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REG - Beazley PLC -Beazley plc results for year end 31 December 2021

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Press Release

Welcome return to profitable growth

London, 10 February 2022

Beazley plc results for year ended 31 December 2021

- Profit before tax of $369.2m (2020: Loss $50.4m)
- Return on equity of 16% (2020: (3%))
- Gross premiums written increased by 30% to $4,618.9m (2020: $3,563.8m)
- Combined ratio of 93% (2020: 109%)
- Rate increase on renewal portfolio of 24% (2020: 15%)
- Prior year reserve releases of $209.8m (2020: $93.1m)
- Net investment income of $116.4m (2020: $188.1m)
- Interim dividend declared of 12.9p for the full year of 2021 (2020: nil)

	Year ended 31 December 2021	Year ended 31 December 2020	% movement
Gross premiums written ($m)	**4,618.9**	3,563.8	30%
Net premiums written ($m)	**3,512.4**	2,917.0	20%
Profit / (Loss) before tax ($m)	**369.2**	(50.4)	
Earnings per share (pence)	**37.0**	(6.3)	

Net assets per share (pence)	**265.8**	219.1	21%
Net tangible assets per share (pence)	**250.4**	203.8	23%
Dividend per share (pence)	**12.9**	-	

Adrian Cox, Chief Executive Officer, said:

"I'm delighted with Beazley's performance in 2021 where we have delivered GWP growth of 30% and a combined ratio of 93%, which has resulted in a robust profit of $369.2m. We saw good growth across all our lines of business but were particularly encouraged by the opportunity in the cyber market where we continue to see significant rate improvement. We maintain our disciplined approach to cyber and remain excited about the opportunities for Beazley in this market and continue to invest in our cyber infrastructure.

We are confident in delivering continued double-digit growth in 2022 and our strong capital levels support both our growth prospects and the reinstatement of our dividend where we have proposed 12.9p per share with respect to the whole of 2021. I approach the end of my first year as CEO of Beazley with confidence about the future."

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Note to editors:

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, North America, Latin America and Asia. Beazley manages seven Lloyd's syndicates and, in 2021, underwrote gross premiums worldwide of $4,618.9 million. All Lloyd's syndicates are rated A by A.M. Best.

Beazley's underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd's.

Beazley's European insurance company, Beazley Insurance dac, is regulated by the Central Bank of Ireland and is A rated by A.M. Best and A+ by Fitch.

Beazley is a market leader in many of its chosen lines, which include professional indemnity, cyber liability, property, marine, reinsurance, accident and life, and political risks and contingency business.

For more information please go to: www.beazley.com

Statement of the Chair

Beazley performed strongly in 2021, delivering pre-tax profits of $369.2m (2020 pre-tax loss of $50.4m). The business continued to optimise risk and return, taking advantage of ongoing rate strengthening across most lines of business and delivered strong growth with gross premiums rising 30% to $4,618.9m (2020: $3,563.8m). The Board are also pleased to reinstate the dividend, declaring a dividend of 12.9p.

2021 was a year of uncertainty for everyone as the health impacts of the pandemic, and its economic and geopolitical effects, continued to reverberate around the world.

Once again, I would like to pay tribute to our clients, brokers and colleagues for their commitment and the effective way they have worked together to deal with these challenges over a sustained period. I am confident this resilience will serve us well as we move forward into 2022, notwithstanding further ongoing uncertainty. Beazley's focus throughout 2021 has been to support our clients as they faced challenging times. This year those efforts have included helping clients deal with the impact of climate related natural catastrophes, face the many challenges arising from COVID-19, and avoid or recover from the scourge of ransomware attacks on their systems

An expert team
2021 was also a year of significant change at Beazley as Andrew Horton our Chief Executive Officer of 12 years departed and Adrian Cox was appointed in his place. I would like to thank Andrew for all he did for Beazley over the years. His track record in delivering first class performance was excellent and he built the outstanding team at all levels which allowed the business to move forward seamlessly on his departure.

Succession planning is an important responsibility for a Board, and we had been planning for this eventuality for some time.
We adopted the rigorous and transparent appointment process in place for all our senior executive team and Adrian Cox emerged as the ideal successor. You can read more about our succession planning processes in the Nomination Committee Report.

Adrian understands our business inside out and has the skill, drive and determination to take us forward. He is committed to profitable growth and to delivering first class financial performance. Perhaps most importantly he brings outstanding cultural leadership to our team with a focus on developing high performing, industry leading teams. In his two years as Chief Underwriting Officer and before that as Head of Specialty Lines, Adrian built out Beazley's underwriting talent pool, championed the use of new data and technology and drove the growth of our Specialty Lines business, making a very substantial contribution to our development as a leading specialty insurer. He has a compelling vision for how we will leverage this approach across our entire business to both improve risk selection, but also to innovate for the benefit of our clients.

Beazley's strong culture of employing experts committed to professional delivery has allowed us both to fill senior roles internally and to attract talent to the Group capable of delivering the new perspectives and skills sets required to execute our strategy. Further details are provided in the Chief Executive Officer's report that follows.

At the Board level we were delighted to recruit Raj Agrawal to the plc Board. Raj is the Chief Financial Officer of The Western Union Company, and his appointment further strengthens the Board's global business experience, knowledge of the US market and financial management skills. We also took steps to add additional Non-Executive Directors to our insurance subsidiary Boards to ensure we have the right talent and diversity of thought to oversee delivery of our strategy and plans. I am therefore delighted to welcome Laura Santori, Noemi Wall, Patricia Ruane, Michelle Moore and Soraya Wright to the Group.

One of the biggest lessons from the pandemic has been that when a highly skilled, committed and motivated team is faced with a significant set of challenges, they will respond incredibly. As I said last year, I am immensely proud of how our team has stepped up and supported clients at a time of great difficulty and I want to thank them all once again for their dedication to doing the right thing for all our stakeholders. A true example of living Beazley's business values.

Doing the right thing means actions not words at Beazley. Therefore I am particularly pleased that in March 2021 we made a commitment to improve further the ethnic diversity of our team, targeting 25% of our staff to be people of colour by 2023, with a sub-target of 6% black representation. We hope to make the same impact that we've seen on gender, where we have made meaningful progress. As of today 38% of our senior executive team are women, with a target of 45% by 2025. Despite setting ourselves challenging goals and timeframes on gender and ethnic diversity, the Board is committed to seeing further improvement. Access to the best talent and development of an empowering and high performance culture is the ultimate source of competitive advantage. As such, the Board is determined to ensure we are a truly inclusive business where all colleagues can be their true selves and perform to their absolute best.

Responsible business
2021 was another year that the reality of climate change was felt with multiple large scale natural catastrophes, from the big freeze in Texas in February, to the floods in Europe during the summer, and wildfires across the globe. Beazley is absolutely focused on how we can play our part in addressing the climate crisis. In April 2021 we published our first annual Responsible Business Strategy, outlining how we are building a more sustainable, responsible company, embedding ESG principles firmly into the infrastructure of our business. This includes our underwriting and investment strategies. From a corporate perspective, a future in which financial metrics alone are the measure of success is an outdated concept that will quickly become unsustainable as businesses that fail to appreciate the importance of their environmental, social, cultural and governance performance are left behind.

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

A complex risk environment

Although vaccines are at least providing a partial solution to the pandemic, we are nonetheless facing the prospect of an uncertain economic and geopolitical environment for many decades. Economic uncertainties surrounding the impact of inflation on growth, labour markets and the increasingly visible supply chain problems also look likely to dominate for the medium-term. Technological change and the impact of advances in artificial intelligence and data science will revolutionise whole industries.

Astute risk management therefore becomes central to business success. One area where insurance can play an important role in helping businesses to navigate uncertainty is in protecting against the proliferation of cyber-crime. For any business owner nothing can be more traumatic than waking up to find your systems are locked, and we have made it our mission to support our clients in the prevention of and recovery from a cyber-attack.

Beazley is a market leader in the provision of cyber insurance and we see significant opportunity to support our clients further. However, to be successful in this field requires the development of new capabilities and the creation of an advanced cyber services eco-system. We believe our efforts have created real, long-lasting capability and expertise around cyber risk which is not only having a positive material impact on claims and shareholder returns but most critically will better protect our policyholders.

Dividend

The Board are pleased to be able to reinstate a dividend for the year ending 2021. Beazley will operate a progressive dividend policy going forwards, intending to grow dividend each year but recognising that some earnings fluctuations are to be expected. When determining the level of dividend, the Board considers the Group's capital position, future investment and growth opportunities and our ability to generate cash flows. To the extent that our capital levels are significantly in excess of what we need to invest in profitable growth, we will look to return capital to shareholders.

Going forward, we intend to align our dividend payments more closely to our capital planning cycle. Given the strong growth opportunities we see across our business over the medium term, we intend to declare dividends annually with an announcement on a dividend with respect to the prior financial year as a whole at our full year results and with payment in March. This aligns with our annual capital planning cycle with Lloyd's and enables us to assess our dividend capacity more accurately.

As such the Board have approved the declaration of an interim dividend of 12.9p for the full year of 2021.

Insurance in time of change

The insurance industry is not immune to the impact of the technology and data revolution and it too is undergoing transformation. We will continue to look to leverage this technology to streamline process around claims and renewals, and to improve the underwriting process. Beazley Digital is at the forefront of our efforts to streamline and simplify and will offer increasingly straight forward, error free access to Beazley for our insureds and brokers as well as productivity and cost savings for Beazley.

The last few years have seen a hardening phase in the insurance market cycle as rates have risen. However, this market dynamic is not present across all lines, and in certain classes we are now seeing a tailing off or flattening out of those price rises as more capacity comes into the market. We pride ourselves on taking a disciplined approach to underwriting, being selective about risk selection and pricing, and even in the market conditions of recent years we have been prepared to walk away from mis-priced risk. This market cycle discipline will be even more important in 2022 given the many uncertainties faced by our clients.

Insurance is first and foremost about helping clients to manage and mitigate risks and to provide protection. Our commitment to delivering on that promise is demonstrated in Beazley's participation in a renewed contingency insurance market to support the events industry's recovery.

Perhaps the biggest learning of the pandemic is that we have to be our own fiercest critics. Always striving for better and asking ourselves what we can learn from our success and failure, so that we can improve for the future. In 2020 our business was challenged by an unprecedented year that saw us make a loss for the first time in our history. We have considered carefully the lessons from this experience and have made changes where we needed to do so. I am pleased the underlying strength and quality of our business has once again come to the fore and our performance has recovered strongly. As such we look forward to the coming year with confidence.

David Roberts
Chair

Q&A with the Chief Executive

You've been Chief Executive Officer for less than a year, what have been the highlights?

Looking back, it's impossible to pinpoint just one or two highlights as there is so much that I am proud of and have really enjoyed. For me the place to start is with the team. I am extremely grateful to and proud of the Beazley team - every single person has dug deep over the past year and delivered outstanding results for our clients' partners and shareholders and it's really been an honour for me to work with such talented people. The creation of a new management team and renewed strategy was an extra challenge but one everyone involved leant into - it's quite something to have been able to recruit and promote such exceptionally talented individuals to both our leadership team and Board in such a short space of time. Coupled with our return to profit and improvement in share price - important signals that we've been doing the right thing for our shareholders, clients and wider stakeholders - on reflection I think these both hit my highlight list. On top of that, one of the things I have really enjoyed has been getting back to working with the team face to face, initially at our inspiring new office at 22 Bishopsgate in London.

Leading through change is hard, what has been your key learning?
I'm optimistic about what change can bring us, and I believe that you can harness change to drive real opportunity. Whilst
I understand that the last couple of years have been tough for everyone on personal and professional levels for a myriad of different reasons, we have all learnt a lot about what can be achieved, when we pull together in the face of adversity. To take advantage of the lessons learnt, I sincerely believe we need to take time to listen and reflect, feedback and check - with the team, our clients, investors and shareholders. Our investment into hybrid working, which we pioneered at Beazley in 2017, has certainly paid off for us as an organisation as we were able overnight to switch seamlessly to remote working. As we start returning to the office, we continue to check in and ask for feedback from staff about our new hybrid lives to ensure we have the right support in place to enable an effective and productive working environment. The importance of listening is one of the key reasons why in 2021 we started our Risk & Resilience Research, in which we asked 1,000 clients about the biggest risks they face and how prepared they are to manage them. We'll continue this research in 2022 and beyond as gaining a close understanding of the wants, needs, concerns and blind spots of clients is, I believe, vital to developing the progressive insurance and risk management solutions on which our business is built.

Beazley has ambitious growth plans; how do you plan to successfully deliver them?
Beazley has been a growing business throughout our 35+ years in business. Today the opportunity for a specialist insurance company to expand is significant and, we will see this growth across our geographies due to our platform strategy which allows us to utilise both wholesale and domestic opportunities. Additionally our product set has the potential for significant growth from natural demand alongside opportunities to increase market share given our relative size.

Is the Underwriting Room at Lloyd's still relevant after the success of remote working?
There is little doubt that meeting people face to face makes a difference. A space like the Underwriting Room creates a marketplace where different people can explore ideas. All of which brings significant benefits to the end client. What remote working has taught us is that we can underwrite and administer insurance electronically - driving greater efficiency and effectiveness. This is something we will continue to develop and build.

The insurance industry talks a lot about helping clients transition to net zero but what is Beazley actually doing about it?
It's inevitable that we will need to talk about how we transition, but it's also right that we lay out a clear strategy with specific milestones that we will meet. As a business we've made a commitment to cut our normalised carbon by 50% from 2019 levels by 2023, once we've achieved that we'll reassess how we set a new target to go further. And in terms of our underwriting, Syndicate 4321, which started underwriting in January 2022, is a significant investment which will see us offer additional capacity to clients, existing or new, that meet ESG rating criteria. Just as importantly we will use the data we gather to not only better inform our underwriting but to enable us to create new insurance products and services to help our clients manage their transition to a low carbon economy.

How is climate change impacting profitability and our long-term outlook? What are you doing to manage that risk?
Today, there can be few people who doubt that climate change is having a demonstrable impact. Starting with the 2017 wildfires moving through a range of secondary perils and coming starkly into focus in 2021 with the Winter freeze in Texas and European floods, climate change is altering the predictability of natural catastrophe risk. As an insurer committed to offering protection to our clients against these perils, take stock of our practices towards these risks and adapt our backwards looking loss history approach to a more forward-looking predictive model. We are committed to learning all we can about this and have taken on Board the lessons learnt from the Prudential Regulatory Authority Climate Biennial Exploratory Scenario work we undertook in 2021. I believe that ultimately a more future focused approach will make our business stronger, more resilient and able to deliver better for clients.

You are still keen to expand in cyber, why are you able to swim against the tide of market opinion?
As a business we are data and expertise driven, making decisions based on facts. We understand cyber very well and have invested over the last year in our cyber ecosystem. This is focused on helping clients to improve their resilience with better risk management via pre-underwriting of their risks, to help them avoid a cyber-attack. This approach has seen us reduce our cyber exposure to focus on the higher quality risks while achieving significant premium growth. We believe that a collaborative approach focused on mitigating the threat will help to counter the sophisticated challenge to business everywhere that cyber criminals pose.

In your first year in the job you have changed the company's purpose, strategy, and vision - what led to these changes?
We always review these in a three-year cycle and as 2021 developed and the implications of the changes the pandemic had brought began to be seen, it became clear that this was the right time to renew our purpose, refine our strategy and align our vision. These give firm roots to our core business principles and direction of travel, but are agile enough to evolve and respond as economic, social or environmental conditions change and opportunities emerge, allowing us to achieve the ambitious growth plans we have set ourselves for the coming years.

How concerned are you about the potential for high inflation and the impact it will have on the economy and on Beazley?
There is no doubt that the world faces significant economic uncertainty around a range of issues such as changing labour markets, utility prices and supply chain challenges all of which are feeding into an inflationary environment. Alongside this economic inflation, insurers are also wrestling with the re-emergence of social inflation in the courts as the pandemic recedes. How long lasting these inflationary

pressures will be is a subject that splits economic opinion, but as a business we take it seriously and manage it across our underwriting, claims and investments and have taken action to ensure that its impact is minimised, through embedding inflation assumptions into our pricing models and claim reserves and product diversification.

Chief Executive's statement

Beazley returned a profit in 2021 of $369.2m (2020 $50.4m loss) through a combination of targeted underwriting expansion in areas where rates and growth opportunities were attractive and a steady investment performance. For the fourth year in a row, Beazley achieved double-digit premium growth, with gross premiums written up by 30% to $4,618.9m (2020: $3,563.8m).
Our combined ratio improved to 93% (2020: 109%) aided by the subsiding of the pandemic related claims spike of the previous year.

Return to profits

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

Exploring our purpose

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

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

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

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

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

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

To deliver this renewed purpose we will leverage five key elements that are the foundations of our business. Firstly, clients where it's about ensuring we keep our finger on the client pulse and use our expertise to develop progressive and innovative solutions that enable them to thrive. Secondly, Protection. As risk becomes more complex this means going beyond just traditional risk transfer and delivering a more holistic approach through risk management underpinned by expert underwriting. Our People are the third element, they are responsible for making everything happen at Beazley and creating a culture that supports and inspires our people is vital. Fourth, we must have the Tools to deliver, whether in the form of new technologies or processes, a fast and frictionless service. Finally, and the newest pillar of our strategy, is being a Responsible Business, which is seeing us invest in and measure our progress towards deploying our underwriting and investments, and managing our operations, in ways which mitigate climate change and support social inclusion. Together these five pillars will hold up and support our clients to explore new ideas, create value and build a better future.

Team transformation

April 2021 was an exhilarating point at which to become Chief Executive Officer to say the least, although ambition and evolution have been characteristic of Beazley during every year I have been here. As well as pride in the performance of our people, I have been excited by the fresh thinking within our executive team over the past year. I am also delighted with the key appointments and structural changes we have made.

In 2021 Rob Anarfi joined the Executive team as Chief Risk Officer having led our global compliance function for 6 years and bringing many years of audit, risk management and leadership experience to the role. Rachel Turk also stepped up to become Group Head of Strategy and a member of the Executive Committee. Rachel was previously a focus Group leader and Head of Corporate Development.

We also welcomed Troy Dehmann as Chief Operating Officer following our longstanding COO Ian Fantozzi's move to oversee our digital business within Beazley. In a move that is a first for us but reflects our mix of business we appointed Bob Quane as Chief Underwriting Officer; he is based in New York, underlining both our commitment to the US market and our approach to hiring the person who is best for the job rather than limiting ourselves to people located near our headquarters in London.

Being bold: creating underwriting innovation

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

I was proud to see Beazley managed syndicate 4321, Lloyd's first ESG syndicate, begin underwriting in January 2022. Working through a consortium led by syndicates 623/2623 it embodies our commitment to doing the right thing, by providing additional capacity to clients with high ESG performance scores. Syndicate 4321 is a progressive step forward in our commitment to embedding ESG right across our organisation, including into our underwriting.

For the past three years we have been investing in our cyber ecosystem, which puts emphasis on pre-underwriting risk management that assists clients to better understand the nature of the cyber threat they face. Armed with this information clients are able to improve their resilience with better risk management and hopefully avoid the trauma of a cyber-attack. We will continue to do all we can to highlight the cyber threat and work across our industry and externally to share information and offer support to the development of greater cyber resilience.

Striving for better: delivering against our ESG targets
Even before the pandemic, we had seen seismic shifts in thinking about the urgency of tackling climate change, the rise of organised and effective social justice movements and far higher expectations that organisations should be better corporate citizens. Beazley believes we should demonstrate leadership and take measurable and ambitious steps to incorporate ESG measures into every aspect of our business. You'll be able to read more about the challenging targets we have set ourselves and the tangible steps we are taking to meet them in the Responsible Business section of this report on page 30 or in our accompanying responsible business report published on our website. During 2021 we also produced our first Responsible Business Strategy which is also available on our website. The senior leadership team and I are absolutely determined to meet the goals we have set and then to set ourselves ever greater challenges. We are supported in this by our outstanding colleagues at Beazley who are committed, and demanding of the business, to do the right thing on these issues.

Our new benefits package
Listening to our staff is a driving force behind everything we do and in 2021 it informed our update to our benefits offering, which better reflects the needs of our more diverse team and the move to activity-based working that we pioneered pre-pandemic and has proved to be a powerful working model. For the first time in our Annual Report on page 44 you will be able to read about the work of our Culture & People team.

Doing the right thing: claims
How we integrate technology and data into the claims process has advanced in 2021 enabling us to manage process, costs and service more effectively. We supported clients caught up in litigation as courts closed and used the latest satellite and drone technology to speed the claims process for clients impacted by a number of devastating natural catastrophes that occurred in 2021.

As courts have reopened, we have seen the claims trends apparent before the pandemic re-emerge. We are well prepared for this and have in place the capital, resources and strategic determination to ensure that we accurately reflect the trend in our underwriting. We will also work across our industry to help clients mitigate the risks and protect their organisations from escalating and disproportional damages.

As we enter 2022 it is pleasing to be able to say that first-party pandemic related claims have almost entirely been paid and fully accounted for. The contingency portfolio in which we insure major global events through to small local fetes, bore the brunt of our COVID-19 losses in 2020. During 2021, we saw a general recovery of the contingency market, and worked with the UK Government and wider insurance industry, to create a COVID-19 specific cancellation scheme. Both give us cause for optimism about the future of the events sector and the economy.

Building Beazley
There has been much to be proud of at Beazley in 2021. We have strengthened our foundations through a refreshed purpose and strategy, set ourselves challenging targets to measure our success as a responsible business and maintained a solid capital base to enable us to achieve our growth ambitions.

As we move forward, adapting to hybrid working models and actively implementing responsible business practices into our culture, we will continue to support and empower our people, to build on the opportunities and take on new challenges. We are continuing to expand and develop our specialist risk appetite in newer territories including Europe, Asia and Latin America, and to build on our successes in North America. With a strengthened capital base and the people, tools and resources in place to achieve success we look forward with confidence to the opportunities that 2022 will bring and helping our clients
to explore, create and build the future together.

Adrian Cox
Chief Executive Officer

Chief Underwriting Officer's report
Beazley achieved gross premiums written growth of 30% as the challenge of COVID-19 claims receded and the loss reserves remained robust. We saw significant natural catastrophe losses during the year, driven in part, we believe, by the impact of climate change. Our combined ratio improved to 93%.

Having recently joined Beazley I feel a genuine sense of excitement to be taking up the role of Chief Underwriting Officer at an important moment for our business. I'd first of all like to thank Tim Turner, Head of Marine and Bethany Greenwood, Head of Cyber &Executive Risk (CyEx) for their stewardship of underwriting during most of 2021. It is testament to the strength of the underwriting strategy, diligence of our underwriters and our open culture of empowered underwriting, that at a time of significant management change, we have achieved strong premium growth and underwriting profit.

Beazley's underwriting reputation was the compelling factor in my decision to join the business and my interactions with the team have borne out my belief in how important this unique way of underwriting is. The people I have met at Beazley clearly demonstrate that collaboration is at the heart of our business, our culture is of wanting everyone to succeed and offering help and support to do the best job for all.

I see my role as bringing a fresh perspective and insight to add to our already strong underwriting toolbox by looking at it through a different lens. Our underwriting is already exceptional but there is the opportunity to explore new approaches, for instance further sharpening our pricing models to ensure we remain on the cutting edge. By striving for better via a process of constantly learning and believing that there must always be a better way, we will do the right thing for our underwriting talent, brokers and clients.

Modelling review
2021 saw us underwriting against a backdrop of reducing COVID-19 claims and while the magnitude of losses related to natural catastrophes was in a managed range, it is clear that climate change is impacting event strength and frequency and leading to larger losses. As an insurer it is our role to find underwriting solutions that allow our clients to protect themselves against the threat of natural catastrophes in a sustainable way. That is why we are re-examining our natural catastrophe models and going forward we will be looking at them with a future forecasting rather than an historic loss experience eye. This is particularly true of secondary perils but amongst primary perils we also need to look again to reassess the full potential that a changing climate will have on loss patterns.

A similar process of review began in earnest in our Cyber book in 2020 as we moved to a pre-underwriting approach, which has already delivered tangible results by building out a cyber ecosystem that better protects our clients and ensures our underwriting remains sustainable.

Underwriting for managed growth
Constantly improving and strengthening our underwriting process will be vital as we engage on a growth path across
our business particularly in the US market and in Europe, where we see exciting opportunities.

Lloyd's remains the bedrock of our business and we are absolutely committed to underwriting in the market which offers outstanding flexibility, expertise, brand recognition and market access. Where our ambitions step outside of those of Lloyd's, Beazley's flexible business structure allows us to move nimbly into markets as needed.

Underwriting data
Data has always been at the heart of the insurance business, but we are beginning to see an inflection point where the smart use of data has the potential to inform and ultimately transform our underwriting decision making. Our focus is on using our judgement and experience and layering over objective tools to drive our difference and deliver better results and value for clients and shareholders.

We will work closely across the business with our operations and risk management colleagues to build ever greater use of predictive modelling and leveraging our understanding of claims trends. Other innovation will come in the shape of the digital transformation of underwriting, pioneered by our Beazley Digital colleagues and the adoption of emerging techniques such as parametrics.

ESG information will also become an increasing data point in our underwriting, and we expect to build on the lessons learnt from syndicate 4321 across all our underwriting activities overtime. While the most important element of our investment into understanding ESG and supporting clients to transition is striving to make the environment and society a better place,
I believe it will also positively inform our underwriting as well.

Our clients, team and shareholders know they can rely on Beazley to execute our business plan in a stable and consistent manner and our strong return to profit in 2021 is an active demonstration of that. Going forward the underwriting process will evolve to meet the needs of a changing environment and I look forward to playing my part, confident that Beazley has a bright future of growth and innovation ahead delivered by the market's most committed and inspiring underwriting team.

The senior leaders of each underwriting division segment has set out in detail below how their area performed in 2021 and what they expect across 2022 and I hope you will be encouraged, as I am, by their thoughts.

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

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

For our clients, this continued investment in our Cyber ecosystem, which puts emphasis on risk management measures and services, is helping them build a deeper understanding of evolving threats, building greater resilience, minimising the likelihood of a successful attack and thus contributing to a safer and more secure society.

The hardening market conditions combined with our underwriting actions have resulted in us writing less cyber exposure than previous years but with increased premium. We have seen rate more than doubling for the second half of 2021. As we move in to 2022 we will continue to grow the Cyber business as long as we see continued positive developments with loss trends, market conditions and clients adopting our risk managed based approach.

We were also pleased to be able to expand our Lodestone operations with the introduction of a UK branch. Lodestone, established in 2016, is a wholly owned cyber security firm which is an integral part of our cyber ecosystem and cyber services offering.

Rates across the Directors & Officers portfolio allowed us to continue executing on our strategy to strengthen our existing relationships with core partners by taking a larger share of both primary and lower excess layers. As we grow, we continue to focus on ensuring we maintain a balanced portfolio that delivers against our focused underwriting strategy whilst continuing to leverage data sources to refine the portfolio mix and equip our clients with the education, tools and resources that enable them to take positive action in this area.

Our Safeguard product continues to grow market share. By leveraging the success we've had with our service led approach in cyber we have been able to offer a product that helps institutions become safer environments for all, through a combination of investment in strong risk prevention services, support and training coupled with risk transfer.

Our Mergers & Acquisition book remains well diversified across geography and deal size and is performing well. We are pleased with the remediation of our employment practices liability book and we are confident with the portfolio mix we now have. We will continue to maintain a watchful eye on this book as the post COVID-19 landscape evolves and as liability claims around the return to work including potential litigation against vaccination requirements may escalate. To date we see no major recession risk from the pandemic.

The outlook for next year is positive. We are prepped for growth in the areas where we can add significant value and the opportunity exists. As always, we remain focused on portfolio optimisation and being agile in real time decision making to ensure the book is always responsive to change and the needs of our clients.

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

The combination of experience, flexibility and client focus shown by our underwriting teams continues to differentiate us, contributing to our outperformance. By focusing on our strong underwriting framework, risk selection and clarity of terms and conditions, we have remained true to our core ethos of underwriting where it makes sense to do so and this is reflected in our results.

From a claims perspective we believe our Hurricane Ida exposure, which is largely driven by shipyards in and around Louisiana, will be limited. Our exposure to other market headlining events, including the Ever Given, is also limited in line with our expectations.

Climate change remains a key area of focus and we are committed to working with our insureds and the industry to help clients transition to a more sustainable future. As an organisation we work hard to ensure we maintain a tight focus and balance managing our climate risk exposure with our responsibilities. We are very mindful of the impact of what we do and the need to underwrite responsibly.

Whilst relatively small, our Satellite portfolio continues to perform well and has seen positive growth this year. A robust and expanding space industry, fuelled by demand for mobility, data and broadband applications, supports our long term growth prospects.

Across the Marine book we are hopeful of rates continuing on their positive trajectory, although the speed of change has undoubtedly slowed. With new entrants, including MGAs and start-ups the market has become more competitive, however, we remain confident of our market leading position and the growth opportunities that lie ahead for a specialist such as ourselves.

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

Beazley Smart Tracker's fourth year in business saw ongoing success, both in achieving its business plan and delivering strong results. Smart Tracker works by designing and selecting approved leaders into a bespoke facility that meets the needs of brokers and their clients and there is a strong pipeline of brokers asking for support. Syndicate 5623 continued to see its acquisition costs fall as it grew, delivering an expense ratio of 23% in 2021, demonstrating the success of its low-cost tracker model. Due to Syndicate 5623's performance, it is significantly oversubscribed by third party capital. Looking forward we hope to continue to be able to offer opportunities to existing investors and to new ones.

Syndicate 4321, launched on 1 January 2022, and established under the Lloyd's Syndicate In A Box framework, operates a consortium arrangement led by Syndicates 623/2623. It is an innovative and tangible way to support those businesses that invest in ESG by offering additional capacity to eligible clients that can meet the standards of the ESG rating scoring criteria. The syndicate focuses exclusively on offering additional capacity on a multi-line basis, to ensure diversification and balance. All premiums received will be invested responsibly, in line with Beazley's Responsible Investment Strategy.

Our growth trajectory continues in the right direction, and in 2021 this meant we could expand and add dedicated actuarial and underwriting resource to our team. The outlook remains strong, and we look forward to reporting continued success for the smart tracker next year as well as a positive first year for Syndicate 4321.

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

Unsurprisingly we saw rate increases in the contingency book as events got under way again. We continue to be a leader in this market and over the last 12 months have re-shaped the team adding both depth and breadth of expertise and are pleased to have appointed Andrew Duxbury as head of Contingency.

Committing to finding progressive solutions for clients, we're proud to have worked in partnership with the UK Government and the wider insurance market to create a scheme to provide COVID-19 specific cancellation cover for the events industry. Although initially limited in scope, we are a big supporter of the scheme having drafted policy wordings and as a leading capacity provider. By creating an insurance scheme like this we are contributing to the restart of the events industry and providing a much needed kick start to the traditional contingency market.

We remain vigilant about ongoing losses related to the pandemic, but the risk has reduced significantly, most exposed events have taken place or were cancelled, and we are confident that our exposure is limited.

Our Political Risk portfolio is performing well. To date there has been no unexpected loss activity however our outlook is one of cautious optimism as the world gets back on its feet. The Terrorism book saw relatively flat ratings despite a challenging loss environment. Growth in this book was largely driven through our deadly weapons protection product and our expectation is that this will continue through 2022. Growth in Accident & Health was also positive throughout the year with the PA Direct portfolio performing particularly well mainly due to increasing the involvement with existing clients.

After a year of re-building, moving forward we plan to continue to expand and grow the business and with a strong team in place, we aim to take advantage of the positive market conditions.

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

We are pleased to have successfully navigated our way through the challenging environment by focusing diligently on delivering strong bottom-line results through better risk selection. Through the stable and consistent execution of this strategy we have carefully and purposefully grown our book. Our strategy has also included a shift in our approach to distribution to ensure a balanced pipeline from both wholesale and retail brokers and we've taken advantage of the changes in team to build significant bench strength across our geographies. Most recently we appointed Simon Wilson as head of our UK Open Market business to accelerate this process further.

We have also continued to grow and develop our Jewellery, Fine Art, and Specie (JFAS) business by further diversifying the portfolio both geographically and by class. We have deployed underwriters in Shanghai, Singapore, Paris, and Miami supported by the London platform and continue to enhance our private client offerings in Europe and the US. This coverage dovetails well with our existing large risk and commercial JFAS business as well as complementing our product offerings in the High Value Homeowners segment. This increased diversification of business, coupled with consistent rate increases and careful risk selection has enabled the JFAS team to grow profitably in 2021.

Whilst overall the hurricane season saw no unexpected loss activity, the Texas Winter storms during the first quarter of 2021 had an impact on our results. Whilst maintaining a responsive approach to portfolio diversification has helped shield us for the most part, we do however, continue to remind brokers and clients that the threat of climate change continues, and these unusual patterns of loss are a threat we must prepare and price for.

As an organisation, we continue to use data and analytics to deliver product innovation. In Property, this includes exploring and developing parametric product offerings where clients have limited access to cover as climate related risk increases. Our first parametric product being a wind product was recently launched to protect against cyclone for a specific region in the world.

We are also continuing to embed new tools, API's, and analytics into our systems that will enable our underwriters to analyse risks with a deeper understanding and make informed decisions that will increase the diversity and profitability of the book. This continuous improvement will enhance our underwriting processes which will enable us to be responsive to the macro environment pivoting resource and focus as required.

We remain focused on profitability, while diversifying and evolving our book to manage volatility. Next year we will continue our growth trajectory and seek out progressive solutions that help us respond to and help clients better manage the challenge of a changing climate.

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

Having effectively managed the potential impact of wildfire and specific geographic risk appetite changes in areas such as the US and Caribbean, we continue to recalibrate our approach to secondary perils including flood, hail and freeze. Hurricane Ida demonstrated that primary perils also remain a significant threat as it delivered an impactful loss as its strength continued once it had made landfall leading to flooding in New York and New Jersey. However, by executing against our strategy of moving away from frequency and seek higher attachments we limited the overall potential loss from this event.

Climate related risk is clearly on our radar. Given the unpredictable nature of these losses, the potential protection gap is significant, for example only 50% of 2021's European flood damage is estimated to have been insured. As a responsible reinsurance provider we are looking at how the growing loss potential of secondary perils might be addressed whilst delivering sustainable reinsurance capacity to a marketplace that needs it. This could include moving towards an affirmative coverage process of underwriting, with perils specifically included rather than excluded, which would deliver greater security and transparency to our clients.

The rating environment going into 2022 is strong and we will maintain our current portfolio mix. Our exposure management team will continue to leverage sophisticated data sources, coupled with our own information to provide a view of the likely future probable maximum loss of both primary and secondary perils. This approach is enabling us to determine appropriate pricing and terms and conditions as we enter a phase of climate variability which the events of 2021 so dramatically highlighted.

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

In 2021 we continued to benefit from the hardening market, particularly across the International Financial Lines and Financial Institutions markets. In the second half we saw a deceleration of rate increases in these two sectors, after four years of material increases and expect a stable market in 2022. In classes where rate increase has been less extreme, we expect to continue firming through 2022.

The claims environment was relatively benign during the pandemic. However, as anticipated litigation and the size of demands has increased as courts re-opened. We remain appropriately reserved and are keeping a close eye on COVID-19 litigation, social justice matters and recession related claims, noting recessional exposure is decreasing, as the world returns to growth.

Social inflation remains in sharp focus. We have seen both a generational shift in expectations of corporate behaviour and a heightened expectation of the value of bodily injury claims which adds complexity to achieving fair settlement of related claims. We have been expecting this, have planned for it and it has been the focus of our underwriting actions over the last two years.

The evolving footprint of our Speciality Lines products continues. This year we've continued the roll-out of our Virtual Care product portfolio to all territories taking advantage of a growing opportunity and need in the market. Our Product Recall capabilities have expanded from the US into Canada and Asia, and we have continued to evolve our Management Liability suite of products. The international book has continued its successful expansion across our chosen territories and we will continue to focus on building out wider and enhanced solutions where possible, whilst growing market share where appropriate.

We are immensely proud of the work we did to build out our small digital business via the myBeazley platform and are thrilled that it has now found a new home within our newly formed Beazley Digital team under the stewardship of Ian Fantozzi. Our digital proposition is competitive and the opportunity exciting for this business segment.

The work we have done over the past several years on optimising our portfolio and pricing strategy to grow our risk exposure is bearing fruit. Our focus on core products, coupled with stringent underwriting appetite and guidelines gives us confidence that even with the challenges of social inflation and the macro-economic environment we are positioned well for the future.

Cumulative Rate Change

	2015	2016	2017	2018	2019	2020	2021
Cyber & Executive Risk	100%	100%	100%	99%	104%	122%	182%
Marine	100%	93%	90%	93%	103%	120%	130%
Market Facilities	100%			100%	103%	123%	143%
Political, Accident & Contingency	100%	96%	92%	91%	91%	95%	102%
Property	100%	96%	96%	106%	117%	135%	149%
Reinsurance	100%	96%	94%	100%	105%	118%	135%
Speciality Lines	100%	101%	102%	102%	107%	122%	138%
All Divisions	100%	98%	97%	100%	106%	122%	151%

Bob Quane
Chief underwriting officer

Financial Review
Beazley returned a strong profit before tax in 2021 of $369.2m and a return on equity of 16% as the strength of our core business emerged from the shadow of COVID-19.

Result
Profit before tax in 2021 was $369.2m (2020: $50.4m loss). This includes a one off impact to profit of $54.4m from the sale of our Beazley Benefits business. The Group's combined ratio improved to 93% (2020: 109%). Our investment team achieved an investment return of 1.6% (2020: 3.0%).

Premiums
Gross premiums written have increased by 30% in 2021 to $4,618.9m (2020: $3,563.8m). Rates on renewal business on average increased by 24% across the portfolio (2020: increased by 15%). Every one of our seven divisions saw double digit growth with Cyber & Executive risk and Market Facilities achieving 49% growth each. Property and Specialty Lines all also achieved strong growth of 25% and 20% respectively.

Our net premiums written have increased by 20% in 2021 to $3,512.4m (2020: $2,917m). The slower growth in net premium compared to gross is due to an increase in reinsurance purchased during the period. The main driver of our additional reinsurance purchasing were in areas of significant growth, particularly CyEx and Specialty Lines.

Statement of profit or loss

	2021 $m	**2020 $m**	**Movement %**
Gross premiums written	4,618.9	3,563.8	30
Net premiums written	3,512.4	2,917.0	20
Net earned premiums	3,147.3	2,693.4	17
Net investment income	116.4	188.1	(38)
Other income	28.2	29.8	(5)
Gain from sale of business	54.4	-	-
Revenue	3,346.3	2,911.3	15
Net insurance claims	1,826.2	1,958.3	(7)
Acquisition and administrative expenses	1,104.8	974.4	13
Foreign exchange (gain)/loss	7.2	(11.2)	
Expenses	2,938.2	2,921.5	30
Finance costs	(38.9)	(40.2)	
Profit before tax	369.2	(50.4)	
Income tax expense	(60.5)	4.3	
Profit after tax	**308.7**	**(46.1)**	
Claims ratio	58%	73%	
Expense ratio	35%	36%	
Combined ratio	93%	109%	
Rate increase	24%	15%	
Investment return	1.6%	3.0%	

The Group is of the view that some of the above metrics constitute alternative performance measures (APMs). Further information on our APMs can be found in the key performance indicators on page 5 and in the glossary on page 212.

Reinsurance purchased
Reinsurance is purchased for a number of reasons:
- to mitigate the impact of natural catastrophes such as hurricanes and non-natural catastrophes such as cyber attacks;
- to enable the Group to put down large lead lines on the risks we underwrite; and
- to manage capital to lower levels.

The amount the Group spent on reinsurance in 2021 was $1,106.5m (2020: $646.8m). As a percentage of gross premiums written it increased to 24% from 18% in 2020.

Combined ratio
The combined ratio of an insurance company is a measure of its operating performance and represents the ratio of its total costs (including claims and expenses) to total net earned premium.

A combined ratio under 100% indicates an underwriting profit. Consistent delivery of operating performance across the market cycle is clearly a key objective for an insurer. Beazley's combined ratio improved in 2021 to 93% (2020: 109%). Our expectation is that for 2022 a combined ratio of around 90% will be achievable subject to a 'normalised' claims experience.

Claims
With the spike in claims seen in 2020 due to the COVID-19 pandemic, 2021 delivered a claims environment which was more in line with our long term average. The claims ratio for 2021 reduced to 58% (2020: 73%) with our estimate for first party COVID-19 claims remaining at $340m. This assumption was always based on a resumption to some form of normality in the second half of 2021, and it is pleasing to see this assumption holding. Whilst there is a small amount of exposure to the ongoing pandemic in 2022 and beyond, where cover was bought well in advance, these are discrete policies and are taken account of within all guidance.

Reserve releases
Beazley has a consistent reserving philosophy, with initial reserves being set to include risk margins that may be released over time as and when any uncertainty reduces. Historically these margins have given rise to held reserves within the range of 5-10% above our actuarial estimates, which themselves include some margin for uncertainty. The margin held above the actuarial estimate was 6.4% at the end of 2021 (2020: 6.3%). Reserve monitoring is performed at a quarterly 'peer review', which involves a challenge process contrasting the claims reserves of underwriters and claim managers, who make detailed claim-by-claim assessments, and the actuarial team, who provide statistical analysis. This process allows early identification of areas where claims reserves may need adjustment. During years where we experience large losses we tend to see the margin we monitor being lowered as often we hold the same estimates within both the actuarial and held reserve estimates.

Prior year reserve releases in 2021 totalled $209.8m (2020: $93.1m) which represented 6.7% of earned premium. This represents our highest release ever in monetary value, but the percentage of earned premium is subdued due to the large growth we have seen in premiums in 2021.

It was promising to see all of the divisions releasing in total off the prior years with our Specialty Lines and Marine divisions contributing the most at $67.3m and $50.8m respectively (albeit Marine's contribution representing a higher percentage of earned premium at 16% compared to 6% for Specialty Lines). Our Property, Cyber & Executive Risk, Political, Accident & Contingency, Reinsurance and Market Facilities divisions' contributions were $40.4m, $20.4m $11.0m, $18.7m and $1.2m respectively.

Prior year reserve adjustments

	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	5 year average $m
Cyber & executive risk	32.5	25.7	9.4	(4.4)	20.4	16.7
Marine	10.7	12.5	(6.4)	8.9	50.8	15.3
Market facilities	n/a	n/a	-	0.9	1.2	1.0
Political, accident & contingency	3.9	14.8	16.8	4.6	11.0	10.2
Property	13.2	(47.3)	(17.1)	4.4	40.4	(1.3)
Reinsurance	54.7	23.8	(30.1)	20.7	18.7	17.6
Specialty lines	88.9	85.5	36.9	58.0	67.3	67.3
Total	**203.9**	**115.0**	**9.5**	**93.1**	**209.8**	**126.9**
Releases as a percentage of net earned premium	10.9%	5.5%	0.4%	3.5%	6.7%	5.4%

Acquisition costs and administrative expenses
Business acquisition costs and administrative expenses increased during 2021 to $1,104.0m from $974.4m in 2020. The breakdown of these costs is shown below.

Brokerage costs are the premium commissions paid to insurance intermediaries for providing business. As a percentage of net earned premiums they have decreased to 22% in the current year (2020: 23%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with the Group's accounting policy. Other acquisition costs comprise costs that have been identified as being directly related to underwriting activity (e.g. underwriters' salaries and Lloyd's box rental). These costs are also deferred in line with premium earning patterns**.**

	2021 $m	**2020 $m**
Brokerage costs	707.5	628.4
Other acquisition costs	114.3	110.5
Total acquisition costs	**821.8**	**738.9**
Administrative expenses	283.0	235.5
Total acquisition costs and administrative expenses	**1,104.8**	**974.4**

Beazley focuses on improving our expense ratio during times of strong growth. This in conjunction with the effects of COVID-19 on travel and entertainment, has meant that the overall expense ratio improving from 36% in 2020 to 35%.

Foreign exchange

The majority of Beazley's business is transacted in US dollars, which is the currency we have reported in since 2010 and the currency in which we hold the company's net assets. Changes in the US dollar exchange rate with sterling, the Canadian dollar and the euro do have an impact as we receive premiums in those currencies and a material number of our staff receive their salary in sterling. Beazley's foreign exchange loss taken through the statement of profit or loss in 2021 was $7.2m (2020: $11.2m gain).

Investment performance

Recent rapid growth in our financial assets continued in 2021 as the business grew significantly, as the value of our investments, cash and cash equivalents increased to $7,875.3m by year end (2020: $6,671.5m). We generated an investment return of $116.4m, or 1.6% (2020: $188.1m, 3.0%) on these assets during the year. This outcome is modestly ahead of our expectations at the beginning of the period and reflects differing fortunes for the different elements of our portfolio.

The global economy continued to recover strongly from the initial shock of the COVID-19 pandemic throughout the year, despite the fact that COVID-19 has remained very much in focus. Monetary and fiscal policies have remained generally accommodative, helping to support an ongoing rally in global equities, but also adding to the growing inflationary pressures generated by global supply chain disruptions. Bond yields rose from the very low levels prevailing at the beginning of the year, as markets began to discount future normalisation in interest rates, resulting in poor conditions for fixed income returns during this period.

Our core fixed income investments returned just 0.1% in 2021, as mark to market capital losses, generated by rising yields, offset most of the modest income from these investments. We maintained reduced duration in our portfolio for much of the year, limiting capital losses, and made increasing use of inflation-linked debt securities, which performed well as inflation concerns grew. These actions helped ensure a positive, though modest, return from our fixed income investments. Our capital growth investments returned 11.9%, led by the very strong performance of global equities in the period. Overweight exposure to US markets and our focus on solutions tracking ESG indices both helped our equity portfolio outperform the global equity universe. Our other capital growth exposures, including hedge funds and illiquid credit investments, also performed well.

Looking ahead, yields rose from 0.6% in December 2020 to 0.9% as at the end of 2021, suggesting that the outlook for fixed income returns has improved, but remains modest. However, yields may rise further as monetary policy tightens in 2022, creating further headwinds for fixed income returns. It may be that we are again reliant on our capital growth investments to generate good returns, but there is no guarantee of this, particularly to shorter horizons. Overall our expectations for investment returns remain modest, with the returns at the start of 2022 showing signs of the aforementioned headwinds.

The table below details the breakdown of our portfolio by asset class:

	31 Dec 2021		**31 Dec 2020**	
	$m	**%**	**$m**	**%**
Cash and cash equivalents	591.8	7.5	309.5	4.6
Fixed and floating rate debt securities				
- Government issued	4,008.1	50.9	2,723.7	40.8
- Corporate bonds				

- Investment grade	1,861.9	23.6	2,444.9	36.7
- High yield	402.3	5.1	251.1	3.8
Syndicate loans	37.9	0.5	40.6	0.7
Derivative financial instruments	7.6	0.1	28.5	0.4
Core portfolio	**6,909.6**	**87.7**	**5,798.3**	**87.0**
Equity funds	209.6	2.7	203.2	3.0
Hedge funds	478.2	6.1	442.1	6.6
Illiquid credit assets	277.9	3.5	227.9	3.4
Total capital growth assets	**965.7**	**12.3**	**873.2**	**13.0**
Total	**7,875.3**	**100.0**	**6,671.5**	**100.0**

Comparison of return by major asset class:

	31 Dec 2021		**31 Dec 2020**	
	$m	**%**	**$m**	**%**
Core portfolio	7.2	0.1	160.0	2.9
Capital growth assets	109.2	11.9	28.1	3.5
Overall return	**116.4**	**1.6**	**188.1**	**3.0**

Tax

Beazley is liable to corporation tax in a number of jurisdictions, notably the UK, the US and Ireland. Beazley's effective tax rate is thus a composite tax rate mainly driven by the Irish, UK and US tax rates. The weighted average of the statutory tax rates for the year was 17.2% (2021: (2.0%)). The tax rate of 17.2% is higher than last year due to this year's composition of profits and losses across the Group.

Notwithstanding the overall profit before tax, some jurisdictions, notably with higher tax rates, were profitable. The effective tax rate has decreased in 2021 to 16.4% (2020: 8.5%). The increase has been a result of the higher weighed average of the statutory tax rates, which was partly offset/reduced by higher favourable prior year tax adjustments in 2021 as compared to 2020.

A Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti avoidance tax (the 'BEAT') provisions. We have performed an BEAT purposes. Although the application of this BEAT legislation is still not fully certain for some types of transactions we believe that the BEAT impact on the Group is not significant. For the year 2021 no amount was provided in the Group accounts for BEAT liabilities (for 2020 the Group provided $1.1m for BEAT tax). The ultimate outcome may differ and if any additional amounts did fall within the scope of the BEAT, incremental tax at 10% might arise on some or all of those amounts. In addition, if BEAT encourages other governments to introduce similar legislation impacting cross-border transactions, Beazley's tax liability could consequently increase in those countries. We continue to assess the future impact of BEAT and other tax changes (including OECD's Pillar 1 and Pillar 2 proposals) on our business.

Balance sheet management

Summary statement of financial position

	2021 $m	**2020 $m**	**Movement %**
Intangible assets	123.5	126.3	(2)
Reinsurance assets	2,386.4	1,684.7	42
Insurance receivables	1,696.1	1,467.9	16
Other assets	726.1	637.3	14
Financial assets at fair value and cash and cash equivalents	7,875.3	6,671.5	18
Total assets	**12,807.4**	**10,587.7**	**21**
Insurance liabilities	8,871.8	7,378.4	20

Financial liabilities	554.7	558.5	(1)
Other liabilities	1,250.1	841.3	49
Total liabilities	**10,676.6**	**8,778.2**	**22**
Net assets	2,130.8	1,809.5	18
Net assets per share (cents)	351.6c	299.0c	18
Net tangible assets per share (cents)	331.2c	278.0c	19
Net assets per share (pence)	265.8p	219.1p	
Net tangible assets per share (pence)	250.4p	203.8p	21
Number of shares[1]	606.1m	605.2m	23

[1] Excludes shares held in the employee trust and treasury shares.

Intangible assets

Intangible assets consist of goodwill on acquisitions of $62.0m (2020: $62.0m), purchased syndicate capacity of $10.7m (2020: $10.7m), US admitted licences of $9.3m (2020: $9.3m), renewal rights of $0.7m (2020: $8.7m) and capitalised expenditure on IT projects of $41.0m (2020: $35.6m).

Reinsurance assets

Reinsurance assets represent recoveries from reinsurers in respect of incurred claims of $1,829.4m (2020: $1,305.6m), and the unearned reinsurance premiums reserve of $557.0m (2020: $379.1m). The reinsurance receivables from reinsurers are split between recoveries on claims paid or notified of $371.4m (2020: $262.2m), an actuarial estimate of recoveries on claims that have not yet been reported of $1,458.0m (2020: $1,034.4m), and in 2021 there was no unexpired risk reserve (2020: $9.0m).

The Group's exposure to reinsurers is managed through:

- minimising risk through selection of reinsurers who meet strict financial criteria (e.g. minimum net assets, minimum 'A' rating by S&P). These criteria vary by type of business (short vs medium tail). The chart below shows the profile of these assets (based on their S&P rating) at the end of 2021;
- timely calculation and issuance of reinsurance collection notes from our ceded reinsurance team; and
- regular monitoring of the outstanding debtor position by our reinsurance security committee and credit control committee. We continue to provide against impairment of reinsurance recoveries and at the end of 2021 our provision in respect of reinsurance recoveries totalled $11.5m (2020: $14.8m).

Insurance receivables

Insurance liabilities of $8,872.0m (2020: $7,378.4m) consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities. Our UPR has increased by 20% to $2,472.7m (2020: $1,924.3m). The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that apart from the specific provisions made in respect of the unexpired risk reserves, the business is profitable.

Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $1,627.5m (2020: $1,507.3m), an estimate of claims incurred but not yet reported (IBNR) of $4,771.8m (2020: $3,855.3m), in 2021 there was no unexpired risk reserve (2020: $91.5m). These are estimated as part of the quarterly reserving process involving the underwriters and Group actuary. Gross insurance claims reserves have increased 17% from 2020 to $6,399.1m (2020: $5,454.1m).

Insurance liabilities

Insurance liabilities of $8,872.0m (2020: $7,378.4m) consist of two main elements, being the unearned premium reserve (UPR) and gross insurance claims liabilities. Our UPR has increased by 20% to $2,472.7m (2020: $1,924.3m). The majority of the UPR balance relates to current year premiums that have been deferred and will be earned in future periods. Current indicators are that apart from the specific provisions made in respect of the unexpired risk reserves detailed in note 24, the business is profitable.

Gross insurance claims reserves are made up of claims which have been notified to us but not yet paid of $1,627.5m (2020: $1,507.3m), an estimate of claims incurred but not yet reported (IBNR) of $4,771.8m (2020: $3,855.3m), in 2021 there was no unexpired risk reserve (2020: $91.5m). These are estimated as part of the quarterly reserving process involving the underwriters and Group actuary. Gross insurance claims reserves have increased 22% from 2019 to $6,399.3m (2020: $5,454.1m).

Financial liabilities

Financial liabilities comprise borrowings and derivative financial liabilities. The Group utilises two long term debt facilities:

- in November 2016, Beazley Insurance dac issued $250m of 5.875% subordinated tier 2 notes due in 2026; and
- in September 2019, Beazley Insurance dac issued $300m of 5.5% subordinated tier 2 notes due in 2029.

A syndicated short term banking facility led by Lloyds Banking Group plc provides potential borrowings up to $450m. Under the facility $450m may be drawn as letters of credit to support underwriting at Lloyd's, and up to $225m may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.4725% per annum and any amounts drawn are charged at a margin of 1.35% per annum.

The cash element of the facility will expire on 23 July 2024, whilst letters of credit issued under the facility can be used to provide support for the 2021, 2022, 2023 underwriting years. In 2021 $225m has been placed as a letter of credit as Funds at Lloyd's (FAL).

Other assets

Other assets are analysed separately in the notes to the financial statements. The items included comprise:

- deferred acquisition costs of $477.8m (2020: $384.9m); and
- deferred tax assets available for use against future taxes payable of $16.3m (2020: $26.8m).

Judgement is required in determining the policy for deferring acquisition costs. Beazley's policy assumes that variable reward paid to underwriters relates to prior years' business and is not an acquisition cost. As a result, the quantum of costs classified as acquisition is towards the lower end of the possible range seen across the insurance market. Costs identified as related to acquisition are then deferred in line with premium earnings.

Capital structure

Beazley aims to hold capital in excess of regulatory requirements in order to be best placed to swiftly take advantage of growth opportunities arising outside of our business plan, as well as to provide additional protection against downside events.

The Group actively seeks to manage its capital structure. Our preferred use of capital is to deploy it on opportunities
to underwrite profitably.

However, there may be times in the cycle when the Group will generate excess capital and not have the opportunity to deploy it. At such points in time the Board will consider returning capital to shareholders.

Beazley has a number of requirements for capital at a Group and subsidiary level. Capital is primarily required to support underwriting at Lloyd's, the US and through our European branches and is subject to prudential regulation by local regulators (Prudential Regulation Authority, Lloyd's, Central Bank of Ireland, and the US state level supervisors). Beazley is subject to the capital adequacy requirements of the European Union (EU) Solvency II regime (SII). We comply with all relevant SII requirements.

Further capital requirements come from rating agencies who provide ratings for Beazley Insurance Company, Inc and Beazley Insurance dac. We aim to manage our capital levels to obtain the ratings necessary to trade with our preferred client base.

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

	2021 $m	**2020 $m**
Shareholders' funds	2,130.8	1,809.5
Tier 2 subordinated debt (2026)	249.1	249.0
Tier 2 subordinated debt (2029)	298.3	298.1
Drawdown of letter of credit	225.0	225.0
	2,903.2	**2,581.6**

During 2021 we maintained a strong capital base to achieve our underwriting plan. Our funding comes from a mixture of our own equity alongside $547.4m ($550.0m gross of capitalised borrowing costs) of tier 2 subordinated debt. We also have a banking facility of $450m (31 December 2020: $450m) of which, $225m has been utilised and placed as a letter of credit at Lloyd's to support our Funds at Lloyd's (FAL).

The following table sets out the Group's capital requirement selected for our internal measure of the Group's capital
surplus position:

	2021	**2020**

	$m	$m
Lloyd's economic capital requirement (ECR)	2,225.3	2,116.5
Capital for US insurance companies	247.8	246.3
	2,473.1	**2,362.8**

The final Lloyd's economic capital requirement (ECR) at year end 2021, as confirmed by Lloyd's, reflects the business we expect to write through to the end of 2022 as per our business plan. Furthermore, rather than taking a one year view of this business, it assumes that all risks run to ultimate. Finally, Lloyds apply a 35% uplift to this number. These three factors make the ECR requirement considerably more onerous than the standard Solvency II measure which considers a one year time horizon and contains no uplift.

In general we expect our capital requirement to grow broadly in line with the net written premiums in our business plan, which in the short-term should be double digit growth, however premium growth due to rate change has a more limited impact on the capital requirement, as the amount of risk stays broadly the same.

At Beazley we aim to hold excess capital over the Lloyd's ECR and US capital requirement, expressed as a % of Lloyd's ECR, and have a preferred range of 15-25%. Given the stringent nature of the Lloyd's ECR as noted above, our Group surplus capital ratio is not directly comparable to the standard Solvency II capital ratio which is based on a one year time horizon.

At 31 December 2021, we have surplus capital (on a solvency II basis) of 27% of ECR, slightly above our current preferred range of 15% to 25% of ECR. Following payment of the proposed interim dividend of 12.9p, this surplus reduces to 22%,which is within our preferred range.

In addition to the surplus above, we have two further capital levers which may be called upon. Firstly, the remaining undrawn banking facility of $225m may be utilised and is not included within the capital stack used in the capital surplus calculation. Secondly, we continue to use reinsurance as a tool to manage our capital position.

To ensure capital efficiency is maintained for our operations in the US, we continue to use a captive arrangement through Beazley NewCo. Captive Company, Inc that we set up in 2020.

Both Tier 2 subordinated debt issuances issued by Beazley Insurance dac in 2016 and 2019 were assigned and maintain an Insurer Financial Strength (IFS) rating of 'A+' by Fitch.

Solvency II

The Solvency II regime came into force on 1 January 2016. Beazley continue to provide quarterly Solvency II pillar 3 reporting to both Lloyd's for the Beazley managed syndicates and the Central Bank of Ireland for Beazley Insurance dac and Beazley plc. During 2021 the fifth annual solvency financial condition report (SFCR) of Beazley plc was published.

Under Solvency II requirements, the Group is required to produce a Solvency Capital Requirement (SCR) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews the syndicates' SCRs to ensure that SCRs are consistent across the market.

The current SCR has been established using our Solvency II approved internal model approved by Central Bank of Ireland (CBI) which has been run within the regime as prescribed by Lloyd's. In order to perform the capital assessment:

- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and
- the internal model process is embedded so that teams can see the direct and objective link between underwriting decisions and the capital allocated to that team. This gives a consistent and comprehensive picture of the risk/reward profile of the business and allows teams to focus on strategies that improve return on capital.

IFRS 17

The implementation of the IFRS 17: Insurance contracts standard is currently scheduled for accounting periods commencing on or after 1 January 2023. Applying this standard is a major undertaking and so the company has established a multi-disciplinary project Group to oversee this activity.

The project has made good progress throughout 2021, moving from the planning/build phase into the implementation phase of the project. Throughout 2022 the company will be carrying out several dry runs and parallel runs ensuring that systems, resources and data production processes are all working as expected.

The company plans to increase the level of engagement with stakeholders throughout 2022, ensuring that there is an understanding of how the new standard impacts the presentation of the company's financials going forward.

Group structure

The Group operates across Lloyd's, Europe, Asia, Canada and the US through a variety of legal entities and structures. As at 31 December 2021, the main entities within the legal entity structure are as follows:

- Beazley plc - Group holding company and investment vehicle, quoted on the London Stock Exchange;
- Beazley Ireland Holdings plc - intermediate holding company;
- Beazley Underwriting Limited - corporate member at Lloyd's writing business through syndicates 2623, 3622 and 3623;
- Beazley Furlonge Limited - managing agency for the six syndicates managed by the Group 623, 2623, 3622, 3623, 6107, and 5623;
- Beazley Insurance dac - insurance company based in Ireland that accepts non-life reinsurance premiums ceded by the corporate member Beazley Underwriting Limited, and also writes business directly from Europe;
- Syndicate 2623 - corporate body regulated by Lloyd's through which the Group underwrites its general insurance business excluding accident, life and facilities. Business is written in parallel with syndicate 623;
- Syndicate 623 - corporate body regulated by Lloyd's which has its capital supplied by third party names;
- Syndicate 6107 - special purpose syndicate writing reinsurance business, and from 2017 cyber, on behalf of third party names;
- Syndicate 3622 - corporate body regulated by Lloyd's through which the Group underwrites its life insurance and reinsurance business;
- Syndicate 3623 - corporate body regulated by Lloyd's through which the Group underwrites its personal accident, BICI reinsurance business and, from 2018, Market Facilities business;
- Syndicate 5623 - special purpose syndicate writing Market Facilities ceded from syndicate 3623;
- Beazley America Insurance Company, Inc. (BAIC) - insurance company regulated in the US. In the process of obtaining licenses to write insurance business in all 50 states;
- Beazley Insurance Company, Inc. (BICI) - insurance company regulated in the US. Licensed to write insurance business in all 50 states;
- Beazley USA Services, Inc. (BUSA) - managing general agent based in Farmington, Connecticut. Underwrites business on behalf of Beazley syndicates, 2623 and 623, BICI and BAIC; and
- Beazley NewCo Captive Company, Inc - provides internal reinsurance to BICI for adverse development on older accident years.

Consolidated statement of profit or loss for the year ended 31 December 2021

	2021 $m	2020 $m
Gross premiums written	4,618.9	3,563.8
Written premiums ceded to reinsurers	(1,106.5)	(646.8)
Net premiums written	**3,512.4**	**2,917.0**
Change in gross provision for unearned premiums	(545.0)	(331.7)
Reinsurer's share of change in the provision for unearned premiums	179.9	108.1
Change in net provision for unearned premiums	**(365.1)**	**(223.6)**
Net earned premiums	**3,147.3**	**2,693.4**
Net investment income	116.4	188.1
Other income	28.2	29.8
Gain from sale of business	54.4	-
	199.0	**217.9**
Revenue	**3,346.3**	**2,911.3**
Insurance claims	2,734.3	2,589.3
Insurance claims recoverable from reinsurers	(908.1)	(631.0)
Net insurance claims	**1,826.2**	**1,958.3**

Expenses for the acquisition of insurance contracts	821.8	738.9
Administrative expenses	283.0	235.5
Foreign exchange loss/(gain)	7.2	(11.2)
Operating expenses	**1,112.0**	**963.2**
Expenses	**2,938.2**	**2,921.5**
Results of operating activities	**408.1**	**(10.2)**
Finance costs	(38.9)	(40.2)
Profit/(loss) before income tax	**369.2**	**(50.4)**
Income tax (expense)/credit	(60.5)	4.3
Profit/(loss) for year attributable to equity shareholders	**308.7**	**(46.1)**
Earnings per share (cents per share):		
Basic	50.9	(8.0)
Diluted	50.3	(8.0)
Earnings per share (pence per share):		
Basic	37.0	(6.3)
Diluted	36.5	(6.3)

Statement of comprehensive income for the year ended 31 December 2021

	2021 $m	**2020 $m**
Group		
Profit/(loss) for the year attributable to equity shareholders	308.7	(46.1)
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Gain /(loss) on remeasurement of retirement benefit obligations	13.0	(2.0)
Income tax on defined benefit obligation	(1.8)	(0.5)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(5.9)	2.8
Total other comprehensive income	5.3	0.3
Total comprehensive income/(loss) recognised	**314.0**	**(45.8)**

Statement of comprehensive income for the year ended 31 December 2021

	2021 $m	**2020 $m**
Company		

Profit for the year attributable to equity shareholders	37.2	47.9
Total comprehensive income recognised	**37.2**	**47.9**

Statement of changes in equity for the year ended 31 December 2021

	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group						
Balance at 1 January 2020	**38.1**	**3.2**	**(94.1)**	**3.6**	**1,674.5**	**1,625.3**
Total comprehensive (loss)/income recognised	-	-	2.8	-	(48.6)	(45.8)
Dividends paid	-	-	-	-	(50.2)	(50.2)
Issue of shares	-	2.1	-	-	-	2.1
Equity raise[1]	4.8	-	-	-	287.8	292.6
Equity settled share based payments	-	-	-	2.8	-	2.8
Acquisition of own shares in trust	-	-	-	(13.6)	-	(13.6)
Tax on share option vestings	-	-	-	(5.4)	1.2	(4.2)
Transfer of shares to employees	-	-	-	3.2	(2.7)	0.5
Balance at 31 December 2020	**42.9**	**5.3**	**(91.3)**	**(9.4)**	**1,862.0**	**1,809.5**
Balance at 1 January 2021	**42.9**	**5.3**	**(91.3)**	**(9.4)**	**1,862.0**	**1,809.5**
Total comprehensive (loss)/income recognised	-	-	(5.9)	-	319.9	314.0
Equity settled share based payments	-	-	-	11.0	-	11.0
Tax on share option vestings	-	-	-	(3.9)	-	(3.9)
Transfer of shares to employees	-	-	-	(1.7)	1.9	0.2
Balance at 31 December 2021	**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,183.8**	**2,130.8**

1 During the financial year ended 31 December 2020, the group raised $292.6m through a share issuance via a cash box structure. Merger relief under the Companies Act 2006, section 612 was available, and thus no share premium was recognised. As the redemption of the cash box entity's shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be immediately distributable and can be recognised within retained earnings. The funds raised are net of issuance costs.

Statement of changes in equity for the year ended 31 December 2021

	Share capital $m	Share premium $m	Merger reserve[2] $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company							
Balance at 1 January 2020	**38.1**	**3.2**	**55.4**	**0.7**	**(9.3)**	**621.3**	**709.4**

Total comprehensive income recognised	-	-	-	-	-	47.9	47.9
Dividends paid	-	-	-	-	-	(50.2)	(50.2)
Issue of shares	-	2.1	-	-	-	-	2.1
Equity raise[1]	4.8	-	-	-	-	287.8	292.6
Equity settled share based payments	-	-	-	-	2.8	-	2.8
Acquisition of own shares in trust	-	-	-	-	(13.6)	-	(13.6)
Transfer of shares to employees	-	-	-	-	3.2	(2.7)	0.5
Balance at 31 December 2020	**42.9**	**5.3**	**55.4**	**0.7**	**(16.9)**	**904.1**	**991.5**
Balance at 1 January 2021	42.9	5.3	55.4	0.7	(16.9)	904.1	991.5
Total comprehensive income recognised	-	-	-	-	-	37.2	37.2
Equity settled share based payments	-	-	-	-	11.0	-	11.0
Transfer of shares to employees	-	-	-	-	(1.7)	1.9	0.2
Balance at 31 December 2021	**42.9**	**5.3**	**55.4**	**0.7**	**(7.6)**	**943.2**	**1,039.9**

1 During the financial year ended 31 December 2020, the group raised $292.6m through a share issuance via a cash box structure. Merger relief under the Companies Act 2006, section 612 was available, and thus no share premium was recognised. As the redemption of the cash box entity's shares was in the form of cash, the transaction was treated as qualifying consideration and the premium is therefore considered to be immediately distributable and can be recognised within retained earnings. The funds raised are net of issuance costs.

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

Statements of financial position as at 31 December 2021

		2021		2020
	Group $m	Group $m	Group $m	Company $m
Assets				
Intangible assets	123.5	-	126.3	-
Plant and equipment	19.2	-	19.7	-
Right of use assets	75.5	-	86.4	-
Deferred tax asset	16.3	-	26.8	-
Investment in subsidiaries	-	724.6	-	724.6
Investment in associates	0.6	-	0.3	-
Deferred acquisition costs	477.8	-	384.9	-
Retirement benefit asset	18.1	-	4.8	-
Reinsurance assets	2,386.4	-	1,684.7	-
Financial assets at fair value	7,283.5	-	6,362.0	-
Insurance receivables	1,696.1	-	1,467.9	-
Other receivables	106.7	315.0	86.5	-
Current income tax asset	11.9	0.7	27.9	1.1
Cash and cash equivalents	591.8	0.3	309.5	-

Total assets	**12,807.4**	**1,040.6**	**10,587.7**	**725.7**
Equity				
Share capital	42.9	42.9	42.9	38.1
Share premium	5.3	5.3	5.3	3.2
Merger reserve	-	55.4	-	55.4
Foreign currency translation reserve	(97.2)	0.7	(91.3)	0.7
Other reserves	(4.0)	(7.6)	(9.4)	(9.3)
Retained earnings	2,183.8	943.2	1,862.0	621.3
Total equity	**2,130.8**	**1,039.9**	**1,809.5**	**709.4**
Liabilities				
Insurance liabilities	8,871.8	-	7,378.4	7,378.4
Financial liabilities	554.7	-	558.5	558.5
Lease liabilities	84.3	-	90.1	90.1
Deferred tax liabilities	-	-	0.6	0.6
Current income tax liability	24.5	-	16.7	16.7
Other payables	1,141.3	0.7	733.9	16.3
Total liabilities	**10,676.6**	**0.7**	**8,778.2**	**16.3**
Total equity and liabilities	**12,807.4**	**1,040.6**	**10,587.7**	**725.7**

Statements of cash flows for the year ended 31 December 2021

	2021		**2020**	
	Group $m	**Company $m**	**Group $m**	**Company $m**
Cash flow from operating activities				
Profit/(loss) before income tax	369.2	36.4	(50.4)	46.1
Adjustments for:				
Amortisation of intangibles	20.5	-	16.7	-
Equity settled share based compensation	11.0	11.0	2.8	2.8
Net fair value gain on financial assets	(45.8)	-	(83.0)	-
Depreciation of plant and equipment	4.9	-	3.2	-
Depreciation of right of use assets	15.0	-	13.0	-
Impairment of reinsurance assets recognised	(3.3)	-	1.1	-
Increase/(decrease) in insurance and other payables	1,900.8	(3.1)	1,486.9	(12.5)
Increase in insurance, reinsurance and other receivables	(950.1)	(47.1)	(782.1)	(268.7)
Increase in deferred acquisition costs	(92.9)	-	(34.2)	-
Financial income	(76.5)	(40.0)	(110.9)	(55.5)
Financial expense	38.9	3.6	40.2	5.6
Income tax paid	(22.2)	-	(26.5)	-
Net cash from/(used in) operating activities	**1,169.5**	**(39.2)**	**476.8**	**(282.2)**

Cash flow from investing activities				
Purchase of plant and equipment	(4.5)	-	(12.9)	-
Expenditure on software development	(17.7)	-	(20.5)	-
Purchase of investments	(7,979.1)	-	(6,126.6)	-
Proceeds from sale of investments	7,037.1	-	5,443.8	-
Interest and dividends received	54.4	40.0	104.3	55.5
Net cash from/(used in) investing activities	**70.6**	**40.0**	**(611.9)**	**55.5**
Cash flow from financing activities				
Acquisition of own shares in trust	-	-	(13.6)	(13.6)
Payment of lease liabilities	(12.8)	-	(15.3)	-
Equity raise	-	-	292.6	292.6
Finance costs	(35.2)	(3.6)	(37.8)	(5.6)
Issuance of shares	-	-	2.1	2.1
Dividend paid	-	-	(50.2)	(50.2)
Net cash (used in)/from financing activities	**(48.0)**	**(3.6)**	**177.8**	**225.3**
Net increase/(decrease) in cash and cash equivalents	282.3	(2.8)	42.7	(1.4)
Cash and cash equivalents at beginning of year	309.5	0.9	278.5	-
Effect of exchange rate changes on cash and cash equivalents	-	2.2	(11.7)	2.3
Cash and cash equivalents at end of year	**591.8**	**0.3**	**309.5**	**0.9**

1 Statement of accounting policies

Beazley plc (registered number 09763575) is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The company's registered address is 22 Bishopsgate, London, EC2N 4BQ, United Kingdom. The principal activity of the company and its subsidiaries (the 'group') is to participate as a specialist insurer which transacts primarily in commercial lines of business through its subsidiaries and through Lloyd's syndicates. The group financial statements for the year ended 31 December 2021 comprise the parent company, its subsidiaries and the Group's interest in associates.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

In the current year, the Group have applied amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The new effective amendments are:

- Interest Rate Benchmark Reform (IBOR) - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective date: 1 January 2021); and
- IFRS 16: COVID-19-Related Rent concessions (2021).

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

A number of new standards and interpretations adopted by the UK Endorsement Board (UKEB) which are not mandatorily effective, as well as standards and interpretations issued by the IASB but not yet adopted by the UKEB, have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it expects to apply them from their effective dates as determined by their dates of UKEB endorsement. The Group is still reviewing the upcoming standards to determine their impact:

- IFRS 9: Financial Instruments (UKEB effective date: 1 January 2018, deferred in line with implementation of IFRS 17);
- IFRS 9: Amendment: Prepayment Features with Negative Compensation (UKEB effective date: 1 January 2019, deferred in line with implementation of IFRS 17);
- IFRS 17: Insurance Contracts (IASB effective date: 1 January 2023);1 and
- IFRS 10 and IAS 28: Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- (IASB effective date: optional).

1 Have not been endorsed by UKEB.

Of the upcoming accounting standard changes that we are aware of, we anticipate that IFRS 17 and IFRS 9 will have the most material impact on the financial statements' presentation and disclosures. The accounting developments and implementation timelines of IFRS 17 and IFRS 9 are being closely monitored and the impacts of the standards themselves are being assessed
and prepared for. A brief overview of each of these standards is provided below:

- IFRS 17 will change the way insurance contracts are accounted for and reported. On initial assessment the major change will be on the presentation of the statement of profit or loss, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. Revenue will no longer be equal to premiums earned but instead reflect a change in the contract liability on which consideration is expected. The impact of the new standard is still being fully assessed but current indications are that the timing of profit recognition will be altered. Any change in profit recognition on transition to IFRS 17 will result in a one off transaction being reflected in equity. The Group are currently assessing the impact of IFRS 17 on several areas such as reserving strategy, operating model and data. The Group are also intending to start to review their reserve margin using IFRS 17 concepts such as confidence level rather than the current concept of holding reserves within a range above the actuarial estimates.

During 2021, the Group continued to undertake a number of tasks in preparation for IFRS 17. These tasks included:

- Concluding on writing and presenting technical papers to governance committees of how the standard will be applied;
- Sourcing and landing the remaining data required for IFRS 17;
- Developing a calculation engine to allow the population of IFRS 17 results;
- Begin the recruitment of IFRS 17 target operating model resources; and
- Develop the working day timetable, control framework, target operating model and additional processes required to allow the effective operation of IFRS 17.

Currently the project to implement IFRS 17 and IFRS 9 has made good progress during 2021. As was stated in the 2017 annual report, the Group chose to apply the temporary exemption permitted by IFRS 4 from applying IFRS 9: Financial Instruments. The Group qualifies for this exemption because, as at 31 December 2015, $5,040.7m or 95% of its total liabilities were connected with insurance. There has been no material change in the Group's activities since 31 December 2015, therefore the exemption still remains. The Group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with the entities applying IFRS 9. As such, fair values are disclosed separately for the Group's financial assets which are managed and evaluated on a fair value basis and those which meet the solely payments of principal and interest (SPPI) test under IFRS 9. Beazley plc as a standalone company adopted IFRS 9 from 1 January 2018. However, as the standalone company has no financial investments the adoption had an immaterial impact on its financial statements. Below is a table outlining the fair value of assets which are managed and evaluated on a fair value basis and those which meet the SPPI test under IFRS 9. The Group have made the decision not to restate prior year comparatives on adoption of IFRS 9, nor apply the overlay approach.

On 25 June 2020, the International Accounting Standards Board (IASB) issued amendments to IFRS 17 Insurance Contracts, which included the deferral of the effective date of IFRS 17 and IFRS 9 (for qualifying insurers) to 1 January 2023.

	2021 $m	2020 $m
Financial assets managed and evaluated on a fair value basis		
Fixed and floating rate debt securities:		
- Government issued	4,008.1	2,723.7
- Corporate bonds		
- Investment grade	1,861.9	2,444.9

- High yield	402.3	251.1
Syndicate loans	37.9	40.6
Equity funds	209.6	203.2
Hedge funds	478.2	442.1
Illiquid credit assets	277.9	227.9
Derivative financial assets	7.6	28.5
Total financial assets managed and evaluated on a fair value basis	**7,283.5**	**6,362.0**

Financial assets meeting the SPPI test		
Cash and cash equivalents	591.8	309.5
Other receivables	106.7	86.5
Total financial assets meeting the SPPI test	**698.5**	**396.0**

Basis of presentation

The Group financial statements are prepared using the historical cost convention, with the exception of financial assets and derivative financial instruments which are stated at their fair value. All amounts presented are in US dollars and millions, unless stated otherwise.

In accordance with the requirements of IAS 1 the financial statements' assets and liabilities have been presented in order of liquidity which provides information that is more reliable and relevant for a financial institution.

Going Concern

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

In assessing the Group's going concern position as at 31 December 2021, the directors have considered a number of factors, including the current statement of financial position, the Group's strategic and financial plan, taking account of possible changes in trading performance and funding retention, and stress testing and scenario analysis.

This included, among other analysis, a best estimate forecast with scenario analysis covering the impact of reserve releases, attritional, large and catastrophe loss events alongside optimistic and pessimistic investment return scenarios. To further stress the financial stability of the Group, additional scenario testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the Group's exposure to climate change-related risks, global events and counterparty credit risk, the occurrence of a number of high severity loss events impacting our underwriting platforms in 2022 and a reverse stress test scenario designed to render the business model unviable. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

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

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

Part VII transfer

On 30 December 2020, the Group transferred all relevant policies (and related liabilities) underwritten by the Group's syndicates to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Group entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the Group. The purpose of these transactions were to ensure these policies could be serviced after Brexit on the 31 December 2020.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Group transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $229.2m. On the same date, under the Reinsurance Agreement, Lloyd's

Brussels reinsured the same risks back, together with an equal amount of cash of $229.2m. The combined effect of the two transactions had no economic impact for the Group, and accordingly there is no impact on the Group's 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 changes in future economic conditions could be impacted by significant changes in the economic and regulatory environment, such as COVID-19, climate change, US legislation and Brexit.

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

a) Estimates

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.

Provision & claims

The most critical estimate included within the Group's financial position is the estimate for insurance losses incurred but not reported (IBNR), which is included within total insurance liabilities and reinsurance assets in the statement of financial position. 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 total estimate for insurance losses incurred but not reported gross of reinsurers' share as at 31 December 2021 is $4,711.8m (2020: $3,855.3m). The total estimate for insurance losses incurred but not reported net of reinsurers' share as at 31 December 2021 is $3,313.8m (2020: $2,820.9m) and is included within total insurance liabilities and reinsurance assets in the statement of financial position.

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.

Another critical estimate within insurance liabilities is the estimation of an unexpired risk reserve (URR) for the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date which exceeds the unearned premium reserve. Any deficiency resulting from this liability adequacy test is recognised in the statement of profit and loss and additional liability as required is recognised as URR in the statement of financial position. In 2020, the Group recognised a loss due to this test and established a URR. If this estimation was to prove inadequate, the unexpired risk reserve provision could be understated. As at 31 December 2021 no URR provision has been included on either a gross basis (2020: $91.5m) or net of reinsurance basis (2020: $82.5m).

Financial assets & liabilities

Another critical area of estimation is the Group's financial assets and liabilities. Information about estimation uncertainty related to the Group's financial assets and liabilities is described in this statement of accounting policies and note 16: financial assets and liabilities (valuations based on models and unobservable inputs) of the 2021 Annual Report and Accounts.

Premium estimates

Other critical estimates contained within our close process are premium estimates and the earning pattern of recognising premium over the life of the contract. In the syndicates the 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. This is done on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. The underwriters adjust their EPI estimates as the year of account matures. As the year of account closes premiums are adjusted to match the actual signed premium. An accrual for estimated future reinstatement premiums is retained. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Estimation techniques are necessary to quantify the future premium on all syndicate business written and are commonly used within the Lloyd's insurance market. The majority of the estimation arises within the binder and lineslip estimates where the premium amounts are dependent on the volume of policies that are insured under the binder/lineslip over the coverage period. In these cases underwriters estimate an initial premium volume and then adjust throughout the life of the binder/lineslip as and when new information becomes available. The process of determining the EPI is based on a number of factors, which can include:

- Coverholder business plan documents supplied prior to binding;

- Historical trends of business written;
- Current and expected market conditions for this line of business; and
- Life to date bordereaux submissions versus expectation

Due to the nature of the Lloyd's business and the settlement patterns of the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and a receivable on the balance sheet remains. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2021 is $15.4m (2020: $13.7m).

Goodwill

Another estimate used by Beazley is based on the key assumptions underlying the recoverable amounts used in assessing the impairment of goodwill. The key assumptions used in the preparation of future cash flows are: premium growth rates, claims experience, discount rates, retention rates and expected future market conditions as per note 12 of the 2021 Annual Report and Accounts.

2 Segmental analysis

a) Reporting segments

Segment information is presented in respect of reportable segments. These are based on the group's management and internal reporting structures and represent the level at which financial information is reported to the Executive Committee, being the chief operating decision-maker as defined in IFRS 8.

The operating segments are based upon the different types of insurance risk underwritten by the group, as described below:

Cyber & Executive Risk

This segment underwrites management liabilities such as employment practices risks and directors and officers, alongside cyber and technology, media and business services.

Marine

This segment underwrites a broad spectrum of marine classes including hull, energy, cargo and specie, piracy, satellite, aviation,
kidnap & ransom and war risks.

Market Facilities

This segment underwrites entire portfolios of business with the aim of offering a low cost mechanism for placing follow business within the Lloyd's market.

Political, Accident & Contingency

This segment underwrites terrorism, political violence, expropriation and credit risks as well as contingency and risks associated with contract frustration. In addition, this segment underwrites life, health, personal accident, sports and income protection risks.

Property

The Property segment underwrites commercial and high-value homeowners' property insurance on a worldwide basis.

Reinsurance

This segment specialises in writing property catastrophe, property per risk, casualty clash, aggregate excess of loss and
pro-rata business.

Specialty Lines

This segment underwrites a wide portfolio of business, including architects and engineers, healthcare, lawyers and environmental liability and international financial institutions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those items that are allocated on a reasonable basis are split based on each segment's capital requirements which is taken from the group's most up to date business plan. The reporting segments do not cross-sell business to each other. There are no individual policyholders who comprise greater than 10% of the group's total gross premiums written.

b) Segment information

2021	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Gross premiums written	1,515.6	376.5	198.2	322.8	586.5	226.1	1,393.2	4,618.9

Net premiums written	1,150.6	345.6	55.0	270.9	439.7	133.4	1,117.2	3,512.4
Net earned premiums	951.6	316.8	45.3	251.2	386.8	134.9	1,060.7	3,147.3
Net investment income	31.9	8.3	0.6	8.1	15.0	7.6	44.9	116.4
Other income	4.1	1.1	(0.3)	1.9	6.9	0.6	13.9	28.2
Gain from sale of business	-	-	-	54.4	-	-	-	54.4
Revenue	**987.6**	**326.2**	**45.6**	**315.6**	**408.7**	**143.1**	**1,119.5**	**3,346.3**
Net insurance claims	622.1	105.8	10.6	136.1	212.4	123.0	616.2	1,826.2
Expenses for the acquisition of insurance contracts	205.9	89.0	33.1	84.7	118.3	31.1	259.7	821.8
Administrative expenses	56.6	33.4	0.7	25.1	51.3	15.6	100.3	283.0
Foreign exchange (gain)	2.3	0.6	0.3	0.5	0.9	0.4	2.2	7.2
Expenses	**886.9**	**228.8**	**44.7**	**246.4**	**382.9**	**170.1**	**978.4**	**2,938.2**
Segment result	**100.7**	**97.4**	**0.9**	**69.2**	**25.8**	**(27.0)**	**141.1**	**408.1**
Finance costs								(38.9)
Profit before income tax								**369.2**
Income tax expense								(60.5)
Profit for the year attributable to equity shareholders								**308.7**
Claims ratio	65%	33%	23%	54%	55%	91%	58%	58%
Expense ratio	28%	39%	75%	44%	44%	35%	34%	35%
Combined ratio	93%	72%	98%	98%	99%	126%	92%	93%
Segment assets and liabilities								
Segment assets	3,953.7	761.8	339.8	698.3	1,351.1	814.1	4,888.6	12,807.4
Segment liabilities	(3,253.6)	(655.6)	(316.9)	(605.9)	(1,086.5)	(685.9)	(4,072.2)	(10,676.6)
Net assets	**700.1**	**106.2**	**22.9**	**92.4**	**264.6**	**128.2**	**816.4**	**2,130.8**

Additional information

Capital expenditure	7.3	1.1	0.2	1.0	2.8	1.3	8.5	22.2
Amortisation and depreciation	(10.8)	(2.5)	(0.3)	(1.4)	(4.0)	(2.0)	(19.4)	(40.4)
Net cash flow	92.7	14.1	3.0	12.2	35.1	17.0	108.2	282.3

2020	**Cyber & Executive Risk $m**	**Marine $m**	**Market Facilities $m**	**Political, Accident & Contingency $m**	**Property $m**	**Reinsurance $m**	**Specialty Lines $m**	**Total $m**
Gross premiums written	1,020.1	337.4	133.4	273.0	470.5	194.5	1,134.9	3,563.8
Net premiums written	864.6	309.4	37.3	227.1	389.9	126.9	961.8	2,917.0
Net earned premiums	787.2	297.1	27.9	213.8	360.7	124.3	882.4	2,693.4
Net investment income	53.6	12.8	0.5	10.6	21.4	11.9	77.3	188.1
Other income	2.8	1.7	0.1	4.1	5.1	1.7	14.3	29.8
Revenue	**843.6**	**311.6**	**28.5**	**228.5**	**387.2**	**137.9**	**974.0**	**2,911.3**
Net insurance claims	557.7	160.5	8.3	354.1	291.3	86.8	499.6	1,958.3
Expenses for the acquisition of insurance contracts	180.0	82.2	19.3	75.9	105.4	32.0	244.1	738.9
Administrative expenses	54.4	25.1	1.9	23.1	36.4	12.2	82.4	235.5
Foreign exchange (gain)	(3.3)	(1.2)	(0.1)	(0.9)	(1.5)	(0.5)	(3.7)	(11.2)
Expenses	**788.8**	**266.6**	**29.4**	**452.2**	**431.6**	**130.5**	**822.4**	**2,921.5**
Segment result	**54.8**	**45.0**	**(0.9)**	**(223.7)**	**(44.4)**	**7.4**	**151.6**	**(10.2)**
Finance costs								(40.2)
Loss before income tax								**(50.4)**
Income tax credit								4.3
Loss for the year attributable to equity shareholders								**(46.1)**
Claims ratio	71%	54%	30%	166%	81%	70%	57%	73%
Expense ratio	30%	36%	76%	46%	39%	35%	37%	36%
Combined ratio	101%	90%	106%	212%	120%	105%	94%	109%

Segment assets and liabilities								
Segment assets	2,909.9	707.4	182.5	786.3	1,216.7	734.1	4,050.8	10,587.7
Segment liabilities	(2,389.8)	(612.2)	(170.7)	(678.4)	(966.0)	(591.2)	(3,369.9)	(8,778.2)
Net assets	**520.1**	**95.2**	**11.8**	**107.9**	**250.7**	**142.9**	**680.9**	**1,809.5**
Additional information								
Capital expenditure	8.5	1.6	0.2	1.8	4.1	2.3	11.2	29.7
Amortisation and depreciation	(3.4)	(2.2)	(0.1)	(0.7)	(1.6)	(0.9)	(11.0)	(19.9)
Net cash flow	8.9	1.6	0.2	1.9	4.3	2.4	11.7	31.0

c) Information about geographical areas

The Group's operating segments are also managed geographically by placement of risk. UK earned premium in the analysis below represents all risks placed at Lloyd's; US earned premium represents all risks placed at the Group's US insurance companies, Beazley Insurance Company, Inc. and Beazley America Insurance Company, Inc; and Europe earned premium represents all risks placed at the Group's European insurance company, Beazley Insurance dac..

	2021 $m	2020 $m
Net earned premiums		
UK (Lloyd's)	2,550.6	2,214.6
US (Non-Lloyd's)	477.1	430.7
Europe (Non-Lloyd's)	119.6	48.1
	3,147.3	**2,693.4**

	2021 $m	2020 $m
Segment assets		
UK (Lloyd's)	11,267.5	9,433.1
US (Non-Lloyd's)	1,164.9	976.6
Europe (Non-Lloyd's)	375.0	178.0
	12,807.4	**10,587.7**

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

	2021 $m	2020 $m
Capital expenditure		
Non-US	20.2	23.2
US	3.3	6.5
	23.5	**29.7**

3 Net investment income

	2021 $m	2020 $m
Interest and dividends on financial investments at fair value through profit or loss	76.5	110.7
Interest on cash and cash equivalents	-	0.2

Net realised gains on financial investments at fair value through profit or loss	79.8	46.3
Net unrealised fair value gains on financial investments at fair value through profit or loss	(34.0)	36.7
Investment income from financial investments	**122.3**	**193.9**
Investment management expenses	(5.9)	(5.8)
	116.4	**188.1**

4a Other income

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

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

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

Other income
The Group has received $0.1m of government grants relating to COVID-19 for wage relief for our Singapore employees
(31 December 2020: $0.2m). These grants are deemed to be tax free in the hands of the employer. Under IAS 20: Government Grants, government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

4b Gain on sale of business
The Group has recognised a net gain on sale of $54.4m following the sale of the Beazley Benefits business, which provides group supplemental health benefits solutions through employers or affinity groups to employees. Beazley Benefits sits within the Political, Accident & Contingency segment in these financial statements. The sale was completed during 2021, and the transaction transferred the renewal rights on the business beginning effective 1 August 2021, the Minneapolis office lease, and the associated office furniture, fixtures and equipment. The transaction resulted in transfer of $0.1m of lease and other assets, and $0.1m of lease liabilities. The Group received closing proceeds of $56.7m and recognised closing costs of $2.3m.

5 Operating expenses

	2021 $m	**2020 $m**
Operating expenses include:		
Amounts receivable by the auditor[1] and associates in respect of:		
- audit services for the group and subsidiaries	2.7	2.4
- audit-related assurance services	1.1	1.0
- other non-audit services	0.6	0.5
	4.4	3.9

Impairment loss recognised on reinsurance assets	(3.3)	1.1

[1] Other than the fees disclosed above, no other fees were paid to the company's auditor.

6 Employee benefit expenses

	2021 m	2020 $m
Wages and salaries	199.1	179.6
Short term incentive payments	82.5	39.1
Social security	26.6	17.5
Share based remuneration	11.6	3.0
Pension costs[1]	15.7	13.0
	335.5	**252.2**
Recharged to syndicate 623	(48.5)	(33.2)
	287.0	**219.0**

1 Pension costs also include contributions made under the defined contribution scheme

The average number of employees for 2021 was 1,617 (2020: 1,497).

7 Finance costs

	2021 $m	2020 $m
Interest expense on financial liabilities	35.2	37.8
Interest expense on lease liabilities	3.7	2.4
	38.9	**40.2**

8 Income tax expense

	2021 $m	2020 $m
Current tax expense		
Current tax expense	64.0	12.9
Prior year adjustments	(7.5)	(6.5)
	56.5	**6.4**
Deferred tax expense		
Origination and reversal of temporary differences	4.4	(12.1)
Impact of change in UK/US tax rates	(0.6)	(0.4)
Prior year adjustments	0.2	1.8
	4.0	(10.7)
Income tax (credit)/charge	**60.5**	**(4.3)**

Reconciliation of tax expense

The weighted average of statutory tax rates applied to the (losses)/profits earned in each country in which the Group operates is 17.2% (2020: 2.0%), whereas the tax charged for the year ending 31 December 2021 as a percentage of (loss)/profit before tax

is 16.4% (2020: 8.5%). The reasons for the difference are explained below

	2021 $m	2021 %	2020 $m	2020 %
Profit/(loss) before tax	**369.2**	**-**	**(50.4)**	**-**
Tax calculated at the weighted average of statutory tax rate	63.3	17.2	(1.0)	2.0
Effects of:				
- non-deductible expenses	3.5	1.0	2.1	(4.2)

- tax relief on share based payments - current and future years	1.6	0.4	(0.4)	0.8
- over provided in prior years	(7.3)	(2.0)	(4.6)	9.1
- change in UK/US tax rates[1]	(0.6)	(0.2)	(0.4)	0.8
Tax (credit)/charge for the period	**60.5**	**16.4**	**(4.3)**	**8.5**

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

The Tax Act (the Tax Cuts and Jobs Act) was signed into law in the US in December 2017. The Tax Act includes base erosion anti-avoidance tax provisions (the "BEAT"). We have performed an assessment for our intra-group transactions potentially in scope of BEAT. The application of this new BEAT legislation is still uncertain for some types of transaction and we are keeping developments under review. With support from external advisors, we believe that the BEAT impact on the Group is not significant. For the year 2021 no amount was provided in the Group accounts for BEAT liabilities (for 2020 the Group provided $1.1m for BEAT tax). The ultimate outcome may differ and if any additional amounts did fall within the scope of the BEAT, incremental tax at 10% might arise on some or all of those amounts. The maximum exposure to BEAT can not be quantified as it would be subject to differing interpretations.

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

	2021 $m	**2020 $m**
Current tax: share based payments	-	(1.2)
Deferred tax: share based payments	3.9	5.4
	3.9	**4.2**

9 (Loss)/earnings per share

	2021	**2020**
Basic (cents)	50.9c	(8.0)c
Diluted (cents)	50.3c	(8.0)c
Basic (pence)	37.0p	(6.3)p
Diluted (pence)	36.5p	(6.3)p

Basic

Basic earnings/(loss) per share are calculated by dividing profit after tax of $308.7m (2020: Loss $46.1m) by the weighted average number of shares in issue during the year of 606.0m (2020: 573.8m). The shares held in the Employee Share Options Plan (ESOP)
of 3.2m (2020: 3.8m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

Diluted

Diluted earnings/(loss) per share are calculated by dividing profit after tax of $308.7m (2020: Loss $46.1m) by the adjusted weighted average number of shares of 614.3m (2020: 582.6m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the equity settled compensation schemes. The shares held in the ESOP of 3.2m (2020: 3.8m) have been excluded from the calculation, until such time as they vest unconditionally with the employees.

10 Dividends per share

After careful consideration the directors have concluded that after a year's hiatus, they propose an interim dividend of 12.9p
for 2021 (2020: nil) which represents a 5% increase on the combined first and second interim dividends declared in 2019 of 12.3p. The dividend will be payable on 30 March 2022 to Beazley plc shareholders

registered at 5.00pm on 18 February 2022. The company expects the total amount to be paid in respect of the interim dividend to be approximately £78m. These financial statement do not provide for the interim dividend as a liability.

11 Insurance liabilities and reinsurance assets

	2021 $m	2020 $m
Gross		
Claims reported and loss adjustment expenses	1,627.4	1,507.3
Unexpired risk reserve	4,771.7	91.5
Claims incurred but not reported	-	3,855.3
Gross claims liabilities	**6,399.1**	**5,454.1**
Unearned premiums	2,472.7	1,924.3
Total insurance liabilities, gross	**8,871.8**	**7,378.4**
Recoverable from reinsurers		
Claims reported and loss adjustment expenses	371.4	262.2
Unexpired risk reserve	1,458.0	9.0
Claims incurred but not reported	-	1,034.4
Reinsurers' share of claims liabilities	**1,829.4**	**1,305.6**
Unearned premiums	557.0	379.1
Total reinsurers' share of insurance liabilities	**2,386.4**	**1,684.7**
Net		
Claims reported and loss adjustment expenses	1,256.0	1,245.1
Unexpired risk reserve	3,313.7	82.5
Claims incurred but not reported	-	2,820.9
Net claims liabilities	**4,569.7**	**4,148.5**
Unearned premiums	1,915.7	1,545.2
Total insurance liabilities, net	**6,485.4**	**5,693.7**

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

11.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2021			2020		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Claims reported and loss adjustment expenses	1,507.3	(262.2)	1,245.1	1,263.7	(223.7)	1,040.0
Claims incurred but not reported	3,855.3	(1,034.4)	2,820.9	3,196.6	(845.1)	2,351.5
Unexpired risk reserve	91.5	(9.0)	82.5	-	-	-
Balance at 1 January	**5,454.1**	**(1,305.6)**	**4,148.5**	**4,460.3**	**(1,068.8)**	**3,391.5**
Claims paid	(1,718.5)	378.9	(1,339.6)	(1,671.1)	404.7	(1,266.4)
Increase in claims						
- Arising from current year claims	2,911.5	(875.5)	2,036.0	2,698.2	(646.8)	2,051.4

- Arising from prior year claims	(177.2)	(32.6)	(209.8)	(109.8)	16.7	(93.1)
Net exchange differences	(70.8)	5.4	(65.4)	76.5	(11.4)	65.1
Balance at 31 December	**6,399.1**	**(1,829.4)**	**4,569.7**	**5,454.1**	**(1,305.6)**	**4,148.5**

Claims reported and loss adjustment expenses	1,627.4	(371.4)	1,256.0	1,507.3	(262.2)	1,245.1
Claims incurred but not reported	4,771.7	(1,458.0)	3,313.7	91.5	(9.0)	82.5
Unexpired risk reserve	-	-	-	3,855.3	(1,034.4)	2,820.9
Balance at 31 December	**6,399.1**	**(1,829.4)**	**4,569.7**	**5,454.1**	**(1,305.6)**	**4,148.5**

b) Unearned premiums reserve

	2021			**2020**		
	Gross $m	**Reinsurance $m**	**Net $m**	**Gross $m**	**Reinsurance $m**	**Net $m**
Balance at 1 January	1,924.3	(379.1)	1,545.2	1,598.7	(269.4)	1,329.3
Increase in the year	4,618.9	(1,122.8)	3,496.1	3,563.8	(655.7)	2,908.1
Release in the year	(4,070.5)	944.9	(3,125.6)	(3,238.2)	546.0	(2,692.2)
Balance at 31 December	**2,472.7**	**(557.0)**	**1,915.7**	**1,924.3**	**(379.1)**	**1,545.2**

11.2 Assumptions, changes in assumptions and claims reserve strength analysis

a) Process used to decide on assumptions

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

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

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

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

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

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

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

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.
The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain

instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

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

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

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

b) Major assumptions

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

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

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

c) Changes in assumptions

As already discussed, general insurance business requires many different assumptions.

Further information on the calculation of loss reserves and the risks associated with them is provided in the risk disclosures section in note 2 of the 2021 Annual Report and Accounts. The risks associated with general insurance contracts are complex and do not readily lend themselves to meaningful sensitivity analysis. Given the range of assumptions used, the Group's profit or loss is relatively insensitive to changes to an individual assumption used for an underwriting year/class combination.

The Group's profit or loss is potentially more sensitive to a systematic change in assumptions that affect many classes, such as judicial changes or when catastrophes produce more claims than expected. The impact of an unreported event could lead to a significant increase in the Group's loss reserves. The Group believes that the loss reserves established are adequate, however a 20% increase in estimated losses would lead to a $1,279.8m (2020: $1,090.8m) increase in gross loss reserves and a $913.9m (2020: $829.7m) increase in net loss reserves. The Group uses a range of risk mitigation strategies to reduce such volatility including the purchase of reinsurance. In addition, the Group holds capital to absorb volatility.

d) Claims reserve strength analysis

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

As such, our reserving assumptions contain a reasonable margin for prudence given the uncertainties inherent in the insurance business underwritten, particularly on the longer tailed Specialty Lines and executive risk classes.

Since year end 2004, we have identified a range of possible outcomes for each class and underwriting year combination directly from our internal model (previously our individual capital assessment (ICA)) process. Comparing these with our pricing assumptions and reserving estimates gives our management team increased insight into our perceived reserving strength and the relative uncertainties of the business written.

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the seven segments - Cyber & Executive Risk, Marine, Market Facilities, Political, Accident & Contingency, Property, Reinsurance and Specialty Lines. The tables are by underwriting year which in our view provides the most transparent reserving basis. We have supplied tables for both ultimate gross claims and ultimate net claims.

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

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The Group believes that the estimate of total claims liabilities as at 31 December 2021 is adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross ultimate claims	**2011 ae %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	**2021 %**
Cyber & Executive Risk											
12 months		71.6	71.0	66.0	64.3	61.9	59.5	61.1	61.8	73.2	65.8
24 months		71.8	71.3	66.2	64.3	61.9	61.4	62.3	72.0	78.7	-
36 months		69.1	71.1	63.6	59.0	58.5	56.8	61.5	73.4	-	-
48 months		65.5	69.0	65.1	54.1	58.3	56.6	64.0	-	-	-
60 months		63.5	66.4	69.8	56.0	59.5	57.4	-	-	-	-
72 months		61.1	62.9	68.4	57.5	57.6	-	-	-	-	-
84 months		60.6	63.0	69.1	58.5	-	-	-	-	-	-
96 months		59.4	63.5	69.7	-	-	-	-	-	-	-
108 months		59.5	63.6	-	-	-	-	-	-	-	-
120 months		62.0	-	-	-	-	-	-	-	-	-
Marine											
12 months		56.1	56.7	57.7	56.7	59.5	68.0	61.9	60.1	57.8	52.9
24 months		46.4	52.1	46.9	54.0	70.2	62.4	68.1	56.8	52.1	-
36 months		34.7	44.4	47.2	47.3	65.4	61.6	66.2	47.9	-	-
48 months		32.1	42.7	46.8	45.4	63.9	58.0	63.3	-	-	-
60 months		31.4	42.1	55.8	43.3	62.4	55.0	-	-	-	-
72 months		30.6	41.5	53.0	42.7	62.1	-	-	-	-	-
84 months		29.9	40.3	51.9	42.2	-	-	-	-	-	-
96 months		29.7	39.3	52.4	-	-	-	-	-	-	-
108 months		29.8	39.2	-	-	-	-	-	-	-	-
120 months		29.9	-	-	-	-	-	-	-	-	-
Market Facilities											
12 months		-	-	-	-	-	-	66.3	72.9	76.6	72.0
24 months		-	-	-	-	-	-	66.3	72.8	73.7	-
36 months		-	-	-	-	-	-	55.1	68.7	-	-
48 months		-	-	-	-	-	-	55.2	-	-	-

Gross ultimate claims	2011 ae %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %
60 months		-	-	-	-	-	-	-	-	-	-
72 months		-	-	-	-	-	-	-	-	-	-
84 months		-	-	-	-	-	-	-	-	-	-
96 months		-	-	-	-	-	-	-	-	-	-
108 months		-	-	-	-	-	-	-	-	-	-
120 months		-	-	-	-	-	-	-	-	-	-
Political, Accident & Contingency											
12 months		60.0	59.5	59.7	60.5	61.9	58.2	59.4	57.0	111.4	57.3
24 months		56.0	50.9	52.4	59.9	55.8	50.0	55.4	143.9	120.0	-
36 months		53.0	46.4	48.5	58.5	50.8	46.8	92.4	143.8	-	-
48 months		50.5	45.4	51.3	59.3	49.4	49.8	97.4	-	-	-
60 months		47.4	47.1	52.5	55.7	47.9	47.3	-	-	-	-
72 months		46.6	46.8	53.5	54.6	45.2	-	-	-	-	-
84 months		45.6	46.6	54.3	54.6	-	-	-	-	-	-
96 months		45.7	46.2	54.7	-	-	-	-	-	-	-
108 months		45.6	45.7	-	-	-	-	-	-	-	-
120 months		45.1	-	-	-	-	-	-	-	-	-
Property											
12 months		56.1	54.9	53.2	54.9	58.9	72.3	63.4	53.2	67.9	58.0
24 months		47.3	48.9	47.7	49.0	68.4	88.5	63.5	63.4	73.0	-
36 months		39.6	45.6	41.3	45.9	71.3	91.3	65.4	53.9	-	-
48 months		36.5	45.6	40.6	44.8	71.8	91.4	64.2	-	-	-
60 months		35.9	45.5	39.6	43.7	71.8	91.1	-	-	-	-
72 months		35.3	47.3	40.2	45.9	71.4	-	-	-	-	-
84 months		35.2	46.6	39.7	45.6	-	-	-	-	-	-
96 months		36.5	47.0	40.0	-	-	-	-	-	-	-
108 months		37.6	47.2	-	-	-	-	-	-	-	-
120 months		37.5	-	-	-	-	-	-	-	-	-
Reinsurance											
12 months		62.8	58.6	61.3	65.8	68.4	122.5	99.0	101.5	79.9	115.1
24 months		37.1	44.8	33.3	33.7	41.8	117.6	125.0	69.2	80.5	-
36 months		31.7	42.3	30.7	25.7	40.6	129.4	123.5	68.6	-	-
48 months		30.6	41.1	27.6	25.5	41.4	132.1	118.4	-	-	-
60 months		30.9	38.1	27.4	25.3	40.7	131.0	-	-	-	-
72 months		30.6	37.9	26.9	25.1	40.3	-	-	-	-	-
84 months		30.6	37.0	26.9	24.4	-	-	-	-	-	-
96 months		30.3	36.9	27.0	-	-	-	-	-	-	-
108 months		30.3	36.8	-	-	-	-	-	-	-	-
120 months		28.6	-	-	-	-	-	-	-	-	-

Gross ultimate claims	**2011 ae %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	**2021 %**	
Specialty Lines												
12 months		74.9	74.6	69.8	69.3	67.6	65.9	68.5	66.9	68.3	65.7	
24 months		75.0	74.2	69.5	69.9	67.5	66.0	69.0	68.6	69.6	-	
36 months		73.6	73.9	65.8	68.2	65.4	66.0	65.9	60.9	-	-	
48 months		73.9	69.4	61.7	67.4	64.0	62.1	61.6	-	-	-	
60 months		70.2	64.2	58.0	69.3	60.7	64.4	-	-	-	-	
72 months		69.1	62.1	55.7	78.2	61.8	-	-	-	-	-	
84 months		68.7	61.4	53.9	82.8	-	-	-	-	-	-	
96 months		71.0	60.0	54.7	-	-	-	-	-	-	-	
108 months		72.2	58.1	-	-	-	-	-	-	-	-	
120 months		72.2	-	-	-	-	-	-	-	-	-	
Total												
12 months		64.6	63.7	62.1	62.5	63.3	70.1	66.7	64.8	73.0	65.8	
24 months		58.3	59.3	55.8	58.4	62.9	71.1	69.6	74.2	75.5	-	
36 months		53.3	56.5	52.7	54.5	60.7	71.1	71.2	69.8	-	-	
48 months		51.4	54.5	51.7	52.7	60.1	69.8	70.1	-	-	-	
60 months		49.5	52.5	53.2	52.8	59.2	70.0	-	-	-	-	
72 months		48.4	51.5	52.1	55.6	58.5	-	-	-	-	-	
84 months		48.0	51.0	51.7	56.9	-	-	-	-	-	-	
96 months		48.5	50.6	52.2	-	-	-	-	-	-	-	
108 months		49.1	50.1	-	-	-	-	-	-	-	-	
120 months		49.3	-	-	-	-	-	-	-	-	-	
Estimated total ultimate losses ($m)	7,901.7	866.2	915.9	998.0	996.9	1,125.3	1,275.2	1,711.8	1,917.2	2,276.0	2,443.9	21,508.5
Less paid claims ($m)	(7,740.5)	(787.3)	(833.3)	(917.7)	(942.8)	(1,020.7)	(1,222.1)	(1,201.8)	(961.9)	(706.6)	(100.7)	(16,435.4)
Less unearned portion of ultimate losses ($m)	-	-	-	-	-	-	-	-	(8.7)	(137.7)	(1,502.5)	(1,648.7)
Gross claims liabilities ($m)	161.2	78.9	82.6	80.3	204.1	234.7	488.4	672.7	1,191.9	1,882.2	1,322.1	6,399.1

Net ultimate claims	**2011 ae %**	**2012 %**	**2013 %**	**2014 %**	**2015 %**	**2016 %**	**2017 %**	**2018 %**	**2019 %**	**2020 %**	**2021**
Cyber & Executive Risk											
12 months		68.2	66.5	63.2	60.4	59.2	57.9	58.3	59.9	71.9	64.1
24 months		68.5	66.7	63.8	60.4	59.2	59.0	60.6	68.1	69.2	-

36 months	65.6	65.1	62.4	56.0	56.2	55.5	62.5	67.7	-	-
48 months	60.2	62.2	61.4	50.3	56.3	55.9	63.8	-	-	-
60 months	60.1	59.5	65.9	51.6	55.2	54.5	-	-	-	-
72 months	57.5	56.9	65.0	49.8	53.4	-	-	-	-	-
84 months	57.0	56.4	65.6	50.7	-	-	-	-	-	-
96 months	55.9	56.3	66.3	-	-	-	-	-	-	-
108 months	56.3	56.4	-	-	-	-	-	-	-	-
120 months	58.9	-	-	-	-	-	-	-	-	-
Marine										
12 months	55.2	56.1	56.5	56.6	56.6	57.4	59.3	56.5	54.2	50.9
24 months	45.8	53.2	48.5	52.4	62.4	61.3	67.6	55.2	49.9	-
36 months	37.1	47.3	46.6	47.0	61.4	61.7	68.6	46.6	-	-
48 months	34.6	45.8	45.7	46.5	61.9	59.5	64.7	-	-	-
60 months	33.6	45.2	46.9	45.2	60.5	57.0	-	-	-	-
72 months	32.9	44.6	45.0	44.7	60.0	-	-	-	-	-
84 months	32.5	42.5	44.3	43.9	-	-	-	-	-	-
96 months	32.3	42.3	-	-	-	-	-	-	-	-
108 months	32.4	42.3	-	-	-	-	-	-	-	-
120 months	32.5	-	-	-	-	-	-	-	-	-
Market Facilities										
12 months	-	-	-	-	-	-	36.5	24.6	28.3	27.3
24 months	-	-	-	-	-	-	36.5	24.2	27.6	-
36 months	-	-	-	-	-	-	30.3	23.9	-	-
48 months	-	-	-	-	-	-	21.8	-	-	-
60 months	-	-	-	-	-	-	-	-	-	-
72 months	-	-	-	-	-	-	-	-	-	-
84 months	-	-	-	-	-	-	-	-	-	-
96 months	-	-	-	-	-	-	-	-	-	-
108 months	-	-	-	-	-	-	-	-	-	-
120 months	-	-	-	-	-	-	-	-	-	-
Political, Accident & Contingency										
12 months	58.7	59.0	57.3	58.0	60.7	57.2	58.6	56.2	91.0	56.5
24 months	53.8	52.4	50.8	56.9	54.6	49.4	54.5	112.2	89.3	-
36 months	51.5	49.0	46.4	56.3	51.0	46.0	82.1	112.3	-	
48 months	48.0	46.5	50.6	55.6	48.8	46.6	88.3	-	-	
60 months	44.9	46.5	50.9	52.9	47.5	44.6	-	-	-	
72 months	44.0	46.6	51.8	52.2	45.4	-	-	-	-	
84 months	43.5	46.7	52.2	51.2	-	-	-	-	-	

96 months	43.9	46.6	51.2	-	-	-	-	-	-	
108 months	43.7	46.2	-	-	-	-	-	-	-	
120 months	43.6	-	-	-	-	-	-	-	-	
Property										
12 months	59.4	56.2	54.6	55.0	57.5	76.1	64.4	56.4	67.9	58.4
24 months	53.0	56.1	51.5	50.6	69.5	93.6	66.9	66.2	76.7	-
36 months	46.4	52.2	44.8	47.2	71.3	95.6	68.1	57.6	-	-
48 months	41.5	50.5	43.3	45.0	70.8	93.5	66.1	-	-	-
60 months	40.9	50.3	42.4	44.8	69.9	94.4	-	-	-	-
72 months	40.4	52.0	43.5	46.5	70.0	-	-	-	-	-
84 months	40.1	52.1	43.0	45.3	-	-	-	-	-	-
96 months	41.7	52.4	42.6	-	-	-	-	-	-	-
108 months	42.5	52.0	-	-	-	-	-	-	-	-
120 months	41.7	-	-	-	-	-	-	-	-	-
Reinsurance										
12 months	66.6	56.3	58.7	61.7	61.8	105.2	87.3	87.5	86.3	92.9
24 months	44.7	51.7	37.9	34.8	39.5	93.9	100.6	70.3	87.5	-
36 months	38.3	47.9	34.1	25.0	39.1	104.9	98.5	71.6	-	-
48 months	36.6	46.6	31.5	24.6	40.6	108.3	92.7	-	-	-
60 months	36.9	43.0	31.2	24.8	41.6	108.1	-	-	-	-
72 months	36.6	42.7	30.7	25.1	41.2	-	-	-	-	-
84 months	36.6	41.9	30.7	24.4	-	-	-	-	-	-
96 months	36.2	41.8	30.9	-	-	-	-	-	-	-
108 months	36.2	41.7	-	-	-	-	-	-	-	-
120 months	34.2	-	-	-	-	-	-	-	-	-
Specialty Lines										
12 months	71.3	70.4	67.0	65.0	65.0	63.7	66.0	64.8	65.2	63.4
24 months	71.4	69.9	66.6	65.8	65.0	63.6	67.1	64.9	64.9	-
36 months	70.0	70.0	64.1	63.2	61.1	63.5	64.1	57.7	-	-
48 months	68.4	64.1	59.1	58.5	56.9	58.2	59.0	-	-	-
60 months	65.8	59.2	55.8	58.8	52.0	59.5	-	-	-	-
72 months	66.0	57.6	54.5	62.7	52.5	-	-	-	-	-
84 months	65.9	57.5	52.8	67.3	-	-	-	-	-	-
96 months	67.1	56.3	53.8	-	-	-	-	-	-	-
108 months	67.9	54.7	-	-	-	-	-	-	-	-
120 months	68.1	-	-	-	-	-	-	-	-	-
Total										
12 months	63.8	61.9	60.4	59.8	60.6	65.8	63.4	61.7	69.0	61.6
24 months	58.3	60.1	56.1	56.6	60.9	67.6	66.1	68.9	68.6	-

36 months		53.9	57.3	52.8	52.8	58.8	67.6	68.1	64.4	-	-	
48 months		50.8	54.3	51.3	49.8	57.5	65.7	66.4	-	-	-	
60 months		49.4	52.1	51.4	49.7	55.5	65.2	-	-	-	-	
72 months		48.7	51.5	50.8	50.5	54.7	-	-	-	-	-	
84 months		48.4	50.9	50.4	51.4	-	-	-	-	-	-	
96 months		48.8	50.6	50.7	-	-	-	-	-	-	-	
108 months		49.2	50.1	-	-	-	-	-	-	-	-	
120 months		49.4	-	-	-	-	-	-	-	-	-	
Estimated total ultimate losses ($m)	5,810.4	715.5	779.5	832.0	874.3	990.6	1,340.1	1,482.1	1,678.0	1,990.9	2,120.0	18,613.4
Less paid claims ($m)	(5,658.8)	(658.5)	(711.2)	(769.4)	(773.1)	(845.7)	(984.9)	(970.4)	(756.0)	(529.3)	(90.2)	(12,747.3)
Less unearned portion of ultimate losses ($m)		-	-	-	-	-	-	-	(5.3)	(97.9)	(1,193.1)	(1,296.3)
Net claims liabilities (100% level) ($m)	**151.8**	**57.0**	**68.3**	**62.6**	**101.2**	**144.9**	**355.2**	**511.7**	**916.8**	**1,363.7**	**836.5**	**4,569.7**

Analysis of movements in loss development tables
We have updated our loss development tables to show the ultimate loss ratios as at 31 December 2021 for each underwriting year. The impact of amounts reported in respect of the unexpired risk reserve are embedded within the loss ratios presented.

Cyber & Executive Risk
The 2019 and 2020 underwriting years have strengthened in response to cyber ransomware activity. However, as these years are recovering under aggregate excess of loss reinsurance programmes, the impact is reduced net of reinsurance. The 2018 underwriting year has increased in response to greater than expected claims development within executive risk.

Marine
Improvements have continued across underwriting years as the risks expire.

Market Facilities
The loss development tables are presented gross of acquisition costs. Due to the Market Facilities division being significantly reinsured and this reinsurance being ceded net of acquisition costs, the net of reinsurance loss development values are much lower than those gross of reinsurance. The improvements on the 2019 and 2020 underwriting year arise as the risk expires.

Political, Accident & Contingency
2021 South African civil unrest events have impacted the 2020 underwriting year. Due to the benefit of reinsurance, the impact is less pronounced net of reinsurance.
The COVID-19 claims within the contingency class have undergone a partial re-allocation across underwriting years resulting in the increase seen on the 2018 underwriting year.

Property
The 2020 underwriting year has been impacted by weather related events in the US during 2021. The improvement on the 2019 underwriting year occurs due to expiry of risk.

Reinsurance
The 2021 underwriting year has been impacted by weather related events in the US and Europe, and the impact is less pronounced net of reinsurance.

Favourable developments across established catastrophe events have led to releases on older underwriting years.

Specialty Lines

The 2015 year continues to see claims development in excess of expectations, predominately driven by the heath care book.

Other underwriting years continue to improve as the risk expires.

Claim releases

The below table analyses our net claims between current year claims and adjustments to prior year net claims reserves. These have been broken down by segment and underwriting year. Beazley's reserving policy is to maintain catastrophe reserve margins either until the end of the exposure period or until catastrophe events occur. Therefore margins have been released from prior year reserves where risks have expired during 2021.

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

Reserve releases during the year totalled $209.8m (2020: $93.1m). The net of reinsurance estimates of ultimate claims costs have improved on the 2020, 2019 and 2018 and earlier underwriting years, with releases of $28.6m, $97.6m and $83.6m respectively. Our Marine, Property and Specialty Lines all saw large releases overall the large releases seen on the 2019 underwriting year. Cyber & Executive Risk saw a strengthening on the 2019 underwriting year of $19.4m driven by the Cyber book.

2021	Cyber & Executive Risk $m	Marine $m	Marine $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Current year	642.6	156.6	11.7	147.1	252.7	141.8	683.5	2,036.0
Prior year								
- 2018 underwriting year and earlier	(30.8)	(18.1)	(0.1)	2.6	(8.9)	(10.6)	(17.7)	(83.6)
- 2019 underwriting year	19.4	(26.4)	(0.2)	(10.0)	(28.1)	(3.0)	(49.3)	(97.6)
- 2020 underwriting year	(9.0)	(6.3)	(0.9)	(3.6)	(3.4)	(5.1)	(0.2)	(28.6)
	(20.4)	(50.8)	(1.2)	(11.0)	(40.4)	(18.8)	(67.3)	(209.8)
Net insurance claims	**622.2**	**105.8**	**10.6**	**136.1**	**212.4**	**123.0**	**616.2**	**1,826.2**

2020	Cyber & Executive Risk $m	Marine $m	Marine $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Current year	553.3	169.4	9.2	358.7	295.7	107.5	557.6	2,051.4
Prior year								
- 2017 underwriting year and earlier	(28.3)	(9.8)	-	(2.2)	2.1	2.4	(47.3)	(74.7)
- 2018 underwriting year	26.7	1.9	(0.6)	(1.9)	3.7	(3.0)	(20.7)	(2.3)
- 2019 underwriting year	6.0	(1.0)	(0.3)	(0.5)	(10.2)	(20.1)	10.0	(16.1)
	4.4	(8.9)	(0.9)	(4.6)	(4.4)	(20.7)	(58.0)	(93.1)
Net insurance claims	**557.7**	**160.5**	**8.3**	**354.1**	**291.3**	**86.8**	**499.6**	**1,958.3**

13 Subsequent events

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

Aggregates/aggregations

Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss.

Aggregate excess of loss
The reinsurer indemnifies an insurance company (the reinsured) for an aggregate (or cumulative) amount of losses in excess of a specified aggregate amount.

Alternative performance measures (APMs)
The Group uses APMs to help explain its financial performance and position. These measures, such as combined ratio, expense ratio, claims ratio, investment return and underwriting profit, are not defined under IFRS. The Group is of the view that the use of these measures enhances the usefulness of the financial statements. Definitions of key APMs are included within the glossary.

A.M. Best
A.M. Best is a worldwide insurance-rating and information agency whose ratings are recognised as an ideal benchmark for assessing the financial strength of insurance related organisations, following a rigorous quantitative and qualitative analysis of a company's statement of financial position strength, operating performance and business profile.

Binding authority
A contracted agreement between a managing agent and a coverholder under which the coverholder is authorised to enter into contracts of insurance for the account of the members of the syndicate concerned, subject to specified terms and conditions.

Capacity
This is the maximum amount of premiums that can be accepted by a syndicate. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Capital growth assets
These are assets that do not pay a regular income and target an increase in value over the long term. They will typically have a higher risk and volatility than that of the core portfolio. Currently these are the hedge funds, equity funds and illiquid credit assets.

Catastrophe reinsurance
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a catastrophic event or series of events.

Claims
Demand by an insured for indemnity under an insurance contract.

Claims ratio
Ratio, in percentage terms, of net insurance claims to net earned premiums. The calculation is performed excluding the impact of foreign exchange. In 2021, this ratio was 58% (2020: 73%). This represented total claims of $1,826.2m (2020: $1,958.3m) divided by net earned premiums of $3,147.3m (2020: $2,693.4m).

Combined ratio
Ratio, in percentage terms, of the sum of net insurance claims, expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. This is also the sum of the expense ratio and the claims ratio. The calculation is performed excluding the impact of foreign exchange. In 2021, this ratio was 93% (2020: 109%). This represents the sum of net insurance claims of $1,826.2m (2020: $1,958.3m), expenses for acquisition of insurance contracts of $821.8m (2020: $738.9m) and administrative expenses of $283.0m (2020: $235.5m) to net earned premiums of $3,147.3m (2020: $2,693.4m). This is also the sum of the expense ratio 35% (2020: 36%) and the claims ratio 58% (2020: 73%).

Coverholder
A firm either in the United Kingdom or overseas authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance in the name of the members of the syndicate concerned, subject to certain written terms and conditions. A Lloyd's broker can act as a coverholder.

Deferred acquisition costs (DAC)
Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage, premium levy and staff related costs) which are capitalised and amortised over the term of the contracts.

Earnings per share (EPS) - basic/diluted
Ratio, in pence and cents, calculated by dividing the consolidated profit after tax by the weighted average number of ordinary shares issued, excluding shares owned by the Group. For calculating diluted earnings per share the number of shares and profit or loss for the year is adjusted for certain dilutive potential ordinary shares such as share options granted to employees.

Economic Capital Requirement (ECR)
The capital required by a syndicate's members to support their underwriting. Calculated as the uSCR 'uplifted' by 35% to ensure capital is in place to support Lloyd's ratings and financial strength.

Excess per risk reinsurance
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the reinsured company against the amount of loss in excess of a specified retention with respect to each risk involved in each loss.

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

non-monetary items. In 2021, the expense ratio was 35% (2020: 36%). This represents the sum of expenses for acquisition of insurance contracts of $821.8m (2020: $738.9m) and administrative expenses of $283.0m (2020: $235.5m) to earned premiums of $3,147.3m (2020: $2,693.4m).

Facultative reinsurance
A reinsurance risk that is placed by means of a separately negotiated contract as opposed to one that is ceded under a reinsurance treaty.

Gross premiums written
Amounts payable by the insured, excluding any taxes or duties levied on the premium, but including any brokerage and commission deducted by intermediaries.

Group Surplus Capital Ratio
The group surplus capital ratio is the surplus of funds available to meet the Group's ECR expressed as a percentage of the ECR. The funds available are calculated on an economic basis, consistent with how the ECR is calculated.

Hard market
An insurance market where prevalent prices are high, with restrictive terms and conditions offered by insurers.

Horizontal limits
Reinsurance coverage limits for multiple events.

Incurred but not reported (IBNR)
These are anticipated or likely claims that may result from an insured event but which have not yet been reported.

International Accounting Standards Board (IASB)
An independent accounting body responsible for developing IFRS (see below).

International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS)
Standards formulated by the IASB with the intention of achieving internationally comparable financial statements. Since 2002, the standards adopted by the IASB have been referred to as International Financial Reporting Standards (IFRS). Until existing standards are renamed, they continue to be referred to as International Accounting Standards (IAS).

Investment return
Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. In 2020, this was calculated as net investment income of $188.1m (2019: $263.7m) divided by average financial assets at fair value, including cash, of $6,261.4m (2019: $5,452.0m).

Lead underwriter
The underwriter of a syndicate who is responsible for setting the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate and who generally has primary responsibility for handling any claims arising under such a contract.

Line
The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept.

Managing agent
A company that is permitted by Lloyd's to manage the underwriting of a syndicate.

Managing general agent (MGA)
An insurance intermediary acting as an agent on behalf of an insurer.

Managed premiums
Managed premium refers to all gross premiums written by Beazley's underwriters. In addition to gross premiums written on behalf of the Group managed premium includes gross premiums written in syndicate 623 by Beazley's underwriters on behalf of third party capital providers.

Medium tail
A type of insurance where the claims may be made a few years after the period of insurance has expired.

Net assets per share
Ratio, in pence and cents, calculated by dividing the net assets (total equity) by the number of shares issued.

Net premiums written
Net premiums written is equal to gross premiums written less outward reinsurance premiums written.

Private enterprise
The private enterprise team offers specialised professional and general liability coverage supported by a high service proposition, focusing on meeting the needs of small businesses with assets up to $35.0m and up to 500 employees.

Provision for outstanding claims
Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

Rate
The premium expressed as a percentage of the sum insured or limit of indemnity.

Rate change
The percentage change in premium income charged relative to the level of risk on renewals.

Reinsurance special purpose syndicate
A special purpose syndicate (SPS) created to operate as a reinsurance 'sidecar' to Beazley's treaty account, capitalising on Beazley's position in the treaty reinsurance market.

Reinsurance to close (RITC)
A reinsurance which closes a year of account at Lloyd's by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year), plus the right to buy any income due to the closing year of account, into an open year of account in return for a premium.

Retention limits
Limits imposed upon underwriters for retention of exposures by the Group after the application of reinsurance programmes.

Retrocessional reinsurance
The reinsurance of the reinsurance account. It serves to 'lay off' risk.

Return on equity (ROE)
Ratio, in percentage terms, calculated by dividing the consolidated profit after tax by the average daily total equity. In 2021, this was calculated as profit after tax of $308.7m (2020: Loss $46.1m) divided by average equity of $1,970.2m (2020: $1,792.7m).

Risk
This term may refer to:
a) the possibility of some event occurring which causes injury or loss;
b) the subject matter of an insurance or reinsurance contract; or
c) an insured peril.

Short tail
A type of insurance where claims are usually made during the term of the policy or shortly after the policy has expired. Property insurance is an example of short tail business.

Scope 1 GHG Emissions
GHG emissions are the emissions arising directly from Beazley's operations. These are as follows; back up diesel generator fuel; company cars; and refrigerant losses from air conditioning systems operated by Beazley.

Scope 2 GHG Emissions
Scope 2 GHG emissions are the indirect GHG emissions from the generation of purchase or acquired electricity, steam, heating or cooling consumed by Beazley. These are as emissions arising from the following; electricity from the operations of the in scope offices we operate from; energy consumption from the heating of the in scope offices we operate from, and the charging of the electric/ hybrid company cars.

Scope 3 GHG Emissions
Scope 3 GHG emissions are all indirect emissions in the supply chain, not covered within Scope 2. For Beazley, the scope of
our Scope 3 emissions is as follows; Business travel i.e. flights, car hire, hotel stays, taxi use, personal car use, and rail travel;
transmission and distribution losses arising from electricity for operating offices, as well as the transmission and distribution
losses from imported heat; and the use of data racks within third party data centres for our Dublin and London offices.

Sidecar special purpose syndicate
Specialty reinsurance company designed to provide additional capacity to a specific insurance company. It operates by purchasing a portion or all of a group of insurance policies, typically catastrophe exposures. These companies have become quite prominent in the aftermath of Hurricane Katrina as a vehicle to add risk-bearing capacity, and for investors to participate in the potential profits resulting from sharp price increases.

Soft market
An insurance market where prevalent prices are low, and terms and conditions offered by insurers are less restrictive.

Solvency Capital Requirement on an ultimate basis (uSCR)
The capital requirement under Solvency II calculated by Beazley's internal model which captures the risk in respect of the planned underwriting for the prospective year of account in full, covering ultimate adverse development and all exposures.

Surplus lines insurer
An insurer that underwrites surplus lines insurance in the US. Lloyd's underwriters are surplus lines insurers in all jurisdictions of the US except Kentucky and the US Virgin Islands.

Total shareholder return (TSR)

The increase in the share price plus the value of any first and second dividends paid and proposed during the year.

Treaty reinsurance
A reinsurance contract under which the reinsurer agrees to offer and to accept all risks of a certain size within a defined class.

Unearned premiums reserve
The portion of premium income in the business year that is attributable to periods after the reporting date in the underwriting provisions.

Underwriting profit
This is calculated as net earned premiums, less net insurance claims, acquisition costs and administrative expenses.

END

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