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SYNDICATE 3622
ANNUAL REPORT AND ACCOUNTS
YEAR ENDED
31 DECEMBER 2019

SYNDICATE 3622
31 DECEMBER 2019

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SYNDICATE 3622

31 DECEMBER 2019

STRATEGIC REPORT OF THE MANAGING AGENT

Overview

Syndicate 3622 (the 'syndicate') underwrites life insurance and reinsurance at Lloyd's.

The capacities of the syndicates managed by Beazley Furlonge Ltd are as follows:

Syndicate Number	Capacity 2019	Capacity 2018
2623	£1,624.0m	£1,554.0m
623	£366.2m	£351.0m
3623	£69.3m	£213.0m
6107	£67.6m	£55.1m
3622	£25.0m	£23.0m
5623	£63.1m	£22.5m
6050	-	-

The result for syndicate 3622 for the year ended 31 December 2019 is a profit of £904.8k (2018: £2,091.9k).

Year of account results

The 2017 year of account declares a return on capacity of 4.8%. The 2018 year of account currently forecasts closing with a loss on capacity of 14.0%.

Rating environment

Overall rates on renewal business increased by 3% in 2019 (2018: 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 net earned premium. The syndicate's combined ratio for 2019 was 95% (2018: 89%).

Claims

The claims ratio of an insurance provider is a measure of the claims experience and represents the ratio of its net insurance claims to net earned premium. The claims ratio has increased to 62% (2018: 54%).

Net operating expenses

Net operating expenses, including business acquisition costs and administrative expenses, were £7,475.9k (2018: £5,759.7k). The expense ratio of an insurance provider is a measure of the net operating expenses to net earned premium. The expense ratio for 2019 is 33% (2018: 35%). The breakdown of these costs is shown below:

	2019	2018
	£'000	£'000
Brokerage costs	4,344.3	3,737.9
Other acquisition costs	806.5	770.7
Total acquisition costs	5,150.8	4,508.6
Administrative and other expenses	2,325.1	1,251.1
Net operating expenses*	7,475.9	5,759.7

* A further breakdown of net operating expenses can be found in note 4.

Brokerage costs as a percentage of net earned premiums are approximately 19% (2018: 23%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines. Other acquisition costs comprise costs that have been identified as being directly related to underwriting activity (e.g. underwriters' salaries and Lloyd's box rental). These costs are also deferred in line with premium earning patterns. Administrative expenses comprise primarily IT costs, facilities costs, Lloyd's central costs and other support costs.

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STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)

Reinsurance

In 2019, the amount spent on outward reinsurance was £1,172.9k (2018: £923.8k). 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

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 2018 year of account currently forecasts closing with a loss on capacity of 14.0%, which is predominantly due to the impact of an adverse underwriting event. This event has been reserved for on a prudent basis. In preparation for the UK's exit from the EU, Lloyd's set up a new platform in Brussels in January 2019 to write products in Europe. The Brussels platform is not licensed to write life business and as a result the syndicate entered into a partnership agreement that enabled it to write European Economic Area ('EEA') life business during 2019. This has contributed to the increase in life direct business in 2019. Further growth in the life direct book is expected in 2020.

.....
A P Cox
Active underwriter

2 March 2020

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MANAGING AGENT'S REPORT

The managing agent presents its report for the year ended 31 December 2019.

This annual report is 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 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

Principal activities

The principal activity of syndicate 3622 is the transaction of life business at Lloyd's.

Business review

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

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.

2019 in review

Last year we focused on the impact of external and internal change on Beazley plc (the 'group') and this change has continued into 2019.

Governance

In 2019, there were a number of changes to the membership of the Beazley plc executive committee, which resulted in changes to risk owners. Risk owners, a key role within the risk management framework, are senior members of staff responsible for identifying and managing risk in their areas of responsibility. The risk management function has worked with the new risk owners to explain their role and ensure that nothing has been missed or lost during the transition. Having new risk owners has created an opportunity to take a fresh look at the risks inherent within a function and reassess and enhance the control environment.

The chief risk officer of the managing agent has taken over as chairman of the risk and regulatory committee, which is the executive level committee with oversight of how the business is managing risk. This evolution enables the committee to operate as an effective second line of defence committee to monitor and challenge risk owners as they undertake their risk responsibilities. The change has also meant that senior risk managers now attend the committee, which has improved the discussion as a result of their detailed knowledge of the areas of the risk register they focus on.

With the change in chief underwriting officer the managing agent has taken the opportunity to split the underwriting committee into two separate committees. The underwriting committee will continue to be chaired by the chief underwriting officer and will focus on developing and delivering the business plan. The newly formed underwriting governance committee is chaired by the chief risk officer and will focus on oversight of the quality of the information used by the underwriting committee. The benefits created from this split are having the most appropriate people present at each committee and having sufficient time to focus on the relevant topics. The chief underwriting officer and chief risk officer are present at both committees, which provides a conduit of information between both committees.

The exposure management function now reports to the chief risk officer. Whilst the identification and management of aggregated exposure remains the responsibility of the underwriting teams and the chief underwriting officer remains the risk owner, the change in reporting line means that the exposure management team can move to more of an oversight role and challenge the underwriting teams to ensure that the methods and assumptions used to manage exposure remains appropriate. A further enhancement has been to split the exposure management committee into a committee that focusses on natural catastrophes and a committee that focuses on man-made catastrophes such as cyber. Again, this split means that we have the most appropriate people involved in oversight of these key risks as both areas require a different skill set and we ensure that we commit an appropriate amount of time so that one risk area does not monopolise time to the detriment of the other.

The experience of operating these new governance structures for the majority of 2019, has already demonstrated the value of having made these changes.

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MANAGING AGENT'S REPORT (continued)

Culture

Every two years, the managing agent commissions a comprehensive staff engagement survey and this was undertaken in 2019. The results of this survey, coupled with leadership scores, are a useful guide for the risk management function to understand how the risk culture is evolving at the managing agent. It has been observed that the completion rate remains high at 83% and the level of engagement is 70%, which is on the boundary of top quartile companies and is at a relatively similar level from the survey in 2017. The survey also evidences a strong and open risk culture with consistency across most of our offices. Any deviation by function or office is a valuable risk metric which the risk function use to scope their work in order to provide assurance to the board.

The chief risk officer has taken on the executive sponsorship of the newly formed mental wellbeing and mental health initiative. Mental wellbeing is about educating the organisation on how to take care of themselves, since our people are our most important asset. Sleep deprivation and stress are two issues which can reduce the effectiveness of a workforce and their effects can be particularly dangerous because they are not always visible like a physical condition. Mental health is about providing a support network for situations where a mental health incident has occurred. This initiative has the secondary benefit of helping to support the risk culture at the managing agent.

In 2019, a number of new ways of working were introduced at the managing agent. Activity based working provides members of staff with different work spaces that are more conducive to the activity being undertaken, from a quiet room for high focussed activity such as reading and reviewing to a collaborate space for group discussion, innovation and brainstorming. Remote working means that advances in technology allows our staff to continue to work seamlessly when away from their offices. This reduces the need to rearrange meetings which would have caused a delay and reduces the risk that a meeting does not include an important participant. Finally, a number of change programmes are now being undertaken using an agile approach. This simply means that a cross functional team is formed to deliver change using a shared vision from the outset rather than one function delivering on behalf of another function. The core team meet on a more frequent basis so that activity is undertaken and overseen more regularly and any issues or decisions can be considered and made by all stakeholder in a timely manner, thereby increasing the likelihood of a successful outcome.

Whilst new ways of working can create risk, the assessment is that these changes are actually reducing operational risk.

Emerging and strategic risks

The emerging and strategic risk analysis helped identify the need for two of the current strategic initiatives. The Beazley Digital strategic initiative is working out how we underwrite and process our simpler risks better. The Faster, Smarter Underwriting strategic initiative is working out how we provide underwriters with data and analytics to help them better underwrite our complex risks. Both initiatives are creating opportunities for the managing agent to work in new ways, develop new skill sets and harness new technology. Whilst they fundamentally improve profitability, they also reduce insurance and operational risk.

Brexit

Despite the uncertainty during 2019, a cross functional working group has prepared the syndicate for the worst case scenario of a hard Brexit, which is where the UK leaves the EU without agreements after the transition period. The Lloyd's Brussels platform, which has been operating successfully since 1 January 2019, offers European clients the option to continue transacting on the Lloyd's market, however it is not licensed to write life business. As a result, European business that the syndicate previously would have written through the Lloyd's of London market, can now be written through a partnership arrangement entered into by the syndicate. As such, the syndicate has successfully navigated the key risks of a potential hard Brexit and remains prepared for whatever the Brexit outcome may be.

Climate change

The syndicate continues to monitor the impact and risks of climate change on its insurance portfolio and investment portfolio. The group has been undertaking initial stress tests of physical and transitional risks on behalf of the managing agent of the syndicates. This exercise is in the process of being extended out across individual classes of business to better understand the physical, transition and liability risks and assess how the insurance and investment portfolios should change over time.

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MANAGING AGENT'S REPORT (CONTINUED)

Conclusion

Dealing with change can create debilitating inertia for a company and significantly increase risk or it can create the catalyst for improvement and ultimately reduce risk. The managing agents assessment is that the syndicate is harnessing the opportunities created by change.

The latest chief risk officer report to the board 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 2019.

Risk management philosophy

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

Risk management strategy

The Beazley Furlonge Limited board has delegated executive oversight of the risk management department to the executive committee, which in turn has delegated immediate oversight to the risk and regulatory committee. The 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 management framework document. The residual financial impact is managed in a number of ways, including:

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

In addition, the following 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;
- risk management 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

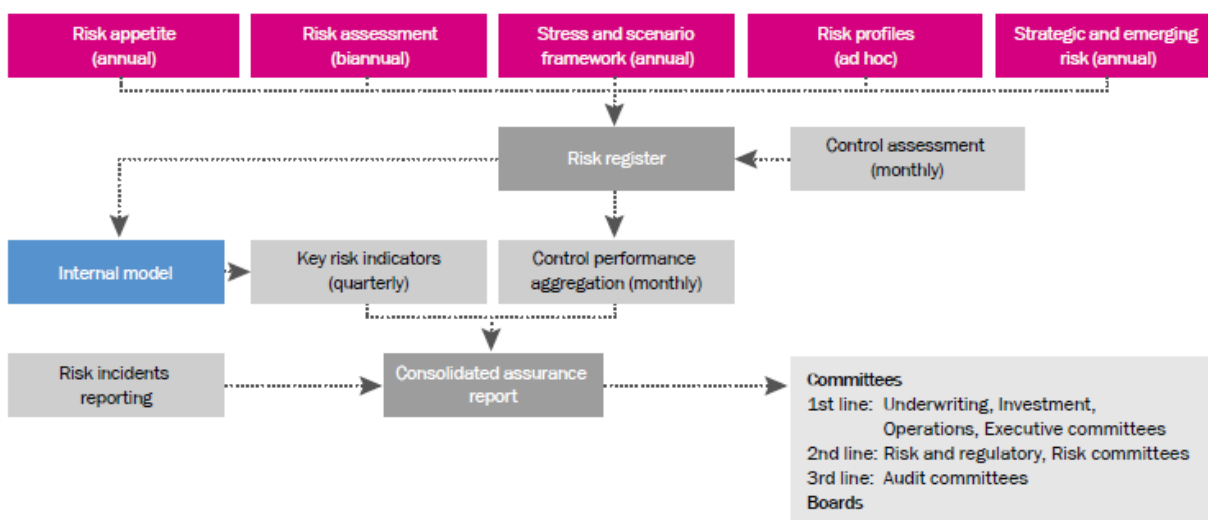
The managing agent takes an enterprise-wide approach to managing risk following the syndicate's risk management framework. The framework establishes our approach to identifying, measuring, mitigating and monitoring the syndicate's key risks. The managing agent has adopted the 'three lines of defence'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

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MANAGING AGENT’S REPORT (CONTINUED)

<i>Business risk management</i> <i>Risk ownership</i>	<i>Risk management</i> <i>Risk oversight</i>	<i>Internal audit</i> <i>Risk assurance</i>
<ul style="list-style-type: none"> – Identifies risk – Assesses risk – Mitigates risk – Monitors risk – Records status – Remediates when required 	<ul style="list-style-type: none"> – Are risks being identified? – Are controls operating effectively? – Are controls being signed off? – Reports to committees and board 	<ul style="list-style-type: none"> – Independently tests control design – Independently tests control operation – Reports to committees and board

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 (50 risk events grouped into eight risk categories: insurance, market, credit, liquidity, operational, regulatory and legal, group and strategic), the risk appetite set by the board, and the control environment that is operated by the business to remain within the risk appetite which is signed-off by control reporters.



The diagram above illustrates the components of the risk management framework as operated across the Beazley Group.

In summary, the board of the managing agent 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 risk management report. For each risk, the risk management report brings together a view of how successfully the business is managing risk, qualitative commentary from the assurance functions and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually evaluated and where appropriate improved, through the consideration of stress and scenario testing, themed reviews using risk profiles and an assessment of strategic and emerging risks. There were no material changes made during 2019.

A suite of risk management reports are provided to the boards and committees to assist senior management and board members to discharge their oversight and decision making responsibilities. The risk reports include the risk appetite statement, the risk management report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the 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.

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MANAGING AGENT'S REPORT (CONTINUED)

The risks to financial performance

The board of the managing agent monitors and manages risks grouped into eight categories, which cover the universe of risk that could affect the syndicate. 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:

- **Reserve risk:** The syndicate has a consistent reserving philosophy. However, there is a risk that the reserves put aside for expected losses turn out to be insufficient. This could be due to any of the three drivers of risk described above. The managing agent uses 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.
- **Single risk losses:** Given the size of policy limits offered on each risk and the reinsurance purchased, it is unlikely that the poor performance of one policy will have a material impact on the syndicate's financial performance.

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 syndicate's performance would be affected in the event of making strategic decisions that do not add value. The managing agent on behalf of the syndicate mitigates this risk through the combination of recommendations and challenge from non-executive directors, debate at the Beazley plc executive committee and input from the strategy and performance group (a group of approximately 30+ senior individuals from across different disciplines at Beazley).
- **Environment:** There is a risk that the chosen strategy cannot be executed because of the 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 the whole group is heading in the same direction, or if key external stakeholders are not aware of the syndicate's progress against its strategy.
- **Senior management performance:** There is a risk that senior management could be overstretched or could fail to perform, which would have a detrimental impact on the syndicate's performance. The performance of the senior management team is monitored by the chief executive and talent management team and overseen by the Beazley plc 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. The syndicate expects staff working on their behalf to act honourably by doing the right thing.
- **Flight:** There is a risk that the managing agent could be unable to deliver its strategy due to the loss of key personnel. The syndicate 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.
- **Corporate transaction:** There is a risk that the syndicate could undertake a corporate transaction which did not return the expected value to shareholders. This risk is mitigated through the due diligence performed, the financial structure of transactions and the implementation activity. Under the environmental risk heading, the board identifies and analyses emerging and strategic risk on an annual basis for discussion at the Beazley plc board strategy day in May.

Other risks

- **Market (asset) risk:** This is the risk that the value of investments could be adversely impacted by movements in interest rates, exchange rates, default rates or external market forces. This risk is monitored by the investment committee.
- **Operational risk:** This risk is the failure of people, processes and systems or the impact of an external event on the syndicate's operations, and is monitored by the operations committee. An example would be a cyber attack having a detrimental impact on our operations.

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MANAGING AGENT'S REPORT (CONTINUED)

- **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 might fail to operate in line with the relevant regulatory framework in the territories where it does business. Of the eight risk categories, the board has the lowest tolerance for this risk. This risk is monitored by the risk and regulatory committee.
- **Liquidity risk:** This is the risk that the syndicate might not have sufficient liquid funds following a catastrophic event. The investment committee monitors this risk which, given the nature of the asset portfolio, is currently small.
- **Group risk:** The structure of the group is not complex and so the main group risk is that one group entity might operate to the detriment of another group entity or entities. The board monitors this risk through the reports it receives from each entity.

Anti-bribery and corruption risk

The syndicate also considered anti-bribery and corruption risk across all risk categories. We are 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. This risk includes the risk of bribery and corruption we are exposed to and 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 relevant to this risk include the nature, size and type of transactions, the jurisdiction in which transactions occur, and the degree to which agents or third parties are used during such transactions.

Every employee and individual acting on the syndicate's behalf is responsible for maintaining our reputation. We have 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, we aim to recruit and retain high-calibre employees who carry out their responsibilities honestly, professionally and with integrity. We maintain a number of policies designed to prevent any risk of bribery and corruption, which are communicated to all employees and supplemented with appropriate training.

Climate change risk

The warming of the global climate is recognised as a significant emerging risk due to its widespread potential impact on the global population, environment and economy. As a speciality insurer, various classes of business we underwrite are subject to the affect climate change presents to the risk environment. As part of the underwriting process, we work with our insureds to understand the risks facing their organisation, including applicable climate related risks, to tailor insurance coverages to mitigate the associated financial risks.

The managing agent acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to the syndicate as described below.

- **Pricing risk:** This is the risk that current pricing benchmarks do not adequately consider the prospective impact of climate change resulting in systemic under-pricing of climate exposed risks. The syndicate's business planning process establishes how much exposure in certain classes of business or geographic area we wish to accept. We benefit from a feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk by risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk.
- **Reserve risk:** This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes liability risk unanticipated losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our group actuarial team, claims teams and other members of management the group establishes financial provisions for our ultimate claims liabilities. The syndicate maintains a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process.

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MANAGING AGENT'S REPORT (CONTINUED)

- **Asset risk:** This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The syndicate considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist company in the field of environmental, social and governance research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for the economic scenario generator performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes a consideration of the sustainability of each company with regard to the potential decline in demand in specific sectors.
- **External event risk:** This is the risk that the physical impact of climate related events has a material impact on our own people, processes and systems leading to increased operating costs or the inability to deliver uninterrupted client service. The syndicate has business continuity plans in place to minimise the risk of uninterrupted client service in the event of a disaster.
- **Commercial management risk:** The syndicate aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is relatively limited however we do engage with our employees, vendors and customers in an effort to reduce overall waste and environmental footprint.
- **Credit risk:** As a result of material natural catastrophe events there is a risk that our reinsurance counterparties are unable to pay reinsurance balances due to the syndicate. If the frequency or severity of these events is increased due to climate change this could have a corresponding increase on credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking which considers: financial strength ratings, capital metrics, performance metrics as well as other considerations.
- **Regulatory and legal risk:** Regulators, investors and other stakeholders are becoming increasingly interested in companies' response to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The syndicate regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk.
- **Liquidity risk:** Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented events driven by climate change could erode our ability to pay claims and remain solvent. The group establishes capital at a 1:200 level based on the prevailing business plan.
- **Strategic risk:** This is the risk that our strategy fails to effectively consider climate change resulting in our business planning not adapting fast enough to respond to changes in wider claims trends. This creates a transition risk that our underwriting portfolio might not keep pace with the changes, being heavily exposed to declining industries and failing to capitalise on the opportunities. Our Emerging Risks analysis and business planning process seeks to mitigate this risk through horizon scanning for our longer-tail book, while we are able to be more flexible in responding to events impacting our short tail exposures.

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 37.

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.

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MANAGING AGENT'S REPORT (CONTINUED)

Auditor

Following the audit tender carried out in 2018, Ernst & Young LLP have been appointed as the new external auditor for the 2019 accounting year, as approved by the Beazley Furlonge Ltd board on 24th May 2019. 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 Ernst & Young LLP will therefore continue in office, subject to the requirements of the Lloyd's advance consent regime.

On behalf of the board

.....
C C W Jones
Finance director

2 March 2020

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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 (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their syndicates annual accounts for each financial year. Under that law they have elected to prepare the annual accounts 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 (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts 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 annual accounts;
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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 (Lloyd'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.

On behalf of the board

.....
C C W Jones
Finance director

2 March 2020

SYNDICATE 3622

31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3622

Opinion

We have audited the syndicate annual accounts of syndicate 3622 (the 'syndicate') for the year ended 31 December 2019 which comprise the Profit or Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Member Balances, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- ▶ give a true and fair view of the syndicate's affairs as at 31 December 2019 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors of the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- ▶ the directors of the managing agent have not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

SYNDICATE 3622

31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3622

Other information

The other information comprises the information included in the annual report, set out on pages 3 through 13, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- ▶ the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- ▶ the managing agent in respect of the syndicate has not kept adequate accounting records; or
- ▶ the syndicate annual accounts are not in agreement with the accounting records; or
- ▶ certain disclosures of the managing agents' emoluments specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 13, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

SYNDICATE 3622
31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3622

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Wilson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

2nd March 2020

SYNDICATE 3622
PROFIT OR LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Gross premiums written		25,525.2	18,330.4
Outward reinsurance premiums		(1,172.9)	(923.8)
Net premiums written		24,352.3	17,406.6
Change in the gross provision for unearned premiums	12	(1,995.0)	(1,188.9)
Change in the provision for unearned premiums, reinsurers' share	12	91.0	86.8
Change in the net provision for unearned premiums		(1,904.0)	(1,102.1)
Earned premiums, net of reinsurance		22,448.3	16,304.5
Allocated investment return transferred from the non-technical account	8	13.2	3.4
Gross claims paid		(10,469.7)	(9,287.8)
Reinsurers' share of claims paid		-	-
Claims paid net of reinsurance		(10,469.7)	(9,287.8)
Change in the gross provision for claims	12	(3,775.6)	285.0
Change in the provision for claims, reinsurers' share	12	378.9	258.4
Change in the net provision for claims		(3,396.7)	543.4
Claims incurred, net of reinsurance		(13,866.4)	(8,744.4)
Net operating expenses	4	(7,475.9)	(5,759.7)
Balance on the technical account		1,119.2	1,803.8
Investment income	8	13.2	3.4
Allocated investment return transferred to general business technical account		(13.2)	(3.4)
(Loss) / Profit on foreign exchange		(214.4)	288.1
Profit for the financial year		904.8	2,091.9

All of the above operations are continuing.

The notes on pages 21 to 36 form part of these financial statements.

SYNDICATE 3622
STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Profit for the financial year	904.8	2,091.9
Foreign exchange (loss) on brought forward reserves	-	(136.9)
Total comprehensive income in the year	904.8	1,955.0

SYNDICATE 3622
STATEMENT OF CHANGES IN MEMBER BALANCES
31 DECEMBER 2019

	2019 £'000	2018 £'000
Member balance brought forward at 1 January	(2,626.5)	(4,217.5)
Total comprehensive income for the year	904.8	1,955.0
Payment of loss / (profit) to member personal reserve fund	86.9	(364.0)
Member balance carried forward at 31 December	(1,634.8)	(2,626.5)

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

The notes on pages 21 to 36 form part of these financial statements.

**SYNDICATE 3622
BALANCE SHEET
AS AT 31 DECEMBER 2019**

ASSETS	Notes	2019 £'000	2018 £'000
Financial assets at fair value	9	847.6	543.7
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	12	237.8	152.8
Claims outstanding, reinsurers' share	12	980.6	614.6
		<u>1,218.4</u>	<u>767.4</u>
Debtors			
Debtors arising out of direct insurance operations		11,030.4	7,104.1
Debtors arising out of reinsurance operations		5,490.6	4,320.1
Other debtors	10	13.5	13.7
		<u>16,534.5</u>	<u>11,437.9</u>
Cash at bank and in hand	11	10,916.7	9,486.0
Deferred acquisition costs		2,581.7	2,409.8
Prepayments and accrued income		47.2	30.7
TOTAL ASSETS		<u>32,146.1</u>	<u>24,675.5</u>
LIABILITIES, CAPITAL AND RESERVES			
Capital and reserves			
Member's balances attributable to underwriting participations		(1,634.8)	(2,626.5)
Technical provisions			
Provision for unearned premiums	12	11,806.8	9,899.3
Claims outstanding	12	16,328.2	12,877.6
		<u>28,135.0</u>	<u>22,776.9</u>
Creditors			
Creditors arising out of direct insurance operations		672.5	270.7
Creditors arising out of reinsurance operations		15.0	70.0
Other creditors	13	4,663.5	4,040.7
		<u>5,351.0</u>	<u>4,381.4</u>
Accruals and deferred income		294.9	143.7
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u>32,146.1</u>	<u>24,675.5</u>

The notes on pages 21 to 36 form part of these financial statements.

The syndicate annual accounts on pages 17 to 36 were approved by the board of Beazley Furlonge Limited on 2 March 2020 and were signed on its behalf by

.....
A P Cox
(Active underwriter)

.....
C C W Jones
(Finance director)

**SYNDICATE 3622
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2019**

	<u>Notes</u>	<u>2019 £'000</u>	<u>2018 £'000</u>
RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Total comprehensive income in the year		904.8	1,955.0
Increase in net technical provisions		4,907.1	975.8
(Increase)/decrease in debtors		(5,113.1)	2,412.4
Increase/(decrease) in creditors		1,120.8	(2,843.1)
Increase in deferred acquisition costs		(171.9)	(631.4)
Investment return		(13.2)	(3.4)
Net cash generated from operating activities		<u>1,634.5</u>	<u>1,865.3</u>
Net purchases of investments		(77.0)	(615.7)
Cash received from investment return		13.2	3.4
Net cash generated from investing activities		<u>(63.8)</u>	<u>(612.3)</u>
Transfer to member in respect of underwriting participations		86.9	(364.0)
Net cash from financing activities		<u>86.9</u>	<u>(364.0)</u>
Net increase in cash and cash equivalents		1,657.6	889.0
Cash and cash equivalents at the beginning of the year		9,486.0	8,378.3
Effect of exchange rate changes on cash and cash equivalents		(226.9)	218.7
Cash and cash equivalents at the end of the year	11	<u>10,916.7</u>	<u>9,486.0</u>

The notes on pages 21 to 36 form part of these financial statements.

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

Basis of preparation

Syndicate 3622 comprises a member of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is given on page 37.

These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Regulations'), the 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 syndicate annual accounts are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in sterling being the syndicate's functional currency, and in thousands, unless noted otherwise.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

The most critical estimate included within the syndicate's financial position is the estimate for losses incurred but not reported. The total estimate as at 31 December 2019 is included within claims outstanding in the balance sheet.

Other key estimates contained within the syndicate close process are premium estimates and the earning pattern of recognising premium over the life of the contract. In the syndicate the premium written is initially based on the estimated premium income ('EPI') of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder period. This is done on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. The underwriters adjust their EPI estimates as the year of account matures. As the year of account closes premiums are adjusted to match the actual signed premium. An accrual for estimated future reinstatement premiums is retained. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

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

(a) Premiums

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

(b) Unearned premiums

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

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

(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 actuaries. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

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

(d) Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of DAC and unearned premium reserves. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses 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'). There is currently no 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

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place and where the syndicate considers these to be a reasonable approximation of the transaction rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction.

(g) 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.

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

No provision has been made for any US federal income tax payable on underwriting results or investment earnings.

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

(h) 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.

(i) Pension costs

Beazley Furlonge Limited operates a defined benefit scheme. Pension contributions relating to staff who act on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

(j) 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.

(k) Other debtors

Other debtors are carried at amortised cost less any impairment losses.

(l) Other creditors

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

(m) Cash and cash Equivalents

This consists of cash at bank and in hand and deposits held at call with banks.

(n) 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.

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

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. Insurance risk includes mortality risk in respect of insured policyholders. Reinsurance is used to manage the exposure to this risk. Mortality assumptions are typically based on standard industry and national tables, according to the type of contract written and the geographical area that the policyholder lives, adjusted for the syndicate's own experience. 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.

We manage and model these four elements in the following three categories: attritional claims, large claims and catastrophe events.

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.

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 test 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 2019, the normal maximum line that any one underwriter could commit the syndicate to was \$30m. 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

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

before it can bind risks, and is subject to rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

Operating divisions

The following table provides a breakdown of gross premiums written by underwriting team.

	<u>2019</u>	<u>2018</u>
Life insurance	83%	62%
Life reinsurance	17%	38%
Total	100%	100%

b) Reinsurance risk

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

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

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

c) Claims management risk

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

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

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

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 net claims reserves		5% decrease in net claims reserves	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Impact on profit and equity	(767.4)	(613.2)	767.4	613.2

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 by class of business.

Concentration of insurance risk

	2019	2018
	%	%
Europe*	84	71
Other	16	29
Total	100	100

*Includes UK

2.2 Financial risk

The focus of financial risk management for the syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

2.3 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.

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

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

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

Foreign exchange risk (continued)

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

31 December 2019	US \$ £'000	CAD \$ £'000	EUR € £'000	Subtotal £'000	UK £ £'000	Total £'000
Total assets	13,747.0	382.8	1,402.7	15,532.5	16,613.6	32,146.1
Total liabilities	(11,088.5)	(141.4)	(40.6)	(11,270.5)	(22,510.4)	(33,780.9)
Net assets	2,658.5	241.4	1,362.1	4,262.0	(5,896.8)	(1,634.8)

31 December 2018	US \$ £'000	CAD \$ £'000	EUR € £'000	Subtotal £'000	UK £ £'000	Total £'000
Total assets	11,240.7	214.7	1,753.6	13,209.0	11,466.5	24,675.5
Total liabilities	(8,162.2)	(142.2)	(501.5)	(8,805.9)	(18,496.1)	(27,302.0)
Net assets	3,078.5	72.5	1,252.1	4,403.1	(7,029.6)	(2,626.5)

Sensitivity analysis

Fluctuations in the syndicate's trading currencies against sterling 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 sterling against the value of US dollar, 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 US dollar, Canadian dollar and euro relative to sterling

	Impact on profit for the year ended		Impact on net assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Sterling weakens 30% against other currencies	1,278.6	1,321.0	1,278.6	1,321.0
Sterling weakens 20% against other currencies	852.4	880.6	852.4	880.6
Sterling weakens 10% against other currencies	426.2	440.3	426.2	440.3
Sterling strengthens 10% against other currencies	(426.2)	(440.3)	(426.2)	(440.3)
Sterling strengthens 20% against other currencies	(852.4)	(880.6)	(852.4)	(880.6)
Sterling strengthens 30% against other currencies	(1,278.6)	(1,321.0)	(1,278.6)	(1,321.0)

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 financial assets held by the syndicate at 31 December 2019 and 31 December 2018 had a duration of less than one year.

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

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, will not result in changes in the capital value of deposits held. The impact of movements in interest rates was not material to the fair value of the syndicate's financial assets at 31 December 2019 or 31 December 2018.

Price risk

Financial assets are recognised on the balance sheet at their fair value are not susceptible to losses due to adverse changes in prices. This is referred to as price risk.

Financial assets include fixed term money market deposits, that invest in 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 and foreign exchange.

2.5 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 modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

2.6 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; and
- term deposits 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.

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

Credit risk (continued)

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 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 2019	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Tier 4 £'000	Unrated £'000	Total £'000
Financial assets at fair value	-	-	79.9	-	767.7	847.6
Reinsurance debtors	-	-	-	-	-	-
Reinsurers' share of outstanding claims	980.6	-	-	-	-	980.6
Cash at bank and in hand	-	-	-	-	10,916.7	10,916.7
Total	980.6	-	79.9	-	11,684.4	12,744.9

31 December 2018	Tier 1 £'000	Tier 2 £'000	Tier 3 £'000	Tier 4 £'000	Unrated £'000	Total £'000
Financial assets at fair value	-	-	-	-	543.7	543.7
Reinsurance debtors	4,320.1	-	-	-	-	4,320.1
Reinsurers' share of outstanding claims	401.3	-	-	-	213.3	614.6
Cash at bank and in hand	-	-	-	-	9,486.0	9,486.0
Total	4,721.4	-	-	-	10,243.0	14,964.4

Based on all evidence available, debtors arising out of insurance operations have not been impaired and no impairment provision has been recognised in respect of these assets. No financial assets held at year end were impaired.

The syndicate has no insurance debtors that are past due.

2.7 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.

SYNDICATE 3622

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

2.8 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.

At both 31 December 2019 and 31 December 2018, all amounts included in financial assets, debtors and creditors were expected to have a maturity date of less than one year from the relevant balance sheet date.

2.9 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 business in the UK and Europe, management stretch may make the identification, analysis and control of risks more complex.

On a day-to-day basis, Beazley Furlonge Limited's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately co-ordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the syndicate as a whole.

2.10 Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level respectively, not at syndicate level. Accordingly the capital requirement in respect of syndicate 3622 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 comprises one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ('ECA'). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% (2018: 35%) of the member's SCR to ultimate.

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

2. Risk management (continued)

Capital management (continued)

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

All risks were underwritten in the UK and relate solely to life business.

4. Net operating expenses

	2019	2018
	£'000	£'000
Acquisition costs	5,346.2	5,119.0
Change in deferred acquisition costs	(195.4)	(610.4)
Member's standard personal expenses	331.0	319.1
Administrative expenses	1,994.1	932.0
	<u>7,475.9</u>	<u>5,759.7</u>

Administrative expenses include:

	2019	2018
	£'000	£'000
Auditor's remuneration:		
Fees payable to the syndicate's auditor for the audit of these annual accounts	13.1	17.6
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	56.2	46.9

Managing agent fees paid to Beazley Furlonge Limited in respect of services provided to the syndicate amounted to £160,889 (2018: £127,111).

5. Staff costs

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

	2019	2018
	£'000	£'000
Wages and salaries	994.1	849.6
Short-term incentive payments	413.6	168.9
Social security costs	250.7	190.7
Pension costs	227.0	172.7
	<u>1,885.4</u>	<u>1,381.9</u>

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

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 3622 and included within net operating expenses:

	2019	2018
	£'000	£'000
Emoluments and fees	95.8	52.0
Contributions to defined contribution pension schemes	3.0	1.5
	<u>98.8</u>	<u>53.5</u>

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 3622 was £31,955 (2018: £12,545).

8. Net investment income

	2019	2018
	£'000	£'000
Interest and dividends on financial investments at fair value through profit or loss	0.6	0.4
Interest on cash and cash equivalents	12.6	3.0
Investment income from financial investments	13.2	3.4
Total net investment income	13.2	3.4

9. Financial assets

	Market value		Cost	
	2019	2018	2019	2018
Financial assets at fair value	£'000	£'000	£'000	£'000
Overseas cash fund and deposit	847.6	543.7	847.6	543.7
	<u>847.6</u>	<u>543.7</u>	<u>847.6</u>	<u>543.7</u>

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

Fair value measurement

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.

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

9. Financial assets (continued)

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.

All of the syndicate’s investments are valued based on quoted market information. The financial assets carried at fair value are all level 1 financial assets as determined by the fair value hierarchy. There were no transfers in either direction between level 1, level 2 and level 3 in either 2019 or 2018.

10. Other debtors

	2019	2018
	£'000	£'000
Sundry debtors	13.5	13.7
Total debtors	13.5	13.7

11. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	10,916.7	9,486.0
Total cash and cash equivalents	10,916.7	9,486.0

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

12. Technical provisions

	Provision for unearned premium £'000	Claims outstanding £'000
Gross technical provisions		
As at 1 January 2019	9,899.3	12,877.6
Movement in the provision	1,995.0	3,775.6
Exchange adjustments	(87.5)	(325.0)
As at 31 December 2019	11,806.8	16,328.2
Reinsurers' share of technical provisions		
As at 1 January 2019	152.8	614.6
Movement in the provision	91.0	378.9
Exchange adjustments	(6.0)	(12.9)
As at 31 December 2019	237.8	980.6
Net technical provisions		
As at 1 January 2019	9,746.5	12,263.0
As at 31 December 2019	11,569.0	15,347.6
	Provision for unearned premium £'000	Claims outstanding £'000
Gross technical provisions		
As at 1 January 2018	8,632.3	12,814.0
Movement in the provision	1,188.9	(285.0)
Exchange adjustments	78.1	348.6
As at 31 December 2018	9,899.3	12,877.6
Reinsurers' share of technical provisions		
As at 1 January 2018	64.6	348.0
Movement in the provision	86.8	258.4
Exchange adjustments	1.4	8.2
As at 31 December 2018	152.8	614.6
Net technical provisions		
As at 1 January 2018	8,567.7	12,466.0
As at 31 December 2018	9,746.5	12,263.0

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

12. Technical provisions (continued)

Gross Claims Development

	2009 ^{ae}	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
		%	%	%	%	%	%	%	%	%	%	
12 months		50.9	59.3	62.0	63.0	64.9	65.1	89.4	61.5	76.5	55.5	
24 months		49.9	59.6	62.8	68.5	63.8	62.3	87.3	57.9	73.4		
36 months		47.8	63.5	58.7	64.2	52.8	63.8	60.4	54.9			
48 months		45.8	61.2	54.9	59.1	51.4	63.2	65.5				
60 months		46.2	60.1	53.2	56.8	51.1	62.3					
72 months		46.3	60.1	52.9	56.8	50.8						
84 months		46.4	60.1	52.9	56.8							
96 months		46.4	60.1	53.2								
108 months		46.4	60.0									
120 months		46.4										
Gross claims liabilities (Beazley managed level)*	168.2	39.1	67.3	75.7	117.9	123.7	264.9	434.2	813.1	1,088.9	815.6	4,008.6
Less non 3622 share*	(168.2)	(39.1)	(67.3)	(75.7)	(117.9)	(123.6)	(264.7)	(434.0)	(812.2)	(1,078.2)	(811.4)	(3,992.3)
Gross claims liabilities (3622 share)*	-	-	-	-	-	0.1	0.2	0.2	0.9	10.7	4.2	16.3

*The numbers above are presented in GBP £ms

Net Claims Development

	2009 ^{ae}	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
		%	%	%	%	%	%	%	%	%	%	
12 months		49.6	58.5	59.9	64.2	64.0	65.7	92.3	62.5	77.7	55.5	
24 months		48.7	59.8	62.1	71.4	63.6	63.6	89.9	59.0	73.9		
36 months		50.6	65.8	60.4	67.8	53.9	65.2	63.1	57.0			
48 months		48.9	63.6	56.4	62.3	52.3	64.8	68.3				
60 months		49.3	62.3	54.6	59.8	52.0	63.9					
72 months		49.4	62.3	54.4	59.8	51.8						
84 months		49.5	62.3	54.4	59.8							
96 months		49.5	62.3	54.7								
108 months		49.5	62.2									
120 months		49.5										
Net claims liabilities (Beazley managed level)*	119.3	36.4	53.3	64.7	83.2	98.4	191.1	318.2	620.3	852.1	603.4	3,040.4
Less non 3622 share*	(119.3)	(36.4)	(53.3)	(64.7)	(83.2)	(98.3)	(190.9)	(318.0)	(619.5)	(841.9)	(599.6)	(3,025.1)
Net claims liabilities (3622 share)*	-	-	-	-	-	0.1	0.2	0.2	0.8	10.2	3.8	15.3

*The numbers above are presented in GBP £ms

SYNDICATE 3622
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

13. Other creditors

	2019	2018
	£'000	£'000
Net amount due to other group undertakings	4,663.5	4,040.7
Total creditors	4,663.5	4,040.7

The above balances are payable within one year.

14. Related party transactions

The intercompany positions with syndicates not wholly owned by Beazley plc at 31 December 2019 are shown in the table below:

	2019	2018
	£'000	£'000
Syndicate 623	-	0.7

15. Post balance sheet events

The following amounts are proposed to be transferred (from)/to member's personal reserve funds.

	2019	2018
	£'000	£'000
2016 year of account	-	(87.0)
2017 year of account	(928.2)	-
	(982.2)	(87.0)

16. Exchange Rates

The syndicate used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into sterling, being the syndicate's presentational currency:

	2019		2018	
	Average	Year end spot	Average	Year end spot
US dollars	1.27	1.32	1.34	1.28
Canadian dollars	1.69	1.74	1.73	1.74
Euro	1.14	1.19	1.13	1.11

SYNDICATE 3622
MANAGING AGENT CORPORATE INFORMATION
YEAR ENDED 31 DECEMBER 2019

Directors

D L Roberts*- chairman
M R Bernacki (resigned 30/04/2019)
G P Blunden*
M L Bride (resigned 27/06/2019)
S M Lake (appointed 14/06/2019)
A P Cox – active underwriter
A Crawford-Ingle* (resigned 31/05/2019)
N H Furlonge*
D A Horton - chief executive officer
R Stuchbery*
K W Wilkins*
C C W Jones (appointed finance director 27/06/2019)
A S Pryde (appointed 11/06/2019)
A J Reizenstein* (appointed 09/04/2019)
I Fantozzi (appointed 13/03/2019)

* Non-executive director.

Company secretary

C P Oldridge

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA

Managing agent's registered office

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

Registered number

01893407