0**

27 Retirement benefit obligations continued

The actual gain on plan assets was $33.3m (2021: gain of $9.0m).

	2022 $m	2021 $m
Principal actuarial assumptions		
Discount rate	4.8 %	1.9 %
Inflation rate	3.5 %	3.8 %
Expected return on plan assets	4.8 %	1.9 %
Future salary increases	3.5 %	3.8 %
Future pension increases	3.0 %	1.9 %
Life expectancy for members aged 60 at 31 December	90years	90years
Life expectancy for members aged 40 at 31 December	91years	91years

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 23.7 years (2021: 22.6 years).

Sensitivity analysis

Changes in the relevant actuarial assumptions would result in a change in the value of the funded obligation as shown below. For 2022 any change in the obligation would be matched by a change in the carrying value of the annuity contracts purchased in the period.

31 December 2022	Increase $m	Decrease $m
Discount rate (0.5% decrease)	2.7	–
Inflation rate (0.3%)	–	(1.2)
Future salary changes (0.5% decrease)	–	(0.2)
Life expectancy (1 year increase)	0.9	–

December 31 2021	Increase $m	Decrease $m
Discount rate (0.5% decrease)	7.4	–
Inflation rate (0.3%)	–	(3.7)
Future salary changes (0.5% decrease)	–	(0.5)
Life expectancy (1 year increase)	2.8	–

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

28 Deferred Tax

	2022 $m	2021 $m
Deferred tax asset	35.2	16.3
	35.2	16.3

The movement in the net deferred income tax is as follows:		
Balance at 1 January	16.3	26.2
Income tax charge / (credit)	13.1	(4.0)
Amounts recorded through equity/OCI	6.2	(5.7)
Foreign exchange translation differences	(0.4)	(0.2)
Balance at 31 December	**35.2**	**16.3**

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Group's balance sheet.

	Balance 1 Jan 22 $m	Recognised in income $m	Recognised in equity/OCI $m	FX translation differences $m	Balance 31 Dec 22 $m
Plant and equipment	(1.2)	0.4	–	–	(0.8)
Intangible assets	(0.5)	(1.3)	–	–	(1.8)
Underwriting profits	14.2	(6.8)	–	–	7.4
Deferred acquisition costs	(7.8)	9.5	–	–	1.7
Tax losses carried forward	9.6	(5.6)	–	–	4.0
Share based payments	2.6	3.1	3.1	(0.4)	8.4
Unrealised gains on investments	(1.7)	11.6	–	–	9.9
Other	1.2	2.2	3.1	–	6.5
Net deferred income tax account	**16.3**	**13.1**	**6.2**	**(0.4)**	**35.2**

	Balance 1 Jan 21 $m	Recognised in income $m	Recognised in equity/OCI $m	FX translation differences $m	Balance 31 Dec 21 $m
Plant and equipment	0.1	(1.3)	–	–	(1.2)
Intangible assets	(1.5)	1.0	–	–	(0.5)
Underwriting profits	25.3	(11.1)	–	–	14.2
Deferred acquisition costs	(7.5)	(0.3)	–	–	(7.8)
Tax losses carried forward	6.3	3.3	–	–	9.6
Share based payments	7.0	(0.4)	(3.9)	(0.1)	2.6
Other	(3.5)	4.7	(1.8)	–	(0.6)
Net deferred income tax account	26.2	(4.1)	(5.7)	(0.1)	16.3

Deferred tax assets of $4.0m (2021: $9.6m) relating to tax losses, which depend on the availability of future taxable profits, have been recognised. The Group has concluded that, it is probable that the deferred tax assets will be recovered using the estimated future taxable profits based on the approved business plans. The losses can be carried forward indefinitely.

The Group has unrecognised realised and unrealised capital losses of $2.2m (2021: nil) that will expire in five years.

29 Leases

Leases as lessee (IFRS 16)

The Group leases offices, IT equipment and motor vehicles. The leased offices are in several locations and the leases of large offices such as London and New York typically run for a period of 10 years with an option to renew the lease after that date or continue on a rolling month by month basis. Lease payments are renegotiated as agreed in the lease contracts.

Information about leases for which the Group is a lessee is presented below.

Right of use assets

Right of use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 1 January 2022	**63.4**	**12.0**	**0.1**	**75.5**
Depreciation charge for the year	(8.0)	(4.2)	(0.1)	(12.3)
Additions of right of use assets	0.9	–	–	0.9
Foreign exchange translation differences	(3.0)	(0.6)	–	(3.6)
Balance at 31 December 2022	**53.3**	**7.2**	**–**	**60.5**

Lease liabilities

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 1 January 2022	**72.1**	**12.1**	**0.1**	**84.3**
Lease payments	(6.9)	(4.5)	(0.2)	(11.6)
Interest on lease liabilities and dilapidation provision	2.8	0.4	–	3.2
Additions to lease portfolio	0.9	–	–	0.9
Foreign exchange translation differences	(3.5)	(0.7)	0.1	(4.1)
Balance at 31 December 2022	**65.4**	**7.3**	**–**	**72.7**

Right of use assets

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 1 January 2021	**69.5**	**16.8**	**0.1**	**86.4**
Depreciation charge for the year	(10.6)	(4.3)	(0.1)	(15.0)
Additions of right of use assets	3.0	–	0.1	3.1
Disposals of right of use assets	3.1	–	–	3.1
Foreign exchange translation differences	(1.6)	(0.5)	–	(2.1)
Balance at 31 December 2021	**63.4**	**12.0**	**0.1**	**75.5**

29 Leases continued

Lease liabilities

	Offices $m	IT equipment $m	Motor vehicle $m	Total $m
Balance at 1 January 2021	73.3	16.7	0.1	90.1
Lease payments	(8.0)	(4.7)	(0.1)	(12.8)
Interest on lease liabilities	7.5	0.5	–	8.0
Additions to lease portfolio	1.0	–	0.1	1.1
Foreign exchange translation differences	(1.7)	(0.4)	–	(2.1)
Balance at 31 December 2021	**72.1**	**12.1**	**0.1**	**84.3**

Amounts recognised in profit or loss

	2022 $m	2021 $m
Leases under IFRS 16		
Interest on lease liabilities	(3.1)	(3.7)
Depreciation	(12.3)	(15.0)
Income from sub-leasing right of use assets	–	0.1
Expenses relating to low value leases	(4.2)	(5.1)
Expenses relating to short-term leases	(0.1)	(0.1)
Total recognised in profit or loss	**(19.7)**	**(23.8)**

Extension options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period or the option to continue with the lease on a monthly rolling basis. The Group reassess whether it is reasonably certain to exercise the options if there is a significant event or changes in circumstances within its control.

Notes to the financial statements continued

30 Related party transactions

The Group and company have related party relationships with syndicates 623, 4321, 5623, 6107, its subsidiaries, associates and its Directors.

30.1 Syndicates 623, 4321, 5623 and 6107

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

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

	2022 $m	2021 $m
Written premium ceded to syndicates	318.7	257.3
Other income received from syndicates	20.7	28.6
Services provided	58.9	45.8
Balances due:		
Due (to) / from syndicate 623	(7.2)	1.8
Due to syndicate 5623	(208.4)	(122.9)
Due to syndicate 6107	(77.8)	(81.2)

30.2 Key management compensation

	2022 $m	2021 $m
Salaries and other short term benefits	18.9	25.6
Pension costs	0.5	0.6
Share based remuneration	8.0	2.7
	27.4	**28.9**

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

The total number of Beazley plc ordinary shares held by key management was 2.8m. Apart from the transactions listed in the table above, there were no further related party transactions involving key management or a close member of their family. Further details of directors' shareholdings and remuneration can be found in the Directors' remuneration report on pages 112 to 139.

30.3 Other related party transactions

At 31 December 2022, the Group had purchased services from Falcon Money Management Holdings Limited of $2.9m (2021: $2.7m) throughout the year. All transactions with the associate and subsidiaries are priced on an arm's length basis.

30.4 Company related party transactions

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

Company	2022 $m	2021 $m
Balances due:		
Due from Beazley Furlonge Holdings Limited	192.7	194.5
Due from Beazley Management Limited	39.0	35.8
Due from Beazley Underwriting Limited	667.2	84.7
Due from other Group companies	20.2	–
	919.1	**315.0**

30 Related party transactions continued

The key management of Beazley plc as a standalone entity is deemed to be the same as that of the wider Beazley Group. The majority of costs are incurred by other Group companies and are not recharged to the Company. Amounts paid to key management by Beazley plc were $1.1m (2021: $1.1m).

31 Parent company and subsidiary undertakings

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

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

	Country/region of incorporation	Ownership interest	Beazley plc direct investment in subsidiary ($m)
Beazley Ireland Holdings plc	Jersey	100 %	**724.6**
Beazley Underwriting Pty Ltd	Australia	100 %	
Beazley Canada Limited	Canada	100 %	
Beazley Corporate Member (No.2) Limited	England	100 %	
Beazley Corporate Member (No.3) Limited	England	100 %	
Beazley Corporate Member (No.6) Limited	England	100 %	
Beazley Furlonge Holdings Limited	England	100 %	
Beazley Furlonge Limited	England	100 %	
Beazley Group Limited	England	100 %	
Beazley Investments Limited	England	100 %	
Beazley Leviathan Limited ~	England	100 %	
Beazley Management Limited	England	100 %	
Beazley Staff Underwriting Limited	England	100 %	
Beazley Solutions Limited	England	100 %	
Beazley Underwriting Limited	England	100 %	
Beazley Underwriting Services Limited	England	100 %	
Lodestone Security Limited	England	100 %	
Beazley Insurance dac	Ireland	100 %	
Beazley Solutions International Limited	Ireland	100 %	
Beazley Labuan Limited	Malaysia	100 %	
Beazley America Insurance Company, Inc.***	USA	100 %	
Beazley Group (USA) General Partnership**	USA	100 %	
Beazley Holdings, Inc.*	USA	100 %	
Beazley Holdings, Inc. Digital LLC*	USA	100 %	
Beazley Insurance Company, Inc.***	USA	100 %	
Beazley Newco Captive Company, Inc.***	USA	100 %	
Beazley USA Services, Inc.*	USA	100 %	
Lodestone Securities LLC****	USA	100 %	
Beazley Pte. Limited	Singapore	100 %	
			724.6

Please see page 232 for registered addresses.

Notes to the financial statements continued

31 Parent company and subsidiary undertakings continued

The following is a list of Group registered office locations:

Address	City	Postcode	Country/region
United Kingdom and Continental Europe			
22 Bishopsgate	London	EC2N 4AJ	England
C/O RSM UK Restructuring Advisory LLP, 25 Farringdon Street ~	London	EC4A 4AB	England
2 Northwood Avenue	Dublin	D09 X5N9	Ireland
22 Grenville Street	Saint Helier	JE4 8PX	Jersey
North America			
1209 Orange Street*	Wilmington, Delaware	19801	USA
2711 Centerville Road Suite 400**	Wilmington, Delaware	19808	USA
30 Batterson Park Road***	Farmington, Connecticut	06032	USA
160 Greentree Drive, Suite 101****	Dover, Delaware	19904	USA
55 University Avenue, Suite 550	Toronto, Ontario	M5J 2HJ	Canada
Asia			
138 Market Street, 03-04 Capita Green	Singapore	048946	Singapore
Kensington Gardens, No. I1317, Lot 7616, Jalan Jumidar Buyong	Labuan	87000	Malaysia
Australia			
Level 15, 1 O'Connell Street	Sydney	NSW 2000	Australia

32 Contingencies

Funds at Lloyd's

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

	As at 31 December 2022 $m	As at 31 December 2021 $m
Financial assets at fair value and cash	1,307.6	1,603.5
Letters of credit ('LOC')	225.0	225.0
Total Funds at Lloyd's	**1,532.6**	**1,828.5**

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

Since 2020, $225m under the Group's syndicated short term banking facility has been utilised as letters of credit placed as Funds at Lloyd's (FAL) to provide capital support for the Group's underwriting at Lloyd's. Letters of credit issued under the facility are uncollateralised. No liability was recognised for these letters of credit in the current or prior period, amounts would only become due if the letters of credit were called upon to fund liabilities.

Other than the letters of credit these balances are included within financial assets at fair value and cash and cash equivalents on the statement of financial position.

Other letters of credit

As of December 31, 2022, the Group has placed letters of credit totalling $35.0m (2021: $25.0m) with the State of Connecticut Insurance Department to collateralise reinsurance arrangements between the Group's US admitted carrier, Beazley Insurance Company Inc. ("BICI") and Beazley NewCo Captive Company Inc. These amounts are guaranteed by Beazley plc. In addition, BICI has a standby letter of credit of $5.3m (2021: $2.9m) in place to secure certain reinsurance transactions settled through Lloyd's. No amounts relating to these letters of credit are recognised in the Group or Company Statement of Financial Position.

33 Foreign exchange rates

The Group used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into US dollars, being the Group's presentational currency:

	2022		2021	
	Average	Year end spot	Average	Year end spot
Pound sterling	0.80	0.82	0.73	0.76
Canadian dollar	1.29	1.37	1.25	1.27
Euro	0.94	0.95	0.84	0.88

34 Subsequent events

There are no events that are material to the operations of the Group that have occurred since the reporting date.

Alternative performance measures

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

Information on APMs which the Group uses are set out below. Where relevant, percentages have been annualised to allow for comparison with the full year result.

Claims ratio

Ratio, in percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange.

	2022	2021
Net insurance claims	**1,956.4**	1,826.2
Divided by net earned premiums	**3,614.2**	3,147.3
Claims ratio	**54 %**	**58 %**

Expense ratio

Ratio, in percentage terms, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange.

	2022	2021
Expenses for the acquisition of insurance contracts	**952.1**	821.8
Administrative expenses	**303.7**	283.0
Subtotal	**1,255.8**	1,104.8
Divided by net premiums earned	**3,614.2**	3,147.3
Expense ratio	**35 %**	**35 %**

Combined ratio

Ratio, in percentage terms, of the sum of net insurance claims, expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. This is also the sum of the expense ratio and the claims ratio. The calculation is performed excluding the impact of foreign exchange.

	2022	2021
Claims ratio	**54 %**	58 %
Expense ratio	**35 %**	35 %
Combined ratio	**89 %**	**93 %**

Net assets per share & net tangible assets per share

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

Net tangible assets per share excludes intangible assets from net assets in the above calculation.

	2022	2021
Net assets	**2,573.5**	2,130.8
Less intangible assets & goodwill	**128.8**	123.5
Net tangible assets	**2,444.7**	2,007.3
Divided by the shares in issue at the period end:	**665.4**	606.0
Net assets per share (cents)	**386.7**	351.6
Net tangible assets per share (cents)	**367.4**	331.2
Converted at spot rate:		
Net assets per share (pence)	**315.6**	265.8
Net tangible assets per share (pence)	**299.8**	250.4

Return on equity

Ratio, in percentage terms, calculated by dividing the consolidated profit after tax by the average equity for the period. Average equity for the period is calculated as the average of the opening and closing equity position adjusted for share issuance, dividend payments and share based payment transactions.

	2022	2021
Profit after tax	**160.8**	308.7
Divided by average total equity	**2,224.3**	1,970.2
Annualised return on equity	**7 %**	**16 %**

Investment return

Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value for the period, including cash.

	2022	2021
Net investment (loss)/income	**(179.7)**	116.4
Financial assets at fair value	**7,283.5**	6,362.0
Cash and cash equivalents	**591.8**	309.5
Invested assets at the beginning of the period:	**7,875.3**	6,671.5
Financial assets at fair value	**8,345.6**	7,283.5
Cash and cash equivalents	**652.5**	591.8
Invested assets at the end of the period:	**8,998.1**	7,875.3
Divided by average invested assets	**8,436.7**	7,273.4
Annualised investment return	**(2.1)%**	**1.6 %**