beazley

Insurance. Just different.

Welcome to our 2022 SFCR report

Beazley Insurance dac is a non-life insurance Company that underwrites through its European branch network. The Company also reinsurers and provides capital to support the underwriting activities of Beazley Underwriting Limited in Lloyd's of London.

Contents

Summary

In accordance with the EU-wide regulatory regime for insurance and reinsurance companies (Solvency II), Beazley Insurance dac (BIdac or the Company) is required to publish annually its Solvency and Financial Condition Report (SFCR).

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

Principal Activities

BIdac is a non-life (re)insurance Company that reinsures and provides capital to support the underwriting activities of Beazley Underwriting Limited (BUL) in Lloyd's of London. The Company also writes non-life insurance through its European branch network in the United Kingdom, France, Germany, Spain and Switzerland and operates across Europe on a freedom of services basis.

The Company is a wholly owned subsidiary of Beazley Ireland Holdings plc, which is in turn wholly owned by Beazley plc (Beazley or the Group).

The Company acts as an intra-group reinsurer and provides capital to support the underwriting activities of its sister Company, BUL. BUL is a Lloyd's of London corporate member. It participates in the Lloyd's insurance market on a limited liability basis through syndicates 2623, 3622 and 3623.

BUL cedes 75% of the final declared result (less a retention of $4m) of its participation in syndicates 2623 and 3623 to the Company for the 2020, 2021 and 2022 years of account. In the event that the declared result is a loss, the extent of the reinsurance is limited to the loss in excess of $4m not exceeding 75% of the Funds at Lloyd's (FAL).

The reinsurance contract for 2023 was entered into by the Company and BUL in December 2022. The terms for the contract have been revised such that the contract for the 2023 year of account now includes an effective 65% cede from BUL to the Company.

The Company has a credit facility agreement with BUL. Under this agreement, the Company can provide up to 25% of BUL's total required FAL. This facility was not utilised during the year. The credit facility agreement with BUL was also renewed for 2023. The revised terms of the agreement allow the Company to provide up to 35% of BUL's total required FAL.

Business Review

The Company achieved very strong premium growth in 2022, whilst enduring challenging claims and macro-economic environments to deliver pre-tax profits of $52.4m (2021: $219.3m). Our direct business delivered an underwriting result of $24.6m (2021 pre-tax loss $10.7m) despite the impact of some claims activity and losses in our investment portfolio. The impact of our reinsurance contracts with BUL was positive in the year and generated profit before tax for the Company of $112.4m (2021: $263.2m).

The company continues to closely monitor the ongoing conflict in Ukraine. The company continually assesses its exposure to this conflict in terms of claims activity, whether directly through our European branches or indirectly through our intra-group reinsurance, and in terms of the impact to our investment portfolio.

Through 2022, the Company continued to invest in and develop its business across Europe. Premiums from the Company's non-life insurance and reinsurance business carried out through its branches grew from $206.6m in 2021 to $270.6m in 2022. We project further growth in 2023.

Solvency Coverage

As detailed in Section D, the primary variance between the Generally Accepted Accounting Principles (GAAP) and Solvency II balance sheet is the replacement of the Technical Provisions (TPs). The Solvency II TPs have been calculated in line with Solvency II regulation that considers the contract cash flows, particularly in relation to the aggregate excess of loss reinsurance agreement with BUL. The cash flows represent the premium (provided the declared result of BUL is a profit) or claim (in the case of a loss) paid in respect of BUL's declared result and the fees for providing capital to support BUL's reinsured underwriting at Lloyd's.

BIdac holds a level of capital over and above its regulatory requirements. As at 31 December 2022, total eligible own funds were $2,023.9m, compared to the Solvency Capital Requirement (SCR) of $965.9m. All times throughout the year the Company has met it's regulatory capital requirements. The amount of surplus capital held is considered on an ongoing basis in light of the current regulatory framework, opportunities for growth and a desire to maximise returns for the shareholder.

Climate Related Issues

The Company and the Group is focused on how we can play our part in addressing the climate crisis. While primary responsibility for climate related issues sits with the Group boards and committees, the BIdac board has regular interactions and updates with the responsible persons to ensure that the Company's board is appropriately consulted, engaged and informed. The responsibilities of the BIdac board mirrors those set out at a Group board level (BIdac's ultimate parent), and ensures the Company is operating in accordance with legal and regulatory requirements and with relevant the Group policies and procedures. The Company considers climate-related matters as part of the annual process to approve the risk framework and own risk and solvency assessment (ORSA).

Further details can be seen in section B1.

A. Business and performance

A.1 Business

BIdac is a Company incorporated in Ireland.

The address of the registered office is:

2 Northwood Avenue
Santry
Dublin
D09 X5N9
Ireland

The supervisor of BIdac and the Group at:

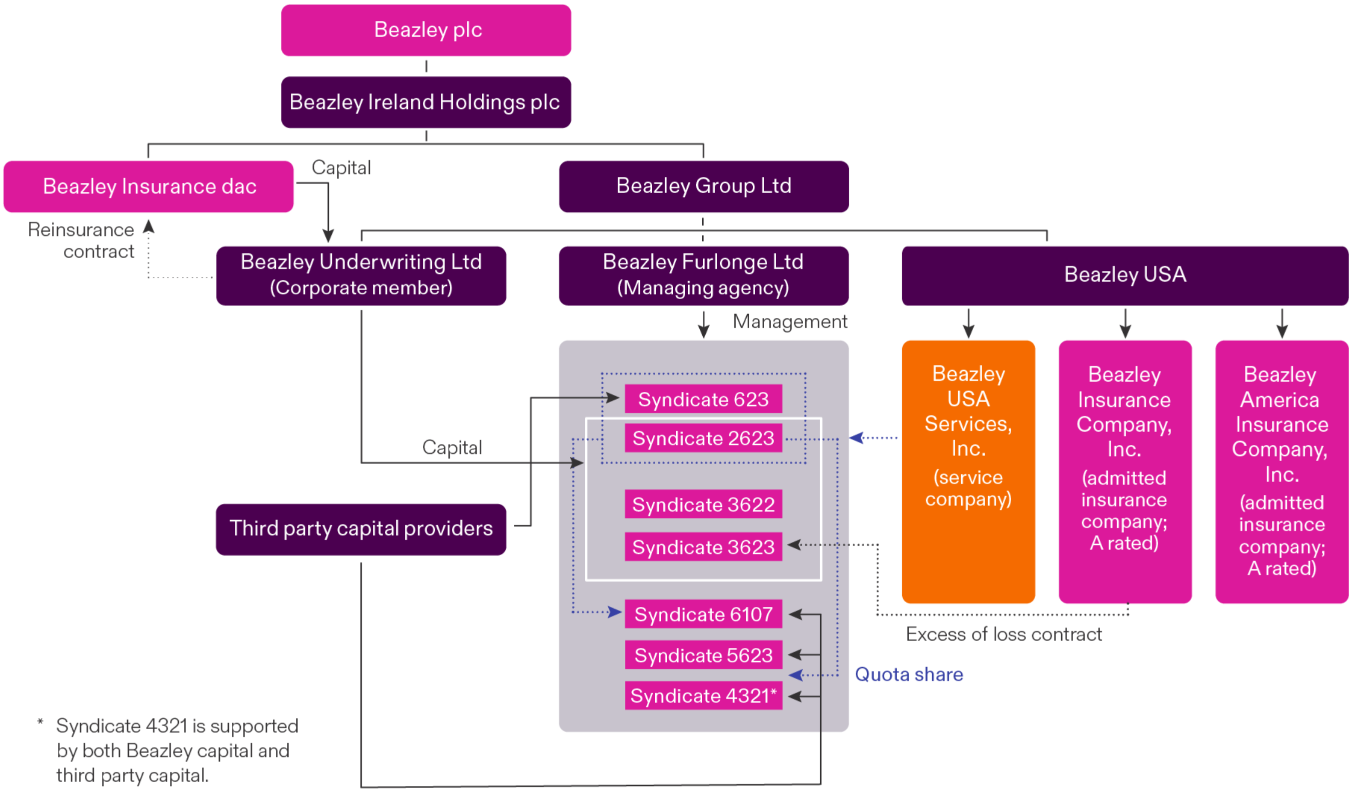
Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1
Ireland

The independent auditor of the Company is:

Ernst & Young
Harcourt Centre
Dublin 2
Ireland

The Company is a wholly owned subsidiary of Beazley Ireland Holdings plc, which is in turn wholly owned by Beazley plc.

The Group operates across Lloyd's of London, the US and Europe through a variety of legal entities and structures. The main entities within the legal entity structure are demonstrated in the diagram at the bottom of this page.



* Syndicate 4321 is supported by both Beazley capital and third party capital.

A. Business and performance continued

A.1 Business continued

In 2022 the Company realigned its underwriting divisions with that of the Group; accordingly the Company has determined that its reporting segments are now as follows:

Cyber Risks
This segment underwrites cyber and technology risks.

Digital Risks
This segment underwrites a variety of marine, contingency and 'small and medium sized enterprises' (SME) liability risks through digital channels such as e-trading platforms and broker portals.

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

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

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

Intra-group Reinsurance
This segment includes the intra-group reinsurance contract with BUL.

The following tables provide a breakdown of gross premiums written by division in 2022 and 2021.

	2022
Cyber risks	24 %
Digital risks	2 %
Map risks	2 %
Property risks	2 %
Specialty risks	29 %
Intra-group reinsurance	41 %

	2021
Cyber risks	19 %
Digital risks	2 %
Map risks	2 %
Property risks	4 %
Speciality risks	39 %
Intra-group reinsurance	34 %

The table below provides an analysis of the geographical breakdown of gross premiums written by reference to the location of the risk insured by the company. In 2022, over 45% (2021: 48%) of our premium was sourced from the UK, with 53% (2021: 50%) in continental Europe and 2% (2021: 2%) outside of Europe.

	2022 %	2021 %
Risks located in the UK	45 %	48 %
Risks located in continental Europe	53 %	50 %
Risks located elsewhere worldwide	2 %	2 %
Total	**100 %**	**100 %**

Premiums, claims and expenses by country, as disclosed in the appendix, presents the underlying breakdown by country of the business written in Europe. Additional information on underwriting performance by Solvency II line of business can be found in section A.2.

The main driver of the Company's performance and capital strength over the coming years is still projected to be the Company's intra-group reinsurance contracts with BUL. Through these contracts, the Company will benefit from the diverse portfolio which the Group maintains across its underwriting divisions.

The Company plans to grow and expand its non-life insurance/ reinsurance business across Europe through additional underwriting capability through our branch network. On 25 January 2023 the Group announced the appointment of a new executive position of European general manager to help support the expansion of the European business.

The Group's underwriting strategy of exercising discipline across a diverse portfolio of specialist insurance products will remain a constant, and leaves the Company well positioned to take advantage of current market conditions as we enter 2023.

A. Business and performance continued

A.2 Underwriting performance

Data in the table below presents the GAAP underwriting performance by Solvency II line of business.

The below table shows the classification of the Company’s divisions into their lines of business for Solvency II purposes.

Division	Solvency II Lines of Business
Cyber risks	General liability
Digital risks	General liability
MAP risks	Credit and suretyship, Fire and other damage to property, Health reinsurance, Marine aviation and transport Miscellaneous Financial Loss
Property risks	Fire and other damage to property, non-proportional property reinsurance
Specialty risks	General liability, Non-proportional casualty reinsurance, Credit and suretyship
Intra-group reinsurance	Non-proportional casualty reinsurance

The underwriting performance of each line of business is outlined in the below table.

2022	General liability $m	Non-proportional property reinsurance $m	Credit and suretyship $m	Marine, aviation and transport $m	Non-proportional casualty reinsurance $m	Non-proportional health reinsurance $m	Fire and other damage to property $m	Miscellaneous financial loss $m	Total $m
Net premiums written	164.4	7.5	5.2	2.0	183.4	0.8	3.0	0.7	**367.0**
Net earned premiums	149.3	7.0	4.6	1.7	184.0	0.8	2.7	0.6	**350.7**
Net claims incurred	(87.7)	(9.0)	(2.5)	(0.6)	(9.2)	(0.3)	(2.4)	(0.4)	**(112.1)**
Expenses incurred	(37.6)	(1.4)	(0.9)	(0.3)	(33.1)	(0.1)	(0.5)	(0.1)	**(74.0)**
Underwriting performance	**24.0**	**(3.4)**	**1.2**	**0.8**	**141.7**	**0.4**	**(0.2)**	**0.1**	**164.6**

2021	General liability $m	Non-proportional property reinsurance $m	Credit and suretyship $m	Marine, aviation and transport $m	Non-proportional casualty reinsurance $m	Non-proportional health reinsurance $m	Fire and other damage to property $m	Miscellaneous financial loss $m	Total $m
Net premiums written	137.3	6.7	3.0	1.5	111.7	0.3	0.7	0.1	**261.3**
Net earned premiums	109.7	6.7	1.3	1.1	111.1	0.3	0.3	0.1	**230.6**
Net claims incurred	(70.9)	(21.9)	(0.7)	(0.9)	116.8	(0.1)	(0.1)	–	**22.2**
Expenses incurred	(31.1)	(1.8)	(0.6)	(0.2)	(23.0)	–	(0.1)	–	**(56.8)**
Underwriting performance	**7.7**	**(17.0)**	**–**	**–**	**204.9**	**0.2**	**0.1**	**0.1**	**196.0**

Geographical breakdown

From a Solvency II perspective, the GAAP gross premiums written underwritten by the branches of $270.6m (2021: $206.6m) are all classified as originating from the UK and continental Europe. Premium recognised in relation to the reinsurance contracts with BUL was $182.4m (2021: $111.1m). Further details on the geographical breakdown is presented in the S.05.02.01 quantitative reporting template within the appendix.

A. Business and performance continued

A.2 Underwriting performance continued

The Company's activities are displayed below in segments representing insurance/reinsurance (represented below as Cyber risks, Digital, MAP risks, Property risks, Specialty risks) and intra-group reinsurance activities which reflects the reporting and governance within the Company, with the insurance management committee monitoring the performance of the insurance/ reinsurance business and the reinsurance underwriting group monitoring the performance of the intra-group reinsurance business.

31 December 2022	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Intra-group reinsurance $m	Total $m
Segment results							
Gross premiums written	106.8	9.5	11.0	11.2	132.1	182.4	453.0
Net earned premiums	72.1	6.1	8.2	8.5	73.4	182.4	350.7
Net investment losses	(2.8)	(0.2)	(0.2)	(0.3)	(4.0)	(28.8)	(36.3)
Revenue	**69.3**	**5.9**	**8.0**	**8.2**	**69.4**	**153.6**	**314.4**
Net insurance claims	(45.4)	(3.2)	(4.8)	(10.1)	(41.9)	(8.5)	(113.9)
Net operating expenses	(13.5)	(1.8)	(2.2)	(2.2)	(18.6)	(32.7)	(71.0)
Expenses	**(58.9)**	**(5.0)**	**(7.0)**	**(12.3)**	**(60.5)**	**(41.2)**	**(184.9)**
Segment result	**10.4**	**0.9**	**1.0**	**(4.1)**	**8.9**	**112.4**	**129.5**
Foreign exchange loss	–	–	–	–	–	–	(45.5)
Finance costs	–	–	–	–	–	–	(31.6)
Profit/(loss) on ordinary activities before tax							**52.4**

31 December 2021	Cyber Risks $m	Digital $m	MAP Risks $m	Property Risks $m	Specialty Risks $m	Intra-group reinsurance $m	Total $m
Segment results							
Gross premiums written	58.8	5.2	6,1	11.6	124.9	111.1	317.7
Net earned premiums	40.0	3.4	3.2	7.0	65.9	111.1	230.6
Net investment income	0.3	0.1	0.3	0.6	1.1	54.9	57.3
Revenue	**40.3**	**3.5**	**3.5**	**7.6**	**67.0**	**166.0**	**287.9**
Net insurance claims	(25.2)	(2.0)	(2.1)	(22.1)	(44.5)	116.9	21.0
Net operating expenses	(10.9)	(1.2)	(1.0)	(1.6)	(19.6)	(19.7)	(54.0)
Expenses	**(36.1)**	**(3.2)**	**(3.1)**	**(23.7)**	**(64.1)**	**97.2**	**(33.0)**
Segment result	**4.2**	**0.3**	**0.4**	**(16.1)**	**2.9**	**263.2**	**254.9**
Foreign exchange loss	–	–	–	–	–	–	(4.0)
Finance costs	–	–	–	–	–	–	(31.6)
Profit/(loss) on ordinary activities before tax							**219.3**

A. Business and performance continued

A.3 Investment performance

Summary of investment return including income from intercompany financing arrangements

	Investment return 2022	Investment return 2021
	$m	$m
Income derived from financial assets[1]	(66.8)	28.8
Income from intercompany financing arrangements[2]	31.7	30.1
Investment income	(35.1)	58.9
Investment expenses and charges	(1.2)	(1.6)
Total	**(36.3)**	**57.3**

1 Income derived from financial assets reflects the investment return generated from BIdac's financial assets, including the assets it deposits with Lloyd's, as trustee, to support the underwriting activities of BUL.
2 Income from intercompany financing arrangements includes fees received from BUL in connection with BIdac's provision of assets supporting BUL's underwriting activity.

Income and expenses by asset class ($m)

		Capital growth		
2022	Fixed interest	Equity	Hedge funds	Total $m
Income	(40.6)	(30.1)	3.9	(66.8)
Expenses	(0.8)	(0.1)	(0.3)	(1.2)
Net	**(41.4)**	**(30.2)**	**3.6**	**(68.0)**

		Capital growth		
2021	Fixed interest	Equity	Hedge funds	Total $m
Income	(4.4)	29.4	3.8	28.8
Expenses	(1.3)	(0.1)	(0.2)	(1.6)
Net	**(5.7)**	**29.3**	**3.6**	**27.2**

Breakdown of total return on investment assets (%)

		Capital growth				
2022	Fixed interest	Equity	Hedge funds	Total	%	Total $m
Total return	**(2.7)**	**(22.1)**	**7.6**	**(13.9)**	**(3.9)**	**(66.8)**

		Capital growth				
2021	Fixed interest	Equity	Hedge funds	Total	%	Total $m
Total return	**(0.1)**	**24.4**	**7.4**	**19.2**	**1.6**	**28.8**

Summary of investment return excluding income received from intercompany financing activities

	2022		2021	
	%	$m	%	$m
Income derived from financial assets	–	(66.8)	–	28.8
Investment expenses and charges	–	(1.2)	–	(1.6)
Total	**(4.0)**	**(68.0)**	**1.5**	**27.2**

Investment assets returned (4.0)% in 2022 (2021: 1.5%). The 2022 return has been adversely affected by macro-economic events leading to mark to market losses in our fixed income portfolio and equity portfolios, as detailed within the summary.

There are currently no investments in structured securities and no plans to add exposure during 2023.

A. Business and performance continued

A.4 Performance of other activities

BIdac has no material income or expenses other than the income and expenses included within the segmental in A.2 and A.3.

A.5 Any other information

Leasing Arrangements

There are no material leasing arrangements in place (2021:nil).

Ukraine/Russia Conflict

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

Financial Markets

The Company board and the Group Investment Committee are closely monitoring the ongoing financial market volatility.

B. System of governance

B.1 General information on the system of governance

During the year ended 31 December 2022, the BIdac board was divided between two executive directors, two Group non-executive directors and four independent non-executive directors. The chair is an independent non-executive director.

The Board retains ultimate authority for all strategic issues and management decisions of BIdac including effective, prudent and ethical oversight as well as setting the Company strategy and ensuring that risk and compliance are properly managed. The Board may delegate its powers for review and research purposes within specific terms of reference to committees and working groups. The committees and working groups act in an advisory capacity to the board.

The BIdac Board has formed the following sub committees:
- audit committee; and
- risk and compliance committee.

These committees have the power to carry out activities on behalf of the board to the extent of the authority delegated to them by the board, as set out in their terms of reference.

The Board has also established a number of executive committees or groups which operated throughout 2022:
- reinsurance underwriting group;
- insurance management committee;
- regulatory review committee;
- branch manager committee; and
- Swiss branch management committee.

The general manager has responsibility for operations, compliance and performance which includes the smooth running of the business and effective function of the day-to-day operations of BIdac and for any changes thereto.

BIdac has a head of finance, head of compliance, head of actuarial function and chief risk officer (CRO) as approved by the CBI. The key functions of risk management, finance, actuarial, internal audit and compliance are all supported by the Group functions under the terms of an intra-group service agreement between BIdac and Beazley Management Limited (BML).

A review of the systems of governance is carried out annually and the 2022 review concluded that no actions were required.

Remuneration policy and practices

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

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

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

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

B. System of governance continued

B.1 General information on the system of governance continued

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

Element	Objective	Summary
Profit related pay plan	To align underwriters' reward with the profitability of their account.	Profit on the relevant underwriting account as measured at three years and later.
Support bonus plan	To align staff bonuses with individual performance and achievement of objectives.	Participation is limited to staff members not on the Group executive or in receipt of profit related pay bonus. The support bonus pool may be enhanced by a contribution from the enterprise bonus pool.
Retention shares	To retain key staff.	Used in certain circumstances. Full vesting dependent on continued employment over six years.
Long term incentive plan (LTIP)	To align the senior management team's interests to the long term performance of the Group by linking reward to performance over the longer term.	Award of shares with performance conditions. LTIP awards vest over a three-year performance period. Awards will normally be subject to an additional holding periods following the date on which the award vests, up to the fifth year of the award.

The Group remuneration committee regularly reviews remuneration governance in the context of Solvency II remuneration guidance, other corporate governance developments and institutional shareholders' guidance. The Group CRO reports annually to the remuneration committee on risk and remuneration as part of the regular agenda. The committee believes the Group is adopting an approach which is consistent with, and takes account of, the risk profile of the Group.
All employees of BIdac may participate in a defined contribution pension plan, which is non-contributory, and are offered benefits such as private medical insurance and permanent health insurance. Beazley operates a SAYE scheme for the benefit of Irish-based employees of the Group.

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

B. System of governance continued

B.1 General information on the system of governance continued

Incentive plan	Performance measures	Why performances measures were chosen and target is set
Annual bonus plan	Financial performance (including profit and ROE), corporate/strategic performance (including risk adjustment) and individual performance.	• The committee believes the approach to the determination of bonuses creates alignment to shareholders' interests and ensures that bonuses are affordable, while the ROE targets increase the performance gearing and the risk adjustment is consistent with and promotes effective risk management. • The committee reviews the bonus pool framework each year to ensure that it remains appropriate and targets are set taking into account the prevailing environment, interest rates and expected investment returns, headcount and any other relevant factors. • A key principle of the process is that the committee exercises its judgement in determining individual awards taking into account the individual's contribution and performance.
Profit related pay (PRP)	To align the interests of the Group and the individual through aligning underwriters to the long-term profitability of their portfolio. Profit related pay is awarded irrespective of the results of the Group.	• Underwriters that have significant influence over a portfolio are offered this arrangement. There is no automatic eligibility. • This bonus is awarded as cash and is based on the performance of the individual's account as measured by the results following the Q3 peer review in the third year. Under the profit related plan payments are aligned with the timing of profits achieved on the account. For long-tail accounts this may be in excess of six years. If the account deteriorates then payouts are 'clawed back' through adjustments to future payments. • Targets are set through the business planning process and reviewed by a committee formed of executive committee members including the CRO and functional specialists including group actuary and head of talent management. • From 2012 onwards any new profit related pay plans may be at risk of forfeiture or reduction if, in the opinion of the remuneration committee, there has been a serious regulatory breach by the underwriter concerned, including but not limited to the Group's compliance, bribery, conflicts of interest or conduct risk policies.
Deferred share plan	Award of nil cost share awards. Generally awarded as a deferred element of the annual bonus.	• This is a discretionary award. • Vesting is dependent on continued employment for three years. • An element of all bonuses (including those from the variable incentive pool), apart from PRP, may be awarded in deferred shares. • Awards from this plan may also be awarded with performance conditions in special circumstances, for example, recruitment.
Long term incentive plan (LTIP)	Award of shares to align the senior employees to the out-performance of the Group by setting stretching performance targets over the longer-term growth in net asset value per share (NAVps) over three years and five years. In accordance with the updated UK Corporate Governance Code the first tranche of LTIP awards is subject to a further two year holding period taking the total time frame for the entire award to five years.	• Creates alignment to one of Beazley's key performance indicators. • The committee reviews the NAVps targets periodically to ensure they remain appropriate with reference to the internal business plan, the external environment and market practice. • In the event that NAVps were to become unsuitable as a performance measure in the opinion of the committee (for example due to a change in accounting standards) the committee would substitute a measure which followed broadly similar principles.
Investment in underwriting	The plan mirrors investment in an underwriting syndicate.	• The Beazley staff underwriting plan provides for participants to contribute personal capital to Beazley syndicates. Selected staff are invited to participate through bonus deferral with an element of cash incentives 'at risk' as capital commitments.
Malus	To include provisions that would enable the company to recover sums paid or withhold payment of any sum in circumstances when it would be appropriate to do so.	• Malus provisions apply to the LTIP and deferred shares whereby the committee has the discretion to reduce or withhold an award in certain circumstances.

B. System of governance continued

B.1 General information on the system of governance continued

Climate Change

The Company and the Group are focused on how we can play our part in addressing the climate crisis. While primary responsibility for climate related issues sits with the below Group boards and committees, the Beazley Insurance dac board has regular interactions and updates with the responsible persons to ensure that the company's board is appropriately consulted, engaged and informed. The Board is responsible for ensuring that the Company is operating in accordance with legal and regulatory requirements and with relevant Beazley policies and procedures. The Company considers climate-related matters as part of the annual process to approve the risk framework and ORSA.

Board/Committee	Description of how climate-related matters are considered
Beazley plc board and Beazley Insurance dac board	The Group and Company boards consider climate-related matters as part of the annual process to approve: • Risk framework; • The Group's corporate business plan, including capital adequacy and the own risk and solvency assessment (ORSA); • Updates to the Group's Responsible Business Strategy; • Responsible Investment Policy; • Investment strategy; and • Annual Report and Accounts, including TCFD report. Throughout the year the Group and the Company boards monitor progress against the goals and targets set to address climate-related issues, through the update papers provided primarily from the following functions: responsible business, risk and underwriting.
Beazley plc audit and risk committee	The plc board has delegated oversight of the risk management framework to the audit and risk committee. Committee responsibilities include overseeing the effectiveness of the risk management framework at Beazley, of which climate-related risk is one element. In 2022, the committee has reviewed the drafted TCFD report, and accompanying assurance report. A paper providing an update on the development of TCFD reporting has also been reviewed. One audit on TCFD reporting was undertaken during the year, for which the audit findings have been sent to the committee for review.
Beazley plc nomination committee	The committee considers the current and anticipated future needs of the organisation in continuing to operate effectively. Given the growing importance of climate change, this is to be a consideration in assessing candidates for future board and senior executive positions. The committee also recommends, for approval to the plc board, the annual board knowledge and training plan. Climate-related matters can form part of this plan.
Beazley plc remuneration committee	This committee is responsible for ensuring climate-related risk is considered within executive remuneration. Evidence that this occurs is documented within the executive director's remuneration scorecard, where climate-related risk matters are considered as part of Beazley's wider approach to ESG. Remuneration is reviewed on an annual basis.

B. System of governance continued

B.2 Fit and proper requirements

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

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit);
- they are of good repute and integrity (proper); and
- they currently meet and annually subscribe to continue to meet all relevant supervisory standards.

Beazley's policy is that CBI pre-approved controlled functions (PCFs) and controlled functions (CFs) must meet the fitness and probity standards as required by the CBI, and in that regard we will ensure compliance with the provisions of Solvency II, to which the CBI regime is aligned.

BIdac seeks to ensure that members of the BIdac governance bodies, all PCFs and CFs (collectively –'approved persons') possess sufficient professional qualifications, knowledge and experience in the relevant areas of the business to give adequate assurance that they are collectively able to provide a sound and prudent management of the Company. The assessment of whether a person is 'fit' shall take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of the person. In the case of members of the board, the assessment shall take account of the respective duties allocated to individual members to ensure appropriate diversity of qualification, knowledge and relevant experience to ensure that the business is managed and overseen in a professional manner.

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

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

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

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment

Risk management philosophy

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

Risk management oversight and framework

The Group Board delegates direct oversight of the risk management function and framework to its Audit and Risk Committee, and the primary regulated subsidiary boards and their Audit and Risk Committees. The BIdac risk and compliance committee provides oversight of the risk management framework and reports to BIdac board.

Beazley takes an enterprise-wide approach to managing risk. The risk management framework establishes the approach to identifying, measuring, mitigating, monitoring, and reporting on key risks. The risk management framework supports the Group strategy and objectives.

Beazley leverages the 'three lines of defence' model, in which the risk management function is part of the second line of defence. Ongoing communication and collaboration across the three lines of defence ensures that the Group identifies and manages risks effectively.

A suite of risk management reports support senior management and the board in discharging their oversight and decision-making responsibilities. The risk reports include updates on risk appetite, risk profiles, stress and scenario testing, reverse stress testing, emerging and heightened risks, and the ORSA report.

The Board approved the updated risk appetite statements during 2022 and receives regular reporting in this regard.

The business operated a control environment which supported mitigating risks to stay within risk appetite. The risk management function reviewed and challenged the control environment through various risk management activities throughout the year. In addition, the risk management function worked with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and through the business planning process. These teams provided regular reports to the Group Underwriting Governance Committee which the Group CRO chairs.

The risk management plan considers, among other inputs, the inherent and residual risk scores for each risk event. The risk management function also includes results from internal audits into its risk assessment process. The internal audit function considers the risk management framework in its audit universe to derive a risk-based audit plan.

In 2022, the Group and Company's approach to identifying, managing and mitigating emerging risks was enhanced to include inputs from the business, post-risk incident lessons learned and industry thought leaders. The approach considers the potential materiality and likelihood of impacts which helps prioritise emerging risks which the Group and Company monitors or undertakes focused work on. Key emerging risks in 2022 included geopolitical risks, the macroeconomic environment (e.g. inflation, global insurance market trends) and ESG. The Board carried out a robust assessment of the Group and Company's emerging and principal risks.

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment continued

Below summarises the Group and the Company's principal risks they face, the control environment, governance and oversight that mitigate these risks.

The Company was within risk appetite for all principal risks at 31 December 2022.

Principal risks and summary descriptions	Mitigation and monitoring
Insurance The risk arising from the inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves. • Market cycle: potential systematic mispricing of medium or longtailed business that does not support revenue to invest and cover future claims; • Catastrophe: one or more large events caused by nature (e.g. hurricane, windstorm, earthquake and / or wildfire) or mankind (e.g., coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and / or a political event) impacting a number of policies, and therefore giving rise to multiple losses; • Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e., mismatch); and • Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses.	The Company used a range of techniques to mitigate insurance risks including pricing tools, analysis of macro trends and claim frequency, including alignment with pricing and ensured exposure was not overly concentrated in any one area, especially those with higher risk. The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure with the transfer of risk. The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering the right outcome to clients. High calibre claims and underwriting professionals deliver expert service to insureds and claims handling. The group underwriting committee, the Company insurance management committee and the Company reinsurance underwriting group oversee these risks, and report to the Company board regularly.
Market (asset) This is the risk that the value of the Company's investments could be adversely impacted by movements in interest rates, exchange rates, default rates or external market forces.	The Company closely observes macro environment interest rate movements and their impact on the financial assets of the Company. Market risks to the direct investment funds of the Company are closely monitored by the Beazley plc investment committee and the Company board. The Company also manages, monitors and reviews exchange rate movements and has set a risk appetite in terms of currency risk.
Credit This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from its reinsurers, brokers, and coverholders, of which the premium due under the reinsurance contract with Beazley Underwriting Limited was the largest exposure for the Company.	The Company traded with strategic reinsurance partners over the long term that support the Company through the cycle despite catastrophic claim events. The Company's main reinsurer credit risk is with Beazley Underwriting Limited and this position is monitored regularly. The Company has both direct credit risk from external reinsurers of the Company's insurance business in Europe, and indirect credit risk from external reinsurers through the company's reinsurance contracts with Beazley Underwriting Limited. Credit risk for external reinsurers is monitored by the group reinsurance security committee, and the group reinsurance team report regularly to the Company's insurance management committee. Credit risk arising from brokers (nonpayment of premiums or claims) being low relied on robust due diligence processes and ongoing monitoring of aged debt and financial status.
Group The risk of an occurrence in one area of the Group, which adversely affects another area in the Group, resulting in financial loss and/or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and/or decisions including dilution of culture or negative impact on the Group brand.	Group risk culture is centred on principles of transparency, accountability, and awareness. This helps maintain a strong risk culture that supports the embedding of risk management within the Company. An effective risk culture supports strong risk management, encourages sound risk taking, creates an awareness of risks and emerging risks. The board of the Company oversees this risk.

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment continued

Principal risks and summary descriptions	Mitigation and monitoring
Liquidity Investments and / or other assets are not available or adequate in order to settle financial obligations when they fall due.	By managing liquidity the Company maximises flexibility in the management of financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon and in doing so helps to ensure that clients and creditors were financially protected. The Company periodically assesses the liquidity position and this is reported to the board on a quarterly basis.
Regulatory and legal Noncompliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the Company operates leading to being unable to underwrite, manage claims, fines, etc.	The control environment supports the nature, exposure scale and complexity of the business with oversight from the risk and regulatory committee. The Company maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and robust process, policies and procedures being followed in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, were experienced and maintained regular dialogue with regulators. The Company horizon scans for regulatory and legal matters and considers their potential impacts on the business.
Operational Failures of people, processes and systems or the impact of an external event on operations (e.g., a cyber-attack having a detrimental impact on operations) including transformation and change related risks.	The Group attracts and nurtures talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. The Company employs high calibre, motivated, loyal, and productive people with sufficient competence to perform the required duties. Beazley group invests in technology and re-engineering processes to support the operation of these activities which is overseen by the operations committee. Beazley group has policies and procedures across the organisation which ensure effective and efficient operations and drive productivity and quality across people, processes and systems to continue to enable scalable growth. The business continuity and disaster recovery and incident response plans help ensure the processes and systems enable our people to deliver the right outcomes for clients and overall productivity. There were effective controls in the day-to-day operations around information security, including cyber resilience to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate. Given the Company's operating model, outsourcing is a key component of operational risk and in particular the company closely manages the outsourced services received under the Company's arrangement with BML.
Strategic Events or decisions that potentially stop the Company from achieving its goals or danger of strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage.	The Company continuously addresses key strategic opportunities and challenges itself to be part the highest performing sustainable specialist insurer. The Company commits to ensuring it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation. The Company creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise to create value. The Company board oversees these risks.
Enterprise Pervasive risks impacting multiple areas of the Company (e.g. conduct, reputation, ESG, concentration and / or viability) occurring through real or perceived action, or lack of action taken, a regulatory body, market and / or third-party used by the business. A negative change to the reputation would have a detrimental impact to profitability and public perception.	The Company aims to create a sustainable business for its people, partners and planet through its responsible business goals. The Company embeds ESG principles and ambitions, focuses on reducing its carbon footprint, and contributing appropriately to its social environment. Inclusion and diversity and peoples well-being continue to be fundamental to achieving these goals. The Company considers regulatory requirements and expectations and market practice. The Company board oversees these risks.

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment continued

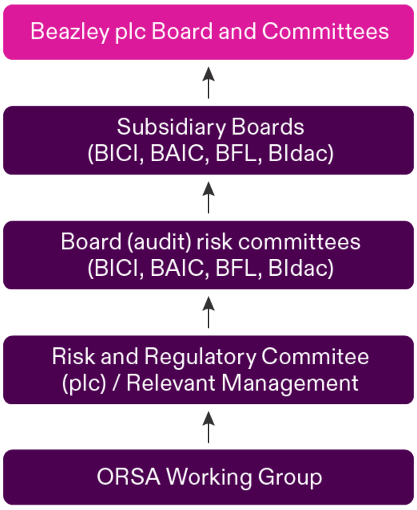
Own risk and solvency assessment

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

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

Beazley's interpretation is that there are three parts to the ORSA deliverables:
- ORSA governance;
- ORSA processes: coordination of a number of underlying processes; and
- ORSA reports: summary of the findings from these processes.

The overarching governance structure is illustrated in the table below. The Beazley Insurance dac board has the ultimate responsibility for the Company ORSA.



The risk management function is responsible for the coordination of the ORSA process and the production of the ORSA report with input from relevant first line Risk Owners and their respective teams.

The ORSA report is produced and approved by the Company's board on at least an annual basis.

Ad hoc ORSA

An ad hoc ORSA will be produced when there has been a material change to the risk profile or the environment within which Beazley is operating. Example triggers for such an ad hoc ORSA are:
- Major internal model changes as per the model change policy;
- New business plan is created (e.g. following a major CAT event);
- Prior to the completion of a board sponsored acquisition; and
- Or any other changes deemed to be significant, as judged by the relevant boards.

These ORSA reports will focus on the matter in hand and will not necessarily cover all aspects that are included in the annual ORSA report. The content should be relevant to the trigger of the ad hoc ORSA report and the purpose to inform management and the board of relevant risk assessments, changes to the risk profile, and implications for strategy, business plans, and capital.

Relationship between the internal model and the ORSA

The internal model is an important input into the ORSA. The ORSA uses the same internal model and basis as that used to estimate the Solvency Capital Requirement (SCR) and so there is no difference in the recognition and valuation bases. Any limitations of the internal model relevant to the ORSA will be considered in the relevant ORSA report as part of the overall solvency needs assessment.

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment continued

ORSA process

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

Process	Process owner/oversight committee	Document
BIdac and Beazley group Strategy Bi-annual strategy and performance group meetings Annual board strategy away day Monthly monitoring of the strategic initiatives by the group executive committee Regular Group CEO and CFO updates to the Beazley Insurance Board	Group CEO Group executive committee Beazley Insurance board	Process document: S2-0595 Beazley strategy process Report: Beazley's strategy document
Risk appetite Qualitative risk appetite Annual risk appetite levels for BIdac	Beazley Insurance CRO Beazley Insurance risk and compliance committee Beazley Insurance board	Process document: S2-0102 Risk management framework Report: Annual risk appetite documents, Risk summary documents
Risk assessment – current Risk register and risk summaries Risk Management reporting • Control performance and comments from assurance function • Comparison of residual risk score with risk appetite • Risk incidents • Key risk indicators • Heightened risk report • Risk profiles Exposure Management reporting	Beazley Insurance CRO Beazley Insurance risk and compliance committee	Process document: S2-0102 Risk management framework Report: Risk Management reports
Risk assessment – emerging risk Bi-annual risk assessment with risk owners Annual review of strategic and emerging risks Risk profiles	Beazley Insurance CRO Beazley Insurance risk and compliance committee	Process document: S2-0102 Risk management framework – emerging risk Report: Emerging and strategic risk reporting
Stress and scenario testing Stress testing Scenario testing Reverse stress testing	Beazley Insurance CRO Beazley insurance risk and compliance committee	Process document: S2-0543 Stress and scenario framework Report: Stress and scenario reporting
One year business plan Challenge process overseen by BIdac Insurance Management Committee Formal report produced by BIdac Insurance Management Committee Review and challenge by BIdac Insurance management committee	Beazley Insurance chief underwriting officer BIdac Insurance Management Committee Beazley Insurance Board	Process document: S2-0596 Business planning process Report: The annual business plans

B. System of governance continued

B.3 Risk management system including the own risk and solvency assessment continued

Process	Process owner/oversight committee	Document
Regulatory capital assessment Parameterised from one year business plan Analysis of change and capital requirement agreed with regulators	Beazley Insurance risk and compliance committee Beazley Insurance board	Process document: S2-0550 Internal model overall Report: Internal model report
Capital Strategy Capital Strategy Establish dividends in line with dividend strategy	Beazley Insurance chief finance officer Beazley Insurance board	Process document: S2-0260 Liquidity contingency plan Report: Capital management reports
Five-year plans and projections Regular updates of plans and projections Consideration of a number of scenarios based on macro-economic trends Assessment of capital requirements under each scenario Identification of capital and dividend stress points	Chief underwriting officer Executive committee Beazley Insurance board	Process document: Cycle Management Terms of reference Report: Long Term Plan, 5 year plan scenarios

Assumptions are generally set and challenged in the related underlying processes and would be evidenced through papers and minutes in those committees. However, the risk and compliance committee has oversight of all the underlying processes coming together and so has the remit to review and challenge assumptions being used. Where this occurs the CRO will provide feedback to the executive owner of the underlying process. The ORSA considers the range of the profit and loss probability distribution forecast, with a focus on the 1:200 (capital requirement) points of the distribution.

A range of stress and scenario tests are undertaken and monitored throughout the year by various governance committees throughout Beazley – notably the Group Nat Cat Exposure Management Group, the Group Cyber and Casualty Management Group and the Group Operational Resilience Committee. Any stress and scenario tests that are produced for the purpose of ORSA processes will be overseen and monitored by the risk and regulatory committee before onwards reporting to BIdac risk and compliance committee and to the board. The ORSA report summarises the process and outcome of relevant tests.

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

B. System of governance continued

B.4 Internal control system

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

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

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

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

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

Compliance function

The BIdac Board has set a residual minimal risk appetite for regulatory breaches. Directors, senior management and staff are all expected to comply with these high standards of ethical business conduct.

1. Compliance within the corporate governance and risk management frameworks

Ultimately the BIdac Board is responsible for ensuring compliance with the relevant regulations, BIdac's governance framework includes a number of board and executive committees with delegated authority to consider matters within their remit. The BIdac head of compliance is a member of the insurance management committee, the branch management committee and the CBI regulatory review committee and attends by invitation the risk and compliance committee and the reinsurance underwriting group. The function may provide updates to these forums.

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

2. Compliance framework

Independence and authority

To help ensure independence, the BIdac head of compliance and the wider compliance function have full and free access to the BIdac chair of the risk and compliance committee, the chair of the audit committee and the chair of the board of directors. The function is also authorised to have full, free and unrestricted access to all members of BIdac's management, its books and records, physical property, vendors, and other sources of information relevant to the performance of its work.

Compliance monitoring activity is performed by the second line assurance (2LA) function which is independent of the first line, and the compliance function. The 2LA function reports directly to the Group CRO.

Adequacy of resources

Management continually assess the adequacy of the resourcing of the compliance function, including as part of the planning process. In situations where additional resources are needed in the short term (e.g. for projects), management has the option of considering the use of contract staff, and consultants.

Risk appetite

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

- **Regulatory and legal risk** – risk arising from not complying with external regulatory and legislative requirements leading to financial loss, sanctions or reputational damage;
- **Trading status** – risk arising from BIdac staff trading without appropriate licences and permissions leading to financial loss, sanctions or reputational damage;

B. System of governance continued

B.4 Internal control system continued

- **Regulatory reporting** – risk arising from insufficient or incorrect disclosures to relevant regulatory authorities leading to financial loss, sanctions or reputational damage; and
- **Financial crime risk** – risk of regulator or police action as a result of money laundering, breach of trading restrictions, internal or external fraud, bribery or corruption or other financial crime leading to financial loss, sanctions or reputational damage.

3. Compliance activities

The compliance team's primary responsibility is to advise the Group on the proper application of existing and upcoming regulatory requirements. It does this primarily through horizon scanning, documenting policies and procedures, and providing training.

The function's other key activities are summarised below.

Regulatory relationships: The compliance function coordinates BIdac's relationship with the CBI (and other regulators).

Authorisations, licenses and permissions: The function is responsible for obtaining the necessary authorisations, licenses and permissions for BIdac. This is to ensure that BIdac and its employees have the appropriate authorities throughout each country for their business activities. Some of the general types of licenses and permissions are listed below with detailed descriptions in the compliance manual:

- CBI permissions – legal entity and individuals;
- Approved persons and competency requirements;
- Freedom of Establishment permissions;
- Freedom of Services permissions; and
- Permissions to expand the scope of the Company's business beyond what has been agreed with the CBI.

Group policies: The function is responsible for ensuring Group policies align to BIdac regulatory requirements and make any adjustments as necessary to the following Group policies:

Whistleblowing – The function supports the chair of the plc audit and risk committee in their overall ownership of the Group's whistleblowing process. Details of the process and compliance's responsibilities can be found in the whistleblowing policy.

Financial Crime – This policy is owned by the compliance function, which is responsible for setting and disseminating the policy and its associated control framework.

Sanctions – This policy is owned by the Group head of compliance and the function is primarily responsible for:
1) advising on appropriate preventative controls,
2) monitoring that the controls are being implemented by the business, and
3) perform enhanced due diligence when required by the policy.

Anti-Fraud – This policy is owned by the Group head of compliance who is responsible for:
1) maintaining and communicating this policy,
2) delivering mandatory anti-fraud training, and
3) monitoring the application of the policy when alerted to a potential fraud.

Gifts and hospitality – Owned by the Group head of compliance and marketing team, this policy explains the Group's approach to giving and receiving gifts and hospitality.

Anti-Bribery and Corruption - Owned by the Group head of compliance, this policy sets out how employees need to comply with anti-bribery and corruption rules and regulation.

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

Regulatory returns: The CBI (and other regulators) require BIdac to submit regulatory returns. For some of those returns the function plays a key role supporting the business to ensure they are filed with our regulators in a timely and accurate fashion. The function may work closely with other areas, such as finance, actuarial, data management, and the regulatory review committee, to support the accurate and timely filing of returns.

Regulatory breaches: The function is responsible for reporting regulatory breaches both within the internal governance framework and externally as required.

B. System of governance continued

B.4 Internal control system continued

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

Complaints: The complaints team which is part of the conduct review group is responsible for the complaints policy. The compliance function assists with complaints activity for example by reviewing and monitoring the effectiveness of the complaints handling process and reports complaint activity and root cause analysis to the Insurance management committee.

4. Compliance monitoring activities

The second line assurance team provides assurance that the Group's is adhering to regulatory requirements by undertaking the following activity:
- checking that regulatory risks are being identified;
- assessing the design and operational effectiveness of the controls in place to mitigate those risks; and
- reporting the results of its work to relevant oversight committees and boards.

The scope of compliance monitoring activity is across all Group functions, entities and locations where regulatory risk is present.

B.5 Internal audit function

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

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

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

Audit universe and annual internal audit plan
The internal audit function has developed an 'audit universe' that represents the potential range of business areas and topics – known as 'audit entities' – that internal audit reviews.

The remit of the internal audit function extends to any business activity undertaken by the Company. Using a risk based methodology, audit entities are prioritised with a view to ensuring that the most material or highest risk audit entities are audited most frequently. The frequency with which audit entities are reviewed is also considered in light of regulatory requirements, emerging risks, change and other factors. Audits over BIdac activities are undertaken annually. Typically, there are between 1-3 Company specific audits that covers topics which include, for example:
risk management; outsourcing: reserving and licencing.

The audit universe – and the resulting Company annual internal audit plan – is reviewed and approved annually by the BIdac audit committee. The Beazley annual internal audit plan consists of dedicated Company audits in addition to Group-wide audits which may cover business activity undertaken by the Group on the Company's behalf. Any significant changes to the annual internal audit plan are agreed with the Beazley audit and risk committee and BIdac audit committee. The annual internal audit plan covers topics which include, for example: underwriting; claims; IT and information security.

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

B. System of governance continued

B.5 Internal audit function continued

Independence and objectivity

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

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

B.6 Actuarial function

BIdac has a head of actuarial function (HOAF) as required under the CBI Domestic Actuarial Regime. The BIdac HOAF reports to the Group actuary. Actuarial services are provided under the management services agreement with BML by the Group function located in the UK. The actuarial function fulfils the regulatory role as outlined under Solvency II and associated Central Bank guidance and provides professional actuarial advice to BIdac in a range of other areas as required. The HOAF can express actuarial/professional opinions free from undue influence from the business. The members of the actuarial function are required to be objective and take reasonable steps to ensure they are free from bias or from conflicts of interest that could suggest bias. The HOAF does not perform any other function at Beazley that could give rise to a conflict of interest.

The actuaries that comprise the actuarial function are fellows/students of the Society of Actuaries in Ireland/Institute & Faculty of Actuaries (or equivalent) and operate under the standards set out by those bodies and the Financial Reporting Council (or equivalent).

The HOAF is responsible for producing an annual actuarial opinion on technical provisions to be submitted to the CBI in accordance with the Solvency II annual quantitative reporting templates. In addition, the HOAF must present an actuarial report on technical provisions, at least in summary form, to the board at the same time as the actuarial opinion on technical provisions and in full within two months of that date.

In addition the HOAF role must provide:

- an opinion on the underwriting policy;
- an opinion on the reinsurance arrangements; and
- a contribution to the risk management system (including the opinion on the ORSA).

Board interaction

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

- the HOAF is a member of the BIdac insurance management committee and reinsurance underwriting group and presents to those committees on a number of areas including pricing, rate change and reserving (including summary output from the peer review committee);
- the HOAF (or members of the actuarial function) presents the BIdac audit committee with the actuarial function report, including the reinsurance and underwriting opinions;
- the HOAF has catch-ups with the chair of the audit committee in advance of most audit committee meetings, thus enabling further detailing and questioning;
- the HOAF presents the ORSA opinion to the Risk and Compliance committee;
- The Group peer review committee carries out detailed reviews of reserves across the Group, including reserves of BIdac. Here, the members of the Group actuarial function present details of their reserving output as well as that from the underwriting teams. The BIdac head of actuarial function for BIdac attends these meetings;
- the HOAF has regular catch ups with the Group actuary and chair of the audit committee when required; and
- The HOAF presents the AOTP and ARTP to the audit committee and board for information.

B. System of governance continued

B.6 Actuarial function continued

Interaction with other key functions

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

Function	Relationship
Underwriting teams	The actuarial function provides support and challenge during the business planning process, support on pricing of risks and development of pricing tools and analysis in support of reinsurance purchase and optimisation.
Claims teams	The actuarial function interacts with claims managers throughout the quarterly claims reserving process and particularly during the pre-peer reviews where individual assessments are reviewed. The actuarial function liaises with the BIdac claims manager as appropriate.
Risk management	The actuarial function reviews the initial reserve risk ranges from the internal model and adjusts the range in specific cases where it is not deemed appropriate. The risk function provides the actuarial function with internal model output and assumptions for use in the calculation of the bad debt and risk margin components of the technical provisions. The actuarial function provides the chief risk officer (the CRO) with actuarial support when needed. The head of actuarial function has regular catch-ups with the CRO.
Culture and People	Support the training and development needs of the actuarial function such that a professional staff can be maintained with sufficient skills, experience and professional qualifications to meet the requirements of the actuarial function.
Data management	The actuarial function is a key consumer of data at Beazley and that data is managed by the data management team. The data management team and various business system owners ensure that the actuarial function has the internal data necessary to discharge its responsibilities. The key data inputs for the actuarial function are the gross and net triangles produced on a monthly basis.
Finance	The actuarial function and finance function work closely together, particularly during the valuation of insurance liabilities on an underwriting year, GAAP or Solvency II basis. The head of actuarial function has regular catch-ups with the head of finance. The finance function provides the expense provision valuation for technical provisions.
IT	The actuarial function relies on IT for the maintenance of its hardware and software to agreed service levels, and for the delivery of agreed projects.
Underwriting and claims operations	Ensure the data in the source systems is of the required quality.

B. System of governance continued

B7. Outsourcing

Although activities may be transferred to an outsourced provider, the responsibility, including regulatory responsibility may not be outsourced.

BIdac remains fully responsible for meeting all of its obligations when outsourcing functions or activities.

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

- materially impairing the quality of the system of governance of the undertaking concerned;
- unduly increasing the operational risk;
- impairing the ability of the supervisory authorities to monitor the compliance of the undertaking with its obligations; and
- undermining continuous and satisfactory service to policy holders.

The Board of the Company is responsible for ensuring that the outsourcing policy and the outsourcing arrangements themselves comply with the relevant regulations for ensuring that due skill, care and diligence is exercised when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical, important or material functions or activities.

Beazley requires service providers to co-operate with the relevant supervisory authorities in connection with the outsourced function or activity. The service provider is required to notify and seek Beazley approval prior to sub-contracting any of the outsourced function and the due diligence undertaken. Any sub-contract is required to contain no lesser terms and conditions as that of the main contract with Beazley. Beazley staff, auditors and the relevant supervisory authorities have effective access to data related to the outsourced functions or activities and, where appropriate, the supervisory authorities have effective access to the business premises of the service provider and must be able to exercise those rights of access.

Intra-group services are provided by BML, a UK registered Company which employs all UK staff and some staff in rest of world offices. BML provides services to the Company and Beazley Solutions International Limited, the insurance intermediary, through a management services agreement. The agreement sets out the services provided and these include facilities management, IT, other operational arrangements, actuarial, finance, internal audit, compliance, risk management. The BIdac board is ultimately responsible for the outsourced services provided by BML and monitors the level of service provision on a regular basis. The Board of BML is responsible for the provision of these services as agreed under the management services agreement.

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

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

B.8 Any other information

On 1 February 2022, John Dunne was appointed as executive director.

In March 2022, the board approved the Company's first pre-emptive recovery plan as required by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Recovery Plan Requirements for Insurers) Regulations 2021 S.I. 184 of 2021. This plan was submitted to the CBI in April 2022. The plan sets out the steps that the BIdac directors, senior management and Beazley employees would take to mitigate stress and restore BIdac's financial strength and viability in a recovery situation. An updated recovery plan must be submitted to the CBI on an annual basis.

C. Risk profile

BIdac, in conjunction with the Group, has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. BIdac is exposed to these risks both directly and, through its reinsurance contracts with BUL. The Company categorises its risks into nine areas: insurance, strategic, market, operational, regulatory and legal risk, group, liquidity, enterprise and credit risk. The Company manages climate risk within these eight main categories. Further information on climate risk is split out in section C.7 below. The sections below outline the Company's risk appetite and explain how it defines and manages each category of risk. The amount of risk taken, and therefore capital required, by risk category is shown section E.2.

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

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

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

There are three elements to the framework:
- Stress testing involves looking at the impact on the business model of changing a single factor.
- Scenario testing involves the impact on the business model of simulating or changing a series of factors within the operating environment.
- Reverse stress testing involves considering scenarios that are most likely to render the current business model to become unviable.

C.1 Underwriting risk

BIdac assumes insurance risk through its reinsurance contract with BUL and through the direct insurance it writes in Europe and the UK. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance premium and claims liabilities. The Group seeks insurance risks as its core business. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. The insurance risk exposure is documented in the business plan which is approved by the board and used to guide current activities and any future developments. Each element is considered below.

a) Underwriting risk

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

The Board reviews detailed underwriting information relating to the syndicate business reinsured by the Company through its excess of loss arrangements with BUL. The below section provides an overview of the underwriting risk associated with the underlying syndicate business as well as the insurance/reinsurance business underwritten directly by the Company through its European branches. This reflects how the Board monitors and manages the business and the associated risks.

The Company's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geography and size. The annual business plans for each underwriting team reflect the Company's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the board of Beazley Furlonge Limited, for syndicate business, and by the board of BIdac for insurance/reinsurance business. These plans are monitored by the monthly Beazley Furlonge Limited underwriting committee and the BIdac insurance management committee and the quarterly BIdac reinsurance underwriting group.

The Company's underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses. The Company also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

C. Risk profile continued

C.1 Underwriting risk continued

To address this, the Company sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDS). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models. The range of scenarios considered include natural catastrophes, cyber, marine, liability, political, terrorism and war events.

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

The Company chooses to underwrite data breach insurance within the cyber risks division and indirectly through the reinsurance contract with BUL using its team of specialist underwriters, claims managers and data breach services managers. Other than for data breach, the Company's preference is to exclude cyber exposure where possible.

To manage the potential exposure, the Company's board has established a risk budget for the aggregation of data breach related claims which is monitored by reference to the largest of ten realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform and the failure of a cloud provider. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent. The reinsurance programmes purchased by Beazley entities, whether directly by the Company or indirectly by syndicates 2623 and 3623, would partially mitigate the cost of most, but not all, data breach catastrophes.

b) Claims management risk

Similar to section C.1(a) above, the following section provides an overview of the claims management processes carried out by the Company in respect of its direct insurance/reinsurance business, as well as the processes carried out at a syndicate level in respect of the business covered by the Company's reinsurance contract with BUL.

Claims management risk may arise within the Company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Beazley brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claims life-cycle.

Beazley's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business's broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

c) Reserving and ultimate reserves risk

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

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the syndicates (a significant element of this business being ultimately reinsured to BIdac).

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

C. Risk profile continued

C.1 Underwriting risk continued

In accordance with the terms of the reinsurance contracts, the Company records an outstanding claim reserve in respect of any open year reinsurance contract with BUL which, at the reporting date, is in a loss making position for the Company. Further information in relation to the claims recorded under these contracts is provided in note 1 and note 13 of the Company's 2022 annual report.

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

	5% increase in claims reserves		5% decrease in claims reserves	
	2022	2021	2022	2021
Sensitivity to insurance risk (claims reserves)	$m	$m	$m	$m
Impact on profit	**(15.5)**	**(9.8)**	**15.5**	**9.8**

We note that within the reinsurance contracts with BUL, indirect reserve risk exists for the Company. As at 31 December 2022, the level of net outstanding and incurred but not yet reported claims within the reinsured syndicates totalled $4,263m (2021: $3,860m). The Company also monitors its exposure to insurance risk by location. 98% of risks underwritten by the Company are located in Europe.

C.2 Market risk

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

a) Foreign exchange risk

The functional and reporting currency of the Company is US dollar. Therefore, the foreign exchange risk is that the Company is exposed to fluctuations in exchange rates for any non-dollar denominated transactions and net assets. The Company deals in five main currencies, US dollars, UK sterling, Canadian dollars, Swiss francs and Euro. Transactions in all non-dollar currencies are converted to US dollars on initial recognition and revalued at the reporting date. The Company holds the majority of its net assets in US dollars, which is also the Company's functional currency. The following table summarises the carrying value of net assets categorised by currency:

	UK £	CAD $	EUR €	CHF	Subtotal	US $	Total
Net assets by currency	$m	$m	$m	$m	$m	$m	$m
31 December 2022	79.0	(13.2)	45.1	8.6	119.5	904.1	1,023.6
31 December 2021	195.8	(14.0)	2.9	4.7	189.4	1,100.6	1,290.0

The Company's assets are predominantly matched by currency to the principal underlying currencies of its insurance liabilities. The company monitors its currency risk position on a regular basis. While the company does carry currency risk (as outlined in the above table), this is not material to the company's ability to meet its claims and other obligations as they fall due. Fluctuations in the Company's trading currencies against the US dollar would result in a change to net asset value.

The table below gives an indication of the impact on net assets of a % change in relative strength of US dollar against the value of sterling, Canadian dollar, Euro, and Swiss franc simultaneously. The analysis is based on the current information available.

	Impact on profit after tax for the year ended		Impact on net assets	
	2022	2021	2022	2021
Change in exchange rate of Sterling, Canadian dollar, Swiss francs and Euro relative to US dollar	$m	$m	$m	$m
Dollar weakens 30% against other currencies	33.1	49.7	57.9	41.2
Dollar weakens 20% against other currencies	22.1	33.2	38.6	27.5
Dollar weakens 10% against other currencies	11.0	16.6	19.3	13.7
Dollar strengthens 10% against other currencies	(11.0)	(16.6)	(19.3)	(13.7)
Dollar strengthens 20% against other currencies	(22.1)	(33.2)	(38.6)	(27.5)
Dollar strengthens 30% against other currencies	(33.1)	(49.7)	(57.9)	(41.2)

C. Risk profile continued

C.2 Market risk continued

b) Interest rate risk
Some of the Company's financial instruments, including financial investments, are exposed to movements in market interest rates. The Company manages interest rate risk by primarily investing in short duration financial investments. The Board of BIdac Insurance dac monitors the duration of these assets on a regular basis.

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

Duration 31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate securities	346.2	471.1	229.6	138.3	194.0	–	–	1,379.2
Cash and cash equivalents	55.2	–	–	–	–	–	–	55.2
Derivative financial instruments	28.8	–	–	–	–	–	–	28.8
Borrowings	–	–	–	–	(249.3)	(298.6)	–	(547.9)
Total	**430.2**	**471.1**	**229.6**	**138.3**	**(55.3)**	**(298.6)**	**–**	**915.3**

Duration 31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate securities	347.3	712.3	198.8	115.9	94.2	37.2	–	1,505.7
Cash and cash equivalents	80.7	–	–	–	–	–	–	80.7
Derivative financial instruments	1.3	–	–	–	–	–	–	1.3
Borrowings	–	–	–	–	(249.2)	(298.4)	–	(547.6)
Total	**429.3**	**712.3**	**198.8**	**115.9**	**155.0**	**(261.2)**	**–**	**1,040.1**

In November 2016, the Company issued $250m of subordinated tier 2 notes due in 2026. Annual interest, at a fixed rate of 5.875%, is payable on this debt. In September 2019, the Company issued $300m of additional subordinated tier 2 notes due in 2029. Annual interest, at a fixed rate of 5.5%, is payable each year on this debt.

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

	Impact on profit after tax for the year		Impact on net assets	
	2022 $m	2021 $m	2022 $m	2021 $m
Shift in yield (basis points)				
150 basis point increase	(41.4)	(31.0)	(41.4)	(31.0)
100 basis point increase	(27.6)	(20.7)	(27.6)	(20.7)
50 basis point increase	(13.8)	(10.3)	(13.8)	(10.3)
50 basis point decrease	13.8	10.3	13.8	10.3
100 basis point decrease	27.6	20.7	27.6	20.7

c) Price risk
Debt securities and equities that are recognised on the balance sheet at their fair value are susceptible to losses due to adverse changes in prices. This is referred to as price risk. Investments are made in debt securities and equities depending on the Company's appetite for risk. These investments are well diversified with high quality, liquid securities. The Board has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or Company. Listed investments are recognised on the balance sheet at quoted bid price.

C. Risk profile continued

C.2 Market risk continued

If the market for the investment is not considered to be active, then the Company establishes fair value using valuation techniques. This includes using recent arm's length market transactions, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

	Impact on profit after tax for the year ended		Impact on net assets	
	2022	2021	2022	2021
	$m	$m	$m	$m
30% increase in fair value	47.4	49.1	47.4	49.1
20% increase in fair value	31.6	32.7	31.6	32.7
10% increase in fair value	15.8	16.4	15.8	16.4
10% decrease in fair value	(15.8)	(16.4)	(15.8)	(16.4)
20% decrease in fair value	(31.6)	(32.7)	(31.6)	(32.7)
30% decrease in fair value	(47.4)	(49.1)	(47.4)	(49.1)

C.3 Credit risk

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

- investments – whereby issuer default results in the Company losing all or part of the value of a financial instrument; and
- amounts receivable under the reinsurance contracts – whereby counterparties fail to pass on premiums due under the reinsurance contracts. The main credit risk exposure facing the Company arises by virtue of the reinsurance contract in place with its sister Company, BUL and the underlying risk facing that Company.
- Brokers and insureds – counterparties fail to pass on premiums or claims collected or paid on behalf of the Company.

The Company's core business is to accept significant insurance risks and the appetite for other risks is low. This protects the Company's capital from erosion so that it can meet its insurance liabilities. To assist in the understanding of credit risks, AM Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

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

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

	Tier 1	Tier 2	Tier 3	Tier 4	Unrated	Total
31 December 2022	$m	$m	$m	$m	$m	$m
Financial assets at fair value						
– fixed and floating rate debt securities	1,208.1	171.1	–	–	–	1,379.2
– equity linked funds	–	–	–	–	125.3	125.3
– hedge funds	–	–	–	–	55.2	55.2
– derivative financial instruments	–	–	–	–	28.8	28.8
Cash and cash equivalents	55.2	–	–	–	–	55.2
Accrued interest	8.9	–	–	–	–	8.9
Claims outstanding, reinsurer's share	–	–	–	–	98.3	98.3
Debtors arising from reinsurance operations	–	–	–	–	182.4	182.4
Debtors arising from direct insurance operations	–	–	–	–	79.1	79.1
Amounts due from group companies	–	–	–	–	25.4	25.4
Total	**1,272.2**	**171.1**	**–**	**–**	**594.5**	**2,037.8**

C. Risk profile continued

C.3 Credit risk continued

31 December 2021	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value						
– fixed and floating rate debt securities	1,319.6	186.1	–	–	–	1,505.7
– equity linked funds	–	–	–	–	135.6	135.6
– hedge funds	–	–	–	–	51.3	51.3
– derivative financial instruments	–	–	–	–	1.3	1.3
Cash and cash equivalents	80.5	0.2	–	–	–	80.7
Accrued interest	5.5	–	–	–	–	5.5
Claims outstanding, reinsurer's share	–	–	–	–	54.4	54.4
Debtors arising from reinsurance operations	–	–	–	–	111.1	111.1
Debtors arising from direct insurance operations	–	–	–	–	68.6	68.6
Amounts due from group companies	–	–	–	–	–	–
Total	**1,405.6**	**186.3**	**–**	**–**	**422.3**	**2,014.2**

The carrying amount of financial assets at the reporting date represents the maximum credit exposure. At 31 December 2022, the Company held no financial assets that were past due or impaired, either for the current year under review or on a cumulative basis based on all available evidence. Financial investments falling within the unrated category comprise hedge funds and equity funds for which there is no readily available market data to allow classification within the respective tiers.

C.4 Liquidity Risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Company's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event. This means that the Company maintains sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return.

The following is an analysis by business segment of the estimated timing of the net cash flows based on the net claims liabilities balance held at 31 December 2022 and 31 December 2021:

31 December 2022	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Direct insurance/reinsurance	59.1	83.2	38.3	31.3	211.9	2.1
Intra-group reinsurance	–	44.3	–	–	44.3	2.0
Net insurance claims	**59.1**	**127.5**	**38.3**	**31.3**	**256.2**	

31 December 2021	Within 1 year $m	1-3 years $m	3-5 years $m	Greater than 5 years $m	Total $m	Weighted average term to settlement (years)
Direct insurance/reinsurance	32.8	49.3	25.6	25.5	133.2	2.3
Intra-group reinsurance	–	35.8	–	–	35.8	1.5
Net insurance claims	**32.8**	**85.1**	**25.6**	**25.5**	**169.0**	

C. Risk profile continued

C.4 Liquidity Risk continued

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

31 December 2022	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	297.5	381.5	291.5	112.8	281.3	14.6	–	1,379.2
Derivative financial instruments	28.8	–	–	–	–	–	–	28.8
Cash and cash equivalents	55.2	–	–	–	–	–	–	55.2
Borrowings	–	–	–	–	(249.3)	(298.6)	–	(547.9)
Total	**381.5**	**381.5**	**291.5**	**112.8**	**32.0**	**(284.0)**	**–**	**915.3**

C.4 Liquidity Risk continued

31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10yrs $m	Total $m
Fixed and floating rate securities	337.2	578.0	197.4	185.5	85.0	122.6	–	1,505.7
Derivative financial instruments	1.3	–	–	–	–	–	–	1.3
Cash and cash equivalents	80.7	–	–	–	–	–	–	80.7
Borrowings	–	–	–	–	(249.2)	(298.4)	–	(547.6)
Total	**419.2**	**578.0**	**197.4**	**185.5**	**(164.2)**	**(175.8)**	**–**	**1,040.1**

C.5 Operational Risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. The Company actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. The Company also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of the Company's operational control environment include:
- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

C.6 Other material risks

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

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

Group Risk
Group risk occurs where business units fail to consider the impact of their activities on other parts of the Group, as well as the risks arising from these activities. The two main components of Group risk are contagion and reputation.

Contagion risk is the risk arising from actions of one part of the Group which could adversely affect any other part of the Group. The Company has limited appetite for contagion risk and minimises the impact of this occurring by operating with clear lines of communication across the Group to ensure all Group entities are well informed and working to common goals.

C. Risk profile continued

C.6 Other material risks continued

Reputation risk is the risk of negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities. The Group's preference is to minimise reputation risks but where it is not possible or beneficial to avoid them, we seek to minimise their frequency and severity by management through public relations and communication channels.

Enterprise risk

ESG is the umbrella term for environmental, social and governance factors that are used to measure the sustainability and ethical impact of a business. The risk is that the Company falls short of the expected standard of ESG. This could result in actual, or a potential, material negative impact and/or reputation of the Company or the Beazley group. Reputational risk has the potential to have a significant impact on an organisation. The Company and the Beazley group expect its staff to always act honourably by doing the right thing.

We mitigate this risk by ensuring we comply with the group's clearly defined and documented ESG strategy that includes targets and milestones which are communicated to all staff. This risk is overseen by the board of the Company.

C.7 Any other information

Management of climate risk

The changing global climate is recognised as an important emerging risk due to its widespread potential impact on the global population, environment and economy. A key aspect of the Group's business model is to support our clients who have been affected by natural catastrophes, helping them return to pre-catastrophe conditions as soon as possible. The Company, as a core part of the Group, follows the Group's responsible business strategy and the Company's Board receives regular reporting in this area. As a specialist insurer, various classes of business we underwrite are subject to the effect climate change presents to the risk environment.

As part of the underwriting process, we work with our insureds to understand the risks facing their organisations, including applicable climate-related risks and to tailor insurance coverages to mitigate the associated financial risks.

We acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to the Company and the Group as described below:

Pricing risk: This is the risk that current pricing levels do not adequately consider the prospective impact of climate change, resulting in systemic underpricing of climate-exposed risks. The Group's business planning process establishes how much exposure in certain classes of business or geographic area we wish to accept. We benefit from a feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk-by-risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk.

Catastrophe risk: This is the risk that current models do not adequately capture the impact of climate change on the frequency, severity or nature of natural catastrophes or other extreme weather events (e.g. wildfires) that could drive higher-than-expected insured losses. The Group utilises commercial catastrophe models to facilitate the estimation of aggregate exposures based on the Group's underwriting portfolio. These catastrophe models are updated to reflect the latest scientific perspectives. Catastrophe models are evolving to include new or secondary perils which may be related to climate change. In addition, the Group runs a series of natural catastrophe Realistic Disaster Scenarios (RDS) on a monthly basis which monitor the Group's exposure to certain scenarios that could occur. These RDS include hurricanes in the US, typhoons in Japan, European windstorms and floods in the UK.

Reserve risk: This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes unanticipated liability risk losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our Group actuarial team, claims teams and other members of management the Group establishes financial provisions for our ultimate claims liabilities. The Group maintains a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process.

C. Risk profile continued

C.7 Any other information continued

Asset risk: This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The Group considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist Company in the field of environmental, social and governance research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for environmental, social and governance performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes consideration of the sustainability of each Company with regard to the potential decline in demand in specific sectors.

External event risk: This is the risk that the physical impact of climate-related events has a material impact on our own people, processes and systems, leading to increased operating costs or the inability to deliver uninterrupted client service. The Group has business continuity plans in place to minimise the risk of an interrupted client service in the event of a disaster.

Commercial management risk: The Group aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is limited. However, we do choose office space with climate change mitigation in mind, and engage with our employees, vendors and customers in an effort to reduce overall waste and our environmental footprint.

Credit risk: As a result of material natural catastrophe events, there is a risk that our reinsurance counterparties are unable to pay reinsurance balances due to the Company or the Group. If the frequency or severity of these events is increased due to climate change this could cause a corresponding increase in credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking, which considers financial strength ratings, capital metrics, performance metrics and other considerations.

Regulatory and legal risk: Regulators, investors and other stakeholders are becoming increasingly interested in companies' responses to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The Company and the Group regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.

Liquidity and capital risk: Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims and remain solvent. The Company and the Group establishes capital at a 1:200 level based on the prevailing business plan.

The Group runs RDS, with natural catastrophe and cyber being run on a monthly basis, in order to determine the impact of different risks. This modelling process is overseen by the Exposure Management Team, who have developed a Complex and Emerging Underwriting Risks Protocol. This sets out the activity in place to review the potential/ complex/or emerging risks relating to underwriting and there are circa 60 deterministic realistic disaster scenarios (D-RDS) used to monitor the most significant. A recent focus has been on testing and stressing assumptions. Following this a series of activities has been initiated to embed good practices, ensuring that the risk landscape is frequently reviewed using claims trends, early flag, and external expert input.

These include:

- challenging and stretching of risk assumptions that are documented and articulated to the relevant oversight committee;
- regular review of all D-RDS;
- external expert intelligence and challenge;
- consideration of Reserving Peer review trend analysis and observations; and
- test potential application of different policy wordings.

These scenarios are either modelled, using data drawn from third party modelling partners, or non-modelled, where experts across the Group collaborate to determine the impact. An example of our approach to non-modelled risks is our approach to wildfires, an increasing event due to the impacts of climate change. The modelling takes into account the impact of sector, geography and business segment, in order to determine the Group's exposure. In turn this helps to drive decision making across the business. The Group is currently enhancing the number of scenarios it runs to ensure we further understand the financial impact of climate related risk on the business.

On a bi-annual basis, the risk team reviews the Group's risk assessment. These assessments are a collaborative effort with all the business functions, and are an opportunity to identify emerging risk, review existing risks, and provide appropriate mitigation measures to reduce/manage the risk. This assessment is inward looking and primarily concentrates on operational processes, whilst helping to encourage open dialogue with risk owners. This assessment is where the Group's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

C. Risk profile continued

C.7 Any other information continued

Internal model governance

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

First line of defence: capital modelling team with controls including;

- formal governance through committees;
- governance through the 'knowledge requirements of an internal model' (KRAM) process; and
- in team testing process.

Second line of defence: risk management with controls including;

- control monitoring and reporting.

Third line of defence: internal audit with controls including;

- conducting annual reviews of the validation framework and process.

Further to the three lines of defence, the fourth element to the internal model governance framework is the independent validation (out of team testing) of the internal model that is performed annually.

Features of Beazley's governance include:

- incorporation into the existing governance structure with clear accountability;
- overlap of members on the various committees;
- the KRAM process i.e. executive and non-executive director;
- training programme for the internal model;
- transparency of internal model limitations;
- internal model control mechanisms; and
- use of external review.

Stress and scenario testing

Purpose

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

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

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

Scope

Beazley Insurance dac stress and scenario framework covers the following three tests:

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

The framework consists of a four step process, namely:

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

C. Risk profile continued

C.7 Any other information continued

Identify and design (step one)

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

- one year business planning;
- five year business planning;
- risk assessment and risk appetite;
- emerging and strategic risk;
- capital assessment;
- realistic disaster scenarios;
- asset portfolio;
- liquidity risk;
- disaster recovery and business continuity planning; and
- corporate transactions such as acquisitions.

Estimation (step two)

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

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

Senior management input and challenge (step three)

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

- helps inform the senior management team at a detailed level of the key sensitivities and vulnerabilities for BIdac; and
- makes uses of the directors' experience to sense check the analysis and results.

It is expected that further iteration is required following discussion which in turn is summarised.

Management action and feedback loop (step four)

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

D. Valuation for solvency purposes

Basis of preparation

In addition to writing direct insurance in the UK and continental Europe, BIdac reinsures BUL, providing aggregate excess of loss cover for syndicates 2623 and 3623. The premium/claim payable under the contract is defined relative to the profit/loss of those syndicates. A profit will trigger a premium defined as 75% of the profit within those syndicates, in excess of $4m. A loss will trigger a claim defined as 75% of the loss within those syndicates, in excess of $4m, capped at an amount of FAL that BIdac has committed under the reinsurance contract to support BUL's participation in the syndicates' activity. The terms for the contract have been revised such that the contract for the 2023 year of account now includes an effective 65% cede from BUL to the Company.

Within the GAAP balance sheet (as visible within section A2 and the 05.01/05.02 Quantitative Reporting Templates (QRTs) reported within the appendix), BIdac presents the reinsurance contract reserves as either a single premium or outstanding claim balance depending on whether the reported result of the syndicates is a profit or a loss. As the premium/ claim balance presented in the profit or loss account represents the Company's share of the profit/loss before tax of the syndicates, premium earnings adjustments and expense deferrals have already been taken into account and therefore the balance sheet no longer contains balances related to technical balances such as deferred acquisition costs and the provision for unearned premium underlying the reinsurance contracts.

The Solvency II technical provisions are calculated in accordance with relevant Solvency II regulations. The regulations require the valuation of the contracted cash flows, which in relation to the aggregate member level excess of loss reinsurance agreement with BUL in respect of syndicates 2623 and 3623 are either a premium or a claim. This represents BIdac's share of the net profit or loss (after $4m excess) of the underlying business (A single claim cash flow occurs if the outcome of the underlying business is a loss and a premium is paid if the outcome is a profit). As a future underwriting year is bound but not incepted (inclusive of the 2023 YoA RI contract with BUL), in line with Solvency II contract boundaries, the future cashflows are included. Also within scope of the reinsurance arrangement (and therefore within the technical provisions) are the future cashflows in respect of fees due from BUL to BIdac in respect of BIdac putting up FAL to support BUL's participation in the syndicates as well as the profit commissions due from BIdac to BUL on the premiums.

Differences between valuation for solvency purposes and financial statements

Insurance and intermediaries receivables

Insurance and intermediaries receivables includes the following:

- amounts due from direct insurance operations undertaken in the branches; and
- amounts due in respect of the reinsurance arrangement due to BIdac from BUL.

FAL fees and profit commissions that relate to future cashflows are implicitly included within the Solvency II technical provisions.

On a Solvency II basis, the future premium cashflows within this balance that are not overdue are recognised within the technical provisions.

Deferred acquisition costs

Deferred acquisition costs comprise brokerage, premium levy and staff-related costs of the underwriters acquiring new business and renewing existing contracts on the direct insurance business. Deferred acquisition costs are excluded from the valuation of assets for solvency purposes and there are no deferred acquisition costs relating to the reinsurance arrangement.

Financial assets – investments

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

- **Level 1 –** valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date. Included within level 1 are bonds and treasury bills of government and government agencies which are measured based on quoted prices in active markets. Assets are valued using the bid price.
- **Level 2 –** valuations based on quoted prices in markets that are not active, or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates, exchange rates). Included within level 2 are government bonds, asset backed securities and mortgage-backed securities.
- **Level 3 –** valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

D. Valuation for solvency purposes continued

D.1 Assets

	2022 Solvency II $m	2022 GAAP $m	Difference $m
Insurance and intermediaries receivables	86.2	261.5	(175.3)
Deferred acquisition costs	–	26.1	(26.1)
Financial assets – investments	1,596.3	1,588.5	7.8
Other assets	1.1	8.9	(7.8)
Reinsurance recoverables	28.9	141.5	(112.7)
Deferred tax assets	1.4	2.7	(1.3)
Receivables (trade, not insurance)	10.5	44.9	(34.4)
Cash and cash equivalents	55.2	55.2	–
Total assets	**1,779.5**	**2,129.4**	**(349.9)**

The table below analyses financial instruments measured at fair value at 31 December 2022, by the level in the fair value hierarchy into which the fair value measurements is categorised:

31 December 2022 Financial assets at fair value through: $m	Level 1 $m	Level 2 $m	Level 3 $m	Total
Fixed and floating rate debt securities				
Government issued	794.4	–	–	794.4
Corporate bond – Investment grade	224.9	359.9	–	584.8
Equity linked funds	125.3	–	–	125.3
Hedge funds/uncorrelated strategies	–	55.2	–	55.2
Derivative financial assets	28.8	–	–	28.8
Total financial assets at fair value	**1,173.4**	**415.1**	**–**	**1,588.5**

The Solvency II valuation of financial assets is consistent with the GAAP valuation, except for accrued interest which is reclassified from other assets into financial assets.

Other assets
On the GAAP balance sheet, other assets are comprised principally of accrued interest. This is reclassified into the underlying investments on the Solvency II balance sheet.

Reinsurance recoverables
The GAAP balance sheet presents the reinsurer's share of unearned technical provisions and claims outstanding relating to reinsurance of direct business. On a Solvency II basis, this balance presents the net of cash inflows with respect to recoveries on direct business bound at the reporting date and cash outflows with respect to premiums payable on outwards reinsurance arrangements in respect of direct business that are attributable to BIdac.

Deferred tax asset
Solvency II recognition and valuation with respect to deferred taxes is consistent with the GAAP balance sheet (IAS 12). As a result of the adjustments from GAAP to Solvency II, in particular with respect to the reinsurance recoverables on the direct business, a decrease in Solvency II net assets is generated and hence a deferred tax asset is recognised on a Solvency II basis. This deferred tax asset is not offset against the deferred tax liability as it relates to the business written in branches which are subject to a different tax jurisdiction to the Company.

Receivables (trade, not insurance)
Receivables mainly comprise of non-insurance related inter-group balances. These are measured at amortised cost on the GAAP balance sheet, which is deemed to be an appropriate proxy for fair value. This fair value is included on the Solvency II balance sheet.

Cash and cash equivalents
On the GAAP balance sheet, cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. The Solvency II valuation and recognition of cash and cash equivalents is consistent with that used for the GAAP balance sheet.

D. Valuation for solvency purposes continued

D.2 Technical provisions

Summary of BIdac technical provisions:

Solvency II line of business All amounts $m	2022 Undiscounted Net technical provisions ex. risk margin	Risk margin	Net technical provisions inc. risk margin	2022 Discounted Net technical provisions ex. risk margin	Risk margin	Net technical provisions inc. risk margin
Non-proportional casualty reinsurance	(951.2)	116.4	(834.8)	(859.9)	112.1	(747.8)
General liability insurance	241.3	5.5	246.8	220.4	5.0	225.4
Non-proportional property reinsurance	18.2	0.7	18.9	17.3	0.6	17.9
Fire and other damage to insurance	1.6	0.1	1.7	1.5	0.1	1.6
Marine, Aviation & Transport	0.7	–	0.7	0.6	–	0.6
Credit and Suretyship	4.8	0.1	4.9	4.4	0.1	4.5
Non-proportional health reinsurance	0.1	–	0.1	0.1	–	0.1
Miscellaneous financial loss	0.4	–	0.4	0.4	–	0.4
Total	**(684.1)**	**122.8**	**(561.3)**	**(615.2)**	**117.9**	**(497.3)**

The BIdac technical provisions consist of two elements:
- the BIdac aggregate excess of loss reinsurance contract of BUL (intra-group reinsurance), which is classified as non-proportional casualty reinsurance; and
- the non-life insurance and third-party reinsurance business. The business written to date has been a mix of general liability, fire & other damage, marine, aviation and transport, miscellaneous financial loss as well as credit and suretyship. A small amount of third-party reinsurance has been written and classified as proportional general liability reinsurance, non-proportional casualty reinsurance, non-proportional property and non-proportional health reinsurance.

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

Intra-group reinsurance

Overview of reinsurance contract

The approach used to estimate the technical provisions is based on the structure and expected cashflows under the reinsurance contracts. The Company enters into a reinsurance contract with BUL covering its participation on a year of account for syndicates 2623 and 3623. The cession % varies by year. The potential cashflows in summary are as follows:
- premium – ceded % of any profit made by the syndicates reinsured (subject to an excess);
- claim – ceded % of any loss made by the syndicates reinsured (subject to a maximum % of the FAL);
- fees – BUL pays BIdac a fee as BIdac provides a percentage of FAL for the syndicates covered under the reinsurance contract; and
- profit commission – 15% and is payable by BIdac to BUL on any premiums received under the contract.

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

The bases, methods and main assumptions used for valuation for solvency purposes are as follows:
The expected profit/loss of the underlying BUL business reinsured forms the largest component of the technical provisions. The expected profit/loss is the total of the following:
- the current view of the profit/loss of each year of account. For the closing year of account the profit/loss is the final syndicate declared result as reported to Lloyd's. For open years of account this is based on held loss ratios applied to the ultimate premium, with allowance for incurred expenses;
- the reserve releases expected between the current view of profitability and when the final syndicate result is declared;
- expected investment income;
- expenses that are expected to be incurred until the year of account closes;
- FAL fees payable from BUL to BIdac;
- profit commissions payable for each contract forecasting profit; and
- Profit or losses on foreign exchange hedges in place to mitigate currency risk.

Whilst the initial view of profitability is assessed at the end of the first calendar year for the business that has been reinsured, an assumption is made on expected future reserve releases. This is based on analysis of historical data. Furthermore, the expected future investment income is derived from the assumptions used in the Beazley long term business plan. Assumptions are reviewed quarterly to reflect experience to date. Where the assumptions are not deemed appropriate, alternative assumptions are used.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

The provisions for profit commissions and fees have been calculated in line with the terms of the reinsurance contract for each contract forecasting a profit. FAL fees over the term of the contract are calculated. The value of foreign exchange derivatives within the reinsured syndicates is taken from current financial valuations.

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

Unincepted business is defined as policies that have not yet incepted, but to which Beazley is legally obliged at the valuation date. The 2023 reinsurance contract between BIdac and BUL which incepts on 1 January 2023 has been included within the technical provisions as it was signed in December 2022.

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

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

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

Key uncertainties

At a macro level, the key areas of downside risk in the estimated profit/loss figures of the underlying BUL business being reinsured are that:
- claims experience in the Specialty risks and Cyber divisions could be worse than expected because of adverse claim frequency and/or severity or the systemic inadequacy of premium rates;
- catastrophe claims experience is materially worse than expected (natural and man made);
- investment returns may be materially different to the returns estimated; and
- the rate at which the cedant releases profit.

Changes in methodology/assumptions since the previous reporting period

There were no changes to methodology since the previous period, although the assumptions underlying the rate at which margin releases are made by the cedant have been updated.

GAAP reserves vs technical provisions

The main differences between the GAAP and Solvency II technical provisions for the intra-group reinsurance business written in BIdac are as follows:
- the GAAP reserves only consider the performance of business earned up to and including the valuation date whereas the Solvency II technical provisions allow for both the earned and unearned portions of the business written;
- within Solvency II technical provisions, there is an explicit allowance for premiums and claims on bound but unincepted contracts which are not recognised within the GAAP reserves. As a result, the 2023 reinsurance contract between BIdac and BUL which incepts on 1 January 2023 has been included within the Solvency II technical provisions as it was signed in December 2022; the Solvency II technical provisions include:
- an allowance for the expected investment income on the underlying business being reinsured whereas the GAAP reserves do not;
- an allowance for events not in data whereas the GAAP reserves do not:
- are discounted for the time value of money whilst the GAAP reserves are not; and
- the Solvency II technical provisions recognise expected future reserve releases from the 2021, 2022 and 2023 years of account, on the underlying business reinsured up to and including the finalisation of the 2023 reinsurance contract whereas the GAAP reserves only recognise reserve releases known as at the valuation date.

The total BIdac GAAP reserves are $335.1m on a net of reinsurance basis, and $44.3m of these reserves are for the intra-group reinsurance business. The Solvency II net technical provisions (including the risk margin) for this business amount to ($748.4m) (future cash flow) on a discounted basis.

Direct business & third party reinsurance

BIdac began writing non-life insurance and third party business during 2017 and has increased the volume of premiums written each year to 2022. The business written comprises of eight classes – general liability, fire & other damage, marine, aviation & transport, miscellaneous financial loss, non proportional health, non-proportional casualty, non-proportional property and credit and suretyship.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

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

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

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

Unincepted business is defined as policies that have not yet incepted, but to which Beazley is legally obliged at the valuation date. The unincepted business has resulted in the year-end 2022 reinsurance recoverables being negative for premium provisions, reflecting that the outwards reinsurance premiums payable that cover the full subsequent period are allowed for, compared to only the expected recoveries arising from the unincepted gross business.
Provisions for bad debts, future expenses and events not in data are added to the best estimate technical provisions:

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

A risk margin is also calculated, though a simplified approach has been used. The simplified approach utilises the risk margin estimated for syndicates 2623 and 3623 and then applies the ratio of the BIdac net premium to these syndicates' net premium to this risk margin figure.

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

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

Key uncertainties

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

Changes in methodology & assumptions

There have been no material changes to methodology or assumptions since the last valuation.

GAAP reserves vs technical provisions

The main differences between the GAAP and Solvency II technical provisions for the direct and third party reinsurance business written in BIdac are as follows:

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

The total BIdac GAAP reserves are $335.1m on a net of reinsurance basis, and $290.8m of these reserves are for the insurance and third party reinsurance business. The Solvency II net technical provisions (including the risk margin) for the insurance and third party reinsurance business amount to $251.2m on a discounted basis.

D. Valuation for solvency purposes continued

D.2 Technical provisions continued

Other items

The Company does not apply the following; the matching adjustment referred to in Article 77b of Directive 2009/138/EC, the volatility adjustment referred to in Article 77d of Directive 2009/138/EC, the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC, and the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Impact of inflation on actuarial reserving

Estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as rising inflation, rising interest rates, climate change, and the Russia-Ukraine conflict. The actuarial review included a deep dive on management's treatment of inflation within our reserves.

D.3 Other liabilities

	2022 Solvency II $m	2022 GAAP $m	Difference $m
Deferred tax liabilities	91.9	–	91.9
Subordinated liabilities in basic own funds	506.3	547.9	(41.7)
Reinsurance payables	–	31.3	(31.3)
Payables (trade, not insurance)	–	–	–
Derivatives	1.9	1.9	–
Any other liabilities	37.8	47.8	(10.0)
Total liabilities	**637.8**	**629.0**	**8.8**

Deferred tax liabilities

Solvency II recognition and valuation bases with respect to deferred taxes are consistent with the GAAP balance sheet (IAS 12). As a result of the adjustments from GAAP to Solvency II, an increase in Solvency II net assets is generated for the Company and hence a deferred tax liability is recognised on a Solvency II basis. This deferred tax liability is not offset against the deferred tax asset as it relates to the Company which is subject to a different tax jurisdiction to its branches.

Subordinated liabilities

The subordinated liabilities, which are listed on the London stock Exchange, are shown in the GAAP financial statements valued at fair value at the date of issue less transaction costs. The subordinated liabilities are valued at fair value based on quoted market price under Solvency II.

Reinsurance payables

As part of BIdac's participation in the Group reinsurance programme covering general liability insurance, amounts relating to reinsurance payables are allocated to BIdac. This amount due is recorded in the GAAP balance sheet as reinsurance payables. Under Solvency II, this amount is reclassified into the technical provisions as it constitutes a future cashflow.

Payables

Payables (trade, not insurance) comprise of amounts due to other entities in the Group. FAL fees, tax payables and profit commissions that relate to future cashflows are implicitly included within the Solvency II technical provisions.

Derivatives

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

Other payables and liabilities

Other payables comprise salaries and other accruals.

D.4 Alternative methods for valuation

BIdac does not use any alternative methods of valuation in its valuation of assets or liabilities.

D.5 Any other information

The Company and the wider Group continue to closely monitor the potential impact of the ongoing conflict in Ukraine, as well as the current volatility within financial markets, both from an investment asset and a liability perspective.

E. Capital management

E.1 Own funds

BIdac or the Company capital strategy is to:

- invest its capital to generate an appropriate level of return;
- maintain sufficient solvency cover;
- support other Group businesses; and
- pay dividends to its shareholder.

The Company holds a significant amount of the Group's capital. Since inception the Company has always been well capitalised and the capital base has grown with earnings from the reinsurance contract with BUL and the underwriting activity of the branches. The amount of dividend paid is determined by the solvency of the Company and the requirements of the Group.

BIdac 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 growth and a desire to maximise returns for its shareholder. Available capital and capital requirements are projected as part of the five year business plan, which is in turn considered as part of the ORSA process.

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

	Tier 1 $m	Tier 2 $m	Tier 3 $m	Total $m
Basic own funds				
Ordinary share capital	–	–		–
Reconciliation reserve	1,004.7			1,004.7
Subordinated liabilities		506.3	–	506.3
Deferred tax assets			1.4	1.4
Capital contribution	536.3	–	–	536.3
Total basic own funds after deductions	1,541.1	506.3	1.4	2,048.7
Ancillary own funds		–	–	–
Total available own funds to meet the SCR	1,541.1	506.3	1.4	2,048.7
Total available own funds to meet the MCR	**1,541.1**	**506.3**		**2,047.3**
Total eligible own funds to meet the SCR	**1,541.1**	**483.0**	–	**2,024.0**
Total eligible own funds to meet the MCR	**1,541.1**	**48.3**		**1,589.4**
SCR				**965.9**
Ratio of Eligible own funds to SCR				**209.5 %**

Tier 1 basic own funds

BIdac has issued one share with a nominal value of €1 (2021: €1).

A capital contribution of $536.3m was approved as tier 1 own funds by the CBI on 15 December 2015.

The reconciliation reserve at 31 December 2022 is $1,004.7(2021: $1.012.5m). The variance is mainly driven by the change in the excess of assets over liabilities in the period. In addition, the Company has a restricted amount of $67.6m in respect of its UK branch local capital requirement following the branch's approval by the PRA as a fully authorised third country branch.

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

	2022 $m	2021 $m
Ordinary share capital	–	–
Capital contribution	536.3	536.3
Reconciliation reserve	1,004.7	1,012.5
	1,541.1	**1,548.8**

The reconciliation reserve is calculated as follows:

	2022 $m	2021 $m
Excess of assets over liabilities	1,610.0	1,696.9
Foreseeable dividends	–	105.0
Other adjustments	67.6	39.6
Other basic own funds	537.7	539.8
	1,004.7	**1,012.5**

The Company has not declared any dividends in 2023, to the date of approval of this report.

Tier 2 basic own funds

	2022 $m	2021 $m
Tier 2 subordinated debt (2026) – issued in 2016	265.9	279.8
Tier 2 subordinated debt (2029) – issued in 2019	240.3	335.6
	506.2	**615.4**

In November 2016, the Company issued $250m of subordinated tier 2 notes due in 2026 and, in September 2019, the Company issued $300m of additional subordinated tier 2 notes due in 2029, the net proceeds of the notes are being used along with our retained earnings to support the future growth plans of the Group and were also used to redeem other outstanding debt issued by the Group. This debt is listed on the London stock Exchange and is valued at fair value based on quoted market price.

As at 31 December 2022, $483.0m of the tier 2 own funds were eligible to meet the SCR, being 50% of the SCR as at that date. $48.3m was eligible to meet the MCR, being 20% of the MCR as at that date.

E. Capital management continued

E.1 Own funds continued

Reconciliation of GAAP net assets to Solvency II net assets

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

	$m
GAAP net assets	**1,023.6**
Revaluation of subordinated debt to market value	41.7
Elimination of GAAP technical provisions (net of reinsurance and deferred acquisition costs)	335.1
Elimination of inter-group debtors relating to future technical cashflows	(194.3)
Replacement of Solvency II technical provisions	497.2
Recognition of net deferred tax on Solvency II adjustments arising	(93.2)
Solvency II net assets	**1,610.0**

The inter-group balances due to BIdac from BUL are included on the GAAP balance sheet. These consist of the following components:

- 2020 YoA profit distribution;
- FAL fees payable from BUL to BIdac up to the reporting date; and
- profit commission payable from BIdac to BUL.

The 2019 YoA profit distribution, FAL fees and profit commissions that relate to future cashflows are implicitly included within the Solvency II technical provisions.

There are no basic own-fund items subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC and there are no ancillary own funds items.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR for BIdac are as follows:

	2022 $m	2021 $m
Solvency Capital Requirement	965.9	926.4
Minimum Capital Requirement	241.5	231.6

The SCR is subject to CBI review. The MCR is calculated based on net of reinsurance technical provisions at the year end and written premiums (defined as being premiums received) in the 12 months to that date

BIdac uses an internal model to calculate its SCR. The model is designed to produce output on the required basis, namely the capital required to meet a 1 in 200 adverse loss on the Solvency II balance sheet over a one-year time horizon.

The table below shows the SCR split by risk category (post diversification):

Model	Insurance risk	Market risk	Operational risk	Credit risk
2023 SCR	84%	8%	6%	2%
2022 SCR	76%	16%	5%	3%

BIdac also monitors its capital against a Strategic Solvency Target (SST) which has been set at the capital required to meet a 1 in 500 adverse loss on the Solvency II balance sheet over a one-year time horizon. BIdac must notify the CBI when the available capital falls below the SST. As at 31 December 2022 the SST was $1,261.7m (2021: $1,153.8m). The Company also sets an internal risk appetite in relation to solvency coverage, which is set at a level materially higher than the SST. Although the reinsurance contract is presented as a single cash flow, management looks through the underlying risk exposures when assessing risks to the Company and the performance of the contracts.

Use of the internal model

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

Regular uses include:

- capital setting: the internal model is used to calculate the capital for each entity quarterly. The calculated capital is split by major risk i.e. insurance, market, credit, liquidity, operational and Group risk;
- business planning including capital allocation: the internal model is used in the business planning process to allocate capital between divisions. This, when combined with the plan profit, allows management to compare the performance of the different business lines on a risk adjusted basis;
- business planning – portfolio optimisation;
- business planning – reinsurance and Special Purpose Arrangement review;
- long term plan: the capital projections and stress scenarios in the long term plan are developed using internal model output;
- reserving: the internal model is used to allow the actuarial team to develop the reserve strength indicators which are used to communicate the level of prudence in the reserves;
- exposure management: the catastrophe model component of the internal model is used to monitor catastrophe risk against appetite and natural catastrophe risk model output is used for capital modelling;
- investment management: the asset risk component of the internal model is used to monitor investment risk and investment risk output is used for capital modelling;
- reinsurance credit risk: credit risk output is used for capital modelling;
- ORSA: 1-in-10 output is used to calculate key risk indicators to determine whether the syndicates are operating within risk appetite.

Scope of the internal model

The scope of the internal model includes all material risks faced by by BIdac. No known important risks are excluded from the internal model. The material risks currently included in the internal model are:

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

E. Capital management continued

E.2 Solvency Capital Requirement and Minimum Capital Requirement continued

Methods used in the internal model

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

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

Data used in the internal model

Model inputs are made up of two key components:

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

On-going appropriateness is ensured through the capital team's:

- internal model data input testing which includes a reconciliation of key data items. The nature and appropriateness of the data used is set out in the documentation and model change reporting.

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

Not applicable.

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

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

The internal model assesses all risk factors based on the underlying risks of the reinsurance contract. The standard formula calculation is based on the Solvency II balance sheet, which presents the reinsurance result as a single net cash flow for each contract. As a result the main differences in the methodologies and underlying assumptions used in the standard formula (SF) and in the internal model (IM) by risk module are as follows: greater premium and reserve risk is assumed for the IM reflecting the underlying economic risks while the SF assumptions are applied to the technical provisions;

- catastrophe risk assumptions are lower in the IM reflecting the detailed modelling of the portfolio;
- IM market risk is greater than the SF due to greater interest rate and credit spread risk assumptions as well as making allowance for the full economic risk within the underlying asset portfolio;
- greater credit and operational risk is assumed for the IM than for the SF;
- the IM assumes greater diversification between risk categories than that assumed in the SF with the driver of risk assumptions reflecting the risk profile; and
- IM explicitly includes profit offsetting the risk.

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

E. Capital management continued

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E.6 Any other information

During the year, the Company made distributions of $305.0m. In March 2022, the board declared a final interim dividend in respect of 2021 of $105.0m. This dividend was included in the calculation of the available own funds as at 31 December 2021. In October 2022, an interim dividend of $200.0m was declared.

Appendix: Quantitative reporting

The following quantitative reporting templates are appended to this report.

S.02.01.02	– Balance sheet
S.05.01.02	– Premiums, claims and expenses by line of business
S.05.02.01	– Premiums, claims and expenses by country
S.17.01.02	– Non-life technical provisions
S.19.01.21	– Claims triangles
S.23.01.01	– Own funds
S.25.03.21	– Solvency Capital Requirement calculated using a full internal model
S.28.01.01	– Minimum capital requirement

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

Appendix: Quantitative reporting continued

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	–
Deferred tax assets	R0040	1,393
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	–
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**1,596,300**
Property (other than for own use)	R0080	–
Holdings in related undertakings, including participations	R0090	–
Equities	R0100	–
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	*1,386,981*
Government Bonds	R0140	797,116
Corporate Bonds	R0150	589,865
Structured notes	R0160	–
Collateralised securities	R0170	–
Collective Investments Undertakings	R0180	180,562
Derivatives	R0190	28,757
Deposits other than cash equivalents	R0200	–
Other investments	R0210	–
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	–
Loans on policies	R0240	–
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**28,855**
Non-life and health similar to non-life	R0280	28,855
Non-life excluding health	R0290	28,857
Health similar to non-life	R0300	(3)
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	–
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	–
Insurance and intermediaries receivables	R0360	86,239
Reinsurance receivables	R0370	–
Receivables (trade, not insurance)	R0380	10,455
Own shares (held directly)	R0390	–
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	–
Cash and cash equivalents	R0410	55,163
Any other assets, not elsewhere shown	R0420	1,103
Total assets	**R0500**	**1,779,508**

Appendix: Quantitative reporting continued

S.02.01.02 – Balance sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	**R0510**	**(468,311)**
Technical provisions – non-life (excluding health)	**R0520**	**(468,441)**
TP calculated as a whole	R0530	–
Best estimate	R0540	(586,391)
Risk margin	R0550	117,950
Technical provisions – health (similar to non-life)	**R0560**	**130**
TP calculated as a whole	R0570	–
Best estimate	R0580	123
Risk margin	R0590	7
TP – life (excluding index-linked and unit-linked)	**R0600**	**–**
Technical provisions – health (similar to life)	**R0610**	**–**
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP – life (excluding health and index-linked and unit-linked)	**R0650**	**–**
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP – index-linked and unit-linked	**R0690**	**–**
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	91,885
Derivatives	R0790	1,914
Debts owed to credit institutions	R0800	–
Debts owed to credit institutions resident domestically	ER0801	–
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	–
Debts owed to credit institutions resident in rest of the world	ER0803	–
Financial liabilities other than debts owed to credit institutions	R0810	–
debts owed to non-credit institutions	ER0811	–
debts owed to non-credit institutions resident domestically	ER0812	–
debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	–
debts owed to non-credit institutions resident in rest of the world	ER0814	–
other financial liabilities (debt securities issued)	ER0815	–
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	–
Payables (trade, not insurance)	R0840	–
Subordinated liabilities	**R0850**	**506,256**
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	506,256
Any other liabilities, not elsewhere shown	R0880	37,755
Total liabilities	**R0900**	**169,498**
Excess of assets over liabilities	**R1000**	**1,610,010**
Excess of assets over liabilities minus Subordinated Liabilities in BOF		**2,116,266**

Appendix: Quantitative reporting continued

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of Business for: accepted non-proportional reinsurance			
		Income protection insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Health	Casualty	Property	Total
		C0020	C0060	C0070	C0080	C0090	C0120	C0130	C0140	C0160	C0200
Premiums written											
Gross – Direct business	R0110		2,120	3,209	246,256	6,034	740				258,359
Gross – Proportional reinsurance accepted	R0120		–	–	931	135	–				1,066
Gross – Non-proportional reinsurance accepted	R0130							755	183,451	9,327	193,533
Reinsurers' share	R0140		93	195	82,821	987	11	(12)	7	1,873	85,974
Net	R0200		2,027	3,014	164,366	5,182	729	777	183,444	7,455	366,984
Premiums earned											
Gross – Direct business	R0210		1,813	2,839	213,187	4,640	694				223,173
Gross – Proportional reinsurance accepted	R0220		–	–	678	732	–				1,410
Gross – Non-proportional reinsurance accepted	R0230							763	183,990	8,758	193,511
Reinsurers' share	R0240		65	151	64,574	768	8	(14)	6	1,792	67,349
Net	R0300		1,748	2,688	149,291	4,604	686	777	183,984	6,966	350,745
Claims incurred											
Gross – Direct business	R0310		583	4,182	140,479	2,745	390				148,379
Gross – Proportional reinsurance accepted	R0320		–	–	(764)	294	–				(471)
Gross – Non-proportional reinsurance accepted	R0330							310	9,215	7,569	17,094
Reinsurers' share	R0340		11	1,813	51,983	541	5	(3)	5	(1,393)	52,962
Net	R0400		572	2,369	87,731	2,498	385	313	9,209	8,962	112,039
Changes in other technical provision											
Gross – Direct business	**R0410**										**–**
Gross – Proportional reinsurance accepted	R0420										–
Gross – Non-proportional reinsurance accepted	R0430										–
Reinsurers' share	R0440										–
Net	R0500		–	–	–	–	–	–	–	–	–
Expenses incurred	R0550		322	488	37,553	937	112	115	33,146	1,417	74,090
Other expenses	R1200										
Total expenses	R1300										74,090

Appendix: Quantitative reporting continued

S.05.02.01 – Premiums, claims and expenses by country

Home Country – non-life obligations

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Ireland	FR	DE	ES	CH	GB	
R0010		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premium written								
Gross – Direct Business	R0110		99,297	86,757	46,370	6,817	16,820	**256,061**
Gross – Proportional reinsurance accepted	R0120		456	–	288	–	322	**1,066**
Gross – Non-proportional reinsurance accepted	R0130		207	4,790	570	790	187,176	**193,533**
Reinsurers' share	R0140		92	2,128	253	351	83,150	**85,974**
Net	**R0200**	–	99,868	89,419	46,975	7,256	121,167	**364,685**
Premium earned								
Gross – Direct Business	R0210		85,774	74,942	40,055	5,889	14,529	**221,188**
Gross – Proportional reinsurance accepted	R0220		603	–	381	–	426	**1,410**
Gross – Non-proportional reinsurance accepted	R0230		207	4,789	570	790	187,154	**193,511**
Reinsurers' share	R0240		72	1,667	198	275	65,137	**67,349**
Net	**R0300**	–	86,512	78,064	40,807	6,404	136,972	**348,760**
Claims incurred								
Gross – Direct Business	R0310		18,710	102,560	25,887	–	1,222	**148,379**
Gross – Proportional reinsurance accepted	R0320		(397)	–	(74)	–	–	**(471)**
Gross – Non-proportional reinsurance accepted	R0330		–	2,084	–	166	14,844	**17,094**
Reinsurers' share	R0340		–	6,456	–	514	45,993	**52,962**
Net	**R0400**	–	18,313	98,187	25,814	(348)	(29,926)	**112,039**
Changes in other technical provisions								
Gross – Direct Business	R0410							**–**
Gross – Proportional reinsurance accepted	R0420							**–**
Gross – Non-proportional reinsurance accepted	R0430							**–**
Reinsurers' share	R0440							**–**
Net	**R0500**	–	–	–	–	–	–	**–**
Expenses incurred	R0550		15,186	13,908	7,175	1,156	36,316	**73,741**
Other expenses	R1200							
Total expenses	**R1300**							**73,741**

Appendix: Quantitative reporting continued

S.17.01.02 – Non-life technical provisions

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance			
		Income protection insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional property reinsurance	Total non-life obligations
		C0030	C0070	C0080	C0090	C0100	C0130	C0140	C0150	C0170	C0180
Technical provisions calculated as a whole	**R0010**		–	–	–	–	–	–	–	–	–
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050										–
Technical Provisions calculated as a sum of BE and RM											
Best estimate											
Premium provisions											
Gross – Total	**R0060**		**84**	**(16)**	**31,415**	**438**	**53**	**(69)**	**(831,574)**	**(1,934)**	**(801,604)**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		(15)	(42)	(8,754)	(318)	(82)	(3)	(10)	(450)	(9,673)
Net Best Estimate of Premium Provisions	**R0150**		**98**	**26**	**40,169**	**756**	**135**	**(67)**	**(831,564)**	**(1,484)**	**(791,930)**
Claims provisions											
Gross – Total	R0160		595	2,845	209,741	4,101	238	192	(28,299)	25,923	215,336
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		58	1,392	29,493	469	2	–	5	7,109	38,528
Net Best Estimate of Claims Provisions	**R0250**		**538**	**1,453**	**180,247**	**3,632**	**235**	**192**	**(28,303)**	**18,814**	**176,808**
Total Best estimate – gross	**R0260**		**679**	**2,828**	**241,156**	**4,539**	**291**	**123**	**(859,873)**	**23,989**	**(586,268)**
Total Best estimate – net	**R0270**		**636**	**1,479**	**220,416**	**4,388**	**371**	**126**	**(859,867)**	**17,330**	**(615,122)**
Risk margin	**R0280**		**33**	**72**	**4,966**	**114**	**7**	**7**	**112,131**	**625**	**117,957**

Appendix: Quantitative reporting continued

S.17.01.02 – Non-life technical provisions

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance			
		Income protection insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional property reinsurance	**Total non-life obligations**
		C0030	C0070	C0080	C0090	C0100	C0130	C0140	C0150	C0170	C0180
Amount of the transitional on Technical Provisions											
TP as a whole	R0290										–
Best estimate	R0300										–
Risk margin	R0310										–
Technical Provisions											
Technical provisions – total	R0320		713	2,901	246,122	4,653	299	130	(747,741)	24,613	(468,311)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330		43	1,350	20,740	151	(80)	(3)	(6)	6,659	28,855
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	R0340		670	1,551	225,382	4,502	378	133	(747,736)	17,954	(497,165)

The following columns, which are blank, have been omitted for improved presentation:

C0020	Medical expense insurance	C0110	Legal expenses insurance
C0040	Workers' compensation insurance	C0120	Assistance
C0050	Motor vehicle liability insurance	C0160	Non-proportional marine, aviation and transport reinsurance
C0060	Other motor insurance		

Appendix: Quantitative reporting continued

S.19.01.21 – Claims triangles

Accident year/ Underwriting year	Z0020	Underwriting year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											0
N-9	R0160	—	—	—	—	—	—	—	—	—	—	
N-8	R0170	—	—	—	—	—	—	—	—	—		
N-7	R0180	—	—	—	—	—	—	—	—			
N-6	R0190	—	—	—	—	—	—	—				
N-5	R0200	—	—	—	—	—	—					
N-4	R0210	—	48	1,065	187	33						
N-3	R0220	14	1,031	1,054	901							
N-2	R0230	135	2,917	1,784								
N-1	R0240	7,631	15,654									
N	R0250	242										

		In current year	Sum of years (cumulative)
		C0170	C0180
	R0100	–	–
	R0160	–	–
	R0170	–	–
	R0180	–	–
	R0190	–	–
	R0200	–	–
	R0210	33	1,332
	R0220	901	3,000
	R0230	1,784	4,836
	R0240	15,654	23,285
	R0250	242	242
Total	R0260	18,613	32,695

S.19.01.21 – Claims triangles

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	**R0100**											–
N-9	**R0160**	–	–	–	–	–	–	–	–	–	–	
N-8	**R0170**	–	–	(141,000)	–	–	–	–	–	–		
N-7	**R0180**	–	(75,667)	(189,022)	–	–	–	–	–			
N-6	**R0190**	45,458	–	(98,884)	–	–	–	–				
N-5	**R0200**	(11)	345	(10,727)	357	144	119					
N-4	**R0210**	2,399	3,848	(35,648)	2,535	5,212						
N-3	**R0220**	14,719	23,704	(99,689)	15,965							
N-2	**R0230**	18,449	60,932	23,098								
N-1	**R0240**	77,483	118,944									
N	**R0250**	75,237										

		Year end (discounted data)
		C0360
	R0100	–
	R0160	–
	R0170	–
	R0180	–
	R0190	–
	R0200	112
	R0210	4,763
	R0220	14,522
	R0230	19,583
	R0240	109,274
	R0250	67,081
Total	**R0260**	215,336

Appendix: Quantitative reporting continued

S.23.01.01 – Own funds

		Total C0010	Tier 1- unrestricted C0020	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	R0010	–	–	–	
Share premium account related to ordinary share capital	R0030	–	–	–	
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040	–	–	–	
Subordinated mutual member accounts	R0050	–		–	–
Surplus funds	R0070	–	–		
Preference shares	R0090	–		–	–
Share premium account related to preference shares	R0110	**–**		–	–
Reconciliation reserve	R0130	**1,004,743**	1,004,743		
Subordinated liabilities	R0140	**506,256**		506,256	–
An amount equal to the value of net deferred tax assets	R0160	**1,393**			1,393
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	**536,317**	536,317	–	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–			
Deductions					
Deductions for participations in financial and credit institutions	R0230	–	–	–	
Total basic own funds after deductions	R0290	**2,048,709**	1,541,060	506,256	1,393
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310	–			
Unpaid and uncalled preference shares callable on demand	R0320	–			
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			
Other ancillary own funds	R0390	–			
Total ancillary own	R0400	–		–	–

Appendix: Quantitative reporting continued

S.23.01.01 – Own funds

		Total C0010	Tier 1-unrestricted C0020	Tier 2 C0040	Tier 3 C0050
Available and eligible own funds					
Total available own funds to meet the SCR	R0500	**2,048,709**	1,541,060	506,256	1,393
Total available own funds to meet the MCR	R0510	**2,047,316**	1,541,060	506,256	
Total eligible own funds to meet the SCR	R0540	**2,024,022**	1,541,060	482,962	–
Total eligible own funds to meet the MCR	R0550	**1,589,356**	1,541,060	48,296	
SCR	R0580	**965,924**			
MCR	R0600	**241,481**			
Ratio of Eligible own funds to SCR	R0620	**209.5 %**			
Ratio of Eligible own funds to MCR	R0640	**658.2 %**			

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1,610,010
Own shares (held directly and indirectly)	R0710	–
Foreseeable dividends, distributions and charges	R0720	–
Other basic own fund items	R0730	537,710
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	67,557
Reconciliation reserve	R0760	1,004,743
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	821,729
Total Expected profits included in future premiums (EPIFP)	R0790	821,729

The following columns, which are blank, have been omitted for improved presentation:

C0030 Tier 1 restricted

Appendix: Quantitative reporting continued

S.25.03.21 – Solvency Capital Requirement calculated using a full internal model

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement C0030
RES01	Reserve risk	845,300
PRM01	Premium risk	962,730
MKT01	Market risk	358,954
OPL01	Operational risk	246,608
CRT01	Credit risk	129,974

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	2,543,566
Diversification	R0060	(1,577,641)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	965,924
Capital add-ons already set	R0210	–
Solvency capital requirement	R0220	965,924
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(56,111)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Net future discretionary benefits	R0460	–

Approach to tax rate	C0109
Approach based on average tax rate	Yes

	LAC DT C0130
Amount/estimate of LAC DT	(56,111)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	(56,111)
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	
Amount/estimate of AC DT justified by carry back, current year	
Amount/estimate of LAC DT justified by carry back, future years	
Amount/estimate of Maximum LAC DT	

Appendix: Quantitative reporting continued

S.28.01.01 – Minimum Capital Requirement

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation non-life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0020	Non-life activities: Net (of reinsurance) written premiums in the last 12 months C0030	Linear formula component for non-life insurance and reinsurance obligations – MCR calculation
Medical expense insurance and proportional reinsurance	R0020	–	–	–
Income protection insurance and proportional reinsurance	R0030	–	–	–
Workers' compensation insurance and proportional reinsurance	R0040	–	–	–
Motor vehicle liability insurance and proportional reinsurance	R0050	–	–	–
Other motor insurance and proportional reinsurance	R0060	–	–	–
Marine, aviation and transport insurance and proportional reinsurance	R0070	636	2,132	–
Fire and other damage to property insurance and proportional reinsurance	R0080	1,479	3,202	–
General liability insurance and proportional reinsurance	R0090	220,416	168,960	–
Credit and suretyship insurance and proportional reinsurance	R0100	4,388	5,251	–
Legal expenses insurance and proportional reinsurance	R0110	–	–	–
Assistance and proportional reinsurance	R0120	–	–	–
Miscellaneous financial loss insurance and proportional reinsurance	R0130	371	808	–
Non-proportional health reinsurance	R0140	126	850	–
Non-proportional casualty reinsurance	R0150	–	1,062	–
Non-proportional marine, aviation and transport reinsurance	R0160	–	–	–
Non-proportional property reinsurance	R0170	17,330	7,055	–

Appendix: Quantitative reporting continued

S.28.01.01 – Minimum Capital Requirement

Linear formula component for life insurance and reinsurance obligations

MCR calculation non-life		Non-life activities Net (of reinsurance/SPV) best estimate and TP calculated as a whole C0050	Non-life activities Net (of reinsurance) written premiums in the last 12 months C0060	Non-life activities Linear formula component for non-life insurance and reinsurance obligations – MCR calculation
Obligations with profit participation – guaranteed benefits	R0210			
Obligations with profit participation – future discretionary benefits	R0220			
Index-linked and unit-linked insurance obligations	R0230			
Other life (re)insurance and health (re)insurance obligations	R0240			
Total capital at risk for all life (re)insurance obligations	R0250			

		MCR components Non-life activities C0010	MCR components Life activities C0040	Total
MCR_{NL} Result	R0010	51,790	–	51,790
MCR_{L} Result	R0200	–	–	–

Overall MCR calculation			C0070
Linear MCR	R0300		51,790
SCR	R0310		965,924
MCR cap	R0320	45.00 %	434,666
MCR floor	R0330	25.00 %	241,481
Combined MCR	R0340		241,481
Absolute floor of the MCR	R0350		3,921
			C0070
Minimum Capital Requirement	R0400		241,481

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