

Company No 04909196

BEAZLEY STAFF UNDERWRITING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Beazley Staff Underwriting 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
EC3A 6DQ

Registered office

22 Bishopsgate
London
EC2N 4BQ

Registered number

04909196

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
Winchester House,
1 Great Winchester Street
London
EC2N 4DB

Beazley Staff Underwriting Limited

Strategic Report

The directors present their Strategic Report for Beazley Staff Underwriting Limited ('the Company') that accompanies the audited financial statements for the year ended 31 December 2022.

Business review and principal activity

The principal activity of the Company is to participate in syndicate 623 on a limited liability basis. The Company trades at Lloyd's on the 2020 to 2022 underwriting years of account with the following percentage participations: 2020: 8.97%, 2021: 8.95%, and 2022: 8.95%. The Company thus has a share of the business written by syndicate 623, which writes professional indemnity, cyber liability, property, marine, reinsurance, accident and life, political risks and contingency business.

One of the Company's key aims is to contribute to Beazley's strategic initiative in relation to attracting and retaining top talent across the Beazley group ('the group'). In this regard, the group's incentive arrangements for directors and key decision makers allow certain individuals to defer bonuses and to participate, through the Company, in the underwriting profits (or losses) arising in syndicate 623. The profits or losses generated by the Company are allocated to the group directors and staff that participate in the scheme in proportion to the bonuses they have agreed to defer. All transactions with the group directors and staff are conducted on an 'arm's length' basis.

From 1 January 2023, the Company is trading on the 2023 underwriting year of syndicate 623 with a 9.04% participation.

Going concern

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

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

Due to the nature of the Company's activities, Beazley Furlonge Holdings Limited ('BFHL'), the immediate parent company, has provided the Company with a letter of support to cover a twelve month period from the date the financial statements are authorised for issue.

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company are aligned with those of its ultimate parent, Beazley plc ('the group'). The principal risks and uncertainties of the group, which include those of the Company, are discussed in Beazley plc's annual report which does not form part of this report. Risk management, as it relates to the affairs of the Company, is set out in note 2 to the financial statements.

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

Key performance indicators ('KPIs')

The Company's directors are of the opinion that the income, claims and expenses by division are the main KPIs to be used for an understanding of the development, performance and position of the Company's business.

Beazley Staff Underwriting Limited

Strategic Report (continued)

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 syndicate 623 on the 2020 to 2022 underwriting years of account. The managing agent of syndicate 623 is Beazley Furlonge Limited, a subsidiary within the Group. The board continues to identify that its key stakeholders are:

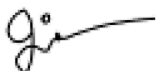
- Beazley Furlonge Limited and syndicate 623
- It's immediate shareholder, Beazley Furlonge Holdings Limited ('BFHL')
- Staff participating on syndicate 623
- Regulators and Lloyd's of London

The Company relies on Beazley Furlonge Limited to monitor returns for syndicate 623 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 Beazley Furlonge Limited or Beazley plc. The Company also relies on the Group to have oversight of engagement with its workforce and of the Group's overall people strategy, including retention of talent. The Group's Culture and People team oversee the Beazley Staff Underwriting Participation Plan, and the Company liaises as necessary to ensure profits and losses of a particular year of account are correctly reflected and distributed to staff who have participated.

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 board has regard to ensuring the Company can continue to contribute to the Group's overall strategy and to its strategies for retaining talented people. The principal decisions of the board during 2022 included the approval of the Company's 2021 annual report and accounts and termination of a credit agreement with its immediate shareholder, BFHL. The credit agreement was for the purpose of providing a source of funds for Fund's at Lloyd's requirements with BFHL agreeing to provide a capital contribution of £30.0m (\$36.8m) 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.

Information on the Group's overall approach to environmental and societal matters is included in the 2022 annual report of Beazley plc.

Signed on behalf of the board



C C J Wong
Director

3 May 2023

22 Bishopsgate
London
EC2N 4AJ

Beazley Staff Underwriting Limited

Directors' Report

Business review

A review of the Company's activities is included in the Strategic Report.

Future developments

The future developments of the Company are disclosed within the Strategic Report.

Results and dividends

The results of the Company for the year are shown in the profit or loss account on page 10. No dividends were paid or recommended during the year 2022 (2021: nil).

Donations

No charitable or political donations were made by the Company in either the current or prior year.

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 in the share capital of the ultimate parent undertaking, Beazley plc, are disclosed in that company's accounts. Copies of those accounts can be obtained from the website www.beazley.com.

Disclosure of information to the 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.

Risk management

For more information on the Company's financial risk management objectives, policies and exposure to price risk, credit risk, liquidity risk and cash flow risk, please refer to note 2.

Social, environmental and ethical risks

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

Beazley Staff Underwriting Limited

Directors' Report (continued)

Auditor

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

Signed on behalf of the board



C C J Wong
Director

3 May 2023

22 Bishopsgate
London
EC2N 4AJ

Beazley Staff Underwriting Limited

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

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

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

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

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



C C J Wong
Director

3 May 2023

Beazley Staff Underwriting Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY STAFF UNDERWRITING LIMITED

Opinion

We have audited the financial statements of Beazley Staff Underwriting Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 19, 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" 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.

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.

Beazley Staff Underwriting Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY STAFF UNDERWRITING LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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.

Beazley Staff Underwriting Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY STAFF UNDERWRITING LIMITED (continued)

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

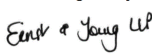
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the relevant laws and regulations related to elements of company law, tax legislation and the financial reporting framework. Our considerations to other laws that may have a material effect on the financial statements included permissions and supervisory requirements of the Companies Act 2006.
- We understood how Beazley Staff Underwriting Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for the legal and compliance matters. We also reviewed minutes of the Board and attended the Audit and Risk Committees and gained an understanding of the Company's approach to governance demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Additionally, we tested year-end adjustments i.e. early close topside adjustments and manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify 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 and regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and 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
3 May 2023*

Beazley Staff Underwriting Limited

Profit or loss account For the year ended 31 December 2022

Technical account – general business

	Note	2022	2021
		\$m	\$m
Gross premiums written	3	77.8	68.1
Outward reinsurance premiums		(17.4)	(15.4)
Net premiums written		60.4	52.7
Change in the gross provision for unearned premiums		(4.4)	(7.9)
Change in the provision for unearned premiums, reinsurers' share		2.5	2.4
Change in the net provision for unearned premiums		(1.9)	(5.5)
Earned premiums, net of reinsurance		58.5	47.2
Allocated investment return transferred from the non-technical account		(3.0)	(0.5)
Gross claims paid		(30.0)	(27.2)
Reinsurers' share of claims paid		5.4	6.3
Claim's paid net of reinsurance		(24.6)	(20.9)
Change in the gross provision for claims	14	(19.2)	(12.3)
Change in the provision for claims, reinsurers' share	14	10.4	6.4
Change in the net provision for claims		(8.8)	(5.9)
Claims incurred, net of reinsurance		(33.4)	(26.8)
Net operating expenses	3,4	(23.0)	(21.3)
Balance on the technical account		(0.9)	(1.4)
Investment income		1.2	0.7
Investment expenses and charges		(1.3)	(1.5)
Realised (loss)/gain on investments		(0.1)	0.9
Unrealised loss on investments		(2.8)	(0.6)
Net investment return		(3.0)	(0.5)
Allocated investment return transferred to general business technical account		3.0	0.5
Loss on foreign exchange		(0.1)	-
Result from ordinary activities before taxation		(1.0)	(1.4)
Taxation credit/(charge) on loss on ordinary activities		0.9	(0.3)
Loss for the financial year		(0.1)	(1.7)

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

There were no recognised gains or losses during the year other than those passing through the profit or loss account. Therefore, no statement of other comprehensive income has been prepared.

The accounting policies and notes on pages 14 to 42 form part of these financial statements.

Beazley Staff Underwriting Limited

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

	Share capital \$m	Foreign exchange reserve \$m	Capital contribution reserve \$m	Retained earnings \$m	Total \$m
Balance as at 1 January 2021	-	(0.3)	-	0.4	0.1
Loss for the financial year	-	-	-	(1.7)	(1.7)
Balance at 31 December 2021	-	(0.3)	-	(1.3)	(1.6)
Balance as at 1 January 2022	-	(0.3)	-	(1.3)	(1.6)
Loss for the financial year	-	-	-	(0.1)	(0.1)
Capital contribution	-	-	36.8	-	36.8
Balance at 31 December 2022	-	(0.3)	36.8	(1.4)	35.1

The Company has no recognised gains and losses other than recognised in the profit or loss account. The Company's foreign exchange reserve relates primarily to the change in functional currency from sterling to US dollars in 2010. The Company's operating activities all relate to continuing operations and accordingly no separate statement of other comprehensive income is given.

Beazley Staff Underwriting Limited

Balance sheet - Assets As at 31 December 2022


	Note	2022 \$m	2021 \$m
Assets			
Investments			
Financial assets at fair value	8	86.8	74.7
Deposits with ceding undertakings		0.1	0.6
		86.9	75.3
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	9.3	6.8
Claims outstanding	14	36.7	26.7
		46.0	33.5
Debtors			
Arising out of direct insurance operations		26.7	25.8
Arising out of reinsurance operations		7.7	7.1
Other debtors	10	22.8	5.1
		57.2	38.0
Cash at bank and in hand	12	35.2	34.6
Deferred acquisition costs	16	8.7	7.8
Other prepayments and accrued income		0.7	0.4
Total assets		234.7	189.6

Beazley Staff Underwriting Limited

Balance sheet – Capital and reserves, and liabilities As at 31 December 2022

	Note	2022 \$m	2021 \$m
Capital and reserves			
Called-up share capital	13	-	-
Foreign exchange reserve		(0.3)	(0.3)
Capital contribution reserve		36.8	-
Retained earnings		(1.4)	(1.3)
Shareholder's funds		35.1	(1.6)
Liabilities			
Gross technical provisions			
Provision for unearned premiums	14	40.2	36.2
Claims outstanding	14	115.8	98.2
		156.0	134.4
Creditors			
Arising out of direct insurance operations		1.0	0.1
Arising out of reinsurance operations		11.7	8.9
Other creditors	11	22.8	41.9
		35.5	50.9
Accruals & Deferred Income		7.9	5.8
Financial liabilities		0.2	0.1
Total equity and liabilities		234.7	189.6

Signed on behalf of the board of directors by:



C C J Wong
Director
Company number – 04909196

The financial statements were approved by the board of directors on 3 May 2023.

The accounting policies and notes on pages 14 to 42 form part of these financial statements.

Beazley Staff Underwriting Limited

Notes to the financial statements

1. Accounting policies

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

Basis of accounting

The Company is a limited liability company incorporated in England under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The financial statements of Beazley Staff Underwriting Ltd were authorised for issue by the board of directors on 3 May 2023. The financial statements have been prepared in accordance with Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) 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 millions 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.

Basis of accounting for underwriting activities

The Company underwrites as a corporate member of Lloyd's of London on syndicate 623. 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 623 has been provided by Beazley Furlonge Limited to Lloyd's and has been audited by syndicate 623'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.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Going concern

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

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

Due to the nature of the Company's activities, BFHL, the immediate parent company, has provided the Company with a letter of support to cover a twelve month period from the date the report and accounts for the year ended 31 December 2022 were authorised for issue.

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

Use of estimates and judgements

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

(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 and reinsurers' share of 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 on the balance sheet is \$86.5m (2021: \$71.1m).

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Use of estimates and judgements (continued)

(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 is described in note 8 (financial assets at fair value) and note 9 (derivative financial instruments).

(c) Premium estimates

Premium written is initially based on the estimated premium income ('EPI') of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder 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 cover holders, changes in market conditions, historic experience and to reflect actual cash received for a contract.

Due to the nature of 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 debtors relating to years of account that are more than three years developed at 31 December 2022 is \$0.5m (2021: \$0.2m).

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 (gross of reinsurance) represents the part of the gross premiums written that is estimated to 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.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Significant accounting policies (continued)

(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 outstanding claims, claims incurred but not reported ('IBNR') and future claims handling provisions. The provision for outstanding claims 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, 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.

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 statement of comprehensive income and subsequently by establishing a unexpired risk reserve 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 statement of comprehensive income. 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 the original cost of the investment. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, and the valuation at the previous period end or purchase value during the period. 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.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Significant accounting policies (continued)

(h) Ceded reinsurance

Ceded reinsurance can be split into two categories: Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on contracts issued by the Company; and contracts entered into under which the Company is compensated for losses calculated based on the final declared result subject to excesses and deductibles. Both types of contract meet the definition of an insurance contract.

Any benefits to which the Company is entitled under its 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, 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 due.

(i) 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

Except for derivative financial instruments, 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.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Significant accounting policies (continued)

Financial instruments (continued)

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 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.

Hedge funds, equity funds and illiquid credit assets

The Company participates in a number of hedge funds and related financial instruments for which there are no readily available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of our hedge fund portfolio is calculated by reference to the underlying net asset values ('NAV') of each of the individual funds. Consideration is also given in valuing these funds to any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations. At certain times, the Company will have uncalled unfunded commitments in relation to its illiquid credit assets. These uncalled unfunded commitments are actively monitored by the Company and are disclosed in notes 2.6 and 10 to the financial statements. The additional investment into its illiquid credit asset portfolio is recognised on the date that this funding is provided.

(j) 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.

(k) Other debtors

Other debtors principally consist of amounts due from group companies and sundry debtors and are carried at amortised cost less any impairment losses.

(l) Other creditors

Other creditors principally consist of amounts due to syndicates and group companies and are stated at amortised cost determined on the effective interest rate method.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Significant accounting policies (continued)

(m) 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. 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 balance sheet 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.

(n) 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.

(o) 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.

(p) Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicates in which it participates, and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate 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 the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods

(q) Pension costs

Pension contributions relating to staff who act on behalf of the Company are charged to the Company and included within net operating expenses.

(r) Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of the profit on a year of account basis subject to the operating of a three-year deficit clause. This is charged to the Company as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management

The Company, through syndicate 623, 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 623, 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.

Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the Company, through syndicate 623:

- 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 Company's underwriting strategy, through syndicate 623, is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geography and size.

To manage underwriting exposures, the syndicate 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 absolute maximum line that any one underwriter could commit the managed syndicate to was \$27.0m (2021: \$27.0m). In most cases, maximum lines for classes of business were much lower than this.

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

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

Binding authority contracts

A proportion of the Company's insurance risks, through syndicate 623, are transacted by third parties under delegated underwriting authorities. Each third party is thoroughly vetted by our coverholder approval group before it can bind risks, and is subject to rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

Beazley Staff Underwriting Limited

2. Risk management

2.1 Insurance risk

Reinsurance risk

Reinsurance risk to the Company, through syndicate 623, 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 separately below.

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

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

Claims management risk

Claims management risk may arise within the Company, through syndicate 623, 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 623, 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.

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 623, 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 (Beazley Furlonge Limited).

The objective of the Company's reserving policy, through syndicate 623, 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.

Sensitivity to insurance risk (claims reserves)	5% increase in net claims reserves		5% decrease in net claims reserves	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Impact to profit and equity	(4.0)	(3.6)	4.0	3.6

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.1 Insurance risk (continued)

The Company, through syndicate 623, also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums by class of business.

Concentration of insurance risk

	2022 %	2021 %
US	70	59
Europe ¹	12	16
Other	18	25
Total	100	100

¹ Includes UK

2.2 Strategic risk

This is the risk that the Company's strategy, as part of the Beazley group, is inappropriate or that the Company, through syndicate 623 is unable to implement its strategy. There is no tolerance for any breach of guidance issued by the Beazley plc board, and where events supersede Beazley's strategic plan this is escalated at the earliest opportunity through Beazley's monitoring tools and governance structure.

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

2.3 Market risk

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 623, 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.

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

	UK £ \$m	CAD \$ \$m	EUR € \$m	Subtotal \$m	US \$ \$m	Total \$m
31 December 2022						
Total assets	69.0	9.9	4.5	83.4	151.3	234.7
Total liabilities	(33.8)	(6.4)	(10.7)	(50.9)	(148.7)	(199.6)
Net assets	35.2	3.5	(6.2)	32.5	2.6	35.1
31 December 2021						
Total assets	48.9	8.8	3.6	61.3	128.3	189.6
Total liabilities	(52.5)	(5.5)	(9.5)	(67.5)	(123.7)	(191.2)
Net assets	(3.6)	3.3	(5.9)	(6.2)	4.6	(1.6)

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

Sensitivity analysis

In 2022 the Company, through syndicate 623, managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting net assets which are predominately US dollar denominated. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Company. On a forward-looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

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 presented net of the impact of the exchange rate derivatives in place in syndicate 623.

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	2021	2022	2021
	Dollar weakens 30% against other currencies	7.9	1.4	7.9
Dollar weakens 20% against other currencies	5.3	1.0	5.3	1.0
Dollar weakens 10% against other currencies	2.6	0.5	2.6	0.5
Dollar strengthens 10% against other currencies	(2.6)	(0.5)	(2.6)	(0.5)
Dollar strengthens 20% against other currencies	(5.3)	(1.0)	(5.3)	(1.0)
Dollar strengthens 30% against other currencies	(7.9)	(1.4)	(7.9)	(1.4)

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.3 Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Some of the Company's financial instruments, including financial investments, cash and cash equivalents and borrowings, are exposed to movements in market interest rates.

The Company, through syndicate 623, 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.

The Company, through syndicate 623, also entered into interest rate futures contracts to manage the interest rate risk on fixed income portfolios.

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

Average duration of financial instruments

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	>10 yrs \$m	Total \$m
Fixed and floating rate debt securities	20.9	31.9	14.5	5.2	4.8	-	-	77.3
Syndicate loan	-	0.1	0.5	-	-	-	-	0.6
Cash at bank and in hand	35.2	-	-	-	-	-	-	35.2
Derivative financial instruments	0.4	-	-	-	-	-	-	0.4
Total	56.5	32.0	15.0	5.2	4.8	-	-	113.5

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	>10 yrs \$m	Total \$m
Fixed and floating rate debt securities	21.4	27.8	9.3	5.1	1.9	0.1	-	65.6
Syndicate loan	-	-	0.1	0.5	-	-	-	0.6
Cash at bank and in hand	34.6	-	-	-	-	-	-	34.6
Derivative financial instruments	0.1	-	-	-	-	-	-	0.1
Total	56.1	27.8	9.4	5.6	1.9	0.1	-	100.9

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

Sensitivity analysis

The Company, through syndicate 623, holds financial assets and liabilities that are exposed to interest rate risk. Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and derivative financial instruments. This will affect reported profits and net assets as indicated in the below table:

Shift in yield (basis points)	Impact on profit after income tax for the year		Impact on net assets	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
150 basis point increase	(1.8)	(1.2)	(1.8)	(1.2)
100 basis point increase	(1.2)	(0.8)	(1.2)	(0.8)
50 basis point increase	(0.6)	(0.4)	(0.6)	(0.4)
50 basis point decrease	0.6	0.4	0.6	0.4
100 basis point decrease	1.2	0.8	1.2	0.8
150 basis point decrease	1.8	1.2	1.8	1.2

Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 orderly transactions between market participants, 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.

Change in fair value of hedge funds, equity linked funds and illiquid credit asset	Impact on profit after income tax for the year		Impact on net assets	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m
30% increase in fair value	2.1	2.1	2.1	2.1
20% increase in fair value	1.4	1.4	1.4	1.4
10% increase in fair value	0.7	0.7	0.7	0.7
10% decrease in fair value	(0.7)	(0.7)	(0.7)	(0.7)
20% decrease in fair value	(1.4)	(1.4)	(1.4)	(1.4)
30% decrease in fair value	(2.1)	(2.1)	(2.1)	(2.1)

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.4 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 623, are:

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

The Company's core business, through syndicate 623, 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 623, 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 623'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.

The investment committee has established comprehensive guidelines for the Company's investment managers regarding the type, duration and quality of investments acceptable to the Company, through syndicate 623. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines.

The Company, through syndicate 623's managing agent, has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance security committee, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently.

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

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

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

	Tier 1 \$m	Tier 2 \$m	Unrated \$m	Total \$m
31 December 2022				
Financial assets at fair value				
- Fixed and floating rate debt securities	70.6	6.7	-	77.3
- Equity linked funds	-	-	1.6	1.6
- Syndicate loan to Lloyd's central fund	0.6	-	-	0.6
- Hedge funds	-	-	6.7	6.7
- Illiquid credit assets	-	-	0.3	0.3
- Derivative financial instruments	-	-	0.4	0.4
Reinsurance debtors ¹	1.3	-	-	1.3
Reinsurers' share of outstanding claims	36.5	-	0.2	36.7
Cash at bank and in hand	35.2	-	-	35.2
	144.2	6.7	9.2	160.1

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.4 Credit risk (continued)

31 December 2021	Tier 1 \$m	Tier 2 \$m	Unrated \$m	Total \$m
Financial assets at fair value				
- Fixed and floating rate debt securities	58.7	6.9	-	65.6
- Equity linked funds	-	-	2.0	2.0
- Syndicate loan to Lloyd's central fund	0.6	-	-	0.6
- Hedge funds	-	-	5.8	5.8
- Illiquid credit assets	-	-	0.6	0.6
- Derivative financial instruments	-	-	0.1	0.1
Reinsurance debtors ¹	1.2	-	-	1.2
Reinsurers' share of outstanding claims	26.5	-	0.2	26.7
Cash at bank and in hand	34.6	-	-	34.6
Total	121.6	6.9	8.7	137.2

¹ Reinsurance debtors only includes debtors due from reinsurers and intermediaries under reinsurance contracts ceded and excludes debtors due from ceding insurers and intermediaries under reinsurance business. Reinsurance debtors only includes balances that are neither due nor impaired.

Financial investments falling within the unrated category comprise hedge funds for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated in accordance with Lloyd's guidelines.

The Company, through syndicate 623, has insurance debtors and reinsurance assets that are past due but not impaired at the reporting date. An aged analysis of these is presented below:

	Neither due nor impaired \$m	0-3 months \$m	3-6 months \$m	6-12 months \$m	over 1 year \$m	Total \$m
31 December 2022						
Insurance debtors	23.3	2.1	0.7	0.3	-	26.4
Reinsurance assets ¹	1.3	0.5	0.3	-	-	2.1
	Neither due nor impaired \$m	0-3 months \$m	3-6 months \$m	6-12 months \$m	over 1 year \$m	Total \$m
31 December 2021						
Insurance debtors	23.1	2.0	0.5	0.1	0.1	25.8
Reinsurance assets ¹	1.2	0.7	0.7	0.1	-	2.7

¹ Reinsurance debtors only includes debtors due from reinsurers and intermediaries under reinsurance contracts ceded and excludes debtors due from ceding insurers and intermediaries under reinsurance business

An analysis of the overall credit risk exposure indicates that the syndicate has reinsurance assets that are impaired at the reporting date. The total impairment provision made in respect of these assets past due by more than 30 days at 31 December 2022 is \$0.3m (2021: \$0.1m).

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

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.5 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company, through syndicate 623, 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.

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	19.8	24.8	19.2	4.6	7.3	1.6	77.3
Syndicate loan	-	0.1	0.5	-	-	-	0.6
Cash at bank and in hand	35.2	-	-	-	-	-	35.2
Derivative financial instrument	0.4	-	-	-	-	-	0.4
Other debtors ¹	4.2	-	-	-	-	-	4.2
Other creditors ¹	(4.0)	-	-	-	-	-	(4.0)
Total	55.6	24.9	19.7	4.6	7.3	1.6	113.7

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	19.3	24.0	8.5	7.6	4.2	2.0	65.6
Syndicate loan	-	-	0.1	0.5	-	-	0.6
Cash at bank and in hand	34.6	-	-	-	-	-	34.6
Derivative financial instrument	0.1	-	-	-	-	-	0.1
Other debtors ¹	3.1	-	-	-	-	-	3.1
Other creditors ¹	(0.2)	-	-	-	-	-	(0.2)
Total	56.9	24.0	8.6	8.1	4.2	2.0	103.8

1. Excludes balances owed to/from entities in the group.

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

	Within 1 year \$m	1-3 years \$m	3-5 years \$m	Greater than 5 years \$m	Total \$m
Net insurance liabilities					
31 December 2022	23.6	28.2	14.4	12.9	79.1
31 December 2021	20.5	26.5	12.6	11.9	71.5

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

2. Risk management (continued)

2.6 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 \$31.7m (2022: \$29.1m). These funds support the underwriting of syndicate 623. The funding requirements were met through restricted cash deposits and are held on the balance sheet.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

3. Analysis of underwriting result

2022	Gross premiums written \$m	Gross premium earned \$m	Gross claims incurred \$m	Gross operating expenses \$m	Reinsurance balance \$m	Underwriting result \$m
Direct Insurance						
Marine, aviation and transport	6.4	5.9	(2.7)	(2.1)	0.4	1.5
Fire and other damage to property	13.4	12.6	(8.7)	(4.1)	0.4	0.2
Third party liability	43.0	40.7	(28.2)	(10.3)	(0.1)	2.1
Miscellaneous	2.5	2.3	(2.5)	(0.7)	0.6	(0.3)
Total	65.3	61.5	(42.1)	(17.2)	1.3	3.5
Reinsurance Accepted						
Third party liability	6.1	5.6	(2.9)	(1.7)	(0.3)	0.7
Fire and other damage to property	4.6	4.6	(3.4)	(1.1)	(0.1)	-
Marine, aviation and transport	1.8	1.7	(0.8)	(0.6)	-	0.3
Total	12.5	11.9	(7.1)	(3.4)	(0.4)	1.0
Total Direct and Reinsurance accepted	77.8	73.4	(49.2)	(20.6)	0.9	4.5
Unallocated	-	-	-	(2.4)	-	(2.4)
Total	77.8	73.4	(49.2)	(23.0)	0.9	2.1

All business was concluded in the UK.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

3. Analysis of underwriting result (continued)

2021	Gross premiums written \$m	Gross premium earned \$m	Gross claims incurred \$m	Gross operating expenses \$m	Reinsurance balance \$m	Underwriting result \$m
Direct Insurance						
Marine, aviation and transport	5.1	4.7	(1.6)	(1.7)	(0.2)	1.2
Fire and other damage to property	11.8	10.7	(6.7)	(3.5)	(0.7)	(0.2)
Third party liability	37.6	31.6	(21.8)	(7.8)	0.2	2.2
Miscellaneous	1.9	1.5	(1.4)	(0.6)	-	(0.5)
Total	56.4	48.5	(31.5)	(13.6)	(0.7)	2.7
Reinsurance Accepted						
Third party liability	4.6	4.6	(2.7)	(1.3)	(0.1)	0.5
Fire and other damage to property	5.3	5.3	(4.7)	(1.3)	0.6	(0.1)
Marine, aviation and transport	1.8	1.8	(0.5)	(0.7)	(0.2)	0.4
Total	11.7	11.7	(7.9)	(3.3)	0.3	0.8
Total Direct and Reinsurance accepted	68.1	60.2	(39.4)	(16.9)	(0.4)	3.5
Unallocated	-	-	-	(4.4)	-	(4.4)
Total	68.1	60.2	(39.4)	(21.3)	(0.4)	(0.9)

All business was concluded in the UK.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

4. Net operating expenses

	2022	2021
	\$m	\$m
Acquisition costs	17.7	15.5
Change in deferred acquisition costs	(1.0)	(1.4)
Members' standard personal expenses	1.1	1.1
Overriding commission	(1.9)	(1.2)
Profit commission	0.7	0.3
Administrative expenses	6.4	7.0
	<u>23.0</u>	<u>21.3</u>

Brokerage and commissions on direct business written was \$13.6m (2021: \$12.2m).

The audit fee in the current financial year was \$37,697. The audit fee in 2021 of \$11,640 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 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.

6. Net investment return

	2022	2021
	\$m	\$m
Income from investments	1.2	0.7
Realised gains on investments	1.4	1.1
Realised losses on investments	(1.5)	(0.2)
Unrealised gains on investments	1.1	1.1
Unrealised losses on investments	(3.9)	(1.7)
Investment (loss)/income	<u>(1.7)</u>	<u>1.0</u>
Investment management expenses and charges	(1.3)	(1.5)
Net investment return	<u>(3.0)</u>	<u>(0.5)</u>

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

7. Taxation

	2022	2021
	\$m	\$m
Taxation on profit on ordinary activities		
Current tax:		
UK corporation tax charge at 19% (2021: 19.0%)	(0.1)	-
Adjustment in respect of prior periods	-	0.1
	<u>(0.1)</u>	<u>0.1</u>
Deferred tax:		
Origination and reversal of timing differences	(0.4)	(0.3)
Impact of tax rate change	(0.4)	0.5
	<u>(0.8)</u>	<u>0.2</u>
Taxation (credit) / charge for the year	<u>(0.9)</u>	<u>0.3</u>

Factors affecting the tax charge for the current year

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

	2022	2021
	\$m	\$m
Factors affecting tax charge for year		
Loss on ordinary activities before tax	<u>(1.0)</u>	<u>(1.4)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	<u>(0.2)</u>	<u>(0.3)</u>
Effects of:		
Permanent differences	(0.3)	-
Impact of tax rate change	(0.4)	0.5
Prior year under provision	-	0.1
	<u>(0.9)</u>	<u>0.3</u>
Taxation (credit) / charge for the year	<u>(0.9)</u>	<u>0.3</u>

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 tax charge. It has also been reflected in the calculation of the deferred tax balances as at 31 December 2022.

The results of the Company's participation on the 2020, 2021 and 2022 years of account will not be assessed to corporation tax until the year ended 31 December 2023, 2024 and 2025 respectively being the year after the calendar year result of each run-off or the normal date of closure of each year of account.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

8. Financial assets at fair value

	2022		2021	
	Market Value	Cost	Market Value	Cost
	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	77.3	80.5	65.6	66.0
Equity funds	1.5	1.7	2.0	1.9
Hedge funds	6.7	5.3	5.8	4.6
Illiquid credit assets	0.3	0.3	0.6	0.6
Syndicate loan	0.6	0.6	0.6	0.7
Derivative financial assets	0.4	-	0.1	-
	86.8	88.4	74.7	73.8

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. 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 syndicate uses prices and inputs that are current as of the measurement date for valuation of these instruments.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

8. Financial assets at fair value (continued)

Valuation approach

The valuation approach for fair value assets and liabilities classified as Level 2 is as follows:

(a) For the 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.

The valuation approach for fair value assets and liabilities classified as Level 3 is as follows:

(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 to the Central Fund at Lloyd's. 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.

The table below shows the fair values of financial instruments at 31 December 2022 and 31 December 2021, including their levels in the fair value hierarchy:

2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	45.4	31.9	-	77.3
Equity funds	1.5	-	-	1.5
Hedge funds	-	6.7	-	6.7
Illiquid credit assets	-	-	0.3	0.3
Syndicate loan to Lloyd's central fund	-	-	0.6	0.6
Derivative financial assets	0.4	-	-	0.4
Total financial assets at fair value	47.3	38.6	0.9	86.8

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

8. Financial assets at fair value (continued)

2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	46.5	19.1	-	65.6
Equity funds	2.0	-	-	2.0
Hedge funds	-	5.8	-	5.8
Illiquid credit assets	-	-	0.6	0.6
Syndicate loan to Lloyd's central fund	-	-	0.6	0.6
Derivative financial assets	0.1	-	-	0.1
Total financial assets at fair value	48.6	24.9	1.2	74.7

The table below shows the movement in level 3 assets:

	2022	2021
	\$m	\$m
As at 1 January	1.2	1.2
Purchases	-	0.2
Sales	(0.2)	(0.2)
Total net losses recognised in profit and loss	(0.1)	-
As at 31 December	0.9	1.2

The following transfers between levels 2 and 1 and levels 1 and 2 occurred for the period ended 31 December 2022:

	Level 1	Level 2
	\$m	\$m
31 December 2022 transfer from level 1 to 2		
Corporate bonds - investment grade	(4.9)	4.9
Government issued	(4.6)	4.6
	Level 1	Level 2
	\$m	\$m
31 December 2022 transfer from level 2 to 1		
Corporate bonds - investment grade	2.2	(2.2)

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 77% (2021: 77%) of these underlying assets were level 1 and the remainder level 2. This enabled us to categorise hedge funds as level 2. If the inputs used to measure the fair value of an asset or a liability can be categorised in different levels of 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.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

9. Derivative financial instruments

The Company, through syndicate 623, entered into over-the-counter derivative contracts and exchange traded derivative contracts. Syndicate 623 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:

Derivative financial instrument assets	Gross contract amount 2022 \$m	Fair value of assets 2022 \$m	Gross contract amount 2021 \$m	Fair value of assets 2021 \$m
Foreign exchange forward contracts	5.6	0.4	4.2	0.1
Bond future contracts	-	-	6.8	-
	5.6	0.4	11.0	0.1

Derivative financial instrument liabilities	Gross contract amount 2022 \$m	Fair value of assets 2022 \$m	Gross contract amount 2021 \$m	Fair value of assets 2021 \$m
Foreign exchange forward contracts	7.3	0.2	6.0	0.1
	7.3	0.2	6.0	0.1

Foreign exchange forward contracts

Syndicate 623 enters into over-the-counter foreign exchange forward agreements in order to hedge the foreign currency exposure resulting from investment portfolio holdings denominated in non-base currency.

Bond future contracts

Syndicate 623 enters into bond futures trades to manage the investment portfolio duration. The vast majority of the trades are executed in order to partially hedge the duration of fixed income securities held at the same time. Occasionally, bond futures contracts are traded in order to gain interest rate duration exposure to certain areas of the yield curve.

10. Other debtors

	2022 \$m	2021 \$m
Amounts owed by group companies	18.6	2.0
Corporation tax debtor	0.3	0.2
Deferred tax asset	1.0	0.2
Other debtors	2.9	2.7
	22.8	5.1

All other debtors are due within one year.

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

11. Other creditors

	2022	2021
	\$m	\$m
Amount owed to group companies	15.0	35.6
Amounts due to syndicate 6107	1.6	1.2
Amount owed to syndicates	3.8	4.6
Profit commissions	1.0	0.3
Other	1.4	0.2
	<u>22.8</u>	<u>41.9</u>

Bonuses deferred by group directors and staff to support their participation are held by the group company that made the bonus deferral. These balances are contained within the amounts due to group companies. All other creditors are payable within one year of the reporting date with the exception of profit commissions which are payable once the related year of account closes. The carrying value approximates fair value.

12. Cash and cash equivalents

	2022	2021
	\$m	\$m
Cash at bank and in hand	<u>35.2</u>	<u>34.6</u>
	<u>35.2</u>	<u>34.6</u>

The cash at bank and in hand includes deposit funds held with Lloyd's of \$33.1m (2021: \$33.6m). This can be replaced at any time with the restriction that it is replaced with assets of an equivalent amount. Cash and cash equivalents also include \$2.0m (2021: \$0.9m) of funds held within premium trust funds, which are not available to the Company outside of the Lloyd's syndicate within which they are held.

13. Called-up share capital

	2022	2021
	\$m	\$m
Authorised: 1,000 ordinary shares of £1 each (converted at £1: \$1.52)	<u>-</u>	<u>-</u>
Allotted, issued and fully paid ordinary shares of £1 (converted at £1: \$1.52)	<u>-</u>	<u>-</u>

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

14. Technical provisions

	Provision for unearned premiums	Claims outstanding	Unexpired risk provision
Gross technical provisions			
At 1 Jan 2022	36.2	98.2	-
Movement in provision	4.4	19.2	-
Exchange adjustments	(0.4)	(1.6)	-
At 31 Dec 2022	40.2	115.8	-
Reinsurers' share of technical provisions			
At 1 Jan 2022	6.8	26.7	-
Movement in provision	2.5	10.4	-
Exchange adjustments	-	(0.4)	-
At 31 Dec 2022	9.3	36.7	-
Net technical provisions			
At 1 January 2022	29.4	71.5	-
At 31 December 2022	30.9	79.1	-
Gross technical provisions			
At 1 Jan 2021	28.5	84.9	1.8
Movement in provision	7.9	14.1	(1.8)
Exchange adjustments	(0.2)	(0.8)	-
At 31 Dec 2021	36.2	98.2	-
Reinsurers' share of technical provisions			
At 1 Jan 2021	4.4	20.2	0.2
Movement in provision	2.4	6.6	(0.2)
Exchange adjustments	-	(0.1)	-
At 31 Dec 2021	6.8	26.7	-
Net technical provisions			
At 1 January 2021	24.1	64.7	1.6
At 31 December 2021	29.4	71.5	-

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

14. Technical provisions

Gross claims development

	2012 ae	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
		%	%	%	%	%	%	%	%	%	%	
12 months		63.3	62.2	62.9	63.6	72.9	68.0	65.9	73.3	64.2	63.4	
24 months		58.3	54.9	57.7	63.0	73.5	70.8	74.4	74.5	66.3		
36 months		55.0	50.9	54.1	59.9	74.2	73.8	69.1	76.0			
48 months		52.4	49.6	52.3	58.4	73.0	73.3	69.2				
60 months		50.7	51.1	52.1	57.3	73.5	74.7					
72 months		49.7	49.9	55.0	56.9	75.4						
84 months		49.0	49.3	56.1	57.2							
96 months		48.4	50.4	56.9								
108 months		48.1	50.6									
120 months		47.6										
Gross claims liabilities, Syndicate 623	67.5	9.9	13.6	33.4	37.1	64.5	94.7	146.4	251.9	360.8	212.9	1,292.7
Less non BSUL share	(61.5)	(9.0)	(12.4)	(30.4)	(33.8)	(58.7)	(86.2)	(133.3)	(229.3)	(328.5)	(193.8)	(1,176.9)
Gross claims liabilities, company	6.0	0.9	1.2	3.0	3.3	5.8	8.5	13.1	22.6	32.3	19.1	115.8

Net claims development

	2012 ae	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
		%	%	%	%	%	%	%	%	%	%	
12 months		61.8	60.7	60.2	60.8	68.1	65.0	62.6	68.8	60.6	57.8	
24 months		59.7	55.5	56.2	61.1	70.1	66.9	68.6	68.7	60.5		
36 months		56.3	51.3	52.8	58.7	70.4	70.4	63.3	66.8			
48 months		52.7	49.5	49.6	56.5	68.0	68.4	61.5				
60 months		50.7	49.4	49.0	54.4	68.2	67.6					
72 months		50.3	48.9	50.0	53.9	68.6						
84 months		49.5	48.3	50.8	53.7							
96 months		48.9	49.2	51.3								
108 months		48.5	49.4									
120 months		48.1										
Net claims liabilities, Syndicate 623	60.8	8.4	11.2	16.1	21.3	40.5	64.5	109.2	169.7	250.2	131.2	883.1
Less non BSUL share	(55.4)	(7.6)	(10.2)	(14.7)	(19.4)	(36.9)	(58.7)	(99.4)	(154.5)	(227.8)	(119.4)	(804.0)
Net claims liabilities, company	5.4	0.8	1.0	1.4	1.9	3.6	5.8	9.8	15.2	22.4	11.8	79.1

Beazley Staff Underwriting Limited

Notes to the financial statements (continued)

15. Deferred tax

The movement in deferred tax during the period was:

	2022	2021
	\$m	\$m
Opening deferred tax asset	0.2	0.4
Movements during the year	0.4	0.3
Impact of tax rate change	0.4	(0.5)
Closing deferred tax asset	<u>1.0</u>	<u>0.2</u>
Net deferred tax assets provided in the accounts are:		
Timing differences	<u>1.0</u>	<u>0.2</u>
	1.0	0.2

In 2023 it is expected a deferred tax liability will unwind on deferred underwriting profits of \$0.2m (relating to 2020 YoA) and a deferred tax asset will unwind on bonus accrual of \$1.0m (relating to 2020 YoA based on apportionment).

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

16. Deferred acquisition cost

	2022	2021
	\$m	\$m
At 1 January	7.8	6.4
Change in deferred commission	0.8	1.4
Change on other deferred costs	0.2	-
Exchange adjustments	(0.1)	-
Balance at 31 December	<u>8.7</u>	<u>7.8</u>

17. Ultimate controlling company

The Company's ultimate controlling company is Beazley plc, which is incorporated in the UK. The immediate controlling company is Beazley Furlonge Holdings Limited, which is incorporated in the UK. The largest and the smallest group 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. Related parties

Key management personnel of the group are offered the opportunity to defer bonuses and to participate, through the Company, in the underwriting profits (or losses) arising in syndicate 623. The profits or losses generated by the Company are allocated to the group directors and staff that participate in the scheme in proportion to the bonuses they have agreed to defer.

19. Subsequent events

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