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Beazley Furlonge Limited | Syndicate 623 at Lloyd's
Annual report 2017

Moments of truth

Welcome to our Annual report 2017

The diversification of the syndicate's business once again showed its value in 2017, enabling the syndicate to generate a profit of $12.5m in a year impacted by a number of large natural catastrophes.

Contents

Highlights

Syndicate capacity
£304.5m
(2016: £257.3m)

Gross premiums written
$432.7m
(2016: $400.9m)

Net premiums written
$359.0m
(2016: $332.7m)

Earned premiums, net of reinsurance
$336.1m
(2016: $315.8m)

Profit for the financial year
$12.5m
(2016: $52.0m)

Renewal rate decrease
1%
(2016: 2%)

Claims ratio
59%
(2016: 46%)

Expense ratio
41%
(2016: 40%)

Combined ratio
100%
(2016: 86%)

Cash and investments
$673.0m
(2016: $670.7m)

Annualised investment return
2.7%
(2016: 2.0%)

Strategic report of the managing agent

Overview

The syndicate's balanced portfolio, which has underpinned its consistent underwriting performance in recent years, meant it was able to weather the events of 2017 and achieve a profit for the year of $12.5m (2016: $52.0m). The syndicate has also benefited from effective cycle management over the past few years, reducing it's exposure to catastrophe business, with it's risk budget decreasing from $125m in 2013 to $80m in 2017. The risk budget has been increased to $89m on the 2018 underwriting year. Gross premiums written increased to $432.7m compared to prior year (2016: $400.9m).

The capacities of the managed syndicates are as follows:

	2017 £m	2016 £m
2623	1,349.7	1,141.9
623	**304.5**	**257.3**
3623	215.0	185.0
6107	46.6	28.6
3622	19.5	19.0
6050	14.6	12.9
Total	**1.949.9**	**1,644.7**

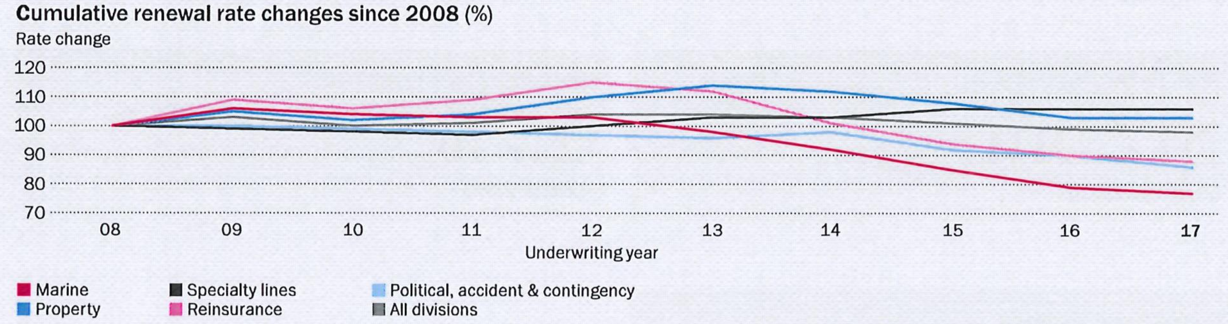
Year of account results

We are pleased to declare a return on capacity of 15.5% for the 2015 year of account. The 2016 year of account is developing in line with expectations and currently forecasts a return on capacity of 5.0%. The 2017 year of account, which is still in its early stages of development, has been impacted by losses, namely hurricanes Harvey, Irma and Maria as well as the Mexican earthquakes and Californian wildfires.

Rating environment

The rating environment in 2017 once again proved to be challenging, with an average decrease in rates of 1% (2016: decrease of 2%). Most of our lines of business saw decreases in rates compared to 2016, with political, accident and contingency experiencing rate decreases of 4%, marine decreasing by 3% and reinsurance rates decreasing by 2%. Rates on renewals in the property and specialty lines divisions remained stable compared to 2016. With the claims activity seen in the second half of the year, market rate increases across a number of lines of business are expected in 2018. An overview of the syndicate's performance by division is presented between pages 6 and 11.

Cumulative renewal rate changes since 2008 (%)



Combined ratio

The combined ratio of an insurance provider 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. The syndicate's combined ratio has increased in 2017 to 100% (2016: 86%). The calculation of the combined ratio for the syndicate includes all claims and other costs of the syndicate but excludes foreign exchange gains or losses. We believe this represents the most transparent and useful measure of operating performance as it ensures that all of the costs of being in business are captured, whether directly linked to underwriting activity or not.

Claims

2017 experienced a number of natural catastrophes with hurricanes Harvey, Irma and Maria, the Mexican earthquakes and Californian wildfires, all of which were major contributors to an increase in net insurance claims of $54.0m, which brought the 2017 total net insurance claims to $197.7m (2016: $143.7m). These claims, while large, were not outside of our expectation for such types of natural catastrophes. The claims ratio increased to 59% (2016: 46%).

Prior year reserve releases

The syndicate 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 5-10% above the actuarial estimates, which themselves include some margin for uncertainty. The margin held above the actuarial estimate was 5% at the end of 2017 (2016: 6.6%). This margin decreased in 2017 which was in part due to the catastrophe activity in the second half of the year, which resulted in much lower margins than usual in the affected areas. As the overall margin is at the lower end of the range that management target, reserve releases in 2018 may be slightly lower than those over the last three years. However, it is important to recognise that while there is strong correlation between the level of margin and future reserve releases, current year developments can also affect releases either positively or negatively.

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 2017, we have been able to release prior year reserves of $39.7m (2016: $40.8m). These reserve releases are shown by division in the table below:

	2017 $m	2016 $m
Marine	2.4	3.6
Political, accident & contingency[1]	0.4	4.4
Property	3.0	8.1
Reinsurance	12.1	7.1
Specialty lines	21.8	17.6
Total	**39.7**	**40.8**
Releases as a percentage of net earned premium	11.8%	12.9%

1 During 2017, the life, accident & health division and political risks & contingency division were combined to form the political, accident & contingency division.

Net operating expenses

Net operating expenses, including business acquisition costs and administrative expenses increased from $126.8m to $139.1m in 2017. The breakdown of these costs is shown below:

	2017 $m	2016 $m
Brokerage costs	99.9	87.0
Other acquisition costs	10.6	9.5
Total acquisition costs	**110.5**	**96.5**
Administrative and other expenses	28.6	30.3
Net operating expenses[1]	**139.1**	**126.8**

1 A further breakdown of net operating expenses can be seen in note 4.

Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines.

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.

Administrative expenses comprise primarily IT costs, staff costs, facilities costs, Lloyd's central costs and other support costs.

The expense ratio for 2017 is 41% (2016: 40%).

Strategic report of the managing agent *continued*

Investment performance

Geo-political headlines had limited overall impact on financial markets in 2017. Instead, more traditional macro-economic considerations provided direction: improving global growth, controlled inflation and easy monetary policy helped equities and corporate credit exposures to rally strongly whilst, later in the year, expectations of rising interest rates, particularly in the US, led risk-free yields to increase significantly.

Our core portfolio of fixed income assets, which constitute the majority of our investments, returned 1.7% in 2017 (2016: 1.6%). Rising yields in the final quarter of the year generated some capital losses. However, we reduced portfolio duration in this period, limiting the impact on our portfolio. Also, the significant additions to corporate debt exposures which we made in 2016 helped returns as credit spreads narrowed during the year. Overall, our fixed income return was slightly higher than in 2016, which is a good outcome in difficult market conditions. Our capital growth investments, which target higher returns whilst accepting some additional volatility, increased to 16.0% of assets in 2017 (2016: 11.0%), which was beneficial as these investments returned 9.2% in the period (2016: 4.9%), driven by strong performance from our equity exposures. Our overall investment return for the year ended 31 December 2017 was 2.7%, or $18.1m (2016: 2.0%, $13.3m).

At 31 December 2017, the weighted average duration of our fixed income investments was low, at 1.1 years (2016: 1.2 years). Looking ahead to 2018, higher bond yields and a generally benign global economic backdrop should be supportive of investment returns. However, there are many developing risks for financial markets, including the long awaited tightening of monetary policies and on-going geo-political tensions. If market volatility increases, we will take action to protect investment returns, if appropriate.

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

	31 Dec 2017 $m	31 Dec 2017 %	31 Dec 2016 $m	31 Dec 2016 %
Cash at bank and in hand	27.7	4.1	41.2	6.2
Fixed and floating rate debt securities				
– Government, quasi-government and supranational	248.6	36.9	220.3	32.8
– Corporate bonds				
– Investment grade credit	280.6	41.7	311.8	46.5
– High yield	7.0	1.1	19.9	3.0
Derivative financial assets	1.6	0.2	3.3	0.5
Core portfolio	565.5	84.0	596.5	89.0
Equity linked funds	36.8	5.5	15.3	2.3
Hedge funds	67.9	10.1	58.9	8.7
Illiquid credit assets	2.8	0.4	–	–
Total capital growth assets	107.5	16.0	74.2	11.0
Total	**673.0**	**100.0**	**670.7**	**100.0**

Comparison of return by major asset class:

	31 Dec 2017 $m	31 Dec 2017 %	31 Dec 2016 $m	31 Dec 2016 %
Core portfolio	9.7	1.7	9.7	1.6
Capital growth assets	8.4	9.2	3.6	4.9
Overall return	**18.1**	**2.7**	**13.3**	**2.0**

Reinsurance

In 2017, the amount spent on outward reinsurance was $73.7m (2016: $68.2m).

Reinsurance is purchased for a number of reasons:

- to mitigate the impact of catastrophes such as hurricanes;
- to enable the syndicate to put down large, lead lines on risks we underwrite; and
- to manage capital to lower levels.

Solvency II

The Solvency II regime came into force on 1 January 2016. Beazley continues to provide Solvency II pillar 3 reporting to Lloyd's for the syndicate. Under Solvency II requirements, the syndicate 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 syndicate's proposed SCR each year in conjunction with the syndicate's business plan.

Solvency capital requirement

On 10 December 2015 Beazley received internal model approval from the Central Bank of Ireland (the group supervisor under Solvency II). The current SCR has been established using our Solvency II approved internal model which has been run within the regime as prescribed by Lloyd's. In order to perform the capital assessment, we have made significant investments in both models and process:

- 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.

Outlook

Having benefitted from lower than expected claims notifications thus far, the 2016 underwriting year is developing well and is currently forecast to close with a return on capacity of 5%.

The 2017 underwriting year has been impacted by a large number of natural catastrophes. We have already seen rate increases in the latter part of 2017 and early 2018 across our property and treaty books as the market recalibrates its pricing of catastrophe exposed risks.

While market conditions may improve across some of our product lines in 2018, the syndicate's core underwriting philosophy remains stable. Our underwriting approach of exercising discipline across a diverse portfolio of specialist insurance products, particularly in lines of business where competitive pressures are strongest, will remain a key component of our underwriting strategy.

N P Maidment
Active underwriter

15 March 2018

Strategic report of the managing agent *continued*

Marine

	2017 $m	2016 $m
Gross premiums written	58.5	54.1
Net premiums written	50.9	48.3
Earned premiums, net of reinsurance	49.5	48.8
Claims incurred, net of reinsurance	(27.1)	(21.6)
Net operating expenses	(21.4)	(21.9)
Technical result	**1.0**	**5.3**
Claims ratio	55%	44%
Expense ratio	43%	45%
Combined ratio	98%	89%
Renewal rate change	(3%)	(7%)

Competition in the lines of business transacted by the marine division intensified further in 2017, leading to a combined ratio of 98% (2016: 89%) on gross premiums written of $58.5m (2016: $54.1m).

The exceptional string of storms that buffeted the Caribbean and south eastern coast of the US in August and September resulted in substantial cargo and pleasure craft losses, neither of which significantly affected the syndicate. For the marine market as a whole, the practice of subsidising underperforming marine lines with profits from other lines of business may now become less feasible in the wake of industry-wide catastrophe losses estimated at $100bn.

Renewal rates for marine and energy risks at the beginning of 2018 suggested that a period of more disciplined underwriting may indeed be beginning.

A focus on disciplined underwriting is not new to our team. In recent years our strategy has also included diversifying our book into new lines of business and niches. This can continue to offer profitable opportunities when market conditions in our historic lines are severely depressed. During 2017, in addition to marine hull, our portfolio comprised of cargo and liability business – energy, aviation and satellite risks, all of which continued to perform well.

Pricing in the marine hull and machinery market remained exceptionally competitive throughout 2017 – an indication, as in previous years, of too much insurance capacity chasing too few ships. Rates in the war risks market also continued their downward trajectory. The waters off Yemen, Libya and Nigeria are now among the world's most dangerous but demand for cover is far lower than it was in the sea lanes off the horn of Africa in the earlier years of this century.

In the cargo market, we underwrite both a global account out of London and a UK account from regional offices located, in Ipswich, Manchester, Leeds and Birmingham. Premiums for our UK account have continued to build, rising 30% to $4.1m in 2017. For global business we have found the terms of many of the broker-led market facilities that have proliferated in recent years unattractive. Some of these were only marginally profitable prior to the recent catastrophes.

Our marine liability account performed well in 2017. The team, led by Phil Sandle, provides liability cover for shipowners and a wide variety of marine and other businesses. In the US, we write a substantial trucking account in Texas through a Lloyd's coverholder. We see some potential to expand our US liability and hull business in the US through local underwriters accessing business that would not normally come to London.

Market conditions for energy business remained very challenging in 2017. This business is naturally sensitive to the price of oil, which at recent levels has led to many rigs standing idle. However more efficient drilling techniques are changing the economics of the industry and may stimulate stronger demand for insurance. This would also benefit our team focusing on insuring sub-sea equipment, much of which is used for energy exploration and exploitation.

Our aviation team saw a spike in claims activity earlier in the year, which has now normalised. The aviation market remains exceptionally competitive, a tendency our team counteracts by focusing on smaller, hard to place risks that command higher premiums.

Our satellite book performed well in 2017, avoiding some substantial losses on risks that our underwriter, Denis Bensoussan, had seen but had declined to underwrite.

The quality of our underwriting and the strength of our claims service have long distinguished Beazley's marine team. We continued to hire highly experienced individuals with exceptional track records in 2017, welcoming Stephen Vivian in New York to focus on the development of our US business and Richard Young in London, who joined our hull team.

Political, accident and contingency

	2017 $m	2016 $m
Gross premiums written	25.3	25.4
Net premiums written	20.7	20.8
Earned premiums, net of reinsurance	19.1	21.9
Claims incurred, net of reinsurance	(8.5)	(6.2)
Net operating expenses	(9.4)	(10.1)
Technical result	**1.2**	**5.6**
Claims ratio	45%	28%
Expense ratio	49%	46%
Combined ratio	94%	74%
Renewal rate change	(4%)	(6%)

An upsurge in political risk, terrorism and contingency claims reduced profits for the syndicate's political, accident and contingency (PAC) division in 2017. The division– created through the merger of the political risk and contingency division with the life, accident and health division – recorded a combined ratio of 94% (2016: 74%) on gross premiums written of $25.3m (2016: $25.4m).

The division writes political risks, terrorism and contingency business (the latter predominately event cancellation risks) from offices in London, New York, Paris and Singapore.

Our political risks team, led by Roddy Barnett, saw its heaviest claims since 2008. Our political risk underwriters take large lines, on carefully evaluated risks which unfortunately did not generate the strong returns in 2017 that had been seen previously. This was due to negative developments on risks from prior years.

Claims for property damage following terrorist attacks have also been subdued in recent years, although the attacks on Brussels airport in March 2016 were an exception, with significant property damage alongside the unfortunate loss of life.

Contingency claims also rose in 2017 due to the cancellation of a number of events following the devastation wrought by hurricanes Harvey, Irma and Maria in the US in August and September. Our business exists to pay claims and the events that impacted our results in 2017 were also an opportunity for our claims teams to reinforce the value of the Beazley policy. A survey of brokers specialising in contingency insurance conducted in the second half of the year showed that those brokers who had direct experience of our claims service rated us more highly than those that did not (both categories rated our service highly, however). This came as no surprise.

Strategic report of the managing agent *continued*

Property

	2017 $m	2016 $m
Gross premiums written	79.4	71.8
Net premiums written	65.7	60.4
Earned premiums, net of reinsurance	63.4	62.1
Claims incurred, net of reinsurance	(54.9)	(25.4)
Net operating expenses	(28.7)	(28.1)
Technical result	**(20.2)**	**8.6**
Claims ratio	87%	41%
Expense ratio	45%	45%
Combined ratio	132%	86%
Renewal rate change	–	(4%)

For the syndicate's property division 2017 proved an eventful year, with hurricanes, earthquakes and wildfires affecting clients in the US, the Caribbean and Mexico, three of our largest territories. The most active year for property catastrophe losses since 2011 saw the division's combined ratio rise to 132% (2016: 86%) on gross premiums written of $79.4m (2016: $71.8m).

For the syndicate, the financial impact of the losses was within expectations. Crucially for our clients, our claims team had meticulously prepared for such scenarios. These preparations ensured we were able to provide the supportive claims service our policyholder have the right to expect, whether they be large or small businesses or homeowners.

The impact of the events on pricing in the market has been material, partly because prices had fallen so low in the relatively benign catastrophe environment over the last decade. Renewal rates on our large risk property book underwritten at Lloyd's rose 6% at the beginning of 2018. We have seen similar rate rises on our smaller property book, written on a surplus lines basis locally in the US.

We are a specialist insurer with individual risk selection and pricing at the heart of our business. We will not therefore be applying blanket rate rises of equal size to all accounts and will continue to recognise and reward high quality clients. Stronger prospective margins have prompted us to review our underwriting appetite for 2018. However for our open market large risk property team in London, 2017 was a challenging year with rates falling 2% at January 1 renewals, reflecting a continuation in the pricing declines we had seen in previous years. The profitability of our book was materially stronger than the Lloyd's market average, but to achieve this we were having to turn down a growing volume of risks that did not meet our requirements.

In April, we extended our large risk property underwriting capabilities to the US in order to obtain access to business that we were not seeing in London. London will continue to be the main focus for our large risk property business with Simon Jackson retaining global responsibility for this segment. In the past, Beazley has found that the flow of US risks to our London underwriters has continued to grow in tandem with the development of our locally underwritten US business and we expect that this will also prove the case for large property risks with the stronger demand now in evidence.

In the US, our commercial property team and our homeowners' team both performed well in 2017, achieving premium growth of 7% and 13% respectively in a challenging market. We were delighted to welcome Joe Morrello back to Beazley at the beginning of the year to lead both teams. We underwrite US business on a surplus lines basis, focusing on risks that are not normally attractive to the standard, or 'admitted' market. Our clients and brokers value speed of service, both in underwriting and claims, which we were able to demonstrate in 2017.

In London, we saw growth of 74% in 2017 in specialist property lines such as jewellers' block, fine art and specie under the leadership of Simon Aitchison. Our small business unit, led by Paul Bromley, grew 21% to $26.5m, supported by accounts that came to us through our acquisition of Creechurch Underwriters in Canada. Most of the business this team underwrites is sourced from Lloyd's coverholders, with whom we have strong long term relationships, but we avoided the US flood risks that made coverholder business a source of large losses to some Lloyd's syndicates in 2017.

Our last major line of business – construction and engineering – saw a decline in demand in Singapore in 2017, where we underwrite risks through the Lloyd's construction consortium. However, the consortium, which is active in London as well as Singapore, expanded to six syndicates in the course of the year and is now a well recognised lead market for the largest construction risks. As tightening capacity brings rate rises for these large complex risks, our team, led by Colin Rose, should be well positioned.

Overall, we expect market conditions and margins to improve in 2018, which will positively impact most of our trading teams.

Reinsurance

	2017 $m	2016 $m
Gross premiums written	45.5	46.7
Net premiums written	29.6	30.9
Earned premiums, net of reinsurance	29.9	30.3
Claims incurred, net of reinsurance	(21.4)	(8.8)
Net operating expenses	(11.1)	(10.9)
Technical result	**(2.6)**	**10.6**
Claims ratio	72%	29%
Expense ratio	37%	36%
Combined ratio	109%	65%
Renewal rate change	(2%)	(4%)

A tumultuous year for reinsurers resulted in a sharp increase in the combined ratio of the syndicates reinsurance division, to 109% (2016: 65%) on gross premiums written of $45.5m (2016: $46.7m). However, a combined ratio of 109% is still a good performance in such conditions and was possible because of the balance of the portfolio which is actively managed.

The impact of catastrophe losses in the US and Mexico was mitigated by the steps we have taken in recent years to diversify our book geographically. A little over half of our business now derives from US cedents, down from 66% a decade ago. Outside the US, our European and Asian books performed well in 2017.

However, we remain committed to supporting our US cedents and to retaining a strong presence in the world's largest reinsurance market. In the weeks following hurricanes Harvey, Irma and Maria, we advanced substantial funds to US insurers who were, themselves, under pressure to respond swiftly to clients' claims. We did the same in the wake of the wildfires in California in October.

All of these were material events for the reinsurance market. Current estimates of the total insured cost of the 2017 Atlantic hurricane season stand between $90bn to $95bn. The two Mexican earthquakes are expected to cost insurers $2.5bn, while the Californian wildfires, that destroyed or damaged more than 14,000 homes, are expected to add a further $10bn to the total insurance bill. These events contributed to an increase of $12.6m to the division's net insurance claims in 2017.

These losses all fell within our expectations and provided an opportunity for the traditional reinsurance market to demonstrate its value and staying power.

As a result, we saw rate rises of 5% on average on renewal business at the beginning of 2018. We plan to increase our underwriting by 3% for non-US business and 8% for US business in the course of 2018, reflecting the improved margins now available.

Looking ahead, it is possible that the events of 2017 will accelerate changes in the pattern of demand for reinsurance as well as supply. The impact of this year's storms has refocused attention in the US on the heavy public subsidies which are currently required to maintain the National Flood Insurance Program and the potential partnership role that private sector insurance and reinsurance could play in providing sustainable cover in the future.

Strategic report of the managing agent *continued*

Specialty lines

	2017 $m	2016 $m
Gross premiums written	224.0	202.9
Net premiums written	192.1	172.3
Earned premiums, net of reinsurance	174.2	152.7
Claims incurred, net of reinsurance	(85.8)	(81.7)
Net operating expenses	(68.5)	(55.8)
Technical result	**19.9**	**15.2**
Claims ratio	49%	53%
Expense ratio	40%	37%
Combined ratio	89%	90%
Renewal rate change	–	1%

Specialty lines, the syndicate's largest division, delivered strong growth in 2017, writing gross premiums of $224.0m (2016: $202.9m). The division's most developed geographic market – the US – continued to perform well, while we moved to capitalise on the growing demand for our products in Canada, Europe, Asia and Latin America.

Specialty lines encompass a diverse portfolio of management liability, professional liability and cyber insurance business, underwritten for companies and professional services firms of all sizes around the world. Our London underwriters tend to mainly focus on large risks whereas underwriters elsewhere – and particularly in the US – focus more on small and mid sized risks.

We do not expect to see material spillover effects in specialty lines from the large scale catastrophe-related claims that other lines of business experienced in 2017. Nevertheless, the market may show less tolerance for underpricing in our lines where competition for US business has been particularly acute and the claims environment has deteriorated. These include commercial directors' and officers' (D&O) insurance and some large professional liability business.

As has been the case for several years now, we saw better margins, and the most attractive growth opportunities, in smaller scale business in 2017. Our acquisition in February of Creechurch Underwriters, a Canadian managing general agency focusing on small business, expanded our access to this business in North America.

The syndicate maintains a consistent approach to reserving, which means that prior year reserve releases from years with relatively benign claims experience can make a significant contribution to our profits. This proved to be the case in 2017, with reserve releases – mostly deriving from the 2010, 2013, 2014 and 2015 years of account – increasing to $21.8m (2016: $17.6m). The more difficult years, from a claims perspective, immediately following the 2008 credit crunch are now well behind us.

Demand for cyber insurance, both in the US and around the world, continued to grow in 2017 and Beazley benefited from the depth of our expertise and the quality of our products in this market. In November we relaunched our market-leading Beazley Breach Response (BBR) cyber product in the US to address growing demand for robust first party cyber cover from small and mid sized US businesses. In the years after BBR was first launched in 2009, the main driver of demand for cover was third party liability for data breaches and the onerous regulatory requirements governing how breaches must be handled. These factors still weigh heavily, but the risk of production stoppages from cyber attacks – particularly ransomware attacks – has recently grown. We relaunched BBR to provide 360° protection for the full array of cyber risks that now concern our clients.

For larger clients, we continue to offer robust cyber cover through our Beazley InfoSec product. And for the world's largest enterprises, our Vector partnership with Munich Re affords fully customised cover for each organisation. Working closely with Munich Re, we have been instrumental in helping clients build some of the highest 'towers' of cyber coverage seen in today's market. Moving steadily closer to $1bn, these towers reflect the scale of cyber risk as perceived by multinational corporations.

Growing international demand for cyber cover is one of the trends that prompted us, early in 2016, to develop plans to accelerate the growth of our international business outside the US. In December that year we hired Gerard Bloom to lead a new team focusing on these international opportunities, including financial institutions risks. Financial institutions can in some respects be seen as 'regulated technology companies' and the relevance of our specialist products to their needs – not just cyber insurance but also D&O and professional indemnity cover – is high.

During the course of the year we have hired underwriters in Spain and Germany and – further afield – in our two hub offices in Singapore (serving Asian markets) and Miami (serving Latin American markets). Our product range in all of these markets is geared to local needs but – in addition to cyber cover – we anticipate strong demand in the years to come for D&O cover and for medical malpractice cover for healthcare providers. Healthcare markets around the world are highly regulated – often a driver of demand for insurance – and we see much of our US medical malpractice experience as relevant to the needs of healthcare clients in other countries.

In all of these markets, we have considerable headroom in which to grow. The same remains true of the US where, despite our strong recent growth, we are far from having exhausted profitable growth opportunities. However, the profitability of our growth will also depend on the efficiency of our operations. With this in mind, we have been investigating opportunities to reduce distribution costs for small business and to streamline and package our products.

One key measure of efficiency is the volume of business that an individual underwriter can transact. This is particularly relevant in the small business arena where a swift response to submissions also boosts the productivity of our brokers. Working closely with Ian Fantozzi and his operations team, we are exploring the scope to apply robotics to many of the repetitive tasks that have historically constrained the productivity of underwriters.

Much talk in the insurance industry has focused on the impact of technology, some of it utopian, some apocalyptic. Beazley ended 2017 with 239 specialty lines underwriters – 69 more than we began the year with. We see technology as a supplementary tool for our underwriters and claims professionals, not a substitute for their skills.

Managing agent's report

The managing agent presents its report for the year ended 31 December 2017.

These syndicate annual accounts have been prepared using the annual basis of accounting as required by Statutory Instrument No.1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Separate syndicate underwriting year accounts for the closed year of account are also made available to the syndicate members.

Principal activity

The principal activity of syndicate 623 is the transaction of a range of specialised insurance business at Lloyd's.

Business review

A review of the syndicate's activities is included in the strategic report.

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 governance and reporting

Beazley Furlonge Limited's board of directors has the responsibility for defining and monitoring the risk appetite within which Beazley Furlonge Limited and the syndicates operate, with key individuals and committees accountable for day-to-day management of risks and controls. Regular reporting by the risk management team in board meetings and senior management committees ensures that risks are monitored and managed as they arise.

2017 in review

As at 31 December 2017, the syndicate is exposed to three key insurance risks where one event can lead to multiple claims. These are, in order of potential impact to the syndicate, 1) a specialty lines catastrophe, 2) a natural catastrophe and 3) a cyber catastrophe. The natural catastrophes of hurricanes, earthquakes and wildfires which occurred in the second half of 2017 demonstrate why careful aggregate management is important to avoid undue surprises. This starts with the board setting risk appetite which is managed to throughout the year as risks are underwritten. The monitoring is performed using catastrophe modelling tools which help to manage the aggregation of exposure in different geographical areas. The same catastrophe modelling tools are used to assist the underwriting teams with pricing the risk and to establish the amount of capital that must be held to support the underwriting given the risk being taken. Therefore, when natural catastrophes occur, it is important to test the models, particularly the methods and assumptions used, to ensure that they are still fit for purpose. This validation exercise has been completed and has confirmed that the catastrophe modelling tools remain reasonable in light of the events observed without the need for an immediate off cycle adjustment, and they remain a useful aid to the underwriting process.

The aggregation potential of multiple claims arising from a cyber event is managed using a similar process. However, given that there have been very few cyber events that have led to a notable aggregation of claims, the monitoring is based on a suite of realistic disaster scenarios – which is how the monitoring of natural catastrophes started. We have been undertaking a cyber risk review for the past four years, which has charted the evolution of the modelling approach and has evidenced improvements in sophistication each year. This year, the syndicate has added new coverages to the cyber product to meet the needs of its clients. As a result, we have introduced a new realistic disaster scenario to monitor this additional exposure. We have also added a new realistic disaster scenario to monitor the increasing trend of ransomware attacks. We have supplemented the knowledge of Beazley's internal cyber experts with advice and analysis from external experts working in the cyber field to ensure that we have sight of emerging technical trends. Finally, we continue to monitor and support the development of third party catastrophe modelling tools as more analysis is being performed in this risk area. It is expected, over time, that the modelling of cyber risks will be able to mirror the sophistication of the modelling of natural catastrophe risks.

Realistic disaster scenarios are also used to monitor the potential impact of a specialty lines catastrophe – for example the impact that a recession might have on the various professional indemnity risks underwritten. This approach was tested and validated following the 2008 global financial crisis and, whilst there has been less reserve release than usual from the underwriting years immediately following the crisis, they remained profitable. The purpose of performing this modelling and monitoring is to ensure that in the event of a catastrophe occurring, such as those in the second half of 2017, claims can be paid promptly to our policyholders in their time of greatest need and a return can still be provided to the investors who support the syndicates' ongoing business.

This year also included organisational changes which have impacted the risk and control environment. This included Beazley purchasing a managing general agent, Creechurch Underwriters (now called Beazley Canada Limited), in order to provide more of Beazley's products to our clients in Canada. This business is underwritten by syndicates 2623 and 623.

The risk management team have been involved throughout the process which involved the production of an Own Risk and Solvency Assessment (ORSA) report which informed the board of the risk and capital considerations, and updating the risk register, controls and governance to reflect the new risk profile. This has included ensuring that the new underwriting and claims processes meet the Beazley's consistent underwriting and claims standards.

During the year a contingency plan for the UK's exit from the European Union ('Brexit') was produced setting out a central plan and testing it against a range of potential outcomes.

The main concern for the syndicate is the ability to offer insurance to European clients following Brexit as, around 4% of the syndicates' current business is within scope. The central plan is to be able to offer policies, through the subsidiary that Lloyd's is in the process of establishing in Brussels. A Brexit working group, led by Beazley plc's chief risk officer, was established to oversee the syndicates' response to Brexit and this working group will remain in place until the conclusion of the Brexit process.

The latest chief risk officer report has confirmed that the control environment has not identified any significant failings or weaknesses in key processes and that the syndicate is operating within risk appetite as at 31 December 2017.

Preparing for the future

The syndicate's current risk management framework has been successfully operating over the last five years. Although the framework has continued to enhance during that period, the syndicate has undertaken a detailed review in the second half of 2017 of the operation of the risk register and associated reporting. This review has made use of our experiences of operating the framework during that period and has considered how market best practice has developed. Changes will be implemented in the first half of 2018 with the aim of ensuring that the next evolution of the risk management framework is up to the challenge of helping the syndicate navigate the next five years.

Risk management strategy

The Beazley Furlonge Limited board has delegated executive oversight of the risk management department to the Beazley plc executive committee, which in turn has delegated immediate oversight to the risk and regulatory committee. The Beazley Furlonge Limited board has also delegated oversight of the risk management framework to the audit and 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 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 are made when necessary.

On an annual basis, the board agrees the risk appetite for each risk event and this is documented in the risk 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 risk management principles have been adopted:
- risk management is a part of the wider governance environment;
- techniques employed are fit for purpose and proportionate to the business;
- it is a core capability for all employees;
- risk management is embedded in day-to-day activities;
- there is a culture of risk awareness, in which risks are identified, assessed and managed;
- risk management processes are robust and supported by verifiable management information; and
- risk management information and reporting is timely, clear, accurate and appropriately escalated.

Managing agent's report *continued*

Risk management framework

The syndicate has adopted the 'three lines of defence' framework: namely business risk management, the risk management function and the internal audit function. Within business risk management, there are two defined risk and control roles: risk owner and control reporter. Each risk event is owned by the risk owner who is a senior member of staff. Risk owners, supported by the risk management team, formally 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 (53 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 Furlonge Limited board, and the control environment that is operated by the business to remain within the risk appetite.

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. Risk management then reports to the board on how well the business is operating using a consolidated assurance report. For each risk, the consolidated assurance report brings together a view of how successfully the business is managing risk, qualitative commentary from the assurance function and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually improved, through the consideration of stress and scenario testing, themed reviews using risk profiles and an assessment of strategic and emerging risks.

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 consolidated assurance report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the Beazley plc remuneration committee and the 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.

The risks to financial performance

The board monitors and manages risks grouped into eight categories, which cover the universe of risk that could affect the syndicates. There have been no new risk areas identified and no major shifts in existing risks. The board considers the following two risk categories to be the most significant.

Insurance risk

Given the nature of the syndicate'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 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 division across a number of underwriting years. The syndicates use 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 large event caused by nature affecting a number of policies and therefore giving rise to multiple losses. Given the syndicates' risk profile, this could be a hurricane, major windstorm or earthquake. 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 the syndicates' risk profile, examples include a coordinated cyber-attack, an act of terrorism, and 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: the syndicate has a consistent and conservative 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 syndicates use a range of techniques to mitigate this risk including a detailed reserving process which compares, claim by claim, 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; and
- 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 financial performance of the syndicate.

Strategic risk

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

- Strategic decisions: The performance of the syndicate would be affected in the event of making strategic decisions that do not add value. The company 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 35 senior individuals from across different disciplines);
- Environment: There is a risk that the chosen strategy cannot be executed because of the current environmental conditions within which the syndicate operates, thereby delaying the timing of the strategy;
- Communication: Having the right strategy and environment is of little value if it is not communicated internally so that everybody is heading in the same direction, or if key external stakeholders are not aware of the company's progress against its strategy;
- Senior management performance: There is a risk that senior management is overstretched or does not perform, which would have a detrimental impact on the performance of the syndicates. The performance of the senior management team is monitored by the CEO and talent management 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 risk: There is a risk that Beazley is 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 syndicate having to deal with a crisis and is mitigated by having a detailed crisis management plan; and
- Corporate transaction: There is a risk that the syndicate undertakes a corporate transaction which does not return the expected value. This risk is mitigated through the due diligence performed, the financial structure of transactions and the implementation activity. Under the environmental risk heading, the board monitors five categories of emerging and strategic risk on a quarterly basis, namely; socio-political risk, distribution, market conditions, talent and regulation.

The remaining six risk categories monitored by the board are:

- Market (asset) risk: This is the risk that the value of investments is 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 risk is the failure of people, processes and systems or the impact of an external event on the syndicates' operations, and is monitored by the operations committee;
- Credit risk: the syndicate has credit risk to its reinsurers, brokers and coverholders of which the reinsurance asset is the largest. The syndicate's underwriting committee monitors this risk;
- Regulatory and legal risk: This is the risk that the syndicate does not operate in line with the relevant regulatory framework in the territories where they operate. Of the eight risk categories, the board has the lowest tolerance for this risk;
- Liquidity risk: This is the risk that the syndicate does 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; and
- Group risk: The structure of the group is not complex and so the main group risk is that one group entity operates to the detriment of another group entity or entities. Although this risk is currently small, the Beazley plc board monitors this risk through the reports it receives from each entity.

Anti-bribery and corruption risk

The syndicate is committed to ensuring that all business is conducted in an ethical and honest manner, and that we are not involved in any illicit activity defined under the UK Bribery Act and US Foreign Corrupt Practices Act. The risk of bribery and corruption the syndicate is exposed to manifests itself in the susceptibility to unethical or dishonest influences whereby illicit payments and/or inducements are either made or received. Such activity has severe reputational, regulatory and legal consequences, including fines and penalties. Considerations to this risk include the nature, size and type of transactions, the jurisdiction in which transactions occur, and the degree to which agents or third parties are used during such transactions.

Every employee and individual acting on the syndicates' behalf is responsible for maintaining our reputation. Beazley has a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all aspects of our business. In doing so, Beazley aim to recruit and retain high-calibre employees who carry out their responsibilities honestly, professionally and with integrity. A number of policies are maintained designed to prevent any risk of bribery and corruption which are communicated to all employees and supplemented with appropriate training.

Managing agent's report *continued*

Emerging risk identification

We employ specialist teams to support our underwriters to help identify external trends and issues. Using this research improves our underwriting risk selection, allows us to avoid markets in decline and improves our claims management capabilities.

Directors

The directors of Beazley Furlonge Limited during the period covered by this annual report who participated on syndicate 623 indirectly through Beazley Staff Underwriting Limited are as follows:

	Total bonuses deferred and at risk £	2016 year of account underwriting capacity £	2017 year of account underwriting capacity £	2018 year of account underwriting capacity £
M R Bernacki	191,600	300,000	400,000	400,000
M L Bride	191,600	400,000	400,000	400,000
A P Cox	191,600	400,000	400,000	400,000
D A Horton	191,600	400,000	400,000	400,000
N P Maidment	191,600	400,000	400,000	400,000
C A Washbourn	191,600	400,000	400,000	400,000

A full list of the directors of the managing agent who held office during the year can be found on page 65 of these syndicate annual accounts.

Disclosure of information to the auditor

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

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M L Bride
Finance director

15 March 2018

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the syndicate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

M L Bride
Finance director

15 March 2018

Independent auditor's report to the members of syndicate 623

Opinion

We have audited the financial statements of Syndicate 0623 for the year ended 31 December 2017 which comprise the Profit or Loss account, Statement of other comprehensive income, Balance Sheet, Statement of Changes in Members' Balances, Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ('FRC') Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the annual accounts. We have nothing to report in these respects.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 17, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the syndicate'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 they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Rajan Thakrar (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

15 March 2018

Profit or loss account

for the year ended 31 December 2017

	Notes	2017 $m	2016 $m
Gross premiums written	3	432.7	400.9
Outward reinsurance premiums		(73.7)	(68.2)
Net premiums written	3	**359.0**	**332.7**
Change in the gross provision for unearned premiums	14	(24.9)	(17.3)
Change in the provision for unearned premiums, reinsurers' share	14	2.0	0.4
Change in the net provision for unearned premiums		(22.9)	(16.9)
Earned premiums, net of reinsurance	3	**336.1**	**315.8**
Allocated investment return transferred from the non-technical account	8	18.1	13.3
Gross claims paid		(199.2)	(175.0)
Reinsurers' share of claims paid		36.7	31.7
Claims paid net of reinsurance		(162.5)	(143.3)
Change in the gross provision for claims	14	(64.0)	(1.1)
Change in the provision for claims, reinsurers' share	14	28.8	0.7
Change in the net provision for claims		(35.2)	(0.4)
Claims incurred, net of reinsurance		**(197.7)**	**(143.7)**
Net operating expenses	4	**(139.1)**	**(126.8)**
Balance on the technical account		**17.4**	**58.6**
Investment income	8	10.2	9.7
Investment expenses and charges	8	(1.1)	(1.5)
Realised gains/(losses) on investments	8	4.5	(1.4)
Unrealised gains on investments	8	4.5	6.5
		18.1	13.3
Allocated investment return transferred to general business technical account		(18.1)	(13.3)
Gain on foreign exchange		1.3	2.8
Other charges	9	(6.2)	(9.4)
Profit for the financial year		**12.5**	**52.0**

All of the above operations are continuing.

The notes on pages 24 to 50 form part of these financial statements.

Statement of other comprehensive income

year ended 31 December 2017

	2017 $m	2016 $m
Profit for the financial year	12.5	52.0
Foreign exchange profit on brought forward reserves	(0.2)	1.6
Total recognised income in the year	**12.3**	**53.6**

Statement of changes in members' balances

year ended 31 December 2017

	2017 $m	2016 $m
Members' balances brought forward at 1 January	63.9	51.3
Profit for the financial year	12.5	52.0
Foreign exchange (loss)/profit on brought forward reserves	(0.2)	1.6
Profit distribution before members agent's fees – 2013 Year of account	–	(41.0)
Profit distribution before members agent's fees – 2014 Year of account	(59.8)	–
Members' balances carried forward at 31 December	**16.4**	**63.9**

Members participate on syndicates by reference to years of account 'YOA' and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 24 to 50 form part of these financial statements.

Balance sheet

at 31 December 2017

	Notes	2017 $m	2016 $m
Assets			
Financial assets at fair value	10	**645.3**	**629.5**
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	14	36.2	34.1
Claims outstanding, reinsurers' share	14	195.8	165.8
		232.0	**199.9**
Debtors			
Debtors arising out of direct insurance operations		137.5	126.0
Debtors arising out of reinsurance operations		39.6	26.9
Other debtors	12	21.1	12.8
		198.2	**165.7**
Cash at bank and in hand	13	**27.7**	**41.2**
Deferred acquisition costs		**58.4**	**49.5**
Other prepayments and accrued income		**3.5**	**1.1**
Total assets		**1,165.1**	**1,086.9**
Liabilities, capital and reserves			
Capital and reserves			
Members' balances attributable to underwriting participations		16.4	63.9
Technical provisions			
Provision for unearned premiums	14	224.7	198.2
Claims outstanding	14	753.9	682.0
		978.6	**880.2**
Creditors			
Creditors arising out of direct insurance operations		42.0	37.6
Creditors arising out of reinsurance operations		6.6	9.8
Other creditors	15	120.8	94.1
		169.4	**141.5**
Financial liabilities	10	**0.3**	**0.7**
Accruals and deferred income		**0.4**	**0.6**
Total liabilities, capital and reserves		**1,165.1**	**1,086.9**

The syndicate annual accounts on pages 20 to 50 were approved by the board of Beazley Furlonge Limited on 15 March 2018 and were signed on its behalf by:

The notes on pages 24 to 50 form part of these financial statements.

N P Maidment
Active underwriter

M L Bride
Finance director

Cash flow statement

year ended 31 December 2017

	Notes	2017 $m	2016 $m
Reconciliation of profit for the financial year to net cash inflow from operating activities			
Profit for the financial year		12.5	52.0
Increase in net technical provisions		66.3	5.1
(Increase)/decrease in debtors		(34.9)	23.5
Increase/(decrease) in creditors		27.7	(11.0)
Investment return		(18.1)	(13.3)
Increase in deferred acquisition cost		(8.9)	(4.6)
Net cash flows from operating activities		**44.6**	**51.7**
Net purchases/sales of investments		(38.7)	(16.6)
Cash received from investment return		13.7	6.8
Net cash from investing activities		(25.0)	(9.8)
Transfer to members in respect of underwriting participations		(59.8)	(41.0)
Net cash from financing activities		**(59.8)**	**(41.0)**
Net (decrease)/increase in cash and cash equivalents		**(40.2)**	**0.9**
Cash and cash equivalents at the beginning of the year		66.8	64.2
Effect of exchange rate changes on cash and cash equivalents		6.0	1.7
Cash and cash equivalents at the end of the year	13	**32.6**	**66.8**

The notes on pages 24 to 50 form part of these financial statements.

Notes to the syndicate annual accounts

1 Accounting policies

Basis of preparation

Syndicate 623 ('the syndicate') comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is given on the back page.

These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard 102 'FRS 102' and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 'FRS 103'.

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss that are measured at fair value. The principal accounting policies applied in the preparation of these syndicate annual accounts are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in millions, unless noted otherwise.

Use of estimates and judgements

The preparation of the syndicate annual accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions 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. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the syndicate annual accounts are described in this statement of accounting policies.

The most critical estimate included within the syndicate's financial position is the estimate for losses incurred but not reported. The total estimate as at 31 December 2017 is included within claims outstanding in the balance sheet.

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

a) Premiums

Gross premiums written comprise premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified, as well as adjustments made in the year to premiums written in prior accounting periods.

b) Unearned premiums

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

c) Claims

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, claims incurred but not reported ('IBNR') and future claims handling provisions. Reinsurance recoveries are accounted for in the same period as the incurred claims for the related business.

The provision for claims comprises amounts set aside for claims advised and IBNR. The IBNR amount is based on estimates calculated using widely accepted statistical techniques (e.g. chain ladder) which are reviewed annually by external consulting actuaries. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

The reinsurers' share of provisions for claims is based on calculated amounts for outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

1 Accounting policies *continued*

d) Acquisition costs

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

e) Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of deferred acquisition coast (DAC) and unearned premium reserves. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses as well as investment income from the assets backing such liabilities are used. Any deficiency is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests ('unexpired risk provision').

f) Foreign currencies

Transactions in foreign currencies are translated to the syndicate's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

g) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid-market value and deposits with credit institutions and overseas deposits are stated at cost.

h) Investment return

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

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

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

i) Ceded reinsurance

These are contracts entered into by the syndicate with reinsurers under which the syndicate is compensated for losses on contracts issued by the syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Any benefits to which the syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The syndicate 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 profit or loss account.

Notes to the syndicate annual accounts *continued*

1 Accounting policies *continued*

j) Financial instruments

Financial instruments are recognised in the balance sheet at such time that the syndicate becomes a party to the contractual provisions of the financial instrument. 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 syndicate's obligations specified in the contract expire, are discharged or cancelled.

Purchases and sales of financial assets are recognised on the trade date, which is the date the syndicate commits to purchase or sell the asset.

Financial assets

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

Financial assets at fair value through income statement

Except for derivative financial instruments, all financial assets are designated as fair value through the profit or loss account 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 syndicate's key management. The syndicate's investment strategy is to invest and evaluate performance with reference to their fair values.

Fair value measurement

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

When available, the syndicate 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 and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the syndicate 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 syndicate, 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 syndicate 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.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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 syndicate 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 syndicate 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 syndicate believes a third-party market participant would take them into account in pricing a transaction.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through the profit or loss account are recognised in the profit or loss account when incurred. Financial assets at fair value through the profit or loss account are measured at fair value, and changes therein are recognised in the profit or loss account within investment income.

1 Accounting policies *continued*

Hedge funds, equity funds and illiquid credit assets

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

k) Insurance debtors and creditors

Insurance debtors and creditors are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. These are classified as insurance debtors and creditors as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance debtors are measured at amortised cost less any provision for impairments. Insurance creditors are stated at amortised cost.

l) Other debtors

Other debtors principally consist of prepayments, accrued income and sundry debtors and are carried at amortised cost less any impairment losses.

m) Other creditors

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

n) 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. 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.

The best evidence of fair value of a derivative at initial recognition is the transaction price.

o) Impairment of financial assets

The syndicate assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that event has an impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

p) Cash at bank and in hand

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

Notes to the syndicate annual accounts *continued*

1 Accounting policies *continued*

q) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

r) Pension costs

Beazley Furlonge Limited operates both a defined benefit and a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

s) Profit commission

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

2 Risk management

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

2.1 Insurance risk

The syndicate'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 syndicate:
- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

The syndicate's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes.

This is achieved by accepting a spread of business over time, segmented between different products, geography and size.

2 Risk management *continued*

The annual business plans for each underwriting team reflect the syndicates's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the board of Beazley Furlonge Limited and monitored by the monthly underwriting committee.

The syndicate's underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

The syndicate 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 syndicate sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios ('RDS'). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the syndicate is exposed.

The syndicate uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models. The range of scenarios considered include natural catastrophes, 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. Where possible the syndicate 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.

To manage underwriting exposures, the syndicate has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2017, the normal maximum line that any one underwriter could commit the managed syndicate to was $18.0m. In most cases, maximum lines for classes of business were much lower than this.

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

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

Binding authority contracts

A proportion of the syndicate'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 rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

Operating divisions

In 2017, the syndicate's business consisted of five operating divisions. The following table provides a breakdown of gross premiums written by division:

	2017	2016
Marine	14%	13%
Political, accident & contingency[1]	6%	6%
Property	18%	18%
Reinsurance	11%	12%
Specialty lines	51%	51%
Total	**100%**	**100%**

1 During 2017, the life, accident & health division and political risks & contingency division were combined to form the political, accident & contingency division.

Notes to the syndicate annual accounts *continued*

2 Risk management *continued*

b) Reinsurance risk

Reinsurance risk to the syndicate arises where reinsurance contracts, put in place to reduce gross insurance risk, do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed separately below.

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

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

c) Claims management risk

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

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

d) Reserving and ultimate reserves risk

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

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

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

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

	5% increase in claims reserves		5% decreases in claims reserves	
Sensitivity to insurance risk (claims reserves)	2017 $m	2016 $m	2017 $m	2016 $m
Impact on profit	(27.9)	(25.8)	27.9	25.8

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

	2017 %	2016 %
US	62	62
Europe	15	15
Other	23	23
	100	100

2 Risk management *continued*

2.2 Strategic risk

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

2.3 Market risk

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

Foreign exchange risk

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

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

The syndicate's assets are matched by currency to the principal underlying currencies of its insurance liabilities. This helps mitigate the risk that the syndicate's assets required to cover its insurance liabilities are not materially affected by any future movements in exchange rates.

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

31 December 2017	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	68.4	55.7	23.9	148.0	1,017.1	1,165.1
Total liabilities	(84.0)	(29.2)	(68.1)	(181.3)	(967.4)	(1,148.7)
Net assets	**(15.6)**	**26.5**	**(44.2)**	**(33.3)**	**49.7**	**16.4**

31 December 2016	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	(8.7)	63.9	20.7	75.9	1,011.0	1,086.9
Total liabilities	(77.5)	(40.2)	(60.3)	(178.0)	(845.0)	(1,023.0)
Net assets	**(86.2)**	**23.7**	**(39.6)**	**(102.1)**	**166.0**	**63.9**

Sensitivity analysis

In 2017, the syndicate managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting net assets to be entirely US dollar denominated. As part of this hedging strategy, exchange rate derivatives were used to rebalance currency exposure. Details of all foreign currency derivative contracts entered into with external parties are disclosed in note 11. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

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

	Impact on profit for the year ended		Impact on net assets	
Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	2017 $m	2016 $m	2017 $m	2016 $m
Dollar weakens 30% against other currencies	4.5	(0.4)	4.5	(0.4)
Dollar weakens 20% against other currencies	3.0	(0.3)	3.0	(0.3)
Dollar weakens 10% against other currencies	1.5	(0.1)	1.5	(0.1)
Dollar strengthens 10% against other currencies	(1.5)	0.1	(1.5)	0.1
Dollar strengthens 20% against other currencies	(3.0)	0.3	(3.0)	0.3
Dollar strengthens 30% against other currencies	(4.5)	0.4	(4.5)	0.4

Notes to the syndicate annual accounts *continued*

2 Risk management *continued*

Interest rate risk

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

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

The syndicate also entered into interest rate futures contracts to manage the interest rate risk on bond portfolios.

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

Duration 31 December 2017	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	206.7	147.3	69.8	36.2	58.1	18.1	–	536.2
Cash at bank and in hand	27.7	–	–	–	–	–	–	27.7
Derivative financial instruments	1.6	–	–	–	–	–	–	1.6
Total	**236.0**	**147.3**	**69.8**	**36.2**	**58.1**	**18.1**	**–**	**565.5**

Duration 31 December 2016	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	262.1	61.0	111.8	71.5	33.0	12.6	–	552.0
Cash at bank and in hand	41.2	–	–	–	–	–	–	41.2
Derivative financial instruments	3.3	–	–	–	–	–	–	3.3
Total	**306.6**	**61.0**	**111.8**	**71.5**	**33.0**	**12.6**	**–**	**596.5**

Sensitivity analysis

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

	Impact on profit for the year ended		Impact on net assets	
Shift in yield (basis points)	2017 $m	2016 $m	2017 $m	2016 $m
150 basis point increase	(9.1)	(8.9)	(9.1)	(8.9)
100 basis point increase	(6.1)	(6.0)	(6.1)	(6.0)
50 basis point increase	(3.0)	(3.0)	(3.0)	(3.0)
50 basis point decrease	3.0	3.0	3.0	3.0
100 basis point decrease	6.1	6.0	6.1	6.0

Price risk

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

Financial assets include fixed and floating rate debt securities, hedge funds, equity funds and derivative financial assets. The fixed income securities are well diversified across high quality, liquid securities. The price risk associated with these securities is predominantly interest, foreign exchange and credit risk related. The sensitivity to price risk that relates to the syndicates's hedge fund investments and equity linked funds is presented on the next page. The investment committee has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or company.

2 Risk management *continued*

Listed investments are recognised on the balance sheet at quoted bid price. If the market for the investment is not considered to be active, then the syndicate establishes fair value using valuation techniques (refer to note 10). This includes using recent arm's length market transactions, reference to current fair value of other investments that are substantially the same, discounted cash flow models and other valuation techniques that are commonly used by market participants.

	Impact on profit for the year ended		Impact on net assets	
Change in fair value of hedge funds and equity linked funds	2017 $m	2016 $m	2017 $m	2016 $m
30% increase in fair value	32.3	28.7	32.3	28.7
20% increase in fair value	21.5	19.1	21.5	19.1
10% increase in fair value	10.8	9.6	10.8	9.6
10% decrease in fair value	(10.8)	(9.6)	(10.8)	(9.6)
20% decrease in fair value	(21.5)	(19.1)	(21.5)	(19.1)
30% decrease in fair value	(32.3)	(28.7)	(32.3)	(28.7)

2.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events.

There are a number of business activities for which the syndicate uses the services of a third-party company, such as 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.

Beazley Furlonge Limited also recognises that it is necessary for people, systems and infrastructure to be available to support the syndicate's operations. They have therefore 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. The syndicate operate's a formal disaster recovery plan which, in the event of an incident, allows the movement of critical operations to an alternative location within 24 hours.

Beazley Furlonge Limited actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. Beazley Furlonge Limited also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of Beazley Furlonge Limited's operational control environment include:
- solvency capital requirement (SCR) modeling 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.

2.5 Credit risk

Credit risk arises from the failure of another party to perform its financial or contractual obligations to the syndicate in a timely manner. The primary sources of credit risk for the syndicate are:
- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the syndicate;
- investments – whereby issuer default results in the syndicate losing all or part of the value of a financial instrument and derivative financial instrument; and
- cash at bank and in hand.

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

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

Notes to the syndicate annual accounts *continued*

2 Risk management *continued*

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 syndicate'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 syndicate's investment managers regarding the type, duration and quality of investments acceptable to the syndicate. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines.

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

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

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

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

31 December 2017	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	442.5	93.7	–	–	–	536.2
– equity funds	–	–	–	–	36.8	36.8
– hedge funds	–	–	–	–	67.9	67.9
– derivative financial assets	–	–	–	–	1.6	1.6
– illiquid credit assets	–	–	–	–	2.8	2.8
Reinsurers' share of outstanding claims	194.7	–	–	–	1.1	195.8
Insurance debtors	–	–	–	–	177.1	177.1
Cash at bank and in hand	27.7	–	–	–	–	27.7
Total	**664.9**	**93.7**	**–**	**–**	**287.3**	**1,045.9**

31 December 2016	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	425.7	126.3	–	–	–	552.0
– equity funds	–	–	–	–	15.3	15.3
– hedge funds	–	–	–	–	58.9	58.9
– derivative financial instruments	–	–	–	–	3.3	3.3
Reinsurers' share of outstanding claims	165.8	–	–	–	–	165.8
Insurance debtors	–	–	–	–	152.9	152.9
Cash at bank and in hand	41.2	–	–	–	–	41.2
Total	**632.7**	**126.3**	**–**	**–**	**230.4**	**989.4**

2 Risk management *continued*

Based on all evidence available, debtors arising out of insurance operations and other debtors have not been impaired and no impairment provision has been recognised in respect of these assets. An analysis of the overall credit risk exposure indicates that the syndicate has reinsurance assets that are impaired at the reporting date. The total impairment provision made in respect of these assets at 31 December 2017 is $0.7m (2016: $0.7m). This $0.7m provision in respect of overdue reinsurance recoverables is included within the total provision of $2.9m (2016: $2.8m). No other financial assets held at year end were impaired.

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

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

31 December 2017	0-3 months past due $m	3-6 months past due $m	6-12 months past due $m	Greater than 1 year past due $m	Total $m
Insurance debtors	14.9	2.1	0.9	–	17.9
Reinsurance assets	–	–	–	–	–

31 December 2016	0-3 months past due $m	3-6 months past due $m	6-12 months past due $m	Greater than 1 year past due $m	Total $m
Insurance debtors	7.8	1.2	0.8	–	9.8
Reinsurance assets	0.1	–	0.5	–	0.6

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

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

31 December 2017	Within 1 year	2-3 years	4-5 years	Greater than 5 years	Total	Weighted average term to settlement (years)
Marine	22.3	19.8	5.9	4.6	52.6	2.0
Political, accident and contingency	6.1	4.5	1.0	1.1	12.7	2.3
Property	29.8	22.4	6.5	7.3	66.0	2.2
Reinsurance	15.8	14.7	4.6	4.5	39.6	2.3
Specialty lines	101.4	133.3	67.3	85.2	387.2	3.4
Net insurance liabilities	**175.4**	**194.7**	**85.3**	**102.7**	**558.1**	

Notes to the syndicate annual accounts *continued*

2 Risk management *continued*

31 December 2016	Within 1 year	2-3 years	4-5 years	Greater than 5 years	Total	Weighted average term to settlement (years)
Marine	21.8	17.8	5.1	3.7	48.4	1.9
Political, accident and contingency	5.5	5.4	1.7	1.3	13.9	2.2
Property	21.8	16.7	4.2	3.0	45.7	1.8
Reinsurance	13.7	12.0	3.8	3.5	33.0	2.2
Specialty lines	78.5	128.5	76.8	91.5	375.3	3.5
Net insurance liabilities	**141.3**	**180.4**	**91.6**	**103.0**	**516.3**	

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

Maturity 31 December 2017	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	138.4	157.5	90.2	60.6	65.9	23.6	–	536.2
Derivative financial instruments	1.6	–	–	–	–	–	–	1.6
Cash at bank and in hand	27.7	–	–	–	–	–	–	27.7
Other debtors	21.1	–	–	–	–	–	–	21.1
Other creditors	(120.8)	–	–	–	–	–	–	(120.8)
Total	**68.0**	**157.5**	**90.2**	**60.6**	**65.9**	**23.6**	**–**	**465.8**

31 December 2016	<1 yr $m	1-2 yrs $m	2-3 yrs $m	3-4 yrs $m	4-5 yrs $m	5-10 yrs $m	>10 yrs $m	Total $m
Fixed and floating rate debt securities	177.3	79.8	140.8	75.8	64.6	13.7	–	552.0
Derivative financial instruments	2.6	–	–	–	–	–	–	2.6
Cash at bank and in hand	41.2	–	–	–	–	–	–	41.2
Other debtors	12.8	–	–	–	–	–	–	12.8
Other creditors	(94.1)	–	–	–	–	–	–	(94.1)
Total	**139.8**	**79.8**	**140.8**	**75.8**	**64.6**	**13.7**	**–**	**514.5**

2.8 Senior management responsibilities

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 syndicate. As the syndicate expands its worldwide business in the UK, US, Europe and Asia, management stretch may make the identification, analysis and control of risks more complex. On a day-to-day basis, Beazley Furlonge Limited's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately co-ordinated 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 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 syndicate as a whole.

2 Risk management *continued*

2.9 Capital management

Capital framework at Lloyd's

The Society of Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level respectively, not at syndicate level. Accordingly the capital requirement in respect of syndicate 623 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

Notes to the syndicate annual accounts *continued*

3 Segmental analysis

2017	Marine $m	PAC $m	Property $m	Reinsurance $m	Specialty lines $m	Unallocated $m	Total $m
Gross premiums written	58.5	25.3	79.4	45.5	224.0	–	432.7
Net premiums written	50.9	20.7	65.7	29.6	192.1	–	359.0
Gross earned premiums	56.8	23.4	76.8	45.6	205.2	–	407.8
Outward reinsurance premiums earned	(7.3)	(4.3)	(13.4)	(15.7)	(31.0)	–	(71.7)
Earned premiums, net of reinsurance	**49.5**	**19.1**	**63.4**	**29.9**	**174.2**	**–**	**336.1**
Gross claims	(43.5)	(9.9)	(62.0)	(42.5)	(105.3)	–	(263.2)
Reinsurers share	16.4	1.4	7.1	21.1	19.5	–	65.5
Claims incurred, net of reinsurance	**(27.1)**	**(8.5)**	**(54.9)**	**(21.4)**	**(85.8)**	**–**	**(197.7)**
Operating expenses before foreign exchange	(21.4)	(9.4)	(28.7)	(11.1)	(68.5)	–	(139.1)
Technical result before items below	**1.0**	**1.2**	**(20.2)**	**(2.6)**	**19.9**	**–**	**(0.7)**
Gain on foreign exchange	–	–	–	–	–	1.3	1.3
Investment income	–	–	–	–	–	18.1	18.1
Other charges	–	–	–	–	–	(6.2)	(6.2)
Profit for the financial year	**1.0**	**1.2**	**(20.2)**	**(2.6)**	**19.9**	**13.2**	**12.5**
Claims ratio	55%	45%	87%	72%	49%	–	59%
Expense ratio	43%	49%	45%	37%	40%	–	41%
Combined ratio	98%	94%	132%	109%	89%	–	100%

2016	Marine $m	PAC $m	Property $m	Reinsurance $m	Specialty lines $m	Unallocated $m	Total $m
Gross premiums written	54.1	25.4	71.8	46.7	202.9	–	400.9
Net premiums written	48.3	20.8	60.4	30.9	172.3	–	332.7
Gross earned premiums	54.9	26.3	73.7	45.6	183.1	–	383.6
Outward reinsurance premiums earned	(6.1)	(4.4)	(11.6)	(15.3)	(30.4)	–	(67.8)
Earned premiums, net of reinsurance	**48.8**	**21.9**	**62.1**	**30.3**	**152.7**	**–**	**315.8**
Gross claims	(26.3)	(8.5)	(30.5)	(14.0)	(96.8)	–	(176.1)
Reinsurers share	4.7	2.3	5.1	5.2	15.1	–	32.4
Claims incurred, net of reinsurance	**(21.6)**	**(6.2)**	**(25.4)**	**(8.8)**	**(81.7)**	**–**	**(143.7)**
Operating expenses before foreign exchange	(21.9)	(10.1)	(28.1)	(10.9)	(55.8)	–	(126.8)
Technical result before items below	**5.3**	**5.6**	**8.6**	**10.6**	**15.2**	**–**	**45.3**
Gain on foreign exchange	–	–	–	–	–	2.8	2.8
Investment income	–	–	–	–	–	13.3	13.3
Other charges	–	–	–	–	–	(9.4)	(9.4)
Profit for the financial year	**5.3**	**5.6**	**8.6**	**10.6**	**15.2**	**6.7**	**52.0**
Claims ratio	44%	28%	41%	29%	53%	–	46%
Expense ratio	45%	46%	45%	36%	37%	–	40%
Combined ratio	89%	74%	86%	65%	90%	–	86%

3 Segmental analysis *continued*

The expense ratios shown are calculated excluding any profit or loss on foreign exchange.

The teams are classified in Schedule 3 of the Companies Act 2006 as:

- Marine – marine, aviation and transport
- Political, accident and contingency – pecuniary loss
- Property – fire and other damage to property
- Reinsurance – reinsurance
- Specialty lines – third party liability

All business was underwritten in the UK.

4 Net operating expenses

	2017 $m	2016 $m
Acquisition costs	118.9	102.5
Change in deferred acquisition costs	(8.3)	(6.0)
Members' standard personal expenses	7.7	7.4
Administrative expenses	27.1	29.4
Overriding commission	(6.3)	(6.5)
	139.1	**126.8**

Administrative expenses include:

	2017 $'000	2016 $'000
Fees payable to the syndicate's auditor for the audit of these syndicate annual accounts	84.3	90.1
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	204.8	214.2
	289.1	**304.3**

Managing agent fees paid to Beazley Furlonge Limited in respect of services provided to the syndicate amounted to $2.2m (2016: $2.0m).

5 Staff costs

All staff are employed by Beazley Management Limited. The following amounts were recharged to the syndicate in respect of staff costs:

	2017 $m	2016 $m
Wages and salaries	12.3	11.9
Short-term incentive payments	8.2	8.4
Social security costs	3.9	2.1
Pension costs	3.8	2.6
	28.2	**25.0**

Staff costs have increased from 2016 due to a reallocation of additional staff benefits within the net operating expenses. This reallocation has no impact on the total net operating expenses (note 4) or the profit of the syndicate.

6 Emoluments of the directors of Beazley Furlonge Limited

The directors of Beazley Furlonge Limited, excluding the active underwriter, received the following aggregate remuneration charged to syndicate 623 and included within net operating expenses:

	2017 $m	2016 $m
Emoluments and fees	2.9	3.0
	2.9	**3.0**

Notes to the syndicate annual accounts *continued*

7 Active underwriter's emoluments

The aggregate amount of remuneration paid to and for the benefit of the active underwriter, which was recharged to syndicate 623, was $0.5m (2016: $0.6m).

8 Net investment income

	2017 $m	2016 $m
Interest and dividends on financial investments at fair value through profit or loss	10.1	9.6
Interest on cash and cash equivalents	0.1	0.1
Realised gains/(losses) on financial instruments at fair value though profit or loss	4.5	(1.4)
Net unrealised fair value gains on financial investments at fair value through profit or loss	4.5	6.5
Investment income from financial investments	**19.2**	**14.8**
Investment management expenses	(1.1)	(1.5)
Total net investment income	**18.1**	**13.3**

9 Other charges

	2017 $m	2016 $m
Profit commissions paid to Beazley Furlonge Limited	6.2	10.3
Profit commissions due from syndicate 6107[1]	–	(0.9)
	6.2	**9.4**

1 From 2017, the syndicate has recognised profit commission receivable from syndicate 6107 against outward reinsurance premium.

10 Financial assets and liabilities

	Market value		Cost	
	2017 $m	2016 $m	2017 $m	2016 $m
Financial assets at fair value				
Fixed and floating rate debt securities:				
– Government issued	241.8	204.4	250.8	203.2
– Quasi-government	5.8	9.5	5.9	9.5
– Supranational	1.0	6.4	1.0	6.4
– Corporate bonds				
– Investment grade credit	280.6	311.8	292.7	315.2
– High yield	7.0	19.9	7.3	19.0
Total fixed and floating rate debt securities	536.2	552.0	557.7	553.3
Equity funds	36.8	15.3	38.3	14.9
Hedge funds	67.9	58.9	70.5	55.3
Illiquid funds	2.8	–	2.9	–
Total capital growth	107.5	74.2	111.7	70.2
Total financial investments at fair value through statement of profit or loss	**643.7**	**626.2**	**669.4**	**623.5**
Derivative financial instruments	1.6	3.3	1.6	3.3
Total financial assets at fair value	**645.3**	**629.5**	**671.0**	**626.8**
Financial liabilities				
Derivative financial instruments	**0.3**	**0.7**	**0.3**	**0.7**

A breakdown of derivative financial instruments is disclosed in note 11.

Overseas deposits are held as a condition of conducting underwriting business in certain countries.

10 Financial assets and liabilities *continued*

Fair value measurement

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 and treasury bills of government and government agencies 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, exchange rates). Included within level 2 are government bonds and treasury bills which are not actively traded, corporate bonds, asset backed securities and mortgage-backed securities.

Level 3 – Valuations based on inputs that are unobservable or for which there is limited market activity against which to measure fair value.

The availability of financial data can vary for different financial assets and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on models or inputs that are unobservable in the market, the determination of fair value requires more judgement. Accordingly the degree of judgement exercised by management in determining fair value is greatest for instruments classified in level 3. The syndicate uses prices and inputs that are current as of the measurement date for valuation of these instruments.

The majority of the syndicate's investments are valued based on quoted market information or other observable market data. The rest of the investments are recorded at fair value which is based on the prices obtained by our administrator who source it from independent pricing sources as set out in our valuation policy. The syndicate records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the administrator with the investment custodians and the investment managers. Where estimates are used, these are calibrated to market observable data where possible. 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 table below analyses financial instruments measured at fair value at 31 December 2017 and 31 December 2016, based on the level in the fair value hierarchy into which the financial instrument is categorised:

2017	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value				
Fixed and floating rate debt securities:				
– Government issued	241.8	–	–	241.8
– Quasi-government	5.8	–	–	5.8
– Supranational	1.0	–	–	1.0
– Corporate bonds				
– Investment grade credit	4.6	276.0	–	280.6
– High yield	–	7.0	–	7.0
Equity funds	–	36.8	–	36.8
Hedge funds	–	67.9	–	67.9
Illiquid credit assets	–	–	2.8	2.8
Derivative financial assets	1.6	–	–	1.6
Total financial assets at fair value	**254.8**	**387.7**	**2.8**	**645.3**
Financial liabilities				
Derivative financial instruments	**0.3**	**–**	**–**	**0.3**

Notes to the syndicate annual accounts *continued*

10 Financial assets and liabilities *continued*

2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value				
Fixed and floating rate debt securities:				
– Government issued	204.4	–	–	204.4
– Quasi-government	9.5	–	–	9.5
– Supranational	–	6.4	–	6.4
– Corporate bonds				
– Investment grade credit	10.4	301.4	–	311.8
– High yield	–	19.9	–	19.9
Equity linked funds	–	15.3	–	15.3
Hedge funds	–	58.9	–	58.9
Derivative financial instruments	3.3	–	–	3.3
Total financial assets at fair value	**227.6**	**401.9**	**–**	**629.5**
Financial liabilities				
Derivative financial instruments	0.7	–	–	0.7

The table below shows the movement in level 3 assets:

	2017 $m	2016 $m
As at 1 January	–	–
Purchases	2.7	–
Sales	–	–
Total net gains recognised in profit or loss	0.1	–
As at 31 December	**2.8**	**–**

There were no transfer in either direction between level 1 and level 2 in 2017 and 2016.

Additional information is obtained from fund managers relating to the underlying assets within individual hedge funds. We identified that 71% (2016: 79%) of these underlying assets were level 1 and the remainder level 2. This enabled us to categorise hedge funds as level 2.

If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significantly to the entire measurement.

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

11 Derivative financial instruments

In 2017 and 2016, the syndicate entered into over-the-counter and exchange traded derivative contracts. The syndicate had the right and intention to settle each contract on a net basis.

	2017		2016	
Derivative financial instrument assets	Gross contract amount $m	Fair value of assets $m	Gross contract amount $m	Fair value of assets $m
Foreign exchange forward contract	80.9	1.6	107.8	2.6
Bond future contracts	–	–	(119.4)	0.7
	80.9	**1.6**	**(11.6)**	**3.3**

	2017		2016	
Derivative financial instrument liabilities	Gross contract amount $m	Fair value of liabilities $m	Gross contract amount $m	Fair value of liabilities $m
Foreign exchange forward contract	66.2	0.3	71.0	0.7
	66.2	**0.3**	**71.0**	**0.7**

Foreign exchange forward contracts

The syndicate 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 syndicate.

Bond future contracts

The syndicate 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.

12 Other debtors

	2017 $m	2016 $m
Amounts due from members	16.2	9.6
Sundry debtors including taxation	4.9	3.2
	21.1	**12.8**

These balances are due within one year.

13 Cash and cash equivalents

	2017 $m	2016 $m
Cash at bank and in hand	27.7	41.2
Short term deposits	4.9	25.6
	32.6	**66.8**

Notes to the syndicate annual accounts *continued*

14 Technical provisions

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2017	198.2	682.0
Movement in the provision	24.9	64.0
Exchange adjustments	1.6	7.9
As at 31 December 2017	**224.7**	**753.9**
Reinsurers' share of technical provisions		
As at 1 January 2017	34.1	165.8
Movement in the provision	2.0	28.8
Exchange adjustments	0.1	1.2
As at 31 December 2017	**36.2**	**195.8**
Net technical provisions		
As at 1 January 2017	164.1	516.2
As at 31 December 2017	**188.5**	**558.1**

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2016	183.8	691.6
Movement in the provision	17.3	1.1
Exchange adjustments	(2.9)	(10.7)
As at 31 December 2016	**198.2**	**682.0**
Reinsurers' share of technical provisions		
As at 1 January 2016	34.0	166.2
Movement in the provision	0.4	0.7
Exchange adjustments	(0.3)	(1.1)
As at 31 December 2016	**34.1**	**165.8**
Net technical provisions		
As at 1 January 2016	149.8	525.4
As at 31 December 2016	**164.1**	**516.2**

14 Technical provisions *continued*

Gross ultimate claims	2007 ae %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %
Marine											
12 months		69.3%	54.5%	50.5%	54.7%	55.9%	56.6%	57.6%	56.6%	59.5%	68.0%
24 months		65.5%	51.0%	49.7%	47.4%	46.3%	52.0%	46.9%	53.9%	70.2%	
36 months		59.3%	44.3%	44.0%	39.1%	34.7%	44.5%	47.2%	47.2%		
48 months		63.2%	40.7%	42.3%	33.8%	32.2%	42.8%	46.8%			
60 months		62.8%	40.4%	40.4%	35.4%	31.4%	42.2%				
72 months		59.2%	48.7%	40.2%	31.8%	30.7%					
84 months		55.4%	47.9%	42.2%	31.0%						
96 months		54.7%	49.2%	40.8%							
108 months		51.8%	49.1%								
120 months		58.5%									
PAC											
12 months		57.4%	61.1%	61.3%	58.4%	62.2%	57.2%	56.5%	55.1%	55.8%	56.2%
24 months		71.1%	38.5%	40.2%	38.9%	43.6%	41.6%	41.1%	51.8%	40.8%	
36 months		75.4%	34.3%	33.0%	33.6%	39.9%	35.4%	35.9%	46.9%		
48 months		89.0%	29.6%	23.5%	27.6%	38.2%	34.6%	41.9%			
60 months		73.5%	23.4%	22.2%	26.0%	35.7%	39.3%				
72 months		62.3%	17.6%	20.9%	23.3%	35.5%					
84 months		58.9%	17.9%	19.5%	22.8%						
96 months		59.6%	17.8%	20.0%							
108 months		58.7%	18.0%								
120 months		57.9%									
Property											
12 months		66.8%	54.1%	54.3%	54.2%	55.4%	55.4%	53.6%	55.4%	59.3%	72.5%
24 months		62.1%	41.7%	56.4%	46.4%	47.3%	49.4%	48.1%	49.5%	68.8%	
36 months		61.0%	36.4%	53.5%	43.9%	39.6%	45.6%	41.8%	46.3%		
48 months		58.8%	35.2%	50.6%	42.2%	36.4%	45.4%	41.3%			
60 months		57.2%	34.1%	47.6%	41.2%	36.0%	44.8%				
72 months		56.1%	33.1%	46.9%	40.0%	35.5%					
84 months		55.0%	32.5%	46.0%	39.6%						
96 months		54.3%	32.1%	45.7%							
108 months		54.0%	31.9%								
120 months		53.9%									
Reinsurance											
12 months		59.8%	60.8%	68.1%	78.8%	62.9%	59.4%	61.4%	65.8%	67.9%	123.1%
24 months		53.8%	48.1%	142.6%	77.7%	37.3%	45.6%	33.5%	33.7%	41.7%	
36 months		44.3%	40.1%	129.6%	69.9%	31.9%	43.0%	30.9%	25.7%		
48 months		40.9%	39.5%	122.1%	66.1%	31.0%	41.7%	27.7%			
60 months		40.5%	35.3%	125.7%	63.3%	31.0%	38.7%				
72 months		40.7%	32.5%	124.4%	63.1%	30.8%					
84 months		39.9%	31.9%	124.5%	58.3%						
96 months		39.6%	31.9%	123.5%							
108 months		39.5%	31.7%								
120 months		39.5%									

Notes to the syndicate annual accounts *continued*

14 Technical provisions *continued*

Gross ultimate claims	2007 ae %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	
Specialty lines												
12 months		72.5%	72.3%	74.1%	75.8%	74.6%	74.4%	69.9%	69.3%	67.2%	65.0%	
24 months		72.2%	72.3%	73.7%	75.8%	74.7%	74.0%	70.1%	69.2%	66.8%		
36 months		72.2%	71.4%	72.9%	77.6%	72.5%	73.5%	64.9%	67.7%			
48 months		72.3%	71.4%	74.7%	78.1%	66.8%	68.7%	62.4%				
60 months		72.2%	72.0%	73.1%	77.3%	64.6%	65.1%					
72 months		72.5%	71.7%	74.1%	72.7%	63.0%						
84 months		71.6%	73.0%	74.0%	71.4%							
96 months		75.3%	73.4%	70.3%								
108 months		74.6%	72.2%									
120 months		74.5%										
Total												
12 months		68.5%	63.1%	63.8%	66.4%	64.6%	63.7%	62.3%	63.0%	63.9%	72.5%	
24 months		67.5%	56.8%	71.4%	61.7%	56.9%	58.6%	55.0%	57.8%	63.1%		
36 months		65.9%	52.9%	67.0%	59.1%	51.4%	55.4%	51.0%	54.3%			
48 months		67.2%	51.6%	65.3%	57.1%	47.6%	52.9%	49.8%				
60 months		65.3%	50.7%	64.0%	56.4%	46.3%	51.1%					
72 months		63.7%	51.0%	63.9%	53.4%	45.3%						
84 months		62.0%	51.2%	63.9%	52.0%							
96 months		63.5%	51.5%	62.0%								
108 months		62.5%	51.0%									
120 months		63.5%										
Gross claims liabilities (Beazley managed level) ($m)	234.0	164.4	189.2	119.2	134.1	160.4	298.0	428.6	784.8	1,146.4	1,003.4	4,662.5
Less non 623 share ($m)	(188.9)	(140.9)	(160.2)	(96.3)	(107.6)	(124.8)	(248.1)	(361.5)	(663.9)	(973.3)	(843.1)	(3,908.6)
Gross claims liabilities, 623 share	45.1	23.5	29.0	22.9	26.5	35.6	49.9	67.1	120.9	173.1	160.3	753.9

14 Technical provisions *continued*

Net ultimate claims	2007 ae %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %
Marine											
12 months		61.3%	53.4%	52.1%	55.6%	55.4%	56.1%	56.5%	56.7%	56.7%	57.5%
24 months		56.9%	47.7%	49.2%	47.6%	46.0%	53.2%	48.5%	52.4%	62.4%	
36 months		50.6%	38.9%	44.7%	38.7%	37.4%	47.5%	46.7%	46.9%		
48 months		47.4%	35.2%	42.6%	34.5%	35.0%	46.0%	45.7%			
60 months		46.9%	34.9%	41.1%	35.5%	33.9%	45.4%				
72 months		46.3%	38.6%	40.2%	32.3%	33.2%					
84 months		45.1%	37.9%	42.4%	31.4%						
96 months		44.6%	37.2%	40.8%							
108 months		45.0%	36.9%								
120 months		48.1%									
PAC											
12 months		55.8%	59.4%	57.2%	54.6%	59.1%	54.6%	53.3%	52.0%	52.7%	53.0%
24 months		79.0%	35.2%	37.7%	37.7%	42.1%	40.8%	39.3%	48.7%	37.3%	
36 months		78.1%	31.9%	30.5%	31.8%	38.7%	36.2%	33.4%	45.9%		
48 months		81.3%	27.3%	21.3%	28.9%	38.4%	33.8%	44.3%			
60 months		70.6%	21.5%	20.1%	27.2%	34.7%	36.2%				
72 months		59.8%	16.6%	18.9%	24.5%	34.4%					
84 months		56.2%	16.9%	16.8%	23.8%						
96 months		56.6%	16.8%	17.9%							
108 months		56.3%	17.0%								
120 months		55.5%									
Property											
12 months		63.8%	53.3%	58.4%	59.3%	58.6%	56.8%	54.5%	54.9%	57.7%	76.4%
24 months		66.6%	47.4%	63.5%	56.7%	52.8%	56.5%	51.0%	50.2%	69.6%	
36 months		64.5%	43.8%	62.8%	52.7%	45.8%	52.0%	44.2%	46.8%		
48 months		63.3%	41.6%	57.0%	49.2%	41.0%	49.8%	42.9%			
60 months		62.2%	41.0%	54.5%	47.8%	40.6%	49.3%				
72 months		60.8%	39.7%	53.7%	46.7%	40.1%					
84 months		60.1%	39.2%	53.2%	46.5%						
96 months		59.0%	38.9%	53.0%							
108 months		58.7%	38.8%								
120 months		58.6%									
Reinsurance											
12 months		68.4%	55.5%	76.8%	89.3%	67.0%	57.4%	58.7%	61.4%	61.2%	105.7%
24 months		60.6%	52.7%	126.8%	87.9%	45.1%	52.2%	37.2%	34.1%	38.9%	
36 months		50.5%	46.9%	117.6%	80.5%	38.8%	48.7%	33.4%	24.2%		
48 months		48.3%	46.1%	111.7%	74.9%	37.4%	47.4%	30.6%			
60 months		47.7%	41.3%	120.8%	72.7%	37.4%	43.8%				
72 months		48.0%	38.0%	115.9%	72.6%	37.0%					
84 months		46.8%	37.2%	116.0%	67.3%						
96 months		46.5%	37.2%	115.4%							
108 months		46.5%	37.0%								
120 months		46.5%									

Notes to the syndicate annual accounts *continued*

14 Technical provisions *continued*

Net ultimate claims	2007 ae %	2008 %	2009 %	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	
Specialty lines												
12 months		70.3%	69.1%	70.8%	72.4%	71.7%	71.0%	67.4%	65.4%	64.7%	63.2%	
24 months		70.2%	69.0%	70.5%	72.4%	71.2%	70.3%	67.5%	65.2%	64.3%		
36 months		70.1%	68.4%	70.0%	72.2%	69.0%	69.5%	63.6%	63.8%			
48 months		68.7%	65.8%	70.3%	70.6%	63.5%	63.1%	59.4%				
60 months		68.5%	66.0%	69.3%	71.3%	62.1%	59.5%					
72 months		68.3%	65.5%	70.8%	70.2%	61.8%						
84 months		68.4%	66.3%	70.6%	69.2%							
96 months		70.7%	66.1%	67.7%								
108 months		70.5%	65.3%									
120 months		69.8%										
Total												
12 months		66.2%	60.7%	64.3%	67.1%	64.1%	62.2%	60.7%	60.3%	61.0%	67.8%	
24 months		67.0%	56.3%	68.7%	63.3%	57.3%	59.8%	55.4%	55.9%	60.9%		
36 months		64.5%	52.8%	65.8%	59.4%	52.3%	56.6%	51.1%	52.5%			
48 months		63.3%	50.2%	63.0%	56.4%	48.3%	53.0%	49.4%				
60 months		61.9%	49.3%	62.8%	56.1%	47.2%	51.1%					
72 months		60.7%	48.8%	62.4%	54.6%	46.8%						
84 months		59.9%	48.8%	62.4%	53.4%							
96 months		60.7%	48.5%	60.9%								
108 months		60.6%	48.1%									
120 months		60.7%										
Net claims liabilities (Beazley managed level) ($m)	152.0	104.9	101.3	98.2	112.7	144.5	240.0	339.3	589.7	883.2	707.7	3,473.5
Less non 623 share ($m)	(123.4)	(88.9)	(84.5)	(79.5)	(91.9)	(117.0)	(200.1)	(285.5)	(498.2)	(750.7)	(595.7)	(2,915.4)
Net claims liabilities, 623 share ($m)	28.6	16.0	16.8	18.7	20.8	27.5	39.9	53.8	91.5	132.5	112.0	558.1

15 Other creditors

	2017 $m	2016 $m
Amount due to syndicate 2623	–	48.7
Amount due to syndicate 6107	4.6	8.2
Amount due to syndicate 6050	2.4	2.1
Profit commissions	10.1	14.3
Net amount due to other related entities	103.7	20.8
	120.8	**94.1**

Profit commissions payable include $10.1 m (2016: $14.3m) which are due to be paid after more than one year. The remainder of the creditor balances shown are payable within one year.

16 Related parties transactions

Beazley Furlonge Limited, the managing agency of syndicate 623, is a wholly-owned subsidiary of Beazley plc. The directors of Beazley plc have participated in syndicate 623 indirectly through Beazley Staff Underwriting Limited. Details of the participations are disclosed in the managing agent's report on page 16.

The directors of Beazley Furlonge Limited have shareholdings in Beazley plc which provides the capacity for syndicates 2623, 3622 and 3623. Syndicate 623 has capacity in 2017 of £304.5m, as previously disclosed, and writes in parallel with syndicate 2623. Beneficial shareholdings are shown below.

	Shareholding of Beazley plc as at 31 December 2017	Shareholding of Beazley plc as at 31 December 2016
D Holt	50,000	50,000
M R Bernacki	213,659	173,983
G P Blunden	45,000	50,000
M L Bride	313,365	316,711
A P Cox	626,947	752,705
A Crawford-Ingle	34,207	34,207
N H Furlonge	655,584	655,584
D A Horton	1,712,966	1,708,612
N P Maidment	2,917,188	2,912,834
R Stuchbery	53,000	53,000
D L Roberts (appointed 20/10/2017)	41,300	–
C A Washbourn	465,700	461,346
K W Wilkins	14,000	14,000

Beazley plc has the following service companies (managing general agents) underwriting on behalf of the syndicate:
- Beazley Solutions Limited – (UK & Europe);
- Beazley Leviathan Limited – (UK & Europe);
- Beazley USA Services, Inc. – (USA);
- Beazley Canada Limited – (Canada);
- Beazley Middle East Limited – (UAE);
- Beazley Limited – (Hong Kong); and
- Beazley Pte Limited – (Singapore).

All of the above companies are coverholders for syndicates 623 and 2623 ('the syndicates').

The syndicates are charged commissions for the type of business underwritten by these companies. The commission is based on the costs incurred by these service companies in generating the business on behalf of the syndicates. As Beazley plc owns 100% of the share capital, it could receive profits from these entities in the future from the business underwritten by the names on syndicate 623.

The syndicate is charged fees from Beazley Management Limited in respect of management services provided. Both Beazley Management Limited and Beazley Furlonge Limited, the managing agent of syndicate 623 are ultimately controlled by Beazley plc.

Notes to the syndicate annual accounts *continued*

16 Related parties transactions *continued*

Since 2010, syndicate 623 ceded part of the international reinsurance account to a special purpose syndicate 6107. In 2015, the syndicates entered into a quota share reinsurance agreement with another special purpose syndicate 6050. Both syndicates 6050 and 6107 are managed by Beazley Furlonge Limited and commissions are received by the syndicates in respect of these transactions. During 2017, syndicate 623 entered into a commutation agreement with syndicate 6050 on the 2015 year of account contract.

Beazley has a 25% equity interest in Falcon Money Management Holdings Limited (Falcon), an asset management company, who, up until 10 October 2014, was investment manager on behalf of syndicate 623. During this period, Falcon charged fees at a market rate for the type of assets managed. Subsequent to 10 October 2014, Beazley Furlonge Limited were the appointed investment manager.

Profit related remuneration for syndicate 623's underwriting staff is charged to the syndicate.

At the balance sheet date, the syndicate has amounts due to managing agent of $0.4m (2016: $8.8m). In addition to this amount, the syndicate is also carrying a profit commission payable to the managing agent of $10.1m (2016: $14.3m).

The managing agent recharged expenses and fees of $52.2m (2016: $52.7m) to the syndicate in the current year.

17 Post balance sheet events

Members' funds

The following amounts are proposed to be transferred to members' personal reserve funds. The figures stated are after the deduction of members agent's fees incurred.

	2017 $m	2016 $m
2014 Year of account	–	57.4
2015 Year of account	47.5	–
	47.5	**57.4**

2015 year of account for syndicate 623

Managing agent's report

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Lloyd's Regulations') and in accordance with the Syndicate Accounting Byelaw (No.9 of 2005), including Financial Reporting Standard 102 (FRS 102) and 103 Insurance Contracts (FRS 103).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2015 year of account which has been closed by reinsurance to close at 31 December 2017; consequently the balance sheet represents the assets and liabilities of the 2015 year of account and the profit and loss account reflect the transactions for that year of account during the 36 months period until closure.

Directors

A list of directors of the managing agent who held office during the current year can be found on page 65 of the syndicate annual accounts.

Disclosure of information to the auditor

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

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M L Bride
Finance director

15 March 2018

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

The directors of the managing agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

M L Bride
Finance director

15 March 2018

Independent auditor's report to the members of syndicate 623

2015 closed year of account

Opinion

We have audited the Syndicate underwriting year accounts for the 2015 year of account of Syndicate 0623 for the three year period ended 31 December 2017, which comprise the Profit or loss account, Balance sheet, Cash flow statement, Statement of changes in members' balances and related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, as modified by the Insurance Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) and the Lloyd's Syndicate Accounting Byelaw.

This report is made solely to the Syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate'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 Syndicate and the Syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors of the managing agent and auditor

As explained more fully in the statement of the directors of the managing agent's responsibilities set out on page 53, the directors of the Managing Agent are responsible for the preparation of the underwriting year accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express and opinion on, the underwriting year accounts in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the underwriting year of accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on underwriting year accounts

In our opinion the underwriting year accounts:
- give a true and fair view of the syndicate's profit for the 2015 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:
- adequate and proper accounting records have not been kept by the directors of the managing agent on behalf of the syndicate; or
- the underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RThakrar

Rajan Thakrar (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London

15 March 2018

Profit or loss account

2015 year of account for the 36 months ended 31 December 2017

	Notes	2015 year of account $m
Gross premiums written	2	375.4
Outward reinsurance premiums		(67.6)
Earned premiums, net of reinsurance	2	**307.8**
Allocated investment return transferred from the non-technical account		13.4
Reinsurance to close premiums received, net of reinsurance	3	312.2
		325.6
Gross claims paid		(176.8)
Reinsurers' share		30.9
Claims incurred, net of reinsurance		**(145.9)**
Reinsurance to close premiums payable, net of reinsurance	4	(304.9)
		(450.8)
Net operating expenses	6	(123.4)
Balance on the technical account	2	**59.2**
Investment income		14.6
Investment expenses and charges	7	(1.2)
		13.4
Allocated investment return transferred to the technical account		(13.4)
Other charges		(8.6)
Loss on foreign exchange		(3.1)
Profit for the 2015 closed year of account	5	**47.5**
Syndicate allocated capacity (£m)		230.3
Profit for the 2015 closed year of account (£m)		35.7
Return on capacity		15.5%

There are no recognised gains or losses in the accounting period other than those dealt with within the technical account above.

Balance sheet
closed at 31 December 2017

	Notes	2015 year of account $m
Assets		
Financial assets at fair value	8	322.8
Debtors	9	83.3
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	4	104.5
Prepayments and accrued income		1.5
Cash at bank and in hand		13.5
Total assets		**525.6**
Liabilities		
Amounts due to members	10	47.5
Reinsurance to close premium payable to close the account – gross amount	4	413.4
Creditors	11	63.9
Accruals and deferred income		0.8
Total liabilities		**525.6**

The underwriting year accounts on pages 55 to 63 were approved by the board of directors on 15 March 2018 and were signed on its behalf by:

N P Maidment
Active underwriter

M L Bride
Finance director

Cash flow statement

2015 year of account for the 36 months ended 31 December 2017

	2015 year of account $m
Reconciliation of profit for the financial year to net cash inflow from operating activities	
Profit for the financial year	47.5
Increase in gross reinsurance to close payable	413.4
Increase in reinsurers' share of reinsurance to close	(104.5)
Increase in debtors	(83.3)
Increase in creditors	63.9
Increase in prepayments	(1.5)
Increase in accruals	0.8
Investment return	(13.4)
Net cash flows from operating activities	**322.9**
Net purchase of financial instruments	(317.9)
Cash received from investment income	8.5
Net cash from investing activities	**(309.4)**
Transfer to members in respect of underwriting participations	–
Net cash from financing activities	**–**
Net increase in cash and cash equivalents	**13.5**
Cash and cash equivalents at 1 January 2015	–
Cash and cash equivalents at 31 December 2017	**13.5**

Statement of changes in members' balances

for the 36 months ended 31 December 2017

	2015 year of account $m
Profit for the 2015 closed year of account	47.5
Amounts due to members at 31 December 2017	**47.5**

Members participate on syndicates by reference to years of account 'YOA' and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

Notes to the syndicate underwriting year accounts

1 Accounting policies

Basis of preparation

These syndicate underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102) and Insurance Contracts 103 (FRS 103).

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2015 year of account which closed on 31 December 2017. The accumulated profits of the 2015 year of account will be distributed shortly after publication of these accounts. Therefore the 2015 year of account is not continuing to trade and, accordingly, the directors have not adopted the going concern basis in the preparation of these accounts. The amounts reported would be identical if the accounts had been prepared on a going concern basis as the 2015 year of account will be closed by payment of a reinsurance to close premium, as outlined in note (a) below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

The principal accounting policies applied in the preparation of these syndicate underwriting year accounts are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in millions, unless noted otherwise.

Underwriting transactions

a) The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

b) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums in respect of reinsurance ceded are attributed to the same year as the original risk being protected. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the syndicate year of account.

c) Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

d) A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

e) The reinsurance to close premium is determined by reference to outstanding liabilities, including claims incurred but not yet reported, relating to the closed year and to all previous closed years reinsured therein. Although the estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium includes a provision for unearned premiums and unexpired risks at the balance sheet date, net of deferred acquisition costs.

Comparatives

f) Comparatives are not provided in these accounts as each syndicate year of account is a separate annual venture.

Notes to the syndicate underwriting year accounts continued

1 Accounting policies continued

Investment return

g) The gross investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

h) The investment return is wholly allocated to the technical account.

i) Investments are valued at market value at the balance sheet date. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date.

Syndicate operating expenses

j) Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

k) Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned as follows:

- salaries and related costs – according to the staff time spent on dealing with syndicate matters;
- accommodation costs – proportioned based on the overall staff costs allocation above; and
- other costs – as appropriate in each case.

Taxation

l) Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with the Inland Revenue.

m) No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Basis of currency translation

n) The syndicate operates in four separate currency funds of sterling, euro, US dollars and Canadian dollars. Items expressed in sterling, euro and Canadian dollars are translated to US dollars at the three years' average rates of exchange ruling at the balance sheet date. The euro, US dollar and Canadian dollar three years' average exchange rates ruling at 31 December 2017 are euro 0.90, sterling 0.72 and Canadian dollar 1.30.

2 Segmental analysis

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

2015 year of account	Marine $m	Political, accident and contingency $m	Property $m	Reinsurance $m	Specialty lines $m	Unallocated $m	Total $m
Gross premiums written	54.4	25.7	75.9	43.4	176.0	–	375.4
Outward reinsurance premiums	(6.3)	(4.6)	(11.3)	(13.3)	(32.1)	–	(67.6)
Net earned premiums	48.1	21.1	64.6	30.1	143.9	–	307.8
Net claims	(19.0)	(8.3)	(25.7)	(6.3)	(79.3)	–	(138.6)
Operating expenses	(21.6)	(10.0)	(28.4)	(10.7)	(52.7)	–	(123.4)
Technical result before investment income	7.5	2.8	10.5	13.1	11.9	–	45.8
Investment income	–	–	–	–	–	13.4	13.4
Balance on technical account	**7.5**	**2.8**	**10.5**	**13.1**	**11.9**	**13.4**	**59.2**
Claims ratio	40%	40%	40%	21%	55%	–	45%
Expense ratio	44%	47%	44%	35%	37%	–	40%
Combined ratio	84%	87%	84%	56%	92%	–	85%

The above teams are classified in Schedule 3 of the Companies Act 2006 as:

- Marine – marine, aviation and transport
- Political, accident and contingency – pecuniary loss
- Property – fire and other damage to property
- Reinsurance – reinsurance
- Specialty lines – third party liability

All business was underwritten in the UK.

3 Reinsurance to close premiums received

	2015 year of account $m
Gross reinsurance to close premiums received	409.8
Reinsurance recoveries anticipated	(97.6)
Reinsurance to close premiums received, from 2014 and earlier, net of reinsurance	**312.2**

4 Reinsurance to close premiums payable

	2015 year of account $m
Gross reinsurance to close premiums payable	407.9
Reinsurance recoveries anticipated	(103.0)
Foreign exchange	4.0
Reinsurance to close premiums payable to 2016, net of reinsurance	**308.9**

	Reported $m	IBNR $m	Total $m
Reinsurance to close premium payable	146.8	266.6	413.4
Reinsurance recoveries anticipated	(33.7)	(70.8)	(104.5)
Reinsurance to close premiums payable, net of reinsurance	**113.1**	**195.8**	**308.9**

Notes to the syndicate underwriting year accounts *continued*

5 Analysis of the 2015 year of account result

	2015 year of account $m
Amount attributable to business allocated to the 2015 year of account	31.8
Surplus on the reinsurance to close for the 2014 year of account	15.7
	47.5

6 Net operating expenses

	2015 year of account $m
Acquisition costs	93.3
Members' standard personal expenses	8.1
Administrative expenses	22.0
	123.4

Administrative expenses include:

Audit services	0.1

7 Investment expenses and charges

	2015 year of account $m
Investment management expenses	1.2

8 Financial assets

Financial assets at fair value	2015 year of account $m
Fixed and floating debt securities	269.5
Equity linked funds	18.0
Hedge funds	33.1
Illiquid credit assets	1.4
Rights under derivative contracts	0.8
	322.8

9 Debtors

	2015 year of account $m
Net amounts due from other related entities	–
Other debtors, including taxation	83.3
	83.3

These balances are due within one year. All insurance debtors relate to business transacted with brokers and intermediaries.

10 Amounts due to members

	2015 year of account $m
Profit for the 2015 closed year of account	47.5
Amounts due to members at 31 December 2017	**47.5**

Amounts are stated after the deduction of members' agents' fees.

11 Creditors

	2015 year of account $m
Profit commission payable	9.5
Net amounts due to other related entities	51.1
Other creditors	3.3
	63.9

The above balances are payable within one year.

12 Related party transactions

Please refer to page 49 for further details of related party transactions for the 2015 year of account.

Seven-year summary of closed year results

at 31 December 2017

	2015	2014	2013	2012	2011	2010	2009
Syndicate allocated capacity – £'000	230,252	242,760	224,698	214,167	214,841	215,724	147,831
Syndicate allocated capacity – $'000	393,730	368,995	352,775	325,533	337,300	323,587	294,184
Capacity utilised	76%	79%	84%	84%	86%	88%	92%
Aggregate net premiums – $'000	230,828	235,380	234,093	204,582	223,392	216,294	194,730
Underwriting profit as a percentage of gross premiums	25.5%	27.9%	23.5%	31.3%	20.3%	14.2%	26.4%
Return on capacity	15.5%	18.6%	10.8%	13.6%	10.3%	6.1%	21.0%
Results for an illustrative £10,000 share							
Gross premiums	12,958	11,957	13,189	13,092	12,805	13,021	21,326
Net premiums	10,025	9,696	10,418	9,909	9,584	10,109	13,614
Reinsurance to close from an earlier account	13,560	13,216	14,561	16,181	16,422	15,920	22,059
Net claims	(6,335)	(5,755)	(6,545)	(6,199)	(7,215)	(7,093)	(7,510)
Reinsurance to close the year of account	(13,242)	(13,106)	(14,576)	(15,698)	(16,021)	(16,339)	(22,526)
Underwriting profit	4,008	4,051	3,858	4,193	2,770	2,597	5,637
(Loss)/profit on foreign exchange	(40)	326	22	(38)	(49)	(5)	128
Syndicate operating expenses	(1,843)	(1,890)	(1,984)	(1,923)	(756)	(1,485)	(2,167)
Balance on technical account	2,125	2,487	1,896	2,232	1,965	1,107	3,598
Gross investment return	582	494	337	528	310	311	546
Profit before personal expenses	2,707	2,981	2,233	2,760	2,275	1,418	4,144
Illustrative personal expenses							
Illustrative personal expenses	(233)	(190)	(214)	(188)	(220)	(222)	(187)
Managing agent's profit commission	(411)	(427)	(383)	(449)	(352)	(208)	(660)
Profit after illustrative profit commission and personal expenses ($)	2,063	2,364	1,636	2,123	1,703	988	3,297
Profit after illustrative profit commission and personal expenses (£)	1,548	1,862	1,083	1,360	1,026	606	2,100

Notes:

1. The illustrative profit commission and personal expenses are estimates of amounts which might be charged on an illustrative share of £10,000. The agency agreements for 1991 and subsequent years of account only provide for the deduction of fees and profit commission on behalf of the managing agent.
2. The effect of any minimum charges on personal expenses or deficit clauses on profit commission have been ignored.
3. Internal claims settlement expenses have been included in 'net claims'.
4. The above figures are stated before members' agents' fees.
5. Profit after illustrative profit commission and personal expenses is shown in dollars and converted to sterling at the closing rate.
6. Gross and net premium amounts shown above are net of brokerage expenses.

Managing agent corporate information

Beazley Furlonge Limited has been the managing agent of syndicate 623 throughout the period covered by this report and the registered office is Plantation Place South, 60 Great Tower Street, London EC3R 5AD.

Directors
D Holt* – chairman
M R Bernacki
G P Blunden*
M L Bride – finance director
A P Cox
A Crawford-Ingle*
N H Furlonge*
D A Horton – chief executive officer
N P Maidment – active underwriter
R Stuchbery*
D L Roberts* (appointed 20/10/2017)
C A Washbourn
K W Wilkins*

* Non-executive director.

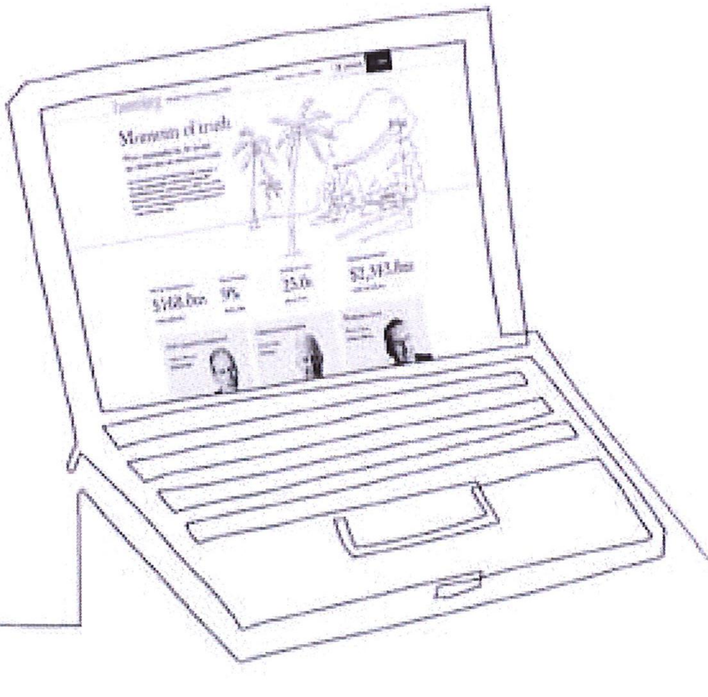
Company secretary
C P Oldridge

Managing agent's registered office
Plantation Place South
60 Great Tower Street
London
EC3R 5AD
United Kingdom

Registered number
01893407

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Banker
Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA



Beazley online annual report and accounts 2017

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Beazley Furlonge Limited
Syndicate 623 at Lloyd's

Plantation Place South
60 Great Tower Street
London
EC3R 5AD
United Kingdom

Phone: +44 (0)20 7667 0623
Fax: +44 (0)20 7674 7100

www.beazley.com