

Company No 09229671

BEAZLEY CORPORATE MEMBER (NO.3) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Beazley Corporate Member (No.3) Limited

Company information

Directors

C P Oldridge
S D Rayment
C C J Wong

Company secretary

Callidus Secretaries Limited
15 St Helen's Place
London
United Kingdom
EC3A 6DQ

Registered office

22 Bishopsgate
London
EC2N 4BQ

Registered number

09229671

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA

Beazley Corporate Member (No.3) Limited

Strategic report

The directors present their strategic report for Beazley Corporate Member (No.3) Limited ('the Company'), registered number: 09229671, that accompanies the audited financial statements for the period ended 31 December 2022.

Business review and principal activity

Since 1st January 2022, the principal activity of the Company is to participate on the 2022 underwriting year of the Beazley managed syndicate 4321 on a limited liability basis, with a 10% participation. The principal activity of syndicate 4321 is to provide a choice of additional capacity for large corporate clients who meet the eligibility standards of the environmental, social and governance 'ESG' scoring criteria established by Lloyd's. Previously, the principal activity of the Company was to participate on syndicate 5623 on a limited liability basis. The Company traded at Lloyd's on the 2018 year of account with a 33.85% participation. The Company has not participated in syndicate 5623 since 2018.

Going concern

The financial statements of the Company have been prepared on a going concern basis. In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic plan, taking account of possible changes in trading performance. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for twelve months from the date the financial statements are authorised for issue. Furthermore, the Company is in receipt of a letter of support from Beazley Furlonge Holdings Limited ('BFHL'), an intermediate holding company in the Beazley group.

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company are aligned with those of syndicate 4321. The principal risks and uncertainties of syndicate 4321, which include those of the Company, are discussed on pages 5 to 7 of the syndicate 4321 annual report for the year ended 31 December 2022, which does not form part of this report. The annual report for syndicate 4321 can be obtained from the website www.beazley.com.

Key performance indicators ('KPIs')

The Company's directors are of the opinion that the level of gross premiums written in the year is the main KPI to be used for an understanding of the development, performance and position of the Company's business.

Beazley Corporate Member (No.3) Limited

Section 172 statement

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

The Company is part of the Beazley plc group (the 'Group'), and its ultimate shareholder is Beazley plc. The Group's governance arrangements ensure that when making decisions, the board has overall regard to the interests of the Group and its stakeholders, while acting in the interests of its own stakeholders and promoting the long-term success of the Company.

The Company participated on the 2022 underwriting year of syndicate 4321 on a limited liability basis with 10% participation. The managing agent of syndicate 4321 is Beazley Furlonge Limited, a subsidiary within the Group.

The board has identified that its key stakeholders are:

- its immediate shareholder, BFHL, and the wider Group;
- Beazley Furlonge Limited ('BFL') and syndicate 4321; and
- Lloyd's of London.

The Company relies on BFL to monitor returns for syndicate 4321 to Lloyd's and to provide the annual Lloyd's solvency statement. Engagement with Lloyd's is supported by the Group's Compliance function, and any significant matters are reported to the boards of BFL or Beazley plc.

During 2022, the main activity of the board was oversight of the Company's financial position and monitoring its KPIs, as set out in the Strategic Report, with due regard to its stakeholders. The principal decisions of the board during 2022 included the approval of the Company's 2021 annual report and accounts; and the termination of a credit agreement with its immediate shareholder BFHL, which was for the purpose of providing a source of funds for funds at Lloyd's requirements, and BFHL agreed to provide a capital contribution of £3m (\$3.7m) to the Company instead. When taking these decisions, the board considered its financial position and that it had sufficient capital and liquidity in order to meet its obligations and to ensure the long-term success of the Company for the benefit of its sole member and the Group. The board also had regard to its stakeholders, as set out above, and the desirability of maintaining the Company's and the Group's reputation for high business standards.

Beazley Corporate Member (No.3) Limited

Directors' report

Business review

A review of the Company's activities are included in the strategic report.

Results and dividends

The results of the Company for the year are shown in the profit or loss account on pages 11 to 12. There were no dividends paid during the year (2021: nil).

Donations

No charitable or political donations were made by the Company during the year (2021: nil).

Directors

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

C P Oldridge
S D Rayment
C C J Wong

Directors' shareholdings

No director has any beneficial interest in the shares of the Company. The interests of the directors of the ultimate parent company, Beazley plc, in the share capital of the ultimate parent company are disclosed in that company's accounts. Copies of those accounts can be obtained from the website www.beazley.com.

Disclosure of information to auditor

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

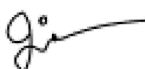
Social, environmental and ethical risks

Social, environmental and ethical risks are managed on a group basis. More information can be obtained on how Beazley group ('the group') manages these risks from the financial statements of the Company's ultimate parent Beazley plc.

Auditor

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

Signed on behalf of the board



C C J Wong
Director

21 April 2023

22 Bishopsgate
London
EC2N 4BQ

Beazley Corporate Member (No.3) Limited

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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



C C J Wong
Director

21 April 2023

Beazley Corporate Member (No.3) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY CORPORATE MEMBER (NO.3) LIMITED

Opinion

We have audited the financial statements of Beazley Corporate Member (No.3) Limited for the year ended 31 December 2022 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Beazley Corporate Member (No.3) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY CORPORATE MEMBER (NO.3) LIMITED (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Beazley Corporate Member (No.3) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY CORPORATE MEMBER (NO.3) LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law, tax legislation and the financial reporting framework. Our considerations of other laws that may have a material effect on the financial statements included permissions and supervisory requirements of the Companies Act 2006.
- We understood how Beazley Corporate Member (No.3) Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies, reviewed minutes of the Board meetings and gained an understanding of the company's approach to governance demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.

Beazley Corporate Member (No.3) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY CORPORATE MEMBER (NO.3) LIMITED (continued)


- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the company's methods of enforcing and monitoring compliance with such policies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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

Beazley Corporate Member (No.3) Limited

Profit or loss account

Technical account – general business

For the year ended 31 December 2022

| | Note | 2022 | 2021 |
|---|------|----------------|--------------|
| | | \$'000 | \$'000 |
| Gross premiums written | 3 | 1,054.1 | - |
| Change in the gross provision for unearned premiums | 14 | (567.3) | - |
| Earned premiums | 3 | 486.8 | - |
| Allocated investment (loss)/return transferred from the non-technical account | 6 | (90.0) | 1.2 |
| Gross claims paid | | (1.6) | - |
| Change in the gross provision for claims | 14 | (457.9) | - |
| Claims incurred | 3 | (459.5) | - |
| Net operating expenses | 4 | (384.2) | (0.7) |
| Balance on the technical account | | (446.9) | 0.5 |

The accounting policies and notes on pages 15 to 33 form part of these financial statements.

Beazley Corporate Member (No.3) Limited

Profit or loss account

Non - technical account

For the year ended 31 December 2022

| | Note | 2022 | 2021 |
|--|------|----------------|---------------|
| | | \$'000 | \$'000 |
| Balance on technical account for general business | | (446.9) | 0.5 |
| Investment (loss)/income | 6 | (90.0) | 1.2 |
| Allocated investment return/(loss) transferred to the general business technical account | | 90.0 | (1.2) |
| Loss on foreign exchange | | (14.4) | (39.9) |
| Loss on ordinary activities before taxation | | (461.3) | (39.4) |
| Taxation on loss on ordinary activities | 7 | 106.6 | (8.1) |
| Loss for the financial year | | (354.7) | (47.5) |

Beazley Corporate Member (No.3) Limited

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

| | Share capital | Capital contribution received | Profit or loss account | Total |
|------------------------------------|------------------|-------------------------------------|------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2021 | - | - | 235.9 | 235.9 |
| Loss for financial period | - | - | (47.5) | (47.5) |
| Balance at 31 December 2021 | - | - | 188.4 | 188.4 |
| Loss for financial period | - | - | (354.7) | (354.7) |
| Capital contribution received | - | 3,680.1 | - | 3,680.1 |
| Balance at 31 December 2022 | - | 3,680.1 | (166.3) | 3,513.8 |

The Company's operating activities all relate to continuing operations. The Company has no recognised gains and losses other than those passing through the profit or loss account.

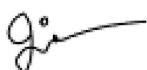
The accounting policies and notes on pages 15 to 33 form part of these financial statements.

Beazley Corporate Member (No.3) Limited

Balance sheet At 31 December 2022

| | Note | 2022 \$'000 | 2021 \$'000 |
|--|------|----------------|----------------|
| Assets | | | |
| Investments | | | |
| Financial assets at fair value | 15 | 108.9 | - |
| Debtors | | | |
| Debtors arising out of direct insurance operations | | 81.4 | - |
| Debtors arising out of reinsurance operations | | 1.7 | - |
| Other debtors | 8 | 893.1 | 29.7 |
| Other assets | | | |
| | | 27.2 | - |
| Cash at bank and in hand | 11 | 3,719.7 | 3,487.1 |
| Deferred tax asset | 10 | 78.9 | - |
| Deferred acquisition costs | 13 | 64.2 | - |
| Total assets | | 4,975.1 | 3,516.8 |
| Liabilities, capital and reserves | | | |
| Capital and reserves | | | |
| Called-up share capital | 12 | - | - |
| Capital contribution received | | 3,680.1 | - |
| Profit or loss account | | (166.3) | 188.4 |
| Shareholder's funds | | 3,513.8 | 188.4 |
| Technical provisions | | | |
| Provision for unearned premiums | 14 | 563.5 | - |
| Claims outstanding | 14 | 455.6 | - |
| | | 1,019.1 | - |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 0.1 | - |
| Other creditors | | 313.8 | 3,328.4 |
| Accruals and deferred income | | 128.3 | - |
| Total liabilities, capital and reserves | | 4,975.1 | 3,516.8 |

Signed on behalf of the board of directors by:



C C J Wong
Director
Company registered number: 09229671

The financial statements were approved by the board of directors on 21 April 2023.
The accounting policies and notes on pages 15 to 33 form part of these financial statements.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements

1. Accounting policies

Statement of compliance and basis of preparation

The Company is a limited liability company incorporated in England under the Companies Act. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on page 3.

The financial statements of Beazley Corporate Member (No.3) Limited were authorised for issue by the board of directors on 18 April 2023. The financial statements have been prepared in accordance with Financial Reporting Standard 102, "the Financial Reporting Standard applicable in the UK (FRS 102)" and FRS 103 "the Financial Reporting Standard applicable for Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice), as it applies to the financial statements of the company for the year ended 31 December 2022 and in accordance with the provisions of the Large and Medium- sized Companies and Group (Accounts and Reports) Regulations. The financial statements are presented in US dollars, being the functional currency of the company, and in thousands unless otherwise stated.

Exemptions for qualifying entities under FRS 102

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

- i. from preparing a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- ii. from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the group's consolidated financial statements, includes the company's cash flows;
- iii. from disclosing the Company key management personnel compensation, as required by FRS 102; and
- iv. from disclosing transactions entered into between related parties within a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going Concern

The financial statements of the Company have been prepared on a going concern basis. In assessing the Company's going concern position as at 31 December 2022, the directors have considered a number of factors, including the current statement of financial position, the Company's strategic plan, taking account of possible changes in trading performance. The assessment concluded that, for the foreseeable future, the Company has sufficient capital and liquidity for twelve months from the date the financial statements are authorised for issue. Furthermore, the Company is in receipt of a letter of support from BFHL, an intermediate holding company in the Beazley group. As a result of the assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Basis of accounting for underwriting activities

The Company underwrote as a corporate member of Lloyd's on the 2022 year of account of syndicate 4321. Underwriting transactions are undertaken within premium trust funds applicable to the syndicate and profits arising from underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, after satisfying Lloyd's solvency requirements for all years of account open at the time of the release.

The accounting information in respect of syndicate 4321 has been provided by BFL to Lloyd's and has been audited by syndicate 4321's auditor.

The underwriting results are determined on an annual basis. Results reported on an annual basis recognise profits as they are earned instead of at the closure of a particular year of account, normally after three years.

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, and geo-political events such as the Russia-Ukraine conflict.

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.

(a) Valuation of insurance contract liabilities

The most critical estimate included within the company's balance sheet is the estimate for insurance losses incurred but not reported ('IBNR'), which is included within total technical provisions in the balance sheet and note 14. 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. The total estimate as at 31 December 2022 included within claims outstanding is \$307.5k.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

(b) Premium estimates

Premium written is initially based on the estimated premium income ('EPI') of each contract. 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.

Significant accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums

Gross premiums written comprise premiums on contracts incepted during 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 written premiums are stated before the deduction of brokerage, taxes, duties levied on premiums and other deductions.

(b) Unearned premiums

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

(c) Claims incurred

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for claims outstanding, claims incurred but not reported ('IBNR') and future claims handling provisions. The provision for claims outstanding comprises amounts set aside for claims advised and IBNR.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques which are reviewed quarterly by the group actuary and annually by the independent company 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, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the managing agent. The managing agent takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

(d) Liability adequacy testing

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

Any deficiency is immediately charged to the profit or loss account and subsequently by establishing an unexpired risk provision for losses arising from liability adequacy tests.

(e) Acquisition costs

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

(f) Foreign currencies

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place and where the company considers these to be a reasonable approximation of the transaction rate. 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 profit or loss account. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction.

(g) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

(h) Financial instruments

Financial instruments are recognised in the balance sheet at such time that the company becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the company commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised if the company's obligations specified in the contract expire, are discharged or cancelled.

Financial assets

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

Financial assets at fair value through profit or loss

All financial assets are designated as fair value through 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 company's key management. The company's investment strategy is to invest and evaluate performance with reference to their fair values.

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.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised in the income statement 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 comprehensive income. 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.

(i) Insurance debtors and creditors

Insurance debtors and creditors include amounts due to and from agents, brokers and insurance contract holders. These are classified as debt instruments as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance debtors are measured at amortised cost less any provision for impairments. Insurance creditors are stated at amortised cost. The company does not have any debtors directly with policyholders, all transactions occur via an intermediary.

(j) Other debtors

Other debtors principally consist of intercompany debtor balances and sundry debtors and are carried at amortised cost less any impairment losses.

(k) Other creditors

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

(l) Impairment of financial assets

Assessment is made at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets 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 or group of financial assets that can be reliably estimated.

If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the assets 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 profit or loss.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

(m) Cash and cash equivalents

This consists of cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition. Cash at bank and in hand balances are classified as loans and receivables and carried at amortised cost less any impairment losses.

(n) Taxation

The Company is taxed on its results including its share of underwriting results declared by syndicate 4321 and these are deemed to accrue evenly over the calendar year in which they are declared. Syndicate 4321's results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicate at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements syndicate 4321's taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the Inland Revenue. Any adjustments that may be necessary to the tax provisions established by the company, as a result of HM Revenue & Customs agreement of syndicate 4321's results, will be reflected in the financial statements of subsequent years.

(o) Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(p) Other assets

Other assets consist of group tax relief receivables carried at amortised cost.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management

The Company, through syndicate 4321, has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below outline the company's risk appetite and explain how it defines and manages each category of risk.

2.1 Insurance risk

The Company, through syndicate 4321, assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. 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 Company, through syndicate 4321:

- 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.

b. Claims management risk

Claims management risk may arise within the company, through syndicate 4321, 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 company's claims teams, through syndicate 4321, 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' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

c. Reserving and ultimate reserves risk

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

To manage reserving and ultimate reserves risk, our actuarial team, through syndicate 4321, uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the managing agent, BFL.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management (continued)

The objective of the company's reserving policy, through syndicate 4321, is to produce accurate and reliable estimates that are consistent over time and across classes of business. The estimates of gross premiums written and claims prepared by the actuarial department are used through a formal quarterly peer review process to independently test the integrity of the estimates produced by the underwriting teams for each class of business. These meetings are attended by senior management, senior underwriters, actuarial, claims, and finance representatives.

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

| Sensitivity to insurance risk (claims reserves) | 5% increase in net claims reserves | 5% decrease in net claims reserves |
|--|---------------------------------------|---------------------------------------|
| | 2022 \$'000 | 2022 \$'000 |
| Impact to profit and equity | (22.8) | 22.8 |

The Company, through syndicate 4321 also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums.

Concentration of insurance risk

| | 2022 % |
|---------------------|------------|
| US | 49 |
| Europe ¹ | 8 |
| Other ² | 43 |
| Total | 100 |

¹Europe includes UK. ²Other includes Canada and Far East.

2.2 Market risk

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

Foreign exchange risk

The functional currency of the Company is US dollars and the presentation currency in which the Company reports its results is US dollars. The effect of this on foreign exchange risk is that the Company, through syndicate 4321, is exposed to fluctuations in exchange rates for non-dollar denominated transactions and net assets.

The Company deals in four main currencies: US dollars, sterling, Canadian dollars and euros. Transactions in all currencies are converted to US dollars on initial recognition and revalued at the reporting date. Remaining foreign exchange risk is actively managed as described below.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management (continued)

The syndicate's assets are broadly matched by currency to the principal underlying settlement currencies of its insurance liabilities. This helps mitigate the risk that future movements in exchange rates would materially impact the syndicate's assets required to cover its insurance liabilities.

The following table summarises the carrying value of total assets and total liabilities categorised by currency:

| 31 December 2022 | UK £ \$'000 | CAD \$ \$'000 | EUR € \$'000 | Subtotal \$'000 | US \$ \$'000 | Total \$'000 |
|-------------------------|------------------------|--------------------------|-------------------------|----------------------------|-------------------------|-------------------------|
| Total assets | 4,175.5 | 30.3 | 63.2 | 4,269.0 | 706.1 | 4,975.1 |
| Total liabilities | (671.6) | (29.2) | (58.5) | (759.3) | (702.0) | (1,461.3) |
| Net assets | 3,503.9 | 1.1 | 4.7 | 3,509.7 | 4.1 | 3,513.8 |

Fluctuations in the syndicate's trading currencies against the US dollar would result in a change to profit and net asset value. The table below gives an indication of the impact on profit and net assets of a percentage change in relative strength of US dollar against the value of sterling, Canadian dollar and euro, simultaneously. The analysis is based on the current information available and an assumption that the impact of foreign exchange on non-monetary items will be nil.

| Change in exchange rate of UK sterling, Canadian dollar and euro relative to US dollar | Impact on profit after tax for the year ended \$m | Impact on net assets \$m |
|---|--|---|
| | 2022 | 2022 |
| Dollar weakens 30% against other currencies | 0.8 | 0.8 |
| Dollar weakens 20% against other currencies | 0.6 | 0.6 |
| Dollar weakens 10% against other currencies | 0.3 | 0.3 |
| Dollar strengthens 10% against other currencies | (0.3) | (0.3) |
| Dollar strengthens 20% against other currencies | (0.6) | (0.6) |
| Dollar strengthens 30% against other currencies | (0.8) | (0.8) |

Interest rate risk

Some of the Company's financial instruments, including financial investments, cash and borrowings, are exposed to movements in market interest rates.

The Company, through syndicate 4321, manages interest rate risk by primarily investing in short duration financial investments and cash and cash equivalents. The investment committee monitors the duration of these assets on a regular basis.

| Duration | <1 yr \$'000 | 1-2 yrs \$'000 | 2-3 yrs \$'000 | 3-4 yrs \$'000 | 4-5 yrs \$'000 | 5-10 yrs \$'000 | Total \$'000 |
|---|----------------------------|-------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|-------------------------|
| Fixed and floating rate debt securities | 108.9 | - | - | - | - | - | 108.9 |
| Cash at bank and in hand | 3,719.7 | - | - | - | - | - | 3,719.7 |
| Total | 3,828.6 | - | - | - | - | - | 3,828.6 |

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management (continued)

Price risk

Financial assets and derivatives that are recognized on the balance sheet at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk.

Financial assets include fixed and floating debt securities. The fixed income securities are well diversified across high quality, liquid securities. The price risk associated with these securities is predominantly interest, foreign exchange and credit risk related. The investment committee has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or company.

Listed investments are recognised on the balance sheet at quoted bid price. If the market for the investment is not considered to be active, then the company establishes fair value using valuation techniques. This includes using recent arm's length transaction, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

2.3 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the company, through syndicate 4321, are:

- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the group; and
- investments – whereby issuer default results in the group losing all or part of the value of a financial instrument and derivative financial instrument.

The Company's core business, through syndicate 4321, is to accept significant insurance risk and the appetite for other risks is low. This protects the company's capital from erosion so that it can meet its insurance liabilities.

The Company, through syndicate 4321, limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers, and broker performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the company's credit control function, through syndicate 4321's managing agent, frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced, incentives are in place to support these priorities.

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 |

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management (continued)

The following table summarises the Company's concentrations of credit risk:

| 31 December 2022 | Tier 1 \$'000 | Tier 2 \$'000 | Unrated \$'000 | Total \$'000 |
|---|--------------------------|--------------------------|---------------------------|-------------------------|
| Financial assets at fair value | | | | |
| - Fixed and floating rate debt securities | 68.8 | - | 40.1 | 108.9 |
| Cash at bank and in hand | 3,719.7 | - | - | 3,719.7 |
| | 3,788.5 | - | 40.1 | 3,828.6 |

Based on all evidence available, debtors arising out of insurance operations and other debtors have not been impaired and no impairment provision has been recognised in respect of these assets.

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, some debtors are classified as unrated in accordance with Lloyd's guidelines.

2.4 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The company, through syndicate 4321, is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of the cases, these claims are settled from the premiums received.

The Company's approach through syndicate 4321 is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the syndicate maintains sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

The following is an analysis shows the estimated timing of the net cash flows based on the net claims liabilities balance held at 31 December of each year:

| | Within 1 year \$'000 | 1-3 years \$'000 | 3-5 years \$'000 | Greater than 5 years \$'000 | Total \$'000 |
|---|-------------------------------------|---------------------------------|---------------------------------|--|-------------------------|
| Net insurance liabilities at 31 December 2022 | 115.8 | 184.3 | 98.7 | 56.8 | 455.6 |

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

2. Risk management (continued)

The following table summarises the carrying amount at reporting date of financial instruments analysed by maturity date.

Maturity

31 December 2022

| | <1 yr \$m | 1-2 yrs \$m | 2-3 yrs \$m | 3-4 yrs \$m | 4-5 yrs \$m | 5-10 yrs \$m | Total \$m |
|--|----------------|-------------------|----------------|----------------|----------------|-----------------|----------------|
| Fixed and floating rate debt securities | 108.9 | - | - | - | - | - | 108.9 |
| Cash at bank and in hand | 3,719.7 | - | - | - | - | - | 3,719.7 |
| Other debtors | 893.1 | - | - | - | - | - | 893.1 |
| Other creditors | (313.8) | - | - | - | - | - | (313.8) |
| Total | 4,407.9 | - | - | - | - | - | 4,407.9 |

2.5 Capital Management

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) and/or as the member's share of the Solvency II members' balances on each syndicate on which it participates.

The Funds at Lloyd's requirement for 2023 was set at \$4.2m (2022: \$3.1m). These funds support the underwriting of syndicate 4321. The funding requirements were met through restricted cash deposits and are held on the balance sheet.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

3. Analysis of underwriting result

An analysis of the underwriting result before investment return is set out below:

| 2022 | Gross premiums written | Gross premiums earned | Gross claims incurred | Gross operating expenses | Underwriting result |
|-----------------------------------|------------------------|-----------------------|-----------------------|--------------------------|---------------------|
| Third party liability | 747.7 | 334.2 | (249.3) | (224.3) | (139.4) |
| Fire and other damage to property | 267.5 | 128.1 | (194.1) | (76.3) | (142.3) |
| Marine aviation and transport | 38.9 | 24.5 | (16.1) | (83.6) | (75.2) |
| Total | 1,054.1 | 486.8 | (459.5) | (384.2) | (356.9) |

All business was concluded in the UK.

4. Net operating expenses

| | Year to 31 December 2022 \$'000 | Year to 31 December 2021 \$'000 |
|-------------------------------|--|--|
| Acquisition costs | 80.8 | - |
| Other administrative expenses | 303.4 | 0.7 |
| | <u>384.2</u> | <u>0.7</u> |

Other administrative expenses include amounts payable to the Company's auditor in relation to the audit of these financial statements of \$9.3k. Other than this audit fee, no other fee was paid to the Company's auditor. The audit fee in 2021 was \$9.6k and was borne by Beazley Management Limited.

All staff are employed by Beazley Management Limited.

5. Directors and employees

None of the directors of the Company, or the employees of the group, received any remuneration in respect of services rendered to the Company. Details of the remuneration paid to the group's directors and employees for their services to the group are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at www.beazley.com.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

6. Net investment (loss)/income

| | Year to 31 December 2022 \$'000 | Year to 31 December 2021 \$'000 |
|-----------------------------|--|--|
| Investment income and gains | 29.4 | 1.2 |
| Investment expenses | (119.4) | - |
| | <u>(90.0)</u> | <u>1.2</u> |

7. Taxation

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Current tax: | | |
| UK corporation tax charge at 19.0% (2021: 19.0%) | (27.7) | 71.0 |
| | <u>(27.7)</u> | <u>71.0</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (78.9) | (62.9) |
| Taxation charge for the year | <u>(106.6)</u> | <u>8.1</u> |

Factors affecting the tax charge for the current year

The tax charge for the current year is higher than (2021: equal to) the standard rate of corporation tax in the UK of 19.0% due to the differences explained below.

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| <i>Corporation tax reconciliation</i> | | |
| Loss on ordinary activities before taxation | (461.3) | (39.4) |
| Tax calculated at 19.0% (2021: 19.0%) | (87.7) | (7.5) |
| <i>Effects of:</i> | | |
| Permanent differences | - | 15.6 |
| Measurement of deferred tax: change in the UK tax rate | (18.9) | - |
| Tax charge for the year | <u>(106.6)</u> | <u>8.1</u> |

The results of the Company's participation on the 2022 year of account are assessed for tax as part of the tax returns filed for the year ended 31 December 2025.

The Finance Act 2021, which provides for an increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 received Royal Assent on 10 June 2021. This tax rate change to 25% will increase the Company's future current tax charge.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

8. Other debtors

| | 2022 \$'000 | 2021 \$'000 |
|--|------------------------------|------------------------------|
| Amounts due from other group companies | 887.6 | - |
| Other | 5.5 | 29.7 |
| | <u>893.1</u> | <u>29.7</u> |

All amounts are due within one year.

9. Other creditors

| | 2022 \$'000 | 2021 \$'000 |
|--------------------------------------|------------------------------|------------------------------|
| Amounts due to other group companies | 313.8 | 3,260.2 |
| Taxation creditors | - | 68.2 |
| | <u>313.8</u> | <u>3,328.4</u> |

All amounts are due within one year.

10. Deferred Tax

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------|------------------------------|------------------------------|
| Opening balance | - | (62.9) |
| Movements during the year | 78.9 | 62.9 |
| Closing balance | <u>78.9</u> | <u>-</u> |

Deferred tax provided in the accounts are:

| | | |
|-------------------------------|-------------|----------|
| Deferred underwriting results | <u>78.9</u> | <u>-</u> |
|-------------------------------|-------------|----------|

There are no unused tax losses or unused tax credits.

11. Cash and cash equivalents

| | 2022 \$'000 | 2021 \$'000 |
|---------------------------|------------------------------|------------------------------|
| Cash and cash equivalents | 3,719.7 | 3,487.1 |
| Short-term deposits | 68.8 | - |
| | <u>3,788.5</u> | <u>3,487.1</u> |

Included within cash and cash equivalents is Fund's at Lloyd's of \$3.0m (2021: \$3.2m). This can be replaced at any time with the restriction that it is replaced with assets of an equivalent amount.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

12. Called-up share capital

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Authorised: 1 ordinary shares of £1 each | - | - |
| Allotted, issued and fully paid ordinary shares of £1 | - | - |

13. Deferred acquisition costs

| | 2022 \$'000 |
|--------------------------------|----------------|
| At 1 January 2022 | - |
| Change in deferred commission | 57.7 |
| Change in other deferred costs | 6.8 |
| Exchange adjustments | (0.3) |
| Balance at 31 December | 64.2 |

There were no deferred acquisition costs throughout 2021.

14. Technical provisions

| | Provision for unearned premiums \$'000 | Claims outstanding \$'000 |
|-----------------------------------|--|---------------------------------|
| Gross technical provisions | | |
| At 1 January 2022 | - | - |
| Movement in provision | 567.3 | 457.9 |
| Exchange adjustments | (3.8) | (2.3) |
| At 31 December 2022 | 563.5 | 455.6 |

There are no comparative amounts for 2021 as syndicate 4321 was only formed for the 2022 underwriting year.

Gross claims development

The gross claims development table for the 2022 underwriting year is presented below:

| Year Of Account | 2022 % |
|-----------------|-----------|
| 12 months | 66.0 |
| 24 months | - |
| 36 months | - |

| | 2022 \$'000 |
|---|----------------|
| Gross claims liabilities of syndicate 4321 | 4,556.4 |
| Less share not attributable to Beazley Corporate Member (No.3) | 4,100.8 |
| Gross claims liabilities | 455.6 |

Net claims development is the same as gross claims development.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

15. Financial assets and liabilities

| | Market value | Cost |
|--|---------------------|---------------|
| | 2022 | 2022 |
| | \$'000 | \$'000 |
| Financial assets at fair value | | |
| Fixed and floating rate debt securities: | | |
| -Government issued | 31.3 | 12.7 |
| -Corporate bonds | - | - |
| -Investment grade | 77.6 | 3.5 |
| Total debt securities and syndicate loans to Lloyd's central fund | 108.9 | 16.2 |
| Total financial assets at fair value through profit or loss | 108.9 | 16.2 |
| Total financial assets at fair value | 108.9 | 16.2 |

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.

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, exchange rates). Level 2 inputs include:

- Quoted prices 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.

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 non-active markets, 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 2. The company, through Syndicate 4321 uses prices and inputs that are current as of the measurement date for valuation of these instruments.

Beazley Corporate Member (No.3) Limited

Notes to the financial statements (continued)

15. Financial assets and liabilities (continued)

Valuation approach

The table below shows the fair values of financial instruments at 31 December 2022, including their levels in the fair value hierarchy:

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Financial assets at fair value | | | | |
| Fixed and floating rate debt securities: | | | | |
| -Government issued | 31.3 | - | - | 31.3 |
| -Corporate bonds | - | - | - | - |
| -Investment grade credit | 77.6 | - | - | 77.6 |
| Total financial assets at fair value | 108.9 | - | - | 108.9 |

1 The investment portfolio above contains \$68.8k of short-term deposits separately disclosed in the cash and cash equivalents note (note 11).

No comparative information has been disclosed as the company did not hold any financial assets at fair value in the prior period.

The above qualitative and quantitative disclosure along with the risk management discussions in note 2 enables more accurate evaluation of the Company's exposure to risk arising from syndicate 4321's financial instruments.

16. Related parties

There were no related party transactions in the year which the Company is required to disclose (2021: nil).

17. Ultimate controlling company

The Company's ultimate controlling company is Beazley plc, which is incorporated in the UK. The immediate controlling company is BFHL, which is incorporated in the UK.

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

The consolidated financial statements of the ultimate controlling company, Beazley plc, can be obtained from the website www.beazley.com.

18. Subsequent events

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