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SYNDICATE 3623

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED
31 DECEMBER 2017

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SYNDICATE 3623
31 DECEMBER 2017

STRATEGIC REPORT OF THE MANAGING AGENT

Overview
Syndicate 3623 ('the syndicate') underwrites personal accident and sports insurance at Lloyd's and reinsurance business ceded from Beazley's US admitted insurance company, Beazley Insurance Company, Inc. ('BICI').

The capacities of the managed syndicates are as follows:

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

The result for syndicate 3623 for the year ended 31 December 2017 is a profit of $34.9m (2016: profit of $15.2m). This profit was primarily driven by the syndicate's reinsurance segment. The life, accident and health business made a loss in the year, driven primarily by Beazley's Australian business. During 2017 the renewal rights to Beazley's Australian accident and health portfolio were sold.

Year of account results
The 2015 year of account declares a return on capacity of 18.8%. The 2016 year of account currently forecasts closing with a return on capacity of 4.0%.

Rating environment
Overall, rates on renewal business were flat in 2017 (2016: flat).

Combined ratio
The combined ratio of an insurance provider is a common measure of its operating performance and represents the ratio of its total costs (excluding foreign exchange movements) to total premium income. The syndicate's combined ratio for 2017 was 90% (2016: 101%).

Claims
The syndicate's overall claims ratio decreased from 62% in the prior year to 50% in 2017.

The syndicate released prior year reserves of $26.5m during 2017 (2016: strengthening of $2.6m).

Net operating expenses
Net operating expenses, including business acquisition costs and administrative expenses were $99.8m (2016: $89.4m). The breakdown of these costs is shown below:

	2017	**2016**
	$m	**$m**
Brokerage costs	91.9	81.6
Other acquisition costs	3.2	2.8
Total acquisition costs	**95.1**	**84.4**
Administrative and other expenses	4.7	5.0
Net operating expenses*	**99.8**	**89.4**

* A break-down of net operating expenses can be seen in note 4.

Brokerage costs as a percentage of net earned premiums are approximately 37% (2016: 36%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines. Other acquisition costs compromise 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, facilities costs, Lloyd's central costs and other support costs. The expense ratio in 2017 is 40% (2016: 39%).

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)

Reinsurance

In 2017, the amount spent on outward reinsurance was $27.7m (2016: $28.1m). Reinsurance is purchased for a number of reasons, including:

- to enable the syndicate to put down large, lead lines on risks we underwrite; and
- to manage capital 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

The 2016YOA is currently forecast to close with a return on capacity of 4%, while the 2017YOA is developing in line with expectation at this early stage.

From the 2018 underwriting year, syndicate 3623 will write facilitised risks through its specialty lines division. Syndicate 3623 will retain 25% of these risks, the other 75% will be underwritten by the newly established syndicate 5623 through a quota share arrangement.

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N P Maidment
Active underwriter

15 March 2018

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.

Principal activities

The principal activities of syndicate 3623 are the transaction of personal accident and sports insurance at Lloyd's and the transaction of reinsurance business with our admitted insurance company, Beazley Insurance Company, Inc. ('BICI').

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 periodically 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.

MANAGING AGENT'S REPORT (CONTINUED)

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. 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.

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.

MANAGING AGENT'S REPORT (CONTINUED)

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.

MANAGING AGENT'S REPORT (CONTINUED)

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 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.

MANAGING AGENT'S REPORT (CONTINUED)

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.

Directors
A list of directors of the managing agent who held office during the year and to the date of this report can be found on page 41.

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

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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

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M L Bride
Finance director

15 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3623

Opinion

We have audited the financial statements of Syndicate 3623 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 10, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3623

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.

R Thakrar

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

SYNDICATE 3623
PROFIT OR LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $m	2016 $m
Gross premiums written	3	281.1	267.8
Outward reinsurance premiums		(27.7)	(28.1)
Net premiums written		253.4	239.7
Change in the gross provision for unearned premiums	12	(8.2)	(9.9)
Change in the provision for unearned premiums, reinsurers' share	12	1.3	(2.1)
Change in the net provision for unearned premiums		(6.9)	(12.0)
Earned premiums, net of reinsurance		246.5	227.7
Allocated investment return transferred from the non-technical account	8	5.4	3.7
Gross claims paid		(76.6)	(156.4)
Reinsurers' share of claims paid		10.9	30.7
Claims paid net of reinsurance		(65.7)	(125.7)
Change in the gross provision for claims	12	(59.1)	(3.4)
Change in the provision for claims, reinsurers' share	12	2.4	(12.0)
Change in the net provision for claims		(56.7)	(15.4)
Claims incurred, net of reinsurance		(122.4)	(141.1)
Net operating expenses	4	(99.8)	(89.4)
Balance on the technical account		29.7	0.9
Investment income	8	7.3	6.2
Investment expenses and charges	8	(0.2)	(0.2)
Realised losses on investments	8	(0.5)	(4.3)
Unrealised (losses)/gains on investments	8	(1.2)	2.0
		5.4	3.7
Allocated investment return transferred to general business technical account		(5.4)	(3.7)
Gain on foreign exchange		5.2	14.3
Profit for the financial year		34.9	15.2

All of the above operations are continuing.

The notes on pages 17 to 40 form part of these financial statements.

SYNDICATE 3623
STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	2017 $m	2016 $m
Profit for the financial year	34.9	15.2
Foreign exchange loss on brought forward reserves	(0.1)	(0.4)
Total comprehensive income in the year	34.8	14.8

SYNDICATE 3623
STATEMENT OF CHANGES IN MEMBER BALANCES
31 DECEMBER 2017

	2017 $m	2016 $m
Member balance brought forward at 1 January	12.2	(7.8)
Profit for the financial year	34.9	15.2
Foreign exchange loss on brought forward reserves	(0.1)	(0.4)
Profit distribution– 2013 year of account	-	5.2
Profit distribution– 2014 year of account	(10.0)	-
Member balance carried forward at 31 December	37.0	12.2

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 17 to 40 form part of these financial statements.

SYNDICATE 3623
BALANCE SHEET
AS AT 31 DECEMBER 2017

ASSETS	Notes	2017 $m	2016 $m
Financial assets at fair value	9	348.5	321.6
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	12	14.1	12.8
Claims outstanding, reinsurers' share	12	59.4	56.8
		73.5	69.6
Debtors			
Debtors arising out of direct insurance operations		48.4	42.8
Debtors arising out of reinsurance operations		108.1	80.1
Other debtors	10	0.1	0.2
		156.6	123.1
Cash at bank and in hand	11	28.6	16.6
Deferred acquisition costs		46.5	42.2
Other prepayments and accrued income		2.1	1.0
TOTAL ASSETS		655.8	574.1
LIABILITIES, CAPITAL AND RESERVES			
Capital and reserves			
Member's balances attributable to underwriting participations		37.0	12.2
Technical provisions			
Provision for unearned premiums	12	138.1	129.1
Claims outstanding	12	385.8	324.8
		523.9	453.9
Creditors			
Creditors arising out of direct insurance operations		9.9	28.7
Creditors arising out of reinsurance operations		27.7	2.2
Other creditors	13	57.3	77.1
		94.9	108.0
TOTAL LIABILITIES, CAPITAL AND RESERVES		655.8	574.1

The notes on pages 17 to 40 form part of these financial statements.

The syndicate annual accounts on pages 13 to 40 were approved by the board of Beazley Furlonge Limited on 15 March 2018 and were signed on its behalf by

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N P Maidment (Active underwriter) **M L Bride** (Finance director)

SYNDICATE 3623
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 $m	2016 $m
RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Profit for the financial year		34.9	15.2
Investment return		(5.4)	(3.7)
Increase in net technical provisions		66.1	20.4
Increase in debtors		(34.6)	(25.8)
(Decrease)/Increase in creditors		(13.1)	11.8
Increase in deferred acquisition costs		(4.3)	(4.1)
Net cash inflow from operating activities		43.6	13.8
Cash received from investment return		6.6	1.7
Net purchase of investments		(29.3)	(43.7)
Net cash from investing activities		(22.7)	(42.0)
Transfer (to)/from member in respect of underwriting participations		(10.0)	5.2
Net cash from financing activities		(10.0)	5.2
Net increase/(decrease) in cash and cash equivalents		10.9	(23.0)
Cash and cash equivalents at the beginning of the year		16.6	40.0
Effect of exchange rate changes on cash and cash equivalents		1.4	(0.4)
Cash and cash equivalents at the end of the year	11	28.9	16.6

The notes on pages 17 to 40 form part of these financial statements.

1. Accounting policies

Basis of preparation
Syndicate 3623 ("the syndicate") comprises a member of the Society of Lloyd's that underwrite insurance business in the London Market. The address of the syndicate's managing agent is given on page 41.

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 which are measured at fair value. The principal accounting policies applied in the preparation of these financial statements 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 financial statements 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 financial statements 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 financial statements 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

1. Accounting policies (continued)

(c) Claims (continued)
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.

(d) Liability adequacy testing
At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of deferred acquisition cost (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').

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

(f) Foreign currencies
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 or 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.

1. Accounting policies (continued)

(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.

(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.

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

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

1. Accounting policies (continued)

(j) Financial instruments (continued)

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 the profit or loss account 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 income statement 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.

(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 intercompany debtor balances 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) 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 assets carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the profit or loss account.

1. Accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

(r) Related party transactions
As the syndicate is wholly owned by Beazley plc, the syndicate has taken advantage of the exemption contained in FRS 102.1 and has therefore not disclosed transactions or balances with other wholly owned entities forming part of the group.

2. Risk management

The syndicate has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below outline the 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.

The annual business plans for each underwriting team reflect the syndicate'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 underwriting committee.

2. Risk management (continued)

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.

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.

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 syndicate to was $61.75m. 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 two operating divisions. The following table provides a breakdown of gross premiums written by division.

	2017	2016
Political, accident and contingency[1]	24%	31%
Reinsurance	76%	69%
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.

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.

2. Risk management (continued)

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. Case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

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

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. 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:

Sensitivity to insurance risk (claims reserves)	**5% increase in claims reserves**		**5% decrease in claims reserves**	
	2017	**2016**	**2017**	**2016**
	$m	**$m**	**$m**	**$m**
Impact on profit and equity	(16.3)	(13.4)	16.3	**13.4**

2. Risk management (continued)

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.

Concentration of insurance risk

	2017	2016
US	85%	76%
Europe	9%	7%
Other	6%	17%
Total	100%	100%

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. 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 US dollars and the presentation currency in which the syndicate reports its results is US dollars. 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 deals in four main currencies: US dollars, sterling, Canadian dollars and euros. Transactions in all currencies are converted to US dollars on initial recognition and revalued at the reporting date. Remaining foreign exchange risk is still actively managed as described below.

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 predominately US dollar denominated. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk. The 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.

2. Risk management (continued)

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	66.2	5.5	8.3	80.0	575.8	655.8
Total liabilities	(53.2)	1.7	7.7	(43.8)	(575.0)	(618.8)
Net assets	**13.0**	**7.2**	**16.0**	**36.2**	**0.8**	**37.0**

31 December 2016	UK £ $m	CAD $ $m	EUR € $m	Subtotal $m	US $ $m	Total $m
Total assets	(28.3)	8.2	22.1	2.0	572.1	574.1
Total liabilities	(41.2)	(2.0)	(9.4)	(52.6)	(509.2)	(561.8)
Net assets	**(69.5)**	**6.2**	**12.7**	**(50.6)**	**62.9**	**12.3**

Sensitivity analysis

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.

Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	Impact on profit for the year ended		Impact on net assets	
	2017 $m	2016 $m	2017 $m	2016 $m
Dollar weakens 30% against other currencies	10.9	(15.2)	10.9	(15.2)
Dollar weakens 20% against other currencies	7.3	(10.1)	7.3	(10.1)
Dollar weakens 10% against other currencies	3.6	(5.1)	3.6	(5.1)
Dollar strengthens 10% against other currencies	(3.6)	5.1	(3.6)	5.1
Dollar strengthens 20% against other currencies	(7.3)	10.1	(7.3)	10.1
Dollar strengthens 30% against other currencies	(10.9)	15.2	(10.9)	15.2

2. Risk management (continued)

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

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

The 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	157.4	69.3	59.9	32.6	29.3	-	-	348.5
Cash at bank and in hand	28.6	-	-	-	-	-	-	28.6
Total	**186.0**	**69.3**	**59.9**	**32.6**	**29.3**	**-**	**-**	**377.1**

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	129.2	69.3	46.7	59.6	16.8	-	-	321.6
Cash at bank and in hand	16.6	-	-	-	-	-	-	16.6
Total	**145.8**	**69.3**	**46.7**	**59.6**	**16.8**	**-**	**-**	**338.2**

2. Risk management (continued)

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 other financial instruments. This will affect reported profits and net assets as indicated in the below table:

Shift in yield (basis points)	Impact on profit for the year 2017 $m	2016 $m	Impact on net assets 2017 $m	2016 $m
50 basis point increase	(2.6)	(2.6)	(2.6)	(2.6)
50 basis point decrease	2.6	2.6	2.6	2.6

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 debt securities. 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 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.

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. 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.

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 and has 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 operates 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. Risk management (continued)

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.

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	289.4	59.1	-	-	-	348.5
Reinsurance debtors	108.1	-	-	-	-	108.1
Reinsurers' share of outstanding claims	59.3	-	-	-	0.1	59.4
Cash at bank and in hand	28.6	-	-	-	-	28.6
Total	**485.4**	**59.1**	**-**	**-**	**0.1**	**544.6**

2. Risk management (continued)

31 December 2016	Tier 1 $m	Tier 2 $m	Tier 3 $m	Tier 4 $m	Unrated $m	Total $m
Financial assets at fair value	285.7	35.9	-	-	-	321.6
Reinsurance debtors	80.1	-	-	-	-	80.1
Reinsurers' share of claims outstanding	56.8	-	-	-	-	56.8
Cash at bank and in hand	16.6	-	-	-	-	16.6
Total	**439.2**	**35.9**	**-**	**-**	**-**	**475.1**

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	Up to 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	2.5	0.5	0.9	-	3.9
Reinsurance assets	(0.1)	-	-	-	(0.1)

31 December 2016	Up to 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	1.4	0.5	1.0	-	2.9
Reinsurance assets	1.7	-	1.8	-	3.5

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 totals $0.8m (2016:$0.8m). No other financial assets held at year end were impaired.

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.

2. Risk management (continued)

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

Maturity

31 December 2017

	0-1 year $m	1-3 years $m	3-5 years $m	>5 yrs $m	Total $m
Fixed and floating rate debt securities	110.6	152.6	85.3	-	348.5
Cash at bank and in hand	28.6	-	-	-	28.6
Debtors	156.6	-	-	-	156.6
Creditors	(94.9)	-	-	-	(94.9)
Total	**200.9**	**152.6**	**85.3**	**-**	**438.8**

31 December 2016

	0-1 year $m	1-3 years $m	3-5 years $m	>5 yrs $m	Total $m
Fixed and floating rate debt securities	74.3	132.7	114.6	-	321.6
Cash at bank and in hand	16.6	-	-	-	16.6
Debtors	123.1	-	-	-	123.1
Creditors	(108.0)	-	-	-	(108.0)
Total	**106.0**	**132.7**	**114.6**	**-**	**353.3**

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 organizational 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.

2.9 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.

2. Risk management (continued)

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 3623 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 operate 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 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 2016 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.

3. Segmental analysis

2017	Political, accident & contingency $m	Reinsurance $m	Unallocated $m	Total $m
Gross premiums written	66.5	214.6	-	281.1
Net premiums written	64.9	188.5	-	253.4
Gross earned premiums	72.4	200.5	-	272.9
Outward reinsurance premiums earned	(1.2)	(25.2)	-	(26.4)
Earned premiums, net of reinsurance	71.2	175.3	-	246.5
Gross claims	(43.4)	(92.3)	-	(135.7)
Reinsurers share	0.2	13.1	-	13.3
Claims incurred, net of reinsurance	(43.2)	(79.2)	-	(122.4)
Operating expenses before foreign exchange	(33.7)	(66.1)	-	(99.8)
Technical result before net investment income and foreign exchange	(5.7)	30.0	-	24.3
Gain on foreign exchange	-	-	5.2	5.2
Net investment income	-	-	5.4	5.4
Profit for financial year	**(5.7)**	**30.0**	**10.6**	**34.9**
Claims ratio	61%	45%	-	50%
Expense ratio	47%	38%	-	40%
Combined ratio	108%	83%	-	90%

The expense ratios shown above are calculated excluding any profit or loss on foreign exchange. The reinsurance segment above includes reinsurance business with Beazley's US admitted insurance company, BICI. BICI writes predominantly specialty lines business.

All business was underwritten in the UK.

3. Segmental analysis (continued)

2016	Life, accident and health $m	Reinsurance $m	Unallocated $m	Total $m
Gross premiums written	83.9	183.9	-	267.8
Net premiums written	76.0	163.7	-	239.7
Gross earned premiums	85.2	172.7	-	257.9
Outward reinsurance premiums earned	(10.3)	(19.9)	-	(30.2)
Earned premiums, net of reinsurance	74.9	152.8	-	227.7
Gross claims	(54.3)	(105.5)	-	(159.8)
Reinsurers share	9.8	8.9	-	18.7
Claims incurred, net of reinsurance	(44.5)	(96.6)	-	(141.1)
Operating expenses before foreign exchange	(40.4)	(49.0)	-	(89.4)
Technical result before net investment income and foreign exchange	(10.0)	7.2	-	(2.8)
Gain on foreign exchange	-	-	14.3	14.3
Net investment income	-	-	3.7	3.7
Profit for financial year	**(10.0)**	**7.2**	**18.0**	**15.2**
Claims ratio	59%	63%	-	62%
Expense ratio	54%	32%	-	39%
Combined ratio	113%	95%	-	101%

The expense ratios shown above are calculated excluding any profit or loss on foreign exchange. The reinsurance segment above includes reinsurance business with our US admitted insurance company, BICI. BICI writes predominantly specialty lines business.

All business was underwritten in the UK.

4. Net operating expenses

	2017 $m	2016 $m
Acquisition costs	99.1	89.4
Change in deferred acquisition costs	(4.0)	(5.0)
Member's standard personal expenses	4.1	3.6
Administrative expenses	2.9	5.9
Overriding commission	(2.3)	(4.5)
	99.8	89.4

Administrative expenses include:

	2017 $'000	2016 $'000
Auditor's remuneration:		
Fees payable to the syndicate's auditor for the audit of these annual accounts	16.7	17.9
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	73.6	64.3

Managing agent fees paid to Beazley Furlonge Limited in respect of services provided to the syndicate amounted to $1.7m (2016: $1.5m).

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	1.9	1.6
Short-term incentive payments	1.2	1.9
Social security costs	0.6	0.2
Pension costs	0.5	0.2
	4.2	3.9

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 3623 and included within net operating expenses:

	2017 $m	2016 $m
Emoluments and fees	0.6	0.8
	0.6	0.8

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 3623 was $96,240 (2016: $156,907).

8. Net investment income

	2017 $m	2016 $m
Interest and dividends on financial investments at fair value through profit or loss	7.3	6.2
Realised losses on financial investments at fair value through profit or loss	(0.5)	(4.3)
Net unrealised fair value (losses)/gains on financial investments at fair value through profit or loss	(1.2)	2.0
Investment income from financial investments	5.6	3.9
Investment management expenses	(0.2)	(0.2)
Total net investment income	5.4	3.7

9. Financial assets and liabilities

	Market value		Cost	
Financial assets at fair value	**2017 $m**	**2016 $m**	**2017 $m**	**2016 $m**
Fixed and floating rate debt securities:				
- Government issued	130.5	92.8	135.2	93.4
- Quasi-government	3.1	4.8	3.1	4.9
- Corporate bonds				
- Investment grade credit	214.9	224.0	224.1	226.5
Total fixed and floating debt securities	348.5	321.6	362.4	324.8
Total financial asset at fair value	**348.5**	**321.6**	**362.4**	**324.8**

9. 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 non-active markets, 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 2. 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 table below analyses financial instruments measured at fair value at 31 December, based on the level in the fair value hierarchy into which the financial instrument is categorised:

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value	**$m**	**$m**	**$m**	**$m**
Fixed and floating rate debt securities:				
- Government issued	130.5	-	-	130.5
- Quasi-government	3.1	-	-	3.1
- Corporate bonds				
- Investment grade credit	-	214.9	-	214.9
Total financial assets at fair value	**133.6**	**214.9**	**-**	**348.5**

9. Financial assets and liabilities (continued)

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value	**$m**	**$m**	**$m**	**$m**
Fixed and floating rate debt securities:				
- Government issued	92.8	-	-	92.8
- Quasi-government	4.8	-	-	4.8
- Corporate bonds				
- Investment grade credit	-	224.0	-	224.0
Total financial assets at fair value	**97.6**	**224.0**	**-**	**321.6**

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.

10. Other debtors

	2017	**2016**
	$m	**$m**
Amount due from 2623	-	0.1
Sundry debtors	0.1	0.1
Total other debtors	0.1	0.2

The above amounts are due within one year.

11. Cash and cash equivalent

	2017	**2016**
	$m	**$m**
Cash at bank and in hand	28.6	16.6
Short term deposits	0.3	-
Total cash and cash equivalents	28.9	16.6

12. Technical provisions

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2017	129.1	324.8
Movement in the provision	8.2	59.1
Exchange adjustments	0.8	1.9
As at 31 December 2017	138.1	385.8
Reinsurers' share of technical provisions		
As at 1 January 2017	12.8	56.8
Movement in the provision	1.3	2.4
Exchange adjustments	-	0.2
As at 31 December 2017	14.1	59.4
Net technical provisions		
As at 1 January 2017	116.3	268.0
As at 31 December 2017	124.0	326.4

	Provision for unearned premium $m	Claims outstanding $m
Gross technical provisions		
As at 1 January 2016	122.2	327.6
Movement in the provision	9.9	3.4
Exchange adjustments	(3.0)	(6.2)
As at 31 December 2016	129.1	324.8
Reinsurers' share of technical provisions		
As at 1 January 2016	15.1	70.8
Movement in the provision	(2.1)	(12.0)
Exchange adjustments	(0.2)	(2.0)
As at 31 December 2016	12.8	56.8
Net technical provisions		
As at 1 January 2016	107.1	256.8
As at 31 December 2016	116.3	268.0

12. Technical provisions (continued)

Gross Claims Development

	2010 ae	2011	2012	2013	2014	2015	2016	2017	Total
	%	%	%	%	%	%	%	%	
12 months		65.9	58.8	59.8	60.0	60.5	58.8	57.0	
24 months		64.0	64.6	59.9	60.5	63.3	61.0		
36 months		65.4	63.2	59.9	66.2	56.3			
48 months		60.6	75.6	62.1	68.1				
60 months		56.1	70.3	58.5					
72 months		51.3	68.5						
84 months		50.4							
Gross claims liabilities (Beazley managed level)	**706.8**	**134.1**	**160.4**	**298.0**	**428.6**	**784.8**	**1,146.4**	**1,003.4**	**4,662.5**
Less non 3623 share	(696.2)	(124.6)	(150.1)	(270.1)	(370.9)	(706.2)	(1,021.3)	(937.3)	(4,276.7)
Gross claims liabilities (3623 share)	**10.6**	**9.5**	**10.3**	**27.9**	**57.7**	**78.6**	**125.1**	**66.1**	**385.8**

Net Claims Development

	2010 ae	2011	2012	2013	2014	2015	2016	2017	Total
	%	%	%	%	%	%	%	%	
12 months		63.1	56.5	58.1	56.8	57.0	57.8	56.7	
24 months		62.7	60.2	58.5	57.8	59.4	60.0		
36 months		65.3	59.7	58.3	63.2	52.3			
48 months		59.7	64.4	59.3	63.3				
60 months		57.8	61.0	55.6					
72 months		55.2	58.0						
84 months		54.2							
Net claims liabilities (Beazley managed level)	**456.5**	**112.7**	**144.5**	**240.0**	**339.3**	**589.7**	**883.2**	**707.7**	**3,473.6**
Less non 3623 share	(445.8)	(104.8)	(136.3)	(217.0)	(291.7)	(527.8)	(774.7)	(649.1)	(3,147.2)
Net claims liabilities (3623 share)	**10.7**	**7.9**	**8.2**	**23.0**	**47.6**	**61.9**	**108.5**	**58.6**	**326.4**

13. Other creditors

	2017	**2016**
	$m	**$m**
Net amount due to other group undertakings	57.3	77.1
Total other creditors	57.3	77.1

The above balances are payable within one year.

14. Post balance sheet events

The following amounts are proposed to be transferred to member's personal reserve funds.

	2017 $m	2016 $m
2014 Year of account	-	10.0
2015 Year of account	37.5	-
	37.5	10.0

SYNDICATE 3623
MANAGING AGENT CORPORATE INFORMATION
YEAR ENDED 31 DECEMBER 2017

Beazley Furlonge Limited has been the managing agent of syndicate 3623 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.

Secretary
C P Oldridge

Managing agent's Registered office
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Registered Number
01893407

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