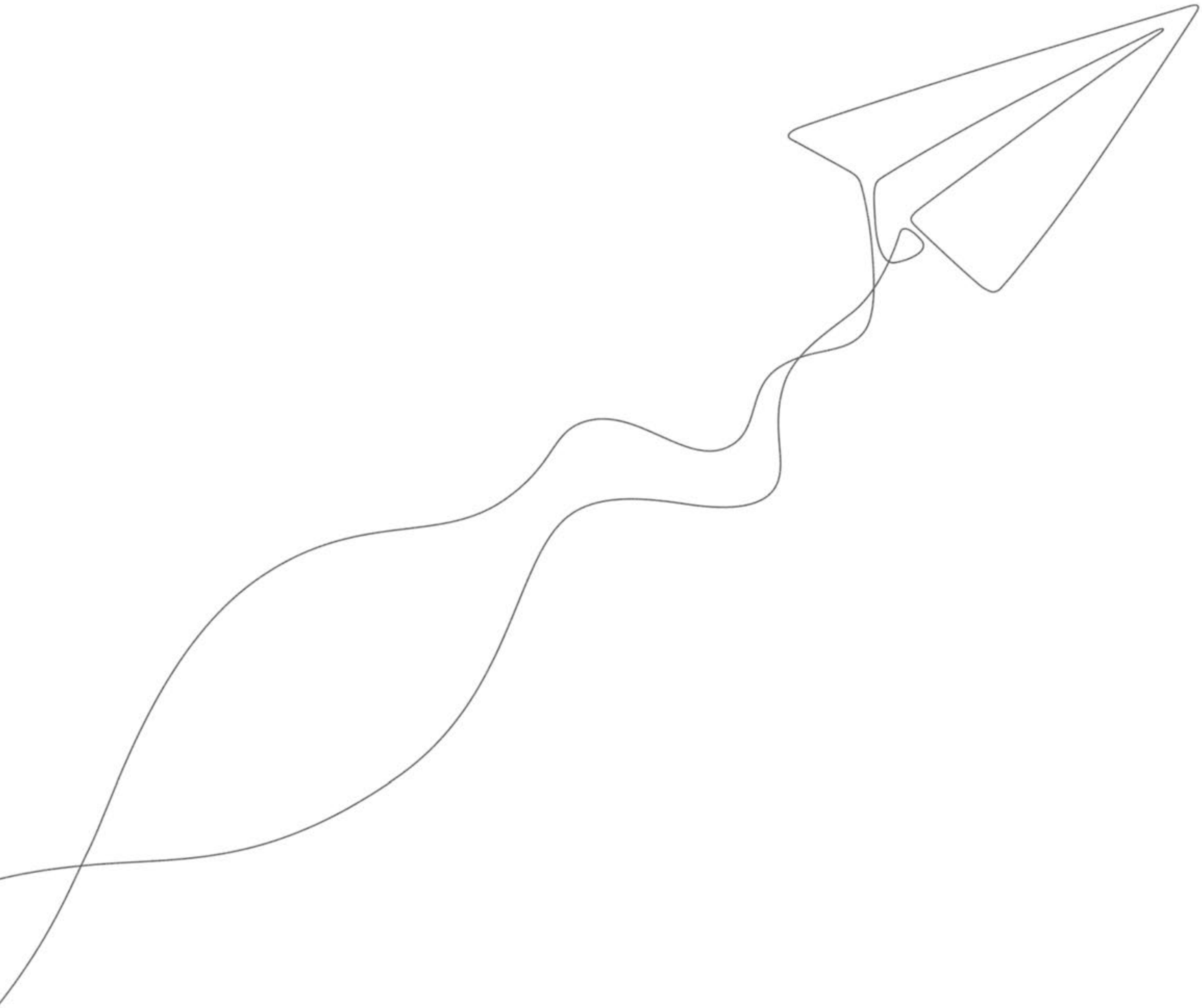


Explore. Create. Build...

Beazley plc | Annual report and accounts 2021

We live in a world facing new levels of known risks and complex, novel risks. We believe the role and responsibility of a leading sustainable specialist insurer should be to equip and support its clients with ways to mitigate these risks so that their businesses can thrive.

Fear of risk limits creativity and stifles progress. The services and products that we provide deliver peace of mind. But more than this, our purpose at Beazley is to inspire our clients and people with the confidence and freedom to explore, create and build – to enable people and businesses to thrive. Our clients want to live and work freely and fully, knowing they are benefitting from the most advanced thinking in the insurance market.

We are passionate about bringing innovative and progressive thinking to the challenges of the insurance market. We have enormous experience, and our approach is bold and non-conformist. We choose to be different and are not afraid to challenge the status quo in order to bring better and more enabling solutions to the market. We harness an enviable bench of expert solvers, intuitive tech-driven solutions and the hunger to go beyond expectations in everything we do. We expect our people to do the right thing in all situations – to act with integrity, respect and empathy.

At Beazley we are driven by enabling potential in our clients and our people, contributing to a brighter and more sustainable world.

Strategic report

Governance

Financial statements

Our purpose

why we exist

Enabling you to explore, create and build

We invest in understanding the complexity of the risks our clients face, and deploying our expertise where we can create value – in order to create environments in which our people and clients can flourish

What we do

As a leading global specialist insurer, we are passionate about bringing an innovative and progressive approach to solving the challenges of the insurance market

We operate in the following specialist sectors

- Cyber & Executive Risk
- Marine
- Market Facilities
- Political, Accident & Contingency
- Property
- Reinsurance
- Specialty Lines

How we do it

Considered opinions, diversity of thought and an ease of doing business delivering great outcomes for all our stakeholders

Client
We respect and listen to our clients

Protection
We empower expert underwriting and claims service

People
We attract and nurture talented colleagues who champion diversity of thought

Tools
Our structure and systems enable our people to deliver the right outcomes

Responsible business
Create a sustainable business for our people, partners and planet

By delivering against the following values our people and culture bring it all to life:

Being bold
We have the freedom and encouragement to confidently question the status quo. We choose to be different by exploring bold possibilities to create more innovative, fair and satisfying outcomes for everyone.

Striving for better
We actively champion and support each other to be the best we can be. A driven community of individuals relentlessly pushing the needle and creating value. We pride ourselves in always going above and beyond.

Doing the right thing
We act with integrity in a straightforward, decent way. Open and honest with each other, we show respect and empathy however challenging the situation. Doing the right thing makes for a fair-minded, rewarding environment and makes work and life better for all.

Explore | Create | Build

Underwriting the future

Syndicate 4321

Being a responsible business and doing the right thing is central to our success as a business and key to achieving our vision to be the highest performing sustainable specialist insurer. Innovation will always play a pivotal role in achieving this, and syndicate 4321 – which launched and bound its first risk at the beginning of 2022 – is an example of this.

The syndicate focuses exclusively on offering additional capacity to clients – new and existing – that perform well against pre-defined ESG metrics. This offers them the ability to not only access insurance more efficiently but also improve their own ESG supply chain credentials given that all of the new syndicate's investors meet the same minimum ESG score that is required to become a client of syndicate 4321.

Structure of Beazley ESG Consortium

Exploring

An ESG solution

Our own commitment to ESG goals, whilst at the same time helping our clients managing down climate risk and improve their contribution to wider social good, were the driving forces behind the creation of an ESG underwriting solution.

Our belief and working hypothesis that organisations which prioritise ESG in its widest sense are likely to have a better risk profile over time, led us to look for a multi-faceted solution that would allow us to embed ESG thinking across our underwriting, would be attractive to clients prepared to invest in ESG compliance, and which would ensure we delivered on our vision. In addition this would also contribute to Lloyd's overall ESG strategic intent.

Significantly, clients and brokers were interested because those that achieve high ESG standards would not only benefit from additional insurance capacity, but purchasing insurance capitalised only with assets that meet Beazley's Responsible Investment Strategy, would actively improve their supply chain ESG credentials. An insurance offering focused on underwriting high scoring ESG businesses was also highly attractive to investors committed to ESG investment principles.

Creating
Lloyd’s first ESG syndicate

With the objectives established, a Lloyd’s Syndicate in a Box (SIAB), which would have follow capacity on business written through a consortium arrangement led by syndicate 2623 and syndicate 623, proved to be the best vehicle for bringing our idea to life within the required timeframes. The SIAB has been designed by Lloyd’s as an innovation incubator and offers flexibility, low touch and low costs, as well as straightforward set up.

Syndicate 4321 has been established on a multi-line basis, to ensure diversification and balance. Both new and existing clients are offered additional capacity from syndicate 4321 if they meet ESG scoring criteria that have been developed with support from specialist, independent rating agencies.

Building
ESG capabilities for the future

An overriding goal of syndicate 4321 is to learn more about businesses that meet ESG criteria and the challenges they face transitioning to a low carbon world with the ambition to bring new products and services to market that will help that journey. The establishment of the syndicate provides our underwriters with a visible mandate to discuss ESG with brokers and clients and conduct ESG due diligence as part of the underwriting process.

Today a syndicate dedicated to ESG seems like a novel idea, but we are confident that this is just an early step in ESG moving to the heart of our underwriting and helping our clients in the move to a way of doing business that values environmental and social performance as much as financial.

Highlights

Financial

Gross premiums written
$4,618.9m
(2020: $3,563.8m)

Net premiums written
$3,512.4m
(2020: $2,917.0m)

Net earned premiums
$3,147.3m
(2020: $2,693.4m)

Net investment income
$116.4m
(2020: $188.1m)

Cash and investments
$7,875.3m
(2020: $6,671.5m)

Investment return
1.6%
(2020: 3.0%)

Rate increase on renewals
24%
(2020: 15%)

Profit before tax for the financial year
$369.2m
(2020: Loss $50.4m)

Non-Financial

Female representation in senior leadership roles
38%

People of Colour representation in the workforce
23%

Overall carbon emissions
1,705.7 tCO_2e

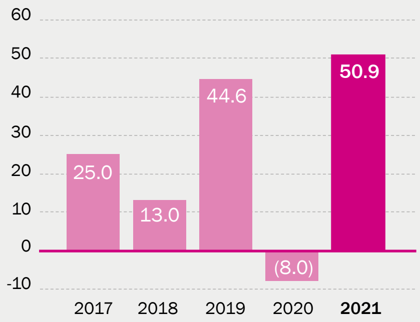
Employee engagement
86%

Employee favourability
81%

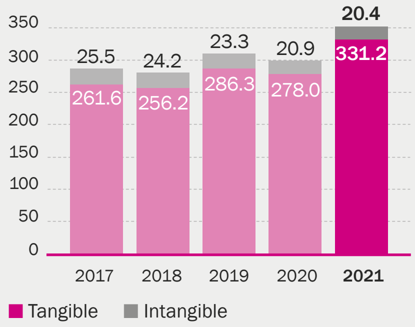
Key performance indicators

Financial

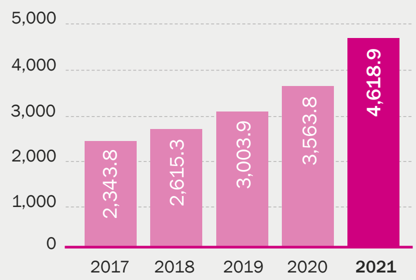
Earnings per share (c)



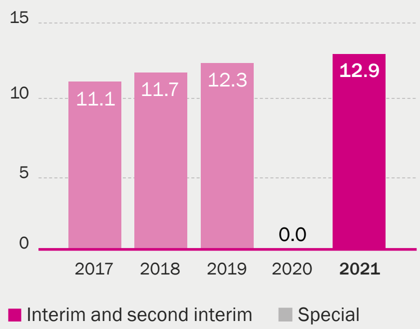
Net assets per share (c)



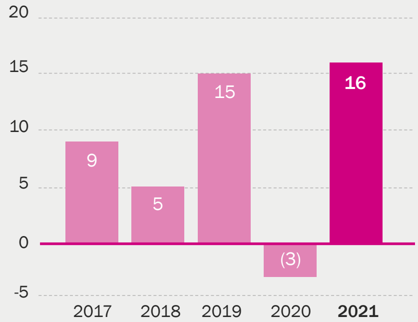
Gross premiums written ($m)



Dividends per share (p)

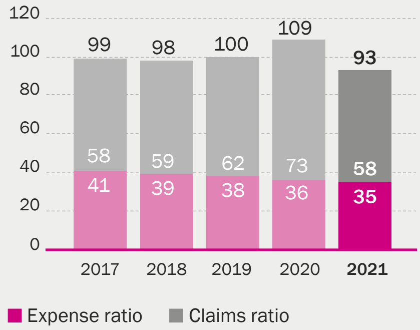


Return on equity (%)



Average five-year return on equity of 8%.

Combined ratio (%)



Our combined ratio has averaged 100% over five years.

The Group is of the view that some of the above metrics constitute alternative performance measures (APMs). Further information on our APMs can be found in the financial review on page 52 and in the glossary on page 208.

Our business model

Our business model is reviewed and reconfirmed annually as part of our business planning process, with a focus on ensuring that we continue to create value across our entire stakeholder base.

Resources and inputs

The Beazley brand

Our distinctive brand, and the perceptions it generates, helps us to grow our business, sustain relationships and attract and retain talented people.

Our people, culture and values

Beazley's success is based on the talent and commitment of our people, our entrepreneurial culture and the values that enable us to maintain growth.

Financial strength

Our financial strength enables us to support long-term strategies for navigating change and keeping ahead of the curve in our markets.

How we create value

Our approach

- Beazley is a specialist insurer. We have a targeted product set, largely in commercial lines of business, and underwrite each risk on its own merit
- We employ highly skilled, experienced and specialist underwriters and claims managers
- We tend to write capped liabilities
- We operate through specific insurance hubs rather than seeking a local presence in every country in which we do business
- We predominantly transact business through brokers and work with selected managing general agencies and managing general underwriters to improve distribution in specialist niches

Find out more on page 18

Our platforms

We operate through four principal platforms – Beazley Insurance Company Inc., Beazley America Insurance Company Inc., Beazley Insurance dac and Beazley Underwriting Limited – which gives us global reach. Each platform is focused on a different market and offers different opportunities. Our US and European insurance companies complement our Lloyd's business and ensure we can offer coverage across a wider distribution network.

Beazley America Insurance Company Inc.
Writes business in the US admitted insurance market.

Beazley Insurance Company, Inc.
Writes business in the US admitted insurance market.

Beazley Insurance dac
Writes business in Europe and provides reinsurance to Beazley Underwriting Limited.

Beazley Underwriting Limited
Provides capacity to our three Lloyd's syndicates to write business through the Lloyd's platform globally.

Underpinned by a robust, consistent strategy

Our strategy is designed to achieve our vision to become, and be recognised as, the highest performing sustainable specialist insurer.

- Prudent capital allocation to achieve a well diversified portfolio resilient to shocks in any individual line of business
- The creation of an environment in which talented individuals with entrepreneurial spirit can build a successful business

Beazley: how we are different...

Being bold

We enjoy the freedom and encouragement to confidently question the status quo and push the boundaries. We dare to be different and explore bold possibilities to create more innovative, fair and satisfying outcomes for everyone.

Striving for better

Good is a start, but we go all-out for better. We actively champion and support each other to be the best we can be. A driven community of individuals relentlessly pushing the needle and creating value. We pride ourselves on always going above and beyond.

Doing the right thing

Acting with integrity in a straightforward, decent way is instinctive. Open and honest with others, we show respect and empathy however challenging the situation. Doing the right thing makes for a fair-minded, rewarding environment and makes work and life better for all.

- The ability to scale our operations to ensure that client and broker service keeps pace and, wherever possible, improves as the company grows
- Consistent investment in product innovation to provide better products and services to improve our clients' risk transfer

Find out more in the Chief Executive Officer's statement on page 16

How we measure value creation

For shareholders

Earnings per share

50.9c

Net assets per share

351.6

TSR since 1 January 2011

19.4% pa

Underpinning our results as evidenced by all of these metrics has been our good underwriting performance, reflected in our five year combined ratio:

- Five year average: 100%

For staff

We employ talented people and invest accordingly in expanding their skills and helping them build rewarding careers. We regularly measure the impact by asking for feedback on working at Beazley and leadership across the business.

- Employee engagement increased substantially this year, from 70% to 86%
- Leadership survey scored the highest it has been to date, moving to 5.35 out of a possible 6

For brokers and clients

We continue to monitor broker and client perceptions of our service in a variety of ways, including through detailed surveys. For the sixth year running, we have been awarded the Outstanding Service Quality Marque 2022 for claims service by Gracechurch Consulting, the independent insurance research consultancy.

Over 5,000 brokers provided feedback on our underwriting and claims service in our most recent survey.

5,000+

Consistent growth for 35 years

Beazley's vision is to be the highest performing sustainable specialist insurer.

Beazley began life in 1986

Since then we have grown steadily in terms of the risks we cover, the clients we serve and our geographic reach, and today Beazley is a mature insurance business with a well-diversified portfolio. We have weathered some of the toughest times the Lloyd's market has seen in more than three centuries.

Trading began 1986

1986 → 2001

Began trading at the 'old' 1958 Lloyd's building in 1986 with a capacity of £8.3m

Beazley, Furlonge & Hiscox established and takes over managing syndicate 623

Specialty Lines and Treaty accounts started

Management buyout of Hiscox share

Commercial Property account started

Corporate capital introduced at Lloyd's followed by Lloyd's Reconstruction and Renewal

APUA, based in Hong Kong, forms a strategic partnership with Beazley Furlonge

Recall, Contingency and Political Risks accounts started

Marine account started

UK windstorms $3.5bn

European storms $10bn

US Hurricane Andrew $17bn

UK Bishopsgate explosion $750m

US Northridge earthquake $12.5bn

European storms $12bn

Flotation 2002

2001 → 2009

Management buyout of minority shareholders

EPL and UK PI accounts started

Flotation raised £150m to set up Beazley Group plc

D&O, Healthcare, Energy, Cargo and Specie accounts started

Local representation established in the US

Beazley MGA started in the US

Beazley acquires Omaha P&C and renames it Beazley Insurance Company, Inc. (BICI)

Beazley opens new office in Munich

Political Risks & Contingency Group formed as new division

Acquisition of Momentum Underwriting Management

Accident & Life formed as new division

Raised £150m through rights issue to develop our business at Lloyd's and in the US

Acquisition of First State Management Group, Inc., a US underwriting manager focusing on surplus lines commercial property business

Beazley plc becomes the new holding company for the Group, incorporated in Jersey and tax-resident in Ireland

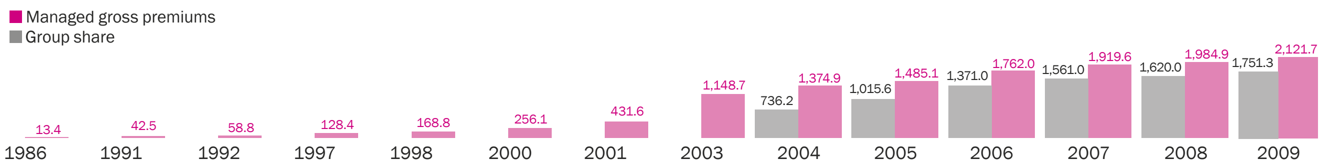
US 9/11 terrorist attack $20.3bn

SARS outbreak in Asia $3.5bn

US Hurricanes Katrina, Rita and Wilma $101bn

US Hurricane Ike $20bn

Managed gross premiums and Group share
$m



2010

Andrew Beazley, co-founder of Beazley Group and Chief Executive Officer (Chief Executive Officer) until September 2008, dies at the age of 57

Beazley changes functional and presentational currency to US dollar

Beazley opens new office in Oslo

Special purpose syndicate 6107 formed to grow reinsurance business

Chile and NZ earthquakes $14bn

Deepwater Horizon explosion triggers biggest oil spill in history

2011

Expansion of Australian accident & health business through acquisition of two MGAs

Launch of the Andrew Beazley Broker Academy

Nick Furlonge, co-founder, retires as an executive member but becomes a Non-Executive of Beazley Furlonge Limited

Beazley remains profitable in worst year ever for insured natural catastrophe losses

Tohoku earthquake in Japan $37bn

Floods in Thailand $16bn

US tornadoes $15bn

NZ earthquake $16bn

2012

Expansion into aviation and kidnap & ransom markets

Reinsurance division broadens access to South East Asia, China and South Korea business with local presence in Singapore

Political Risks & Contingency expands into French market

Superstorm Sandy $25-30bn

2013

Construction Consortium launched at Lloyd's

Miami office opened to access Latin American reinsurance business

Beazley Flight – comprehensive emergency evacuation cover – launched

Beazley data breach cover extended in Europe. 1,000th breach managed

Local representation added in Rio to develop Latin American insurance business

2014

Construction Consortium extended to Lloyd's Asia

Middle East office opened to access local political risk and violence, terrorism, trade credit and contingency business

Space and Satellite insurance account started

D&O Consortium launched at Lloyd's

Locally underwritten US business grows 19% to $537m

2015

Entered into a reinsurance agreement with Korean Re

US underwritten premium grows by 21%

Cyber Consortium launched at Lloyd's

Beazley welcomes its 1,000th employee globally

2016

Beazley celebrates its 30th anniversary

10th anniversary of operations in Singapore and Paris

Beazley plc becomes the new holding company for the Group, incorporated in England & Wales and tax-resident in the United Kingdom

Partnership established with Munich Re to broaden and enhance the cyber cover available to the world's largest companies

2017

Beazley Insurance dac acquires licence to write business within the EU

Beazley opens a new office in Barcelona and acquires Creechurch Underwriters in Canada

Beazley closes Middle East office and sells Australian renewal rights

Hurricanes Harvey, Irma and Maria $90-95bn

Californian wildfires $10bn

Mexican earthquakes $2-5bn

2018

US local written premium reaches $1bn; overall gross premiums written grow 12% during 2018

Adrian Cox succeeds Neil Maidment as Chief Underwriting Officer

Beazley closes Oslo office

Hurricanes Florence and Michael $11-14bn

Typhoons Jebi and Trami $10-12bn

Californian wildfires $9-15bn

2019

Sally Lake succeeds Martin Bride as Group Finance Director

Gross premiums written passes $3bn

Hurricane Dorian $4.5bn

Typhoons Faxai and Hagibis $15-25bn

2020

Flexible working practices for global workforce introduced

Beazley Virtual Care rolled out to new territories

10th anniversary of managing special purpose syndicate 6107

COVID-19 >$100bn

2021

Adrian Cox succeeds Andrew Horton as Chief Executive Officer

Bob Quane appointed CUO

Gained Lloyd's approval for syndicate 4321

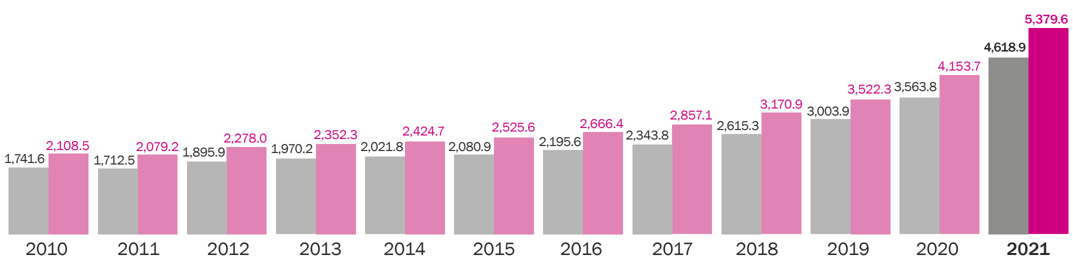
Commenced planning for Beazley Digital

Lodestone UK established, extending global reach

Beazley Benefits is sold

Renewed Vision, strategy and purpose

Launched first Responsible Business Strategy



Statement of the Chair

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

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

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

An expert team

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

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

"The underlying strength and quality of our business has once again come to the fore, delivering strong growth and a return to profitability."

David Roberts
Chair

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

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

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

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

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

Responsible business

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

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

Company purpose and vision

The Board has established the company's purpose and aligned the vision as follows:

In 2021 Beazley undertook a strategic review of its business purpose leading us to restate it as 'enabling you to explore, create and build, by investing in understanding the complexity of the risks our clients face and deploying our expertise where we can create value'.

Beazley will succeed in its purpose by building an expert team, backed by outstanding tools and a responsible approach to business that offers clients real service and protection from a complex and uncertain world.

That's why we've invested in protecting the wellbeing of our colleagues and empowering our team, and why the coming years will see infrastructure renewal and the ramping up of our data capabilities so we have the operating platform and tools we need to underpin the next phase of growth.

We are passionate about serving all our stakeholders, our colleagues, our clients, brokers and shareholders, and offering them the protection they need to achieve our shared business goals.

With our renewed purpose established we have realigned our vision for **Beazley to be the highest performing sustainable specialist insurer.**

Beazley – explore, create, build.

Statement of the Chair *continued*

A complex risk environment

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

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

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

Dividend

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

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

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

Insurance in time of change

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

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

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

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

David Roberts
Chair

Q&A with the Chief Executive Officer

Adrian answers key questions around performance and outlook.

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

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

Adrian Cox
Chief Executive Officer

Q&A with the Chief Executive Officer *continued*

Q Leading through change is hard, what has been your key learning?

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

Q Beazley has ambitious growth plans; how do you plan to successfully deliver them?

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

Q Is the underwriting room at Lloyd's still relevant after the success of remote working?

There is little doubt that meeting people face to face makes a difference. A space like the underwriting room creates a marketplace where different people can explore ideas. All of which brings significant benefits to the end client. What remote working has taught us is that we can underwrite and administer insurance electronically – driving greater efficiency and effectiveness. This is something we will continue to develop and build.

Q The insurance industry talks a lot about helping clients transition to net zero but what is Beazley actually doing about it?

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

Q How is climate change impacting profitability and our long-term outlook? What are you doing to manage that risk?

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

Q You are still keen to expand in cyber, why are you able to swim against the tide of market opinion?

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

Q In your first year in the job you have changed the company's purpose, strategy, and vision – what led to these changes?

We always review these in a three-year cycle and as 2021 developed and the implications of the changes the pandemic had brought began to be seen, it became clear that this was the right time to renew our purpose, refine our strategy and align our vision. These give firm roots to our core business principles and direction of travel, but are agile enough to evolve and respond as economic, social or environmental conditions change and opportunities emerge, allowing us to achieve the ambitious growth plans we have set ourselves for the coming years. You can read more about these on page 30.

Q How concerned are you about the potential for high inflation and the impact it will have on the economy and on Beazley?

There is no doubt that the world faces significant economic uncertainty around a range of issues such as changing labour markets, utility prices and supply chain challenges all of which are feeding into an inflationary environment. Alongside this economic inflation, insurers are also wrestling with the re-emergence of social inflation in the courts as the pandemic recedes. How long lasting these inflationary pressures will be is a subject that splits economic opinion, but as a business we take it seriously and manage it across our underwriting, claims and investments and have taken action to ensure that its impact is minimised, through embedding inflation assumptions into our pricing models and claim reserves and product diversification.

Chief Executive Officer's statement

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

"Beazley's purpose is to enable our stakeholders to explore, create and build the future of their business."

Adrian Cox
Chief Executive Officer

Return to profits

Our financial performance is testament to our people's considerable resilience throughout a period of continued change and their readiness to step up and embrace the opportunities presented by the positive market conditions of 2021.

We have continued to deliver against our long-held strategy of applying skills, experience and problem-solving to excel in providing differentiated insurance solutions for selected areas of specialist risk.

Exploring our purpose

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

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

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

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

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

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

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

Chief Executive Officer's statement *continued*

Team transformation

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

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

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

Being bold: creating underwriting innovation

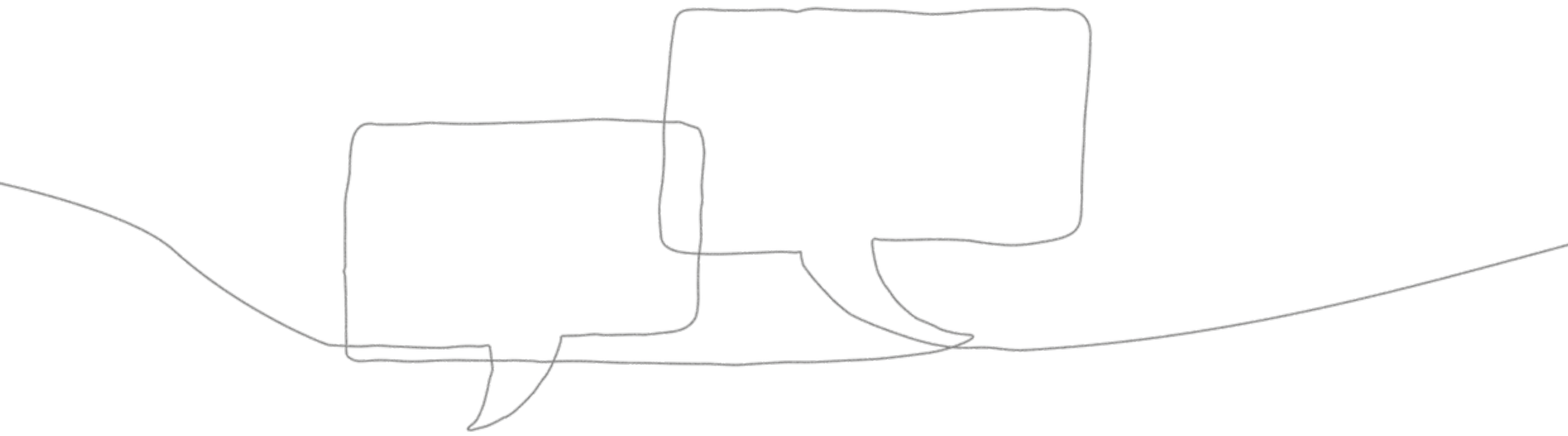
Beazley Digital began underwriting on 1 January 2022 and under the leadership of Ian Fantozzi, it has adopted a clear client-centric approach that segments business by the channels that clients choose and uses technology and expert multi-skilled teams to create and build insurance solutions for them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

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

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

Striving for better: delivering against our ESG targets

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



Our new benefits package

Listening to our staff is a driving force behind everything we do and in 2021 it informed our update to our benefits offering, which better reflects the needs of our more diverse team and the move to activity-based working that we pioneered pre-pandemic and has proved to be a powerful working model. For the first time in our Annual Report on page 46 you will be able to read about the work of our Culture & People team.

Doing the right thing: claims

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

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

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

Building Beazley

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

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

Adrian Cox
Chief Executive Officer

Chief Underwriting Officer's report

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

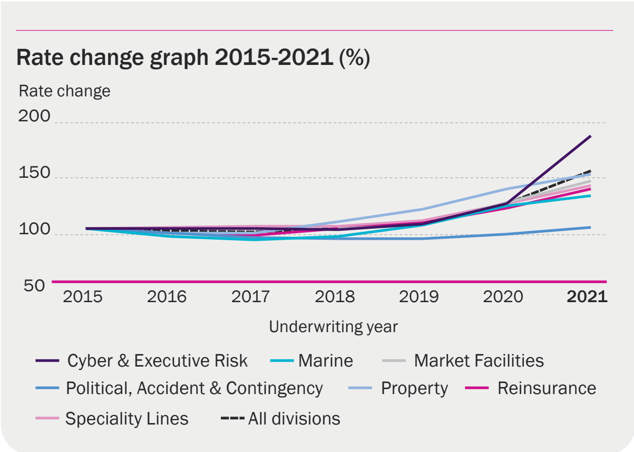
Having recently joined Beazley I feel a genuine sense of excitement to be taking up the role of Chief Underwriting Officer at an important moment for our business. I'd first of all like to thank Tim Turner, Head of Marine and Bethany Greenwood, Head of Cyber & Executive Risk (CyEx) for their stewardship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

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

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

"The underwriting strategy, diligence of our underwriters and our open culture achieved strong premium growth and underwriting profit."

Bob Quane
Chief Underwriting Officer



Modelling review

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

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

Underwriting for managed growth

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

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

Underwriting data

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

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

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

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

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

Bob Quane
Chief Underwriting Officer

Chief Underwriting Officer's report *continued*

Cyber & Executive Risk

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

We have continued to invest in our Cyber business and ecosystem to ensure we are on the front foot of the evolving threat landscape and helping clients on their quest to be more resilient to cyber-attacks. The appointment of Raf Sanchez as our Global Head of Cyber Services will enable us to enhance this further as we move into 2022.

The proactive underwriting remediation action we took on our book, in response to ransomware (as reported at the half year), continues to pay dividends and we are seeing positive claims trends across our portfolio since October 2020.

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

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

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

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

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

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

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

Marine

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

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

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

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

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

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

Market Facilities

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

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

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

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

Political, Accident & Contingency

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

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

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

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

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

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

Chief Underwriting Officer's report *continued*

Property

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

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

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

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

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

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

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

Reinsurance

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

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

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

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

Specialty Lines

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

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

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

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

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

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

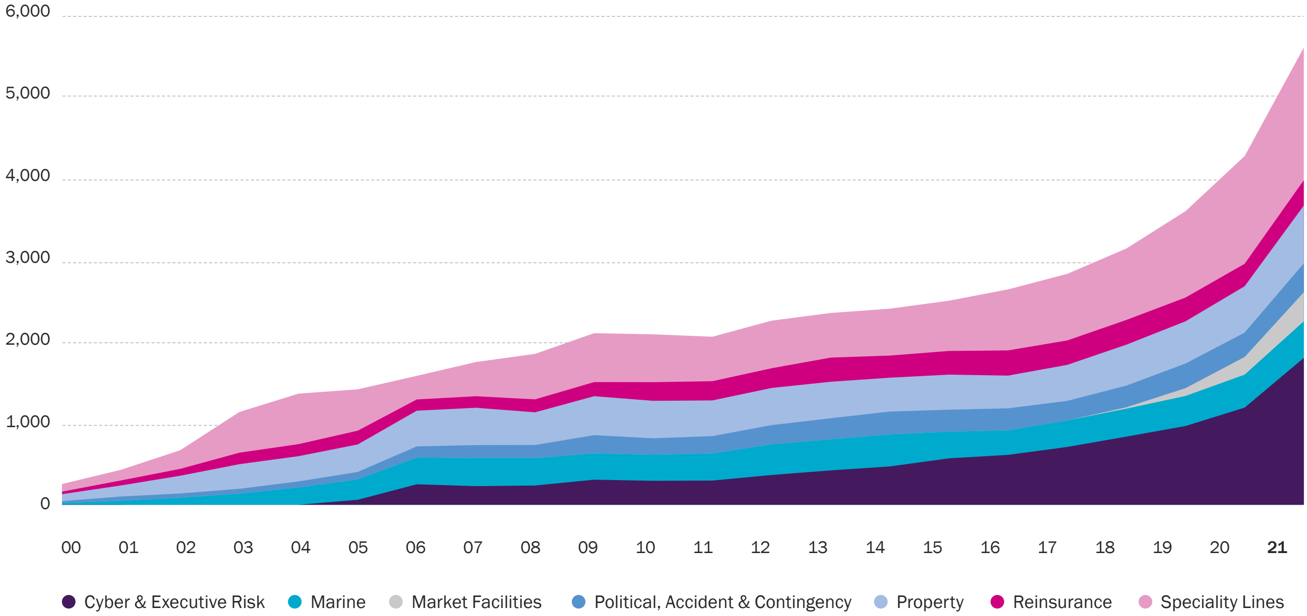
The work we have done over the past several years on optimising our portfolio and pricing strategy to grow our risk exposure is bearing fruit. Our focus on core products, coupled with stringent underwriting appetite and guidelines gives us confidence that even with the challenges of social inflation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

Bob Quane
Chief Underwriting Officer

Performance by division

Strong growth across majority of divisions, with all seven divisions achieving growth in double digits.

Growth of managed gross premiums written by division $m

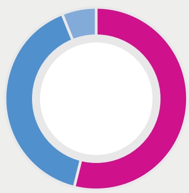


Cyber & Executive Risk

Bethany Greenwood
Head of Cyber & Executive Risk
Executive Sponsor of the Race at Work Charter

Our Cyber & Executive Risk division provides cyber and management liability cover for our clients. Products range from our flagship cyber product, Beazley Breach Response (BBR), through to crime insurance, public directors' and officers' (D&O) insurance and mergers and acquisitions (M&A) insurance.

Portfolio mix



Cyber & Technology	54%
Executive Risk	40%
Fidelity & Crime	6%

	2021 $m	2020 $m
Gross premiums written	1,515.6	1,020.1
Net premiums written	1,150.6	864.6
Results from operating activities	100.7	54.8
Claims ratio	65%	71%
Expense ratio	28%	30%
Combined ratio	93%	101%
Rate change	49%	18%

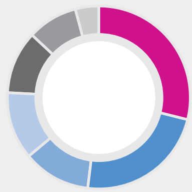
Find out more on page 22

Marine

Tim Turner
Head of Marine

We help insure over 20% of the world's ocean-going tonnage and are the pre-eminent leader of voyage and tow business in the London market. The Aviation team provides cover for airlines and general aviation clients globally, ranging from start-up operations through to large commercial fleets. We have extensive experience insuring a wide variety of cargoes including project cargo, fine art and specie.

Portfolio mix



Hull & Miscellaneous	29%
Cargo	23%
Liability	12%
Energy	12%
Aviation	11%
War	9%
Satellite	4%

	2021 $m	2020 $m
Gross premiums written	376.5	337.4
Net premiums written	345.6	309.4
Results from operating activities	97.4	45.0
Claims ratio	33%	54%
Expense ratio	39%	36%
Combined ratio	72%	90%
Rate change	8%	16%

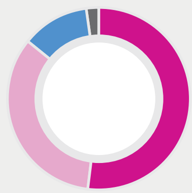
Find out more on page 22

Market Facilities

Will Roscoe
Head of Market Facilities

Market Facilities was split out of the Specialty Lines division to form a separate division from 1 January 2020. It underwrites entire portfolios of business with the aim of offering a low-cost mechanism for placing follow business within the Lloyd's market. On a gross basis the component parts of our combined ratio are: 73% claims, 20% acquisition costs and 5% expense. The ratios to the right are net of RI including the cession to syndicate 5623.

Portfolio mix



Tracker Speciality Lines	52%
Tracker Property	34%
Tracker Marine	12%
Tracker SAT	2%

	2021 $m	2020 $m
Gross premiums written	198.2	133.4
Net premiums written	55.0	37.3
Results from operating activities	0.9	(0.9)
Claims ratio	23%	30%
Expense ratio	75%	76%
Combined ratio	98%	106%
Rate change	16%	19%

Find out more on page 23

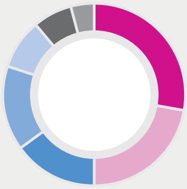
Performance by division *continued*

Political, Accident & Contingency

Christian Tolle
Head of Political, Accident & Contingency
Chair of the European Management Committee

In addition to traditional lines such as contract frustration, expropriation and credit, we insure a growing number of businesses against terrorism and political violence. Our Personal Accident product covers a number of niche classes and we have a growing account of US supplemental health business providing tailored benefit solutions to a wide range of employers.

Portfolio mix



PA Direct	28%
Political	22%
Stand Alone Terrorism	15%
Contingency	15%
Life Direct	9%
PA Reinsurance	7%
Sports	4%

	2021 $m	2020 $m
Gross premiums written	322.8	273.0
Net premiums written	270.9	227.1
Results from operating activities	69.2	(223.7)
Claims ratio	54%	166%
Expense ratio	44%	46%
Combined ratio	98%	212%
Rate change	7%	4%

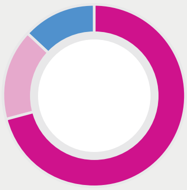
Find out more on page 23

Property

Richard Montminy
Head of Property
Executive Sponsor of the Responsible Business Committee

We have protected clients ranging from Fortune 1000 companies to homeowners through 27 years of natural and man-made catastrophes. We underwrite this business through five platforms: London, the US, Canada, Latin America and Singapore, with a business focus on commercial property risks, valuable assets and select homeowners' business.

Portfolio mix



Commercial Property	71%
Small Property Business	16%
Jewellers & Homeowners	13%

	2021 $m	2020 $m
Gross premiums written	586.5	470.5
Net premiums written	439.7	389.9
Results from operating activities	25.8	(44.4)
Claims ratio	55%	81%
Expense ratio	44%	39%
Combined ratio	99%	120%
Rate change	10%	15%

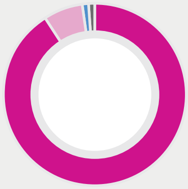
Find out more on pages 24

Reinsurance

Patrick Hartigan
Head of Reinsurance
Chair of the Asia Pacific Management Committee

The Reinsurance team specialises in writing worldwide property catastrophe, per risk, aggregate excess of loss, pro-rata business and casualty clash. Approximately 80% of our top clients have reinsured with us for 20 years or more.

Portfolio mix



Property Catastrophe	91%
Property Risk	7%
Casualty Class	1%
Miscellaneous	1%

	2021 $m	2020 $m
Gross premiums written	226.1	194.5
Net premiums written	133.4	126.9
Results from operating activities	(27.0)	7.4
Claims ratio	91%	70%
Expense ratio	35%	35%
Combined ratio	126%	105%
Rate change	14%	13%

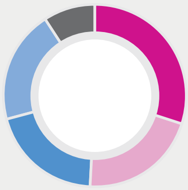
Find out more on page 24

Specialty Lines

James Eaton
Head of Specialty Lines
Executive Sponsor for Canada

The Specialty Lines division writes a diverse book of specialty liability business including professional liability, healthcare, life sciences, environmental liability and international financial lines. Included in the team is our casualty reinsurance business, which focuses on reinsuring other specialists in classes such as surety and professional liability and also distributing Beazley products via our reinsured partners.

Portfolio mix



International Specialties	30%
Small Business	21%
Healthcare	20%
Professions	20%
Treaty	9%

	2021 $m	2020 $m
Gross premiums written	1,393.2	1,134.9
Net premiums written	1,117.2	961.8
Results from operating activities	141.1	151.6
Claims ratio	58%	57%
Expense ratio	34%	37%
Combined ratio	92%	94%
Rate change	13%	15%

Find out more on page 25

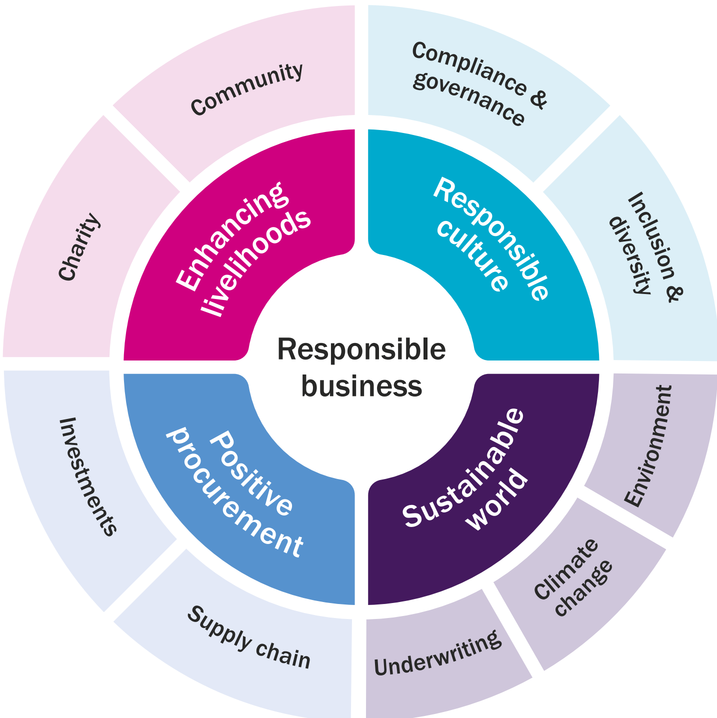
Responsible business

In the 18 months since I took up the role of Head of Responsible Business, the response of the corporate world to how it can make a positive contribution to society and the environment has become a key point of discussion. I am proud that at Beazley we have sought to lead by example on how we can create responsible business practices and a framework for measuring our progress. We understand that it is a complex journey of delivering progressive solutions with tangible results over time with the goal of building better resilience for our clients, our communities and shareholders.

Chris Illman
Head of Responsible Business

Key to achieving our Environmental Social Governance (ESG) goals is active measurement, by leveraging data and reporting to ensure we continue to meet our targets. In 2021 we published our first Responsible Business Strategy and this is the third time we have reported on the progress of responsible business in our Annual Report. These documents set out KPIs and metrics against which we can measure our performance, which are also regularly presented to the Executive Committee and Board. Beazley's Responsible Business Steering Group is responsible for challenging the progress and development of the strategy and providing support to the business as it addresses ESG issues and climate related risk.

This summary report is intended to convey highlights of our progress in 2021 only, for the full analysis please access the separate 2021 Responsible Business Report which is available on our website.



Sustainability highlights

Responsible culture

People of Colour representation in workforce

23%

Female representation in senior leadership roles

38%

Positive procurement

Weighted Average Carbon Intensity of our corporate bonds and equity portfolios

75.5

tonnes CO_2e/\$m sales

Sustainable world

Overall carbon emissions

1,705.70

tonnes CO_2e

Carbon emission per FTE

0.93

tonnes CO_2e/FTE

Office electricity from renewable sources

64%

Enhancing livelihoods

Donations made

$379,733

Hours volunteered as part of Make a Difference

735 hours

Match funding

$39,118

Responsible business
continued

Compliance & governance

Beazley believes that regulation and external validation are an important factor in ensuring that our responsible business targets are met. Having set ourselves challenging targets, which we openly disclose our performance against, we are able to keep on track in achieving our goals and recalibrating them so that we are always striving for better. Post COP26 additional reporting requirements will come into force over the coming years which we will embrace.

Beazley Furlonge Limited has submitted climate scenarios Climate Biannual Exploratory Scenario (CBES) to the PRA and will use this as a basis for appraising climate risk going forward. We have signed up to UN Principles for Sustainable Insurance and at the end of 2021 we issued a standalone report detailing our progress against the Taskforce on Climate Related Financial Disclosures (TCFD) (for more detail please see page 35-39).

Inclusion & diversity

Being a responsible business requires organisations to ensure that they meet and strive to surpass commitments to the UN's Declaration of Human Rights. We are committed to ensuring that modern slavery, human trafficking, child labour or any other issue that subjugates human rights is eradicated from our supply chain. For more information around how we are identifying and managing our risks in relation to modern slavery, human trafficking, and child and forced labour, please read our Modern Slavery Statement on the Beazley plc website.

Underwriting

In 2021 we created Lloyd's first specialist ESG syndicate 4321, which starting in early 2022 offers additional capacity to clients that perform well from an ESG perspective. There is growing evidence which suggests that businesses with higher ESG ratings are more likely to have a lower risk profile and as a result we believe these companies should have greater access to our high-quality insurance capacity. To help us understand what 'good' looks like in terms of ESG we are working with a panel of specialist rating agencies that independently assess clients' ESG credentials.

The data and experience we gain from the new syndicate will be used to inform how we bring the consideration of ESG issues across our underwriting portfolios going forward.

Much of the work we need to do on addressing the underwriting challenges of climate change must be done collectively across the market. As such we are fully supportive of Lloyd's work for the Insurance Task Force which is part of His Royal Highness The Prince of Wales' Sustainable Markets Initiative and the Climatewise Net Zero Underwriting project.

We remain committed to supporting all our clients, at whatever stage they are at in their ESG journey, with meaningful risk management and insurance capacity to help them transition to a low carbon future.

Climate change

For more information please see page 35.

Environment

We are striving for better on multiple fronts and playing our part in addressing the issue of climate change and the environment is vital.

Our approach to environmental matters is defined by our environmental policy which is available through our website, and aligned with ISO14001:2015, the internationally recognised standard for environmental management. The environmental impact of our own operations can be considered minimal, given our operations are office based. The biggest area of impact is our carbon emissions, and for our own business we have set ourselves a tangible but challenging goal of reducing our carbon emissions by 50% compared to 2019 levels by 2023. We plan to achieve this with an annual stepping down approach of 30/40/50% over three years. The pandemic's continued progress in 2021, aided our efforts as international air travel is one of our biggest carbon emitting activities, however, we know that we must maintain our focus in 2022 to deliver this target and do the right thing for our clients, people and the climate. We have begun to focus on wider environmental metrics within our offices, starting with water and waste within our new London office, and expect to expand this, where possible, to other office locations.

Despite the limited scope of our impact, we actively want to encourage improvements, and our Environmental Working Group aims to help influence and support the business and colleagues to make informed decisions about reducing their carbon footprint, during 2021 it has worked on initiatives including presenting alternatives to plastic and the issue of digital waste.

Investments

A consideration of ESG risks have been part of Beazley's investment process for internally managed funds for a number of years. We believe, and our experience demonstrates, that companies that are committed to a sustainable business strategy enjoy competitive advantages over time, generating stronger and more stable returns and therefore these businesses are an important element in delivering a strong long-term investment performance.

In 2021 Beazley took this approach a step further and added a $100m Impact Investment fund to our portfolio design. The fund will target investments with a positive environmental or social impact as well as a positive return. While the amount invested is relatively small as a portion of our portfolio, we believe we will make a big impact to the enterprises we invest in. We have deliberately chosen funds which typically fall between the cracks and are either too small for most large institutional investors or too large for many private investment entities. Instead, we'll be investing alongside not for profit or charitable trusts, Governmental agencies or smaller family offices. These are long term, relatively illiquid investments that will support outcomes which will take some time to emerge.

Across our investment portfolio environmental concern is a key driver and in 2021, we undertook a review of the carbon intensity of all our activities and going forward will be setting targets against which we can be appraised. During 2021 we also became a signatory to the UN Principles for Responsible Investment.

Supply chain

Ensuring that our supply chains are responsible is vital for us to deliver a seamless service to clients. With much of our supply chain focused mainly on services, products are only a significant part of the mix when associated with an office fit out, the procurement of office supplies, or the delivery of events. During 2021 we began to use our environmental management system and leveraged ESG data to appraise and inform our procurement decisions.

A highlight of 2021 in procurement was the fit out of our new office environment at 22 Bishopsgate we used three procurement principles: locally sourced and made, environmental sustainability and quality. To achieve this we actively engaged with local businesses and creatives to source furniture and fittings, we rejected new leather pieces, opting for sustainable vinyl instead and we retained, repaired and updated furniture and equipment from our previous office location.

Charity and community

Charity is important to Beazley and our charity efforts go beyond simply making a financial donation. Our focus is on how we can make a difference, both in our local communities and around the globe and a key element is the inclusion of our team in fundraising and volunteering activities.

A particular highlight of 2021 has been the second year of global partnership with Renewable World, which aims to combat poverty in third world countries by providing affordable renewable energy programmes. Beazley and its team has donated over $100,000 to Renewable World for the UREKA project. Responsible Business is a wide ranging and all-encompassing subject which in 2021 has become a tangible part of our core purpose. Leveraging data and lessons learned will continue to be the bedrock of our decision making and programmes of action as we explore the challenges, create engagement and build knowledge and understanding within our business and across the industry.

Non-financial information statement

Beazley presents its non-financial information (NFI) statement in compliance with sections 414CA & 414CB of the Companies Act 2006. The content required for this statement can be found throughout the report as per the table below:

Reporting requirement	Non-financial KPIs	Policies and standards	Risk management and additional information
Environmental matters	Weighted average carbon intensity Carbon emissions Office electricity from renewable sources	Environmental policy Responsible business strategy	Responsible business – environment (page 30) TCFD (page 35-41)
The company's employees	Female representation in senior roles People of colour representation Employee engagement Employee favourability	Whistleblowing policy Code of conduct Conflict of interest policy Inclusion and diversity policy	Responsible business – inclusion and diversity (page 34) Stakeholder engagement – how we engage with our workforce (page 42) Stakeholder engagement – Q&A with the Employee Voice of the Board (page 45) Culture & People (page 46) Risk management & compliance – whistleblowing (page 70)
Human rights	Female representation in senior roles People of colour representation Weighted average carbon intensity	Modern Slavery Act statement Responsible business strategy Equal opportunities policy	Responsible business – inclusion and diversity (page 30) Stakeholder engagement – suppliers (page 43)
Social matters	Donations made Match funding Hours volunteered	Volunteering or donation guidelines Responsible business strategy	Responsible business – charity and community (page 33)
Anti-corruption and anti-bribery matters	–	Financial crime policy Sanctions policy Anti-bribery and corruption policy	Risk management & compliance – anti-bribery & corruption (page 69) Risk management & compliance – anti-money laundering (page 69) Risk management & compliance – sanctions (page 69)
Description of the business model	–	–	Our business model (page 6)
Policy embedding, due diligence and outcomes	–	Compliance framework Training and development policy	Risk management & compliance – staff training (page 69)

Inclusion & diversity

Sarah Booth
Chair of Inclusion & Diversity Steering Group

Inclusion and diversity are vital elements of Beazley's business strategy. Our commitment was demonstrated by our 2021 launch of a bold target aiming to achieve at least 25% of our workforce being People of Colour by the end of 2023. Recognising that black people were particularly under-represented, we set a sub target, aiming for 6% black representation.

We are pleased to report that at the end of 2021 we had moved forward quickly, increasing from 19% to 23% people of colour in just one year. In terms of our sub target of relating to increasing the number of black employees we moved from 4% to 6% during the year. We are extremely proud of the high-quality team members that the strategy has attracted to Beazley. This early success does not make us complacent, however, and turning workforce participation into senior management positions will need our continued focus. In taking on this challenge we were able to draw lessons from the progress we have made in addressing our gender imbalance. In 2017 Beazley had a 50/50 gender split, the challenge was therefore to increase women's representation in the senior leadership team. With a strong talent pool to draw from we've moved from 28% to 38% in four years and we are aiming for at least 45% women in our senior leadership team by the end of 2023.

Actions not just words

Beazley understands that achieving a diverse workforce, so our business can effectively respond to the needs of our clients, is an ongoing process which will require us to constantly re-evaluate and stretch our targets. To that end we have an active programme of engagement and an inclusion partner dedicated to implementing our inclusion and diversity strategy ensuring we are continually making progress. The Chief Executive Officer and the Group Finance Director have had an inclusion and diversity objective since 2017.

From 2022, this will be extended to include every direct report of the Chief Executive Officer. We know embedding these practices into everything we do is the key to achieving and sustaining an inclusive and diverse workforce. Linking remuneration to our efforts in this area for our most senior leaders is one of the ways in which we hope to accomplish this.

Having started exploring inclusion and diversity initially through the lens of gender, we have taken the lessons learnt to make progress on race. We are striving for an ever better and more inclusive culture that progressively builds on the success to date and has its eyes firmly set to doing the right thing for our people today and in the future.

Network activity

Our 4 active employee networks play an important role in embedding our inclusion & diversity strategy, ensuring that colleagues right across the company have clear channels through which their voices can be heard and they can help the business tackle some of the complex issues that will lead to a more equitable and inclusive culture.

- **Beazley Proud** – Our LGBTQ+ employee network celebrated Pride in June with a global charity fundraiser. In December they held a Trans awareness education event with the Mermaids charity.
- **Beazley RACE** – Focused on raising awareness and celebrating People of Colour, our Beazley RACE network held action-packed stories, articles and webinars on a wide range of topics. The network held their first in-person event in October sharing African and Afro-Caribbean food with colleagues in the London office.
- **Beazley SHE** – Continuing Beazley SHE Book Clubs & Golf Academies, as well as discussion circles and forums, Beazley SHE also hosted a Mentoring Workshop in conjunction with the Insurance Supper Club with Executive leaders acting as mentors.
- **Beazley Wellbeing** – Our Wellbeing network has created a lot of supportive content to help break the stigma around talking about mental health and with our mental health first aiders continuing to offer educational sessions with teams. Additionally we have worked with Thrive, the wellbeing app, to deliver a global event on the importance of setting and maintaining boundaries.

Beazley Proud | Beazley RACE | Beazley SHE | Beazley Wellbeing

Task Force on Climate-Related Financial Disclosures (TCFD) 2021

Beazley is a member of Climatewise, and has disclosed against the Climatewise principles for a number of years. These principles are in line with the recommended disclosures of TCFD. Climate change is a significant challenge, and we believe that by encouraging disclosure and knowledge sharing we can support both the transition to net zero and encourage a collaborative effort to combating climate change.

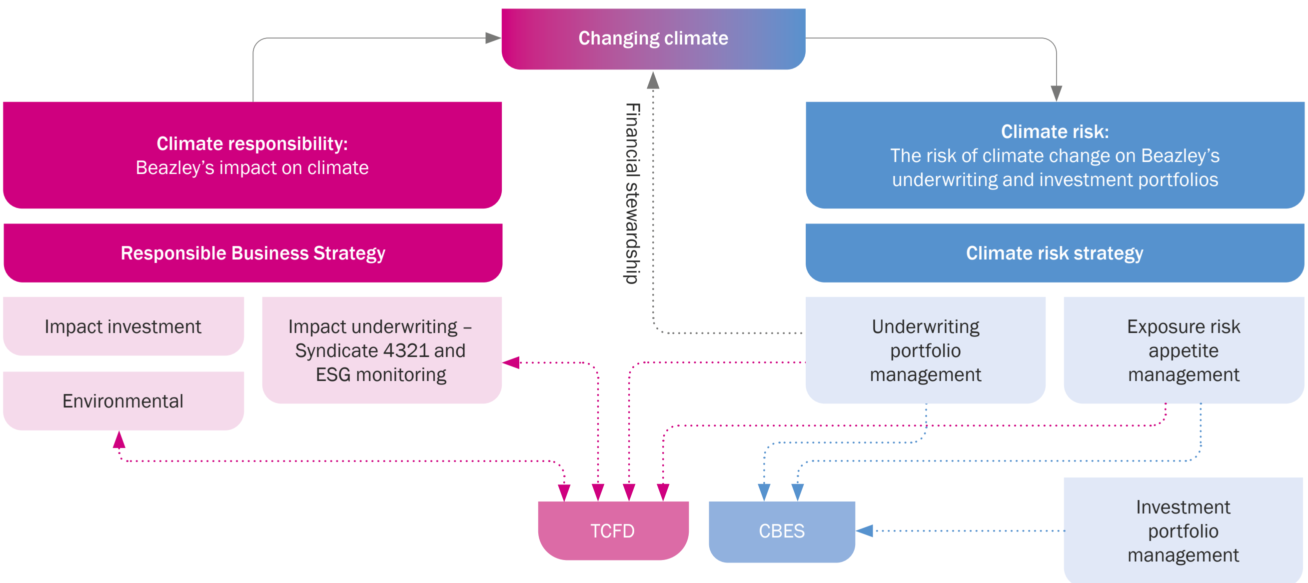
Governance

Governance is key to providing a firm base from which analysis of climate related risk can be developed. Led by Beazley's plc Board and supported by the Boards of Beazley Furlonge Ltd, Beazley Insurance Dac, and Beazley Insurance Company Inc, climate related risk has become a regular agenda item throughout 2021.

In March 2021, we launched our first Responsible Business Strategy. This document, and the subsequent update which is being published alongside the annual report and accounts, sets out the goals and targets across a wider range of ESG issues, including climate change. The strategy was approved by the Board and Executive Committee, with plans contained within feeding into our business strategy and objectives. To scrutinise the delivery of the Responsible Business Strategy, in 2021 we also created the Responsible Business Steering Group (RBSG), which is chaired by the Chief Executive Officer and attended by the CRO and CUO, as well as key representatives from across the business. On a quarterly basis, Directors from across the Beazley Boards including Non-Executive Directors of Beazley plc are also in attendance.

The RBSG meets on a monthly basis to recieve updates from the technical leads on progress against the objectives within the strategy. The RBSG, has therefore, complete oversight over all responsible business matters, and acts as a forum for discussion and debate on ESG issues. The RBSG provides recommendations for courses of action to the Underwriting Committee or Executive Committee.

Beazley climate change framework



TCFD 2021 *continued*

Through these channels, the Board receive updates on at least a quarterly basis on progress on the goals and targets set within our Responsible Business Strategy and are aware of the climate related risks and opportunities which are emerging. Updates to the Board from the RBSG are provided within the CEO's Board report.

To aid the delivery of the climate related issues for Beazley, we have delineated them into two parts – climate related risk, and climate responsibility.

Climate related risk

This is considered to the financial risk arising from climate change, with a focus on how we understand the impact of both the physical and transitional aspects of climate change within our underwriting and investment portfolios.

Climate responsibility

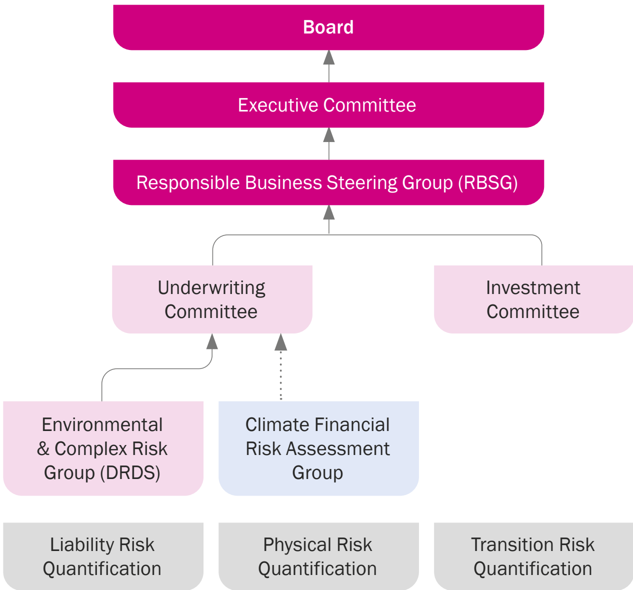
These are the actions we take as a business to reduce our impact on the environment, and can be broken down along the delineations of ESG, with collaborative efforts across the business working to reduce our carbon emissions, environmental impact as well as supporting through charity and community efforts, causes which help to protect and reduce the impact of climate change.

To ensure the Board and sub committees have the knowledge to challenge the progress of our climate related work, across the last year we have delivered several detailed Board training sessions, led by respected third parties on climate related risks and forthcoming regulatory requirements, as well as providing insight into comparison of Beazley to its peers. These sessions allowed opportunities for the Board to explore deeper elements of climate risk work and provided them with the opportunity for the Board to understand how climate related risk feeds into our business operations and strategy going forward.

At a management level, the work undertaken in 2021 to assess and manage climate related risks and opportunities, has been driven by the PRA's Climate Biannual Exploratory Scenario (CBES) stress test. This has been led by the Risk team, with input from relevant disciplines across the business.

At key stages through this process, the findings of scenario analysis have been presented to the Executive Committee and Underwriting Committee to clearly set out the impact of climate related risk on our business. The role of these committees has been to challenge the results and ensure an appropriate plan is put in place to ensure the outputs both in terms of risk mitigation, as well as the realisation of opportunities are developed over the coming years.

The interaction between the committees and the governance of our approach is as follows:



Strategy and scenario analysis

As a specialist insurer, naturally, a number of the classes of business we underwrite are vulnerable to the impact climate change brings to the risk environment. The implications of climate change for Beazley's business performance can be divided into three categories: physical risks, transition risks, or liability risks.

To help quantify, the impact of of climate change, we must consider the time horizons, over which climate-related issues may occur. We consider short term to be a timespan of up to a year, medium term to be a timespan of between 1-5 years, and long term to be a timespan of 5 years and beyond. These timeframes have been set out as part of our risk management approach.

We are already seeing the financial impacts of climate change. From a physical perspective, whether this be increased wildfires or the increasing severity of secondary perils such as increased rainfall. In the medium to longer term we expect these trends to continue, as the chronic effects of climate change began to be felt.

The rate of the transition will also play a significant role in the financial impact of climate change, and will be predominately felt in the investments we make, through a shift in asset values. These can be derisked, to a degree, through the decarbonisation of our investment portfolio. This element of climate related financial risk is considered to be within the short and medium term.

Recent high profile legal cases highlight the very immediate time horizon for the financial impact of climate related liability risks to be felt in the short and medium term, especially when it comes to claims for issues such as greenwashing. In the long term, the financial impact of litigation will be closely linked to the rate of the transition.

Determining risks and opportunities

We have used a combination of qualitative and quantitative methods to help determine the risk and opportunities arising from climate-related impacts. Key to our latest quantitative work, was the undertaking of our CBES return. Although, the results of cannot yet be disclosed, the outputs are already being used to guide our strategy going forward. To support the findings of CBES, we are also undertaking further complimentary quantiative work which is helping to drive our understanding of the climate-realted impacts, particularly at individual asset and policy level.

From the qualitative perspective, we have worked with underwriters to obtain narrative on how climate related risks would impact on their book of business. The benefits of this approach are twofold. Firstly, it has enabled us to further raise awareness of the climate related risks, arising particularly from the transition. Secondly, it has also allowed us to begin to consider how we can begin to approach the opportunities arising from climate-related risk.

Underwriting

The risk and opportunities identified to date from an underwriting perspective differ by sector and product type. For example, many of our property insurance products are at risk of the change in physical impacts of climate change, whereas our Directors and Officers (D & O) liability cover is facing exposure from transitionary risks such as litigation or reputational risk. Across many of our products e.g. energy, aviation, and marine, our insureds are also at risk from stranded assets as technology and the use of low carbon alternatives start become more common. To date, many of the opportunities have been around the need for our insureds to understand the climate change data and thus the impact of in more detail. We have set outside objectives to explore how some of these opportunities could translate into additional products and services for our clients.

Investments

From an investment perspective, the agile nature of our portfolio means we are at a low risk from climate change, however, that doesn't stop us having the ability to use our influence to support businesses we invest in, in their response to climate change, as well as the wider variety of ESG issues.

Early in 2021, Beazley publicised its Responsible Business Investment Policy, with the purpose of being more transparent with respect to companies we invest in, or may wish to invest in in the future. The policy outlines our intention to help incorporate ESG issues into our investment analysis and decision-making process. A key part of this policy is using carbon intensity data to help prioritise investments which will help accelerate the transition to decarbonisation. At the beginning of 2021, we measured the carbon intensity of our insureds and will use the data to determine the impact of their activities on climate change through their carbon emissions, and help us set targets. We have reported this figure within this report as well as the complementary Responsible Business Report.

Our business strategy

The delivery of matters to address climate change, is therefore, reflected within our overall business strategy, through several elements. These are:

- Responsible Business Strategy;
- Annual Risk Review; and
- Individual underwriting focus Group business plans, which combine to create both Beazley's short term and long term strategic plan.

The combination of these plans form the long term strategic vision for Beazley, with the annual risk review and individual underwriting focus Group business plans setting out our approach across the short term, which we classify as one year. Our strategic approach is informed by good financial planning through the consideration of climate-related risk as part of our pricing and planning as well as exposure and capital management processes. For example the impact of climate related issues on the expected cost of natural catastrophes over the next year is considered as part of the catastrophe modelled that feed these processes. The processes consider the risk and opportunities for each business. Due to the short nature of business plans, we expect these to adapt over time as we continue to work to understand the risks and opportunities which climate-related risks present.

The Responsible Business Strategy sets out more of our medium term vision for three years, providing clear direction of travel on all ESG matters including climate change. Within our strategy we want to ensure our business is resilient against any impact climate change brings to our lines of business, employees and communities, however, we're also actively searching and creating opportunities too. A core ambition of the Responsible Business strategy is contributing to a more sustainable world. With this, we aim to support our clients and partners as they transition to a decarbonised future and continue supporting communities impacted by climate change related to natural catastrophes. We believe we have a responsibility to our shareholders to ensure that we make informed and progressive underwriting and investment decisions, that contribute to a more sustainable world for all.

As set out in the Responsible Business Report, we have committed to significantly reducing our normalised scope 1,2 and 3 greenhouse gas emissions by 50% by 2023, when compared to our 2019 baseline. This reduction is to be achieved predominetly through behaviour change and the reduction of greenhouse gases arising from our business travel. This reduction target will support our objective to set science based targets by the end of 2022. Alongside this, we have also committed to aligning our investment portfolio with a well below 1.5 degree celcius pathway, helping us to support the transition towards net zero. We are also involved in a number of industry projects focusing on developing an appropriate tool by which we can begin to measure the transition from an underwriting perspective. This work will continue in 2022.

TCFD 2021 *continued*

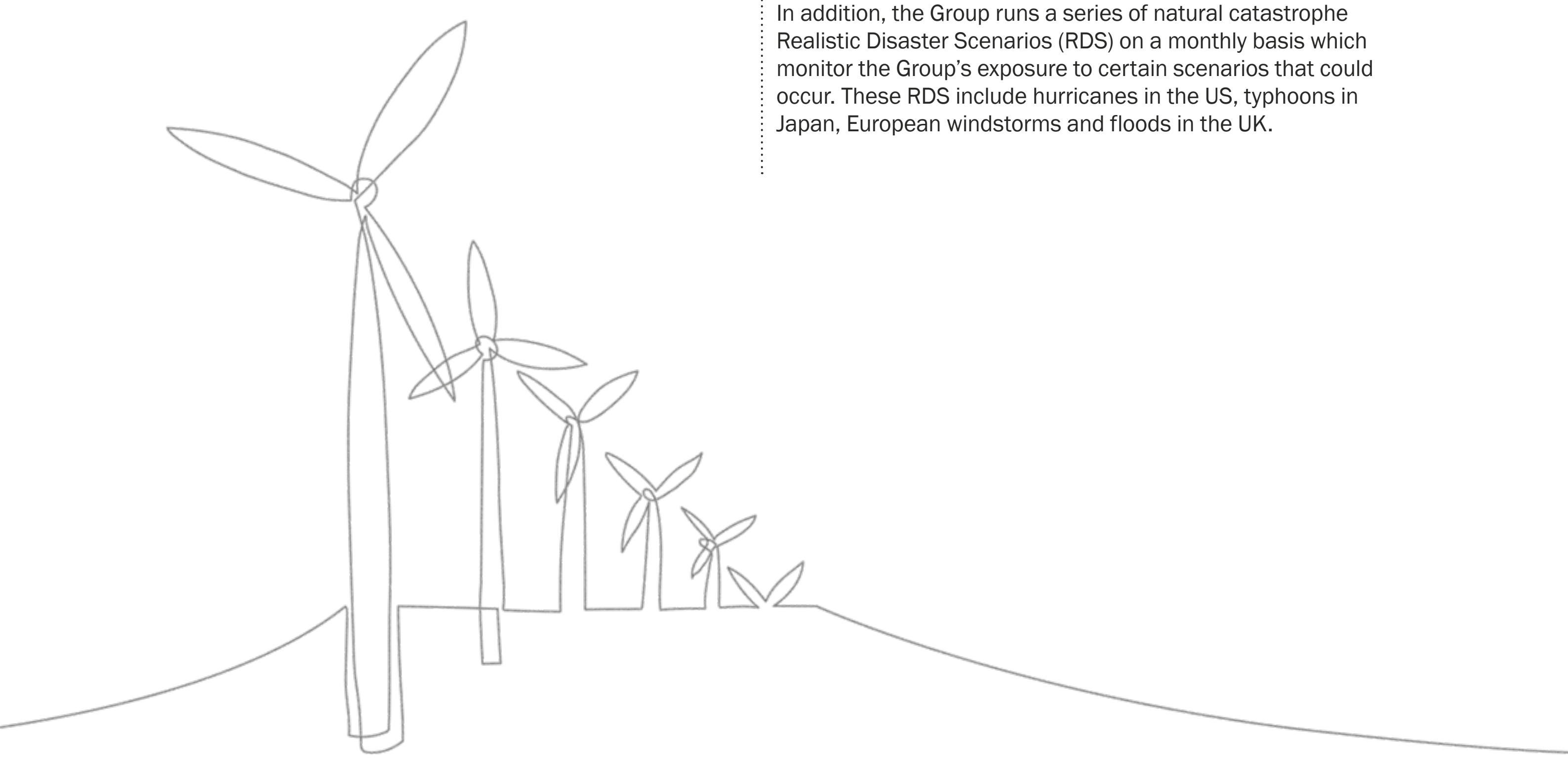
Risk management

Beazley's risk management framework, embedded across the business, includes climate change risk.

The framework delivers the following:

- enables Beazley to determine the risk management strategy, objectives, risk culture and risk language;
- identifies risk categories and risk events and sets risk appetite to help achieve its vision and ambition;
- allocates responsibilities for each risk event to a risk owner who is a senior member of staff, usually a member of the Board;
- establishes the relevant overseeing committee for the reporting of risk and escalation of risk related issues;
- establishes the process of identifying areas of heightened risk, new and emerging risk and removing risk events that are no longer relevant; and
- introduces a common risk language across the Group.

As detailed on page 65, central to the risk framework is the risk register, providing details of the risk, and summarising the appraisal and appetite for the risk. The categories of risk we have defined have either a direct or indirect climate related risk associated with them, whether that be from an physical, transitional or liability perspective.



Climate change 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 Beazley'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. 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 Beazley 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.

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 Beazley. 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 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 Group establishes capital at a 1:200 level based on the prevailing business plan.

Beazley runs Realistic Disaster Scenarios (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 Beazley 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 Beazley's exposure. In turn this helps to drive decision making across the business.

Beazley is currently enhancing the number of scenarios its 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 Beazley'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 Beazley's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

TCFD 2021 *continued*

On an annual basis, Beazley's risk appetite is reviewed and is informed by outputs from the RDS, capital model, and credit risk, as well as having input from the trading teams. This helps guide the trading teams for the following year, before being reviewed against the capacity available. This appetite is agreed and set by the Board, before being tracked by the exposure management team on a monthly basis, who flag up to the business where we are close to the limits the business has set. The capacity is obviously impacted by the number of physical weather events which occur throughout the year, therefore, the impact of climate change is considered and felt within this risk appetite.

Beazley uses risk profiles to take a deeper look at particular areas of the business. These are undertaken on a quarterly basis and subject matters include reviewing trading areas, or the impact of any emerging trends. These profiles are undertaken to provide additional assurance across the business.

The exposure management team has the responsibility for developing approaches to monitor the aggregation of exposure to natural catastrophes. Part of this work involves assessing the latest views on climate change and reporting to the business on the impacts this could have to the insurance portfolios. The exposure management team reports into the Chief Risk Officer, who in turn provides regular updates to the Board on these matters. The Head of Capital also provides an update, using modelled and non-modelled information to help determine the impact of climate change on the business.

This has been included in annual Board sessions for the last two years. An example of this is the internal modelling the capital team undertook to determine the impact of wildfires, which are becoming increasingly prevalent as a result of climate change. We also set out a view on the more material hurricane risk as part of this process.

Metrics and targets: Defining and embedding

The objectives set out within our Responsible Business Report, are used to drive forward progress in both climate responsibility and climate related risk. Beyond the quantitative data reported as part of our CBES return, we have set out a number of qualitative actions by which to drive forward the climate related risk aspect of our work.

These include:

- creating a Beazley Climate Risk Centre for Excellence to share knowledge on climate related risk across the organisation;
- through collaboration across the business further develop our understanding of risk and identify the opportunities which may present themselves to deliver improvement;
- develop additional climate scenarios to enable us to further understand different aspect of the climate transition, particularly in respect to liability risk;
- deliver external education on the needs and benefits of smooth managed transition, working with insureds to determine the impact of climate change on their business;
- participate in industry initiatives which are investigating the best approach by which to measure the transition to net zero; and
- ensure continued progression against the TCFD guidelines.

From a climate responsibility, the main metrics by which we measure our progress is through the assessment of our greenhouse gas emissions, as well as our energy use. In summary these are as follows:

	2019	2020	2021
Scope 1	21.08	16.50	8.14
Scope 2	1,420.08	1,173.26	905.87
Scope 3	6,927.39	1,663.14	791.69
Total tCO_2e	8,368.55	2,852.90	1,705.70
Total tCO_2e/Fte	5.98	2.01	0.93

As set out within our strategy, we have set challenging targets, with a 30% reduction in carbon emission set for 2021, against a 2019 baseline. For subsequent years this goes to a 40% reduction in 2022, and a 50% reduction in 2023.

From an energy perspective, we monitor energy consumption within our office locations, where possible. Consumption is as below, with the contribution from renewables also ascertained.

	2019	2020	2021
Electricity consumption from offices	3,876,695.6	3,072,481.6	2,615,520.0
% from renewable sources	–	50.2%	64.1%

Our Greenhouse gas emissions (GHG) are calculated in accordance with the GHG Protocol. Full details of our approach can be found on our website, with emissions being verified by an independent third party in line with ISO14064.

Compliance with TCFD requirements

Beazley has included on pages 35 to 41 in the Strategic Report and various notes within our Financial Statements on page 130 to 136, climate-related financial disclosures consistent with the TCFD's Recommendations and Recommended Disclosures, with the exception of the following:

Strategy 2a: Organisations should describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Beazley is currently working to complete a mapping exercise to demonstrate how specific climate related issues impact on the business, across each time horizon, for each line of business. This work is being informed by a combination of qualitative research and quantitative modelling at an asset level. This work will be completed in 2022, and Beazley expect it will add real value to the business to be able to disclose not just the risks, but also the opportunities arising on a sector by sector basis. At the point of disclosure, it was considered that the work currently in progress is not sufficiently completed to meet the requirement of the disclosure recommendation.

Strategy 2b: The organisations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time.

Organisations should describe the impact of climate-related issues on their financial performance (e.g. revenues, costs) and financial position (e.g. assets, liabilities). If climate-related scenarios were used to inform the organisation's strategy and financial planning, such scenarios should be described.

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

The scenario analysis Beazley undertook in 2021, and thus the calculating of financial performance was part of our CBES submission to the PRA. We are unable to publish the results of the modelling undertaken, until the PRA communicate their findings. Our TCFD disclosures are to be updated on an annual basis, therefore, we will be able to set out our progress as part of our 2023 TCFD disclosure.

Strategy 2c: Organisations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks.

The scenario analysis Beazley undertook in 2021, and thus the calculating of financial performance was part of our CBES submission to the PRA. We are unable to publish the results of the modelling undertaken, until the PRA communicate their findings. Our TCFD disclosures are to be updated on an annual basis, therefore, we will be able to set out our progress as part of our 2023 TCFD disclosure.

Metrics and Targets 4a: Organisations should disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Beazley is currently working to develop an appropriate tranche of data metrics by which to monitor climate-related risks. As part of this development, Beazley are participating in a number of industry groups which are working to develop an appropriate methodology to appraise the transition from an underwriting perspective.

These metrics will compliment the reporting of our GHG emissions. Our Scope 1 and Scope 2 emissions have been defined in accordance with the GHG protocol, and data quality is sufficient to enable accurate GHG emissions to be calculated. Our Scope 3 emissions are currently limited to the elements of our supply chain where there is sufficient data to enable GHG emissions to be accurately reported. Significant resources are being deployed to further improve the quality of the data Beazley uses, in order to better track performance over time.

"Beazley uses risk profiles to take a deeper look at particular areas of the business. These are undertaken on a quarterly basis and subject matters include reviewing trading areas, or the impact of an emerging trends."

Stakeholder engagement and Board decision-making

The directors, both individually and collectively, confirm that during the year to 31 December 2021 they have discharged their duty under s172 of Companies Act 2006 by acting in a way that they considered, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to the interests of relevant stakeholders and the matters set out in s172 (1) (a) to (f) of Companies Act 2006.

The Board has continued to identify its key stakeholders as being: our workforce, shareholders, clients, broker partners and regulators. The Board also recognises that Beazley's suppliers and the communities in which the Group operates are important stakeholders to be considered in decision-making.

The information in this statement summarises how the directors have engaged with the company's key stakeholder groups and explains how the interests of these stakeholders were taken into account in principal decisions taken during the year.

How we engage with our workforce

Our people are fundamental to the long-term success of the company and, as such, have been identified as one of the five pillars of Beazley's new strategy. Active engagement with our employees has always been a priority and has become increasingly important during the sustained period of remote working. During this time, direct employee engagement has continued as before, albeit much of this has been conducted virtually. This has consisted of regular all-employee meetings, Q&As with senior management and smaller team meetings. This direct engagement has been especially important in bringing Beazley's culture to life for new employees who, until recently, may not have met other colleagues in person. We have taken the opportunity to hold 'welcome back to the office' events as and when this has been possible. More information on employee engagement is provided in the Culture & People section on page 46.

In October and November 2021, the all-employee survey identified that overall employee engagement had increased to 86%. This result is significantly higher than the global benchmark, and is especially pleasing given the challenges to engagement presented by remote working. In addition to the all-employee survey, employee insight has been gained through various employee networks and via the day-to-day engagement with the workforce.

The 'Sounding Board', chaired by Bob Stuchbery, has been in existence since 2019 to support the formal engagement of the Board with the workforce. Bob is the Non-Executive Director nominated by the Board to bring the views of the workforce to the boardroom, and there is a Q&A with him on page 45.

How we engage with our shareholders

The support and engagement of our shareholders and potential future investors is essential to the ongoing success of our business. Formal engagement with investors is coordinated by the Head of Investor Relations, and members of senior management and the Board also meet with shareholders and potential future investors.

We communicate formally with shareholders through regulatory news, results announcements and the annual report and in conjunction with shareholder meetings. We have regular dialogue with institutional investors and analysts to understand their views and presentations of the company's financial results and trading updates are provided by the Chief Executive Officer and Group Finance Director. Company information is also available on Beazley's website.

Feedback from shareholders is provided to the Board via the Head of Investor Relations. There is more information on shareholder engagement in the investor relations report on page 76.

How we engage with our clients

Our clients are at the heart of our decision-making and one of the five pillars of our strategy. The COVID-19 pandemic has brought into sharp focus the need for us to actively engage with and support our insureds during a time of particular challenge and uncertainty to them.

During 2021, significant work to engage with and better understand the needs of our clients took place through the 'Closer to the Client' strategic initiative. Key insights from this work were shared with the Board and throughout the business. We will seek to incorporate key learnings from this work as we embed our new strategy and associated ways of working.

How we engage with our broker partners

Our broker partners are a key stakeholder group both in their own right and in the role they play in helping us connect with our ultimate clients. In addition to day-to-day engagement with brokers via underwriting, claims and other teams, there is regular, coordinated engagement with our key broker partners via our broker relations team.

During 2021, much of the engagement with brokers has continued to take place virtually but it's pleasing to report that recently more engagement in person has been possible. The Board received regular updates on the activity of the broker relations team and on our key broker relationships.

How we engage with our regulators

We recognise the importance of maintaining the highest possible regulatory standards and having strong relationships with our regulators. We continue to have transparent dialogue with our key regulators, supported by our compliance team.

Senior management and the directors of our regulated entities have ongoing engagement with our regulators on ad hoc matters. Any significant regulatory engagements are reported to the Board.

How we engage with other stakeholders

Suppliers

We actively engage with our suppliers and recognise the important role they play in helping us run our business. Beazley seeks to maintain equitable relationships with its suppliers and the company follows the Prompt Payment Code and publishes its average payment times for supplier invoices twice a year.

The Board annually reviews and approves the company's Modern Slavery Statement and is committed to respecting human rights and tackling modern slavery in Beazley's supply chain.

Communities

Beazley is committed to actively engaging with and supporting the communities in which it operates. This forms part of Beazley's overall approach to being a responsible business, which is described in the responsible business report on page 30.

"Our broker partners are a key stakeholder group both in their own right and in the role they play in helping us connect with our ultimate clients."

Engagement in action

The Board considers the outcomes of relevant stakeholder engagement and recognises the long-term consequences of its decisions. The following case studies highlight key decisions taken by the Board during the year and explain how stakeholder interests have been taken into account.

Approval of the business strategy

A key role of the Board is to approve the business strategy. The Board took a number of important strategic decisions during the year, specifically in relation to (i) the development of Beazley's product offering; and (ii) the adoption of a Responsible Business Strategy.

(i) The development of Beazley's product offering

The Board made a number of decisions during the year in relation to the development of Beazley's product offering. In particular, the Board supported (i) the further development of a risk management offering to clients to protect against cyber crime; and (ii) the ongoing development of Beazley Digital to drive the use of digital technology in supporting underwriting, claims and other services to clients.

In taking the decisions to support the development of Cyber and Beazley Digital, there was specific consideration of the views of our customers, broker partners, regulators and relevant suppliers. The Board also considered the interests of shareholders and employees, the latter being integral in the delivery of these initiatives.

(ii) Adoption of a Responsible Business Strategy

During 2021 the Board approved the adoption of a Responsible Business Strategy. In doing so, the Board recognised that identifying and measuring performance against key environmental, social and governance measures not only helps to support Beazley as a sustainable business but also helps give focus to its role as a responsible business in its local and wider communities.

The interests of all the company's key stakeholders were considered in formulating the responsible business strategy. The strategy specifically identifies the seven areas of inclusion and diversity, charity, community, environment, market place, responsible business compliance and responsible investments.

With the support of the Responsible Business Steering Group whose activities are described on pages 30 to 34, the Board will continue to monitor performance against the responsible business strategy, highlight areas for focus and agree any changes to the strategy.

Support to the infrastructure modernisation programme

During the year the Board continued to support the ongoing work to modernise Beazley's infrastructure and help support the long-term and sustainable growth of the business.

In deciding to support this work, the Board considered the views of all of its key stakeholders. Beazley's employees will not only play a key role in carrying out this work, but will also benefit from the outcomes as the programme will support their day-to-day work and increase the resilience of the business. A number of key suppliers will also be directly involved in the delivery of the programme, and clients and brokers will benefit from greater efficiency of systems and processes.

Capital

Throughout the year the Board continued to closely monitor Beazley's capital position to ensure it remained appropriate to satisfy its regulatory obligations and support the company's long-term strategy. The Board has ensured that the capital surplus remained within the preferred range of 15-25% above the ECR during the year. This was without the need to raise additional capital and with the continued provision of a letter of credit to support Funds at Lloyd's requirements.

The Board decided that an interim dividend would again not be paid for the half-year and has subsequently decided to recommence dividend payments from February 2022, and made a number of changes to the previous dividend policy. In reaching these decisions, the views of shareholders and regulators were specifically obtained, and any impacts on other stakeholders were also considered.

Changes to senior management

As reported in the Chief Executive Officer's statement on page 16 and nomination committee report on page 89, the Board, with support from the nomination committee, approved a number of changes to senior management during 2021. In particular, there were changes of Chief Executive Officer, Chief Underwriting Officer, Chief Operating Officer and Chief Risk Officer during the year, and the appointment of a Group Head of Strategy. With such significant changes, the Board has been supporting those individuals to settle into these important functions.

Whilst each role is different and requires different skill sets, the Board has specifically considered the interests of the relevant stakeholders in approving each appointment. For example, the anticipated views of customers and broker partners were considered when appointing to the roles of Chief Executive Officer and Chief Underwriting Officer. The views of suppliers were specifically considered in the appointment of the role of Chief Operating Officer. As the role of Chief Risk Officer oversees compliance, the expected views of regulators were considered in finalising this appointment.

Given the significance of these key roles, the shareholders' and the workforce's perspectives were considered in all cases.

Q&A with Bob Stuchbery, Employee Voice of the Board

Q What role have you played in relation to employee engagement at Beazley?

Beazley places a strong focus on employee engagement. In support of this, I am the Non-Executive Director nominated by the Board as the 'Employee Voice' to bring the views of the workforce to the boardroom. I very much enjoy my role in ensuring the views of this key stakeholder Group are communicated to the Board for consideration in decision-making.

Q Have you seen tangible examples of how the views of employees have influenced decision-making in the company?

Absolutely. A great example is the new benefits strategy that was introduced this year. As part of this work, benchmarking of our benefits was undertaken, feedback was sought from the entire workforce by way of surveys and focus groups, and a new benefits strategy was formulated taking into consideration the feedback received. The new benefits were communicated to employees in October in our company-wide 'How are we doing' live events.

The benefits strategy kept many of the elements that were important to employees, evolved a number of the existing benefits, gave employees choice, and sought to be gender-neutral and promote our inclusive culture. In addition, the company has introduced 'smart' working principles which provides employees with flexibility to tailor their working day to best meet the requirements of their stakeholders as well as suit their personal circumstances.

In 2020 when there was so much uncertainty, the company undertook regular 'pulse' surveys and the Board was able to see that agile decisions were taken to address issues of concern for our people. In 2021, we undertook a full all-employee survey and the results and corresponding actions will be considered by the Board in early 2022. One of the questions in the survey was: 'To what extent do you feel the views and opinions of employees are actively listened to and involved in strategy decisions?' and through the answers the Board will be able to understand the workforce's perceptions and learn where there is more work to be done.

I think Beazley's forward-thinking approach to employee engagement will help us to retain talent in a very buoyant market.

Q What's next?

I have always been impressed with the focus that Beazley has placed on engagement and communication. When formal requirements on employee engagement were introduced through the UK Corporate Governance Code (the 'Code'), we viewed this as an opportunity to build on an already robust platform.

Our existing approach included: feedback from executive committee members and Non-Executive Directors following office visits and regularly scheduled lunches and coffee sessions with a mixed groups of employees; leadership surveys; exit interviews; Q&A sessions (including anonymous Q&A sessions) with the executive and other forums.

In 2019, we also introduced the 'Sounding Board' comprised of employee representatives from across the business in response to the newly introduced requirements under the Code. I have very much enjoyed attending meetings of the 'Sounding Board' and sharing its views with the Board.

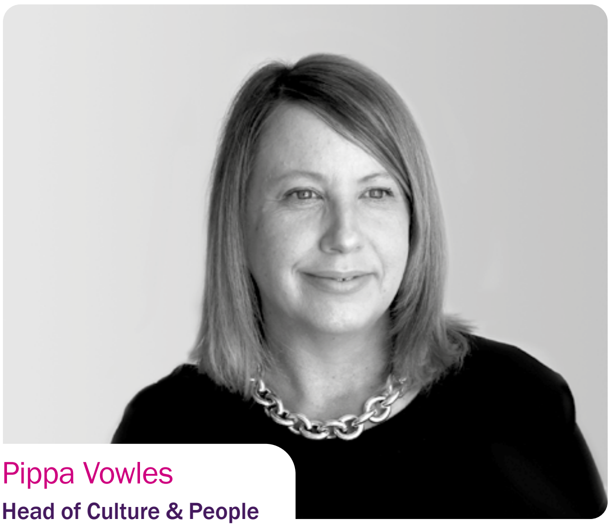
We're keen not to be complacent but to continue the evolution of the employee voice. In the coming year, we plan to disband the 'Sounding Board' as we feel that its role can be effectively undertaken by another existing employee engagement forum, the 'NexCo'. We will also consider nominating independent Non-Executive Directors from our US and European subsidiary Boards to specifically gather the views of our US and European colleagues. We also plan to relaunch the 'Employee Voice' with a non-executive Q&A to ensure that all of the channels available to employees are understood. The Company's intranet will include a link to my email address so that employees will be able to feed back directly to me.

All of the Non-Executive Directors are keen to consider employees' perspectives in the decisions being taken and will take opportunities to engage with employee groups throughout the year, and the Board agenda will allow for feedback from all directors. The Board will continue to consider the feedback from whistleblowing reports, and all the other feedback channels in discharging its responsibilities.

Bob Stuchbery
Non-Executive Director and Employee Voice of the Board

Culture & People

Insurance is all about relationships and Beazley has a relationship with its people that is all about empowering them. We know that the bold culture we have together created makes a difference when great people decide to join us rather than our competitors. Over the last two years COVID-19 has put our values and culture to the test and it's inspiring to see how the Beazley team has risen to the challenge.



Pippa Vowles
Head of Culture & People

Being bold – activity based working a smart way to work

In 2017, we introduced the concept of Activity Based Working (ABW), which is about having the right setting, tools and ways of working for the activities our team is undertaking. When the pandemic hit, Beazley was therefore in a strong position to manage the physical transition to working from home. Everyone had a laptop; we knew how to use technology and had the expectation of spending time working at home. This forward thinking has meant that we've continued to deliver a seamless service for clients.

Throughout, we have been focused on doing the right thing for our staff, ensuring they are well and healthy, both mentally and physically in their work while at home.

As a global business managing different geographies and time zones, we are experienced at working in different ways – whether from home, the office or in a hybrid way. We were therefore, not surprised to hear from our team surveys that they valued and wanted flexibility as well as the ability to choose the way they worked – exactly the purpose ABW was designed for. Going forward ABW, or a smart working ethos, will offer a key point of difference for Beazley in terms of recruitment and retention.

The success of our approach to smart working was demonstrated in 2021 when we were proud to be the only insurance company shortlisted by the Employers' Network for Equality & Inclusion at their Excellence Awards and were awarded highly commended recognition in the category for Progressive, Agile & Flexible Working Practices. The award recognises companies for implementing agile and flexible approaches to how, when and where people can work and prioritising talent over traditional working practices.

Across Beazley we recruited

315

people in 2021, 18% of our total workforce.

Total workforce in 2021: 1,683

Striving for an ever-better global team

Of course 2021 has seen Culture & People deal with one of the most challenging issues it can ever face, the departure of a long-standing Chief Executive Officer, and the appointment of a successor. Alongside that, in 2021 Beazley also hired or promoted across our senior management team with a new Chief Operating Officer, Chief Risk Officer, Chief Underwriting Officer and Group Head of Strategy and added two new plc Board members. The seamless and positive integration of the new leadership team is testament to our succession planning and transition capabilities.

Across Beazley we recruited 315 people in 2021 (18% of our total workforce). We've also adapted and evolved our recruitment criteria and practice as new areas such as Beazley Digital, are seeking a different mix of people and blend of skills and experience than we have traditionally sought.

Our data shows us that we are doing the right thing for new recruits, with 93% of new team members that joined during the height of the pandemic reporting being very satisfied with the process.

Doing the right thing – our unique benefits

Listening to our team is vital. We want to find out what they want, rather than just giving them what we think they want. This is why we undertake regular pulse surveys and a large-scale annual survey of employee satisfaction, which all demonstrate a high level of staff engagement.

In 2021, we actively listened to our team in the design of our new benefits strategy. We are rightly known in the market for our unique benefits programme and are proud that the update is built around benefits that are inclusive across the entire company. So that wherever in the world our team is based, legal and regulatory requirements allowing, they receive the same comprehensive benefits package.

Our multi-faceted update includes a host of new or upgraded benefits, but highlights include six months parental leave, no matter how you come to parenthood, and a monthly allowance to use on each individual's own physical and mental wellbeing and can include activities as diverse as golf lessons or meditation sessions. We also believe in the whole employee lifecycle and our benefits review has led to specific benefits being created for employees as they approach retirement.

People support every part of the business

Beazley's renewed purpose and strategy sees People as one of the five supporting pillars of our business. We recognise that the make-up of our people needs to become more diverse to better reflect the world around them and we are proud of the progress we have made so far. Moving forward our energy will be directed at ever more diverse recruitment and to stretching our goals and targets for diversity.

COVID-19 has challenged us all and has renewed our commitment to building and embedding a culture of smart working at Beazley that supports our team's wellbeing and development to achieve our company goals together.

With the lessons of the last two years still being learnt, it will be exciting to see how smart working, a renewed focus on the health and wellbeing of our people and the take up of our new, inclusive benefits package will further inspire our team. Culture & People will be exploring their feedback, enabling us to create an empowering working environment built around a culture that can attract others to join us to achieve Beazley's ambitious growth plans.

"COVID-19 has challenged us all and has renewed our commitment to building and embedding a culture of smart working at Beazley that supports our team's wellbeing and development to achieve our company goals together."

Claims

Simply put, our job is to enable our clients to get back to doing what they do best as fast as possible.

Beth Diamond

Head of Claims
Executive Sponsor of the Mental Wellbeing Network

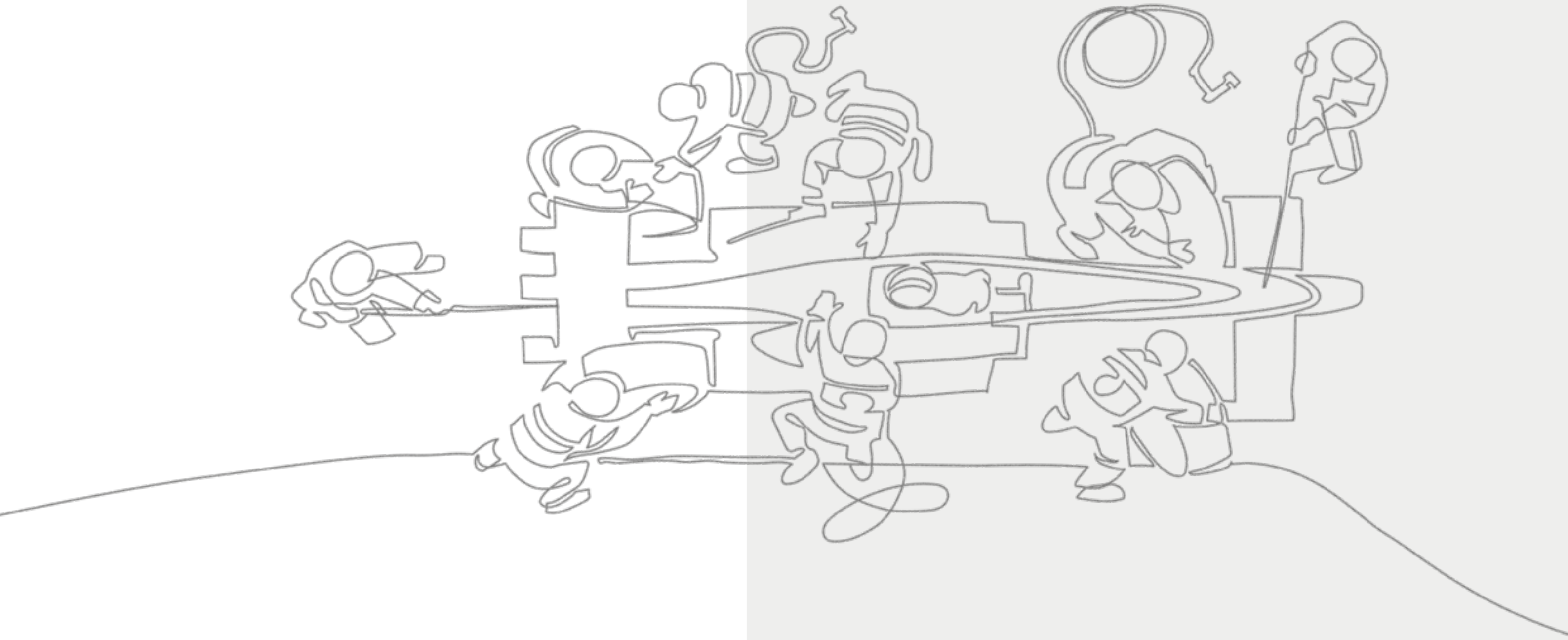
Clients at the centre

The last year has continued to test our team whose remarkable resilience and creative problem solving has been inspiring to witness. Their focus on delivering for our clients in innovative and responsive ways, was recognised in 2021 by our winning of claims awards and the high net promoter scores we received.

We have achieved this whilst transforming our team structure, embedding new processes, deploying new technology and delivering training that strives to give the team an even better understanding of the client perspective. This client-centricity has built strong foundations from which we can deliver on our promises.

We considered how we structure our claims offering and refocused it to create a service that delivers what individual clients need in the timeframes they work to. For smaller and medium sized business we have developed a process that offers quick, definitive answers that helps them to move on quickly from a loss. Larger businesses that often face more complex situations can look to the Beazley claims team for deeper insights into mitigating the worst claims scenarios, risk management advice to avoid claims happening in the first place and support in dealing with emerging scenarios, such as litigation around vaccine mandates.

We are embracing new ways of working and embedding and leveraging technology across our process to augment the client experience. Where effective automation or Artificial Intelligence can be used to the benefit of the client, we will implement it, but we will never prioritise a new system over speaking to and working directly for our clients, whatever the size of their business. As part of this approach, Beazley is strongly supportive of the Future at Lloyd's claims workstream and works across the London Market to ensure that technical innovations in claims, which benefit clients are successfully implemented.



Helping clients recover from cyber claims

Cyber-attack activity continued throughout 2021 and we have continued to focus on supporting our clients to deal with one of the most stressful issues any business can face when they lose data or systems access. Ransomware claims have been at the forefront of activity in 2021, but we are always vigilant and remind our clients that we must live in the past, present and future in cyber as the threat constantly evolves and reinvents itself.

The human factor remains the most important in the successful recovery from a cyber-attack. Should the worst happen we are standing right next to our clients offering them a real depth of care, treating the situation as though we were navigating these challenges for our own business. We know that after the attack is first detected there will be a burst of intense activity and concern for around 2 weeks. It can then take three to six months for the flow of costs to fall back and if there is a business interruption element or a regulatory or legal process the timeframe can move into years. Beazley is in for the long haul, offering advice, financial support and recovery planning.

Climate change is transforming loss patterns

Climate change is shifting the claims landscape. Natural catastrophe events in 2021 gave us an insight into how that future might look as secondary perils such as the Texas Freeze in February created disruption and challenges for clients on an unprecedented scale.

Existing norms about construction design were found wanting in the face of freezing conditions on the scale of winter storm Uri. Some clients in the South-eastern US found roof spaces used for air conditioning units had no insulation, resulting in them suffering significant flood damage once the thaw got underway. Others found that perfectly well constructed buildings did not have the roof strength to withstand the weight of extreme snowfall, causing collapses.

Across all areas where climate change is influencing natural perils, claims costs are rising as an immediate rush of demand post an event can lead to significant inflationary pressure, pushing up the quantum of claims and in the worst scenarios, leaving clients without the vital trades people they need to repair damage.

To help address these challenges Beazley is embracing technology, such as post catastrophe satellite imaging to direct help and loss adjustors quickly to the areas with the highest damage impact. We are also using drone technology to make faster assessments where damage makes it hard for our expert loss adjustors to get into individual buildings. This approach is making it safer to work post an event and ensuring that payments are made faster.

New claims environment as we emerge from pandemic

Throughout the pandemic, our insureds have looked to us for advice and support not just in managing their response to the pandemic but in the transition into the post COVID-19 recovery. During 2021 clients raised concerns related to their liability cover as they faced legal challenges related to vaccine mandating and we are exploring how we can provide advice and support as they deal with this challenge, which we believe will persist into 2022.

"During 2021 clients raised concerns related to their liability cover as they faced legal challenges related to vaccine mandating and we are exploring how we can provide advice and support as they deal with this challenge, which we believe will persist into 2022."

COVID-19 has created a novel and changing claims environment in which we have deployed our experience and expertise to strengthen our client relationships. For instance, we have built on what we learnt from the challenges our Architecture and Engineering clients experienced during the 2008 financial crisis to support them in managing the risks of construction sites closed due to COVID-19 and the subsequent pressure to complete projects quickly and cost effectively, which can lead to losses and claims.

As we emerge from the pandemic, we face an uncertain environment which includes the return of social and old-fashioned economic inflation, staff and supply shortages with the potential to lead to new legal claims. We believe our advice and support to clients to help them move forward will remain as vital as it was during the height of the crisis.

The focus of Beazley's claims team is on enabling our clients to creatively come up with solutions that will allow them to get back to doing what they do best, running a successful business.

We know that when a client suffers a loss and needs to make a claim, they are often in one of the most challenging situations any business can face and over the past two years this has often been truer than ever.

That is why our claims process is fast paced and efficient ensuring the client feels supported at every step in the process, by taking a personal and progressive approach. Our team is empowered to make bold decisions in the interests of a good outcome for clients even if that means challenging the status quo and exploring new ways of doing things.

Digital

Leveraging technology to deliver a better service, easier access and faster response times to clients has always been a driving principle behind our approach to Small Medium Enterprise (SME) business. With the launch of Beazley Digital earlier this year we have taken our plans and turned them into definitive action – action that we believe will transform the market in this space and help create better experiences for all.

Ian Fantozzi

Chief Executive Officer Beazley Digital, General Management

Executive Sponsor of Beazley Proud Network

Exploring digital: delivering client-centricity

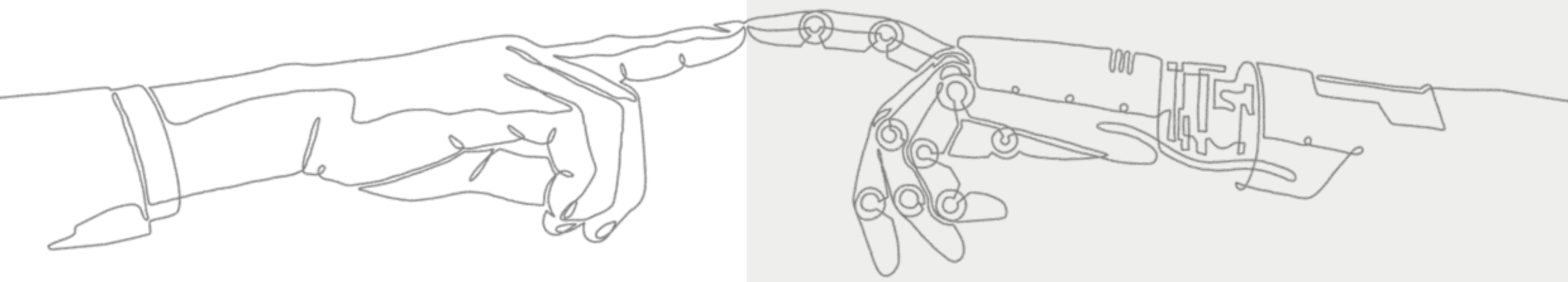
By focusing on client-centricity – a dedication to creating the best possible experience for our customer – we've come up with a new concept for the way we transact business in this space. Instead of being organised by product we are designed around our customers and the channels they prefer when doing business with us. This allows us to respond quickly to client or broker feedback and bring new products, or digital solutions to the market.

We've then built cross channel, multi-skilled teams, allocating underwriting, operations and technical people to each channel giving them joint objectives, and the freedom to be bold and challenge to create better. Effectively our underwriters and technology staff all work in one unit with no silos or layers of committees. By harnessing this enviable bench of expert solvers, intuitive tech-driven solutions and tried and tested platforms we can truly deliver the Beazley difference to our clients via our digital platforms.

Creating new: where people and technology come together

Digital innovation is usually focused on the upgrading of technology or implementation of new systems, and while that is a vital part of Beazley Digital, its key driver is cross skilling of our teams. This means underwriters learning about data and technology and IT specialists learning about insurance, then getting them to coalesce to deliver more effective results for clients. In the process, we are seeking to create one of the most highly skilled teams in the market.

This team approach to finding solutions has been a driving force and is nothing new in the insurtech industry, however, where it does differ is in the resource, knowledge, partnerships and staying power we can draw upon from within the wider Beazley universe. Beazley Digital has its own project lifecycle, but it is intrinsically connected to our wider business which has been focused on delivering and adding sustained value to our partners over the long term. This means we'll be investing in and building solutions that we know the market wants because we understand what our brokers and clients need, and we've learnt over time what makes a successful, progressive solution.



Building out: establishing the team

Our journey to launch in 2022 has been an exciting and exhilarating one which started with the creation of an outstanding management team. Kathryn Janofsky was appointed Head of Underwriting, Hayley Stubbs as Head of Operations, Anna Pennock as, Business Manager and James Wright as Head of Technology.

At the start of underwriting on the 1 January 2022, we had specialist underwriting capabilities in place backed by an operational support centre and specialist data analytics expertise to make data driven business decisions from day one.

Our investment in people is as important as our investment in technology as we know that access to specialists is a key differentiator for our clients and brokers. We know that they value efficient digital access, but being able to speak to specialist underwriters and a customer support team that can answer queries and address problems quickly is vital to them.

On launch at 1 January 2022, 4% of the Group's premium previously written through other divisions will be reported going forward as 'Digital' premium.

Targeted approach

We've also worked closely with the wider Beazley team to understand which are the higher volume or simpler risk business, mainly SME or US private enterprise business segments that would be suitable for digital innovation.

As a result of our research, development, and preparations, as we start 2022 our initial focus will be on the following business lines, all targeting small to medium enterprises:

- Cyber;
- Media Technology Errors and Omissions;
- Management Liability;
- Professional Indemnity;
- Medical Malpractice;
- Media;
- Event Cancellation; and
- Pleasure Craft.

Striving for better in digital

Beazley Digital's focus is outwards on our clients and their brokers. Both the user experience on our digital channels and the coverage provided by our specialty products follow a process of continuous improvement as we routinely consult with our clients and brokers.

The next stage is to deliver against our strategy which is based around five core principles:

Minimum touch: improving response times through increased automation and without unnecessary manual processing

Access to specialists: ensuring clients can access the right problem solvers as they navigate through their digital options

Organised around customers: our delivery teams are organised by distribution channel, such as portals, APIs, digital and voice and email

Data driven insight: using data to drive business decisions and sharing that data back with our brokers and clients to assist with their risk management

Striving for better: continually innovating to give Beazley a competitive edge, building strong partnerships with complementary service providers to develop our specialists products and broaden our distribution.

As we start on this journey at the beginning of 2022, I look forward to reporting back on Beazley Digital's contribution in next year's Annual Report.

"Beazley Digital's focus is outwards on our clients and their brokers. Both the user experience on our digital channels and the coverage provided by our specialty products follow a process of continuous improvement as we routinely consult with our clients and brokers."

Financial review
Group performance

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

Result

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

Premiums

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

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

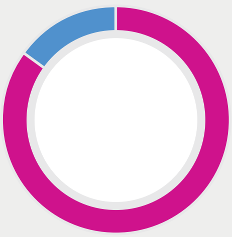
"Beazley's financial strength has been shown once again in 2021 through increased profit, premiums and return on equity."

Sally Lake
Group Finance Director
Executive Sponsor of the Women in Finance Charter

Statement of profit or loss

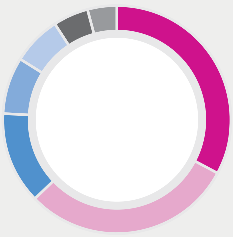
	2021 $m	2020 $m	Movement %
Gross premiums written	4,618.9	3,563.8	30
Net premiums written	3,512.4	2,917.0	20
Net earned premiums	3,147.3	2,693.4	17
Net investment income	116.4	188.1	(38)
Other income	28.2	29.8	(5)
Gain from sale of business	54.4	–	–
Revenue	3,346.3	**2,911.3**	15
Net insurance claims	1,826.2	1,958.3	(7)
Acquisition and administrative expenses	1,104.8	974.4	13
Foreign exchange loss/(gain)	7.2	(11.2)	(164)
Expenses	**2,938.2**	**2,921.5**	1
Finance costs	(38.9)	(40.2)	
Profit/(loss) before tax	**369.2**	**(50.4)**	
Income tax (expense)/credit	(60.5)	4.3	
Profit/(loss) after tax	**308.7**	**(46.1)**	
Claims ratio	58%	73%	
Expense ratio	35%	36%	
Combined ratio	93%	109%	
Rate increase	24%	15%	
Investment return	1.6%	3.0%	

Insurance type



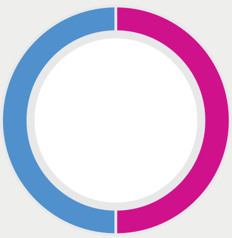
Insurance	85%
Reinsurance	15%

Business by division



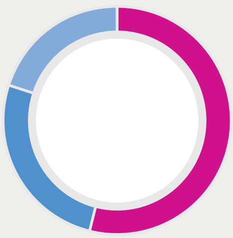
Cyber & Executive Risk	33%
Specialty Lines	30%
Property	13%
Marine	8%
Political, Accident & Contingency	7%
Reinsurance	5%
Market Facilities	4%

Premium written by claim settlement term



Short tail	50%
Medium tail	50%

Geographical distribution of premiums[1]



USA	54%
Other	26%
Europe	20%

1 The graph shows the location in which the insured resides.

Financial review
Group performance *continued*

The Group is of the view that some of the above metrics constitute alternative performance measures (APMs). Further information on our APMs can be found in the key performance indicators on page 5 and in the glossary on page 208.

Reinsurance purchased
Reinsurance is purchased for a number of reasons:

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

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

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

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

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

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

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

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

Whole account reserve strength within our 5-10% target range (%)

Prior year reserve adjustments

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

Acquisition costs and administrative expenses

Business acquisition costs and administrative expenses increased during 2021 to $1,104.8m from $974.4m in 2020. The breakdown of these costs is shown below.

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

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

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

Foreign exchange

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

Investment performance

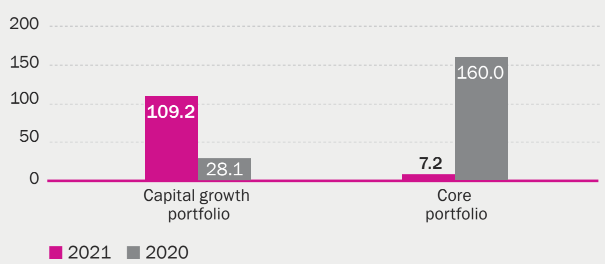
Recent rapid growth in our financial assets continued in 2021 as the business grew significantly, as the value of our investments, cash and cash equivalents increased to $7,875.3m by year end (2020: $6,671.5m). We generated an investment return of $116.4m, or 1.6% (2020: $188.1m, 3.0%) on these assets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

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

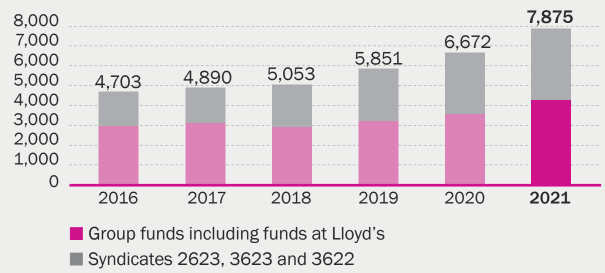
Our core fixed income investments returned just 0.1% in 2021, as mark to market capital losses, generated by rising yields, offset most of the modest income from these investments. We maintained reduced duration in our portfolio for much of the year, limiting capital losses, and made increasing use of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

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

Comparison of returns – major asset classes ($m)



Beazley group funds ($m)



Financial review
Group performance *continued*

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

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

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

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

	31 Dec 2021		31 Dec 2020	
	$m	%	$m	%
Cash and cash equivalents	591.8	7.5	309.5	4.6
Fixed and floating rate debt securities				
– Government issued	4,008.1	50.9	2,723.7	40.8
– Corporate bonds				
– Investment grade	1,861.9	23.6	2,444.9	36.7
– High yield	402.3	5.1	251.1	3.8
Syndicate loans	37.9	0.5	40.6	0.7
Derivative financial instruments	7.6	0.1	28.5	0.4
Core portfolio	6,909.6	87.7	5,798.3	87.0
Equity funds	209.6	2.7	203.2	3.0
Hedge funds	478.2	6.1	442.1	6.6
Illiquid credit assets	277.9	3.5	227.9	3.4
Total capital growth assets	965.7	12.3	873.2	13.0
Total	**7,875.3**	**100.0**	**6,671.5**	**100.0**

Comparison of return by major asset class:

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

Financial review
Balance sheet management

Summary statement of financial position

	2021 $m	2020 $m	Movement %
Intangible assets	123.5	126.3	(2)
Reinsurance assets	2,386.4	1,684.7	42
Insurance receivables	1,696.1	1,467.9	16
Other assets	726.1	637.3	14
Financial assets at fair value and cash and cash equivalents	7,875.3	6,671.5	18
Total assets	**12,807.4**	10,587.7	**21**
Insurance liabilities	8,871.8	7,378.4	20
Financial liabilities	554.7	558.5	(1)
Other liabilities	1,250.1	841.3	49
Total liabilities	**10,676.6**	**8,778.2**	**22**
Net assets	**2,130.8**	**1,809.5**	**18**
Net assets per share (cents)	**351.6c**	**299.0c**	**18**
Net tangible assets per share (cents)	**331.2c**	**278.0c**	**19**
Net assets per share (pence)	**265.8p**	**219.1p**	**21**
Net tangible assets per share (pence)	**250.4p**	**203.8p**	**23**
Number of shares[1]	**606.1m**	**605.2m**	–

1 Excludes shares held in the employee share trust and treasury shares.

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

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

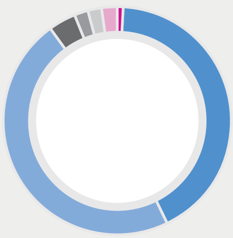
The Group's exposure to reinsurers is managed through:

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

Financial review
Balance sheet management *continued*

Insurance receivables
Insurance receivables are amounts receivable from brokers in respect of premiums written. The balance at 31 December 2021 was $1,696.1m (2020: $1,467.9m). The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2021 is $15.4m (2020: $13.7m).

Reinsurance debtor credit quality



AA+	1%
AA-	42%
A+	47%
A	4%
A-	2%
Collateralised	2%
Others	2%

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

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

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

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

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

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

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

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

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

Financial review
Capital structure

Capital structure

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

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

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

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

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

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

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

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

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

	2021 $m	2020 $m
Lloyd's economic capital requirement (ECR)	2,225.3	2,116.5
Capital for US insurance companies	247.8	246.3
	2,473.1	2,362.8

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

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

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

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

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

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

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

Financial review
Capital structure *continued*

Solvency II

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

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

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

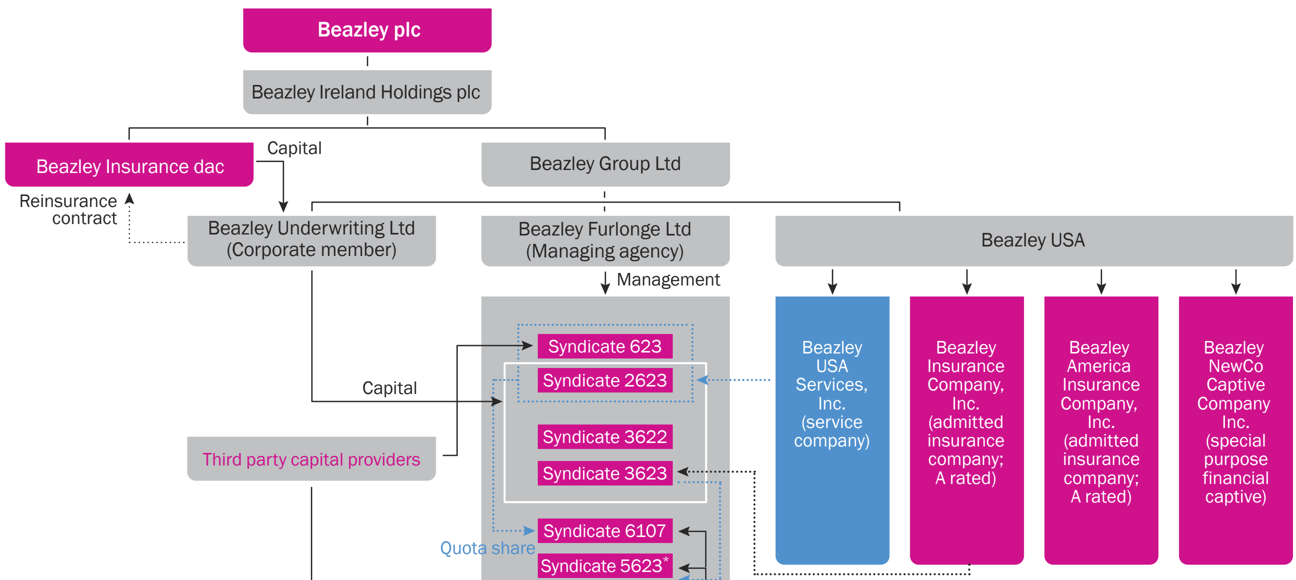
- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of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

IFRS 17

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

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

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



* Syndicate 5623 is supported by both Beazley capital and third party capital.

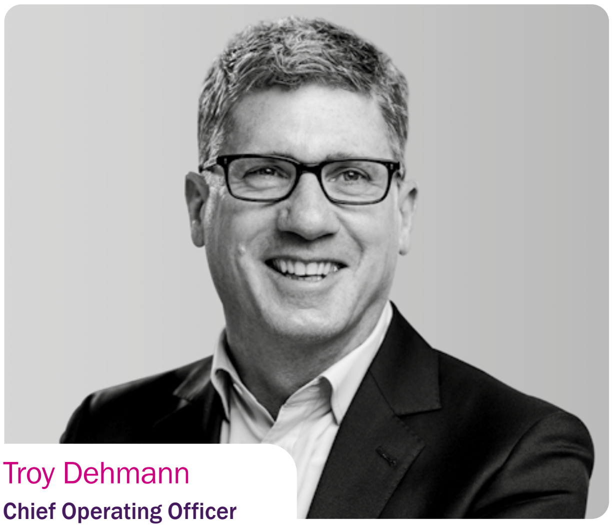
Group structure

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

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

Operational update

For some time, Beazley has been exploring and creating a modern organisational ecosystem, delivering responsive risk management solutions and building a platform for our ambitious growth plans. 2021 was the moment to add in the lessons learnt from the pandemic so far and continue to innovate to improve our operations across our organisation, around the marketplace and with our clients.



Troy Dehmann
Chief Operating Officer

Joining Beazley as Chief Operating Officer in 2021 has been an invigorating challenge as the business continues its journey of putting innovative uses of technology at its core to deliver improvements right across claims processes, underwriting efficiency and operational upgrades.

The pandemic starkly demonstrated that technology and IT platform strength are key differentiators. For those, like Beazley, that were able to achieve full systems access and connectivity with clients and colleagues, the experience of the last two years has provided an outstanding opportunity to further innovate and invest in change that better supports our fast-growing company.

Bold market leadership

The pandemic has demonstrated the power of technology to transform business. I see operational improvements much more holistically than just a technology upgrade, instead requiring market wide approaches that can deliver streamlined solutions to handling business across the London market. Although we don't have ownership of every element of the market, as we learn lessons ourselves in house we will lead by example and demonstrate how change can promote growth externally.

Data holds the key

Insurers by their nature are data centres. We currently collect and create data, but have yet to fully realise the potential of extracting and analysing data to improve how we work or more importantly to leverage that data to build our business. Within Beazley there is far more that we can do to use our data, in combination with artificial intelligence tools to speed and improve our underwriting, enhance client relations and ensure compliance.

This will be a strategic focus for the operations team as we better understand how leveraging the data we already hold can drive profitability and efficiency.

Enabling our team

Activity-based working was already successfully underway at Beazley prior to the pandemic with investment in systems and tools to enable colleagues to easily work from home and across 2021 has allowed flexibility between remote and office-based working. Over the course of 2020 and 2021 productivity soared as we continued to recruit exceptional talent, maintain service standards, enhance our systems and integrate digital technology and artificial intelligence to further streamline processes and operational efficiency.

Investment in tools and software for our people to work more flexibly has been complemented by a programme to redesign our office space into zones to suit different tasks throughout the day, with our London office at 22 Bishopsgate opening during 2021.

Innovation to deliver ambitious growth

Beazley will continue to innovate, leveraging artificial intelligence and the power of data to support our ambitious growth objectives, and to further strengthen the operational foundations of our company.

Our approach to the adoption of new technology or the application of data science is to focus on how humans interact with it, seeing technology as an enabler not the driver of progressive operational change. Innovation for us encompasses ways of working and our mindset, alongside the goal of creating a frictionless and streamlined operating environment that benefits our colleagues and clients.

To maintain momentum in innovation we have begun to evolve our internal training curriculum and forge outreach partnerships with universities to ensure that we develop, attract and retain the data and technology talent required to achieve our business goals.

Challenging operations delivered

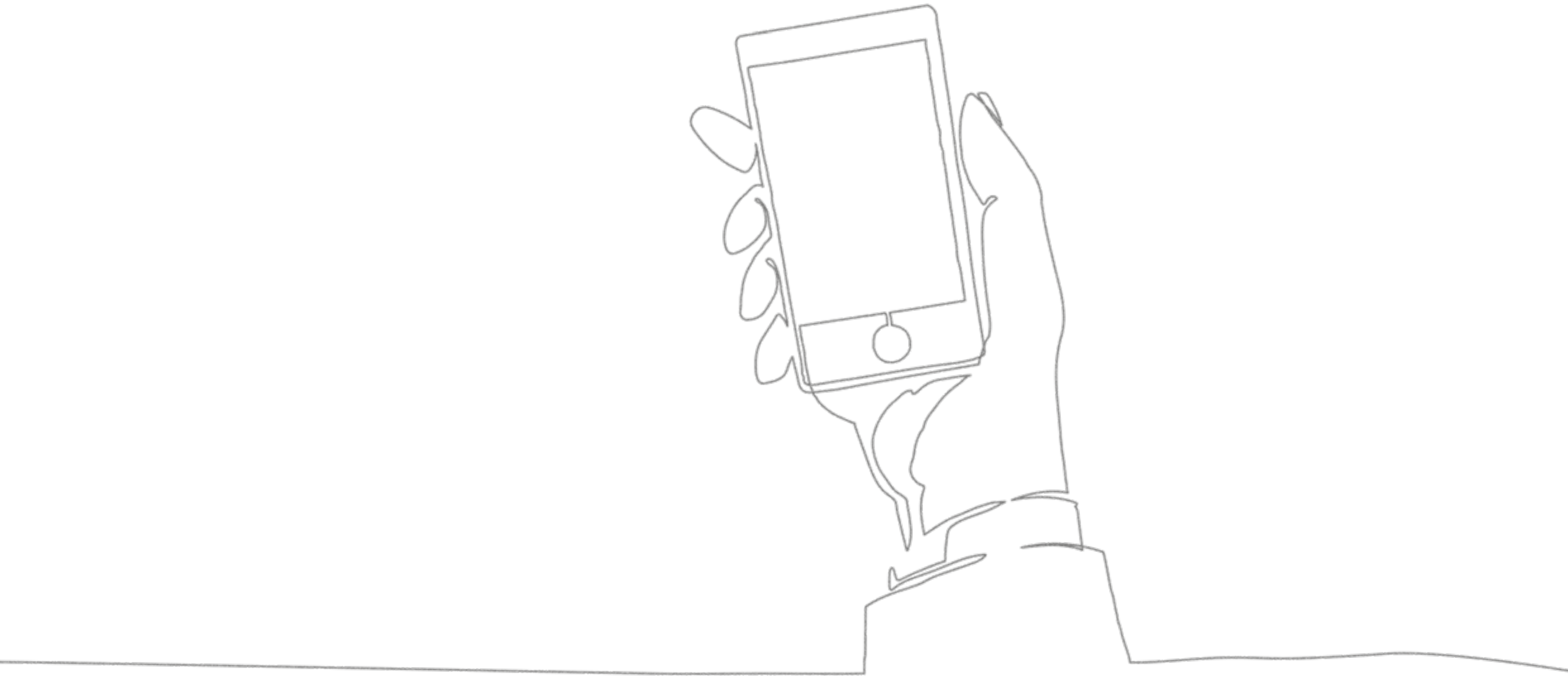
The past two years have seen significant operational activity, change and upgrades at Beazley. The start of 2022 saw the launch of Beazley Digital (read more on page 50 and the past two years has seen the restructuring of our Cyber & Executive Risk and Specialty Lines divisions, launch of the Market Facilities division, which includes our smart tracker syndicate and now our managed ESG syndicate 4321, which has people, process, and technology implemented to enable a low touch and efficient operation. Outside of the US we have implemented infrastructure improvements that increase our resilience and disaster recovery capabilities.

We have continued to expand and develop our global programmes capability to efficiently keep track of our global coverage and help manage our partnerships with regional insurers. We have increased employee numbers by 18% and have been a strong proponent of the market transformation programme within Lloyd’s.

In 2021 we also migrated many of our services to the Cloud, the move has delivered improved performance, scalability and collaboration including the adoption of the DRC pricing engine and further adoption of Microsoft Office 365.

Innovation focused on our people, client-centric quick wins and incremental improvements is our key focus for 2022. This will see our us focus on the reduction of manual inputting of basic client information, freeing our people to use their skills and knowledge more productively and increasing connectivity with our clients. We believe this approach will over time significantly change the role of our underwriting assistants enabling them to develop as underwriters faster, better able to contribute to the growth of our business.

The opportunity before us is to harness artificial intelligence, data and digitisation so that our human capital can explore its full creative potential and build a more resilient future for our business and that of our clients.



Risk management & compliance

This is my first Annual Report as Beazley's Chief Risk Officer. It is a privilege to lead the risk management and compliance functions' second line oversight of a business that has effective risk management at its core.

Rob Anarfi
Chief Risk Officer
Executive Sponsor of BeazleyRACE

Risk management

As a risk-taking organisation, we pride ourselves on understanding the drivers of risk for our clients and our business and in seeking ways to mitigate it. As the Group continues its journey of change and growth, the risk function is focused on delivering complementary risk oversight improvements.

The last two years of navigating the pandemic have shown just how quickly a risk can change. It demonstrated the importance of the Group continuing to monitor the development of other significant risks. As an example, the risk that cyber threats pose to the global economy, to society and the Group has climbed up the risk function's agenda. Similarly, the changing scale and profile of natural catastrophe risk driven by climate change has become apparent. Our approach to managing the risks arising from climate change are set out in the pages 36 to 40 of the report, within the TCFD section.

As a risk function we must be ready to explore the changing risk landscape. By creating a risk culture that embeds risk management into our daily operations, built around a robust risk framework, we are able to manage challenges to our assumptions about risks as they arise, whilst protecting our business and those of our clients.

You will be able to read the details of the performance of our risk framework further in this report, but I would like to pick out some highlights for our work on risk during 2021 below.

During 2021 we have been actively enhancing the risk management framework to ensure it supports our risk oversight responsibilities and effective challenge of the changing risk landscape. This includes risks arising from our growth plans, and the business' programme of operational enhancement. Our risk framework will also need to adapt to ensure it remains able to manage an increasingly complex risk and controls environment. Just as importantly, we will need to stress test management's assumptions about risk mitigation to ensure they will remain resilient should risks crystallise.

While we manage the challenges that growth and operational enhancement can bring, we also need to address emerging and climate risks as well as regulatory and legal changes such as preparing for the implementation of IFRS 17, IFRS 9, and BEIS proposals for governance reform. The risk function is actively engaged in these initiatives to provide second line oversight and ensure the risk framework adapts accordingly.

Key to the success of the performance of risk management across the business has been building the collaboration between the Group's assurance functions, in particular the compliance and risk teams under the new structure, to deliver a more robust second line oversight function. As we move forward, working with our colleagues across the business to further embed risk management into our business processes will ensure that we are able to achieve our goals supported by a robust risk culture.

My latest report to the Board has confirmed that the control environment has not identified any significant failings or weaknesses in key processes and that Beazley plc is operating within risk appetite as at 31 December 2021.

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 strategy

The Beazley plc Board has delegated executive oversight of the risk management department to the executive committee, which in turn has delegated immediate oversight to the risk and regulatory committee. The Beazley plc Board has also delegated oversight of the risk management framework to the audit and risk committee, and the primary regulated subsidiary Boards have each established an audit and risk committee or standalone risk committee.

Clear roles, responsibilities and accountabilities are in place for the management of risks and controls, and all employees are aware of the role they play in all aspects of the risk management process, from identifying sources of risk to playing their part in the control environment. The impact of each risk is recorded in the risk register on a 1:10 likelihood of that risk manifesting in the next 12 months. A risk owner has been assigned responsibility for each risk, and it is the responsibility of that individual to periodically assess the impact of the risk and to ensure appropriate risk mitigation procedures are in place. External factors facing the business and the internal controls in place are routinely reassessed and changes made when necessary.

On an annual basis, the Board agrees the risk appetite for each risk event and this is documented in the risk management framework document. The residual financial impact is managed in a number of ways, including:

- mitigating the impact of the risk through the application of controls;
- transferring or sharing risk through outsourcing and purchasing insurance and reinsurance; and
- tolerating risk in line with the risk appetite.

In addition, the following core risk management principles have been adopted:

- there is a culture of risk awareness, in which risks are identified, assessed, challenged and managed;
- risk management is a part of the wider governance environment in which challenge is sought and welcomed;
- risk mitigation techniques employed are fit for purpose and proportionate to the business;
- risk management is a core capability for all employees;
- risk management is embedded in day-to-day activities;
- risk management processes are robust and supported by verifiable management information; and
- risk management information and reporting are timely, clear, accurate and appropriately escalated.

Risk management framework

Beazley takes an enterprise-wide approach to managing risk, following the Group's risk management framework. The framework establishes our approach to identifying, measuring, mitigating and monitoring the Group's key risks. Beazley has adopted the 'three lines of defence' framework. Across the business, there are two defined risk-related roles: risk owner and control reporter. Each risk event is owned by the risk owner, who is a senior member of staff. Risk owners, with support and challenge provided by the risk management team, perform a risk assessment twice a year, including an assessment of heightened and emerging risks.

The risk management framework comprises a number of risk management components, which when added together describe how risk is managed on a day-to-day basis. The framework includes a risk register that captures the risk universe (approximately 50 risk events Grouped into eight risk categories: insurance, market, credit, liquidity, operational, regulatory and legal, Group and strategic), the risk appetite set by the Beazley plc Board, and the control environment that is operated by the business to remain within the risk appetite and which is monitored and signed off by control reporters. In summary, the Board identifies risk, assesses risk and sets risk appetite. The business then implements a control environment which describes how the business should operate to stay within risk appetite. The risk management function reviews and challenges these assessments and reports to the Board on how well the business is operating, using a risk management report.

For each risk, the risk management report brings together a view of how successfully the business is managing risk and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually evaluated and where appropriate improved, through the consideration of stress and scenario testing, themed reviews using risk profiles, and an assessment of strategic and emerging risks.

During 2021 the risk management framework was enhanced with regards to evidencing risk management challenge, assessing emerging risks and assessing risk culture. A suite of risk management reports are provided to the Boards and committees to assist senior management and Board members to discharge their oversight and decision-making responsibilities. The risk reports include the risk appetite statement, the risk management report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the remuneration committee and the Own Risk and Solvency Assessment (ORSA) report.

The internal audit function considers the risk management framework in the development of its audit universe to determine its annual risk-based audit plan. The plan is based on, among other inputs, the inherent and residual risk scores as captured in the risk register. Finally, a feedback loop operates, with recommendations from the internal audit reviews being assessed by the business and the risk management function for inclusion in the risk register as appropriate.

Risk management & compliance *continued*

Viability statement

The directors have completed an assessment of the viability of the Group over a three year period, to 31 December 2024. A period of three future years has been selected to be short enough to be reasonably assessable but long enough to reflect Beazley's risk profile of a portfolio of diversified short-tailed and medium-tailed insurance liabilities. This three year period also aligns with the length of time over which business underwritten at Lloyd's, being the majority of our insurance business, is managed. The Board has performed an annual risk assessment and the key risks to the Group in the future are summarised on pages 65 to 70.

The risks and associated capital requirements have been brought together into a five year plan, although the uncertainties in year 4 and 5 of the plan mean the Board focuses on the first three years for assessing viability. The plan sets out a central view given emerging market trends and how the business will respond to these trends, including our evolving views on climate change, to derive a base view of profit and growth so that the capital surplus can be projected. The plan shows ongoing viability and when taking into consideration the expected capital surplus and the line of credit is sufficient to support the approved natural catastrophe and cyber risk appetites. Alternative assumptions are also considered in the event that profit, growth or rate change vary from the base plan. In addition, the Board has reviewed the sensitivity of key assumptions and has considered scenario testing and reverse stress testing to understand the impact on cash flows of the key risks of a major natural catastrophe, cyber catastrophe and/or a systemic mispricing of the medium-tailed liability classes. To date the Board has assessed impact of climate change and concluded that it does not lead to unviability.

The chief risk officer provides an ORSA to the Board summarising the short-term and longer term risks to the Group and the capital implications.

The directors have concluded, based on this review, that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

Key risks to the Group

The Board monitors and manages risks grouped into eight categories, which cover the universe of risk that could affect Beazley. The Board confirmed that they have undertaken a robust assessment of the principal and emerging risks and uncertainties that the Group faces. The Board considers insurance and strategic risk to be the most significant risk categories for Beazley. For further discussion of climate change risk, and how it interacts with the risks and uncertainties discussed here, refer to our TCFD section on page 35.

Insurance risk

Given the nature of Beazley's business, the key risks that impact financial performance arise from insurance activities. The main insurance risks can be summarised in the following categories:

- **Market cycle risk:** The risk of systematic mispricing of the medium-tailed Specialty Lines and Cyber & Executive Risk business, which could arise due to a change in the US tort environment, changes to the supply and demand of capital, and companies using incomplete data to make decisions. This risk would affect multiple classes within the Specialty Lines and Cyber & Executive Risk divisions across a number of underwriting years. The Group uses a range of techniques to mitigate this risk including sophisticated pricing tools, analysis of macro trends, analysis of claim frequency and the expertise of our experienced underwriters and claims managers.
- **Natural catastrophe risk:** The risk of one or more large events caused by nature affecting a number of policies and therefore giving rise to multiple losses. Given Beazley's risk profile, such an event could be a hurricane, major windstorm, earthquake or wildfires. This risk is monitored using exposure management techniques to ensure that the risk and reward are appropriate and that the exposure is not overly concentrated in one area.
- **Non-natural catastrophe risk:** This risk is similar to natural catastrophe risk except that multiple losses arise from one event caused by mankind. Given Beazley's risk profile, examples include a coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism, an act of war or a political event. This risk is monitored using exposure management techniques to ensure that the risk and reward are appropriate and that the exposure is not overly concentrated in one area.
- **Reserve risk:** Beazley has a consistent reserving philosophy. However, there is a risk that the reserves put aside for expected losses turn out to be insufficient. This could be due to any of the three drivers of risk described above. The Group uses a range of techniques to mitigate this risk including a detailed reserving process which compares estimates established by the claims team with a top-down statistical view developed by the actuarial team. A suite of metrics is also used to ensure consistency each year.
- **Single risk losses:** Given the size of policy limits offered on each risk, it is unlikely that the poor performance of one policy will have a material impact on the Group's financial performance.

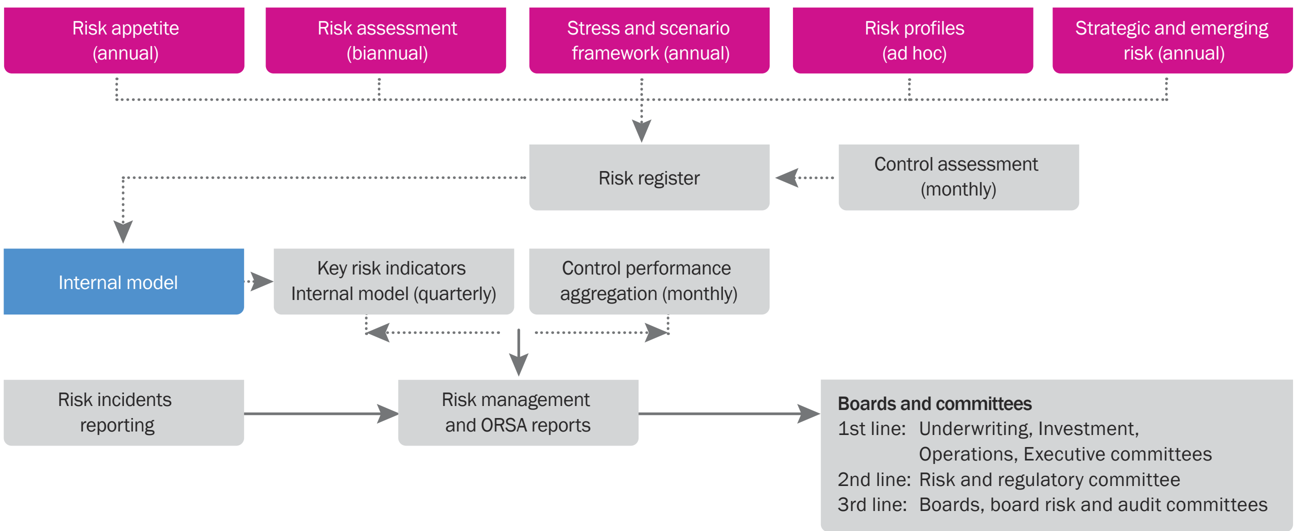
Strategic risk

Alongside these insurance risks, the success of the Group depends on the execution of an appropriate strategy. The main strategic risks can be summarised as follows:

- **Strategic decisions:** The Group's performance would be affected in the event of making strategic decisions that do not add value. The Group mitigates this risk through the combination of recommendations and challenge from Non-Executive Directors, debate at the executive committee and input from the strategy and performance Group (a Group of approximately 30+ senior individuals from across different disciplines at Beazley).
- **Environment:** There is a risk that the chosen strategy cannot be executed because of the environmental conditions within which Beazley operates, thereby delaying the timing of the strategy.
- **Communication:** Having the right strategy and environment is of little value if the strategy is not communicated internally so that the whole Group is heading in the same direction, or if key external stakeholders are not aware of Beazley's progress against its strategy.
- **Senior management performance:** There is a risk that senior management could be overstretched or could fail to perform, which would have a detrimental impact on the Group's performance. The performance of the senior management team is monitored by the Chief Executive Officer and Culture & People team and overseen by the nomination committee.
- **Reputation:** Although reputational risk is a consequential risk, i.e. it emerges upon the occurrence of another risk manifesting, it has the potential to have a significant impact on an organisation. Beazley expects its staff to act honourably by doing the right thing.
- **Flight:** There is a risk that Beazley could be unable to deliver its strategy due to the loss of key personnel. Beazley has controls in place to identify and monitor this risk, for example through succession planning.
- **Crisis management:** This is the risk caused by the destabilising effect of the Group having to deal with a crisis and is mitigated by having a detailed crisis management plan.
- **Corporate transaction:** There is a risk that Beazley could undertake a corporate transaction which did not return the expected value to shareholders. This risk is mitigated through the due diligence performed, the financial structure of transactions and the implementation activity.

Under the environment risk heading, the Board identifies and analyses emerging and strategic risk on an annual basis for discussion at the Board strategy day in May.

Risk Management Framework



Risk management & compliance *continued*

Other risks

The remaining six risk categories monitored by the Board are:

- **Market (asset) risk:** This is the risk that the value of investments could be adversely impacted by movements in interest rates, exchange rates, default rates or external market forces. This risk is monitored by the investment committee.
- **Operational risk:** This is the risk of failures of people, processes and systems or the impact of an external event on Beazley's operations, and is monitored by the operations committee. An example would be a cyber-attack having a detrimental impact on our operations.
- **Credit risk:** Beazley has credit risk to its reinsurers, brokers and coverholders, of which the reinsurance asset is the largest. The underwriting committee monitors this risk.
- **Regulatory and legal risk:** This is the risk that Beazley might fail to operate in line with the relevant regulatory framework in the territories where it does business. Of the eight risk categories, the Board has the lowest tolerance for this risk. This risk is monitored by the risk and regulatory committee.
- **Liquidity risk:** This is the risk that the Group might not have sufficient liquid funds following a catastrophic event. The investment committee monitors this risk which, given the nature of the asset portfolio, is currently small.
- **Group risk:** The key risk is a deterioration in Beazley's culture which leads to inappropriate behaviour, actions or decisions. This is monitored through engagement surveys, staff feedback and regular dialogue with senior management.

The other main Group risk is that one Group entity operates to the detriment of another Group entity or entities. The Beazley plc Board monitors this risk through the reports it receives from each entity.

1st line of defence – business risk management
Risk ownership

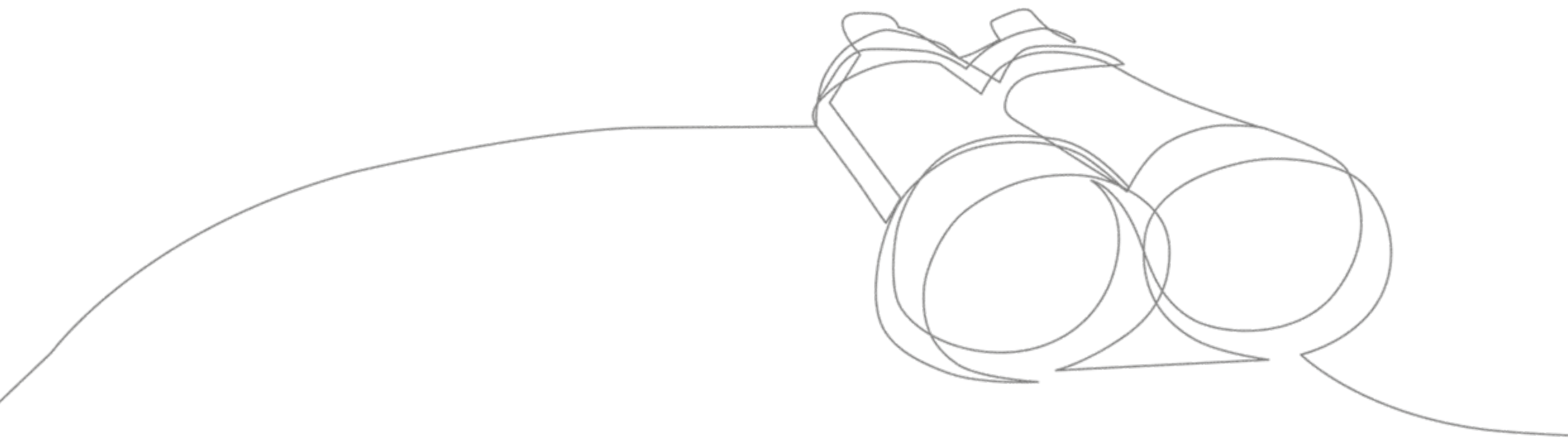
- Identifies risk
- Assesses risk
- Mitigates risk
- Monitors risk
- Records status
- Remediates when required

2nd line of defence – risk management and compliance
Risk oversight

- Challenge that risks are being identified
- Assess the risk mitigation strategy
- Monitor that controls are operating effectively
- Reports to committees and Board on risk and control issues with risk management opinions

3rd line of defence – internal audit
Risk assurance

- Independently tests control design
- Independently tests control operation
- Reports to committees and Board



Regulatory compliance

To ensure that we conduct business in accordance with all applicable laws and regulations we operate a Group-wide compliance framework designed to measure risk exposure, govern decision-making and monitor performance.

Our framework consists of a number of systems and controls, including:

- Senior management oversight;
- Risk assessments;
- Staff training and awareness;
- Compliance monitoring; and
- Compliance reporting.

Senior management oversight

Beazley's executive management has ultimate responsibility for the operation of our compliance framework and there is top-down commitment to ensuring good conduct and regulatory compliance across the Group.

Compliance monitoring reviews provide assurance on the performance of our systems and controls and enable us to identify areas of improvement. Through regular reporting of our monitoring activities, we ensure that senior management maintain oversight of regulatory risk across the Group.

Staff training

The compliance framework is supported by a mandatory annual staff training programme covering topics such as financial crime, underwriting due diligence, conduct risk and data security. We provide training to staff upon joining Beazley and annually thereafter to ensure that we continue to operate in a responsible manner.

Sanctions

As a responsible business, we adhere to all applicable financial and trade sanctions. We closely monitor sanctions developments and are primed to respond when changes occur. To ensure compliance with applicable regimes, we have embedded sanctions due diligence procedures into our underwriting and claims processes and ensure continued understanding of sanctions developments through regular staff training.

We work closely with our business partners to ensure our approach to financial and trade sanctions is reflected in our business relationships, achieved through extensive due diligence and communication of our expectations.

Anti-bribery and corruption

A strong belief in ethical business practices underpins our relationships with our customers and business partners. To keep us connected to this core value, we operate within strict guidelines that govern the payment of commissions, the exchange of gifts and entertainment, and all circumstances capable of leading to a conflict of interest. In particular, we maintain the following policies and procedures which ensure compliance with anti-bribery laws in the jurisdictions in which we operate:

- gifts and hospitality record and approval process;
- conflicts of interest policy;
- customer conduct protocol; and
- acquisition costs and broker-provided services protocol.

The exchange of gifts and hospitality is closely monitored to ensure that business decisions are free from improper influence. Where there is a risk of potential impropriety staff are able to make use of various avenues for reporting instances of attempted bribery, corruption or conflicts of interest.

In addition to our policies, our approach to anti-bribery and corruption includes staff training and an annual risk assessment. This assessment analyses our business for exposure to high-risk jurisdictions, our distribution channels and the classes of business we write.

Anti-money laundering

We have no appetite for Beazley being used as a vehicle for financial crime. Our controls include transaction monitoring and ascertaining the identity of our counterparties. Instances of suspicious activity are acted on in accordance with our Groupwide financial crime policy, which reflects the requirements of money laundering and tax legislation in the jurisdictions in which we operate.

Staff are trained to refrain from entering into suspicious transactions and to report all such activity to the compliance team for investigation and onward notification to relevant enforcement agencies where necessary.

Conduct

We pride ourselves on how well we know our customers and can meet their needs; conduct is therefore a core aspect of our business. Knowing our customers is key to conducting business responsibly and ensuring we transact only with reputable intermediaries, agents and suppliers. It permeates our culture and informs how we design, market and service our products.

Risk management & compliance *continued*

The following policies govern our management of data:

- promoting a top-down culture that places the customer centre stage;
- ensuring rigorous assessment, design and review of our products;
- clearly and fairly marketing all products and services;
- insisting on transparent commission and remuneration structures;
- maintaining oversight of delegated authorities and other distribution channels;
- operating a fair and responsive claims and complaints handling process; and
- safeguarding our customer data.

Data security

We have a robust approach to information security and privacy comprising organisational, human and technical controls designed to safeguard data and the rights of data subjects.

The following policies govern our management of data:

- information security strategy;
- information security policy;
- information security risk assessment and management policy; and
- global privacy policy and privacy notice.

These policies are well embedded in our business processes and staff are trained annually to apply principles of information security in their day-to-day work. To ensure consistent compliance with data requirements, we undertake frequent security testing and annual data security/privacy audits. Our governance structure enables the information security and privacy function to escalate and report data-related matters without restraint, thereby ensuring senior management oversight of data risk management at all times.

We are committed to upholding the rights of data subjects, informing them of the information we collect and process, and ensuring that we only collect what is required to deliver our services.

We observe the legal and regulatory requirements of the various jurisdictions within which we operate and have a global privacy policy aligned to UK, European, North American, Canadian and Singaporean privacy requirements.

In all, our information security and privacy programme is built around a framework of prepare, protect, detect, respond and recover. This enables us to take precautions, act decisively and protect the interests of our data subjects.

There have been no cases of a data breach that has had a material impact on our clients or our business, nor one that has necessitated any need to report the matter to our clients or any of our regulators.

Whistleblowing

In line with our values, we actively promote a culture that encourages staff to speak up and escalate concerns. In support of this, we operate a whistleblowing policy and process that allows for anonymous reporting of concerns without fear of reprisal, harassment, retaliation or victimisation.

Such reports are treated with the utmost confidentiality and in accordance with all applicable legal and regulatory requirements. Annual reports are presented to the respective Beazley Boards on the effectiveness and operation of our whistleblowing procedures. Over the past 12 months there have been no whistleblowing cases.

Governance

Letter from our Chair

Dear shareholder

On behalf of the Board of directors, I am pleased to present the governance report, in which we describe our governance arrangements, the operation of the Board and its committees and how the Board discharged its responsibilities throughout the year.

In my statement on pages 10 to 12, I comment on Beazley's strong performance in 2021 despite the continued global market uncertainty. This strong performance has been supported by our robust governance framework and I am pleased to confirm that the company has complied with the principles and provisions of the 2018 UK Corporate Governance Code throughout the year. I would like to highlight a number of key matters relating to governance.

Culture and our people

Having a strong corporate culture is key for Beazley in achieving its purpose of helping our clients and people to explore, create and build in a complex and uncertain world. The Board is very focused on helping to promote an open culture and maintaining regular engagement with the workforce. This has been especially important during 2021 as our employees have continued to show great resilience through the global pandemic.

The Board monitors culture through the annual employee engagement and leadership surveys, turnover statistics, whistleblowing data and grievances raised, feedback from leavers and routine Board reporting. Surveys were also undertaken during the year to assess any cultural impacts of changes to senior management. It has been pleasing to note that the organisation has given strong support to these changes. The findings of the 2021 employee engagement survey will be assessed by the Board in early 2022.

Board members are also keen to interact with senior management and other members of the workforce, either virtually or in person. Bob Stuchbery, the Director appointed to bring workforce feedback into the boardroom, has continued to report to the Board. There is a Q&A with Bob on page 45 where he reports how engagement with employees has supported decision-making and highlights some planned developments to formal employee engagement.

A key area of culture is diversity and inclusion. The Board is keen to promote diversity and inclusion in all of its forms. In addition to ensuring the Beazley plc and subsidiary Boards have diverse membership and an inclusive culture, we support that Beazley has set itself ambitious targets in this area, and the Board continues to monitor progress against targets. In the directors' remuneration report on pages 95 to 113 we also report on the alignment of remuneration to the organisation's culture and purpose.

Risk management

The Board oversees a robust approach to risk management. The Board approves risk appetites and delegates to the audit and risk committee and management responsibility for oversight of the risk management framework.

A key area of focus in 2021 has been on climate risk. During the year, Beazley has established the Responsible Business Steering Group (RBSG), with executive and Board representation, to oversee the business's approach to managing climate risk and driving overall responsible practices. For Beazley, climate risk management means not only acting responsibly in its own right, but also supporting its clients in doing the same. I talk more about this in the statement of the Chair.

Stakeholder engagement

The Board has continued to identify the workforce, shareholders, clients, broker partners and regulators as its key stakeholders. In addition, we also recognise that Beazley's suppliers and the communities in which the Group operates are important stakeholders to be considered in decision making. On pages 42 to 44 we discuss how these stakeholder groups have been considered in key decisions taken during the year.

Board changes

I am pleased to report that your Board remains highly engaged in fulfilling its principal tasks of leading the company and overseeing the governance of the Group. We have a strong Board that has a good balance of new and more established directors.

In accordance with the Group's policy on director independence and rotation, Sir Andrew Likierman and John Sauerland, both Non-Executive Directors, retired from the Board on 26 March 2021. Christine LaSala succeeded Andrew as chair of the remuneration committee on that date. As recently announced, Catherine Woods will stand down from the Board as Non-Executive Director at the conclusion of the 2022 Annual General Meeting and the Board is in the process of recruiting an additional Non-Executive Director. The Board is immensely grateful to Andrew, John and Catherine for their substantial contribution to the company during their tenure.

The Board welcomed Pierre-Olivier Desaulle who was appointed as a director with effect from 1 January 2021. Pierre-Olivier's operational insurance experience is providing valuable insight to the Board, as the Group continues to grow its presence in Europe.

Following its search for an individual with US expertise, the Board welcomed Raj Agrawal who was appointed to the Board on 1 August 2021. Raj has deep global financial and operational experience and augments the Board's skills in specific areas of strategic focus.

Andrew Horton resigned from Beazley earlier in the year and was replaced as Chief Executive Officer by Adrian Cox on 1 April 2021. Adrian has been with Beazley for 20 years, and prior to this appointment was Chief Underwriting Officer. He has over 25 years' of industry experience and has been a member of the Beazley plc Board since 2010. It is a testament to the robust succession planning process in place that Adrian was able to be appointed so seamlessly.

Dividend

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

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

Looking ahead

Information on the findings from this year's external review of the performance of the Board and its committees can be found on pages 81 and 91. Overall, the review concluded the Board was operating well and fulfilling its remit. We are always striving to do better and I look forward to addressing the findings as we look to further improve the effectiveness of the Board and the overall governance framework.

As has been the case across Beazley throughout 2021, the Board has been able to operate effectively in a virtual environment or in person, as restrictions were relaxed. The Board again looks forward to meeting shareholders at the AGM and responding to their questions.

I would like to thank all of my colleagues on the Board for their contributions during the year.

David Roberts
Chair

Board of Directors

1. David Roberts
Chair

Appointed: 1 November 2017

Experience: David joined Beazley on 1 November 2017 and became chair on 22 March 2018. He was chair of Nationwide Building Society from 2015 to 31 January 2022 when he stood down. He has over 35 years' experience in financial services and was previously chair and Chief Executive Officer of Bawag PSK AG, Austria's second largest retail bank, and an executive director and member of the Group executive committee at Barclays plc, where he was responsible for the international retail and commercial banking business. Prior to joining Nationwide he was Group deputy chair at Lloyds Banking Group. His previous non-executive directorships include Absa Group SA, BAA plc and NHS England, where he was vice chair. David also chairs the Board of Beazley Furlonge Limited.

Committee: Nomination committee (chair)

Skills: governance, strategy, Board leadership and regulation.

2. Adrian Cox
Chief Executive Officer

Appointed: 6 December 2010*

Experience: Adrian was appointed as Chief Executive Officer in April 2021. He began his career at Gen Re in 1993 writing short tail facultative reinsurance before moving to the treaty department in 1997, where he wrote both short and long tail business specialising in financial lines. He joined Specialty Lines at Beazley in 2001 where he performed a variety of roles including underwriting manager, building the long tail treaty account, managing the private enterprise teams and the large risk teams before taking responsibility for Specialty Lines in 2008. He took on the role of Chief Underwriting Officer in January 2019. Adrian was appointed to the Board of Beazley Furlonge Limited in 2008.

Committee: Executive committee

Skills: insurance, management, international business development, strategy, leadership and people management and governance.

3. Sally Lake
Group Finance Director

Appointed: 23 May 2019

Experience: A Fellow of the Institute of Actuaries since 2004. Sally joined Beazley in 2006 initially working with the Specialty Lines division, the largest underwriting division, for six years. This gave her a breadth of exposure to many aspects of the business at Beazley, especially focusing on claims analytics and reserving. In 2012 Sally became reserving manager and then Group actuary in 2014. As Group actuary, Sally covered both pricing and reserving, as well as capital model validation. She became Group Finance Director in May 2019.

Committee: Executive committee

Skills: reserving and actuarial pricing, capital modelling and management, leadership and people management, strategy and governance.

4. Rajesh Agrawal
Non-Executive Director

Appointed: 1 August 2021

Experience: Raj is Chief Financial Officer at Western Union. As a member of the executive team, he also provides guidance on the company's operations and strategic direction. Raj also previously had responsibility for Western Union's global operations, helping drive the company's transformation to a more efficient, customer-focused organisation. Raj is based at the company's global headquarters in Denver, Colorado. Prior to serving as CFO, Raj was executive vice president and president of Western Union Business Solutions. Raj has been with Western Union since 2006 and has held roles of increasing responsibility with the company, including treasurer and senior vice president for finance in the EMEA/APAC region. Raj holds an MBA from Columbia University.

Committee: Audit and risk committee

Skills: finance, strategy, operations, international business development.

5. Pierre-Olivier Desaulle

Non-Executive Director

Appointed: 1 January 2021

Experience: Pierre-Olivier has over 25 years of experience as an international insurance executive, with a focus on products and distribution innovation. He joined the Beazley plc Board in January 2021 and has been a Non-Executive Director of Beazley Insurance dac since 2017, where he chairs the Board. He served as Chief Executive Officer of Hiscox Europe until 2017 and has held a number of other executive roles within the (re)insurance industry including strategic planning, operations and systems director at Marsh. With a background in strategy consulting, having been at Strategic Planning Associates (now Oliver Wyman), he transitioned to insurance helping Marsh with the integration of the leading French broker. He is currently the chief insurance officer of the InsurTech startup, Pattern.

Committees: Audit and risk committee

Skills: insurance, reinsurance, strategy, operations and distribution.

6. Nicola Hodson

Non-Executive Director

Appointed: 10 April 2019

Experience: Nicola joined the Board in April 2019. Nicola is Vice President Field Transformation, for Microsoft Global Sales and Marketing and was previously chief operating officer for Microsoft UK. She is a non-executive director on the Board of Drax Group plc and is chair of its remuneration committee. Nicola was formerly a non-executive director at Ofgem, a Board member at the UK Council for Child Internet Safety and at the Child Exploitation and Online Protection Group.

Committees: Audit and risk committee, remuneration committee

Skills: strategy, leadership and management, digital transformation and sales and marketing.

7. Christine LaSala

Non-Executive Director and Senior Independent Director

Appointed: 1 July 2016

Experience: Christine is the Senior Independent Director and has been chair of the remuneration committee since March 2021. Based in New York, she was previously chair of Willis Towers Watson North America. She has over 45 years of management, client leadership and financial experience in the insurance industry including work as an underwriter and 27 years as an insurance broker, leading large business units and working with corporate and public institution clients. Christine's experience includes Board and leadership roles at Johnson & Higgins and Marsh and 10 years as Chief Executive Officer of the WTC Captive Insurance Company.

Committees: Nomination committee and remuneration committee (chair)

Skills: insurance, distribution, strategy, risk management, client leadership, regulatory, governance and talent and leadership development.

8. John Reizenstein

Non-Executive Director

Appointed: 10 April 2019

Experience: John joined Beazley in April 2019. He has been chair of the audit and risk committee since May 2019. In addition to the Beazley plc Board, John is also a Non-Executive Director of Beazley Furlonge Limited where he chairs its audit committee. He has more than 30 years' experience in financial services, most recently as chief financial officer of Direct Line Insurance Group plc, from which he retired in 2018. Prior to that he held senior positions in insurance and banking at Co-operative Financial Services and in investment banking at Goldman Sachs and UBS. He is a non-executive director of Scottish Widows, a member of the Takeover Panel, chair of Farm Africa and a trustee of Nightingale Hammerson.

Committees: Audit and risk committee (chair), nomination committee

Skills: finance, strategy, leadership, investment and mergers and acquisitions.

9. Robert Stuchbery

Non-Executive Director and Employee Voice of the Board

Appointed: 11 August 2016

Experience: Bob was previously the president of international operations of The Hanover Group until he retired from the Group in May 2016. He brings extensive Lloyd's experience, having been Chief Executive Officer of Chaucer until 2015 and having held numerous management roles at the company for over 25 years, and a deep knowledge of the Lloyd's market and distribution and operational strategies.

In addition to the Beazley plc Board, Bob is also a Non-Executive Director of Beazley Furlonge Ltd, the Group's Lloyd's managing agency, where he chairs the risk committee.

Bob served as a member of the London Market Group and was deputy chairman of the Lloyd's Market Association Board. He is currently a Liveryman and court member of The Worshipful Company of Insurers.

Committee: Audit and risk committee, remuneration committee

Skills: insurance, risk management and strategy.

10. Catherine Woods

Non-Executive Director

Appointed: 1 January 2016*

Experience: Catherine has 35 years' experience in financial services as well as significant governance experience. Her executive career was with JP Morgan in the City of London, specialising in European financial institutions. She is a former vice president and head of the JP Morgan European Banks equity research team. She is currently a non-executive director and deputy chair of BlackRock Asset Management (Ireland) and a non-executive director at Lloyds Banking Group. She was previously appointed by the Irish Government to the Electronic Communications Appeals Panel and the Adjudication Panel to oversee the rollout of the national broadband scheme. Catherine is a former deputy chair of AIB Group plc, former chair of EBS DAC and former non-executive director of AIB Mortgage Bank and An Post. Catherine also chaired the Board of Beazley Insurance dac from 2016 to September 2021.

Committees: Audit and risk committee, nomination committee, remuneration committee

Skills: insurance, strategy, stakeholder management, finance, governance, leadership and management.

E Executive Directors

N Non-Executive Directors

*Where the appointment date of a director pre-dates 13 April 2016 (being the date that Beazley plc became the holding company of Beazley Group) this appointment date refers to their representation on the Board of Beazley Ireland Holdings plc (formerly Beazley plc).

Investor relations

Beazley places great importance on communication with its shareholders. Useful shareholder information is available at the investor relations section of the company's website (**www.beazley.com**). This includes the latest annual report and accounts and interim report, results presentations, key financial information, regulatory news, the financial calendar and AGM information. Where requested, the annual report and accounts can also be provided to shareholders in hard copy.

Regular dialogue with shareholders is coordinated by the investor relations team. Presentations of the annual and interim results are made to analysts by the Chief Executive Officer, Group Finance Director and, where appropriate, other members of senior management. The Head of Investor Relations, senior management and members of the Board meet with institutional shareholders to discuss relevant matters.

The views of shareholders are communicated to the Board via a regular report from the Head of Investor Relations. All shareholders have the opportunity to put questions at the company's annual general meeting.

The company's shares are listed on the London Stock Exchange. The share price is available from the company's website and number of daily newspapers.

There are currently 18 analysts publishing research notes on the Group. In addition to research coverage from Numis and JP Morgan, the company's joint corporate broker, coverage is provided by Autonomous, Barclays, Berenberg, Bank of America, Citi, Credit Suisse, Goldman Sachs, HSBC, Investec, Jefferies, Keefe Bruyette & Woods, Panmure Gordon Peel Hunt, Shore Capital, Exane Paribas, and UBS.

Analysis of share register

The company's shareholders at 31 December 2021 are analysed below:

Number of shares held	Number of shareholders	Percentage of total shareholders	Number of ordinary shares	Percentage of issued share capital
1-500	131	8.28%	35,476	0.01%
501-1,000	145	9.16%	110,022	0.02%
1,001-2,000	189	11.94%	274,736	0.04%
2,001-5,000	286	18.07%	953,207	0.16%
5,001-10,000	183	11.56%	1,331,269	0.22%
10,001-100,000	352	22.24%	11,780,381	1.93%
100,001-1,000,000	193	12.19%	76,641,302	12.58%
1,000,001-999,999,999	104	6.56%	518,114,388	85.04%
Totals	**1,583**	**100.00%**	**609,240,781**	**100.00%**

Category of shareholder	Number of ordinary shares	Percentage of issued share capital
Institutional	531,200,844	87.19%
Retail	78,039,937	12.81%
Totals	**609,240,781**	**100.00%**

Statement of corporate governance

Compliance with Code provisions

The Board confirms that the company has complied with the provisions set out in the 2018 version of the Financial Reporting Council's UK Corporate Governance Code (the 'Code') throughout the year ended 31 December 2021.

Application of UK Corporate Governance Code Principles

	Code Principle	Section
A	**Board leadership and company purpose** A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board (page 78) Corporate governance framework (page 79)
B	The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Our business model (page 06) Statement of the chair: company purpose and vision (page 11) The Board (page 78)
C	The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Risk management (pages 64 to 68) The Board (page 78)
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	Stakeholder engagement and Board decision-making (pages 42 to 45)
E	The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Culture & People (pages 46 and 47) How we engage with our workforce page (page 42) Whistleblowing (page 70)
F	**Division of responsibilities** The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Corporate governance framework (page 79) Board of directors (pages 74 and 75)
G	The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small Group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.	Board composition (page 80) Corporate governance framework (page 79)
H	Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	The Board (page 78)
I	The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Training, information and support (page 81)
J	**Composition, succession and evaluation** Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination committee (pages 89 to 91)
K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Nomination committee (pages 89 to 91)
L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Board performance evaluation (pages 89 to 91)
M	**Audit, risk and internal control** The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit and risk committee (pages 83 to 88)
N	The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	Fair, balanced and understandable assessment (page 88)
O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Risk management (pages 64 to 68)
P	**Remuneration** Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Directors' remuneration report (pages 95, 101 to 112)
Q	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Remuneration committee (page 92) Directors' remuneration report (pages 95 to 113)
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Remuneration committee (page 92) Directors' remuneration report (pages 95 to 113)

Statement of corporate governance *continued*

Governance framework

The company operates through the main Board and a number of committees. The Board has established the audit and risk, nomination and remuneration committees and details of their main responsibilities and activities in 2021 are set out on pages 83 to 92. The Board has also established the disclosure committee with responsibility for matters relating to the control and disclosure of inside information.

Adrian Cox is the Chief Executive Officer and chairs the executive committee which acts under delegated authority from the Board. The executive committee usually meets on a monthly basis and is responsible for managing all activities of the operational Group. The governance framework of the main Board and its committees is shown in the diagram on page 77.

The roles of the chair and Chief Executive Officer's are separate, with each having clearly defined responsibilities as set out in the corporate governance framework diagram. They maintain a close working relationship to ensure the integrity of the Board's decision-making process and the successful delivery of the Group's strategy. The Board evaluates the membership of its individual Board committees on an annual basis and the Board committees are governed by terms of reference which detail the matters delegated to each committee and for which they have authority to make decisions. The terms of reference for the Board committees can be found at **www.beazley.com**.

The Board

Beazley plc's Board consists of executive and non-executive directors with responsibility for overseeing the company's activities. The Board is responsible for establishing the company's purpose, values and strategy, and satisfying itself that these and its culture are aligned. The Board is required to ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The matters reserved for the Board's consideration are set out below.

All directors must act with integrity, lead by example and promote the company's culture. Non-executive directors are required to allow sufficient time to meet their Board responsibilities and provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Matters reserved for the Board

The Board has a schedule of matters reserved for its decision. This includes, inter alia: strategic matters; statutory matters; matters intended to generate and preserve value over the longer term; acquisitions and disposals; approval of financial statements and dividends; appointments and terminations of directors, officers and auditors; and appointments of committees and setting of their terms of reference. The Board is responsible for: setting the company's values, strategy and purpose; oversight of the Group's long-term commercial and sustainable success; reviewing Group performance against budgets; generation of long-term shareholder value; approving material contracts; determining authority levels within which management is required to operate; overseeing the internal control framework; reviewing the Group's annual forecasts; and approving the Group's corporate business plans, including capital adequacy and the Own Risk and Solvency Assessment (ORSA). The Board is responsible for determining the nature and extent of the principal risks it is willing to take in pursuing its strategic objectives. To this end, the Board is responsible for the capital strategy, including the Group's Solvency II internal model. Furthermore, the Board is responsible for considering how stakeholder interests have been considered within decision-making processes and to perform their duties as outlined in Section 172 of the UK Companies Act 2006. Details of how the Board has put this into practice are outlined on pages 42 to 45.

Corporate governance framework

Company Secretary
Christine Oldridge

Key responsibilities
- Ensuring accurate, timely and clear information flows within the Board and its committees and between senior management and non-executive directors
- Advising the Board through the chair on all governance matters
- Responsible for: corporate governance, listing rules, and disclosure and transparency rules compliance; statutory compliance and reporting; corporate responsibility

Shareholders

Chair
David Roberts

Key responsibilities
- Effective and objective leadership and governance of the Board, developing the Group's overall strategy and objectives in alignment with the Group's culture
- Managing constructive dialogue between executive and non-executive directors, overseeing the effective contribution of non-executive directors and ensuring that the Board discharges its duties effectively
- Ensuring effective communication between shareholders, executive management, the Board and stakeholders

The Board

Key responsibilities

The key responsibilities of the Board are: leadership; strategy; long-term sustainable success; financial reporting and controls; risk management; culture and values; generating value for shareholders; communication with key stakeholders; upholding company corporate governance standards and policies; and contributing to wider society

Chair

David Roberts

Members

Rajesh Agrawal
Adrian Cox
Pierre-Olivier Desaulle
Nicola Hodson
Sally Lake
Christine LaSala
John Reizenstein
Robert Stuchbery
Catherine Woods

Chief Executive Officer
Adrian Cox

Key responsibilities
- Implementation and delivery of the strategy agreed by the Board and the day-to-day management of the business
- Maintaining dialogue with the chair on key strategic issues
- Leading shareholder engagement

Audit and risk committee

Chair

John Reizenstein

Members

Rajesh Agrawal
Pierre-Olivier Desaulle
Nicola Hodson
Robert Stuchbery
Catherine Woods

Key responsibilities
- Assisting the Board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the company's process for monitoring compliance with laws and regulations and Beazley Group policies
- Ensuring that an effective risk management process exists in the major regulated subsidiaries and that the Beazley Group has an effective framework and process for managing its risks

Nomination committee

Chair

David Roberts

Members

Christine LaSala
John Reizenstein
Catherine Woods

Key responsibilities
- Evaluating the Board of directors, ensuring an appropriate balance of skills, experience, independence, knowledge and diversity
- Considering and recommending Board and committee candidates and considering Board succession and ongoing director training needs
- Reviewing regulatory and corporate governance developments and making recommendations to the Board

Remuneration committee

Chair

Christine LaSala

Members

Nicola Hodson
Robert Stuchbery
Catherine Woods

Key responsibilities
- Ensuring remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population

Disclosure committee

Chair

Sally Lake

Members

Rob Anarfi
Adrian Cox
Christine Oldridge

Key responsibilities
- Overseeing the implementation of the governance and procedures associated with the assessment, control and disclosure of inside information in relation to the company

Executive committee

Chair

Adrian Cox

Members

Rob Anarfi
Troy Dehmann
Beth Diamond
James Eaton
Ian Fantozzi
Bethany Greenwood
Patrick Hartigan
Sally Lake
Lou Ann Layton
Richard Montminy
Bob Quane
Jerry Sullivan
Christian Tolle
Rachel Turk
Tim Turner
Pippa Vowles

Key responsibilities
- Managing all operational activities of the Group under the powers delegated by the Board
- Proposing strategic projects and Group/syndicate business plans to the Board
- Reviewing the risk management framework and oversight of the Group's sub-committees and business functions

The information above is accurate as at 9 February 2022.

Statement of corporate governance *continued*

Board composition

The Board is headed by the non-executive chair, David Roberts, who was independent on appointment. In addition, the Board consists of seven independent non-executive directors, of whom Christine LaSala is the senior independent non-executive director, and two executive directors, of whom Adrian Cox is Chief Executive Officer. The non-executive directors, who have been appointed for specified terms and are subject to annual election or re-election by the shareholders, are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

As senior independent director Christine LaSala will, if required, deputise for the chair. Her role is to act as a sounding Board for the chair and as an intermediary for other directors. She is available to talk to shareholders if they have any issues or concerns or if there are any unresolved matters that shareholders believe should be brought to her attention. Pierre-Olivier Desaulle was appointed as a non-executive director to the Board with effect from 1 January 2021 and Raj Agrawal was appointed a non-executive director to the Board and audit and risk committee with effect from 1 August 2021. On 14 April 2021, the Board appointed Bob Stuchbery to the remuneration committee and Pierre-Olivier Desaulle to the audit and risk committee. Christine LaSala stepped down from the audit and risk committee on the same day.

Board information

The Group company secretary, Christine Oldridge, ensures that Board members receive timely and accurate financial and operational information to enable them to discharge their duties appropriately. Board papers are circulated digitally, usually one week in advance of Board meetings. Directors also have access to independent professional advice at the company's expense, if they consider this appropriate. No director obtained such advice during the 2021 financial year.

In accordance with the Code, the Board has recommended that all directors should submit themselves for election or re-election on an annual basis and as such all directors will stand for election or re-election at the forthcoming AGM.

Biographies of current Board members appear in the Board of directors section on pages 74 to 75. The biographies indicate the high level and wide range of business experience that are essential to manage a business of this size and complexity. An established operational and management structure is in place and the roles and responsibilities of senior executives and key members of staff are clearly defined.

Board meeting attendance

The full Board meets at least seven times each year and more frequently where business needs require. In 2021, there were seven regular Board meetings which included meetings to consider the interim trading statements. During the year, there were also ad hoc meetings to consider senior management changes and the business plan and a number of joint meetings held of the Boards of Beazley plc and other regulated Group entities to consider various policy and ESG matters of relevance to each entity. All the directors also attend an annual strategy day. All committees also had additional ad hoc meetings as required to discuss specific matters. The chair holds meetings with the non-executive directors without the executive directors being present.

In addition to its regularly scheduled meetings, the Board met on an additional 12 occasions throughout the year with nearly full attendance. In total, there were 19 Board meetings throughout 2021. Attendance at the regular Board and committee meetings is set out in the table below:

Board meeting attendance table

	Board		Audit and risk committee		Remuneration committee		Nomination committee	
Director	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended
Rajesh K Agrawal	3	3	3	3	–	–	–	–
Adrian P Cox	7	7	–	–	–	–	–	–
Pierre-Olivier Desaulle[1]	7	7	6	6	–	–	–	–
Nicola Hodson[2]	7	7	8	8	5	4	–	–
D Andrew Horton	1	1	–	–	–	–	–	–
Sally M Lake	7	7	–	–	–	–	–	–
Christine LaSala[3]	7	7	2	2	5	5	4	4
Sir J Andrew Likierman	1	1	–	–	2	2	1	1
A John Reizenstein[4]	7	6	8	8	–	–	4	4
David L Roberts	7	7	–	–	–	–	4	4
John P Sauerland	1	1	–	–	2	2	–	–
Robert A Stuchbery[5]	7	7	8	8	3	3	–	–
Catherine M Woods	7	7	8	8	5	5	4	4

1 Pierre-Olivier Desaulle was appointed to the audit and risk committee on 14 April 2021.

2 Nicola Hodson was unable to attend the January remuneration committee due to a long-standing scheduling clash.

3 Christine LaSala stepped down from the audit and risk committee on 14 April 2021.

4 John Reizensten was unable to attend the May Board meeting due to a long-standing scheduling clash.

5 Bob Stuchbery was appointed to the remuneration committee on 14 April 2021.

Where a director joined or stood down from the Board or Board committee during the year only the number of meetings following appointment or before standing down are shown.

Board discussions during the year

At each scheduled meeting the Board receives reports from the Chief Executive Officer and Group Finance Director on the performance and results of the Group and also receives reports from the Chief Underwriting Officer and the Chief Risk Officer and the chairs of Board committees. In addition, the Board receives updates on operational matters, major projects and corporate governance.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters.

During the year, the Board has spent time particularly on:

- reviewing and launching a revised strategy and vision;
- changes to senior management, and in particular appointment to the roles of Chief Executive Officer, Chief Underwriting Officer, Chief Risk Officer and Chief Operating Officer;
- discussions on the capital position/allocation and the dividend policy;
- approval of the 2022 business plan, including plans for optimising growth opportunities;
- planning for the launch of Beazley Digital;
- launching a Responsible Business Strategy, to include management of climate impacts and the launch of the first ESG syndicate at Lloyd's;
- talent development and succession planning;
- engagement with the workforce and other key stakeholders;
- discussing ongoing investment in operational infrastructure;
- review of the risk management framework, including risk appetite and risk governance;
- review of the Own Risk and Solvency Assessment (ORSA);
- the evolution of cyber risk management services; and
- continuing to monitor the impact of COVID-19 on the business.

Training, information and support

New directors receive appropriate induction training when they join the Board of Beazley plc. They are asked to complete a skills and knowledge assessment and a tailored initial training plan is developed to ensure the director is capable and comfortable in discharging their duties. Where appropriate, mentoring is provided to new directors by an external provider. Annual training is provided for all directors. The training sessions include business and industry specific topics and information on changes to director duties and responsibilities and to legal, accounting, information security and tax matters. Standard training modules are regularly reviewed to ensure they meet best practice and the changing business environment. Bespoke training will also be provided if requested by any director.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. Directors have access to an electronic information repository to support their activities. During 2021, the Board continued to support the maintenance and development of Beazley's information security programme to address changing and emerging cyber security threats. In 2021, director training included: climate change risk, IFRS 17, internal capital model governance and capital modelling, operational resilience and impact tolerance. The terms and conditions of appointment for all the non-executive directors set out the expected time commitment and they agree that they have sufficient time to provide what is expected of them.

During the year, there has been focus on improving the quality of Board reporting to promote better discussions and further assist decision-making.

There is an agreed principle that directors may take independent professional advice if necessary at the company's expense, assuming that the expense is reasonable. This is in addition to the access which every director has to the company secretary. The company secretary supports the chair to ensure that the Board has the necessary policies, processes, information, time and the resources to function effectively and efficiently.

Board performance evaluation

Under the UK Corporate Governance Code, the Board is required to undertake annually a formal and rigorous evaluation of its own performance and that of its committees and individual directors. This evaluation should be externally facilitated every three years. The Board and its committees consider their effectiveness regularly and the findings from the 2020 internal review were progressed throughout the year and included: enhanced training and Board discussion on climate change (and more broadly on ESG); exploring the key drivers of share price performance; and continuous improvement of Board papers.

In 2021, the assessment was externally facilitated by Clare Chalmers Limited. The Board has considered the findings of the evaluation and, overall, the review concluded that the Board has a strong and impressive composition bringing together a blend of insurance and other specialisms, the environment in the boardroom encourages appropriate challenge and debate and the Board and its committees are well run. In response to the main recommendations of the evaluation report, the Board has agreed that the following will be key areas of focus in 2022:

- ensuring non-executive directors continue to provide a creative contribution to Board discussions through their own insights and stepping back from some of the detail in areas where management can demonstrate robust assurance;
- sharpening the Board's strategic focus by giving more attention to a five to ten year time horizon;
- exploring ways to enhance workforce engagement. Details of the proposed enhancements are included in the Q&A with Bob Stuchbery on page 45;
- considering the sequencing of meetings to streamline agendas and achieve efficiency between the Board and committees, and key subsidiary Boards, by assigning responsibilities for oversight of different topics;
- continuing to improve Board reporting. Externally facilitated training is being rolled out to all report writers, feedback will be collated across several meeting cycles; and
- continuing to lead the Group on ESG matters and ensuring there is sufficient reporting to the subsidiary Boards to enable them to fulfil their regulatory responsibilities.

Statement of corporate governance *continued*

Inclusion and diversity

At Beazley, we firmly believe that having an inclusive and diverse workplace will support us in our ambitions to outperform the markets in our chosen areas of business. The nomination committee continually reviews our approach to diversity and our aim is to promote diversity in the hiring of new employees and in creating opportunities for individuals to progress their career within Beazley. Further details are included in the report from the nomination committee on pages 89 to 91 and in the responsible business report on pages 30 to 34.

Audit and internal control

Ernst & Young LLP were first appointed as the external auditor for the 2019 accounting year. The respective responsibilities of the directors and the auditors in connection with the accounts are explained in the statement of directors' responsibilities on page 114 and the independent auditor's report on pages 120 to 129.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, not absolute, assurance against material misstatement or loss. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives within the risk appetite set by the Board. The Board confirms that it is comfortable with the effectiveness of the Group's risk management and internal controls (including financial, operational and compliance controls), which have been in place throughout 2021 and continue to operate up to the date of approval of the annual report and accounts.

The Board agreed the overall risk appetite for the Group. Throughout the year, the Board has monitored performance against risk appetite in accordance with the risk management framework, which is itself reviewed and approved by the Board annually. Key components of the risk management framework include ongoing assessment and validation of controls, and taking steps to ensure that controls remain effective.

Ongoing oversight of risk is undertaken via the executive risk and regulatory committee, which meets each month and considers risk KPIs and reviews of specific risk areas. There is ongoing reporting of risk matters to the audit and risk committee and Board, via the risk management team. Risk management also provide the Board with specific assessments of risk to support key decision-making.

During 2021, the audit and risk committee and Board have reviewed and provided comment on the Own Risk and Solvency Assessment (ORSA) reports. The ORSA provides a detailed assessment of the short and long term risks faced by the company to ensure that solvency needs can be met. The ORSA policy is reviewed and approved annually by the Board.

The audit and risk committee receives regular reports on the findings of reviews undertaken by internal audit. The committee also considers any significant findings raised by the external auditors during their reviews of the annual and interim results. Members of the audit and risk committee can also discuss relevant matters with the internal and external auditors without members of management being present.

Further information on the role of the audit and risk committee is set out on pages 83 to 84 and further information on risk management at Beazley is set out in the risk management report on pages 64 to 68.

Shareholder engagement

The company places great importance on communication with shareholders. Further information is contained in the investor relations report on page 76. Useful shareholder information is also available in the investor relations section of the company's website **www.beazley.com**.

The company has the authority within its articles of association to communicate with its shareholders using electronic and website communication and to allow for electronic proxy voting.

Audit and risk committee

The emergence of economies from COVID-19 restrictions and climate change responsibilities have been key agenda items in 2021.

John Reizenstein
Non-Executive Director

The Board has delegated oversight of audit and risk matters to the audit and risk committee, which currently comprises John Reizenstein (chair), Rajesh Agrawal, Pierre-Olivier Desaulle, Nicola Hodson, Robert Stuchbery and Catherine Woods.

The overall role of the committee has not changed during the year. The role is to support the Board of directors in overseeing accurate financial reporting, and in ensuring a robust system of internal control in an ever-changing environment, an effective audit process and compliance with laws and regulations and internal policies and procedures. During 2021, the committee's role has been brought into sharper focus as it has considered matters relating to returning the Group to strong financial performance, notwithstanding the ongoing impact of COVID-19, evolving sustainability and climate change responsibilities, the company's response to the consultation by the UK's Department for Business, Energy and Industrial Strategy (BEIS) on reforms to audit and corporate governance and preparing for the implementation of IFRS 9 and IFRS 17 and the US Model Audit Rule.

During the year, Pierre-Olivier Desaulle and Raj Agrawal were appointed to the committee and Christine LaSala stood down. Raj's appointment has strengthened the committee's 'recent and relevant financial experience', as required by the UK Corporate Governance Code. All committee member's are independent non-executive directors and details of each member's relevant experience are given in their biographies on pages 74 and 75.

Membership and attendance – audit and risk committee

	Appointment	Attendance at full meetings during 2021
John Reizenstein	10 April 2019	8/8
Rajesh Agrawal	1 August 2021	3/3
Pierre-Olivier Desaulle	14 April 2021	6/6
Nicola Hodson	10 April 2019	8/8
Christine LaSala*	1 July 2016	2/2
Robert Stuchbery	11 August 2016	8/8
Catherine Woods	11 March 2016	8/8

* Stepped down from the committee on 14 April 2021

The committee receives regular updates from the audit and risk committees of the Group's regulated subsidiaries and we also now hold annually, in November, a joint meeting of the audit and risk committees of Beazley plc and other regulated Group entities to consider policies and other matters relevant across entities.

Only members of the committee have the right to attend meetings; however standing invitations are extended to the Group chair, the senior independent director, the Chief Executive Officer, the Group Finance Director, the Chief Risk Officer, and the Head of Internal Audit. Other non-members may be invited to attend all or part of any meeting as and when appropriate. The company secretary acts as secretary to the committee. During the year, the committee was engaged in Rob Anarfi's appointment as Chief Risk Officer. The committee is delighted that Rob has taken on the broader role of overseeing the risk and compliance function.

The audit and risk committee is required to meet at least quarterly, with meetings scheduled at appropriate intervals in the reporting and audit cycle. Additional meetings are held as required. In 2021, there were a total of eight scheduled meetings in addition to the joint entities meeting and a number of other ad hoc meetings.

The internal and external auditors attend committee meetings and regularly meet in private with the committee to discuss matters relating to its remit and issues arising from their work. The committee also meets in private with the Group actuary. In addition, the chair of the audit and risk committee has regular contact with the external and internal auditors throughout the year and members of the committee meet individually with regulators when required.

Audit and risk committee *continued*

Responsibilities of the committee

The committee's main responsibilities are unchanged from the prior year and are set out below:

Audit and financial reporting

a) Financial and narrative reporting

- monitor the integrity of the Group's financial statements and narrative reports any other formal announcements relating to the Group's financial performance;
- review the annual report before submission to, and approval by, the Board, and before clearance by the external auditors. This covers critical accounting policies, significant financial reporting judgements, the going concern assumption and viability statement, compliance with accounting standards and other requirements under applicable law and regulations and governance codes applicable to the financial statements and narrative reports, including the responsible business, TCFD and stakeholder engagement reports;
- advise the Board on whether, taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; and
- review the solvency and financial condition report and regular supervisory report as required.

b) Internal audit

- recommend the appointment or termination of appointment of the head of internal audit;
- monitor and review the effectiveness of the Group's internal audit function;
- receive a report on the results of the internal auditor's work, review internal audit reports and make recommendations to the Board on a periodic basis;
- review and monitor management's responsiveness to the internal auditor's findings and consider outstanding points from previous audits; and
- review and approve the internal audit plan and charter and ensure the function has the necessary resources and access to information.

c) External audit

- recommend to the Board, to be put to the shareholders for approval, the appointment, reappointment and removal of the external auditors;
- oversee the relationship with the external auditor including planning, reviewing findings and assessing the overall independence, objectivity and effectiveness of the audit process;
- approve the auditor's remuneration for audit, assurance and non-audit services;
- oversee the policy on the engagement of the external auditor to supply non-audit services;
- review and approve the annual audit plan to ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- approve the external auditor's terms of engagement;
- review the performance and effectiveness of the external auditor; and
- review the findings of the audit with the external auditor.

d) Actuaries

- recommend to the Board the appointment and termination of any firm of consulting actuaries used for the provision of syndicate actuarial opinions (SAO) and/or review of insurance reserving (including recommendation to the Board of their terms of reference); and
- monitor performance, determine independence and approve fees.

Risk management and compliance

a) Internal control and risk management systems

- review the company's internal financial controls and the company's internal control and risk management systems;
- advise the Board on the company's risk management framework, which includes the risk management objectives, risk appetite, risk culture and assignment of risk management responsibilities;
- review risk reports and management information to enable a clear understanding of the key risks and controls in the business;
- review any breaches of risk appetite and the adequacy of proposed action;
- review the identification of future risks, including considering emerging trends and future risk strategy; and
- review the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its role effectively.

b) Compliance

- review the arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas;
- review procedures and systems relating to fraud detection and prevention of bribery and money laundering; and
- review the regular reports from the Group head of compliance and keep under review the adequacy and effectiveness of the Group's compliance function.

Full details of the terms of reference of the committee are available at **www.beazley.com**.

Principal activities

The principal activities undertaken by the committee in discharging its responsibilities in 2021 are described below:

a) Significant financial statement reporting issues

The significant financial statement reporting issues, along with the significant matters and accounting judgements that the committee considered during the year under review, are set out as follows:

i) Valuation of insurance liabilities

As further explained in note 1 to the financial statements, the Group's policy is to hold sufficient provisions, including those to cover claims which have been incurred but not reported (IBNR) to meet all liabilities as they fall due. The reserving for these claims represents the most critical estimate in the Group's financial statements. In 2020, we observed the impact of COVID-19 on the world economy, lockdowns across the world, and the knock-on impact particularly on our contingency business due to event cancellations. Through 2021, we have gained more certainty around COVID-19 related claim costs as many claims were settled. We note the ongoing uncertainty around the global economy and the potential that higher inflation and insolvency in certain corporate sectors will result in increased volatility as well as greater estimation challenges in respect of insurance claims.

Beazley's reserves are also exposed to 'social inflation' where average court settlements may be higher than anticipated. The key areas of exposure are within our healthcare and employment practices lines of businesses where claims can take many years to finalise. As courts re-open around the world, there is uncertainty around the level of social inflation, and whether this could accelerate remains uncertain.

We have also seen a rise in cyber and liability claims in recent years particularly in respect of ransomware. Whilst we have seen improvement in the adverse ransomware trends during 2021 following re-underwriting action taken, this remains an area of uncertainty.

The audit and risk committee receives regular reports from both the internal Group actuary and the external audit team (including the SAO), as the output of independent projections are reviewed at key reporting quarters. In the latter part of the year, the Group actuary has reported on the results of the third-quarter reserving process, which the committee considers to be a key control as this process provides a level of informed independent challenge for the reserve position. To support the year-end view, the committee has received a detailed paper in support of the level of margin held within technical reserves in the Group's statement of financial position. Management confirmed that they remain satisfied that the outstanding claims reserves included in the financial statements provide an appropriate margin over projected ultimate claims costs to allow for the risks and uncertainties within the portfolio, and the committee was satisfied that there were no errors or inconsistencies that were material in the context of the financial statements as a whole.

As in prior years, the committee also considers the report of the external auditor following its re-projection of reserves using its own methodologies. On the basis of the work the auditor undertook, it reported no material misstatements in respect of the level of reserves held by the Group at the balance sheet date.

On the basis of the information provided by the Group actuary throughout the year and at the year end and the consistent application of Beazley's reserving philosophy, the committee was satisfied that the reserves held on the Group statement of financial position at 31 December 2021 were appropriate.

ii) Financial close process

The audit and risk committee continues to focus on the Group's close and estimation processes generally, and the related controls carried out by the business and specifically the finance team. The close process is particularly important in the current environment where insurers are being required to adhere to increasingly tight regulatory reporting timelines, and the audit and risk committee remains committed to ensuring that the robust nature of our control environment is not compromised during this period of change.

During the year and at year end, the committee received updates from management on the level of estimations used in the close process and the controls carried out to review these estimates retrospectively. The main areas of estimation and judgement remain materially consistent with prior years, with IBNR representing the most crucial estimate within the Group's financial statements. The committee also reviews the process and controls related to actuarial and underwriting estimates of written premium. The committee continued to receive periodic reporting from both the finance and actuarial functions on our estimation process, and the related controls, in respect of claims reserves, premium income estimates and other key financial statement captions.

Based on reporting received and reviewed during the last 12 months, the audit and risk committee remains satisfied that the estimation and control processes deployed by the Group are appropriate.

iii) Valuation of financial assets at fair value

The Board is responsible for setting the Group's investment strategy, defining the risk appetite and overseeing the internal and outsourced providers via the chief investment officer. As the Group's business model is predominantly to issue insurance contracts, the Group has taken the option to defer the effective date of IFRS 9 implementation until January 2023, as per the amendment to IFRS 4. As such the Group continues to report its financial assets at fair value.

The committee notes that the overall investment strategy is broadly unchanged from prior periods. The committee receives updates from the Group Finance Director and/or the chief investment officer and it has reviewed reports that confirm that the investment portfolio is in line with the 2021 Board-approved risk appetite, that carrying values of the portfolio as at 31 December 2021 are appropriate and that the valuation methodologies applied to each hierarchy level are consistent with the accounting policies. Committee members are invited to and periodically attend the investment committee.

No misstatements that were material in the context of the financial statements as a whole were identified and the committee was satisfied with the approach employed by management in valuing the financial assets at fair value on the balance sheet at 31 December 2021.

iv) Recoverability of insurance receivables

Following a review of the Group's year-end debtor position, the committee is comfortable that the level of insurance receivables on the Group's balance sheet are appropriate and do not require any new provisions.

Audit and risk committee *continued*

v) Recoverability of reinsurance assets
The committee reviewed the credit quality of insurance assets and received confirmation from management that over 90% of Beazley's reinsurance receivables are due from institutions rated A+ or higher. During the year, the committee has not been advised of any exposure to material financial loss driven by poor credit quality of the reinsurer and is comfortable that the monitoring processes management have described are robust and operating effectively.

The committee considered the work performed by the management on appropriateness of provisions for bad debts and can confirm its acceptance of the work completed.

vi) Dividends, going concern and viability
During key reporting periods, management set out for the committee evidence for the basis of preparation adopted in the financial statements and any statements around the future viability of the Group.

The committee reviewed detailed projections of future cash flows, profit forecasts and capital requirements under various scenarios, including scenarios stressed in terms of claims frequency and liquidity.

We also considered the appropriateness of management's viability statement and the period over which this analysis is performed. The committee was satisfied by the level of analysis presented during the year and the related approach taken and statements made in the Group's key external reporting.

During the year the audit committee also reviewed the appropriateness of reinstating the dividend. It was decided that the dividend would be reassessed at the year end when the full year result was available. In February 2022, the audit committee considered the full year result and recommended to the Board the declaration of a 12.9p interim dividend.

vii) ESG reporting
During the year, the committee has considered the quality of ESG reporting as contained in the Responsible Business and TCFD reports. This will be an area of ongoing focus for the committee as reporting standards develop and as Beazley's Responsible Business Strategy is further embedded.

viii) Tax
The committee continues to monitor the evolving tax environment and in particular considered management's approach to base erosion anti-avoidance tax provisions (the 'BEAT') in the US. The committee is of the view that the approach taken by management, as outlined in note 9 to the financial statements, is reasonable.

ix) Intangible asset valuation
The audit and risk committee received information to enable it to review management's valuation of intangible assets. The committee was satisfied with management's approach in respect of the carrying value of all of the Group's intangible assets and there was no impairment of the Group's intangible assets as at 31 December 2021.

x) Solvency II reporting
The committee reviewed and approved the Group's 2020 solvency and financial condition report and regular supervisory report as well as approving the Solvency II policy documentation for the Group.

b) Risk management and compliance
To assist the Board, the committee, supported by the risk committees of the subsidiary Boards, receives and reviews reports from the risk management function focusing on the following areas:

- **risk appetite:** the committee has monitored the actual risk profile against risk appetite throughout 2021 and can confirm that Beazley plc has been operating within risk appetite as at 31 December 2021. The committee has also reviewed the proposed 2022 risk appetite;
- **risk assessment:** the committee has performed a review of the Group's risk profile to assess its coverage of the universe of risk and ensure that major underlying risks are visible and are being monitored;
- **risk profiles:** the committee has reviewed a number of risk profiles, which are focused risk assessments of specific topics. In 2021, the committee considered assessments of concentration risk related to third-party providers, reputational risk and employee health and safety risk, particularly in relation to the reopening of offices;
- **emerging risk:** the committee has specifically considered areas of emerging risk via separate reports and through the Own Risk and Solvency Assessment (ORSA);
- **oversight of the control environment:** the committee has received regular risk management reports which provides commentary on the status of the control environment. These include entries from the risk incidents log. This is supplemented by an annual Chief Risk Officer opinion on the performance of the enterprise risk management framework;
- **reverse stress testing:** the committee has received the results of the reverse stress testing exercise, which explores what would have to happen for the Group to be unviable and has been able to provide assurance to the Board that this work has been performed with the appropriate level of depth and expertise;
- **heightened risk:** the committee considers the heightened risk register half-yearly. A risk is considered heightened if the likelihood or the impact of occurrence is higher than usual;

- **oversight of the internal model:** the committee and the risk committees of the subsidiary Boards have reviewed regular reports associated with the internal model. These have included a standing report on internal model output, and a validation report featuring both internal and independent validation and themed reviews - for example, on the approach used to aggregate risk in individual entities which consolidate up to the Group level. These assessments have supported the Boards' use of the internal model;
- **ORSA:** the committee has received ORSA reports and has reviewed them before recommending them to the Board;
- **risk function:** the committee has overseen the transition of Chief Risk Officer and planning of new hiring into the risk function; and
- **capital**: the committee has approved the Group solvency capital requirement (SCR).

c) Internal audit

The Group's internal audit function reports directly, and is accountable to, the committee and the head of internal audit has direct access to the committee chair. The committee has reviewed the effectiveness of the function and remains satisfied that the internal audit function had sufficient resources during the year to undertake its duties.

During 2021, the committee:

- considered the results of all internal audit reports, and the findings and themes emerging from them;
- monitored the implementation of the 2021 internal audit plan;
- reviewed and approved the basis for internal audit planning. This included reviewing and approving the Group's risk-based audit universe and the internal audit plan, and reviewing other business developments which could also potentially be the subject of internal audit work in the coming year. It also included challenging the frequency of audits in certain areas of the business and the balance between thematic reviews and full end-to-end audits;
- reviewed and approved the internal audit charter;
- reviewed and approved the internal audit budget for 2022; and
- monitored the timely implementation of agreed management actions and reviewed the status of the same.

Overall the internal audit function was able to report that in the context of the agreed audit universe and plans the design and operation of our risk management framework, controls and processes have supported the Group in operating within its risk appetite.

d) Compliance

The Chief Risk Officer, who is also the Group head of compliance, has direct access to the committee members and attends all committee meetings.

To assist the Board, the committee receives reports and updates from the compliance function on various issues including, but not limited to, regulatory developments, routine and non-routine interactions with the Group's regulators and any significant instances of non- compliance with regulatory or internal compliance requirements.

During 2021, the committee:

- reviewed and approved the annual compliance plan, including the compliance monitoring programme;
- monitored the implementation of the 2021 compliance plan;
- oversaw the change in role of the head of compliance to also cover risk, and associated changes in the compliance function;
- reviewed changes in the regulatory environment applicable to Beazley;
- received updates on relationships with key Group regulators, and oversight of regulatory requests;
- provided oversight of responses to regulators in relation to corporate developments;
- reviewed updates from the money laundering reporting officer on the adequacy and effectiveness of the company's anti-money laundering systems and controls;
- provided oversight of the progress of the business in addressing identified enhancements to compliance requirements;
- approved the Group policies and controls in respect of anti-bribery and corruption and anti-fraud;
- received updates on the structure and effectiveness of the company's compliance function;
- received updates on the framework, training and policy put in place regarding whistleblowing and approved the implementation of the whistleblowing hotline;
- received observations on risk culture as part of the various risk reports presented; and
- received updates on the structure and effectiveness of the company's risk management function.

In reviewing the effectiveness of the function the audit and risk committee remained satisfied that the compliance function had sufficient resources during the year to undertake its duties.

In addition, the risk committees and/or Boards of the Group's regulated subsidiaries receive more locally-focused compliance reports which are specific to those entities.

e) External audit

i) Assessing the effectiveness of the external auditor

The committee places great emphasis on ensuring there are high standards of quality and effectiveness in the external audit process. Following a comprehensive tender process in 2019, Ernst & Young LLP ('EY') were appointed as the Group's auditor in accordance with current regulation, which requires an audit tender process to be conducted every ten years. Audit quality is assessed throughout the year, with a focus on strong audit governance and the quality of the team, including the provision of technical and industry knowledge.

Audit and risk committee *continued*

The effectiveness of the audit is assessed through discussion by the committee throughout the year, and included the following activities:

- reviewing the quality and scope of the audit planning and its responsiveness to changes in the business and identified risk;
- monitoring of the auditor's independence;
- an assessment and review of the audit team, where feedback from various stakeholders was conducted through survey and discussions; and
- considering the level of insight and challenge provided by the audit findings, evidenced in discussions and reporting.

A stakeholder survey was conducted on the effectiveness of the external auditor, which the committee discussed. Feedback on the stakeholder survey and discussion on the effectiveness of the external auditor was fed back to the audit partner. Overall, the feedback on the external audit process was favourable, but highlighted areas in which management and EY could work together to improve the process. These considerations are taken into account by the committee when determining whether to reappoint the external auditor.

ii) Non-audit services

The audit and risk committee's responsibility to monitor and review the objectivity and independence of the external auditor is supported by a policy that we have developed in relation to the provision of non-audit services by the auditor.

During 2021, our non-audit services policy was reviewed by the committee. The objective is to ensure that the provision of such services does not impair the external auditor's objectivity. The policy specifically disallows certain activities from being provided by the auditor, such as bookkeeping and accounting services, internal actuarial services and executive remuneration services. The policy requires consideration and pre-approval for all other material services. Permissible non-audit services are all closely related to the audit and/or required by law or regulation.

The committee reviews the terms of such proposed appointments to ensure they have been robustly justified. The committee receives a report from the external auditors three times a year setting out all non-audit services undertaken, so that it can monitor the types of services being provided, and the fees incurred for that work.

In the year, fees for audit and audit related services were \$3.8m (2020: \$3.4m). Fees for non-audit and assurance services for 2021 were \$0.6m (2020: \$0.5m) and included work related to the accounts and regulatory reporting of the syndicates managed by Beazley, which would commonly be carried out by the external auditor. None of the non-audit services provided are considered by the audit and risk committee to affect the auditor's independence or objectivity.

f) Other updates

During 2021, in addition to the financial reporting matters mentioned above, the following items were key topics of discussion for the committee:

- oversight of the reporting and control processes and procedures relating to Solvency II reporting requirements;
- preparedness for forthcoming key accounting and regulatory changes, including IFRS 17 and changes which may occur depending on the outcome of the BEIS consultation on reforms to audit and corporate governance;
- monitoring of key reporting and regulatory updates, including updates on accounting standards, changes in tax legislation and changes in regulatory requirements;
- consideration of an appropriate level of investment risk for the Group;
- a review of the whistleblowing policy and consideration of a whistleblowing hotline;
- compliance, financial crime and assurance reporting including risk incident information;
- quarterly reserving and actuarial data;
- the consideration of strategic, emerging and heightened risks identified by management and the Group's risk management team, alongside the processes and controls in place to mitigate these risks; and
- oversight of actions arising from the 2020 committee effectiveness review and consideration of findings and approval of actions from the 2021 review.

Fair, balanced and understandable assessment

It is a key requirement of the Group's financial statements to be fair, balanced and understandable. The annual report is prepared following a well-documented internal process that is performed in parallel with the process undertaken by the external auditor. The committee has reviewed management's assessment as a part of the formal annual report governance process. Following its review, the committee is satisfied that the annual report is fair, balanced and understandable, and provides the information necessary for shareholders and other stakeholders to assess the company's position and performance, business model and strategy, and has advised the Board accordingly.

Competition and Markets Authority Order 2014 statement of compliance

The committee confirms that during 2021 the Group complied with the mandatory audit processes and audit committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014 as presented in this report.

Nomination committee

"We commit to recruit, retain and develop people with diverse backgrounds and experiences to thrive at all levels of our business, in a truly inclusive environment."

David Roberts
Chair

The nomination committee is chaired by David Roberts, and currently also comprises Christine LaSala, John Reizenstein and Catherine Woods.

The nomination committee meets at least twice annually and at such other times during the year as are necessary to discharge its duties. In 2021, there were four scheduled meetings and an additional four ad hoc meetings, reflecting the workload of the committee during the year. Only members of the committee have the right to attend meetings; however, other individuals, such as the Chief Executive Officer and external advisers, may be invited to attend for all or part of any meeting.

The specific responsibilities and duties of the committee are set out in its terms of reference. The committee has responsibility to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring that the organisation can compete effectively in the marketplace. The terms of reference are available to download from the company's website.

Membership and attendance – nomination committee

	Appointment	Attendance at full meetings during 2021
David Roberts	22 March 2018	4/4
Christine LaSala	21 March 2019	4/4
John Reizenstein	25 September 2020	4/4
Catherine Woods	1 October 2018	4/4
Sir Andrew Likierman*	25 March 2015	1/1

*Resigned on 26 March 2021.

Responsibilities of the committee

The committee's main responsibilities are to, inter alia:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required by the Board compared to its current and projected position;
- give full consideration to succession planning for executive and non-executive directors and in particular for the key roles of chair and Chief Executive Officer, senior executives and any other member of the senior management that it is relevant to consider, whilst ensuring a diverse pipeline of talent;
- ensure the directors have the required skills and competencies and receive an appropriate induction programme;
- review annually the time required from non-executive directors;
- review the results of the Board performance evaluation process that relate to the composition and skills and competencies of the Board and ensure an appropriate response to development needs;
- recommend to the Board appointments to the role of senior independent director and chair as well as membership of Board committees;
- regularly review legislative, regulatory and corporate governance developments and make recommendations to the Board as necessary; and
- recommend, if appropriate, all directors for election or re-election by shareholders under the annual re-election provisions of the UK Corporate Governance Code, having due regard to their performance and their ability to continue to contribute to the overall long-term success of the Board.

Nomination committee *continued*

Inclusion & diversity

Beazley's diversity policy is unchanged. The Board has also adopted its own inclusion and diversity policy which is aligned to that of the Group. We commit to recruit, retain and develop people with diverse backgrounds and experiences to thrive at all levels of our business, in a truly inclusive environment that has zero tolerance for discrimination or harassment and fully supports and celebrates differences. These differences could include but are not limited to age, disability, gender, gender reassignment, marital status, pregnancy and maternity, race, nationality or ethnic origin, religion or religious beliefs, sexuality, socio-economic group or working pattern.

Beyond the Board and senior management, we want our workforce to reflect the diversity of our customers and the communities where we work around the world; however we know that simply aspiring to have a diverse workforce is not enough. We continue to set measurable targets at an organisational level and clear objectives at an individual level as we work to become a truly diverse and inclusive organisation where everyone is able to contribute their best work and develop fully.

Beazley will continue to:

- implement our inclusion and diversity commitments at the most senior levels of our organisation;
- work to embed inclusion and diversity throughout the organisation, ensuring all employees have the tools, training and understanding to be able to fully comply with this policy;
- ensure all employees are able to work with dignity and respect free from harassment, bullying or victimisation;
- support our employee-led resource groups, encouraging them to continue to raise awareness and contribute to our strategy and policy changes;
- nurture, support, mentor and encourage individuals from diverse backgrounds across all areas of the business and encourage them to grow into senior positions within our organisation;
- regularly review our employment policies and practices. We expect our people to respect and embrace them and work with us to further enhance our commitments;
- ensure all employees receive equality of opportunity in recruitment, training, development, promotion and remuneration; and
- recognise that individuals will need bespoke support where an overarching policy may not exist. In this case, we commit to working with the individual, applying our flexible working practices and supporting them to find a suitable solution.

The committee has agreed goals for gender diversity for both the Board and the broader organisation. The representation of females on the Board currently stands at four or 40%, exceeding the target set of having 33% female Board members at Group level by 2021. The Board diversity policy seeks to align the Board's diversity targets with those of the broader organisation.

We have set a target to have women make up at least 45% of our senior leadership team by 2023. Our ultimate aim is a 50:50 gender split. During 2020 a significant piece of work was undertaken to ensure we had data in place relating to the ethnicity and racial background of our employees where permissible. This was the first time we had been able to review and analyse such data with a view to determining an appropriate target.

Aligned with our gender target timeframe, we have committed to increasing the representation of people of colour at Beazley to at least 25% by the end of 2023. By the end of 2021 our people of colour population was 23%, an increase from 19% at the start of the year. The committee will continue to review broader targets for the Group's race and ethnicity strategy to ensure that these remain progressive.

Succession planning

Throughout 2021, the committee carried out its key responsibility of ensuring that plans were in place for an orderly succession to the Board, subsidiary Boards and wider senior management positions, ensuring the continued strong executive talent pipeline within the Group. During 2021, the committee considered and recommended the appointment of Adrian Cox as Chief Executive Officer in April and Raj Agrawal as a non-executive director in August, after due consideration of the critical skills and experience needed for each of these roles.

As part of the company's robust succession planning process, the committee considers the key criteria for the executive role profiles. When seeking to find a successor for the Chief Executive Officer role, the committee reassessed the requisite skills and competencies the future Chief Executive Officer should possess to drive the ongoing development of the business. Whilst there was consideration given to an external hire, there was a strong preference to promote from within the organisation. The appointment of the Chief Executive Officer was subject to assessment against the requisite criteria, interview and Board presentation, and external views were also obtained. The recommendation to appoint Adrian Cox received unanimous approval from both the nomination committee and the Board.

During the year, the committee has also been involved in the recommendations and decisions pertaining to the senior management appointments of Rob Anarfi as Chief Risk Officer, Troy Dehmann as Chief Operating Officer and Bob Quane as Chief Underwriting Officer, and other appointments to our key regulated subsidiaries.

The Board and committee believe that a regular refresh of membership is beneficial to a progressive, strong, diverse, responsible and balanced leadership and therefore the committee regularly considered updates to the structure, size and composition of the Board and its committees. The latest member of the nomination committee was appointed in 2020 and the longest serving member of the committee has been in place for three years.

Board evaluation

The 2020 Board effectiveness review resulted in an agreed action plan and this has been progressed throughout 2021. The actions included: increased Board focus on the drivers of share price performance; increased focus on climate change and sustainability; removing where possible duplication between the plc Board and the key regulated subsidiary Boards; and training for authors of Board and committee reports. Additionally, the Board identified areas where further support and training would be beneficial, and these were fed back to the nomination committee and incorporated into the 2021 Board training sessions. All other matters arising from the action plan were either closed or rolled forward into the agreed action plan to be progressed throughout 2022.

An external review of the Board's effectiveness was carried out in 2021 by Clare Chalmers Limited and an action plan has been agreed against which the Board will monitor progress throughout 2022. The Board is perceived to have a strong, impressive composition with a comprehensive range of skills and specialisms appropriately aligned to the company's ambitions. The key findings from the review are described further on page 81.

In addition to the formal Board evaluation, the Board chair met with each individual director during the year to discuss their contribution to the Board. The senior independent director met with the chair to discuss his performance. The reviews concluded that all individual directors continued to contribute effectively.

Key activities in 2021

Tasks which the committee carried out in 2021 were to:

- recommended to the Board the appointment of Adrian Cox as Chief Executive Officer with effect from 1 April 2021;
- carry out the search for a non-executive director with US and financial experience. The committee appointed search consultants Spencer Stuart to facilitate the external search process, and an internal search process was also conducted. The search resulted in the appointment of Raj Agrawal, who was appointed to the Board with effect from 1 August 2021;
- carry out the search for a further non-executive director to join the Board in 2022 in order to ensure orderly Board succession. Hedley May search consultants have been appointed to assist with the external search process;
- oversee appointments to subsidiary Boards, in light of succession planning, skills and experience and diversity considerations;
- consider the appointment of key executive management roles: Chief Risk Officer, Chief Operations Officer, Chief Underwriting Officer and Head of Strategy;
- review the performance of management by inviting all non-executive directors to attend a nomination committee meeting to review the performance of the executive management team;
- consider the Board and committee succession plans, and the succession plans for the Boards and committees of the key regulated entities;
- assess the collective skills and competency of the Board and consider the proposed reappointment of directors;
- ensure that director development plans were implemented and that the Board collectively received relevant training;
- ensure Board members were able to allocate sufficient time to the company to discharge their responsibilities effectively;
- consider the wider executive management succession through comprehensive discussions on the talent pipeline; and
- consider and approve proposals for individuals to be included in the Senior Managers and Certification Regime, and holders of other regulatory roles across the Group.

Remuneration committee

"The committee continued to ensure that remuneration is fair and appropriate, aligned to group and individual performance and shareholder interest, as well as facilitating the recruitment, retention and motivation of qualified personnel, ensuring the long-term success of Beazley."

Christine LaSala
Non-Executive Director

Currently the membership of the remuneration committee comprises Christine LaSala (chair), Nicola Hodson, Robert Stuchbery and Catherine Woods.

Responsibilities of the committee

The committee's main responsibilities are to, inter alia:

- set the remuneration policy for the Group for approval at the annual general meeting. The objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company;
- recommend and where appropriate approve targets for performance related pay schemes and seek shareholder approval for any long term incentive arrangements;
- recommend and approve the remuneration of the chair of the company;
- recommend the remuneration of the CEO, the other executive directors, the direct reports to the CEO, the company secretary and such other members of the executive management as it is designated to consider. No director or manager shall be involved in any decisions as to his or her own remuneration;
- obtain reliable, up-to-date information about remuneration in other companies; and
- appoint and review the performance of remuneration committee consultants, currently Deloitte LLP.

Membership and attendance – remuneration committee

	Appointment	Attendance at full meetings during 2021
Christine LaSala	21 March 2019	5/5
Nicola Hodson	25 Sept. 2020	4/5
Sir Andrew Likierman*	25 March 2015	2/2
John Sauerland*	11 May 2016	2/2
Robert Stuchbery	14 April 2021	3/3
Catherine Woods	1 October 2018	5/5

* Resigned on 26 March 2021

Key activities in 2021

During 2021, the committee:

- approved remuneration arrangements on appointments to the positions of CEO, Chief Underwriting Officer, Chief Operating Officer, Group Head of Strategy and Chief Risk Officer;
- approved remuneration arrangements for the outgoing and incoming CEO;
- satisfied itself that the current remuneration structure is appropriate to attract and retain talented people and took appropriate action that was necessary through the year;
- approved specific matters to support the retention of key employees;
- considered the aggregate remuneration approach to the wider workforce;
- considered the Chief Risk Officer's report which confirmed that the design of remuneration promotes appropriate risk behaviour throughout the organisation. In addition, the analysis considered the performance of the control environment, profit related pay targets, calculation of the bonus pool, share awards, a suite of risk metrics for each Solvency II member of staff and any individual who has created a higher than expected level of risk;
- ensured incentives continued to be appropriate to align company and shareholders;
- continued to consider the impact of COVID-19 on remuneration decisions;
- reviewed methodology of reporting of bonus disclosures with the objective of improving transparency;
- approved the grant of share awards under the Group's deferred, retention and LTIP plans;
- considered the salary and bonus awards for 2021 for executive directors, heads of control functions, material risk takers and other officers;
- approved the gender pay gap report;
- approved the chair's fees;
- reviewed the executive director employment contracts; and
- reviewed the remuneration landscape for FTSE 250 and FTSE 100 companies and guidance from proxy agencies.

Further information on the work of the remuneration committee is set out in the directors' remuneration report.

Letter from the Chair of our remuneration committee

Dear shareholder

On behalf of the Board, I am pleased to present Beazley's 2021 directors' remuneration report. This is my first directors' remuneration report since assuming the role of remuneration committee chair and I am delighted to have been given the opportunity to chair this committee.

Corporate performance in 2021

The resilience of our business strategy and the dedication and motivation of our team met the continuing challenges and uncertainty presented by the COVID-19 pandemic and resulted in strong financial performance for 2021, including the resumption of our dividend. I am very proud of how our colleagues continue to respond to unprecedented challenge and disruption.

By all significant measures, 2021 was an very strong year. The Group returned to profitability with ROE performance of 16%. We achieved profit of $369.2m and record gross premiums of $4,618.9m, realising double digit premium growth for the fourth year in a row. This was accomplished by disciplined management of our products and services in a volatile climate, targeted underwriting expansion and steady investment performance. Our combined ratio was 93%. We are strongly capitalised and very well positioned to deploy it in the areas where we can make the most of market opportunities and achieve continued profitable growth.

Beyond the financial numbers, Beazley delivered against its ambitious ESG targets, launching syndicate 4321, Lloyds first ESG syndicate and making important progress incorporating ESG measures in every part of our business. We are deeply invested in the development of cyber resilience, building a cyber services ecosystem that helps protect our policyholders. The welfare of our colleagues is central to Beazley's values. As evidence of our persistent attention, our employee engagement score is 86%, nine points above the global average. We continue to make meaningful progress on gender diversity and in early 2021, made a further commitment to ethnic diversity, targeting that 25% of our staff will be people of colour by 2023. Paying claims fairly and promptly is our promise to our policyholders, and we are pleased that first party pandemic related claims were almost entirely paid by the end of 2021.

Executive Director changes

During the year, having served as Chief Executive Officer since 2008, Andrew Horton stepped down with effect 31 March 2021. The Company's Chief Underwriting Officer, Adrian Cox, was appointed Chief Executive Officer effective 1 April 2021. As part of the Chief Executive Officer transition, the Board reviewed the Company's management structure. This resulted in a change to the responsibilities for certain members of the executive committee. As part of this review, Sally Lake's responsibilities as Group Finance Director were increased to include responsibility for management of the Capital function, the Chief Financial Officer role for Beazley Furlonge Limited and she was appointed Chair of the Investment Committee.

Adrian's base salary on appointment was set at £507,500, in-line with Andrew's salary on departure. Adrian's pension benefit was unchanged at 12.5% of salary, in-line with the opportunity available to the workforce. Adrian's maximum bonus opportunity was unchanged at 400% of salary and his maximum LTIP award was increased to 200% of salary, in-line with the policy for the Chief Executive Officer.

Considering the increase in the scope of Sally's role and her exceptional performance since being appointed Group Finance Director in 2019, the remuneration committee determined that it would be appropriate to increase her salary from £360,000 to £400,000 with effect from 1 April 2021. The remuneration committee considered this salary level appropriate for a company of Beazley's size and complexity, and reflects Sally's increased role and her performance to date.

In-line with the remuneration policy, Andrew Horton continued to receive salary, pension and benefits until 1 September 2021. He was not eligible for an annual bonus in respect of 2021 and all unvested LTIP and deferred shares lapsed on his departure. Further details are provided on page 112.

Remuneration out-turns for 2021

The remuneration committee is mindful of the increasing shareholder expectation that remuneration out-turns should be carefully considered to ensure that they are supported by the underlying financial and non-financial performance of the business and are appropriate in the context of the wider stakeholder experience. At Beazley we have a strong pay for performance culture and believe incentive schemes should drive behaviours consistent with company purpose, values, strategy and deliver results that align to shareholder interest. Remuneration outcomes have consistently reflected this philosophy over time. And this year is no different. (see page 95).

Taking into account the strong financial and non-financial performance delivered during the year, as set out above, the committee determined that the Chief Executive Officer and Group Finance Director would receive annual bonuses of 75% of maximum. Further details are provided on page 103.

Letter from the Chair of our remuneration committee *continued*

Beazley's Long-Term Incentive Plan (LTIP) vests in two equal tranches based on net asset value (NAV) growth measured over a three-year and five-year period. The second tranche of the 2017 LTIP vested at 10.5% of maximum following NAV growth per annum of 9.1%. The first tranche of the 2019 LTIP vested at 25.1% of maximum following NAV growth per annum of 11.0%

The remuneration committee considers that the remuneration policy operated as intended during 2021 and that the incentive out-turns are fully aligned with company and individual performance, as such no additional discretion was applied.

Remuneration approach for 2022

The remuneration committee has determined that executive directors will receive salary increases of 3.5% for 2022 which is below the budget for the workforce. The overall approach to the annual bonus and LTIP will be unchanged for 2022.

The committee is mindful of evolving societal and shareholder expectations in respect of Environmental, Social and Governance (ESG) priorities. ESG and sustainability matters are very important to Beazley. The annual bonus determinations include consideration of specific ESG metrics and targets for the business and the Executive Directors. Details of the specific measures considered for 2021 can be found on page 101. In determining the annual bonuses for 2021, the committee considered progress against the Group's ESG targets including reducing carbon emissions, increasing female and ethnic representation and improving Beazley's various ESG ratings. We will continue to monitor evolving market practice and ensure that our incentives appropriately support the delivery of our long-term sustainability goals.

Chair and Non-Executive Director fees for 2022

Following the annual review of the chair's fee, the remuneration committee determined that David Roberts' fee should be increased to £300,000 from £264,000 (inclusive of subsidiary fees). David is an excellent and deeply experienced Board member with a wealth of knowledge of the financial services industry. Since his appointment in 2017, Beazley's size and complexity have increased significantly. In 2021 Beazley delivered record gross premiums of $4,618.9m, compared to $2.3bn in 2017. Over that time, the scope of Beazley's operations have expanded: we have become a larger Lloyd's managing agency, grown our European business and are now a major on-shore US specialty carrier. Because of our increased complexity and the transition to a new Chief Executive Officer, there has been an increase in the time commitment required from David. The committee considered the importance of a highly experienced and effective chair leading the Board, particularly in the context of the changes to the executive management team as outlined above, and determined that it would be in the interests of all Beazley stakeholders that David's fee is set at a reasonable level to reflect his contribution to Beazley, his exceptional performance to date and to ensure that his fee is appropriately positioned against comparable businesses.

The fees for the Non-Executive Directors were also reviewed and are being increased by 3%, below the general increase for the workforce. In specific recognition of the increased time commitment required from the members of the audit and risk committee and reflecting the importance of the committee to the effective running of the business, it was also determined that the additional fees for the chair of the committee would be increased from £19,000 to £22,500 and the additional fees for members of the committee would be increased from £7,500 to £9,000.

In addition to their plc Board roles, Non-Executive Directors at Beazley typically sit on one of our key subsidiary Boards for which they may receive an additional fee. To improve the transparency of our disclosure in this year's remuneration report we have disclosed the split of plc and subsidiary fees in the single total figure of remuneration table on page 98.

Considerations for the wider workforce

Despite the challenges of the COVID-19 pandemic, given the Group's performance, we were able to award salary increases and bonuses that were on average larger than last year. In addition, a comprehensive review of the benefits employees receive was undertaken this year. This included reviewing our existing offerings, obtaining feedback and input from our employees, and reviewing market practices. As a result, our benefits offering has been updated to ensure alignment and fairness globally for all employees and sees us further improving a focus on being fully inclusive, for example replacing our current maternity, paternity, adoption and surrogacy leave with six months fully paid leave globally for all regardless of how they have come to parenthood. We also continued to focus on the health and wellbeing of our employees and supporting them through COVID-19. As a result of initiatives like increased communications, support in working remotely, offering Thrive as a mental health app to name a few, we saw our employee engagement score increase to 86% from 2019, nine points above the global benchmark.

Share plan renewal

At the 2022 AGM shareholders are being asked to re-approve two of our share plans. Both the LTIP and Save As You Earn rules are due to expire and therefore are being presented to shareholders for approval. During the year the committee reviewed the plan rules and determined that they continue to be broadly fit for purpose. Therefore, they are being rolled forward largely unchanged, with a number of minor changes to ensure that they reflect the latest market practice and provide sufficient operational flexibility for the duration of their lifetime. Taking into account that the rules will be in effect for the next ten years, the remuneration committee has increased the maximum LTIP award from 200% to 250% of salary. The maximum LTIP award under the remuneration policy continues to be 200% of salary and there is no current intention to use the higher maximum of the rules, however it was considered prudent to add this operational flexibility to the rules given their ten-year lifetime. Any increase from current levels would, of course, be subject to shareholder approval.

Remuneration policy

Our remuneration policy was approved by shareholders at the 2020 AGM and will be resubmitted to shareholders at the 2023 AGM in-line with the normal timeline. During 2022 the remuneration committee will undertake a full review of the policy and intends to consult with shareholders in respect of any proposed changes so that their views can be taken into account. As part of the review the committee will ensure that the CEO and Group Finance Director's remuneration arrangements remain fit for purpose compared to comparable businesses and recognising the recent changes to the executive committee.

Christine LaSala

Remuneration Committee Chair

Directors' remuneration report
Remuneration in brief

Remuneration policy

The main aim of Beazley's remuneration 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. The committee considers that the policy supports our strategy and promotes the long-term success of Beazley.

The following table summarises how the committee addressed the factors set out in the UK Corporate Governance Code when determining the remuneration policy. The full policy can be found on our website at **www.beazley.com**:

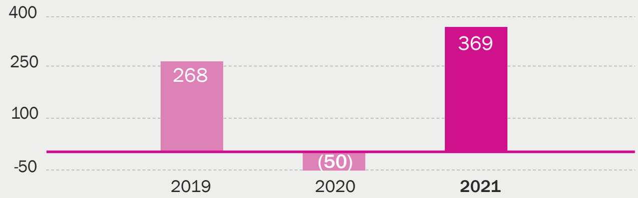
Factor	Details
✓ **Clarity** Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	At Beazley performance-related remuneration is an essential motivation to management and staff and is structured to ensure that executives' interests are aligned with those of our shareholders. We operate a bonus structure that is based on Group profitability and long term performance. A portion of this bonus is generally deferred into shares for three years. A key principle is that the committee exercises its judgement in determining individual awards. We have expanded our disclosure to provide shareholders with further clarity on the way in which we determine annual bonuses.
✓ **Simplicity** Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	In determining our remuneration framework the committee was mindful of avoiding complexity and making arrangements easy to understand for both participants and our shareholders.
✓ **Risk** Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	We believe reward at Beazley is appropriately balanced in light of risk considerations. The committee receives an annual report from the chief risk officer on remuneration policy to ensure that it is consistent with, and promotes, effective risk management. Our framework has a number of features which align remuneration out-turns with risk, including a five year time horizon on the LTIP, deferral of bonus into shares and personal shareholding requirements which, from 2020, extend post departure. Further details of the link between risk and remuneration are set out on page 108.
✓ **Predictability** The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	Page 104 of our 2019 Annual Report provides four illustrations of the application of our remuneration policy including the key elements of remuneration: base salary, pension, benefits and incentives. Payments at Beazley are directly aligned to the Group's performance and the graph set out on page 103 demonstrates how historic annual bonus out-turns have reflected profit and ROE performance.
✓ **Proportionality** The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	Individual remuneration reflects Group objectives but is dependent on the profitability of the Group and is appropriately balanced against risk considerations. Potential rewards are market-competitive and the committee is comfortable that the range of potential out-turns are appropriate and reasonable.
✓ **Alignment to culture** Incentive schemes should drive behaviours consistent with company purpose, values and strategy	The remuneration committee considers that the structure of remuneration packages supports meritocracy, which is an important part of Beazley's culture. All employees at Beazley are eligible to participate in a defined contribution pension plan and a bonus plan. Bonuses are funded by a pool approach which reflects our commitment to encourage teamwork at every level, which is one of our key cultural strengths.

Directors' remuneration report
Remuneration in brief *continued*

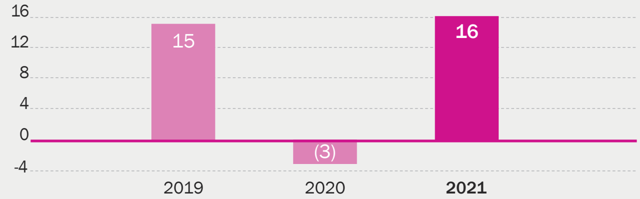
Performance in 2021

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

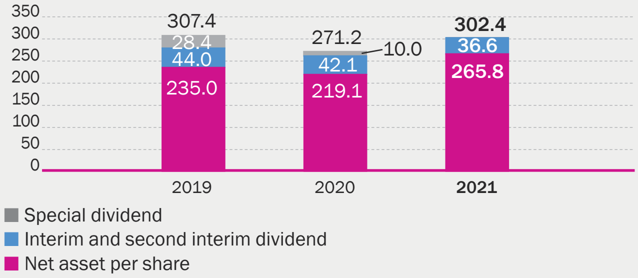
(Loss)/profit before tax ($m)



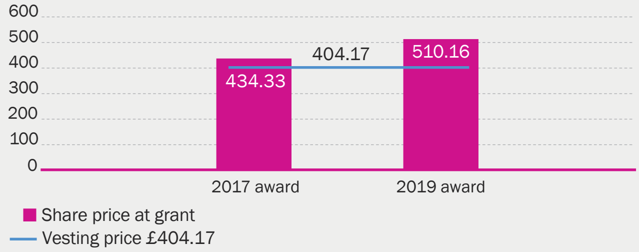
Return on equity (%)



Net assets and cumulative dividend per share (p)

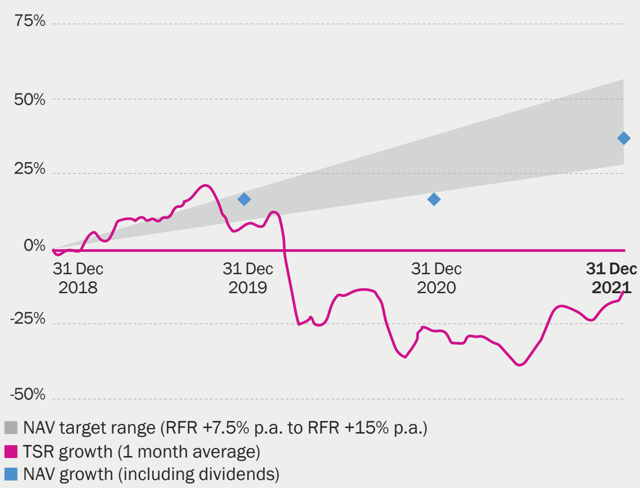


Share price (p)

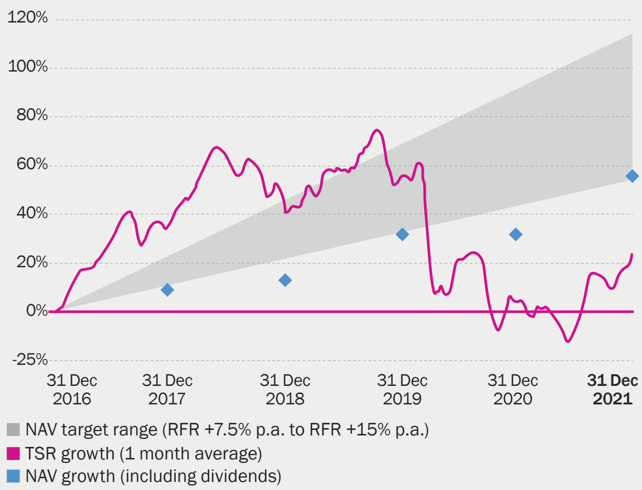


The Group's performance over the longer term was reasonable in terms of NAVps growth and total shareholder return, as illustrated in the charts below.

LTIP performance 2018-2021 NAV and TSR growth



LTIP performance 2016-2021 NAV and TSR growth



Directors' remuneration report
Outcomes for 2021 and implementation for 2022

Element	Overview of policy	Implementation and outcomes during 2021	Implementation for 2022
Base salary	Salaries are set at a level to appropriately recognise responsibilities and to be broadly market competitive. Any salary increases will generally reflect our standard approach to all-employee salary increases across the Group.	Salaries for 2021 were as follows: • D A Horton[1]: £507,500 • A P Cox (as CUO): £390,000 • A P Cox (as CEO): £507,500 • S M Lake[2]: £400,000 1 D A Horton stepped down as CEO on 31 March 2021 and was succeeded by A P Cox. 2 Sally M Lake received a mid-year increase from £360,000 to £400,000, with effect from 1 April 2021. This increase was to reflect a change in scope of role.	The executive directors received salary increases of 3.5%, below the average of the wider workforce. Salaries for 2022 will be as follows: • A P Cox: £525,250 • S M Lake: £414,000
Benefits	To provide market levels of benefits.	Benefits include private medical insurance, travel insurance, and company car or monthly car allowance.	In line with policy.
Pension	To provide market levels of pension provision through contributions to a defined contribution pension plan.	Contribution rates for executive directors are in line with the wider workforce at 12.5%	In line with policy.
Annual bonus	Discretionary annual bonus determined by reference to both financial and individual performance. A portion is generally deferred into shares for three years dependent on level of bonus.	Maximum bonus opportunity for executive directors was 400% of salary. ROE in the year was 16%. Profit before tax for the year was $369.2m. Bonus outcomes were 75% of maximum. Further details are set out on page 103.	In line with policy.
Long term incentive plan (LTIP)	Vesting of LTIP awards is dependent on net asset value per share (NAVps) performance against the risk-free rate of return. 50% of awards are subject to performance over three years and 50% over five years. NAVps performance — % of award vesting < average risk-free rate +7.5% p.a. — 0% = average risk-free rate +7.5% p.a. — 10% = average risk-free rate +10% p.a. — 25% = average risk-free rate +15% p.a. — 100% Straight-line vesting between points Since 2019 the first tranche of the LTIP is subject to a further two year holding period taking the total time frame for the entire award to five years.	The first tranche of the 2019 LTIP award vested at 25.1% of maximum following three year NAVps performance of 11.0% p.a. The second tranche of the 2017 LTIP award vested at 10.5% of maximum following five year NAVps performance of 9.1%p.a. In 2021, executive directors received the usual grant levels, subject to the usual NAVps performance condition: • A P Cox (CEO)[1]: 200% • S M Lake: 150% 1 A P Cox was appointed as CEO with effect 1 April 2021. Upon appointment as CEO A P Cox was granted an additional LTIP award such that when combined with prior grants made in year (150% of salary), the 2021 total award was 200% of salary.	In line with policy. In 2021, executive directors will receive the usual grant levels, subject to the usual NAVps performance condition: • A P Cox: 200% • S M Lake: 150% The committee retains discretion to adjust the outcomes at vesting if they are not considered appropriate or if the committee identifies that the executives have benefited unduly from share price gains. Further details are provided on page 105.
Shareholding guidelines	Executive directors are expected to build up and maintain a shareholding of 200% of salary. LTIP awards may be forfeited if shareholding requirements are not met. From 2020 we introduced post-employment shareholding guidelines. Executives are expected to maintain 100% of their shareholding requirement for the first year post-departure and 50% of their shareholding requirement for the second year post-departure.	A P Cox (CEO) met the shareholding guidelines. S M Lake (GFD) was appointed during 2019 and has made progress towards meeting the guideline.	In line with policy.

Directors' remuneration report

Annual remuneration report

The symbol ▪ by a heading indicates that the information in that section has been audited. This part of the report, the annual remuneration report, sets out the remuneration out-turns for 2021 (and how these relate to our performance in the year) and details of the operation of our policy for 2022.

Single total figure of remuneration ▪

The tables below set out the single figure of total remuneration for executive directors and Non-Executive Directors for the financial years ending 31 December 2021 and 31 December 2020.

Executive directors

£		Fixed pay				Pay for performance			
		Salary	Benefits	Pension	Total fixed pay	Total annual bonus[1]	Long term incentives (LTI)[2]	Total variable pay	Total remuneration
Adrian P Cox[3]	2021	480,625	15,083	60,078	555,786	1,441,875	85,951	1,527,826	2,083,612
	2020	390,000	12,805	48,750	451,555	0	33,484	33,484	485,039
D Andrew Horton[4]	2021	126,875	3,162	15,859	145,896	0	0	0	145,896
	2020	495,000	14,112	61,875	570,987	0	59,494	59,494	630,481
Sally M Lake	2021	390,000	2,873	43,323	436,196	1,170,000	27,678	1,197,678	1,633,874
	2020	350,000	3,016	39,170	392,186	0	11,617	11,617	403,803

1 A portion of the 2021 bonus awards shown in the table above is deferred into shares for three years (see page 104).

2 The LTI figures for 2021 have been calculated using the average share price in the last three months of 2021 of 404.17p. As the share price used to calculate the LTI figures in the table above is below the respective share prices at grant, none of the amounts in the table are attributable to share price appreciation.

3 Adrian P Cox was appointed CEO on 1 April 2021. The 2021 figures in the table reflect the period as CUO from 1 January 2021 to 31 March 2021 and his appointment to CEO effective 1 April 2021 until the end of the financial year. On appointment Adrian's pension contribution rate was unchanged from his previous role at 12.5% of salary, in-line with the wider workforce.

4 D Andrew Horton resigned as CEO effective 31 March 2021. The figures stated in the table reflect the time spent in his role as CEO (1 January 2021 to 31 March 2021).

Non-executive directors

	2021 plc Board fees	2021 Subsidiary Board fees	2021 Total fees[1]	2020 Total Fees[2]
Rajesh Agrawal[3]	29,417	0	29,417	n/a
Pierre-Olivier Desaulle[4]	70,446	7,062	77,508	n/a
Nicola Hodson[5]	75,600	0	75,600	72,037
Christine LaSala[6]	91,617	26,826	118,443	108,927
Sir J Andrew Likierman[7]	19,633	0	19,633	86,000
Robert A Stuchbery[8]	79,280	28,800	108,080	104,400
David L Roberts	211,150	52,850	264,000	264,000
John P Sauerland[9]	16,588	1,906	18,494	75,926
A John Reizenstein	82,100	19,000	101,100	101,100
Catherine M Woods[10]	77,241	10,603	87,844	93,443

1 Other than for the chair, fees include fees paid for chair of the audit and risk and remuneration committees, and for the role of senior independent director, as well as fees, where relevant, for membership of the subsidiary Boards of Beazley Furlonge Limited (BFL) and Beazley Insurance dac, the chair of the BFL risk committee and Beazley Insurance Company, Inc. (BICI).

2 For Christine LaSala, John P Sauerland and Catherine M Woods the total 2020 fee has not changed but the representation has been amended in order to be consistent with 2021. Fees are paid in multiple currencies – 2020 fees have been restated using 2021 FX rates of GBP 1 : USD 1.38 and GBP 1 : EUR 1.16.

3 Rajesh Agrawal joined as a Non-Executive Director of the PLC Board with effect 1 August 2021.

4 Pierre-Olivier Desaulle joined as a Non-Executive Director of the PLC Board with effect 1 January 2021.

5 Nicola Hodson joined as a Non-Executive Director of the remuneration committee with effect 24 September 2020, her fees for 2020 were pro-rated accordingly.

6 Christine LaSala became chair of the remuneration committee with effect 27 March 2021.

7 Sir Andrew Likierman stepped down as a Non-Executive Director of the PLC Board and chair of remuneration committee with effect 26 March 2021.

8 Robert A Stuchbery joined as a Non-Executive Director of the remuneration committee with effect 14 April 2021.

9 John P Sauerland stepped down as a Non-Executive Director of the PLC Board and Beazley Insurance Company, Inc. (BICI) with effect 26 March 2021.

10 Catherine M Woods' stepped down as chair of Beazley Insurance dac with effect 30 September 2021.

Salary ▪

The committee reviews salaries annually taking into consideration any changes in role and responsibilities, development of the individual in the role, and levels in comparable positions in similar financial service companies. It also considers the performance of the Group and the individual as well as the average salary increase for employees across the whole Group. Salary reviews take place in December of each year, with new salaries effective from 1 January.

For 2022, the executive directors received salary increases of 3.5%, which are below the average salary increase across the Group.

The base salaries for the executive directors in 2021 and 2022 are as set out below:

	2021 base salary £	2022 base salary £	Increase %
Adrian P Cox[1]	507,500	525,250	3.5
Sally M Lake[2]	400,000	414,000	3.5

1 Adrian P Cox was appointed as CEO with effect 1 April 2021, having previously been CUO. Upon appointment to CEO, Adrian's salary was increased to £507,500.

2 Following the changes to the executive committee Sally Lake's responsibilities as Group Finance Director were increased to include responsibility for the management of the Capital function and the added role of CFO for Beazley Furlonge and she was appointed Chair of the Investment Committee. Considering the increase in the scope of Sally's role and her exceptional performance since being appointed Group Finance Director in 2019 the remuneration committee determined that it would be appropriate to increase her salary from £360,000 to £400,000 with effect from 1 April 2021. The remuneration committee considered this salary level appropriate for a company of Beazley's size, and reflects Sally's increased role and her performance to date.

Benefits ▪

Benefits include private medical insurance for the director and their immediate family, income protection insurance, death in service benefit at four times annual salary, travel insurance, health-club membership, season ticket and the provision of either a company car or a monthly car allowance.

Pension ▪

Beazley operates a defined contribution scheme arranged through Fidelity.

Executive directors receive a pension allowance of 12.5% of salary, in-line with the rate available to the majority of the UK workforce.

Prior to 31 March 2006 the company provided pension entitlements to directors that are defined benefit in nature, based on its legacy policy under the Beazley Furlonge Limited Final Salary Pension Scheme. Future service accruals ceased on 31 March 2006. Only base salary is pensionable, subject to an earnings cap. The normal retirement age for pension calculation purposes is 60 years. A spouse's pension is the equivalent of two-thirds of the member's pension (before any commutation) payable on the member's death after retirement.

Details of the defined benefit entitlements of those who served as directors during the year are as follows:

	Accrued benefit at 31 Dec 2021 £	Increase in accrued benefits excluding inflation (A) £	Increase in accrued benefits including inflation £	Transfer value of (A) less directors' contributions £	Transfer value of accrued benefits at 31 Dec 2021 £	Transfer value less directors' contributions £	Normal retirement date
Adrian P Cox	14,790	0	725	0	556,183	4,460	12 Mar 2031

Under the Beazley Furlonge Limited Final Salary Pension Scheme, on early retirement the director receives a pension which is reduced to reflect early payment in accordance with the rules of the scheme.

No other pension provisions are made.

Directors' remuneration report
Annual remuneration report *continued*

Annual bonus

The annual bonus plan is a discretionary plan in which all employees are eligible to participate. The annual bonus is funded by a bonus pool. The pool is calculated as a percentage of profit subject to a minimum group ROE. The size of the pool as a percentage of profit increases for higher levels of ROE. This ensures that outcomes are strongly aligned with shareholders' interests.

The operation of an annual bonus pool approach reflects Beazley's commitment to encourage teamwork at every level, which, culturally, is one of its key strengths. A broad senior management team, beyond executive directors, participate in the bonus pool, reinforcing the company's collegiate culture.

Once the annual bonus pool has been calculated the committee determines individual allocations taking into consideration corporate/strategic achievements and individual achievements. The bonus is discretionary and, rather than adopting a prescriptive formulaic framework, the committee considers wider factors in its deliberations at the end of the year: for example quality of profit and risk considerations.

In determining awards, the committee will not necessarily award the bonus pool in aggregate (i.e. the sum of the bonus awards may be less than the bonus pool).

The approach to the calculation of bonuses is aligned to shareholders' interests and ensures that bonuses are affordable, while the ROE targets increase the performance gearing. The committee reviews the bonus pool framework each year to ensure it remains appropriate, taking into account the prevailing environment, interest rates and expected investment returns, headcount and any other relevant factors.

Annual bonus out-turn for 2021

The process for determining 2021 bonuses is described below, including full details of the ROE targets underpinning our bonus approach along with the guideline levels which are used by the committee in its determination for each executive director.

Annual bonus pool calculation

At the beginning of the financial year, the risk-free return (RFR) was set at 0% taking into account the yield on US treasuries of two to five year maturities. This resulted in the following ROE hurdles and guideline bonus awards:

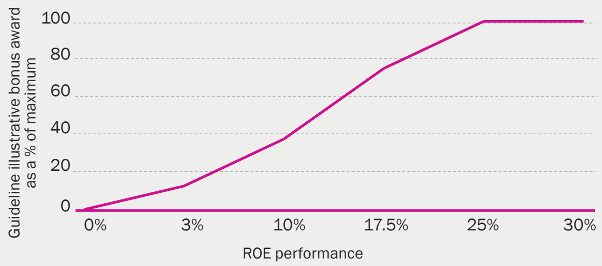
ROE performance hurdles	Threshold				Maximum
ROE performance	0%	3.0%	10.0%	17.5%	25.0%
Guideline/illustrative bonus award as % of maximum	0%	12.5%	37.5%	75%	100%

These percentages are indicative only and based on broad corporate results. Within the pool framework bonus out-turns may be higher or lower taking into account corporate achievements and individual performance (see next page).

ROE for 2021 was 16% and the overall bonus pool (in which executive directors as well as other senior employees participate) was calculated based on this.

When considering the annual bonus pool outcome, the Committee takes into account the outcome of the Group's ROE/profit. The framework is used by the committee as a broad guideline rather than being formulaic and applies to a broader group of executives than Board directors. A key principle of the process is that the committee exercises its judgement in determining individual awards taking into account the corporate/strategic objectives, individual's contribution and performance. In particular, there may be a diverse spread of returns earned across the various divisions within the business which will be reflected in bonus out-turns achieved. The table therefore provides full retrospective disclosure of all the Group financial targets and corporate/strategic performance which the committee considers when determining the annual bonuses.

2021 ROE hurdles and guideline bonus awards



When determining annual bonuses an assessment against the expectation for each element is made with reference to the following grading system:

- ✓ Expectation achieved or exceeded
- = Reasonable outcome against expectation
- ✗ Expectation not met

Assessment of corporate achievements

In determining annual bonuses for 2021 the committee took into account a range of financial and strategic elements as set out below. Performance against corporate/strategic and individual objectives has been provided.

Financial performance

Element	Achievement	
Profit before tax	• $369.2m before tax.	✓
Gross premiums written growth	• Increased by 29.6%.	✓
Net asset value per share growth	• Achieved a NAVps growth of 17.6%.	✓
Investment performance (portfolio return)	• 1.6% portfolio return.	=
Expense management	• Reduced from 36% to 35%.	✓

Corporate/strategic performance

Element	Expectation	Achievement	
Sustainability	Improve ESG rating as measured by S&P, Carbon Disclosure Project (CDP) and Sustainalytics.	• Achieved S&P score, improved by 5 points from 33 to 38. • Sustainalytics score improved by 8.8 points. • Carbon Disclosure Project maintained at C awareness level rating. This shows a sustained understanding and application of climate-related changes.	✓
	Reduce carbon emissions by 30% in 2021 in line with Responsible business strategy.	• Carbon emissions reduced by 84% in 2021 when compared to a 2019 baseline 0.93 per FTE, exceeding Responsible business strategy target.	✓
	Achieve at least 45% female representation at Board and Senior Manager level by 2023.	• Achieved 40% female representation at Board level and over the last four years have moved from 28% to 38% female representation in the senior leadership team. • On-track to achieve target of 45% representation by 2023.	=
	Achieve at least 25% People of Colour representation of the global workforce by end of 2023.	• Increased from 19% to 23% people of colour in 2021. • On track to achieve target of 25% representation by 2023.	=
Manage the business through global pandemic	Minimise negative impact on the business through COVID-19.	• Achieved profit of $369.2m (compared to loss for 2020 of $50m). • Employee engagement maintained at a high score of 86% in 2021, nine points above the global benchmark. • Successfully moved to Smart Hybrid Working while ensuring productivity metrics were achieved or increased. • Launched new products to help businesses manage risk through pandemic including leading the UK government's Live Events initiative. • Proactively managed retention through the 'great resignation' with turnover rates remaining flat to previous years. • Paid claims quickly and efficiently, with first party pandemic related claims almost entirely paid by the end of 2021. Our Contingency Claims team received the Cuthbert Heath Award at the Insurance Insider Honours awards for their response to event cancellation claims. This marks the second consecutive year Beazley Claims has been awarded this prestigious recognition.	✓
Strategic initiatives	Strong progress with strategic initiatives, as areas which have the potential make a considerable difference to the business.	All strategic initiatives have delivered either new initiatives, projects or products this year and premium targets being achieved where relevant. In particular: • Focus on Faster Smarter Underwriting has led to an enhanced D&O rating model by using data from Experian to improve loss ratios this area. This is now being rolled out across other trading teams. • Increasing our engagement within the London market has seen us achieve our 2021 gross written premium target. We also saw improved results in the Lloyds culture survey. As a result, we will be moving this from a strategic initiative to a London Management Committee to oversee our London market and Lloyd's wholesale business.	✓

Corporate/strategic performance

Element	Expectation	Achievement	
US performance	Achieve profitable growth in US.	• US premium growth of 33% and expense management targets achieved.	✓
International growth	Drive profitable growth in Europe, Singapore and Canada.	• European, Singapore and Canadian businesses grew at around 81%, 51% and 41% respectively per annum.	✓
Culture & People	Maintain high levels of employee engagement.	• Employee engagement maintained at a high score of 86% in 2021, nine points above the global benchmark. • A new measurement was introduced in 2021 which measures how favourable employees view the whole work experience. This score was 81%, six points above the global average. • Leadership survey scores was also sustained since 2020, with a score of 5.35 out of 6.	✓

Assessment of individual contributions

While a number of the specific individual objectives of the executive directors are considered commercially sensitive, the following provides details of executive director achievements which the committee took into account.

Executive	Objectives	Achievements	
Adrian Cox (Chief Executive Officer)	• Deliver 2021 underwriting Business Plan and GAAP budget.	• Premium growth of 30%, achieved rate change of 24% and expense ratio of 35%. • Managed budgets and risk appetites proactively through the year to optimise short and long term positions for the company. • Combined ratio for 2021 of 93% (108.1% in 2020).	✓
	• Determine the capital strategy to ensure the business has appropriate levels for current operations and future growth.	• Capital strategy delivered as required.	✓
	• Embed climate related financial risks and TCFD into the business.	• Responsible Business Steering Group established, chaired by CEO. • Launched syndicate 4321, Lloyd's first ESG syndicate. • Participated in the Climate Biannual Exploratory Scenario (CBES) Stress test, and have used the findings to further our understanding of climate related financial risk within our underwriting, and develop a plan for further scenario analysis. • Worked further to embed the TCFD guidelines within our approach to underwriting. Our annual submission to Climatewise, which is aligned with the TCFD principles demonstrates an 28% improvement in our score, when compared to our 2020 submission.	✓
	• Sustain high levels of employee engagement and inclusivity within the business.	• Very high employee engagement score despite ongoing change, as discussed above.	✓
	• Execute on Long Term plan.	• New company strategy created and launched. • 5 year plan written and signed off by all Boards. • The 2021 element of the 5 year plan achieved.	✓
	• Establish scalable third party capital capabilities.	• Syndicate 4321 successfully launched with 90% third party capital. • Specialty Lines and CyEx businesses continuing to expand using third party capital support. • Beazley Smart Tracker scaled to $350m with 90% third party capital.	✓
	• Protect and enhance Beazley's reputation amongst core external stakeholders, including clients, shareholders, market participants, rating agencies and regulators.	• Results from broker feedback, surveys showed above average scores, with high scores for claims function through pandemic.	✓
	• Enhance the Realistic Disaster Scenario (RDS) infrastructure.	• 64 deterministic Realistic Disaster Scenarios were ranked, reviewed and stress tested to mitigate the risks of future events. • Parameters for review every 12, 24 and 36 months have been set based on the net exposure to Beazley.	✓

Executive	Objectives	Achievements
Sally Lake (Group Finance Director)	• Drive the expense efficiency programme.	• Expenses as a % of net earned premium reduced from 36% to 35%. • The Group Finance Director has effectively chaired an efficiency steering committee during 2021, considering various opportunities for cost saving, scalability opportunities and efficiency increases.
	• Chair the investment committee from 2021 onwards, building a strong committee that delivers above target investment return for 2021.	• Investment outcome of USD 116.4m or 1.6% exceeded targets and market benchmarks.
	• Manage capital to ensure the business has appropriate levels for current operations and future growth.	• Continued to capitalise on the market conditions to achieve long term ambitions with capital surplus within its preferred range. Led the formation of a US based capitive, NewCo. • Contingent reinsurance bought and line of credit (LOC) facility renewed.
	• Deliver the finance transformation programme to further strengthen the capabilities of function.	• During 2021 the Group Finance Director formed a new Finance leadership team, and begun a multi-year programme to modernise to ensure that the finance department are able to keep pace with the change and growth within Beazley. This includes ongoing leadership of the IFRS17 programme.
	• Co-Lead the modernisation programme with Chief Operating Officer to deliver greater efficiencies.	• Multi-year modernisation programme plan written and approved by the Executive Committee and Boards.
	• Build strong investor relations ensuring good lines of communication.	• Investor roadshows held post half year and year end results. • Feedback collated indicated investors are pleased with the level of management interaction and overall management performance.
	• Deliver on agreed elements of Women in Finance Charter.	• 2021 Women in Finance Charter targets achieved, including 38% gender diversity in our senior management.
	• Take on CFO responsibilities for Beazley Furlonge Limited (BFL).	• As the newly appointed SMF 2 of BFL, responsible for the management of financial resources for BFL and report directly to the BFL Board on its financial affairs.

Annual bonus awards outcomes for 2021

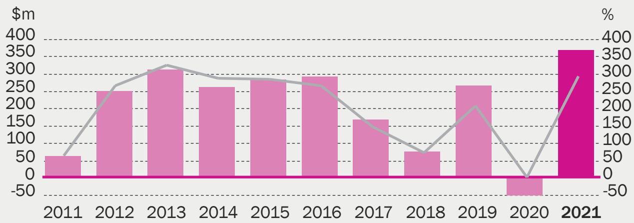
Within the framework of the annual bonus, in respect of individual performance and achievements, awards are dependent on a profit pool and minimum level of ROE performance.

	% of maximum	% of salary[1]	Bonus (delivered as a mix of cash and deferred shares)
Adrian P Cox	75%	300%	£1,441,875
Sally M Lake	75%	300%	£1,170,000

1 The bonus outcomes of 300% of salary shown in the table above have been calculated using the actual salaries received by the Executive Directors during 2021 taking into account their respective increases with effect from 1 April 2021. The equivalent outcomes calculated using the directors' year-end salaries are 284% of salary for the CEO and 293% of salary for the GFD.

The following graph and table set out the out-turn for 2021 against performance and illustrate the way in which bonuses over time reflect profit and ROE performance.

Average executive director bonus (% of salary)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Pre-tax profit/(loss)	$251m	$313m	$262m	$284m	$293m	$168m	$76m	$268m	$(50)	**$369m**
Post-tax ROE	19%	21%	17%	19%	18%	9%	5%	15%	(3)%	**16%**
Average executive director bonus as a percentage of salary	c.272%	c.333%	c.294%	c.291%	c.272%	c.150%	c.73%	c.212%	c.0%	**c.300%**

Bonus deferral ▪

A portion of the bonus will generally be deferred into shares for three years. For 2021 the deferral rate was set at 30%. Deferred shares are generally subject to continued employment.

A portion of bonus may also be deferred under the investment in underwriting plan, and this capital can be lost if underwriting performance is poor (see investment in underwriting section on page 106 for further details).

For 2021, the portion of each director's annual bonus deferred into shares was as follows:

	Deferred into shares
Adrian P Cox	£432,562
Sally M Lake	£351,000

Annual bonus awards for 2022

The annual bonus for 2022 will operate within a similar framework as set out above, awards are dependent on a profit pool and minimum level of ROE performance and take into account individual performance and achievements.

Long term incentive plan (LTIP) ▪

Under the LTIP executive directors, senior management and selected underwriters receive awards of shares subject to the achievement of stretching performance conditions measured over three and five years.

The key features of the plan are as follows:

- 50% of the award is measured after three years and 50% after five years;
- awards are in the form of nil-cost options with a 10-year term;
- participants are expected to build a shareholding in Beazley equal to their annual award level. For example executive directors who have a shareholding requirement of 200% of salary. Participants have three years to build this shareholding. LTIP awards may be forfeited if shareholding requirements are not met; and
- in accordance with the updated UK Corporate Governance Code, since 2019, the first tranche of LTIP awards has been subject to a further two year holding period taking the total time frame for the entire award to five years.

Vesting of awards is based on growth in net asset value per share (NAVps), one of Beazley's key performance indicators. The committee considers the LTIP NAVps growth targets to be very stretching, particularly taking into account that growth must be over a sustained three and five year period.

Growth in NAVps is calculated taking into account any payment of dividends by the company. In line with our reporting to shareholders, NAVps is denominated in US dollars.

LTIP outturns in respect of 2021 ▪

The LTIP awards shown in the single total figure of remuneration for 2021 include:

- the second tranche of awards granted on 18 February 2017. These are due to vest on 18 February 2022, subject to the achievement of a NAVps growth performance condition over the five years ended 31 December 2021; and
- the first tranche of awards granted on 12 February 2019. These are due to vest on 12 February 2022, subject to the achievement of a NAVps growth performance condition over the three years ended 31 December 2021.

The NAVps performance conditions for both these awards are as follows:

NAVps performance	% of award vesting
NAVps growth < average risk-free rate +7.5% p.a.	0%
NAVps growth = average risk-free rate +7.5% p.a.	10%
NAVps growth = average risk-free rate +10% p.a.	25%
NAVps growth = average risk-free rate +15% p.a.	100%
Straight-line vesting between points	

Actual NAVps growth achieved in the five years to 31 December 2021 was 9.1% p.a. which resulted in 10.5% of the second tranche of the 2017 awards vesting.

Actual NAVps growth achieved in the three years to 31 December 2021 was 11.0% p.a. which resulted in 25.1% of the first tranche of the 2019 awards vesting.

These results demonstrate the framework of the LTIP scheme, in particular our KPI of using net asset value per share, is completely aligned to shareholder interest by producing an outcome that is reflective of our business result over a long term performance.

The results were independently calculated by Deloitte LLP.

LTIP awards for 2021 ▪

During 2021, LTIP awards with a face value equal to 200% of salary for the CEO and 150% of salary were granted to executive directors. The awards were as shown in the table below.

Share awards granted during the year ▪

Individual	Type of interest	Basis on which award made	Number of shares awarded	Face value of shares (£)[1]	% vesting at threshold	Performance period end: Three years (50%)	Performance period end: Five years (50%)
LTIP							
D Andrew Horton[2]	Nil cost option (LTIP)	200% of salary	276,566	1,015,000	10%	31/12/2023	31/12/2025
Adrian P Cox[3]	Nil cost option (LTIP)	200% of salary	276,566	1,015,000	10%	31/12/2023	31/12/2025
Sally M Lake	Nil cost option (LTIP)	150% of salary	147,138	540,000	10%	31/12/2023	31/12/2025
Deferred bonus *(in respect of 2020 bonus)*							
D Andrew Horton	Deferred shares	n/a	–	–	–	–	–
Adrian P Cox	Deferred shares	n/a	–	–	–	–	–
Sally M Lake	Deferred shares	n/a	–	–	–	–	–

1 The face value of shares awarded was calculated using the three day average share price prior to grant, which was 367.00p.
2 During the year Andrew Horton resigned as CEO. Upon exit all unvested options granted to Andrew lapsed.
3 Adrian Cox was appointed as CEO with effect 1 April 2021. Upon appointment as CEO Adrian was granted an additional LTIP award such that when combined with prior grants made in year (150% of salary), his 2021 total award was 200% of salary.

NAVps performance	% of award vesting
NAVps growth < risk-free rate +7.5% p.a.	0%
NAVps growth = risk-free rate +7.5% p.a.	10%
NAVps growth = risk-free rate +10% p.a.	25%
NAVps growth = risk-free rate +15% p.a.	100%
Straight-line vesting between points	

LTIP awards for 2022

It is intended that the performance conditions and targets for the LTIP awards for 2022 will be in line with those granted in 2021 (see table above). The 2022 LTIP awards will be made at the typical levels, 200% of salary for the CEO and 150% of salary for the Group Finance Director. The remuneration committee may adjust the vesting level of the LTIP awards if it considers that they do not reflect the underlying financial or non-financial performance of the individual or the Company.

Dilution

The share plans permit 10% of the company's issued share capital to be issued pursuant to awards under the LTIP, SAYE and option plan in a 10-year period.

The company adheres to a dilution limit of 5% in a 10 year period for executive schemes.

Investment in underwriting ▪

Traditionally, Lloyd's underwriters contributed their personal capital to syndicates in which they worked. With the move to corporate provision of capital, individual membership of Lloyd's has declined significantly. The committee feels that having personal capital at risk in the syndicate is an important part of the remuneration policy and provides a healthy counterbalance to incentivisation through bonuses and long term incentive awards. The company has operated the Beazley staff underwriting plan for this purpose since 2004 and executive directors and other selected staff are invited to participate through bonus deferral with an element of their cash incentives 'at risk' as capital commitments. These capital commitments can be lost in full if underwriting performance is poor.

The Group funds the capital for the plan. The individual capital commitment is then funded through individual's bonus deferral. The aim is for individuals to fund their capital within three years.

To date over 300 employees of the Group have committed to put at risk £14.4m of bonuses to the underwriting results of syndicate 623. Of the total at risk, £12.8m has already been deferred from the bonuses awarded.

Directors' remuneration report
Annual remuneration report *continued*

The following executive directors participated in syndicate 623 through Beazley Staff Underwriting Limited:

	Total bonuses deferred £	2020 year of account underwriting capacity £	2021 year of account underwriting capacity £	2022 year of account underwriting capacity £
Adrian P Cox	216,000	400,000	400,000	400,000
Sally M Lake	54,000	100,000	100,000	100,000

The executive directors are fully funded for their capital requirement.

Malus and clawback

Recovery provisions (malus and clawback) have applied to incentives for a number of years. Further detail on the recovery provisions, including the circumstances and timeframe for which they can be applied are set out in the remuneration policy.

Risk and reward at Beazley

The committee regularly reviews developing remuneration governance in the context of Solvency II remuneration guidance, other corporate governance developments and institutional shareholders' guidance. The chief risk officer 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.

We believe reward at Beazley is appropriately balanced in light of risk considerations, particularly taking into account the following features:

Features aligned with risk considerations

Share deferral	A portion of bonus is normally deferred into shares for three years. These deferred shares, together with shares awarded under the LTIP, mean that a significant portion of total remuneration is delivered in the form of shares deferred for a period of years.
LTIP holding period	For awards made from 2019 the first tranche of the LTIP is subject to a further two-year holding period.
Extended performance periods	A portion of the LTIP has performance measured over an extended five-year period.
Shareholding requirements	Executive directors are expected to build up and maintain a shareholding of 200% of salary. LTIP awards may be forfeited if shareholding requirements are not met. From 2020 executive directors are expected to maintain a shareholding post-departure.
Investment in underwriting	Management and underwriters may defer part of their bonuses into the Beazley staff underwriting plan, providing alignment with capital providers. Capital commitments can be lost if underwriting performance is poor.
Underwriters' remuneration aligned with profit achieved	Under the profit related bonus 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. Since 2012 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 in relation to the Group's policy on conduct risk.
Clawback and malus provisions for annual bonus and LTIP shares	For deferred share awards and LTIP awards from 2012 malus provisions were introduced. For LTIP awards from 2015 and annual bonus in respect of 2015 and onwards, clawback provisions also apply for executive directors.

Service contracts and payments for loss of office

No loss of office payments have been made in the year.

There is no unexpired term as each of the executive directors' contracts is on a rolling basis.

Non-executive directors' fees

The fees of Non-Executive Directors are determined by the Board and are reviewed annually. When setting fee levels consideration is given to levels in comparable companies for comparable services and also to the time commitment and responsibilities of the individual Non-Executive Director. No Non-Executive Director is involved in the determination of their fees.

Following the annual review, the remuneration committee determined that the fee for the chair of the Board should be increased to £300,000 from £264,000 (inclusive of subsidiary fees). This increase is to recognise that since appointment in 2017, Beazley's size and complexity has increased significantly and Beazley's operations have expanded into new ventures. There has also been an increase in the time commitment required. During its consideration the committee also took into account the importance of a highly experienced and effective chair leading the Board (particularly in the context of the changes to the executive management team) and determined that it would be in the interests of all Beazley stakeholders that the chair of Board fee is set at a reasonable level to reflect contribution and align with market practices.

The fees for the Non-Executive Directors were also reviewed and are being increased by 3%, below the general increase of the workforce. In specific recognition of the increased time commitment required from the members of the audit and risk committee and reflecting the importance of the committee to the effective running of the business, it was also determined that additional fees above the 3% would be applied for the chair and members of these committees. Details of the Non-Executive Directors' fees payable for the plc Board responsibilities are set out below (the fee for the chair of the Board is inclusive of subsidiary fees):

	2021 fee	2022 fee
Chair of Board fee	£264,000	£300,000
Basic fee	£63,100	£65,000
Senior independent director fee	£11,300	£11,700
Chair of audit and risk committee fee	£19,000	£22,500
Chair of remuneration committee fee	£17,500	£18,100
Membership fee for Non-Executive Directors on the audit and risk committee	£7,500	£9,000
Membership fee for Non-Executive Directors on the remuneration committee	£5,000	£5,200
Fee for designated Non-Executive Director representing employee voice	£5,000	£5,200

Beazley operates across Lloyd's, Europe and the US markets through a variety of legal entities and structures. Non-executive directors, in addition to the plc Board, typically sit on either one of our key subsidiary Boards, namely Beazley Furlonge Ltd, our managing agency at Lloyd's, or Beazley Insurance dac, our Irish insurance company. Non-executive directors may receive additional fees for sitting on subsidiary Boards. As a result of developments in regulation, the degree of autonomy in the operation of each Board has increased in recent years, with a consequent increase in time commitment and scope of the role.

No Non-Executive Director participates in the Group's incentive arrangements or pension plan.

Non-executive directors are appointed for fixed terms, normally for three years, and may be reappointed for future terms.

Non-executive directors are typically appointed through a selection process that assesses whether the candidate brings the desired competencies and skills to the Group. The Board has identified several key competencies for Non-Executive Directors to complement the existing skill-set of the executive directors. These competencies may include:

- insurance sector expertise;
- asset management skills;
- public company and corporate governance experience;
- risk management skills;
- finance skills; and
- IT and operations skills.

Non-executive directors' service contracts ▪

Details of the Non-Executive Directors' terms of appointment are set out below:

	Commencement of appointment	Expires
Christine LaSala	1 Jul 2016	AGM 2023
David L Roberts	1 Nov 2017	AGM 2024
Robert A Stuchbery	11 Aug 2016	AGM 2023
Catherine M Woods	1 Jan 2016	AGM 2022
A John Reizenstein	10 Apr 2019	AGM 2022
Nicola Hodson	10 Apr 2019	AGM 2022
Rajesh Agrawal	1 Aug 2021	AGM 2025
Pierre-Olivier Desaulle	1 Jan 2021	AGM 2024

The standard approach for Non-Executive Director appointments is that the appointment expires at the AGM following the end of a three year term, notwithstanding the fact that each Non-Executive Director is subject to annual re-election at each AGM.

Directors' remuneration report
Annual remuneration report *continued*

Approach to remuneration for employees other than directors

The committee also has oversight of remuneration arrangements elsewhere in the Group. The following tables set out the additional incentive arrangements for other staff within the organisation.

Other incentive arrangements at Beazley (not applicable to executive directors):

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 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.

Underwriter bonus plan – profit related pay plan

Underwriters participate in a profit related pay plan based upon the profitability of their underwriting account. Executive directors do not participate in this plan.

The objective of the plan is to align the interests of the Group and the individual through aligning an underwriter's reward to the long term profitability of their portfolio. Underwriters who have significant influence over a portfolio may be offered awards under the plan. There is no automatic eligibility. Profit related pay is awarded irrespective of the results of the Group. Awards are capped.

This bonus is awarded as cash and is based upon a fixed proportion of profit achieved on the relevant underwriting account as measured at three years and later. Any movements in prior years are reflected in future year payments as the account develops after three years. For long-tail accounts the class is still relatively immature at the three-year stage and therefore payments will be modest. Underwriters may receive further payouts in years four, five and six (and even later) as the account matures. Therefore each year they could be receiving payouts in relation to multiple underwriting years.

If the account deteriorates as it develops any payouts are 'clawed back' through reductions in future profit related pay bonuses. 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 in relation to the Group's policy on conduct risk. The remuneration committee also have oversight for all materials risk takers who participate in the profit related pay plan.

The fixed proportion is calculated based upon profit targets which are set through the business planning process and reviewed by a committee formed of executive committee members and functional specialists including the Group actuary. Underwriting risk is taken into account when setting profit targets.

In addition to profit related pay, underwriters are also eligible to receive a discretionary bonus, based upon performance, from the enterprise bonus pool. A proportion of this bonus may be paid in deferred shares, which vest after three years subject to continued employment.

Support bonus plan

Employees who are not members of the executive and who do not participate in the underwriters' profit related pay plan participate in a discretionary bonus pool. This pool provides employees with a discretionary award of an annual performance bonus that reflects overall individual performance including meeting annual objectives.

A proportion of this award may also be dependent on the Group's ROE and therefore allocated from the enterprise bonus pool. A proportion of this bonus may be paid in deferred shares, which vest after three years subject to continued employment.

UK SAYE

The company operates an HMRC-approved SAYE scheme for the benefit of UK-based employees. The scheme offers a three-year savings contract period with options being offered at a 20% discount to the share price on grant. Monthly contributions are made through a payroll deduction on behalf of participating employees. The UK SAYE scheme has been extended to eligible employees in Singapore, Ireland, Canada, France, Germany and Spain. The Irish SAYE scheme has been approved by the Irish Revenue. However due to changes in Irish regulations in 2021 it was no longer possible to offer an Irish tax approved SAYE plan. Instead, eligible Irish employees were invited to participate in the international SAYE plan offering on a non-tax approved basis. SAYE plan rules are subject to approval at the 2022 AGM.

US SAYE

The Beazley plc savings-related share option plan for US employees permits all eligible US-based employees to purchase shares of Beazley plc at a discount of up to 15% to the shares' fair market value. Participants may exercise options after a two-year period. The plan is compliant with the terms of section 423 of the US Internal Revenue Code and is similar to the SAYE scheme operated for UK-based Beazley employees.

Retention shares

The retention plan may be used for recruitment or retention purposes. Any awards vest at 25% per annum over years three to six. Policy going forward is that existing executive directors do not participate in this plan and no executive directors have subsisting legacy awards outstanding.

Annual percentage change in remuneration of directors and employees

	Percentage change in remuneration from 31 Dec 2019 to 31 Dec 2020			Percentage change in remuneration from 31 Dec 2020 to 31 Dec 2021		
	Percentage change in base salary/fee %	Percentage change in benefits %	Percentage change in annual bonus %	Percentage change in base salary/fee %	Percentage change in benefits %	Percentage change in annual bonus %
All employees	3.5	-12.8	-30.5	3.2	11.1	119.3
Executive directors						
Adrian Cox[1]	2.6	-7.2	-100.0	23.2	22.1	n/a
Sally Lake[2]	2.9	15.4	-100.0	11.4	9.5	n/a
Andrew Horton[3]	2.6	-0.9	-100.0	2.5	–	n/a
Non-executive directors						
Sir J Andrew Likierman	2.7	n/a	n/a	–	n/a	n/a
Christine LaSala[4]	40.0	n/a	n/a	8.7	n/a	n/a
David L Roberts	2.5	n/a	n/a	–	n/a	n/a
John P Sauerland	9.8	n/a	n/a	–	n/a	n/a
Robert A Stuchbery[5]	16.6	n/a	n/a	3.5	n/a	n/a
Catherine M Woods[6]	18.1	n/a	n/a	-6.0	n/a	n/a
A John Reizenstein	2.5	n/a	n/a	–	n/a	n/a
Nicola Hodson[7]	2.5	n/a	n/a	–	n/a	n/a

Note: Salary and bonus are compared against all employees of the Group. Benefits and pension are compared against all UK employees, reflecting the Group's policy that benefits are provided by reference to local market levels.

The average fee increase for 2021 was 0%. During 2020 and 2021 a number of the Non-Executive Directors joined additional Board committees and therefore received additional fees. Therefore, for these Non-Executive Directors, the year-on-year comparisons reflect their additional responsibilities and corresponding fees.

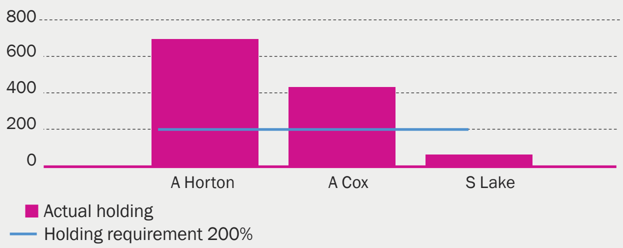
1 Adrian Cox was appointed Chief Executive Officer on 1 April 2021. The percentage change figures for 2021 reflect that his salary increased with effect from this date.
2 Sally Lake's responsibilities as finance director were increased as set out earlier in this report. The percentage change figures for 2021 reflect that her salary was increased with effect from 1 April to recognise the increased responsibilities.
3 Andrew Horton stepped down as Chief Executive Officer on 31 March 2021. To enable a meaningful comparison the percentage change figures for 2021 have been calculated on a full-year equivalent basis.
4 Christine LaSala became chair of remuneration committee with effect 27 March 2021.
5 Robert A Stuchbery joined as a Non-Executive Director of remuneration committee with effect 14 April 2021.
6 Catherine M Woods stepped down as chair of Beazley insurance dac with effect 30 September 2021.
7 Nicola Hodson joined as a Non-Executive Director of the remuneration committee with effect 24 September 2020, her fees for 2020 were pro-rated accordingly.

Statement of directors' shareholdings and share interests ▪

LTIP participants are expected to build a shareholding in Beazley equal to their annual award level. The executive directors have a shareholding requirement of 200% of salary.

LTIP awards may be forfeited if shareholding requirements are not met. The CEO met the shareholding guidelines. The Group Finance Director was appointed during the 2019 and has made progress towards meeting the guideline (see chart below).

Directors' shareholdings (% of salary)



The table below shows the total number of directors' interests in shares as at 31 December 2021 or date of cessation as a director.

		Unvested awards			Vested awards	
Name	Number of shares owned (including by connected persons)	Conditional shares not subject to performance conditions (deferred shares and retention shares)	Nil cost options subject to performance conditions (LTIP awards)	Options over shares subject to savings contracts (SAYE)	Unexercised nil cost options	Options exercised in the year
D Andrew Horton[1]	1,742,576			2,042	–	47,249
Adrian P Cox	1,084,353	54,160	603,107	4,202	–	36,409
Sally M Lake	106,871	24,840	309,854	6,250	–	7,202
Rajesh Agrawal[2]	–	–	–	–	–	–
Pierre-Olivier Desaulle[3]	–	–	–	–	–	–
Nicola Hodson	–	–	–	–	–	–
Christine LaSala	53,085	–	–	–	–	–
Sir J Andrew Likierman[4]	23,000	–	–	–	–	–
A John Reizenstein	11,904	–	–	–	–	–
David L Roberts	98,914	–	–	–	–	–
John P Sauerland[5]	30,000	–	–	–	–	–
Robert A Stuchbery	88,073	–	–	–	–	–
Catherine M Woods	42,698	–	–	–	–	–

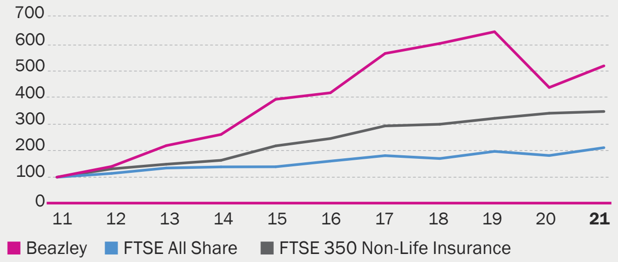
1 Andrew Horton stepped down from the Board with effect 31 March 2021.
2 Rajesh Agrawal joined the Board with effect 1 August 2021.
3 Pierre-Olivier Desaulle joined the Board with effect 1 January 2021.
4 Sir Andrew Likierman stepped down from the Board at the conclusion of the 2021 AGM.
5 John Sauerland stepped down from the Board at the conclusion of the 2021 AGM.

CEO pay versus performance

The following graph sets out Beazley's 10 year total shareholder return performance to 31 December 2021, compared with the FTSE All Share and FTSE 350 Non-Life Insurance indices. These indices were chosen as comparators as they comprise companies listed on the same exchange and, in the case of the Non-Life Insurance index, the same sector as Beazley.

Total shareholder return performance

Value of £100 invested on 31 December 2011



Historical CEO payouts

Year	CEO single figure of total remuneration	Annual variable award (% of maximum opportunity)[1]	Long term incentives vesting (% of maximum opportunity)
2012	£2,339,573	71%	84%
2013	£2,922,392	93%	100%
2014	£3,745,989	74%	100%
2015	£3,711,647	73%	100%
2016	£3,715,146	70%	100%
2017	£3,140,145	38%	98%
2018	£1,524,600	19%	41%
2019	£2,157,018	57%	37%
2020	£631,890	–	6.6%
2021 (D A Horton)[2]	£145,896	–	–
2021 (A P Cox as CEO)	£2,083,612	75%	17.8%

1 An individual overall cap of 400% of salary was introduced from 2013. Prior to this date and in line with industry practice, there was no formal limit on individual bonuses. To enable comparison, the above table assumes that a maximum annual variable award of 400% of salary also applied for years prior to 2013.

2 DA Horton stepped down as CEO on 31 March 2021 and was succeeded by AP Cox. Consistent with the single figure, the figures for AP Cox relate to the whole of 2021, including the portion of the year when he was Chief Underwriting Officer.

Pay ratio data

The following table provides pay ratio data in respect of the CEO's total remuneration compared to the 25th, median and 75th percentile UK employees.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	39:1	21:1	14:1
2020	Option A	13:1	7:1	5:1
2019	Option A	42:1	25:1	15:1

The employees used for the purposes of the table above were identified on a full-time equivalent basis as at 31 December 2021. Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees. This captures all relevant pay and benefits and aligns to how the single figure table is calculated.

The following table provides salary and total remuneration information in respect of the employees at each quartile.

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2021	Salary	£39,167	£67,415	£97,500
	Total remuneration	£51,846	£96,347	£149,151

Note: Salary and bonus are compared against all employees of the UK Group.

Due to the financial impact of COVID-19 the 2020 pay ratios were significantly supressed as a result of the limited LTIP vesting and nil bonus payment to the CEO. The ratios for 2021 have therefore increased following an increase in the LTIP vesting and the payment of a bonus at 75% of maximum in-line with the strong business and individual performance for the year. The ratios for 2021 are broadly comparable with 2019. The Remuneration committee believes that the median pay ratio for 2021 is consistent with Beazley's pay, reward and progression policies.

Relative importance of spend on pay

The following table shows the relative spend on pay compared to distributions to shareholders:

	Overall expenditure on pay	Shareholder distributions (dividends in respect of the year)
2021	$287.0m	$105m
2020	$219m	$0m

Directors' remuneration report
Annual remuneration report *continued*

Directors' share plan interests ▪

Details of share plan interests of those directors who served during the period are as follows:

	Outstanding options at 1 Jan 2021[1]	Options granted	Options exercised	Lapsed unvested	Outstanding options at 31 Dec 2021[2]
Adrian P Cox					
Deferred bonus:	81,268	–	27,108	–	54,160
LTIP (see notes):	444,582	276,566	9,301	108,740	603,107
SAYE:	4,202	–	–	–	4,202
D Andrew Horton[1]					
Deferred bonus:	96,428	–	30,723	65,705	–
LTIP (see notes):	755,159	276,566	16,526	1,015,199	–
SAYE:	4,199	–	–	2,157	2,042
Sally M Lake					
Deferred bonus:	28,815	–	3,975	–	24,840
LTIP (see notes):	203,758	147,138	3,227	37,815	309,854
SAYE:	4,258	6,250	–	4,258	6,250

1 D Andrew Horton stepped down from the Board with effect 31 March 2021.

2 Adrian Cox was appointed as CEO with effect 1 April 2021.

Notes to share plan interests table

Deferred bonus	Deferred bonus awards are made in the form of conditional shares that normally vest three years after the date of award.
LTIP 2016 – 3/5 year	Awards were made on 9 February 2016 at a mid-market share price of 354.1p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2026.
LTIP 2017 – 3/5 year	Awards were made on 8 February 2017 at a mid-market share price of 434.33p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2027.
LTIP 2018 – 3/5 year	Awards were made on 13 February 2018 at a mid-market share price of 553.33p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2028.
LTIP 2019 – 3/5 year	Awards were made on 12 February 2019 at a mid-market share price of 510.16p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2029.
LTIP 2020 – 3/5 year	Awards were made on 11 February 2020 at a mid-market share price of 595.5p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2030.
LTIP 2021 – 3/5 year	Awards were made on 10 February 2021 at a mid-market share price of 367.0p. Performance conditions: all of the award is subject to NAVps performance, with 50% measured over a three year period and 50% measured over a five year period. NAVps < RFR+7.5% p.a. equates to 0% vesting, NAVps = RFR+7.5% p.a. equates to 10% vesting, NAVps = RFR+10% p.a. equates to 25% vesting, NAVps = or > RFR+15% p.a. equates to 100% vesting, with straight-line pro-rated vesting between these points. Awards expire in February 2031.

Share prices

The market price of Beazley ordinary shares at 31 December 2021 (the last trading day of the year) was 466p and the range during the year was 294p to 466p.

Remuneration committee

The committee consists of only Non-Executive Directors and during the year the members were; Christine LaSala who succeeded Sir Andrew Likierman as chair, John Sauerland, Catherine Woods, Nicola Hodson and Robert Stuchbery. The Board views each of the committee members as independent.

The committee considers the individual remuneration packages of the CEO, executive directors and executive committee members. It also has oversight of the salary and bonus awards of individuals outside the executive committee who either directly report to executive committee members or who have basic salaries over £200,000, as well as the overall bonus pool and total incentives paid by the Group. The terms of reference of the committee are available on the company's website. The committee met six times during the year. Further information on the key activities of the committee for 2021 can be found within the statement of corporate governance on page 92.

During the year the committee was advised by remuneration consultants from Deloitte LLP. Total fees in relation to executive remuneration consulting were £100,400. Deloitte LLP also provided advice in relation to share schemes, tax, internal audit and compliance support.

Deloitte LLP was appointed by the committee. Deloitte LLP is a member of the remuneration consultants' Group and as such voluntarily operates under a code of conduct in relation to executive remuneration consulting in the UK. The committee agrees each year the protocols under which Deloitte LLP provides advice, to support independence. The committee is satisfied that the advice received from Deloitte LLP has been objective and independent.

Input was also received by the committee during the year from the CEO, head of Culture & People, company secretary and chief risk officer. However, no individual plays a part in the determination of their own remuneration.

Engagement with the workforce

As part of the regular cycle, the committee is informed of pay and employment conditions of wider employees in the Group and takes these into account when determining the remuneration for executive directors.

Statement of shareholder voting

The voting outcomes of the 2019 remuneration policy and 2020 annual remuneration report and remuneration policy were as follows:

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
2019 remuneration policy	373,357,955	90.03%	41,349,712	9.97%	414,707,667	5,521
2020 annual remuneration report	485,504,081	99.59%	1,984,177	0.41%	487,488,258	48,217

Annual general meeting

At the forthcoming annual general meeting to be held on 25 March 2022, an advisory resolution will be proposed to approve this annual remuneration report.

I am keen to encourage an ongoing dialogue with shareholders. Accordingly, if you would like to discuss any matter arising from this report or remuneration issues generally, please email Christine Oldridge at christine.oldridge@beazley.com.

By order of the Board

Christine LaSala

Chair of the remuneration committee

9 February 2022

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

The directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with UK adopted IFRSs and the requirements of the Companies Act 2006.

Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the Group financial statements, state whether UK adopted IFRSs and the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether IFRSs in conformity with the Companies Act have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the company and the Group financial statements comply with Section 403 of the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK adopted IFRSs and the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- we consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

David Roberts
Chair

Sally M Lake
Group Finance Director

9 February 2022

Directors' report

"I have enjoyed working with the Board during the year and supporting our robust governance framework."

Christine Oldridge
Company Secretary

Principal activity
Beazley plc (registered number 09763575) is the ultimate holding company for the Beazley Group, a global specialist risk insurance and reinsurance business operating through: its managed syndicates at Lloyd's in the UK; Beazley Insurance Company, Inc. and Beazley American Insurance Company, Inc., both of which are admitted insurance carriers in the US; and Beazley Insurance dac, a European insurance company in Ireland.

Management report
The directors' report, together with the strategic report on pages 01 to 70, serves as the management report for the purpose of Disclosure, Guidance and Transparency Rule 4.1.8R.

Directors' responsibilities
The statement of directors' responsibilities in respect of the annual report and financial statements is set out on page 114.

Review of business
A more detailed review of the business for the year and a summary of future developments are included in the statement of the Chair, the CEO's statement and the financial review.

Results and dividends
The consolidated profit before taxation for the year ended 31 December 2021 amounted to $369.2m (2020: loss $50.4m). The directors have approved an interim dividend of 12.9p in February 2022.

Recent developments and post balance sheet events
Recent developments and post balance sheet events are given in note 34 to the financial statements on page 207.

Future business developments
Information relating to future business developments can be found in the strategic report.

Risk management
The Group's approach to risk management is set out on pages 67 to 68 and further detail is contained in note 2 to the financial statements on pages 151 to 164.

Going concern and viability statement
The financial review on pages 52 to 61 contains details of the financial position of the Group, its cash flows and its borrowing facilities.

After reviewing the Group's current and forecast solvency and liquidity positions, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of 12 months from the date of this report. For this reason, the Board considers it appropriate for the Group to continue to adopt the going concern basis in preparing its accounts.

In accordance with the UK Corporate Governance Code, the directors have assessed the viability of the Group. The viability statement, which supports the going concern basis mentioned above, is included in the risk management section on page 63.

Information to be disclosed under LR9.84R
Information on interest capitalised is shown in note 25 on page 197. Details of long-term incentive schemes are provided in the directors' remuneration report on pages 104 and 105.

Research and development
In the ordinary course of business the Group develops new products and services in each of its business divisions and develops IT solutions to support the business requirements.

Auditor
Ernst & Young LLP ('EY') has indicated its willingness to continue in office. Resolutions to reappoint EY as auditor of the company and authorise the audit and risk committee to determine their remuneration will be proposed at the 2022 AGM.

Directors report *continued*

Disclosure of information to auditor

Each of the directors in office at the date of approval of this directors' report confirms that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors

The directors of the company who served during 2021 and/or to the date of this report were as follows:

David Lawton Roberts	Non-Executive Chair
Adrian Peter Cox	Chief Executive Officer
David Andrew Horton	Chief Executive Officer (resigned 31/03/2021)
Rajesh Agrawal	Non-Executive Director (appointed 01/08/2021)
Pierre-Oliver Desaulle	Non-Executive Director
Nicola Hodson	Non-Executive Director
Sally Michelle Lake	Group Finance Director
Christine LaSala	Non-Executive Director
Sir John Andrew Likierman	Non-Executive Director (resigned 26/03/2021)
Anthony Jonathan Reizenstein	Non-Executive Director
John Peter Sauerland	Non-Executive Director (resigned 26/03/2021)
Robert Arthur Stuchbery	Non-Executive Director
Catherine Marie Woods	Non-Executive Director

Catherine Woods will be standing down from the Board at the conclusion of the AGM on 25 March 2022.

The Board is complying with the provision on annual re-election of all directors in accordance with the UK Corporate Governance Code (the 'Code'). The appointment and replacement of directors is governed by the company's Articles of Association (the 'Articles'), the Code, Companies Act 2006 and related legislation. The Articles may be amended by a special resolution of the shareholders. Subject to the Articles, Companies Act 2006 and any directions given by special resolution, the business of the company will be managed by the Board which may exercise all the powers of the company.

Further information can be found in the statement of corporate governance on page 77.

Directors' interests

The directors' interests in shares of the company, for those directors in office at the end of the year, including any interests of a connected person (as defined in the Disclosure, Guidance and Transparency Rules of the UK's Financial Conduct Authority), can be found in the directors' remuneration report on page 110. Details of directors' service contracts are given in the directors' remuneration report. The directors' biographies are set out in the Board of directors' section of the annual report on pages 74 to 75.

Directors' indemnities

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action taken against its directors. The company has also granted indemnities to each of its directors to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities. A copy of the indemnity is available for inspection at the company's registered office during normal business hours. These provisions, deemed to be qualifying third-party indemnity provisions pursuant to section 234 of the Companies Act 2006, were in force during the year ended 31 December 2021 and remain in force as at the date of this report.

Substantial shareholdings

As at 9 February 2022, the Board had been notified of, or was otherwise aware of, the following shareholdings of 3% or more of the company's issued ordinary share capital:

	Number of ordinary shares	% as at 9 Feb 2022
MFS Investment Management	57,839,374	9.5
Wellington Management	48,025,318	7.9
Fidelity Management & Research	40,685,156	6.7
Platinum Asset Management	30,858,768	5.1
Vanguard Group	27,041,904	4.4
BlackRock	26,341,321	4.3
Janus Henderson Investors	19,296,579	3.2

Note: All interests disclosed to the company in accordance with DTRs can be found in the news and alerts section of our corporate website: **www.beazley.com**.

Share capital

As at 31 December 2021, the company's issued shared capital comprised 609,240,781 ordinary shares, each with a nominal value of 5p and representing 100% of the total issued share capital. Details of the movement in ordinary share capital during the year can be found in note 21 on page 183. There are no restrictions on the transfer of shares in the company other than as set out in the Articles of Association and certain restrictions which may from time to time be imposed by law and regulations.

Authority to purchase own shares

On 26 March 2021 shareholders approved an authority, which will expire on 26 June 2022 or, if earlier, at the conclusion of the 2022 Annual General Meeting (AGM), for the company to repurchase up to a maximum of 60,894,253 ordinary shares (representing approximately 10% of the company's issued ordinary share capital at that time).

The Board continues to regard the ability to repurchase issued shares in suitable circumstances as an important part of the financial management of the company. A resolution will be proposed at the 2022 AGM to renew the authority for the company to purchase its own share capital up to the specified limits for a further year. More detail of this proposal is given in the notice of AGM.

Significant agreements – change of control

Details of an agreement to which the company is party that alters on change of control of the company following a takeover bid are as follows.

In 2021 we renewed the $450m multi-currency standby letter of credit and revolving credit facility. Key terms remain unchanged. The agreement, which is between the company, other members of the Group and various banks, provides that if any person or groups of persons acting in concert gains control of the company or another group obligor, then: (a) the banks are thereafter not obliged to participate in any new revolving advances or issue any letter of credit; and (b) the facility agent may:

(i) require the group obligors to repay outstanding revolving advances made to them together with accrued interest; and

(ii) ensure that the liabilities under letters of credit are reduced to zero or otherwise secured by providing cash collateral in an amount equal to the maximum actual and contingent liabilities under such letters of credit.

Furthermore, the facility agreement includes a covenant that no group obligor (other than a wholly owned subsidiary) will, without prior consent of the banks, amalgamate, merge (within the meaning of generally accepted accounting principles in the UK), consolidate or combine by scheme of arrangement or otherwise with any other corporation or person. If this covenant should be breached without prior consent, then the facility agent may: (a) require the group obligors to repay outstanding revolving advances made to them together with accrued interest; (b) ensure that the liabilities under letters of credit are reduced to zero or otherwise secured by providing cash collateral in an amount equal to the maximum actual and contingent liabilities under such letters of credit; (c) declare that any unutilised portion of the facility is cancelled; and (d) give a notice of non-extension to Lloyd's in respect of any letter of credit.

Annual general meeting

The AGM of the company will be held on 25 March 2022 at 14.30. The notice of the AGM details the business to be put to shareholders.

Corporate, social and environmental responsibility

The company's corporate, social and environmental activities are set out in the statement of the Chair on pages 10 to 12 and the Responsible Business Report on pages 30 to 34. During 2021, Beazley and employees donated over $380,000 to charities, details of which can be found in the responsible business report on pages 30 to 34.

Employee engagement

We are committed to employee involvement across the business. We place great emphasis on open and regular communication, to ensure employees are well informed of Beazley's performance and strategy. Active employee engagement has always been a priority and has become increasingly important during the sustained period of remote working. During the year, regular all-employee meetings, Q&As with senior management and smaller team meetings have taken place virtually or in person, where this has again become possible.

The CEO provides a general business update to all employees weekly by email. He also communicates via regular podcast the key focus areas of the executive committee. The intranet is accessible by all employees and is a useful source of company information.

During 2021, all employees were invited to participate in surveys on the business and its culture and on Beazley's leadership. The key findings from these surveys and actions to address these findings are discussed by the Board. Insight gained through various employee networks and via the day-to-day engagement of senior management with the workforce was also shared with the Board. In addition, the views of the 'Sounding Board', a group of employee representatives from across the business, were shared with the Board through Bob Stuchbery, the non-executive director nominated by the Board to bring the views of the workforce to the boardroom. There is a Q&A with Bob Stuchbery on page 45.

Employees are able to share financially in Beazley's success. Annual bonus payments may be awarded and relate to the performance of the company, as well as an individual's own performance. The company operates a Save As You Earn scheme to support share ownership amongst employees, and a long-term incentive plan is offered to senior employees.

Inclusion & diversity

Information concerning inclusion and diversity can be found in the responsible business section on pages 32 and 34 and in the nomination committee report on page 90.

A key part of Beazley's strategy is to attract and nurture talented colleagues who champion diversity of thought. We are committed to providing equal opportunities irrespective of age, disability, gender reassignment, marital status, pregnancy and maternity, race, nationality or ethnic origin, religion or religious beliefs, sexuality, socio-economic group or working pattern. We hire people with wider perspectives, leading to a more dynamic, innovative, and responsive organisation in touch with the changing world and marketplace. All applications for employment are objectively assessed on the basis of the skills and aptitudes of the applicant in light of the requirements of the role.

It is the policy of the Group that the training, career development and promotion of disabled persons should, so far as possible, be identical to that of other employees. In the event an employee becomes disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate support is arranged.

Political donations policy

It is the policy of the Beazley Group that no political donations are made either by staff in the corporate name or by any legal entity in the Beazley Group.

Directors report *continued*

Carbon emissions

Our greenhouse gas (GHG) emissions were 1,705.70 tonnes carbon dioxide equivalent (tCO_2e) in 2021. This equates to a 84% reduction when compared to our 2019 baseline. This sizeable reduction is a reflection of COVID-19 travel restrictions reducing Beazley's business travel. Beazley operates from offices which form part of wider commercial developments. This means that our operational control over our offices differ by location. The scope of our carbon emission disclosures cover office locations where Beazley pays its utility bills independent of any service charge. It does not include any serviced office suites we operate from. All shared offices and serviced office suites are excluded from the scope of Beazley's GHG reporting. We expect emissions to be reported from these locations by our landlords. Our 2021 reporting covers 94% of full-time equivalent (FTE) staff. The same parameters apply for the reporting of transmission and distribution (T&D) losses within our Scope 3 inventory.

Our Scope 3 emissions also cover our global operations from all offices.

Beazley's overall corporate GHG emissions for 2021 are detailed in the table below, with data from previous years provided for comparison:

	Carbon Emissions tCO_2e			
	2018	2019	2020	2021
Scope 1	34.17	21.08	16.5	8.14
Scope 2	1,042.97	1,420.08	1,173.26	905.87
Scope 3	6,921.65	6,927.39	1,663.14	791.69
Total	7,998.80	8,368.55	2,852.89	1,705.70

Normalised for FTE of staff, performance is as follows:

2018	2019	2020	2021
6.29	5.98	2.01	0.93

Our emissions can be broken down by geographical region as follows:

	Carbon Emissions (tCO_2e)			
	Scope 1	Scope 2	Scope 3	Total
UK, Europe and Rest of World	6.52	489.24	363.43	859.19
USA	1.62	416.64	428.26	846.52
Total	8.14	905.88	791.69	1,705.71

Calculation clarifications

GHG emissions are calculated and presented in accordance with HM UK Government Department for Environment, Food and Rural affairs (DEFRA) Environmental Reporting Guidelines, using the UK Government's GHG Conversion Factors for Company Reporting where possible.

GHG emissions are, where possible, calculated using the HM UK Government Department for Business, Energy and Industrial Strategy (BEIS) conversion factors for kilograms of CO_2 equivalent ($kgCO_2e$) i.e the sum of carbon dioxide, methane and nitrous oxide emission factors. The exceptions to this are emissions associated with:

- refrigerants (Scope 1 emissions), which are reported as carbon dioxide equivalent (CO_2e) emissions;
- Dublin office electricity use which is based on information reported by the Sustainable Energy Authority of Ireland (SEAI) and reported as tonnes of CO_2 (tCO_2) only. Scope 3 T&D European emissions are based on DEFRA reporting metrics in the absence of T&D conversions factors;
- US office electricity (Scope 2) and T&D losses (Scope 3) have been calculated using regional emission factors provided by the US Environmental Protection Agency (EPA);
- Scope 3 emissions from US business travel, as well as global car rental, have been calculated using US EPA emission factors. Hire car travel has been assumed as 100 miles per day of hire, using a worst-case emission factor for passenger vehicles;
- emissions from company cars (Scope 1) are calculated based on their maximum mileage enabled under the deals of their lease; and
- UK locations cover our London and Birmingham offices. Europe locations cover our offices in Dublin, Barcelona, Paris and Munich. Rest of the World locations cover our presence in Montreal. US locations cover our offices in New York, Farmington, Miami, Chicago, Atlanta, Boston, San Francisco, and Dallas.

The reporting boundaries of our emissions were extended in 2021, to include energy arising from imported heat, as well as the energy required to operate the data racks for London and Dublin, which in 2021 were moved to a third party data centre. Revisions to previous years data, based on billing information have been undertaken, to enable appropriate comparisons to be made.

Target for 2022

Beazley has set itself a target to reduce normalised CO_2 emissions by 40% in 2022. This is against a baseline year of 2019. This target does not allow for the offsetting of these emissions through recognised schemes.

Streamlined Energy and Carbon Reporting

The following data is set out to demonstrate compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements set out by HM UK Government in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Methodology

The scope of this reporting differs from the carbon emissions reported in the previous section, in that it only covers UK-based operations. Global comparisons for overall energy consumption are also provided for reference. Data has been collated from a number of sources. For all travel including car hire, hotels, rail, air and taxi use data has been provided from our booking agent partners, or through invoices on our accountancy system. Energy data and company car details have been sourced from utility bills and lease agreements, respectively.

Further clarifications for each section of the reporting is included overleaf.

Company cars
Data collated for company cars includes yearly mileage agreement, make, model, registration and fuel type. Consumption has been based on the maximum agreed mileage for the car in 2021, as set out in the lease agreement. Fuel economy data has been based on the worst-case fuel consumption figures cited by the manufacturer. This has enabled the kWh energy associated with the car to be calculated. There were nine company cars used across 2021 of which seven are current at the end of 2021. Six of these cars are either hybrids or electric.

Electricity for utilities
Beazley delivers business from two locations in the UK – Birmingham and London. Additional offices are located across the globe, many of which are considered shared space or serviced office suites. Beazley pays a service charge for their use, however, has no control over the operation or use of utility provisions. Responsibility for energy consumption and carbon emissions, therefore, falls to the landlord, and is considered out of scope for the purpose of these calculations. The global emissions reported do not include data for the following office locations: Houston, Los Angeles, Minneapolis, Philadelphia, Scottsdale, Rio de Janeiro, Sydney, Miami and Singapore, Shanghai, Vancouver and Seattle. These offices make up 11% of Global FTE in 2020.

Car hire
Car hire for business use has been estimated, as data is unavailable to assess the mileage travelled as part of the rental period. Calculations have been based on an assumption that the user would travel 100 miles per day as part of the rental. The make, model and fuel type of the car is also unknown, therefore a worst-case approach to estimating energy consumption has been used, with all fuel types considered to be diesel, with an average fuel consumption of 7.2 litres of gasoline per 100km travelled as stated by the International Energy Agency (IEA) or 11.59Lge/100 miles. This gives a fuel factor conversion rate from litres to kilowatt hours (kWh) of 10.68, as set out by BEIS.

Exclusions
Energy consumption from business travel, with the exception of hire cars and company cars, has not been included as Beazley does not operate the transport in question.

Energy report
Beazley has a total of 1,826.34 FTE staff (including contractors) as at 1 January 2022, of which are considered in scope for the global energy consumption reported in the tables below. Within the UK, Beazley has 887.83 FTE (including contractors). This is the equivalent of 49% of our global workforce.

Company cars
The total estimated kWh equivalent for fuel consumption in 2021 is 40,163 kWh.

Energy for heating, cooling and small power
There was no direct gas use within Beazley operations in 2021, with landlords providing heating to our offices.

	Energy consumption kWh		
Electricity	2019	2020	2021
UK	2,732,644	1,950,688	1,452,758
Europe	400,498	379,139	396,014
USA	743,554	742,654	766,749
Total	3,876,696	3,072,481	2,615,521

We were able to procure energy from certified renewable sources for the following locations in 2021:

Office location	Energy consumption (kWh)
London	1,408,452
Dublin	268,430

Car hire
In scope energy use related to car hire within 2021 was estimated to 252.66 kWh. Globally energy use from car hire was estimated to be 18,950.

Estimated energy use from car hire (kWh)	2018	2019	2020	2021
	64,681	87,926	12,127	18,950

Overall energy consumption
Within the scope of the SECR, total energy consumption within the UK was 1,493,467 kWh. This equates to 1681.82kWh/FT down from 2,599.95kWh/FTE in 2020. Global energy use from Beazley's operations within the same scope was 2,674,380.02 kWh, which equates to 1,464.33 kWh/FTE.

Energy plans
In 2022, our energy savings will be driven by continued efficiency of our building operations.

Although out of scope for SECR, it should be noted that further energy savings will be achieved through reducing our business travel, as we are using online alternatives to undertake many of our business meetings.

By order of the Board, covering the strategic report from pages 1 to 70 and the directors' report from pages 115 to 119.

C P Oldridge
Company Secretary

22 Bishopsgate
London
EC2N 4BQ

9 February 2022

Independent auditor's report
to the members of Beazley plc

Opinion
In our opinion:

- Beazley plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Beazley plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated statement of profit or loss for the year then ended	
Statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Statement of financial position as at 31 December 2021	Statement of financial position as at 31 December 2021
Statement of cash flows for the year then ended	Statement of cash flows for the year then ended
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies (except for note 2 where it is marked as unaudited).	Related notes 1 to 34 to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

We provided assurance services to enable us to provide regulatory opinions on reserves for all of Beazley's managed syndicates and applicable insurance entities.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting involved an assessment of the reasonableness of the Group's going concern assessment. Beazley's going concern assessment period used was 12 months from date the financial statements are authorised for issue. We assessed the appropriateness of the approach and model used by management when performing their going concern assessment. We verified that the board approved the forecasts used in management's assessment and assessed whether management's going concern period was appropriate. With support from our actuarial team, we assessed and independently stressed the assumptions used by Beazley to develop their five-year forecast and assessed the clerical accuracy of Beazley's based case, as well as assessed the accuracy of management's historic forecasts to actual performance. Furthermore, management assessed the Group's solvency and liquidity position if a natural catastrophe or cyber catastrophe occurred, including potential mitigation action that management could take to reduce risk exposure. We assessed the reasonableness and timeliness of these mitigating actions that management could put in place.

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

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components ((Syndicate 2623 and Beazley Insurance Company Inc ('BICI')) components and audit procedures on specific balances for a further five components (Syndicate 3623, Beazley Insurance DAC ('BIDAC'), Beazley Furlonge Limited, Beazley Management Limited and Beazley Services USA Inc) and other audit procedures on Group wide processes. • The components where we performed full or specific audit procedures accounted for 97% of Profit before tax 96% of Revenue and 99% of Total assets.

Key audit matters	• Valuation of gross Insurance claims Liabilities and reinsurer's share of IBNR
	  • *Actuarial assumptions used in estimating gross IBNR and reinsurer's share of IBNR, and*
	  • *Data*
	• Measurement of estimated premium income
	• Valuation of level 3 financial investments

Materiality	• Overall group materiality of \$11m (2020: \$11m) which represents 5% of pre-tax profits on a 5-year average adjusted for Covid-19 losses and the gain on sale of the Beazley Benefit business. (2020: 5% of pre-tax profits on a 5-year average adjusted for Covid-19 losses).

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes to the business environment and other factors when assessing the level of work to be performed at each reporting component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 35 legal entities within the Group, we selected seven entities covering components within UK, Ireland and US which represent the material business units within the Group. Two full scope components (Syndicate 2623 and Beazley Insurance Company Inc. ('BICI')) gross of the reinsurance arrangement with Beazley Newco Captive Company Inc and five specific scope components (Syndicate 3623, Beazley Services USA Inc., Beazley Insurance DAC ('BIDAC'), Beazley Furlonge Limited and Beazley Management Limited). Our work on specific scope components covers areas such as financial liabilities, pension scheme asset and liabilities, premiums, expenses and reinsurance on outstanding claims. Furthermore, for group-wide processes we performed specific audit procedures over accounts which consist of Incurred But Not Reported reserves ('IBNR'), Taxation, Cash and cash equivalents, Share based payments, Right of use assets, Lease liabilities, Financial assets and Intangible assets (indefinite life).

Auditors' report *continued*

Details of the seven reporting components are set out below:

Component	Scope	Auditor
Syndicate 2623	Full	EY Primary Team
BICI	Full	EY Component Team (New York)
Syndicate 3623	Specific	EY Primary Team
Beazley Services USA Inc	Specific	EY Component Team (New York)
BIDAC	Specific	EY Primary Team
Beazley Furlonge Limited	Specific	EY Primary Team
Beazley Management Limited	Specific	EY Primary Team

In addition to the above we perform specific audit procedures over Group wide processes.

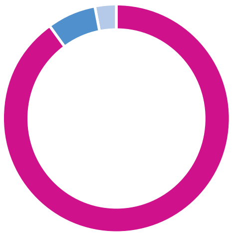
Of the seven components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. For group-wide processes we performed specific audit procedures over accounts which consist of Incurred But Not Reported reserves ('IBNR') and Reinsurers' share of IBNR, Taxation, Cash and cash equivalents, Share based payments, Right of use assets, Lease liabilities, Financial assets and and Intangible assets (indefinite life).

The reporting components where we performed audit procedures accounted for 97% (2020:97%) of the Group's Profit before tax, 96% (2020: 97%) of the Group's Revenue and 99% (2020: 98%) of the Group's Total assets. For the current year, the full scope components contributed 90% (2020: 91%) of the Group's Profit before tax, 90% (2020: 90%) of the Group's Gross Written Premium and 10% (2020: 10%) of the Group's Total assets. The specific scope component contributed 7% (2020: 6%) of the Group's Profit before tax, 6% (2020: 7%) of the Group's Gross Written Premium and 89% (2020: 88%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 26 legal entities that together represent 3% (2020: 3%) of the Group's Profit before Income Tax, none are individually greater than 4% (2020: 3%) of the Group's Gross Written Premium, none are individually greater than 1% (2020: 2%) of the Group assets. For these components, we performed other procedures, including analytical review, testing of significant balances, review of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

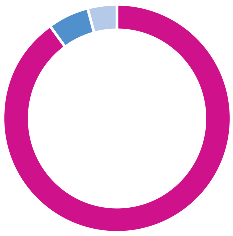
The charts below illustrate the coverage obtained from the work performed by our audit teams.

Profit before tax



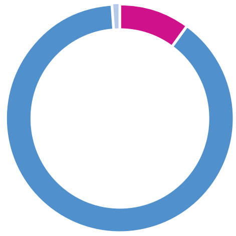
Full scope component	90%
Specific scope components including group processes not in full scope components	7%
Other procedures	3%

Gross Written Premium



Full scope component	90%
Specific scope components including group processes not in full scope components	6%
Other procedures	4%

Total assets



Full scope component	10%
Specific scope components including group processes not in full scope components	89%
Other procedures	1%

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

The primary audit team provided detailed audit instructions to the component teams which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary audit team.

For one full scope component (Syndicate 2623), four specific scope components (Syndicate 3623, BIDAC, Beazley Furlonge Limited, Beazley Management Limited) and all Group wide processes, all audit procedures were performed directly by the primary audit team whilst the other full scope component (BICI) and specific scope component (Beazley Services USA Inc) were audited by a component audit team in the United States of America. For the companies where the work was performed by component auditors, the primary audit team was responsible for the scope and direction of the audit process and the primary audit team determined the appropriate level of involvement to enable us to determine that sufficient audit evidence has been obtained as a basis for our opinion on the Group as a whole.

The Senior Statutory Auditor, Stuart Wilson maintained oversight of the US component team through a programme of virtual meetings with management of the significant component and held regular virtual team interactions with the component teams during various stages of the audit.

The work performed on the components, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Beazley. The Group has determined that the most significant future impacts from climate change on their operations will be from underwriting portfolio management, exposure risk appetite management and investment portfolio management. These are explained on pages 35 to 41 in the required Task Force for Climate related Financial Disclosures, which form part of the "Other information," rather than the audited financial statements as explained below. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Basis of Preparation note governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and timing of future cash flows under the requirements of International Financial Reporting Standards. As explained in note 1 management believe that reasonably possible changes arising from climate risks would not have a material impact on asset and liability valuations at the year-end date.

Our audit effort in considering climate change was focused on validating this assertion, through considering the potential effects of climate risks on asset values and associated disclosures where values are determined through modelling future cash flows. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Valuation of Gross Insurance claims Liabilities of $6,399.1m and reinsurers' share of IBNR of $1,458.0m. (PY comparative Gross: $5,454.1m and reinsurers' share of IBNR: $1,034.4m) *Refer to the Audit and Risk Committee Report (page 85); Accounting policies (pages 143 and 144); and Note 24 of the Consolidated Financial Statements (pages 187 to 196).* One of the most significant financial statement risk areas from both a business and an audit perspective is the valuation and adequacy of the claims liabilities held by the Group. Gross claims liabilities, and the related reinsurance on IBNR are inherently uncertain and subjective by nature and therefore are more susceptible to fraud or error than other financial statement balances. A small manipulation of an assumption could have a significant impact on the result for the year. This could lead to insurance liabilities not falling within a reasonable range of estimates, resulting in a misstatement in the financial statements. Additionally, the valuation process is conditional upon the accuracy and completeness of the data. We have split the risk relating to the valuation of insurance liabilities into the following component parts: • Actuarial assumptions used in estimating gross IBNR and reinsurer's share of IBNR; and • Data		
The assumptions used to develop the IBNR reserves, which make up a significant component of the insurance liabilities (gross and reinsurer's share on IBNR), involves a significant degree of judgement. As a result we focused on this area as the valuation can be materially impacted by various factors including: • The risk of inappropriate assumptions used in determining gross IBNR and reinsurer's share of IBNR, especially on: • Newer or growing classes of business, due to reliance on expert judgement in management's estimates due to the limited historical data available and limitations in use of market data; and • classes subject to changing claims environment or trends such as Cyber, due to greater reliance on expert judgement in management's estimates due to limited relevance of historical data to form a view on future claim development. • The risk that IBNR loss reserve estimates in respect of catastrophe and large claims losses are insufficient due to the size and extent of these losses being uncertain. The areas we consider as key areas of judgement include the tail development and consistency of reserves specifically on reserving classes where prior year deteriorations are seen, premium rate increases are assumed, and inflationary trends, including social inflation, are experienced.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged our actuaries as part of our audit team and performed the following procedures: • Obtained an understanding and tested the design and operating effectiveness of key controls over management's process in respect of the valuation of gross IBNR and reinsurer's share of IBNR including the setting and updating of actuarial assumptions and the reinsurance netting down process to calculate the reinsurer's share of IBNR from the gross IBNR. • Assessed the reserving methodology on a gross basis and net of reinsurer's share of IBNR. This has also involved challenging Group's reserving methodology with industry practice. • Performed independent re-projections of IBNR applying our own assumptions, across all classes of business for attritional claims on a net and gross basis and compared these to the management's results as at 31 December 2021. • Assessed whether the assumptions such as inflationary trends applied to key areas of uncertainties were appropriate based on our knowledge of the Group, industry practice and regulatory and financial reporting requirements. • Compared premium rates increases against industry benchmarks and held discussions with management's underwriting and actuarial teams to understand any variances seen. Additionally, we reviewed evidence of renewals to verify the cause of rate increases which included determining the reasonableness of the factors used to convert price changes to rate increases. • Benchmarking catastrophe, large losses, assumptions, and rates used in inherently uncertain classes and new growing classes, against other comparable industry participants to challenge and assess the reserving assumptions.	We determined that the actuarial assumptions as a whole, which are used by management are reasonable based on our analysis of the experience to date, industry practice and the financial and regulatory requirements. We therefore conclude that reserves lie within our reasonable range of possible outcomes.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Data The valuation of insurance liabilities depends on complete and accurate data used in the actuarial process. as this data is used to form expectations about future claims.	To obtain sufficient audit evidence to assess the integrity of premium, paid and outstanding claims to determine the gross reserves as well as the reinsurance program used as an input to the netting down process of the gross reserves to obtain the reinsurer's share of IBNR, we performed the following procedures: • Obtained an understanding of the process and tested the design and operating effectiveness of key controls over management's data collection, extraction, and validation process. • Tested the completeness and accuracy of the claims, reinsurance programme and premium data used within the reserving process by reconciling the data used in the actuarial projections to the underlying policy administration, reinsurance, and finance systems. • For a sample of paid and outstanding claims we corroborated to underlying supporting evidence. For paid claims this included authorisation requests and bank statements. For claims outstanding we obtained an understanding of management's process of setting claims reserves and tested the design and operating effectiveness of key controls within the claim outstanding process For a sample of outstanding claims, we held discussions with claims handlers to further understand the background of the claims. We also obtained supporting evidence including claims handler reports performed by third party handlers to corroborate the year end balances and tested reconciliations of the syndicates. • Additionally, for claims outstanding we assessed the consistency in reserving methodology used in the current year compared to methodology used in previous years for similar claims	We determined based on our audit work that the data used for the actuarial model inputs was materially consistent and accurate
Measurement of estimated premium within Gross Written Premium income (Gross Written Premium $4,618.9m, PY comparative $3,563.8m) **Refer to the Audit and Risk Committee Report (page 85) and Accounting policies (pages 140 and 141).** For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs where pricing is based on variables which are not known with certainty at the point of binding the policy. Subsequent adjustments to those estimates arise as updated information relating to those pricing variables becomes available and are recorded in the period in which they are determined. These estimates are judgemental and therefore could result in misstatements of revenue recognised in the financial statements.	Our procedures included: • Obtaining an understanding of the process and tested the design effectiveness of key controls, including the monitoring of estimated premium income. • Performing independent re-projections of ultimate premium per underwriting year for the 2020 and prior underwriting years where ultimate premiums are booked, applying our own assumptions and comparing these to the Group's booked ultimate premium on a class of business including distribution channel basis. Where there were significant variances, we challenged management's assumptions used for bias and consistency in approach from prior year. • For the data used in our independent re-projections we corroborated premium data to underlying policy and finance systems in order to test the completeness and accuracy of this data set. This was performed through substantive testing of key reconciliations to external sources such as external service organisations reports. • For a sample of policy estimates in respect of the 2021 underwriting year, we corroborated the estimated premium for polices such as binders, inward reinsurance to third party supporting evidence such as third party signed slips. Additionally, to corroborate estimates, including for coverholder business, where similar policies and binders have been written previously, we performed back testing against historical experience of estimated premium income compared to actual premium signed. • Performing analytical review procedures on a class of business level, comparing actual premium to management's business forecasts.	Based on the results of the procedures performed we concluded that premium estimates had been recorded appropriately.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Valuation of level 3 investments ($315.8m, PY comparative $268.5m) *Refer to the Audit and Risk Committee Report (page 85); Accounting policies (pages 145 and 146) and Note 16 of the Consolidated Financial Statements (pages 175 to 181).* Investments in level 3 assets predominately comprise illiquid credit asset funds managed by third party managers (generally closed end limited partnerships or open-ended funds). The investments themselves are in many cases private and unquoted. These assets are inherently harder to value due to the inability to obtain a market price of these assets as at the balance sheet date. Therefore, there is judgement in both deriving the price and the timeliness of receiving the information from the third-party managers, either of which could result in misstatements of the value recognised in the financial statements. Additionally, Beazley hold syndicate loans which are funds provided by Beazley's Group syndicates to the Central Funds at Lloyd's in respect of the 2019 and 2020 underwriting years. Observable inputs are not readily available for the valuation of Syndicate loans and so management use models with other inputs to estimate their value. We consider that the key risks on the valuation of Syndicate loans relates to (i) the assumptions used, as these are largely based on non-observable inputs (ii) the appropriateness of the valuation methodology applied to derive the fair value.	To obtain sufficient audit evidence to conclude on the appropriateness of valuation of level 3 investments, we performed the following procedures for a sample of key investments: • Obtained an understanding of the process and tested the design and operating effectiveness of key controls. • Obtained net assets valuation ('NAV') statements provided by third party administrators in respect of all investments and compared these to management's valuations. We assessed management's valuations by performing independent back testing of recent realisations, to confirm that NAV is an appropriate proxy for fair value. In addition, we obtained the most recent financial statements for each of the funds held by Beazley and checked the accounting policies to confirm that they are being held at fair value to support the NAV being a suitable proxy for fair value. • With support from our EY valuation specialists we perform independent valuation of the syndicate loans.	Based on our procedures performed we are satisfied that the valuations of illiquid credit asset funds were reasonable. In respect of the syndicate loans, our own valuation was not materially different to the carrying value recorded.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £11 million (2020: $11 million), which is 5% of pre-tax profits on a 5-year average adjusted for Covid-19 losses and the gain on sale of the Beazley Benefit business (2020: 5% of pre-tax profits on a 5 year average adjusted for Covid-19 losses). This materiality basis is in line with our approach taken in prior year. We considered that adjusted profit before income tax is the most relevant performance measure used by investors, regulators and other stakeholders when assessing the Group. Given the nature of risks underwritten by Beazley, we believe the use of a five-year average profit is appropriate, as the profitability of the group is expected to fluctuate from period to period. Despite this we believe that an additional adjustment for COVID losses is also appropriate given its unprecedented nature, which would not normally be expected in such a five-year time horizon. Additionally, the COVID losses have not reduced the scale and complexity of Beazley's business and so we are satisfied that no reduction in materiality is required as a result of them.

We calculated materiality at the planning stage of the audit and then during the course of our audit, we reassessed initial materiality at year end based on actual 2021 results.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 20%) of our planning materiality, namely £5.6m (2020: £5.5m).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $5.6m to $1.2m (2020: $5.5m to $1.1m.)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.6m (2020: $0.5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 211, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 115;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 66;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 66;
- Directors' statement on fair, balanced and understandable set out on page 88;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 84; and;
- The section describing the work of the audit committee set out on pages 84 to 88.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 114, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are permissions and supervisory requirements of the Central Bank of Ireland ('CBI'), Lloyd's, Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), state of Connecticut Insurance Department and the UK Listing Authority ('UKLA').
- We understood how Beazley plc is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies, reviewed minutes of the Executive Committee, Risk and Regulatory Committee and attended the Audit and Risk Committees and gained an understanding of the Group's approach to governance demonstrated by the Board's approval of the Group's governance framework.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Where this risk was considered to be higher, within the valuation of insurance liabilities and the reinsurer's share of IBNR estimated premium income we performed audit procedures to address the identified fraud risk as detailed in the respective key audit matters above. Additionally, we considered the continued impact of COVID-19 and the impact this has on the Group. This included an assessment of the consistency of operations and controls in place within the Group as they operated under a hybrid model for a significant proportion of 2021. We made enquiries with management in person and via the use of video conferencing and performed analytical review procedures to assess for unusual movements throughout the year. Our procedures to address the risk identified also incorporated unpredictability into the nature, timing and/or extent of our testing; challenging assumptions, significant judgements and estimates made by management within their forward looking information within their five year plan, for example. Additionally, we tested year-end adjustments i.e. early close topside adjustments and manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees both at a Group and component level; inquiring about the Group's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with CBI, Lloyd's, FCA and state of Connecticut Insurance Department.
- The Group operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the company on Directors on 23 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is three year covering the years ending 31 December 2019 to 31 December 2021.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

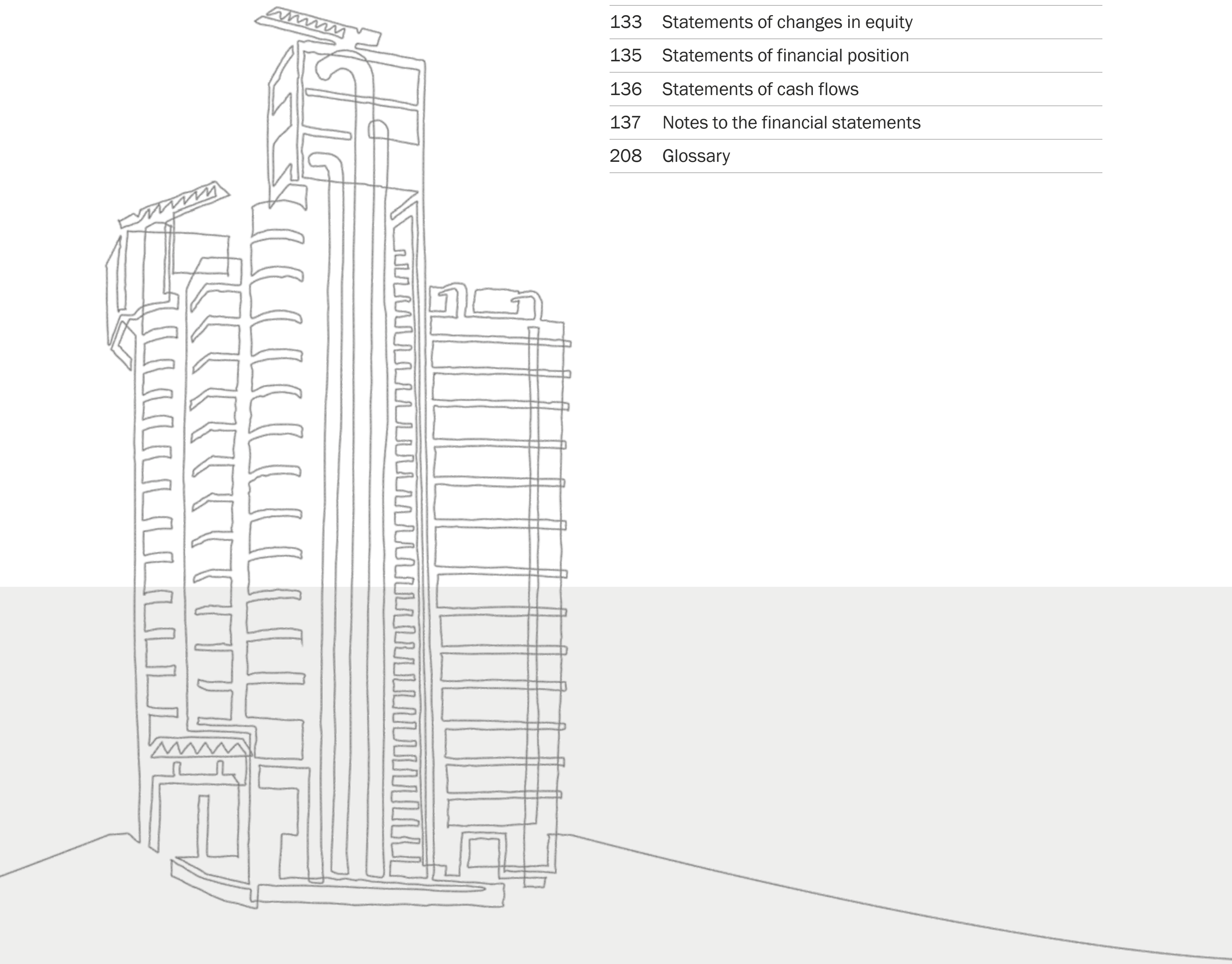
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other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

Stuart Wilson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

9 February 2022

Financial statements



Consolidated statement of profit or loss

for the year ended 31 December 2021

	Notes	2021 $m	2020 $m
Gross premiums written	3	4,618.9	3,563.8
Written premiums ceded to reinsurers		(1,106.5)	(646.8)
Net premiums written	3	**3,512.4**	**2,917.0**
Change in gross provision for unearned premiums		(545.0)	(331.7)
Reinsurers' share of change in the provision for unearned premiums		179.9	108.1
Change in net provision for unearned premiums		**(365.1)**	**(223.6)**
Net earned premiums	3	**3,147.3**	**2,693.4**
Net investment income	4	116.4	188.1
Other income	5a	28.2	29.8
Gain from sale of business	5b	54.4	–
		199.0	**217.9**
Revenue		**3,346.3**	**2,911.3**
Insurance claims		2,734.3	2,589.3
Insurance claims recoverable from reinsurers		(908.1)	(631.0)
Net insurance claims	3	**1,826.2**	**1,958.3**
Expenses for the acquisition of insurance contracts	3	821.8	738.9
Administrative expenses	3	283.0	235.5
Foreign exchange loss/(gain)	3	7.2	(11.2)
Operating expenses		**1,112.0**	**963.2**
Expenses	3	**2,938.2**	**2,921.5**
Results of operating activities		**408.1**	**(10.2)**
Finance costs	8	(38.9)	(40.2)
Profit/(loss) before income tax		**369.2**	**(50.4)**
Income tax (expense)/credit	9	(60.5)	4.3
Profit/(loss) for the year attributable to equity shareholders		**308.7**	**(46.1)**
Earnings/(loss) per share (cents per share):			
Basic	10	50.9	(8.0)
Diluted	10	50.3	(8.0)
Earnings/(loss) per share (pence per share):			
Basic	10	37.0	(6.3)
Diluted	10	36.5	(6.3)

Statement of comprehensive income

for the year ended 31 December 2021

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

Statement of comprehensive income

for the year ended 31 December 2021

	2021 $m	2020 $m
Company		
Profit for the year attributable to equity shareholders	37.2	47.9
Total comprehensive income recognised	**37.2**	**47.9**

Statement of changes in equity

for the year ended 31 December 2021

	Notes	Share capital $m	Share premium $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Group							
Balance at 1 January 2020		**38.1**	**3.2**	**(94.1)**	**3.6**	**1,674.5**	**1,625.3**
Total comprehensive income/(loss) recognised		–	–	2.8	–	(48.6)	(45.8)
Dividends paid	11	–	–	–	–	(50.2)	(50.2)
Issue of shares	21	–	2.1	–	–	–	2.1
Equity raise[1]	21	4.8	–	–	–	287.8	292.6
Equity settled share based payments	22	–	–	–	2.8	–	2.8
Acquisition of own shares in trust	21	–	–	–	(13.6)	–	(13.6)
Tax on share option vestings	9	–	–	–	(5.4)	1.2	(4.2)
Transfer of shares to employees	22	–	–	–	3.2	(2.7)	0.5
Balance at 31 December 2020		**42.9**	**5.3**	**(91.3)**	**(9.4)**	**1,862.0**	**1,809.5**
Balance at 1 January 2021		**42.9**	**5.3**	**(91.3)**	**(9.4)**	**1,862.0**	**1,809.5**
Total comprehensive income/(loss) recognised		–	–	(5.9)	–	319.9	314.0
Equity settled share based payments	22	–	–	–	11.0	–	11.0
Tax on share option vestings	9	–	–	–	(3.9)	–	(3.9)
Transfer of shares to employees	22	–	–	–	(1.7)	1.9	0.2
Balance at 31 December 2021		**42.9**	**5.3**	**(97.2)**	**(4.0)**	**2,183.8**	**2,130.8**

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

Statement of changes in equity

for the year ended 31 December 2021

	Notes	Share capital $m	Share premium $m	Merger reserve[2] $m	Foreign currency translation reserve $m	Other reserves $m	Retained earnings $m	Total $m
Company								
Balance at 1 January 2020		**38.1**	**3.2**	**55.4**	**0.7**	**(9.3)**	**621.3**	**709.4**
Total comprehensive income recognised		–	–	–	–	–	47.9	47.9
Dividends paid	11	–	–	–	–	–	(50.2)	(50.2)
Issue of shares	21	–	2.1	–	–	–	–	2.1
Equity raise[1]	21	4.8	–	–	–	–	287.8	292.6
Equity settled share based payments	22	–	–	–	–	2.8	–	2.8
Acquisition of own shares in trust	22	–	–	–	–	(13.6)	–	(13.6)
Transfer of shares to employees	22	–	–	–	–	3.2	(2.7)	0.5
Balance at 31 December 2020		**42.9**	**5.3**	**55.4**	**0.7**	**(16.9)**	**904.1**	**991.5**
Balance at 1 January 2021		**42.9**	**5.3**	**55.4**	**0.7**	**(16.9)**	**904.1**	**991.5**
Total comprehensive income recognised		–	–	–	–	–	37.2	37.2
Equity settled share based payments	22	–	–	–	–	11.0	–	11.0
Transfer of shares to employees	22	–	–	–	–	(1.7)	1.9	0.2
Balance at 31 December 2021		**42.9**	**5.3**	**55.4**	**0.7**	**(7.6)**	**943.2**	**1,039.9**

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

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

Statements of financial position

as at 31 December 2021

	Notes	2021 Group $m	2021 Company $m	2020 Group $m	2020 Company $m
Assets					
Intangible assets	12	123.5	–	126.3	–
Plant and equipment	13	19.2	–	19.7	–
Right of use assets	29	75.5	–	86.4	–
Deferred tax asset	28	16.3	–	26.8	–
Investment in subsidiaries	31	–	724.6	–	724.6
Investment in associates	14	0.6	–	0.3	–
Deferred acquisition costs	15	477.8	–	384.9	–
Retirement benefit asset	27	18.1	–	4.8	–
Reinsurance assets	19, 24	2,386.4	–	1,684.7	–
Financial assets at fair value	16, 17	7,283.5	–	6,362.0	–
Insurance receivables	18	1,696.1	–	1,467.9	–
Other receivables		106.7	315.0	86.5	267.9
Current income tax asset		11.9	0.7	27.9	1.9
Cash and cash equivalents	20	591.8	0.3	309.5	0.9
Total assets		**12,807.4**	**1,040.6**	**10,587.7**	**995.3**
Equity					
Share capital	21	42.9	42.9	42.9	42.9
Share premium		5.3	5.3	5.3	5.3
Merger reserve		–	55.4	–	55.4
Foreign currency translation reserve		(97.2)	0.7	(91.3)	0.7
Other reserves	22	(4.0)	(7.6)	(9.4)	(16.9)
Retained earnings		2,183.8	943.2	1,862.0	904.1
Total equity		**2,130.8**	**1,039.9**	**1,809.5**	**991.5**
Liabilities					
Insurance liabilities	24	8,871.8	–	7,378.4	–
Financial liabilities	16, 17, 25	554.7	–	558.5	–
Lease liabilities	29	84.3	–	90.1	–
Deferred tax liability	28	–	–	0.6	–
Current income tax liability		24.5	–	16.7	–
Other payables	26	1,141.3	0.7	733.9	3.8
Total liabilities		**10,676.6**	**0.7**	**8,778.2**	**3.8**
Total equity and liabilities		**12,807.4**	**1,040.6**	**10,587.7**	**995.3**

No income statement is presented for the parent company as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was $ 37.2m (2020: $47.9m).

The financial statements were approved by the Board of Directors on 9 February 2022 and were signed on its behalf by:

D L Roberts
Chair

S M Lake
Group Finance Director

9 February 2022

Statements of cash flows

for the year ended 31 December 2021

	Notes	2021 Group $m	2021 Company $m	2020 Group $m	2020 Company $m
Cash flow from operating activities					
Profit/(loss) before income tax		**369.2**	**36.4**	(50.4)	46.1
Adjustments for:					
Amortisation of intangibles	12	20.5	–	16.7	–
Equity settled share based compensation	22	11.0	11.0	2.8	2.8
Net fair value gain on financial assets	4	(45.8)	–	(83.0)	–
Depreciation of plant and equipment	13	4.9	–	3.2	–
Depreciation of right of use assets	29	15.0	–	13.0	–
(Write back)/impairment of reinsurance assets recognised	6	(3.3)	–	1.1	–
Increase/(decrease) in insurance and other payables		1,900.8	(3.1)	1,486.9	(12.5)
(Increase) in insurance, reinsurance and other receivables		(950.1)	(47.1)	(782.1)	(268.7)
(Increase) in deferred acquisition costs		(92.9)	–	(34.2)	–
Financial income	4	(76.5)	(40.0)	(110.9)	(55.5)
Financial expense	8	38.9	3.6	40.2	5.6
Income tax paid		(22.2)	–	(26.5)	–
Net cash from/(used in) operating activities		**1,169.5**	**(39.2)**	**476.8**	**(282.2)**
Cash flow from investing activities					
Purchase of plant and equipment	13	(4.5)	–	(12.9)	–
Expenditure on software development	12	(17.7)	–	(20.5)	–
Purchase of investments		(7,979.1)	–	(6,126.6)	–
Proceeds from sale of investments		7,037.1	–	5,443.8	–
Proceeds from sale of business		54.4	–	–	–
Interest and dividends received	4	70.6	40.0	104.3	55.5
Net cash (used in)/from investing activities		**(839.2)**	**40.0**	**(611.9)**	**55.5**
Cash flow from financing activities					
Acquisition of own shares in trust	22	–	–	(13.6)	(13.6)
Payment of lease liabilities	29	(12.8)	–	(15.3)	–
Equity raise	21	–	–	292.6	292.6
Finance costs	8	(35.2)	(3.6)	(37.8)	(5.6)
Issuance of shares		–	–	2.1	2.1
Dividend paid		–	–	(50.2)	(50.2)
Net cash (used in)/from financing activities		**(48.0)**	**(3.6)**	**177.8**	**225.3**
Net increase/(decrease) in cash and cash equivalents		**282.3**	**(2.8)**	42.7	(1.4)
Cash and cash equivalents at beginning of year		309.5	0.9	278.5	–
Effect of exchange rate changes on cash and cash equivalents		–	2.2	(11.7)	2.3
Cash and cash equivalents at end of year	20	**591.8**	**0.3**	**309.5**	**0.9**

Notes to the financial statements

1 Statement of accounting policies

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

The financial statements of the parent company, Beazley plc, and the Group financial statements have been prepared and approved by the directors in accordance with UK adopted International Financial Reporting Standards (IFRS) and requirements of the Companies Act 2006. On publishing the parent company financial statements together with the Group financial statements, the company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of profit or loss and related notes that form a part of these approved financial statements.

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

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

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

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

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

1 Have not been endorsed by UKEB.

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

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

1 Statement of accounting policies *continued*

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

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

Currently the project to implement IFRS 17 and IFRS 9 has made good progress during 2021.

As was stated in the 2017 annual report, the Group chose to apply the temporary exemption permitted by IFRS 4 from applying IFRS 9: Financial Instruments. The Group qualifies for this exemption because, as at 31 December 2015, $5,040.7m or 95% of its total liabilities were connected with insurance. There has been no material change in the Group's activities since 31 December 2015, therefore the exemption still remains. The Group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with the entities applying IFRS 9. As such, fair values are disclosed separately for the Group's financial assets which are managed and evaluated on a fair value basis and those which meet the solely payments of principal and interest (SPPI) test under IFRS 9. Beazley plc as a standalone company adopted IFRS 9 from 1 January 2018. However, as the standalone company has no financial investments the adoption had an immaterial impact on its financial statements. Below is a table outlining the fair value of assets which are managed and evaluated on a fair value basis and those which meet the SPPI test under IFRS 9. The information on credit exposures can be found in note 2 to the financial statements on page 160. The Group have made the decision not to restate prior year comparatives on adoption of IFRS 9, nor apply the overlay approach.

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

Financial assets managed and evaluated on a fair value basis	2021 $m	2020 $m
Fixed and floating rate debt securities:		
– Government issued	4,008.1	2,723.7
– Corporate bonds		
– Investment grade	1,861.9	2,444.9
– High yield	402.3	251.1
Syndicate loans	37.9	40.6
Equity funds	209.6	203.2
Hedge funds	478.2	442.1
Illiquid credit assets	277.9	227.9
Derivative financial assets	7.6	28.5
Total financial assets managed and evaluated on a fair value basis	**7,283.5**	**6,362.0**

Financial assets meeting the SPPI test	2021 $m	2020 $m
Cash and cash equivalents	591.8	309.5
Other receivables	106.7	86.5
Total financial assets meeting the SPPI test	**698.5**	**396.0**

1 Statement of accounting policies *continued*

Basis of presentation

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

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

Going Concern

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

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

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

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

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

Part VII transfer

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

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Group transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $229.2m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $229.2m. The combined effect of the two transactions had no economic impact for the Group, and accordingly there is no impact on the Group's financial statements.

Notes to the financial statements *continued*

1 Statement of accounting policies *continued*

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Estimates which are sensitive to changes in future economic conditions could be impacted by significant changes in the economic and regulatory environment, such as COVID-19, climate change, US legislation and Brexit.

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

a) Estimates

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

Provision & claims

The most critical estimate included within the Group's financial position is the estimate for insurance losses incurred but not reported (IBNR), which is included within total insurance liabilities and reinsurance assets in the statement of financial position and in note 24. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate then an exposure would arise in future years where a liability has not been provided for. The total estimate for insurance losses incurred but not reported gross of reinsurers' share as at 31 December 2021 is $4,711.8m (2020: $3,855.3m). The total estimate for insurance losses incurred but not reported net of reinsurers' share as at 31 December 2021 is $3,313.8m (2020: $2,820.9m) and is included within total insurance liabilities and reinsurance assets in the statement of financial position and in note 24.

The best estimate of the most likely ultimate outcome is used when calculating notified claims. This estimate is based upon the facts available at the time, in conjunction with the claims manager's view of likely future developments.

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

Financial assets & liabilities

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

Premium estimates

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

1 Statement of accounting policies *continued*

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

- coverholder business plan documents supplied prior to binding;
- historical trends of business written;
- current and expected market conditions for this line of business; and
- life to date bordereaux submissions versus expectation.

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

Goodwill

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

Consolidation

a) Subsidiary undertakings

Subsidiary undertakings are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group has used the acquisition method of accounting for business combinations arising on the purchase of subsidiaries. Under this method, the cost of acquisition is measured as the fair value of assets given, shares issued or liabilities undertaken at the date of acquisition directly attributable to the acquisition. The excess of the cost of an acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired is recorded as goodwill.

For all business combinations:

(i) transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred;
(ii) in addition, any consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss; and
(iii) any contingent consideration is measured at fair value at the acquisition date.

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

Certain Group subsidiaries underwrite as corporate members of Lloyd's on syndicates managed by Beazley Furlonge Limited.

1 Statement of accounting policies *continued*

In view of the several and direct liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those syndicates are included in the Group financial statements. The Group continues to conclude that it remains appropriate to consolidate its share of the result of these syndicates and accordingly, as the Group is the sole provider of capacity on syndicates 2623, 3622 and 3623, these financial statements include 100% of the economic interest in these syndicates. For the following syndicates to which Beazley is appointed managing agent, being syndicates 623, 6107, and 5623, for which the capacity is provided entirely by third parties to the Group, these financial statements reflect Beazley's economic interest in the form of agency fees and profit commission to which it is entitled.

b) Associates

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

Other factors that are considered when determining the existence of significant influence also include:

- representation on the Board of directors or equivalent governing body of the investee;
- participation in the policy-making process including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting. Under this method the investments are initially measured at cost and the Group's share of post-acquisition profits or losses is recognised in the statement of profit or loss. Therefore the cumulative post-acquisition movements in the associates' net assets are adjusted against the cost of the investment.

When the Group's share of losses equals or exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition for the losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. Equity accounting is discontinued when the Group no longer has significant influence over the investment.

c) Intercompany balances and transactions

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

Foreign currency translation

a) Functional and presentational currency

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

b) Transactions and balances

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

c) Foreign operations

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

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

1 Statement of accounting policies *continued*

On disposal of foreign operations, cumulative exchange differences previously recognised in other comprehensive income are recognised in the statement of profit or loss as part of the gain or loss on disposal.

Insurance contracts

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

Net earned premiums

a) Premiums

Gross premiums written represent premiums on business commencing in the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions. For the year ending 31 December 2020, gross premiums written included a one off transfer of business written through the Group syndicates to Lloyd's Brussels and subsequent inward reinsurance of business from Lloyd's Brussels to reflect the Part VII transfer. The net impact of this transaction is nil.

b) Unearned premiums

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

Deferred acquisition costs (DAC)

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

Claims

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

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

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

Liability adequacy testing

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

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

1 Statement of accounting policies *continued*

Ceded reinsurance

These are contracts entered into by the Group with reinsurers under which the Group is compensated for losses on contracts issued by the Group that meet the definition of an insurance contract. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

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

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

Revenue

Revenue consists of net earned premiums, net investment income and other income (made up of commissions received from Beazley service companies, profit commissions, managing agent's fees and service fees). Profit commissions are recognised and earned as the performance obligations of the related contracts are met. Commissions received from service companies and managing agent's fees are recognised as the services are provided, and therefore the performance obligations of the contracts are met.

Dividends paid

Dividend distributions to the shareholders of the Group are recognised in the period in which the dividends are paid, as a first interim dividend, second interim dividend or special dividend. The second interim and special dividends are approved by the Group's shareholders at the Group's annual general meeting.

Plant and equipment

All plant and equipment is recorded at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

Fixtures and fittings	Three to ten years
Computer equipment	Three years

These assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

Intangible assets

a) Goodwill

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

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

In respect of equity accounted associates, the carrying amount of any goodwill is included in the carrying amount of the associate, and any impairment is allocated to the carrying amount of the associate as a whole.

b) Syndicate capacity

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

1 Statement of accounting policies *continued*

c) Licences

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

d) IT development costs

Costs that are directly associated with the development of identifiable and unique software products and that are anticipated to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include external consultants' fees, certain qualifying internal staff costs and other costs incurred to develop software programs. These costs are amortised over their estimated useful life (three years) on a straight-line basis and subject to impairment testing annually. Amortisation commences when the asset becomes operational. Other non-qualifying costs are expensed as incurred.

e) Renewal rights

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

Financial instruments

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

a) Financial assets

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

b) Financial assets at fair value through profit or loss

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

c) Loans and receivables

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

Notes to the financial statements *continued*

1 Statement of accounting policies *continued*

d) Fair value measurement

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available as well as representing actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent orderly transactions between market participants (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. These prices are monitored and deemed to approximate exit price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but before the valuation is supported wholly by observable market data or the transaction is closed out.

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

e) Hedge funds, equity funds and illiquid credit assets

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

f) Insurance receivables and payables

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

1 Statement of accounting policies *continued*

g) Other receivables

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

h) Investment income

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

i) Borrowings

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

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

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

j) Other payables

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

k) Hedge accounting and derivative financial instruments

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

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

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

l) Impairment of financial assets

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

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

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

1 Statement of accounting policies *continued*

m) Cash and cash equivalents

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

n) Unfunded commitment capital

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

Leases

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, an estimate of any costs to be incurred at expiration of the lease agreements and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of the lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses the weighted average incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

d) The determination of a lease term with renewal options within lease contracts

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for various additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affect its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

1 Statement of accounting policies *continued*

Employee benefits

a) Pension obligations

The Group operates a defined benefit pension plan that is now closed to future service accruals. The scheme is generally funded by payments from the Group, taking account of the recommendations of an independent qualified actuary. All employees now participate in defined contribution pension arrangements, to which the Group contributes.

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

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

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

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest on the effect of the asset ceiling.

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

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

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

b) Share based compensation

The Group offers option plans over Beazley plc's ordinary shares to certain employees, which includes the save-as-you-earn (SAYE) scheme.

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

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

1 Statement of accounting policies *continued*

Income taxes

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

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

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

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

Earnings per share

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

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

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

Provisions and contingencies

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

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

2 Risk management

The 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. The Group categorises its risks into eight areas: insurance, strategic, market, operational, credit, regulatory and legal, liquidity and Group risk. The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk.

The eight categories of risk have also been considered in the context of the company (Beazley plc). The following areas are applicable to the company: market, operational, regulatory and legal, and liquidity. The following disclosures cover the company to the extent that these areas are applicable.

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

2.1 Insurance risk

The Group's insurance business assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below.

a) Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the Group:

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

We manage and model these four elements in the following three categories: attritional claims, large claims and catastrophe events.

The Group's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

The annual business plans for each underwriting team reflect the Group's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the Board of each underwriting entity and the Group and monitored by the underwriting committee.

Our 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 financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

The Group also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Group sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDSs). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the Group is exposed.

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

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

Notes to the financial statements *continued*

2 Risk management *continued*

The Group's high level catastrophe risk appetite is set by the Board and the business plans of each team are determined within these parameters. The Board may adjust these limits over time as conditions change. In 2021 the Group operated to a catastrophe risk appetite for a probabilistic 1-in-250 years US event of † $520.0m (2020: $437.0m) net of reinsurance. This represents an increase of 19% in 2021.

Lloyd's has also defined its own specific set of RDS events for which all syndicates with relevant exposures must report. Of these the three largest, net of reinsurance, events which could have impacted Beazley in 2020 and 2021 are:

†

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

	2020	
Lloyd's prescribed natural catastrophe event (total incurred losses)	Modelled PML[1] (before reinsurance) $m	Modelled PML[1] (after reinsurance) $m
San Francisco quake (2020: $78bn)	663.2	232.1
Los Angeles quake (2020: $78bn)	706.4	228.6
Gulf of Mexico windstorm (2020: $112bn)	642.8	216.0

1 Probable market loss.

The tables above show each event independent of each other and considered on their own. Net of reinsurance exposures for the Los Angeles quake scenario have increased by 16% in 2021, whereas gross exposures have increased by 4%. The increase in net exposures is being driven by a change in reinsurance protections for the Specialty Lines and Political, Accident and Contingency divisions. The increase in the net San Francisco quake scenario is for the same reason but the impact has been less with gross exposures increasing by 7% and net by 8%. Windstorm exposures have increased in the US Northeast during 2021, which has resulted in the US Northeast windstorm scenario replacing the Gulf of Mexico windstorm scenario as being the third largest scenario for 2021. The net natural catastrophe risk appetite increased by 19% in 2021 to $520.0m from $437.0m in 2020, with the increase in appetite being shared across the Property & Reinsurance divisions.

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

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

To manage the potential exposure, the Board has established a risk budget for the aggregation of cyber related claims which is monitored by reference to the largest of seventeen realistic disaster scenarios that have been developed internally. These scenarios include the failure of a data aggregator, the failure of a shared hardware or software platform, the failure of a cloud provider & physical damage scenarios. Whilst it is not possible to be precise, as there is sparse data on actual aggregated events, these severe scenarios are expected to be very infrequent.

2 Risk management *continued*

The largest net realistic disaster scenario is currently just under $200m for the Group as at 31 December 2021. The reinsurance programmes that protect the Cyber & Executive Risk and Specialty Lines divisions would partially mitigate the cost of most, but not all, cyber catastrophes.

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

To manage underwriting exposures, the Group has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2021, the maximum line that any one underwriter could commit the managed syndicates to was $150m. In most cases, maximum lines for classes of business were much lower than this.

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

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

Binding authority contracts

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

Operating divisions

In 2021, the Group's business consisted of seven operating divisions. The following table provides a breakdown of gross premiums written by division, and also provides a geographical split based on placement of risk.

2021	Lloyd's Worldwide	Non-Lloyd's US	Non-Lloyds Europe	Total
Cyber & Executive Risk	24%	8%	1%	33%
Marine	7%	1%	–	8%
Market Facilities	4%	–	–	4%
Political, Accident & Contingency	6%	1%	–	7%
Property	13%	–	–	13%
Reinsurance	5%	–	–	5%
Specialty Lines	22%	3%	5%	30%
Total	**81%**	**13%**	**6%**	**100%**

2020	Lloyd's Worldwide	Non-Lloyd's US	Non-Lloyd's Europe	Total
Cyber & Executive Risk	19%	10%	1%	30%
Marine	9%	–	–	9%
Market Facilities	4%	–	–	4%
Political, Accident & Contingency	7%	1%	–	8%
Property	13%	–	–	13%
Reinsurance	5%	–	–	5%
Specialty Lines	25%	5%	1%	31%
Total	**82%**	**16%**	**2%**	**100%**

2 Risk management *continued*

b) Reinsurance risk

Reinsurance risk to the Group arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section on page 159.

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

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

c) Claims management risk

Claims management risk may arise within the Group in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Group brand and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The Group's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business's broader interests. Case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

d) Reserving and ultimate reserves risk

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

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The Group aims to hold reserves within a range of 5-10% above the actuarial estimates, which themselves include some margin for uncertainty.

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

2.2 Strategic risk

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

a) Senior management performance

Management stretch is the risk that business growth might result in an insufficient or overly complicated management team structure, thereby undermining accountability and control within the Group. As the Group expands its worldwide business in the UK, North America, Europe, South America and Asia, management stretch may make the identification, analysis and control of Group risks more complex.

On a day-to-day basis, the Group's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low Group risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Group as a whole.

2 Risk management *continued*

2.3 Market risk

Market risk arises where the value of assets and liabilities or future cash flows changes as a result of movements in foreign exchange rates, interest rates and market prices. Efficient management of market risk is key to the investment of Group assets. Appropriate levels of investment risk are determined by limiting the proportion of forecast Group earnings which could be at risk from lower than expected investment returns, using a 1 in 10 confidence level as a practical measure of such risk. In 2021, this permitted variance from the forecast investment return was set at † $180m. For 2022, the permitted variance is likely to be modestly increased due to the higher level of investment assts. Investment strategy is developed to be consistent with this limit and investment risk is monitored on an ongoing basis, using outputs from our internal model.

Changes in interest rates also impact the present values of estimated Group liabilities, which are used for solvency and capital calculations. Our investment strategy reflects the nature of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

a) Foreign exchange risk

The functional currency of Beazley plc and its main trading entities is US dollars and the presentational currency in which the Group reports its consolidated results is US dollars. The effect of this on foreign exchange risk is that the Group is mainly exposed to fluctuations in exchange rates for non-dollar denominated transactions and to net asset translation risk on non-dollar functional currency entities.

The Group operates in four main currencies: US dollars, sterling, Canadian dollars and euros. Transactions in all currencies are converted to US dollars on initial recognition with any resulting monetary items being translated to the US dollar spot rate at the reporting date. If any foreign exchange risk arises it is actively managed as described below.

In 2021, the Group managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting to have net assets that are predominantly denominated in US dollar. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure across the Group. Details of foreign currency derivative contracts entered into with external parties are disclosed in note 17. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

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

The Group also has foreign operations with functional currencies that are different from the Group's presentational currency. The effect of this on foreign exchange risk is that the Group is exposed to fluctuations in exchange rates for US dollar denominated transactions and net assets arising in those foreign currency operations. It also gives rise to a currency translation exposure for the Group to sterling, euro, Canadian dollars, Singapore dollars and Australian dollars on translation to the Group's presentational currency. These exposures are minimal and are not hedged.

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

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

31 December 2020	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	737.6	213.9	420.4	1,371.9	9,215.8	10,587.7
Total liabilities	(828.2)	(203.0)	(431.9)	(1,463.1)	(7,315.1)	(8,778.2)
Net assets	**(90.6)**	**10.9**	**(11.5)**	**(91.2)**	**1,900.7**	**1,809.5**

2 Risk management *continued*

Sensitivity analysis

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

	Impact on profit after tax for the year ended		Impact on net assets	
Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	2021 $m	2020 $m	2021 $m	2020 $m
Dollar weakens 30% against other currencies	(45.3)	(25.0)	(64.0)	(33.9)
Dollar weakens 20% against other currencies	(30.2)	(16.7)	(42.7)	(22.6)
Dollar weakens 10% against other currencies	(15.1)	(8.3)	(21.3)	(11.3)
Dollar strengthens 10% against other currencies	15.1	8.3	21.3	11.3
Dollar strengthens 20% against other currencies	30.2	16.7	42.7	22.6
Dollar strengthens 30% against other currencies	45.3	25.0	64.0	33.9

b) Interest rate risk

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

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

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

The following table shows the modified duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. 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 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,938.5	2,624.4	1,033.2	390.8	216.6	68.8	6,272.3
Syndicate loans	–	–	7.8	30.1	–	–	37.9
Cash and cash equivalents	591.8	–	–	–	–	–	591.8
Derivative financial instruments	7.2	–	–	–	0.3	–	7.5
Borrowings	–	–	–	–	(249.2)	(298.4)	(547.6)
Total	**2,537.5**	**2,624.4**	**1,041.0**	**420.9**	**(32.3)**	**(229.6)**	**6,361.9**

31 December 2020	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,696.1	2,031.7	640.0	484.3	384.3	183.3	5,419.7
Syndicate loans	–	–	–	8.2	32.4	–	40.6
Cash and cash equivalents	309.5	–	–	–	–	–	309.5
Derivative financial instruments	28.5	–	–	–	–	–	28.5
Borrowings	–	–	–	–	–	(547.1)	(547.1)
Total	**2,034.1**	**2,031.7**	**640.0**	**492.5**	**416.7**	**(363.8)**	**5,251.2**

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

2 Risk management *continued*

Sensitivity analysis

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

	Impact on profit after income tax for the year		Impact on net assets	
	2021 $m	2020 $m	2021 $m	2020 $m
Shift in yield (basis points)				
150 basis point increase	(124.1)	(138.4)	(124.1)	(138.4)
100 basis point increase	(82.8)	(92.3)	(82.8)	(92.3)
50 basis point increase	(41.4)	(46.1)	(41.4)	(46.1)
50 basis point decrease	41.4	46.1	41.4	46.1
100 basis point decrease	82.8	92.3	82.8	92.3

c) Price risk

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

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

Listed investments that are quoted in an active market are recognised in the statement of financial position at quoted bid price, which is deemed to be approximate exit price. If the market for the investment is not considered to be active, then the Group establishes fair value using valuation techniques (refer to note 16). This includes comparison of orderly transactions between market participants, reference to the current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

	Impact on profit after income tax for the year		Impact on net assets	
	2021 $m	2020 $m	2021 $m	2020 $m
Change in fair value of hedge funds, syndicate loans, equity funds and illiquid credit assets				
30% increase in fair value	242.2	239.4	242.2	239.4
20% increase in fair value	161.5	159.6	161.5	159.6
10% increase in fair value	80.7	79.8	80.7	79.8
10% decrease in fair value	(80.7)	(79.8)	(80.7)	(79.8)
20% decrease in fair value	(161.5)	(159.6)	(161.5)	(159.6)
30% decrease in fair value	(242.2)	(239.4)	(242.2)	(239.4)

2 Risk management *continued*

d) Investment risk

The value of our investment portfolio is impacted by interest rate and market price risks, as described above. Managing the Group's exposures to these risks is an intrinsic part of our investment strategy.

Beazley uses an Economic Scenario Generator (ESG) to simulate multiple simulations of financial conditions, to support stochastic analysis of market risk. Beazley uses these outputs to assess the value at risk (VAR) of its investments, at different confidence levels, including '1 in 200', which reflects Solvency II modelling requirements, and '1 in 10', reflecting scenarios which are more likely to occur in practice. Risk is typically considered to a 12 month horizon. It is assessed for investments in isolation and also in conjunction with the present value of our liabilities, to help us monitor and manage market risk for solvency and capital purposes. By its nature, stochastic modelling does not provide a precise measure of risk, ESG outputs are regularly validated against actual market conditions, and Beazley also uses a number of other, qualitative measures to support the monitoring and management of investment risk. These include stress testing and scenario analysis.

Beazley's investment strategy is developed by reference to an investment risk budget, set annually by the Board as part of the overall risk budgeting framework of the business. The Solvency II internal model is used to monitor compliance with the budget, which limits the amount by which our reported annual investment return may deviate from a predetermined target, at the 1 in 10 confidence level. In 2021, this permitted deviation was set at † $180m. Additionally, a limit is specified for the net interest rate sensitivity of assets and liabilities combined and investments are managed to ensure that this limit is not exceeded.

2.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events.

There are a number of business activities for which the Group uses the services of a third-party company, such as investment management, IT systems, data entry and credit control. These service providers are selected against rigorous criteria and formal service level agreements are in place, and regularly monitored and reviewed.

The Group also recognises that it is necessary for people, systems and infrastructure to be available to support our operations. Therefore we have taken significant steps to mitigate the impact of business interruption which could follow a variety of events, including the loss of key individuals and facilities. We operate a formal disaster recovery plan which, in the event of an incident, allows the Group to move critical operations to an alternative location within 24 hours.

The Group actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. The Group also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of the Group'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.

COVID-19 has caused a shift in the operational strategy of Beazley from an office based environment to a hybrid working environment. This has meant that internal processes, capability of people and systems had been put to the test. The Group have adapted to the changes in the operational environment and business processes have continued to be carried out. The Group continues to actively manage operational risks caused by COVID-19, while engaging in open communication with staff. The Group also continues to regularly monitor the performance of its controls through the risk management reporting process.

2 Risk management *continued*

2.5 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 Group are:

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

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

The Group limits exposure to a single counterparty or a Group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

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

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

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

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

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

2 Risk management *continued*

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

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

31 December 2020	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	4,813.6	606.1	–	–	–	5,419.7
– syndicate loans	40.6	–	–	–	–	40.6
– equity funds	–	–	–	–	203.2	203.2
– hedge funds	–	–	–	–	442.1	442.1
– illiquid credit assets	–	–	–	–	227.9	227.9
– derivative financial instruments	–	–	–	–	28.5	28.5
Insurance receivables	–	–	–	–	1,467.9	1,467.9
Reinsurance assets	1,684.7	–	–	–	–	1,684.7
Other receivables	86.5	–	–	–	–	86.5
Cash and cash equivalents	307.2	0.8	–	–	1.5	309.5
Total	**6,932.6**	**606.9**	**–**	**–**	**2,371.1**	**9,910.6**

The largest counterparty exposure within tier 1 is $2,956.3m of US treasuries (2020: $2,326.0m).

Financial investments falling within the unrated category comprise hedge funds and illiquid credit assets for which there is no readily available market data to allow classification within the respective tiers. Additionally, insurance receivables are classified as unrated, due to premium debtors not being credit rated. At 31 December 2021, $1.8m of cash and cash equivalents fell within the unrated category (2020: $1.5m). This is due to the Group transacting with a bank in the US that does not have an external credit rating. Insurance receivables are classified as unrated, due to premium debtors not being credit rated with the exception of the CRI accrual element. Additionally the Reinsurance share unearned premium provision is classified as unrated.

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

2 Risk management *continued*

An analysis of the overall credit risk exposure indicates that the Group has reinsurance assets that are impaired at the reporting date.

The total impairment in respect of the reinsurance assets, including reinsurers' share of outstanding claims, at 31 December 2021 was as follows:

	Total $m
Balance at 1 January 2020	13.7
Impairment loss recognised	1.1
Balance at 31 December 2020	14.8
Impairment loss written back	(3.3)
Balance at 31 December 2021	**11.5**

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

31 December 2021	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	79.3	23.7	16.0	33.4	152.4
Reinsurance assets	55.6	16.7	9.9	81.9	164.1

31 December 2020	Up to 30 days past due $m	30-60 days past due $m	60-90 days past due $m	Greater than 90 days past due $m	Total $m
Insurance receivables	52.3	21.6	8.4	30.6	112.9
Reinsurance assets	80.6	32.8	12.4	22.1	147.9

The total impairment provision in the statement of financial position in respect of reinsurance assets past due (being reinsurance recoverables due on paid claims) by more than 30 days at 31 December 2021 was $2.1m (2020: $3.0m). This $2.1m provision in respect of overdue reinsurance recoverables is included within the total provision of $11.5m shown in the table at the top of the page.

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

2.6 Regulatory and legal risk

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

2.7 Liquidity risk

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

The Group's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (details of the Group's exposure to realistic disaster scenarios are provided on page 151 to 152. This means that the Group maintains sufficient liquid assets, or assets that can be converted into liquid assets at short notice and without any significant capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. The Group also makes use of loan facilities and borrowings, details of which can be found in note 25. Further information on the Group's capital resources is contained on pages 59 to 60.

Notes to the financial statements *continued*

2 Risk management *continued*

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

31 December 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)
Cyber & Executive Risk	365.6	589.8	248.5	93.1	1,297.0	2.2
Marine	133.8	123.7	41.8	20.9	320.2	1.8
Market Facilities	4.3	9.5	5.1	2.9	21.8	2.8
Political, Accident & Contingency	130.9	92.9	24.2	22.3	270.3	1.9
Property	207.4	156.1	38.7	20.6	422.8	1.6
Reinsurance	118.0	99.7	28.8	23.6	270.1	2.0
Specialty Lines	338.1	643.3	428.8	557.3	1,967.5	4.0
Net claims liabilities	**1,298.1**	**1,715.0**	**815.9**	**740.7**	**4,569.7**	

31 December 2020	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)
Cyber & Executive Risk	300.2	502.6	215.1	79.3	1,097.2	2.2
Marine	133.8	122.1	43.0	20.0	318.9	1.8
Market Facilities	4.7	5.2	1.5	1.3	12.7	2.1
Political, Accident & Contingency	178.0	123.6	29.3	29.6	360.5	1.9
Property	195.9	166.2	43.3	31.5	436.9	1.9
Reinsurance	110.9	94.1	27.6	23.3	255.9	2.0
Specialty Lines	297.6	539.6	357.5	471.7	1,666.4	4.0
Net claims liabilities	**1,221.1**	**1,553.4**	**717.3**	**656.7**	**4,148.5**	

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

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

31 December 2021	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Net claims liabilities	1,298.1	1,715.0	815.9	740.7	4.569.7
Borrowings	31.2	62.4	310.1	344.4	748.1
Lease liabilities	10.6	22.2	17.4	47.0	97.2
Other payables	1,141.3	–	–	–	1,141.3

31 December 2020	Within 1 year	1-3 years	3-5 years	Greater than 5 years	Total
Net claims liabilities	1,221.1	1,553.4	717.3	656.7	4,148.5
Borrowings	31.2	62.4	62.4	620.7	776.7
Lease liabilities	6.2	5.8	21.2	54.9	88.1
Other payables	733.9	–	–	–	733.9

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

Maturity 31 December 2021	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,675.6	2,316.7	953.5	706.8	361.9	257.8	6,272.3
Syndicate loans	–	–	7.8	30.1	–	–	37.9
Derivative financial instruments	7.6	–	–	–	–	–	7.6
Cash and cash equivalents	591.8	–	–	–	–	–	591.8
Insurance receivables	1,696.1	–	–	–	–	–	1,696.1
Other receivables	106.7	–	–	–	–	–	106.7
Other payables	(1,141.3)	–	–	–	–	–	(1,141.3)
Borrowings	–	–	–	–	(249.2)	(298.4)	(547.6)
Total	**2,936.5**	**2,316.7**	**961.3**	**736.9**	**112.7**	**(40.6)**	**7,023.5**

2 Risk management *continued*

31 December 2020	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	Total $m
Fixed and floating rate debt securities	1,620.5	1,899.3	562.5	422.8	445.5	469.1	5,419.7
Syndicate loans	–	–	–	8.2	32.4	–	40.6
Derivative financial instruments	28.5	–	–	–	–	–	28.5
Cash and cash equivalents	309.5	–	–	–	–	–	309.5
Insurance receivables	1,467.9	–	–	–	–	–	1,467.9
Other receivables	86.5	–	–	–	–	–	86.5
Other payables	(733.9)	–	–	–	–	–	(733.9)
Borrowings	–	–	–	–	–	(547.2)	(547.2)
Total	**2,779.0**	**1,899.3**	**562.5**	**431.0**	**477.9**	**(78.1)**	**6,071.6**

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

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

2.8 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. There are two main components of Group risk which are explained below.

a) Contagion

Contagion risk is the risk arising from actions of one part of the Group which could adversely affect any other part of the Group. For example, this could include actions taken by the US operations which adversely impact the UK operations or European operations, or vice versa. The Group 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.

b) Reputation

Reputation risk is the risk of negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities. Key sources of reputation risk include operation of a Lloyd's franchise, interaction with capital markets since the Group's IPO during 2002, and reliance upon the Beazley brand in North America, Europe, South America and Asia. 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.

2.9 Capital management

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

The Group has several requirements for capital, including:

- to support underwriting at Lloyd's through the syndicates in which it participates, being 2623, 3623 and 3622. This is based on the Group's own individual capital assessment. It may be provided in the form of either the Group's cash, investments, debt facilities, or letter of credit;
- to support underwriting in Beazley Insurance Company, Inc., Beazley America Insurance Company, Inc., and Beazley NewCo Captive Company, Inc. in the US;
- to support underwriting in Beazley Insurance dac in Europe; and
- to make acquisitions of insurance companies or managing general agents (MGAs) whose strategic goals are aligned with our own.

2 Risk management *continued*

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

For more detail on the value of capital managed, please see pages 59 to 60.

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

The Board's strategy is to grow the dividend (excluding special dividend) by between 5% and 10% per year. Our capital management strategy is to carry some surplus capital to enable us to take advantage of growth opportunities which may arise. At 31 December 2021, we have surplus capital of 27% of ECR (on a Solvency II basis), just above our preferred target range of 15% to 25% of ECR.

2.10 Company risk

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

3 Segmental analysis

a) Reporting segments

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

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

Cyber & Executive Risk

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

Marine

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

Market Facilities

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

Political, Accident & Contingency

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

Property

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

Reinsurance

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

3 Segmental analysis *continued*

Specialty Lines

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

b) Segment information

2021	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Gross premiums written	1,515.6	376.5	198.2	322.8	586.5	226.1	1,393.2	4,618.9
Net premiums written	1,150.6	345.6	55.0	270.9	439.7	133.4	1,117.2	3,512.4
Net earned premiums	951.6	316.8	45.3	251.2	386.8	134.9	1,060.7	3,147.3
Net investment income	31.9	8.3	0.6	8.1	15.0	7.6	44.9	116.4
Other income	4.1	1.1	(0.3)	1.9	6.9	0.6	13.9	28.2
Gain from sale of business	–	–	–	54.4	–	–	–	54.4
Revenue	**987.6**	**326.2**	**45.6**	**315.6**	**408.7**	**143.1**	**1,119.5**	**3,346.3**
Net insurance claims	622.1	105.8	10.6	136.1	212.4	123.0	616.2	1,826.2
Expenses for the acquisition of insurance contracts	205.9	89.0	33.1	84.7	118.3	31.1	259.7	821.8
Administrative expenses	56.6	33.4	0.7	25.1	51.3	15.6	100.3	283.0
Foreign exchange loss	2.3	0.6	0.3	0.5	0.9	0.4	2.2	7.2
Expenses	**886.9**	**228.8**	**44.7**	**246.4**	**382.9**	**170.1**	**978.4**	**2,938.2**
Segment result	**100.7**	**97.4**	**0.9**	**69.2**	**25.8**	**(27.0)**	**141.1**	**408.1**
Finance costs								(38.9)
Profit before income tax								**369.2**
Income tax expense								(60.5)
Profit for the year attributable to equity shareholders								**308.7**
Claims ratio	65%	33%	23%	54%	55%	91%	58%	58%
Expense ratio	28%	39%	75%	44%	44%	35%	34%	35%
Combined ratio	93%	72%	98%	98%	99%	126%	92%	93%
Segment assets and liabilities								
Segment assets	3,953.7	761.8	339.8	698.3	1,351.1	814.1	4,888.6	12,807.4
Segment liabilities	(3,253.6)	(655.6)	(316.9)	(605.9)	(1,086.5)	(685.9)	(4,072.2)	(10,676.6)
Net assets	**700.1**	**106.2**	**22.9**	**92.4**	**264.6**	**128.2**	**816.4**	**2,130.8**
Additional information								
Capital expenditure	7.3	1.1	0.2	1.0	2.8	1.3	8.5	22.2
Amortisation and depreciation	(10.8)	(2.5)	(0.3)	(1.4)	(4.0)	(2.0)	(19.4)	(40.4)
Net cash flow	92.8	14.1	3.0	12.2	35.1	17.0	108.2	282.3

3 Segmental analysis *continued*

2020	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Gross premiums written	1,020.1	337.4	133.4	273.0	470.5	194.5	1,134.9	3,563.8
Net premiums written	864.6	309.4	37.3	227.1	389.9	126.9	961.8	2,917.0
Net earned premiums	787.2	297.1	27.9	213.8	360.7	124.3	882.4	2,693.4
Net investment income	53.6	12.8	0.5	10.6	21.4	11.9	77.3	188.1
Other income	2.8	1.7	0.1	4.1	5.1	1.7	14.3	29.8
Revenue	**843.6**	**311.6**	**28.5**	**228.5**	**387.2**	**137.9**	**974.0**	**2,911.3**
Net insurance claims	557.7	160.5	8.3	354.1	291.3	86.8	499.6	1,958.3
Expenses for the acquisition of insurance contracts	180.0	82.2	19.3	75.9	105.4	32.0	244.1	738.9
Administrative expenses	54.4	25.1	1.9	23.1	36.4	12.2	82.4	235.5
Foreign exchange gain	(3.3)	(1.2)	(0.1)	(0.9)	(1.5)	(0.5)	(3.7)	(11.2)
Expenses	**788.8**	**266.6**	**29.4**	**452.2**	**431.6**	**130.5**	**822.4**	**2,921.5**
Segment result	**54.8**	**45.0**	**(0.9)**	**(223.7)**	**(44.4)**	**7.4**	**151.6**	**(10.2)**
Finance costs								(40.2)
Loss before income tax								**(50.4)**
Income tax credit								4.3
Loss for the year attributable to equity shareholders								**(46.1)**
Claims ratio	71%	54%	30%	166%	81%	70%	57%	73%
Expense ratio	30%	36%	76%	46%	39%	35%	37%	36%
Combined ratio	101%	90%	106%	212%	120%	105%	94%	109%
Segment assets and liabilities								
Segment assets operational strategy of Beazley	2,909.9	707.4	182.5	786.3	1,216.7	734.1	4,050.8	10,587.7
Segment liabilities	(2,389.8)	(612.2)	(170.7)	(678.4)	(966.0)	(591.2)	(3,369.9)	(8,778.2)
Net assets	**520.1**	**95.2**	**11.8**	**107.9**	**250.7**	**142.9**	**680.9**	**1,809.5**
Additional information								
Capital expenditure	8.5	1.6	0.2	1.8	4.1	2.3	11.2	29.7
Amortisation and depreciation	(3.4)	(2.2)	(0.1)	(0.7)	(1.6)	(0.9)	(11.0)	(19.9)
Net cash flow	8.9	1.6	0.2	1.9	4.3	2.4	11.7	31.0

3 Segmental analysis *continued*

c) Information about geographical areas

The Group's operating segments are also managed geographically by placement of risk. UK earned premium in the analysis below represents all risks placed at Lloyd's; US earned premium represents all risks placed at the Group's US insurance companies, Beazley Insurance Company, Inc. and Beazley America Insurance Company, Inc; and Europe earned premium represents all risks placed at the Group's European insurance company, Beazley Insurance dac. An analysis of gross premiums written split geographically by placement of risk and by reportable segment is provided in note 2 on page 153.

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

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

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

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

4 Net investment income

	2021 $m	2020 $m
Interest and dividends on financial investments at fair value through profit or loss	76.5	110.7
Interest on cash and cash equivalents	–	0.2
Net realised gains on financial investments at fair value through profit or loss	79.8	46.3
Net unrealised fair value (losses)/gains on financial investments at fair value through profit or loss	(34.0)	36.7
Investment income from financial investments	**122.3**	**193.9**
Investment management expenses	(5.9)	(5.8)
	116.4	**188.1**

Notes to the financial statements *continued*

5a Other income

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

Profit commissions

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

Commissions received from service companies

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

Other income

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

5b Gain on sale of business

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

6 Operating expenses

	2021 $m	2020 $m
Operating expenses include:		
Amounts receivable by the auditor[1] and associates in respect of:		
– audit services for the Group and subsidiaries	2.7	2.4
– audit-related assurance services	1.1	1.0
– other non-audit services	0.6	0.5
	4.4	3.9
Impairment (write-back)/loss on reinsurance assets	(3.3)	1.1

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

7 Employee benefit expenses

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

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

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

8 Finance costs

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

9 Income tax expense

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

Notes to the financial statements *continued*

9 Income tax expense *continued*

Reconciliation of tax expense

The weighted average of statutory tax rates applied to the (losses)/profits earned in each country in which the Group operates is 17.2% (2020: 2.0%), whereas the tax charged for the year ending 31 December 2021 as a percentage of (loss)/profit before tax is 16.4% (2020: 8.5%). The reasons for the difference are explained below:

	2021 $m	2021 %	2020 $m	2020 %
Profit/(loss) before tax	**369.2**	–	(50.4)	–
Tax calculated at the weighted average of statutory tax rate	63.3	17.2	(1.0)	2.0
Effects of:				
– non-deductible expenses	3.5	1.0	2.1	(4.2)
– tax relief on remuneration	1.6	0.4	(0.4)	0.8
– over provided in prior years	(7.3)	(2.0)	(4.6)	9.1
– change in UK/US tax rates[1]	(0.6)	(0.2)	(0.4)	0.8
Tax charge/(credit) for the period	**60.5**	**16.4**	**(4.3)**	**8.5**

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

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

Amounts recognised directly in equity

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

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

10 Earnings/(loss) per share

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

Basic

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

10 Earnings/(loss) per share *continued*

Diluted

Diluted earnings/(loss) per share are calculated by dividing profit after tax of $308.7m (2020: Loss $46.1m) by the adjusted weighted average number of shares of 614.3m (2020: 582.6m). The adjusted weighted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the equity settled compensation schemes. The shares held in the ESOP of 3.2m (2020: 3.8m) have been excluded from the calculation, until such time as they vest unconditionally with the employees. Further details of equity compensation plans can be found on note 23 as well as in the directors' remuneration report on pages 95 to 113.

11 Dividends per share

After careful consideration the directors have concluded that after a year's hiatus, they propose an interim dividend of 12.9p for 2021 (2020: nil) which represents a 5% increase on the combined first and second interim dividends declared in 2019 of 12.3p. The dividend will be payable on 30 March 2022 to Beazley plc shareholders registered at 5.00pm on 18 February 2022. The company expects the total amount to be paid in respect of the interim dividend to be approximately £78m. These financial statement do not provide for the interim dividend as a liability.

12 Intangible assets

	Goodwill $m	Syndicate capacity $m	Licences $m	IT development costs $m	Renewal rights $m	Total $m
Cost						
Balance at 1 January 2020	72.0	10.7	9.3	87.8	60.0	239.8
Other additions	–	–	–	20.5	–	20.5
Foreign exchange gain	–	–	–	0.9	1.3	2.2
Balance at 31 December 2020	**72.0**	**10.7**	**9.3**	**109.2**	**61.3**	**262.5**
Balance at 1 January 2021	72.0	10.7	9.3	109.2	61.3	262.5
Disposal	–	–	–	(10.4)	–	(10.4)
Other additions	–	–	–	17.7	–	17.7
Foreign exchange (loss)/gain	–	–	–	(1.1)	0.1	(1.0)
Balance at 31 December 2021	**72.0**	**10.7**	**9.3**	**115.4**	**61.4**	**268.8**
Amortisation and impairment						
Balance at 1 January 2020	(10.0)	–	–	(64.9)	(42.7)	(117.6)
Amortisation for the year	–	–	–	(8.1)	(8.6)	(16.7)
Foreign exchange loss	–	–	–	(0.6)	(1.3)	(1.9)
Balance at 31 December 2020	**(10.0)**	**–**	**–**	**(73.6)**	**(52.6)**	**(136.2)**
Balance at 1 January 2020	(10.0)	–	–	(73.6)	(52.6)	(136.2)
Disposal	–	–	–	10.4	–	10.4
Amortisation for the year	–	–	–	(12.4)	(8.1)	(20.5)
Foreign exchange gain/(loss)	–	–	–	1.3	(0.3)	1.0
Balance at 31 December 2021	**(10.0)**	**–**	**–**	**(74.3)**	**(61.0)**	**(145.3)**
Carrying amount						
31 December 2021	**62.0**	**10.7**	**9.3**	**41.1**	**0.4**	**123.5**
31 December 2020	62.0	10.7	9.3	35.6	8.7	126.3

12 Intangible assets *continued*

Impairment tests

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

2021	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Goodwill	1.5	2.3	–	29.6	24.9	0.8	2.9	62.0
Capacity	1.7	1.6	–	1.0	2.5	0.8	3.1	10.7
Licences	3.3	–	–	–	1.9	–	4.1	9.3
Total	**6.5**	**3.9**	**–**	**30.6**	**29.3**	**1.6**	**10.1**	**82.0**

2020	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Goodwill	1.5	2.3	–	29.6	24.9	0.8	2.9	62.0
Capacity	1.7	1.6	–	1.0	2.5	0.8	3.1	10.7
Licences	3.3	–	–	–	1.9	–	4.1	9.3
Total	**6.5**	**3.9**	**–**	**30.6**	**29.3**	**1.6**	**10.1**	**82.0**

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

A discount rate, based on weighted average cost of capital (WACC) of 9% (2020: 7%) has been applied to projected future cash flows. This has been calculated using independent measures of the risk-free rate of return and is indicative of the Group's risk profile relative to the market. The impairment test for goodwill confirms that no impairment is required.

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

- **Projected combined ratio –** The Group has used projected combined ratios consistent with its five year financial budgets. Sensitivity testing (a 2% increase in combined ratio for all classes and all years) has been performed to model the impact of reasonably possible changes in combined ratio to our base case impairment analysis and headroom. Within these ranges, the recoverable amounts remain supportable.
- **Future market conditions** – to test the segment's sensitivity to variances (including those caused by the factors listed above) from forecast profits, the discount rate has been flexed to 5% above and 5% below the central assumption. Within this range, the recovery of goodwill was stress tested and remains supportable across all CGUs. Headroom was calculated in respect of the value in use of all the Group's other intangible assets.
- **Premium growth rates/Retention rates** – The group has used a terminal growth rate of 0% (2020: 0%) to extrapolate projections beyond the covered five year period.

12 Intangible assets *continued*

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

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

13 Plant and equipment

	Company	Group		
	Fixtures & fittings $m	Fixtures & fittings $m	Computer equipment $m	Total $m
Cost				
Balance at 1 January 2020	**–**	**27.7**	**10.3**	**38.0**
Additions	–	9.2	3.7	12.9
Foreign exchange gain	–	0.9	0.3	1.2
Balance at 31 December 2020	**–**	**37.8**	**14.3**	**52.1**
Balance at 1 January 2021	**–**	**37.8**	**14.3**	**52.1**
Additions	–	3.8	0.7	4.5
Disposals	–	(9.7)	–	(9.7)
Foreign exchange gain/(loss)	–	0.7	(0.1)	0.6
Balance at 31 December 2021	**–**	**32.6**	**14.9**	**47.5**
Accumulated Depreciation				
Balance at 1 January 2020	**–**	**(21.1)**	**(8.0)**	**(29.1)**
Depreciation charge for the year	–	(1.9)	(1.3)	(3.2)
Foreign exchange gain/(loss)	–	0.1	(0.2)	(0.1)
Balance at 31 December 2020	**–**	**(22.9)**	**(9.5)**	**(32.4)**
Balance at 1 January 2021	**–**	**(22.9)**	**(9.5)**	**(32.4)**
Depreciation charge for the year	–	(2.3)	(2.6)	(4.9)
Disposals	–	9.7	–	9.7
Foreign exchange (loss)	–	(0.5)	(0.2)	(0.7)
Balance at 31 December 2021	**–**	**(16.0)**	**(12.3)**	**(28.3)**
Carrying amounts				
31 December 2021	**–**	**16.6**	**2.6**	**19.2**
31 December 2020	**–**	**14.9**	**4.8**	**19.7**

14 Investment in associates

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

Group	2021 $m	2020 $m
As at 1 January	**0.3**	**0.1**
Investment in CyberAcuView LLC	0.3	0.3
Investment in other associates	–	–
Share of loss after tax	–	(0.1)
As at 31 December	**0.6**	**0.3**

The Group's investment in associates consists of:

	Country/region of incorporation	% interest held	Carrying value $m
2021			
Falcon Money Management Holdings Limited (and subsidiaries)	Malta[1]	25%	–
Pegasus Underwriting Limited	Hong Kong[3]	33%	–
CyberAcuView LLC	New York[4]	13%	0.6
			0.6

1 259 St Paul Street, Valletta, Malta.
2 221 West 6th Street, Suite 301, Austin TX 78701, USA.
3 Suite 126, 12/F Somptuex Central, 52-54 Wellington Street, Hong Kong.
4 106 W 32nd Street, New York.

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

The aggregate financial information for all associates (100%) held at 31 December 2021 is as follows:

	2021 $m	2020 $m
Assets	9.6	6.5
Liabilities	5.9	4.5
Equity	3.7	2.0
Revenue	4.7	4.3
(Loss)/profit after tax	(0.7)	0.2
Share of total comprehensive income	**–**	**–**

All of the investments in associates are unlisted and are equity accounted using available financial information as at 31 December 2021. Falcon Money Management Holdings Limited is an investment management company which also acts in an intermediary capacity.

15 Deferred acquisition costs

	2021 $m	2020 $m
Balance at 1 January	384.9	350.7
Additions	914.7	773.1
Amortisation charge	(821.8)	(738.9)
Balance at 31 December	**477.8**	**384.9**

16 Financial assets and liabilities

	2021 $m	2020 $m
Financial assets at fair value		
Fixed and floating rate debt securities:		
– Government issued	4,008.1	2,723.7
Corporate bonds		
– Investment grade	1,861.9	2,444.9
– High yield	402.3	251.1
Syndicate loans	37.9	40.6
Total fixed and floating rate debt securities and syndicate loans	**6,310.2**	**5,460.3**
Equity funds	209.6	203.2
Hedge funds	478.2	442.1
Illiquid credit assets	277.9	227.9
Total capital growth assets	**965.7**	**873.2**
Total financial investments at fair value through statement of profit or loss	**7,275.9**	**6,333.5**
Derivative financial assets	7.6	28.5
Total financial assets at fair value	**7,283.5**	**6,362.0**

16 Financial assets and liabilities *continued*

Investment corporate bonds are rated BBB-/Baa3 or higher by at least one major rating agency, while high yield corporate bonds have lower credit ratings. Hedge funds are investment vehicles pursuing alternative investment strategies, structured to have minimal correlation to traditional asset classes. Equity funds are investment vehicles which invest in equity securities and provide diversified exposure to global equity markets. Illiquid credit assets are investment vehicles that predominantly target private lending opportunities, often with longer investment horizons. The fair value of these assets at 31 December 2021 excludes an unfunded commitment of $40.5m (2020: $49.3m).

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

	2021 $m	2020 $m
Within one year	1,409.4	1,407.1
After one year	4,908.4	4,081.7
Total	**6,317.8**	**5,488.8**

Our capital growth assets have no defined maturity dates and have thus been excluded from the above maturity table. However, all $209.6m (2020: $203.2m) of equity funds could be liquidated within two weeks, $378.1m (2020: $267.7m) of hedge fund assets within six months and the remaining $100.0m (2020: $174.4m) of hedge fund assets within 18 months, in normal market conditions. Illiquid credit assets are not readily realisable and principal will be returned over the life of these assets, which may be up to 12 years.

As noted on page 146 consideration is also given when valuing the hedge funds and illiquid credit funds to the timing of the latest valuations, and the impact of any significant market stress events. The adjustment to the underlying net asset value of the funds as a result of these considerations was $nil at 31 December 2021 (2020: $nil).

Financial liabilities	2021 $m	2020 $m
Tier 2 subordinated debt (2026)	249.2	249.0
Tier 2 subordinated debt (2029)	298.4	298.1
Derivative financial liabilities	7.1	11.4
Total financial liabilities	**554.7**	**558.5**
The amounts expected to mature before and after one year are:		
Within one year	7.1	11.4
After one year	547.6	547.1
	554.7	**558.5**

A breakdown of the Group's investment portfolio is provided on page 56.

A breakdown of derivative financial instruments is disclosed in note 17.

The tier 2 subordinated debt (2029) was issued in 2019. Tier 2 subordinated debt (2026) was issued in 2016. Please refer to note 25 for further details of our borrowings and associated repayment terms.

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

16 Financial assets and liabilities *continued*

Valuation hierarchy

The table below summarises financial assets carried at fair value 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, treasury bills of government and government agencies, corporate bonds and equity funds which are measured based on quoted prices in active markets.

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 and exchange rates). Included within level 2 are government bonds and treasury bills, equity funds and corporate bonds which are not actively traded, hedge funds and senior secured loans.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

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

If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group has an established control framework and valuation policy with respect to the measurement of fair values.

Level 2 investments

For the Group's level 2 debt securities our fund administrator obtains the prices used in the valuation from independent pricing vendors such as Bloomberg, Standard & Poor's, Reuters, Markit and International Data Corporation. The independent pricing vendors derive an evaluated price from observable market inputs. The market inputs include trade data, two-sided markets, institutional bids, comparable trades, dealer quotes, news media, and other relevant market data. These inputs are verified in their pricing engines and calibrated with the pricing models to calculate spread to benchmarks, as well as other pricing assumptions such as Weighted Average life (WM), Discount Margins (DM), Default rates, and recovery and prepayments assumptions for mortgage securities. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

The Group records the unadjusted price provided and validates the price through various tolerance checks, such as comparison with prices provided by investment custodians and investment managers, to assess the reasonableness and accuracy of the price to be used to value each security. In the rare case that a price fails the tolerance test, it is escalated and discussed internally. We would not normally override a price retrospectively, but we would work with the administrator and pricing vendor to investigate the difference. This generally results in the vendor updating their inputs. We also review our valuation policy on a regular basis to ensure it is fit for purpose. For the year ended 31 December 2021, no adjustments have been made to the prices obtained from the independent sources.

For our hedge funds and equity funds, the pricing and valuation of each fund is undertaken by administrators in accordance with each underlying fund's valuation policy. For the equity funds, the individual fund prices are published on a daily, weekly or monthly basis via Bloomberg and other market data providers such as Reuters. For the hedge funds, the individual fund prices are communicated by the administrators to all investors via the monthly investor statements. The fair value of the hedge fund and equity fund portfolios are calculated by reference to the underlying net asset values of each of the individual funds.

16 Financial assets and liabilities *continued*

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 78% (31 December 2020: 81%) of these underlying assets were level 1 and the remainder level 2. This enables us to categorise our hedge fund as level 2. Prior to any new hedge fund investment, extensive due diligence is undertaken on each fund to ensure that pricing and valuation is undertaken by an independent administrator and that each fund's valuation policy is appropriate for the financial instruments the manager will be employing to execute the investment strategy. Fund liquidity terms are reviewed prior to the execution of any investment to ensure that there is no mismatch between the liquidity of the underlying fund assets and the liquidity terms offered to fund investors. As part of the monitoring process, underlying fund subscriptions and redemptions are assessed by reconciling the increase or decrease in fund assets with the investment performance in any given period.

Level 3 investments

The Group's level 3 investments consist of illiquid credit assets and Lloyd's syndicate loans.

(i) Illiquid credit assets

Within the Group's level 3 investments we have a diversified portfolio of illiquid credit fund investments managed by third party managers (generally closed ended limited partnerships or open ended funds). While the funds provide full transparency on their underlying investments, the investments themselves are predominantly in private and unquoted instruments and are therefore classified as level 3 investments. Closed-ended funds that are still in their investment period continue to draw down capital, whilst funds that are in their harvest period distribute capital as the underlying investments are realised.

The valuation techniques used by the fund managers to establish the fair value of the underlying private/unquoted investments may incorporate discounted cash flow models or a more market based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. We take the following steps to ensure accurate valuation of these level 3 assets. A substantial part of the pre-investment due diligence process is dedicated to a comprehensive review of each fund's valuation policy and the internal controls of the manager. In addition to this, confirmation that the investment reaches a minimum set of standards relating to the independence of service providers, corporate governance, and transparency is sought prior to approval. Post investment, quarterly capital statements are reviewed to ensure consistency between audited and unaudited valuations and compare the updated values to the estimated figures used in previous valuations in order to highlight and explain any discrepancies. Particular emphasis is placed on identifying assets that have been either marked up or down, as well as whether any specific assets are at particular risk due to prevailing economic/market conditions. The review also involves regular conversations with the managers and industry sources, particularly in times of market stress. Audited financial statements are received and reviewed on an annual basis, with the valuation of each transaction being confirmed. For the Group's annual and interim accounts, we use the latest fund valuation statements, which are typically as at the previous quarter or month end.

To ensure that values are materially correct at the reporting date, all fund managers are contacted to confirm whether there has been a material impairment to the fund valuations since the most recent valuation date. In the event that a manager confirms a material impairment since the latest valuation date, we would make a downwards revision to the value of our fund holding based on the manager's assessment. Furthermore, during major stress events in public financial markets (defined as >10% fall in leveraged loan market indices during a calendar quarter), such as the macroeconomic uncertainty caused by COVID-19 in Q1 2020, we would consider adjusting the valuations of all level 3 fund holdings to account for material impairment in the valuation between the latest valuation date and the reporting date. The magnitude and breadth of any broader portfolio impairment would be dependent on the specific situation.

(ii) Syndicate loans

These are loans provided by our Group syndicates to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments. The syndicate loans have been classified as level 3 investments because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model. There is no market in which the instruments can be traded.

16 Financial assets and liabilities *continued*

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

2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets measured at fair value				
Fixed and floating rate debt securities				
– Government issued	3,513.2	494.9	–	4,008.1
– Corporate bonds				
– Investment grade	802.8	1,059.1	–	1,861.9
– High yield	82.1	320.2	–	402.3
Syndicate loans	–	–	37.9	37.9
Equity funds	209.6	–	–	209.6
Hedge funds	–	478.2	–	478.2
Illiquid credit assets	–	–	277.9	277.9
Derivative financial assets	7.6	–	–	7.6
Total financial assets measured at fair value	**4,615.3**	**2,352.4**	**315.8**	**7,283.5**
Financial liabilities measured at fair value				
Derivative financial liabilities	7.1	–	–	7.1
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	–	334.6	–	334.6
Tier 2 subordinated debt (2026)	–	279.0	–	279.0
Total financial liabilities not measured at fair value	**7.1**	**613.6**	**–**	**620.7**

2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets measured at fair value				
Fixed and floating rate debt securities				
– Government issued	2,637.8	85.9	–	2,723.7
– Corporate bonds				
– Investment grade	1,148.3	1,296.6	–	2,444.9
– High yield	103.0	148.1	–	251.1
Syndicate loans	–	–	40.6	40.6
Equity funds	203.2	–	–	203.2
Hedge funds	–	442.1	–	442.1
Illiquid credit assets	–	–	227.9	227.9
Derivative financial assets	28.5	–	–	28.5
Total financial assets measured at fair value	**4,120.8**	**1,972.7**	**268.5**	**6,362.0**
Financial liabilities measured at fair value				
Derivative financial liabilities	11.4	–	–	11.4
Financial liabilities not measured at fair value				
Tier 2 subordinated debt (2029)	–	320.5	–	320.5
Tier 2 subordinated debt (2026)	–	271.0	–	271.0
Total financial liabilities not measured at fair value	11.4	**591.5**	**–**	**602.9**

16 Financial assets and liabilities *continued*

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

Transfers

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

The following transfers between levels 1 & 2 for the period ended 31 December 2021 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool.

31 December 2021 vs 31 December 2020 transfer from level 2 to level 1	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	156.2	(156.2)
– Government issued	39.7	(39.7)

31 December 2021 vs 31 December 2020 transfer from level 1 to level 2	Level 1 $m	Level 2 $m
– Corporate Bonds – Investment grade	(418.3)	418.3

The values shown in the transfer tables above are translated at foreign exchange rate as at 31 December 2021.

Level 3 investment reconciliations

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

	2021 $m	2020 $m
As at 1 January	268.5	216.6
Purchases	87.1	94.3
Sales	(60.2)	(56.9)
Reclass from level 2	–	8.2
Realised gain	12.1	8.1
Unrealised gain/(loss)	8.3	(1.9)
As at 31 December	**315.8**	**268.5**

Unconsolidated structured entities

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

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

16 Financial assets and liabilities *continued*

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

	2021 $m	2020 $m
High yield bond funds	402.3	251.1
Equity funds	209.6	203.2
Hedge funds	478.2	442.1
Illiquid credit assets	277.9	227.9
Investments through unconsolidated structured entities	**1,368.0**	**1,124.3**

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

All the investee funds in the investment portfolio are managed by portfolio managers who are compensated by the respective investee funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the fund's investment in each of the investee funds. The right to sell or request redemption of investments in high yield bond funds, asset backed securities, equity funds and hedge funds ranges in frequency from daily to semi-annually. The Group did not sponsor any of the respective structured entities.

These investments are included in financial assets at fair value through profit or loss in the statement of financial position. The Group's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in investee funds and unfunded commitments. Once the Group has disposed of its shares in an investee fund, it ceases to be exposed to any risk from that investee fund.

As described in note 2 to the financial statements, the Group monitors and manages its currency exposures to net assets and financial assets held at fair value.

Currency exposures

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

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

2020	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Financial assets at fair value						
Fixed and floating rate debt securities	15.1	248.6	–	263.7	5,156.0	5,419.7
Syndicate loans	40.6	–	–	40.6	–	40.6
Equity funds	–	–	–	–	203.2	203.2
Hedge funds	–	–	–	–	442.1	442.1
Illiquid credit assets	3.2	–	34.6	37.8	190.1	227.9
Derivative financial assets	–	–	–	–	28.5	28.5
Total	**58.9**	**248.6**	**34.6**	**342.1**	**6,019.9**	**6,362.0**

The above qualitative and quantitative disclosure along with the risk management discussions in note 2 enable more comprehensive evaluation of Beazley's exposure to risks arising from financial instruments.

17 Derivative financial instruments

In 2020 and 2021 the Group entered into over-the-counter and exchange traded derivative contracts. The Group had the right and the intention to settle each contract on a net basis.

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

	2021		2020	
Derivative financial instrument assets	Gross contract amount $m	Market value of derivative position $m	Gross contract amount $m	Market value of derivative position $m
Foreign exchange forward contracts	317.8	7.3	623.7	28.5
Bond futures contract	522.7	0.3	–	–
	840.5	**7.6**	**623.7**	**28.5**

	2021		2020	
Derivative financial instrument liabilities	Gross contract amount $m	Market value of derivative position $m	Gross contract amount $m	Market value of derivative position $m
Foreign exchange forward contracts	351.4	(7.1)	287.0	11.0
Bond futures contract	141.2	–	288.8	0.4
	492.6	**(7.1)**	**575.8**	**11.4**

Foreign exchange forward contracts

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

Bond futures positions

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

18 Insurance receivables

	2021 $m	2020 $m
Insurance receivables	1,696.1	1,467.9
	1,696.1	**1,467.9**

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

Insurance receivables in respect of coverholder business are credit controlled by third-party managers. We monitor third-party coverholders' performance and their financial processes through the Group's coverholder management team. These assets are individually impaired after considering information such as the occurrence of significant changes in the counterparties' financial position, patterns of historical payment information and disputes with counterparties.

19 Reinsurance assets

	2021 $m	2020 $m
Reinsurers' share of claims	1,840.9	1,320.4
Impairment provision	(11.5)	(14.8)
	1,829.4	1,305.6
Reinsurers' share of unearned premium reserve	557.0	379.1
	2,386.4	**1,684.7**

The total impairment provision in the statement of financial position in respect of reinsurance assets past due by more than 30 days at 31 December was $2.1m (2020: $3.0m). This 2.1m provision in respect of overdue reinsurance recoverables is included within the total provision of $11.5m.

Further analysis of the reinsurance assets is provided in note 24.

20 Cash and cash equivalents

Group	2021 $m	2020 $m
Cash at bank and in hand	591.8	309.5

Company	2021 $m	2020 $m
Cash at bank and in hand	0.3	0.9

21 Share capital

	2021		2020	
	No. of shares (m)	$m	No. of shares (m)	$m
Ordinary shares of 5p each				
Issued and fully paid	609.2	42.9	608.9	42.9
Balance at 1 January	**608.9**	**42.9**	**529.7**	**38.1**
Issue of shares	0.3	–	79.2	4.8
Balance at 31 December	**609.2**	**42.9**	**608.9**	**42.9**

On 19 May 2020, the Group successfully completed the placing of new ordinary shares in the capital of the company. A total of 78,501,420 new ordinary shares of five pence each in the capital of the Group were placed at a price of 315 pence per Placing Share. A total of 13,085 Subscription Shares were subscribed through the Subscription. The placing raised total net proceeds of $292.6m.

The Placing Price of 315 pence represented a discount of 4.95 per cent to the closing share price of 331.4 pence on 18 May 2020. The Placing Shares and the Subscription Shares being issued together represented approximately 15 per cent of the existing issued ordinary share capital of Beazley prior to the Placing and Subscription.

This equity was raised through a cash box structure. Pre-emptive rights were not considered with the placing, however prior to issuance, senior management consulted with approximately 85% of existing shareholders (calculated by voting rights) who were given the option to participate. The shares issued are classified as ordinary shares and carry the same voting rights as previously issued ordinary shares.

22 Other reserves

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Group			
Balance at 1 January 2020	**35.6**	**(32.0)**	**3.6**
Share based payments	2.8	–	2.8
Acquisition of own shares held in trust	–	(13.6)	(13.6)
Tax on share option vestings	(5.4)	–	(5.4)
Transfer of shares to employees	(17.0)	20.2	3.2
Balance at 31 December 2020	**16.0**	**(25.4)**	**(9.4)**
Share based payments	11.0	–	11.0
Tax on share option vestings	(3.9)	–	(3.9)
Transfer of shares to employees	(6.1)	4.4	(1.7)
Balance at 31 December 2021	**17.0**	**(21.0)**	**(4.0)**

	Employee share options reserve $m	Employee share trust reserve $m	Total $m
Company			
Balance at 1 January 2020	**1.0**	**(10.3)**	**(9.3)**
Share based payments	2.8	–	2.8
Acquisition of own shares held in trust	–	(13.6)	(13.6)
Transfer of shares to employees	(17.0)	20.2	3.2
Balance at 31 December 2020	**(13.2)**	**(3.7)**	**(16.9)**
Share based payments	11.0	–	11.0
Transfer of shares to employees	(6.1)	4.4	(1.7)
Balance at 31 December 2021	**(8.3)**	**0.7**	**(7.6)**

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

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

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

23 Equity compensation plans

23.1 Employee share trust

	2021 Number (m)	2021 $m	2020 Number (m)	2020 $m
Movements in employee share trust reserve				
Balance at 1 January	3.7	25.4	4.8	32.0
Additions	–	–	2.0	13.6
Transfer of shares to employees	(0.6)	(4.4)	(3.1)	(20.2)
Balance at 31 December	**3.1**	**21.0**	**3. 7**	**(25.4)**

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

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

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

23.2 Employee share option plans

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

The terms and conditions of the grants are as follows:

Share option plan	Grant date	No. of options (m)	Vesting conditions	Contractual life of options
LTIP	10/02/2021	2.4	Five year's service + NAV + minimum shareholding requirement	10 years
	11/02/2020	1.3		
	12/02/2019	1.2		
	13/02/2018	0.9		
	08/02/2017	1.2		
LTIP	10/02/2021	2.4	Three year's service + NAV + minimum shareholding requirement	10 years
	11/02/2020	1.3		
	12/02/2019	1.2		
SAYE (UK)	30/03/2021	1.8	Three years' service	N/A
	30/03/2020	0.2		
	01/04/2019	0.2		
	04/04/2018	0.3		
SAYE (US)	02/06/2021	0.1	Two years' service	N/A
	01/06/2020	0.2		
SAYE (Others)	30/03/2021	0.2	Two years' service	N/A
Total share options outstanding		**14.9**		

Vesting conditions

In summary the vesting conditions are defined as:

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

23 Equity compensation plans *continued*

Further details of equity compensation plans can be found in the directors' remuneration report on pages 95 to 113. The total gain on directors' exercises of share-option plans during the period was nil (2020: £0.5m).

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

	2021		2020	
	Weighted average exercise price (pence per share)	No. of options (m)	Weighted average exercise price (pence per share)	No. of options (m)
Outstanding at 1 January	**63.5**	**13.6**	**50.7**	**14.6**
Forfeited during the year	58.0	(5.8)	60.2	(3.1)
Exercised during the year	25.0[1]	(0.3)	84.7[2]	(2.0)
Granted during the year	80.9	7.4	84.4	4.1
Outstanding at 31 December	**80.7**	**14.9**	**63.5**	**13.6**
Exercisable at 31 December	–	–	–	–

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

2 The weighted average share price at the date of exercise of these options was 537.5p.

The range of exercise prices for options outstanding at the end of the year was £0 to £4.56 (2020: £0 to £4.56). The weighted average remaining contractual life for the outstanding options at end of the year was 1.87 years (2020: 1.69 years).

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

The following is a summary of the assumptions used to calculate the fair value:

	2021 $m	2020 $m
Share options charge to employee share options reserve	**11.6**	**2.8**
LTIP		
Weighted average share price (pence per option)	366.6	595.5
Weighted average fair value (pence per option)	367.0	595.5
Weighted average exercise price (pence per option)	–	–
Average expected life of options	4.3yrs	4.5yrs
Expected volatility	36.4%	22.1%
Expected dividend yield	–	–
Average risk-free interest rate	0.4%	1.4%
SAYE		
Weighted average share price (pence per option)	348.7	393.2
Weighted average fair value (pence per option)	95.0	79.6
Weighted average exercise price (pence per option)	287.8	346.6
Average expected life of options	3.3yrs	3.2yrs
Expected volatility	36.6%	29.1%
Expected dividend yield	3.2%	3.4%
Average risk-free interest rate	0.4%	0.3%

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

24 Insurance liabilities and reinsurance assets

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

	2021 $m	2020 $m
Net		
Claims reported and loss adjustment expenses	1,256.0	1,245.1
Claims incurred but not reported	3,313.7	2,820.9
Unexpired risk reserve	–	82.5
Net claims liabilities	4,569.7	4,148.5
Unearned premiums	1,915.7	1,545.2
Total insurance liabilities, net	**6,485.4**	**5,693.7**

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

24.1 Movements in insurance liabilities and reinsurance assets

a) Claims and loss adjustment expenses

	2021			2020		
	Gross $m	Reinsurance $m	Net $m	Gross $m	Reinsurance $m	Net $m
Claims reported and loss adjustment expenses	1,507.3	(262.2)	1,245.1	1,263.7	(223.7)	1,040.0
Claims incurred but not reported	3,855.3	(1,034.4)	2,820.9	3,196.6	(845.1)	2,351.5
Unexpired risk reserve	91.5	(9.0)	82.5	–	–	–
Balance at 1 January	**5,454.1**	**(1,305.6)**	**4,148.5**	**4,460.3**	**(1,068.8)**	**3,391.5**
Claims paid	(1,718.5)	378.9	(1,339.6)	(1,671.1)	404.7	(1,266.4)
Increase in claims						
Arising from current year claims	2,911.5	(875.5)	2,036.0	2,698.2	(646.8)	2,051.4
Arising from prior year claims	(177.2)	(32.6)	(209.8)	(109.8)	16.7	(93.1)
Net exchange differences	(70.8)	5.4	(65.4)	76.5	(11.4)	65.1
Balance at 31 December	**6,399.1**	**(1,829.4)**	**4,569.7**	**5,454.1**	**(1,305.6)**	**4,148.5**
Claims reported and loss adjustment expenses	1,627.4	(371.4)	1,256.0	1,507.3	(262.2)	1,245.1
Claims incurred but not reported	4,771.7	(1,458.0)	3,313.7	3,855.3	(1,034.4)	2,820.9
Unexpired risk reserve	–	–	–	91.5	(9.0)	82.5
Balance at 31 December	**6,399.1**	**(1,829.4)**	**4,569.7**	**5,454.1**	**(1,305.6)**	**4,148.5**

24 Insurance liabilities and reinsurance assets *continued*
b) Unearned premiums reserve

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

24.2 Assumptions, changes in assumptions and claims reserve strength analysis
a) Process used to decide on assumptions

The peer review reserving process

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

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

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

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

Actuarial assumptions

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

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

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

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

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

24 Insurance liabilities and reinsurance assets *continued*

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

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

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

b) Major assumptions

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

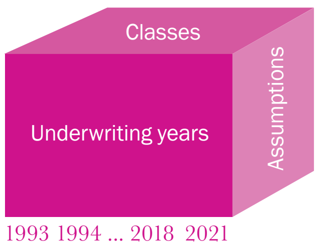
Another assumption used within insurance liabilities is the estimation of an unexpired risk reserve (URR) for the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date which exceeds the unearned premium reserve.

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

c) Changes in assumptions

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

- *Cyber & Executive Risk*
- *Marine*
- *Market Facilities*
- *Political, Accident & Contingency*
- *Property*
- *Reinsurance*
- *Specialty Lines*



- *Claims inflation*
- *Judicial decisions*
- *Mix of business*
- *Premium rate change*
- *Professional judgement*
- *Reporting patterns*
- *Settlement patterns*

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

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

24 Insurance liabilities and reinsurance assets *continued*

d) Claims reserve strength analysis

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

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

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

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

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

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

24 Insurance liabilities and reinsurance assets *continued*

Gross ultimate claims	2011 ae %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %
Cyber & Executive Risk											
12 months		71.6	71.0	66.0	64.3	61.9	59.5	61.1	61.8	73.2	65.8
24 months		71.8	71.3	66.2	64.3	61.9	61.4	62.3	72.0	78.7	–
36 months		69.1	71.1	63.6	59.0	58.5	56.8	61.5	73.4	–	–
48 months		65.5	69.0	65.1	54.1	58.3	56.6	64.0	–	–	–
60 months		63.5	66.4	69.8	56.0	59.5	57.4	–	–	–	–
72 months		61.1	62.9	68.4	57.5	57.6	–	–	–	–	–
84 months		60.6	63.0	69.1	58.5	–	–	–	–	–	–
96 months		59.4	63.5	69.7	–	–	–	–	–	–	–
108 months		59.5	63.6	–	–	–	–	–	–	–	–
120 months		62.0	–	–	–	–	–	–	–	–	–
Marine											
12 months		56.1	56.7	57.7	56.7	59.5	68.0	61.9	60.1	57.8	52.9
24 months		46.4	52.1	46.9	54.0	70.2	62.4	68.1	56.8	52.1	–
36 months		34.7	44.4	47.2	47.3	65.4	61.6	66.2	47.9	–	–
48 months		32.1	42.7	46.8	45.4	63.9	58.0	63.3	–	–	–
60 months		31.4	42.1	55.8	43.3	62.4	55.0	–	–	–	–
72 months		30.6	41.5	53.0	42.7	62.1	–	–	–	–	–
84 months		29.9	40.3	51.9	42.2	–	–	–	–	–	–
96 months		29.7	39.3	52.4	–	–	–	–	–	–	–
108 months		29.8	39.2	–	–	–	–	–	–	–	–
120 months		29.9	–	–	–	–	–	–	–	–	–
Market Facilities											
12 months		–	–	–	–	–	–	66.3	72.9	76.6	72.0
24 months		–	–	–	–	–	–	66.3	72.8	73.7	–
36 months		–	–	–	–	–	–	55.1	68.7	–	–
48 months		–	–	–	–	–	–	55.2	–	–	–
60 months		–	–	–	–	–	–	–	–	–	–
72 months		–	–	–	–	–	–	–	–	–	–
84 months		–	–	–	–	–	–	–	–	–	–
96 months		–	–	–	–	–	–	–	–	–	–
108 months		–	–	–	–	–	–	–	–	–	–
120 months		–	–	–	–	–	–	–	–	–	–
Political, Accident & Contingency											
12 months		60.0	59.5	59.7	60.5	61.9	58.2	59.4	57.0	111.4	57.3
24 months		56.0	50.9	52.4	59.9	55.8	50.0	55.4	143.9	120.0	–
36 months		53.0	46.4	48.5	58.5	50.8	46.8	92.4	143.8	–	–
48 months		50.5	45.4	51.3	59.3	49.4	49.8	97.4	–	–	–
60 months		47.4	47.1	52.5	55.7	47.9	47.3	–	–	–	–
72 months		46.6	46.8	53.5	54.6	45.2	–	–	–	–	–
84 months		45.6	46.6	54.3	54.6	–	–	–	–	–	–
96 months		45.7	46.2	54.7	–	–	–	–	–	–	–
108 months		45.6	45.7	–	–	–	–	–	–	–	–
120 months		45.1	–	–	–	–	–	–	–	–	–

24 Insurance liabilities and reinsurance assets *continued*

Gross ultimate claims	2011 ae %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	Total
Property												
12 months		56.1	54.9	53.2	54.9	58.9	72.3	63.4	53.2	67.9	58.0	
24 months		47.3	48.9	47.7	49.0	68.4	88.5	63.5	63.4	73.0	–	
36 months		39.6	45.6	41.3	45.9	71.3	91.3	65.4	53.9	–	–	
48 months		36.5	45.6	40.6	44.8	71.8	91.4	64.2	–	–	–	
60 months		35.9	45.5	39.6	43.7	71.8	91.1	–	–	–	–	
72 months		35.3	47.3	40.2	45.9	71.4	–	–	–	–	–	
84 months		35.2	46.6	39.7	45.6	–	–	–	–	–	–	
96 months		36.5	47.0	40.0	–	–	–	–	–	–	–	
108 months		37.6	47.2	–	–	–	–	–	–	–	–	
120 months		37.5	–	–	–	–	–	–	–	–	–	
Reinsurance												
12 months		62.8	58.6	61.3	65.8	68.4	122.5	99.0	101.5	79.9	115.1	
24 months		37.1	44.8	33.3	33.7	41.8	117.6	125.0	69.2	80.5	–	
36 months		31.7	42.3	30.7	25.7	40.6	129.4	123.5	68.6	–	–	
48 months		30.6	41.1	27.6	25.5	41.4	132.1	118.4	–	–	–	
60 months		30.9	38.1	27.4	25.3	40.7	131.0	–	–	–	–	
72 months		30.6	37.9	26.9	25.1	40.3	–	–	–	–	–	
84 months		30.6	37.0	26.9	24.4	–	–	–	–	–	–	
96 months		30.3	36.9	27.0	–	–	–	–	–	–	–	
108 months		30.3	36.8	–	–	–	–	–	–	–	–	
120 months		28.6	–	–	–	–	–	–	–	–	–	
Specialty Lines												
12 months		74.9	74.6	69.8	69.3	67.6	65.9	68.5	66.9	68.3	65.7	
24 months		75.0	74.2	69.5	69.9	67.5	66.0	69.0	68.6	69.6	`	
36 months		73.6	73.9	65.8	68.2	65.4	66.0	65.9	60.9	–	–	
48 months		73.9	69.4	61.7	67.4	64.0	62.1	61.6	–	–	–	
60 months		70.2	64.2	58.0	69.3	60.7	64.4	–	–	–	–	
72 months		69.1	62.1	55.7	78.2	61.8	–	–	–	–	–	
84 months		68.7	61.4	53.9	82.8	–	–	–	–	–	–	
96 months		71.0	60.0	54.7	–	–	–	–	–	–	–	
108 months		72.2	58.1	–	–	–	–	–	–	–	–	
120 months		72.2	–	–	–	–	–	–	–	–	–	
Total												
12 months		64.6	63.7	62.1	62.5	63.3	70.1	66.7	64.8	73.0	65.8	
24 months		58.3	59.3	55.8	58.4	62.9	71.1	69.6	74.2	75.5	–	
36 months		53.3	56.5	52.7	54.5	60.7	71.1	71.2	69.8	–	–	
48 months		51.4	54.5	51.7	52.7	60.1	69.8	70.1	–	–	–	
60 months		49.5	52.5	53.2	52.8	59.2	70.0	–	–	–	–	
72 months		48.4	51.5	52.1	55.6	58.5	–	–	–	–	–	
84 months		48.0	51.0	51.7	56.9	–	–	–	–	–	–	
96 months		48.5	50.6	52.2	–	–	–	–	–	–	–	
108 months		49.1	50.1	–	–	–	–	–	–	–	–	
120 months		49.3	–	–	–	–	–	–	–	–	–	
Estimated total ultimate losses ($m)	7,901.7	866.2	915.9	998.0	1,146.9	1,255.4	1,710.5	1,874.5	2,162.5	2,726.3	2,925.3	24,483.2
Less paid claims ($m)	(7,740.5)	(787.3)	(833.3)	(917.7)	(942.8)	(1,020.7)	(1,222.1)	(1,201.8)	(961.9)	(706.6)	(100.7)	(16,435.4)
Less unearned portion of ultimate losses ($m)	–		–	–	–	–	–	–	(8.7)	(137.5)	(1,502.5)	(1,648.7)
Gross claims liabilities ($m)	**161.2**	**78.9**	**82.6**	**80.3**	**204.1**	**234.7**	**488.4**	**672.7**	**1,191.9**	**1,882.2**	**1,322.1**	**6,399.1**

24 Insurance liabilities and reinsurance assets *continued*

Net ultimate claims	2011 ae %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %
Cyber & Executive Risk											
12 months		68.2	66.5	63.2	60.4	59.2	57.9	58.3	59.9	71.9	64.1
24 months		68.5	66.7	63.8	60.4	59.2	59.0	60.6	68.1	69.2	–
36 months		65.6	65.1	62.4	56.0	56.2	55.5	62.5	67.7	–	–
48 months		60.2	62.2	61.4	50.3	56.3	55.9	63.8	–	–	–
60 months		60.1	59.5	65.9	51.6	55.2	54.5	–	–	–	–
72 months		57.5	56.9	65.0	49.8	53.4	–	–	–	–	–
84 months		57.0	56.4	65.6	50.7	–	–	–	–	–	–
96 months		55.9	56.3	66.3	–	–	–	–	–	–	–
108 months		56.3	56.4	–	–	–	–	–	–	–	–
120 months		58.9	–	–	–	–	–	–	–	–	–
Marine											
12 months		55.2	56.1	56.5	56.6	56.6	57.4	59.3	56.5	54.2	50.9
24 months		45.8	53.2	48.5	52.4	62.4	61.3	67.6	55.2	49.9	–
36 months		37.1	47.3	46.6	47.0	61.4	61.7	68.6	46.6	–	–
48 months		34.6	45.8	45.7	46.5	61.9	59.5	64.7	–	–	–
60 months		33.6	45.2	46.9	45.2	60.5	57.0	–	–	–	–
72 months		32.9	44.6	45.0	44.7	60.0	–	–	–	–	–
84 months		32.5	42.5	44.3	43.9	–	–	–	–	–	–
96 months		32.3	42.3	44.5	–	–	–	–	–	–	–
108 months		32.4	42.3	–	–	–	–	–	–	–	–
120 months		32.5	–	–	–	–	–	–	–	–	–
Market Facilities											
12 months		–	–	–	–	–	–	36.5	24.6	28.3	27.3
24 months		–	–	–	–	–	–	36.5	24.2	27.6	–
36 months		–	–	–	–	–	–	30.3	23.9	–	–
48 months		–	–	–	–	–	–	21.8	–	–	–
60 months		–	–	–	–	–	–	–	–	–	–
72 months		–	–	–	–	–	–	–	–	–	–
84 months		–	–	–	–	–	–	–	–	–	–
96 months		–	–	–	–	–	–	–	–	–	–
108 months		–	–	–	–	–	–	–	–	–	–
120 months		–	–	–	–	–	–	–	–	–	–
Political, Accident & Contingency											
12 months		58.7	59.0	57.3	58.0	60.7	57.2	58.6	56.2	91.0	56.5
24 months		53.8	52.4	50.8	56.9	54.6	49.4	54.5	112.2	89.3	–
36 months		51.5	49.0	46.4	56.3	51.0	46.0	82.1	112.3	–	–
48 months		48.0	46.5	50.6	55.6	48.8	46.6	88.3	–	–	–
60 months		44.9	46.5	50.9	52.9	47.5	44.6	–	–	–	–
72 months		44.0	46.6	51.8	52.2	45.4	–	–	–	–	–
84 months		43.5	46.7	52.2	51.2	–	–	–	–	–	–
96 months		43.9	46.6	51.2	–	–	–	–	–	–	–
108 months		43.7	46.2	–	–	–	–	–	–	–	–
120 months		43.6	–	–	–	–	–	–	–	–	–
Property											
12 months		59.4	56.2	54.6	55.0	57.5	76.1	64.4	56.4	67.9	58.4
24 months		53.0	56.1	51.5	50.6	69.5	93.6	66.9	66.2	76.7	–
36 months		46.4	52.2	44.8	47.2	71.3	95.6	68.1	57.6	–	–
48 months		41.5	50.5	43.3	45.0	70.8	93.5	66.1	–	–	–
60 months		40.9	50.3	42.4	44.8	69.9	94.4	–	–	–	–
72 months		40.4	52.0	43.5	46.5	70.0	–	–	–	–	–
84 months		40.1	52.1	43.0	45.3	–	–	–	–	–	–
96 months		41.7	52.4	42.6	–	–	–	–	–	–	–
108 months		42.5	52.0	–	–	–	–	–	–	–	–
120 months		41.7	–	–	–	–	–	–	–	–	–

Notes to the financial statements *continued*

24 Insurance liabilities and reinsurance assets *continued*

Net ultimate claims	2011 ae %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	
Reinsurance												
12 months		66.6	56.3	58.7	61.7	61.8	105.2	87.3	87.5	86.3	92.9	
24 months		44.7	51.7	37.9	34.8	39.5	93.9	100.6	70.3	87.5	–	
36 months		38.3	47.9	34.1	25.0	39.1	104.9	98.5	71.6	–	–	
48 months		36.6	46.6	31.5	24.6	40.6	108.3	92.7	–	–	–	
60 months		36.9	43.0	31.2	24.8	41.6	108.1	–	–	–	–	
72 months		36.6	42.7	30.7	25.1	41.2	–	–	–	–	–	
84 months		36.6	41.9	30.7	24.4	–	–	–	–	–	–	
96 months		36.2	41.8	30.9	–	–	–	–	–	–	–	
108 months		36.2	41.7	–	–	–	–	–	–	–	–	
120 months		34.2	–	–	–	–	–	–	–	–	–	
Specialty Lines												
12 months		71.3	70.4	67.0	65.0	65.0	63.7	66.0	64.8	65.2	63.4	
24 months		71.4	69.9	66.6	65.8	65.0	63.6	67.1	64.9	64.9	–	
36 months		70.0	70.0	64.1	63.2	61.1	63.5	64.1	57.7	–	–	
48 months		68.4	64.1	59.1	58.5	56.9	58.2	59.0	–	–	–	
60 months		65.8	59.2	55.8	58.8	52.0	59.5	–	–	–	–	
72 months		66.0	57.6	54.5	62.7	52.5	–	–	–	–	–	
84 months		65.9	57.5	52.8	67.3	–	–	–	–	–	–	
96 months		67.1	56.3	53.8	–	–	–	–	–	–	–	
108 months		67.9	54.7	–	–	–	–	–	–	–	–	
120 months		68.1	–	–	–	–	–	–	–	–	–	
Total												
12 months		63.8	61.9	60.4	59.8	60.6	65.8	63.4	61.7	69.0	61.6	
24 months		58.3	60.1	56.1	56.6	60.9	67.6	66.1	68.9	68.6	–	
36 months		53.9	57.3	52.8	52.8	58.8	67.6	68.1	64.4	–	–	
48 months		50.8	54.3	51.3	49.8	57.5	65.7	66.4	–	–	–	
60 months		49.4	52.1	51.4	49.7	55.5	65.2	–	–	–	–	
72 months		48.7	51.5	50.8	50.5	54.7	–	–	–	–	–	
84 months		48.4	50.9	50.4	51.4	–	–	–	–	–	–	
96 months		48.8	50.6	50.7	–	–	–	–	–	–	–	
108 months		49.2	50.1	–	–	–	–	–	–	–	–	
120 months		49.4	–	–	–	–	–	–	–	–	–	
Estimated total ultimate losses ($m)	5,810.4	715.5	779.5	832.0	874.3	990.6	1,340.1	1,482.1	1,678.0	1,990.9	2,120.0	18,613.4
Less paid claims ($m)	(5,658.8)	(658.5)	(711.2)	(769.4)	(773.1)	(845.7)	(984.9)	(970.4)	(756.0)	(529.3)	(90.2)	(12,747.3)
Less unearned portion of ultimate losses ($m)		–	–	–	–	–	–	–	(5.3)	(97.9)	(1,193.1)	(1,296.3)
Net claims liabilities ($m)	**151.8**	**57.0**	**68.3**	**62.6**	**101.2**	**144.9**	**355.2**	**511.7**	**916.8**	**1,363.7**	**836.5**	**4,569.7**

24 Insurance liabilities and reinsurance assets *continued*

Analysis of movements in loss development tables

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

Cyber & Executive Risk

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

Marine

Improvements have continued across underwriting years as the risks expire.

Market Facilities

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

Political, Accident & Contingency

2021 South African civil unrest events have impacted the 2020 underwriting year. Due to the benefit of reinsurance, the impact is less pronounced net of reinsurance.

The COVID-19 claims within the contingency class have undergone a partial re-allocation across underwriting years resulting in the increase seen on the 2018 underwriting year.

Property

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

Reinsurance

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

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

Specialty Lines

The 2015 year continues to see claims development in excess of expectations, predominately driven by the heathcare book. Other underwriting years continue to improve as the risk expires.

24 Insurance liabilities and reinsurance assets *continued*

Claim releases

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

The below table has been prepared on an underwriting year of account basis, whereas the net loss development tables on pages 193 to 194 have been prepared on an accident year basis in relation to our US admitted business. However, in aggregate the net release or strengthening is consistent.

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

The movements shown on 2018 and earlier are absolute claim movements and are not impacted by any current year movements in premium on those underwriting years.

2021	Cyber & Executive Risk $m	Marine $m	Market Facilities $m	Political, Accident & Contingency $m	Property $m	Reinsurance $m	Specialty Lines $m	Total $m
Current year	642.6	156.6	11.7	147.1	252.7	141.8	683.5	2,036.0
Prior year								
– 2018 underwriting year and earlier	(30.8)	(18.1)	(0.1)	2.6	(8.9)	(10.6)	(17.6)	(83.6)
– 2019 underwriting year	19.4	(26.4)	(0.2)	(10.0)	(28.1)	(3.0)	(49.4)	(97.6)
– 2020 underwriting year	(9.0)	(6.3)	(0.9)	(3.6)	(3.4)	(5.1)	(0.3)	(28.6)
	(20.4)	(50.8)	(1.2)	(11.0)	(40.4)	(18.7)	(67.3)	(209.8)
Net insurance claims	**622.2**	**105.8**	**10.5**	**136.1**	**212.4**	**123.1**	**616.2**	**1,826.2**

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

25 Borrowings

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

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

Fair value	Tier 2 Subordinated debt (2029) $m	Tier 2 subordinated debt (2026) $m	Total $m
Balance at 1 January 2021	**320.5**	**271.0**	**591.5**
Change in fair value	14.1	8.0	22.1
Balance at 31 December 2021	**334.6**	**279.0**	**613.6**

Carrying value	Tier 2 subordinated debt (2029) $m	Tier 2 subordinated debt (2026) $m	Total $m
Balance at 1 January 2020	297.9	248.9	546.8
Amortisation of capitalised borrowing costs	0.2	0.1	0.3
Balance at 31 December 2020	**298.1**	**249.0**	**547.1**

Fair value	Tier 2 Subordinated debt (2029) $m	Tier 2 subordinated debt (2026) $m	Total $m
Balance at 1 January 2020	318.6	276.8	595.4
Change in fair value	1.9	(5.8)	(3.9)
Balance at 31 December 2020	**320.5**	**271.0**	**591.5**

The fair values of the subordinated debt and the tier 2 subordinated debt are based on quoted market prices.

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

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

Under the facility $450.0m may be drawn as letters of credit to support underwriting at Lloyd's, and up to $225m may be advanced as cash under a revolving facility. The cost of the facility is based on a commitment fee of 0.4725% per annum and any amounts drawn are charged at a margin of 1.35% per annum. The cash element of the facility will expire on 23 July 2023, whilst letters of credit issued under the facility can be used to provide support for the 2021, 2022 and 2023 underwriting years. As at 31 December 2021 $225m has been drawn down under the facility and placed as a letter of credit as Funds at Lloyd's (FAL). All of the above borrowings are subject to covenants.

26 Other payables

Group	2021 $m	2020 $m
Reinsurance premiums payable	660.2	393.9
Accrued expenses including staff bonuses	229.8	172.1
Other payables	47.2	57.3
Due to syndicate 623	–	–
Due to syndicate 6107	81.2	51.9
Due to syndicate 5623	122.9	58.7
	1,141.3	**733.9**

Company	2021 $m	2020 $m
Other payables	0.7	3.8
	0.7	**3.8**

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

27 Retirement benefit obligations

	2021 $m	2020 $m
Present value of funded obligations	56.9	64.8
Fair value of plan assets	(75.0)	(69.6)
Retirement benefit (asset) in the statement of financial position	**(18.1)**	**(4.8)**

	2021	2020
Amounts recognised in the statement of profit or loss		
Interest cost	0.9	1.2
Expected return on plan assets	(0.9)	(1.2)
	–	–

Beazley Furlonge Limited operates a defined benefit pension scheme ('the Beazley Furlonge Limited Pension Scheme'). The scheme provides the following benefits:

- an annual pension payable to the member from his or her normal pension age (60th birthday) of generally 1/60th of final pensionable salary for each year of pensionable service up to 31 March 2006;
- a spouse's pension of 2/3rds of the member's pension payable on the member's death after retirement;
- a lump sum of four times current pensionable salary for death in service at the date of death; and
- a pension of 2/3rds of the member's prospective pension at the date of death, payable to the spouse until their death. This pension is related to salary at the date of death.

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

The scheme exposes the Group to additional actuarial, interest rate and market risk.

Contributions to the scheme are determined by a qualified actuary using the projected unit credit method as set out in the scheme rules and the most recent valuation was at 31 December 2021. According to the Schedule of Contributions, the Group expects to contribute approximately $1.4m in each of the next two years.

27 Retirement benefit obligations *continued*

Trustees obligations

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

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

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

A recovery plan was agreed between the Trustees and the employer on 29 January 2021 in accordance with OP(SF)R 2005 Regulation 8. These arrangements were formalised in a schedule of contributions which the scheme Actuary certified on 29 January 2021 in accordance with OP(SF)R 2005 Regulation 9.

During 2021 a decision was made to move the plan assets out of equities and to reinvest in quoted corporate bonds and index linked securities. The rationale for this was to protect the scheme's funding position and provide protection against movements in interest rates and expected inflation.

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

	2021 $m	2020 $m
Movement in present value of funded obligations recognised in the statement of financial position		
Balance at 1 January	**64.8**	**54.7**
Interest cost	0.8	1.1
Actuarial gain/(loss) – Financial assumptions	(4.0)	8.5
Benefits paid	(2.8)	(1.5)
Foreign exchange (gain)/loss	(1.9)	2.0
Balance at 31 December	**56.9**	**64.8**

	2021 $m	2020 $m
Movement in fair value of plan assets recognised in the statement of financial position		
Balance at 1 January	**69.6**	**60.1**
Expected return on plan assets	0.9	1.2
Actuarial gain	8.1	6.3
Employer contributions	1.3	1.4
Benefits paid	(2.8)	(1.5)
Foreign exchange (loss)/gain	(2.1)	2.1
Balance at 31 December	**75.0**	**69.6**
Plan assets are comprised as follows:		
Equities	–	69.5
Corporate bonds	3.4	–
Index linked securities	70.0	–
Cash	1.6	0.1
Total	**75.0**	**69.6**

27 Retirement benefit obligations *continued*

The actual gain on plan assets was $9.0m (2020: gain of $7.5m).

	2021 $m	2020 $m
Principal actuarial assumptions		
Discount rate	1.9%	1.3%
Inflation rate	3.8%	3.3%
Expected return on plan assets	1.9%	2.9%
Future salary increases	3.8%	3.3%
Future pensions increases	1.9%	1.3%
Life expectancy for members aged 60 at 31 December	90 years	89 years
Life expectancy for members aged 40 at 31 December	91 years	91 years

At 31 December 2021, the weighted-average duration of the defined benefit obligation was 22.6 years (2020: 22.5 years).

Sensitivity analyses

Changes in the relevant actuarial assumptions would result in a change in the value of the funded obligation as shown below:

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

31 December 2020	Increase $m	Decrease $m
Discount rate (0.5% decrease)	8.0	–
Inflation rate (0.3% decrease)	–	(3.2)
Future salary changes (0.5% decrease)	–	(0.5)
Life expectancy (1 year increase)	2.7	–

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

28 Deferred tax

	2021 $m	2020 $m
Deferred tax asset	16.3	26.8
Deferred tax liability	–	(0.6)
	16.3	**26.2**

The movement in the net deferred income tax is as follows:		
Balance at 1 January	26.2	21.5
Income tax (credit)/charge	(4.0)	10.7
Amounts recorded through equity	(5.7)	(5.4)
Foreign exchange translation differences	(0.2)	(0.6)
Balance at 31 December	**16.3**	**26.2**

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

	Balance 1 Jan 20 $m	Recognised in income $m	Recognised in equity/OCI $m	FX translation differences $m	Balance 31 Dec 20 $m
Plant and equipment	0.7	(0.6)	–	–	0.1
Intangible assets	(1.9)	0.4	–	–	(1.5)
Underwriting profits	15.5	9.8	–	–	25.3
Deferred acquisition costs	(7.6)	0.1	–	–	(7.5)
Tax losses carried forward	–	6.3	–	–	6.3
Share based payments	14.3	(1.3)	(5.4)	(0.6)	7.0
Other	0.5	(4.0)	–	–	(3.5)
Net deferred income tax account	21.5	10.7	(5.4)	(0.6)	26.2

Deferred tax assets of $9.6m (2020: $6.3m), relating to tax losses, which depend on the availability of future taxable profits, have been recognised. The Group has concluded that, notwithstanding the impact of the COVID pandemic, it is probable that the deferred tax assets will be recovered using the estimated future taxable profits based on the approved business plans. The losses can be carried forward indefinitely and have no expiry date.

The Group has no unrecognised tax losses as at 31 December 2021 (2020: nil).

Notes to the financial statements *continued*

29 Leases

Leases as lessee (IFRS 16)

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

During 2020, the Group entered into a new office lease agreement with 22 Bishopsgate, London which resulted in the recognition of a right of use asset of $35.8m and lease liability $35.8m. Additionally the group extended the office lease agreement Plantation Place South, London up to 31 May 2021 resulting in recognising a right of use asset of $0.6m and $0.6m liability. This was due to delays in completion of the new London office.

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

Right of use assets

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

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

Lease liabilities

	Offices $m	IT equipment $m	Motor vehicles $m	Total $m
Balance at 1 January 2021	**73.3**	**16.7**	**0.1**	**90.1**
Lease payments	(8.0)	(4.7)	(0.1)	(12.8)
Interest on lease liabilities and dilapidation provison	7.5	0.5	–	8.0
Additions to lease portfolio	1.0	0.0	0.1	1.1
Foreign exchange loss	(1.7)	(0.4)	–	(2.1)
Balance at 31 December 2021	**72.1**	**12.1**	**0.1**	**84.3**

Right of use assets

	Offices $m	IT equipment $m	Motor vehicles $m	Total $m
Balance at 1 January 2020	**35.2**	**0.6**	**0.1**	**35.9**
Depreciation charge for the year	(9.4)	(3.5)	(0.1)	(13.0)
Additions of right of use assets	40.9	17.3	–	58.2
Disposals of right of use assets	0.2	1.5	0.1	1.8
Foreign exchange gain	2.6	0.9	–	3.5
Balance at 31 December 2020	**69.5**	**16.8**	**0.1**	**86.4**

29 Leases *continued*

Lease liabilities

	Offices $m	IT equipment $m	Motor vehicles $m	Total $m
Balance at 1 January 2020	38.8	0.5	0.1	39.4
Lease payments	(11.4)	(3.8)	(0.1)	(15.3)
Interest on lease liabilities	2.0	0.4	–	2.4
Additions to lease portfolio	41.1	18.7	0.1	59.9
Foreign exchange gain	2.8	0.9	–	3.7
Balance at 31 December 2020	**73.3**	**16.7**	**0.1**	**90.1**

Amounts recognised in profit or loss

	2021 $m	2020 $m
Leases under IFRS 16		
Interest on lease liabilities	(3.7)	(2.4)
Depreciation	(15.0)	(13.0)
Income from sub-leasing right of use assets	0.1	0.1
Expenses relating to low value leases	(5.1)	(0.3)
Expenses relating to short-term leases	(0.1)	(0.1)
Total recognised in profit or loss	**(23.8)**	**(15.7)**

Extension options

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

Leases as lessor

The Group sub-leases leased property, which is classified as a investment asset. The Group recognised $0.1m in 2021 ($0.1m 2020). The sub-lease contract ends in 2022.

Notes to the financial statements *continued*

30 Related party transactions

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

30.1 Syndicates 623, 6107 and 5623

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

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

	2021 $m	2020 $m
Written premium ceded to syndicates	257.3	148.6
Other income received from syndicates	28.6	22.9
Services provided	45.8	33.4
Balances due:		
Due from syndicate 623	1.8	18.2
Due to syndicate 6107	(81.2)	(51.9)
Due to syndicate 5623	(122.9)	(58.7)

30.2 Key management compensation

	2021 $m	2020 $m
Salaries and other short term benefits	25.6	10.6
Post-employment benefits	0.6	0.6
Share based remuneration	2.7	0.5
	28.9	**11.7**

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

The total number of Beazley plc ordinary shares held by key management was 2.8m. Apart from the transactions listed in the table above, there were no further related party transactions involving key management or a close member of their family. Further details of directors' shareholdings and remuneration can be found in the directors' remuneration report on pages 95 to 113.

30.3 Other related party transactions

At 31 December 2021, the Group had purchased services from Falcon Money Management Holdings Limited of $2.7m (2020: $2.3m) throughout the year. All transactions with the associate and subsidiaries are priced on an arm's length basis.

31 Parent company and subsidiary undertakings

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

The following is a list of all the subsidiaries in the Group as at 31 December 2021:

	Country/region of incorporation	Ownership interest	Nature of business	Functional currency	Beazley plc direct investment in subsidiary ($m)
Beazley Ireland Holdings plc	Jersey	100%	Intermediate holding company	USD	724.6
Beazley Group Limited	England	100%	Intermediate holding company	USD	
Beazley Furlonge Holdings Limited	England	100%	Intermediate holding company	USD	
Beazley Furlonge Limited	England	100%	Lloyd' managing agents	GBP	
Beazley Investments Limited	England	100%	Investment company	USD	
Beazley Underwriting Limited	England	100%	Underwriting at Lloyd's	USD	
Beazley Management Limited	England	100%	Management company	GBP	
Beazley Staff Underwriting Limited	England	100%	Underwriting at Lloyd's	USD	
Beazley Solutions Limited	England	100%	Insurance services	GBP	
Beazley Underwriting Services Limited	England	100%	Insurance services	GBP	
Beazley Corporate Member (No.2) Limited	England	100%	Underwriting at Lloyd's	USD	
Beazley Corporate Member (No.3) Limited	England	100%	Underwriting at Lloyd's	USD	
Beazley Corporate Member (No.6) Limited	England	100%	Underwriting at Lloyd's	USD	
Beazley Leviathan Limited	England	100%	Underwriting at Lloyd's	GBP	
Beazley Canada Limited	Canada	100%	Insurance services	CAD	
Beazley Insurance dac	Ireland	100%	Insurance and reinsurance company	USD	
Beazley Solutions International Limited	Ireland	100%	Insurance services	EUR	
Beazley Underwriting Pty Ltd	Australia	100%	Insurance services	AUD	
Beazley Newco Captive Company, Inc.	USA	100%	Special Purpose Financial Captive	USD	
Beazley USA Services, Inc.*	USA	100%	Insurance services	USD	
Beazley Holdings, Inc.*	USA	100%	Holding company	USD	
Beazley Holdings, Inc. Digital LLC	USA	100%	Insurance services	USD	
Beazley Group (USA) General Partnership**	USA	100%	General partnership	USD	
Beazley Insurance Company, Inc.***	USA	100%	Underwriting admitted lines	USD	
Beazley America Insurance Company, Inc.***	USA	100%	Underwriting admitted lines	USD	
Lodestone Securities LLC****	USA	100%	Consultancy services	USD	
Beazley Pte. Limited	Singapore	100%	Underwriting at Lloyd's	SGD	
Lodestone Security Limited	England	100%	Consultancy services	GBP	
Beazley Labuan Limited	Malaysia	100%	Insurance services	USD	
					724.6

Please see page 206 for registered addresses.

31 Parent company and subsidiary undertakings *continued*

The following is a list of Group registered office locations:

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

32 Contingencies

Funds at Lloyd's

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

	As at 31 December 2021 $m	As at 31 December 2020 $m	As at 31 December 2019 $m
Financial assets at fair value and cash	1,603.5	1,563.3	1,702.8
Letters of credit ('LOC')	225.0	225.0	–
Total Funds at Lloyd's	**1,828.5**	**1,788.3**	**1,702.8**

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

The funds can be only used to meet claim liabilities of the relevant member.

Since 2020, $225m under the Group's syndicated short term banking facility has been utilised as letters of credit placed as Funds at Lloyd's (FAL) to provide capital support for the Group's underwriting at Lloyd's. Letters of credit issued under the facility are uncollateralised. See Note 25 Borrowings for further details on banking facility.

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

33 Foreign exchange rates

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

	2021		2020	
	Average	Year end spot	Average	Year end spot
Pound sterling	0.73	0.76	0.78	0.73
Canadian dollar	1.25	1.27	1.34	1.27
Euro	0.84	0.88	0.88	0.81

34 Subsequent events

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expense ratio
Ratio, in percentage terms, of the sum of expenses for acquisition of insurance contracts and administrative expenses to net earned premiums. The calculation is performed excluding the impact of foreign exchange on non-monetary items. In 2021, the expense ratio was 35% (2020: 36%). This represents the sum of expenses for acquisition of insurance contracts of $821.8m (2020: $738.9m) and administrative expenses of $283.0m (2020: $235.5m) to earned premiums of $3,147.3m (2020: $2,693.4m).

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

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

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

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

Horizontal limits
Reinsurance coverage limits for multiple events.

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

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

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

Investment return
Ratio, in percentage terms, calculated by dividing the net investment income by the average financial assets at fair value, including cash. In 2021, this was calculated as net investment income of $116.4m (2020: $188.1m) divided by average financial assets at fair value, including cash, of $7,875.3m (2020: $6,671.5m).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk
This term may refer to:

a) the possibility of some event occurring which causes injury or loss;
b) the subject matter of an insurance or reinsurance contract; or
c) an insured peril.

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

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

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

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

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

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

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

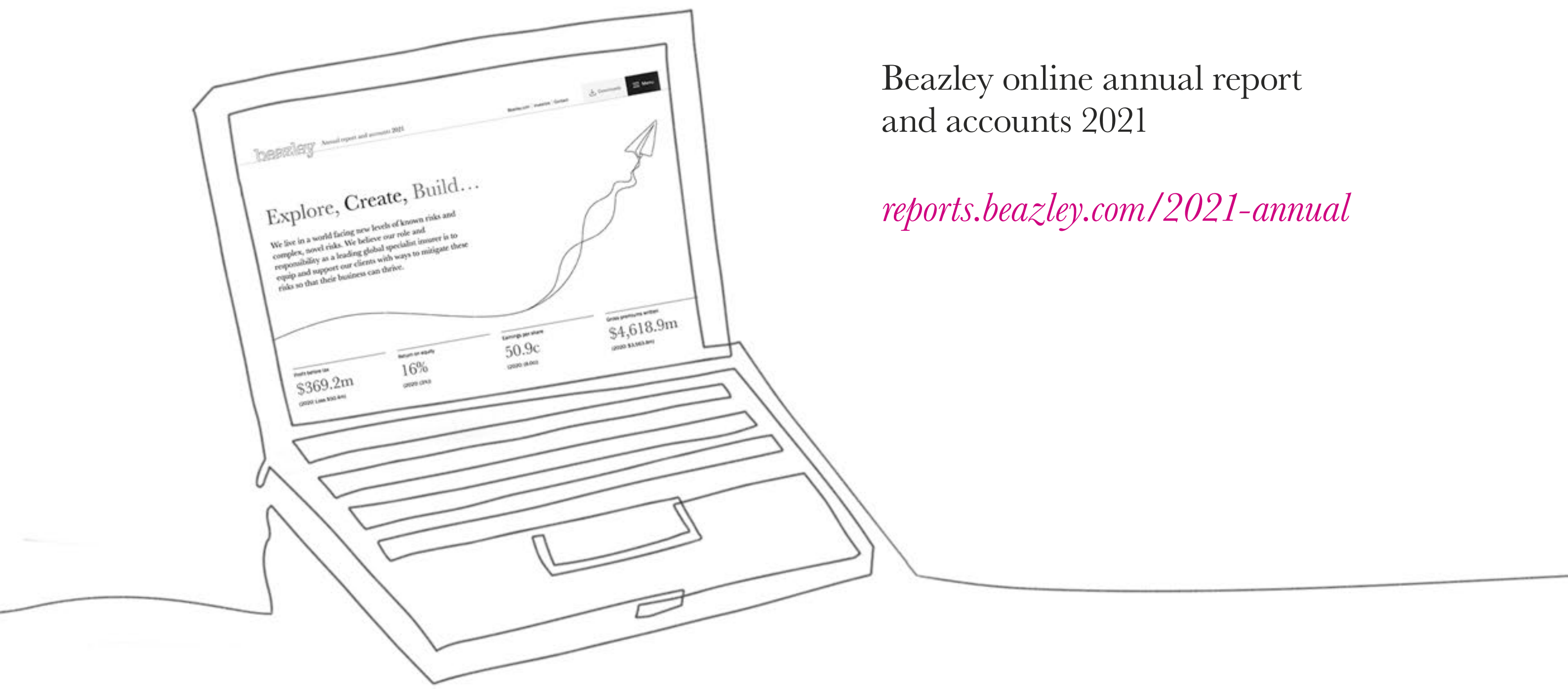
Surplus lines insurer
An insurer that underwrites surplus lines insurance in the US. Lloyd's underwriters are surplus lines insurers in all jurisdictions of the US except Kentucky and the US Virgin Islands.

Total shareholder return (TSR)
The increase in the share price plus the value of any first and second dividends paid and proposed during the year.

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

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

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



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and accounts 2021

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