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SYNDICATE 3623
ANNUAL REPORT AND ACCOUNTS
YEAR ENDED
31 DECEMBER 2023

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SYNDICATE 3623

31 DECEMBER 2023

STRATEGIC REPORT OF THE MANAGING AGENT

Overview

The syndicate did not write new risks during 2023.

In 2022, Syndicate 3623 (the 'syndicate') underwrote personal accident and sports insurance and market facilities at Lloyd's and reinsurance business ceded from Beazley's US admitted insurance company, Beazley Insurance Company, Inc. ('BICI'). The syndicate retained 10% of the market facility risks it underwrote from 2018 to 2022, while reinsuring 90% to Syndicate 5623 through a quota share arrangement.

The result for Syndicate 3623 for the year ended 31 December 2023 is a profit of \$78.5m (2022: \$22.2m).

The capacities of the syndicates managed by Beazley Furlonge Limited ("BFL") are as follows:

Syndicate Number	Capacity 2023	Capacity 2022
2623	£ 3,794.5 m	£ 2,679.0 m
623	£ 818.6 m	£ 587.2 m
5623	£ 339.8 m	£ 204.4 m
6107	£ 43.3 m	£ 67.4 m
3623	—	£ 41.2 m
3622	£ 33.8 m	£ 29.7 m
4321	£ 33.1 m	£ 29.0 m

Year of account results

The 2021 year of account declares a profit on capacity of 66.6% mainly due to with favourable movement in claims reserve during the year. The 2022 year of account is currently forecasting a return on capacity of 40%.

Rating environment

Rates on renewal business increased by 5.5% in 2022. The syndicate did not write new business in 2023.

Combined ratio

The combined ratio is a measure of operating performance and represents the ratio of the syndicate's total costs (excluding foreign exchange movements) to total net earned premium. A combined ratio under 100% indicates an underwriting profit. The calculation of the combined ratio for the syndicate includes all claims and other costs of the syndicate but excludes foreign exchange gains or losses. The syndicate's combined ratio for 2023 financial year was 24% (2022: 86%). The improvement in combined ratio is a result of the syndicate not writing new business in 2023 and release of reserves on existing risks.

Claims

The claims ratio is a measure of the syndicate's claims experience and represents the ratio of its net insurance claims to net earned premium. The syndicate has a negative claims ratio due to reserve releases on risks written prior to 2023. The claims ratio was 35% for the 2022 financial year. The syndicate has prior year reserves releases of \$59.4m in 2023 (2022: \$8.6m), primarily driven by claims releases on the older years of account of the market facilities book and the reinsurance business ceded from BICI.

Net operating expenses

Net operating expenses, including business acquisition costs and administrative expenses were \$50.1m (2022: \$88.5m). The expense ratio is a measure of net operating expenses to net earned premium. The expense ratio in 2023 is 49% (2022: 51%).

The breakdown of these costs is shown below:

	2023 \$m	2022 \$m
Brokerage costs	51.8	76.8
Other acquisition costs	1.9	3.2
Total acquisition costs	53.7	80.0
Administrative and other expenses*	(3.6)	8.5
Net operating expenses**	50.1	88.5

*The majority of administrative and other expenses in 2023 was attributed to the unwinding of Deferred Overrides Commission (ORC). As the syndicate did not engage in any underwriting activities in 2023, its administrative expenses were limited.

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

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STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)

Brokerage costs as a percentage of net earned premiums are approximately 51% (2022: 45%). 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.

Reinsurance

In 2023, there were no new reinsurance programmes written. Reinsurance premium movements in the 2023 financial year are due to movements on pre-2023 reinsurance programmes.

Outlook

The 2022 underwriting year is currently forecasting a positive return on capacity despite being effected by natural catastrophe events such as Storm Elliott and Hurricane Ian.

The syndicate did not write new business in 2023. From 1 January 2024, the syndicate is expected to write a portfolio of North American surplus lines business across a number of classes - property, cyber and specialty with a proposed capacity of \$1,325.6m. Management will continue assessing and considering the syndicate's business mix.

.....
A P Cox
Active underwriter

27 February 2024

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MANAGING AGENT'S REPORT

The managing agent presents its report for the year ended 31 December 2023.

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 and Financial Reporting Standard 103: Insurance Contracts in accordance with the provisions of Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Principal activity

The principal activity of Syndicate 3623 was the transaction of a range of personal accident, sports and market facilities insurance at Lloyd's and the transaction of reinsurance business with the Beazley group's US admitted insurance company, Beazley Insurance Company Inc. The syndicate did not write any new risks during 2023. From 1 January 2024, the syndicate started writing business across a number of classes - cyber, property and specialty.

Business review

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

Risk governance and reporting

BFL's Board of Directors has the responsibility for defining and monitoring the risk appetite within which BFL and the syndicates operate (collectively, 'Beazley'), 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.

Climate change/Responsible business

Led by Beazley plc's Board and supported by the Boards of BFL, Beazley Insurance dac, and Beazley Insurance Company Inc, Environmental, Social and Governance ('ESG') issues and climate related risks have become regular agenda items throughout 2023. In March 2021 we launched our first Responsible Business Strategy. This document, and the subsequent update which is published alongside the Beazley plc annual report and accounts ('ARA'), sets out the goals and targets across a wider range of ESG issues, including climate change.

In addition to the summary Responsible Business report, Beazley plc discloses its compliance with the Task Force on Climate-Related Disclosures' Recommendations and Recommended Disclosures at the consolidated group level in the Beazley plc annual report and accounts produced annually. The 2023 Beazley plc ARA has not been published as at the date of this report but is expected to be available on the Group's website in March 2024.

Although not specifically listed in the risk categories detailed further in this report, the Board of BFL deems climate risk to be inherently embedded within all risks managed across the syndicate.

Risk management

The managing agent prides itself on understanding the drivers of risk in the syndicate. The risk management function supports and challenges management in managing those risks. During the year, the managing agent continued to enhance and roll out elements of the risk management framework. The managing agent has continued working with colleagues across the first and second lines of defence to support the syndicate strategy, including challenging the oversight of climate-related risks (covering physical, transition and litigation) and journey in digitalisation. The details of the performance of our risk management framework are shown further in this report.

Control statement

The Chief Risk Officer's latest report to the Board confirmed that the control environment identified no significant failings or weaknesses in key processes. The report confirmed that the syndicate was operating within risk appetite as at 31 December 2023 and the systems have been in place for the entirety of 2023.

Risk management oversight and framework

The Beazley plc Board delegates direct oversight of the risk management function and framework to its risk committee, and the primary regulated subsidiary Boards and their (audit and) risk committees. The Board delegates executive oversight of the risk management function and framework to the executive committee, which fulfils this responsibility primarily through its risk and regulatory committee.

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

MANAGING AGENT'S REPORT (continued)

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

A suite of reports from the risk management function support senior management and the Board in discharging their oversight and decision-making responsibilities throughout the year. The risk management function's reports include updates on risk appetite, risk profiles, stress and scenario testing and analysis, reverse stress testing, emerging and heightened risks, a report to the remuneration committee, and the Own Risk and Solvency Assessment (ORSA) report.

The Board approves the risk appetite statements at least annually and receives updates on monitoring against risk appetite throughout the year. This includes an assessment of principal risks.

The business operates a control environment which supports mitigating risks to stay within risk appetite. The risk management function reviews and challenges the control environment through various risk management activities throughout the year. In addition, the risk management function works with the capital model and exposure management teams, particularly in relation to validation of the internal model, preparing the ORSA, monitoring risk appetite and the business planning process.

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

The approach to identifying, managing and mitigating emerging risks includes inputs from the business, analysis of lessons learned post risk incidents and industry thought leadership. The approach considers the potential materiality and likelihood of impacts, which helps prioritise emerging risks which the syndicate monitors or undertakes focused work on. Key emerging risks in 2023 included geopolitical, artificial intelligence, large cyber attack, legal and regulatory risk, human capital, and climate change. The Board carries out a robust assessment of emerging risks at least annually.

Principal risks the syndicate faces

The managing agent assess carefully the principal risks facing the syndicate. These principal risks are under continuous review with ongoing risk assessments. Consideration is given to new regulations including Consumer Duty, and the Digital Operational Resilience Act. Insurance, Strategic and Operational risks outlook increases from macroeconomic changes, enhancements in technology, people and processes which deliver great benefit, but also introduce risk during and post implementation. The table below summarises the principal risks the syndicate faces, the control environment, governance and oversight that mitigate these risks.

Legend for principal risks table below

Risk appetite

↗ Within ↘ Trending outside ✖ Outside

Risk outlook



▲ Increasing ◇ Stable ▼ Decreasing

Principal risks and summary descriptions	Mitigation and monitoring
<p>↗ ↘ ◇ Insurance</p> <p>The risk arising from the inherent uncertainties about the occurrence, amount and timing of insurance premium, and claims liabilities. This includes risk from underwriting such as market cycle, catastrophe, reinsurance and reserves.</p> <ul style="list-style-type: none"> Market cycle: potential systematic mispricing of medium or long-tailed business that does not support revenue to invest and cover future claims; Catastrophe: one or more large events caused by nature (e.g., hurricane, windstorm, earthquake and / or wildfire) or mankind (e.g., coordinated cyber-attack, global pandemic, losses linked to an economic crisis, an act of terrorism or an act of war and / or a political event) impacting a number of policies, and therefore giving rise to multiple losses; Reinsurance arrangements: reinsurance may not be available or purchases not made to support the business (i.e., mismatch); and Reserving: reserves may not be sufficiently established to reflect the ultimate paid losses. 	<p>Beazley uses a range of techniques to mitigate insurance risks such as pricing tools, analysis of macro trends and claim frequency, including alignment with pricing and ensuring exposure was not overly concentrated in any one area, especially lines of business with higher risk.</p> <p>The strategic approach to exposure management and a comprehensive internal and external reinsurance programme helped to reduce volatility of profits in addition to managing net exposure with the transfer of risk.</p> <p>The prudent and comprehensive approach to reserving helped ensure that claims covered by the policy wording were paid, delivering good customer outcomes. High calibre claims and underwriting professionals deliver expert service and claims handling to insureds. The underwriting committee oversees these risks.</p> <p>Beazley carries out periodic analysis to identify significant areas of concentration risk across our business and monitors solvency regularly to ensure the syndicate is adequately capitalised.</p> <p>Insurance risk outlook continues to be stable as BFL manages the market cycle across all the lines of business.</p>

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Principal risks and summary descriptions	Mitigation and monitoring
  Market The value of investments may be adversely impacted by financial market movements of values of investments, interest rates, exchange rates, or external market forces. Expected asset returns may not align to risk and capital requirements.	Beazley operates a conservative investment strategy with a view to limiting investment losses that would impact the syndicate's financial results. Beazley mitigates this risk by carrying out asset liability matching as per the investment constraints specified in the investment strategy. The investment committee oversees the investment strategy and its implementation. Market risk outlook continues to face headwinds across investment yields, foreign currency due to the global and political economic environment.
  Credit This risk of failure of another party to perform its financial or contractual obligations in a timely manner. Exposure to credit risk from its reinsurers, brokers, and coverholders, of which the reinsurance asset was the largest exposure for the syndicate.	BFL trades with strategic reinsurance partners over the long term to support the syndicate through the insurance cycles despite potentially catastrophic claim events. Beazley ensures reinsurers meet internal approval criteria overseen by the Reinsurance Security Committee. Credit risk arising from brokers and coverholders continues to be low as the syndicate relies on robust due diligence processes, credit monitoring and ongoing monitoring of aged debts. Credit risk outlook continues to be stable as BFL manages ceded reinsurance, broker and coverholder credit risks with low levels of aged and bad debt.
  Group The risk of an occurrence in one area of Beazley, which adversely affects another area in the syndicate resulting in financial loss and / or reputational damage. This also includes a deterioration in culture which leads to inappropriate behaviour, actions and / or decisions including dilution of culture or negative impact on the brand.	Risk culture centres on principles of transparency, accountability, and awareness. This helps maintain a strong risk culture that supports an embedded risk management framework. An effective risk culture reflects a maturing risk management framework, encourages sound risk taking, creates an awareness of risks and emerging risks. The executive committee and the Board oversee this risk. Group risk outlook continues to be stable as the executive committee manages culture through continuous improvement and monitoring.
  Liquidity Investments and / or other assets are not available or adequate in order to settle financial obligations when they fall due.	By managing liquidity Beazley maximises flexibility in the management of financial assets, including investment strategy, without incurring unacceptable liquidity risks over any time horizon. In doing so, this helps to ensure that clients and creditors were financially protected. Beazley periodically assesses the liquidity position of the syndicate which is overseen by the risk committee. This includes a benchmarking view from a third-party assessment. Liquidity risk outlook continues to be stable as Beazley manages above sufficient levels of liquidity and capital.
  Regulatory and legal Non-compliance with regulatory and legal requirements, failing to operate in line with the relevant regulatory framework in the territories where the syndicate operates. This may lead to financial loss (fines, penalties), sanctions, reputational damage, loss of confidence from regulators, regulatory intervention, inability to underwrite or pay claims.	The control environment supports the nature, exposure, scale and complexity of the business overseen by the risk and regulatory committee. The syndicate maintains a trusting and transparent relationship with regulators, ensuring coordinated communication and robust process, policies and procedures being followed in the business. In addition, key staff, particularly those who held defined roles with regulatory requirements, are experienced and maintained regular dialogue with regulators. BFL horizon scans for regulatory and legal matters and considers their potential impacts on the business. Beazley considers the needs of the syndicates clients in everything the business does. Beazley delivers good customer outcomes to clients throughout the product lifecycle. The Conduct Review Group oversees this risk. The managing agent aims to do the right thing to minimise reputational risk via stakeholder management and oversight through governance. Regulatory and legal risk outlook continues to increase as the syndicate manages evolving regulatory requirements and legislative changes globally.

Principal risks and summary descriptions	Mitigation and monitoring
<p> Operational</p> <p>Failures of people, processes and systems or the impact of an external event on operations (e.g., a cyber-attack having a detrimental impact on operations) including transformation and change related risks.</p>	<p>Beazley attracts and nurtures talented colleagues who champion diversity of thought, creating a culture of empowerment, collaboration and innovation to build an environment of employee wellbeing. The managing agent employs high calibre, motivated, loyal, and productive people with sufficient competence to perform their duties.</p> <p>Beazley invests in technology and re-engineering processes to support the operation of activities which are overseen by the operations committee. Beazley has policies and procedures across the organisation which ensure effective and efficient operations. This drives productivity and quality across our people, processes and systems to continue to enable scalable growth.</p> <p>The business continuity, disaster recovery and incident response plans, help ensure that processes and systems enable our people to deliver the right outcomes for clients and overall productivity. During 2023, there were effective controls in the day-to-day operations around information security, data management, operational resilience including cyber resilience, etc. to mitigate the damage that loss of access to data or the amendment of data can have on the ability to operate.</p> <p>Operational risk outlook continues to be stable as Beazley manages evolving manual processes and controls into digitised processes along with technological and cyber resilience which are continuously evolving risks.</p>
<p> Strategic</p> <p>Events or decisions that potentially stop the syndicate from achieving its goals or danger of strategic choices being incorrect, or not responding effectively to changing environments in a timely manner leading to inadequate profitability, insufficient capital, financial loss or reputational damage. Pervasive risks impacting multiple areas (e.g., reputation, and ESG) occurring through real or perceived action, or lack of action taken by a regulatory body, market and/or third-party used by the business. A negative change to Beazley's reputation would have a detrimental impact to syndicate profitability and public perception.</p>	<p>Beazley continuously addresses key strategic opportunities and challenges itself to be the highest performing sustainable specialist insurer. BFL ensures it recognises, understands, discusses, and develops a plan of action to address any significant strategic priorities in a timely fashion whilst ensuring continuity of operational effectiveness and brand reputation.</p> <p>Beazley creates an environment that attracts, retains and develops high performing talent with diversity of thought to explore, create and build, through investing in understanding the complexity of the risks clients face and deploying expertise to create value. The executive committee and the Board oversee these risks.</p> <p>Beazley aims to strategically create a sustainable business for our people, partners and planet through its responsible business goals. BFL embeds ESG principles and ambitions and it focuses on reducing its carbon footprint, contributing appropriately to its social environment, and enhancements to governance. Note that while the syndicate considers market practice, it does not necessarily move with every prevailing market trend, considering these for potential opportunities and risks.</p> <p>Strategic risk outlook continues to be stable as Beazley embeds its achievements from 2023.</p>

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 38.

Disclosure of information to the auditor

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

Auditor

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

On behalf of the board

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S M Lake
 Finance director

27 February 2024

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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 syndicate 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 statement of comprehensive income of the syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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

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S M Lake
Finance director

27 February 2024

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DRAFT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3623

Opinion

We have audited the syndicate annual accounts of syndicate 3623 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of changes in Members' Balances, the Balance Sheet, the Cash Flow statement and the related notes 1 to 17, 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 2023 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. 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 as applied to other entities of public interest, 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

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report and accounts other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report and accounts.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by The 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.

DRAFT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3623

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 managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

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DRAFT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3623

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including:
 - Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries, we assessed if there were any indicators of management bias in the valuation of insurance liabilities and the recognition of estimated premium income.
 - Evaluating the business rationale for significant and/or unusual transactions.
- These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

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.

*Niamh Byrne (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor*

London

27 February 2024

SYNDICATE 3623
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 \$m	2022 \$m
Gross premiums written	3	31.7	398.4
Outward reinsurance premiums		(0.5)	(212.1)
Net premiums written		31.2	186.3
Change in the gross provision for unearned premiums	14	179.4	(54.9)
Change in the provision for unearned premiums, reinsurers' share	14	(108.7)	40.9
Change in the net provision for unearned premiums		70.7	(14.0)
Earned premiums, net of reinsurance		101.9	172.3
Allocated investment return transferred from the non-technical account	8	0.7	(3.9)
Gross claims paid		(113.8)	(89.1)
Reinsurers' share of claims paid		65.9	34.4
Claims paid, net of reinsurance		(47.9)	(54.7)
Change in the gross provision for claims	14	63.0	(85.3)
Change in the provision for claims, reinsurers' share	14	10.8	79.8
Change in the net provision for claims		73.8	(5.5)
Claims incurred, net of reinsurance		25.9	(60.2)
Net operating expenses	4	(50.1)	(88.5)
Balance on the technical account		78.4	19.7
Investment income	8	6.5	7.1
Investment expenses and charges	8	(8.9)	(0.2)
Realised losses on investments	8	(5.1)	(1.8)
Unrealised gains/(losses) on investments	8	8.2	(9.0)
Net investment return		0.7	(3.9)
Allocated investment return transferred to general business technical account		(0.7)	3.9
Loss on foreign exchange		(0.2)	(3.9)
Other income	9	0.3	6.4
Total comprehensive income for the financial year		78.5	22.2

There were no other comprehensive gains or losses in the year.

The notes on pages 18 to 37 form part of these financial statements.

SYNDICATE 3623
STATEMENT OF CHANGES IN MEMBER'S BALANCES
31 DECEMBER 2023

	2023	2022
	\$m	\$m
Member's balance brought forward at 1 January	(2.3)	5.0
Total comprehensive income for the financial year	78.5	22.2
Loss collection – 2020 year of account	1.3	—
Profit distribution – 2019 year of account	—	(29.5)
Member's balance carried forward at 31 December	77.5	(2.3)

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

The notes on pages 18 to 37 form part of these financial statements.

SYNDICATE 3623
BALANCE SHEET
AS AT 31 DECEMBER 2023

	Notes	2023 \$m	2022 \$m
Assets			
Financial assets at fair value	10	211.6	265.6
Deposits with ceding undertakings		—	0.1
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	14	5.2	113.8
Claims outstanding, reinsurers' share	14	303.1	290.4
		308.3	404.2
Debtors			
Debtors arising out of insurance operations		51.9	120.2
Debtors arising out of reinsurance operations		21.9	73.3
Other debtors	12	227.2	205.5
		301.0	399.0
Cash at bank and in hand	13	46.5	56.1
Prepayments and accrued income			
Deferred acquisition costs	11	3.4	46.6
Other prepayments and accrued income		1.5	1.6
Total Assets		872.3	1,173.2
Liabilities, capital and reserves			
Capital and reserves			
Member's balances attributable to underwriting participations		77.5	(2.3)
Technical provisions			
Provision for unearned premiums	14	11.0	190.0
Claims outstanding	14	462.3	523.0
		473.3	713.0
Creditors			
Creditors arising out of direct insurance operations	15	1.9	0.7
Creditors arising out of reinsurance operations	15	75.7	168.0
Other creditors	15	242.6	286.2
		320.2	454.9
Accruals and deferred income		1.3	7.6
Total liabilities, capital and reserves		872.3	1,173.2

The notes on pages 18 to 37 form part of these financial statements.

The syndicate annual accounts on pages 14 to 37 were approved by the board of Beazley Furlonge Limited on 27 February 2024 and were signed on its behalf by

.....
A P Cox (Chief Executive Officer)

.....
S M Lake (Finance director)

SYNDICATE 3623
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$m	2022 \$m
Total comprehensive income for the financial year		78.5	22.2
Adjustments for:			
Decrease in deposits due from ceding undertakings		0.1	3.6
(Decrease)/increase in net technical provisions		(143.8)	17.1
Decrease/(increase) in debtors, prepayments and accrued income		98.1	(83.2)
(Decrease)/increase in creditors, accruals and deferred income		(141.0)	127.7
Decrease/(increase) in deferred acquisition costs		43.2	(11.7)
Investment return		(0.7)	3.9
Net cash (outflows) / inflows from operating activities		(65.6)	79.6
Cash (paid) / received from investment return		(7.5)	5.1
Net purchase of investments		64.5	(20.8)
Net cash inflows / (outflows) from investing activities		57.0	(15.7)
Transfer from / (to) member in respect of underwriting participations		1.3	(29.5)
Net cash inflows / (outflows) from financing activities		1.3	(29.5)
Net (decrease)/ increase in cash and cash equivalents		(7.3)	34.4
Cash and cash equivalents at the beginning of the year		84.4	51.3
Effect of exchange rate changes on cash and cash equivalents		0.2	(1.3)
Cash and cash equivalents at the end of the year	13	77.3	84.4

The notes on pages 18 to 37 form part of these financial statements.

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

1. Accounting policies

Basis of preparation

Syndicate 3623 (the 'syndicate') comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is given on page 38.

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 financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in millions, unless noted otherwise.

Going concern

The financial statements of the syndicate have been prepared on a going concern basis. The syndicate's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the annual report. In addition, the Strategic report includes the syndicate's risk management objectives and the entity's objectives, policies and processes for managing its capital. Whilst the syndicate did not write new business in 2023, for the 2024 YOA, the syndicate is expected to write a portfolio of North American surplus lines business across a number of classes - property, cyber and specialty.

In assessing the syndicate's going concern position as at 31 December 2023, the managing agent has considered a number of factors, including the current statement of financial position and the syndicate's strategic and financial plan. The assessment concluded that, given the intention to partake in the 2024 YOA, the syndicate has sufficient capital and liquidity for the 12 months from the date that the financial statements are authorised for issue.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors. For example, estimates which are sensitive to economic, regulatory and geopolitical conditions could be impacted by significant changes in the external environment such as the volatile macroeconomic environment, climate change, international conflicts, and significant changes in legislation. Any revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

(a) Valuation of insurance contract liabilities

The most critical estimate included within the syndicate's balance sheet is the estimate for insurance losses incurred but not reported ('IBNR') which is included within total technical provisions and reinsurers' share of technical provisions in the balance sheet and note 14. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims. If this estimation was to prove inadequate then an exposure would arise in future years where a liability has not been provided for.

The best estimate of the most likely ultimate outcome is used when calculating notified claims. This estimate is based upon the facts available at the time, in conjunction with the claims manager's view of likely future developments. The total estimate of IBNR as at 31 December 2023 included within claims outstanding is \$353.9m (2022:\$407.9m).

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

1. Accounting policies (continued)

Change of estimate

During the period, the managing agent refined its methodology for estimating claims reserves, including revising the actuarial methodology behind determining the risk margin to determine the appropriate level of margin in reserves and updating the calculation methodology behind the provision for future claims handling expenses. These changes have been accounted for prospectively as a change in estimate. As a result of these changes, \$14.4m of reserves were released in the period (on a net of reinsurance basis).

(b) Valuation of unquoted and illiquid financial assets

Determination of fair value of unquoted and illiquid assets involves judgement in model valuations, through the incorporation of both observable and unobservable market inputs. These inputs include assumptions that lead to the existence of a range of plausible valuations. Further detail on the methodologies and inputs used is described in note 10.

(c) Premium estimates

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. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received. EPI estimates are updated to reflect changes in an underwriters expectation through consultation with brokers and third-party coverholders, changes in market conditions, historic experience and to reflect actual cash received for a contract.

Due to the nature of Lloyd's business and the settlement patterns of the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and a receivable on the balance sheet remains. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed at 31 December 2023 is \$2.7m (2022: \$4.0m).

Significant accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commissions 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 inception during the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross written premiums are stated before the deduction of brokerage, taxes and duties levied on premiums and other deductions.

(b) Unearned premiums

A provision for unearned premiums represents that part of the gross premiums written that is estimated will be earned in the following or subsequent financial periods. It is calculated using the daily pro rata method, under which the premium is apportioned over the period of risk.

(c) Claims

Claims represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, IBNR and future claims handling provisions. The provision for claims outstanding comprises amounts set aside for claims advised and IBNR.

The IBNR amount is based on estimates calculated using widely accepted actuarial techniques (e.g. chain ladder) which are reviewed quarterly by the group actuary and annually by the independent syndicate reporting actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, 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.

A provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the managing agent. The managing agent takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

1. Accounting policies (continued)

(d) Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of deferred acquisition costs 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 subsequently charged to the statement of comprehensive income and a liability for unexpired risk provision is established.

(e) Acquisition costs

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

(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 comprehensive income.

(g) Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and the original cost of the investment. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, and the valuation at the previous period end or purchase value during the period.

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

(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.

Reinsurance assets are assessed for impairment at each reporting date. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in statement of comprehensive income.

(i) Financial instruments

Recognition and derecognition

Financial instruments are recognised on the balance sheet at such time that the syndicate becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when:

- the contractual rights to receive cash flows from the financial assets expire;
- the financial assets have been transferred, together with substantially all the risks and rewards of ownership; or
- despite having retained some, but not substantially all, risks and rewards of ownership, control of the asset is transferred to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party.

Financial liabilities are derecognised if the syndicate's obligations specified in the contract expire, are discharged or cancelled.

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

1. Accounting policies (continued)

Financial assets and liabilities measurement

On acquisition of a financial asset or liability, the syndicate will measure the asset or liability at transaction price, except for those financial assets and liabilities at fair value through profit or loss ('FVTPL'), which are initially measured at fair value. The exception to this is when the arrangement constitutes a financing transaction however, the syndicate does not make use of any such arrangements.

Except for derivative financial investments, all financial investments are designated as FVTPL upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial instruments is provided internally on a fair value basis to key management. The investment strategy is to invest and evaluate their performance with reference to their fair values.

Fair value measurement

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in statement of comprehensive income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through the income statement are recognised in statement of comprehensive income when incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in the statement of comprehensive income. Net changes in the fair value of financial assets at FVTPL exclude interest and dividend income, as these items are accounted for separately.

(j) Insurance debtors and creditors

Insurance debtors and creditors include amounts due to and from agents, brokers and insurance contract holders. These are classified as debt instruments 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 impairment. Insurance creditors are stated at amortised cost. The syndicate does not have any debtors directly with policyholders, all transactions occur via an intermediary. For information on reinsurance debtors and creditors, refer to Section (h) above.

(k) Other debtors

Other debtors principally consist of intercompany debtor balances and sundry debtors and are carried at amortised cost less any impairment losses.

(l) Other creditors

Other creditors principally consist of amounts due to Syndicate 5623, and other related entities, and profit commissions payable. These are stated at amortised cost determined using the effective interest rate method.

(m) Impairment of financial assets

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

If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the assets carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Where a loss is incurred this is recognised in the statement of comprehensive income.

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

1. Accounting policies (continued)

(n) Cash and cash equivalents

Cash at bank and in hand as presented on the face of the balance sheet consists of loans and receivables carried at amortised cost less impairment losses. Cash and cash equivalents as shown on the cash flow statement and at Note 13 is comprised of cash at bank and in hand, in addition to deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the acquisition date. These are included within 'financial assets at fair value' on the balance sheet.

(o) Taxation

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

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

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

(p) Pension costs

Pension contributions relating to staff who act on behalf of the syndicate are charged to the syndicate and included within net operating expenses.

(q) Related party transactions

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

2. Risk management

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

2.1 Insurance risk

The syndicate's insurance business assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below.

a) Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the syndicate:

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

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

The syndicate's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geography and size.

The annual business plans for each underwriting team reflect the syndicate's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the Board of BFL 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 managing agent also

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

2.1 Insurance risk (continued)

recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the managing agent sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of Realistic Disaster Scenarios. The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the syndicate is exposed.

The managing agent uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes.

Stress and scenario tests are also run using these models. The range of scenarios considered includes natural catastrophe, cyber, marine, liability, political, terrorism and war events.

One of the largest types of event exposure relates to natural catastrophe events such as wind storm or earthquake. With the increasing risk from climate change impacts the frequency and severity of natural catastrophes, the managing agent continues to monitor its exposure. Where possible the syndicate measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

To manage underwriting exposures, the syndicate has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2022 the normal maximum line that any one underwriter could commit the managed syndicate to was \$72m. In most cases, maximum lines for classes of business were much lower than this. The syndicate did not write business in 2023 and therefore there were no limits that applied to this syndicate.

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 the managing agent's coverholder approval group before it can bind risks, and is subject to rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

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.

SYNDICATE 3623
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

2.1 Insurance risk (continued)

c) Claims management risk

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

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

d) Reserving and ultimate reserves risk

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

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

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

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

	5% increase in net claims reserves		5% decrease in net claims reserves	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Impact on profit and net assets	(8.0)	(11.6)	8.0	11.6

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

Concentration of insurance risk

	2023	2022
	%	%
US	22	17
Europe*	13	12
Other	65	71
Total	100	100

*Includes UK

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2.2 Market risk

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

Foreign exchange risk

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

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

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

31 December 2023	UK £ \$m	CAD \$ \$m	EUR € \$m	Subtotal \$m	US \$ \$m	Total \$m
Total assets	89.0	50.5	65.2	204.7	667.6	872.3
Total liabilities	(100.4)	(29.2)	(72.6)	(202.2)	(592.6)	(794.8)
Net assets	(11.4)	21.3	(7.4)	2.5	75.0	77.5

31 December 2022	UK £ \$m	CAD \$ \$m	EUR € \$m	Subtotal \$m	US \$ \$m	Total \$m
Total assets	101.0	30.7	62.5	194.2	979.0	1,173.2
Total liabilities	(105.0)	(15.2)	(30.0)	(150.2)	(1,025.3)	(1,175.5)
Net assets	(4.0)	15.5	32.5	44.0	(46.3)	(2.3)

Sensitivity analysis

In 2023, the managing agent managed the syndicate's foreign exchange risk by periodically assessing its non-dollar exposures while targeting net assets to be predominately US dollar denominated. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

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

Change in exchange rate of sterling, Canadian dollar and euro relative to US dollar	Impact on profit for the year ended		Impact on net assets	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Dollar weakens 30% against other currencies	0.8	13.2	0.8	13.2
Dollar weakens 20% against other currencies	0.5	8.8	0.5	8.8
Dollar weakens 10% against other currencies	0.3	4.4	0.3	4.4
Dollar strengthens 10% against other currencies	(0.3)	(4.4)	(0.3)	(4.4)
Dollar strengthens 20% against other currencies	(0.5)	(8.8)	(0.5)	(8.8)
Dollar strengthens 30% against other currencies	(0.8)	(13.2)	(0.8)	(13.2)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

2.2 Market risk (continued)

Interest rate risk

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

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

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

Duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	>10 yrs	Total
31 December 2023	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	102.0	53.3	23.9	25.1	4.6	—	—	208.9
Syndicate loans to Lloyd's central fund	0.5	2.2	—	—	—	—	—	2.7
Cash at bank and in hand	46.5	—	—	—	—	—	—	46.5
Total	149.0	55.5	23.9	25.1	4.6	—	—	258.1

Duration	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	>10 yrs	Total
31 December 2022	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	89.4	97.2	49.4	12.3	14.7	—	—	263.0
Syndicate loans to Lloyd's central fund	—	0.5	2.1	—	—	—	—	2.6
Cash at bank and in hand	56.1	—	—	—	—	—	—	56.1
Total	145.5	97.7	51.5	12.3	14.7	—	—	321.7

Sensitivity analysis

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

Shift in yield (basis points)	Impact on profit for the year		Impact on net assets	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
50 basis point increase	(1.6)	(2.1)	(1.6)	(2.1)
50 basis point decrease	1.6	2.1	1.6	2.1

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

2. Risk management (continued)

Price risk

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

Financial assets include fixed and floating debt securities, which are well diversified across high quality, liquid securities. The price risk associated with these securities is predominantly interest, foreign exchange and credit risk related. The investment committee has established comprehensive guidelines with investment managers setting out maximum investment limits, diversification across industries and concentrations in any one industry or company.

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

2.3 Credit risk

Credit risk arises from the failure of another party to perform its financial or contractual obligations to the syndicate in a timely manner. The primary sources of credit risk for the syndicate are:

- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the syndicate;
- investments – whereby issuer default results in the syndicate losing all or part of the value of a financial instrument and derivative financial instrument; and
- cash at bank and in hand.

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

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

An approval system also exists for all new brokers, and broker performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the syndicate's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced, incentives are in place to support these priorities.

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

The managing agent 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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2. Risk management (continued)

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:

	Tier 1 \$m	Tier 2 \$m	Tier 3 \$m	Tier 4 \$m	Unrated \$m	Total \$m
31 December 2023						
Financial assets at fair value						
- Fixed and floating rate debt securities	206.8	2.1	—	—	—	208.9
- Syndicate loans to Lloyd's central fund	2.7	—	—	—	—	2.7
Reinsurance debtors	18.7	—	—	—	—	18.7
Reinsurers' share of outstanding claims	303.1	—	—	—	—	303.1
Cash at bank and in hand	46.5	—	—	—	—	46.5
Total	577.8	2.1	—	—	—	579.9

	Tier 1 \$m	Tier 2 \$m	Tier 3 \$m	Tier 4 \$m	Unrated \$m	Total \$m
31 December 2022						
Financial assets at fair value						
- Fixed and floating rate debt securities	263.0	—	—	—	—	263.0
- Syndicate loans to Lloyd's central fund	2.6	—	—	—	—	2.6
Reinsurance debtors	9.9	—	—	—	—	9.9
Reinsurers' share of outstanding claims	289.3	—	—	—	1.1	290.4
Cash at bank and in hand	52.8	—	—	—	3.3	56.1
Total	617.6	—	—	—	4.4	622.0

	Neither due nor impaired \$m	Up to 3 months past due \$m	3 – 6 months past due \$m	6 – 12 months past due \$m	Greater than 1 year past due \$m	Total \$m
31 December 2023						
Insurance debtors	50.0	1.4	0.2	0.2	0.1	51.9
Reinsurance assets	18.7	—	—	—	3.9	22.6

	Neither due nor impaired \$m	Up to 3 months past due \$m	3 – 6 months past due \$m	6 – 12 months past due \$m	Greater than 1 year past due \$m	Total \$m
31 December 2022						
Insurance debtors	87.1	25.0	5.5	1.9	0.7	120.2
Reinsurance assets	9.9	1.2	1.4	6.4	—	18.9

Based on all evidence available, debtors arising out of insurance operations and other debtors have not been impaired and no impairment provision has been recognised in respect of these assets (2022: nil). No other financial assets held at year end were impaired

SYNDICATE 3623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 DECEMBER 2023

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

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

Maturity	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	Total
31 December 2023	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	84.9	49.7	23.6	31.3	12.6	6.8	208.9
Syndicate loans to Lloyd's central fund	0.5	2.2	—	—	—	—	2.7
Cash at bank and in hand	46.5	—	—	—	—	—	46.5
Other debtors	227.2	—	—	—	—	—	227.2
Other creditors	(242.6)	—	—	—	—	—	(242.6)
Total	116.5	51.9	23.6	31.3	12.6	6.8	242.7

Maturity	<1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	Total
31 December 2022	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities	84.8	—	143.9	28.9	5.5	—	263.1
Syndicate loans to Lloyd's central fund	—	—	2.5	—	—	—	2.5
Cash at bank and in hand	56.1	—	—	—	—	—	56.1
Other debtors	205.5	—	—	—	—	—	205.5
Other creditors	(286.2)	—	—	—	—	—	(286.2)
Total	60.2	—	146.4	28.9	5.5	—	241.0

2.5 Capital management

Capital framework at Lloyd's

The Society of Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority 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, license and ratings objectives. Although, as described below, the 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 an overall and member level respectively, not at a syndicate level. Accordingly the capital requirement in respect of Syndicate 3623 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) 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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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2.5 Capital management (continued)

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 requirement, not a Solvency II requirement) is to meet Lloyd's financial strength, license and ratings objectives. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR to ultimate.

Provision of capital by members

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

3. Analysis of underwriting result

2023	Gross premiums written \$m	Gross premiums earned \$m	Gross claims incurred \$m	Net operating expenses \$m	Reinsurance balance \$m	Underwriting result \$m
Direct Insurance						
Marine aviation and transport	7.3	19.3	1.8	(4.0)	(12.3)	4.8
Fire and other damage to property	1.8	53.0	(35.5)	(8.2)	(6.5)	2.8
Third party liability	22.2	99.9	(50.3)	(33.7)	(4.4)	11.5
Miscellaneous	2.2	5.9	(1.3)	(1.8)	(1.9)	0.9
Total	33.5	178.1	(85.3)	(47.7)	(25.1)	20.0
Reinsurance accepted						
Third party liability	0.3	24.1	33.5	(1.3)	(1.3)	55.0
Fire and other damage to property	(2.4)	6.9	1.4	(0.7)	(5.3)	2.3
Marine aviation and transport	0.3	2.0	(0.4)	(0.4)	(0.8)	0.4
Total	(1.8)	33.0	34.5	(2.4)	(7.4)	57.7
Total Direct and Reinsurance accepted	31.7	211.1	(50.8)	(50.1)	(32.5)	77.7
2022	Gross premiums written \$m	Gross premiums earned \$m	Gross claims incurred \$m	Net operating expenses \$m	Reinsurance balance \$m	Underwriting result \$m
Direct Insurance						
Marine aviation and transport	32.2	25.7	(10.6)	(7.0)	(8.5)	(0.4)
Fire and other damage to property	118.1	81.8	(40.5)	(14.0)	(23.9)	3.4
Third party liability	199.2	168.1	(97.4)	(53.3)	(14.0)	3.4
Miscellaneous	7.2	3.3	(2.0)	(0.9)	(0.2)	0.2
Total	356.7	278.9	(150.5)	(75.2)	(46.6)	6.6
Reinsurance accepted						
Third party liability	43.1	57.4	(22.1)	(11.4)	(7.5)	16.4
Fire and other damage to property	(0.8)	6.3	0.3	(1.7)	(4.0)	0.9
Marine aviation and transport	(0.6)	0.9	(2.1)	(0.2)	1.1	(0.3)
Total	41.7	64.6	(23.9)	(13.3)	(10.4)	17.0
Total Direct and Reinsurance accepted	398.4	343.5	(174.4)	(88.5)	(57.0)	23.6

All business was concluded in the UK

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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4. Net operating expenses

	2023	2022
	\$m	\$m
Acquisition costs ¹	10.4	92.0
Change in deferred acquisition costs	43.3	(12.0)
Administrative expenses	1.9	17.9
Reinsurance commissions and profit participation	(5.5)	(9.4)
	50.1	88.5

¹ Brokerage and commissions on direct business written was \$7.3m (2022: \$57.1m).

Administrative expenses include:	2023	2022
	\$m	\$m
Auditor's remuneration:		
Fees payable to the syndicate's auditor for the audit of these annual accounts	0.1	0.2
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	0.1	0.1
	0.2	0.3

Fees payable to the syndicate's auditor in relation to other services pursuant to legislation primarily relate to the review and audit of syndicate regulatory returns along with the statement of actuarial opinion.

5. Staff costs

The syndicate and its managing agent have no employees. All UK staff are employed by Beazley Management Limited, with the majority of these costs incurred in sterling. The syndicate did not directly incur staff costs during the year (2022:nil). The following amounts were recharged to the syndicate in the prior year in respect of staff costs:

	2023	2022
	\$m	\$m
Wages and salaries	—	8.2
Short-term incentive payments	—	1.7
Social security costs	—	1.8
Pension costs	—	1.5
	—	13.2

6. Emoluments of the Directors of Beazley Furlonge Limited

The Directors of BFL, excluding the active underwriter, received remuneration of \$0.1m (2022: \$0.3m).

7. Active underwriter's emoluments

The aggregate amount of remuneration paid to and for the benefit of the active underwriter which was recharged to Syndicate 3623 was nil (2022: \$0.1m) and is included within net operating expenses.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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8. Net investment return

	2023	2022
	\$m	\$m
Interest and dividends on financial investments at fair value through profit or loss	5.0	6.8
Interest on cash and cash equivalents	1.5	0.3
Realised gains on financial investments at fair value through profit or loss	0.4	0.1
Unrealised gains on financial investments at fair value through profit or loss	10.2	1.9
Realised losses on financial investments at fair value through profit or loss	(5.5)	(1.9)
Unrealised losses on financial investments at fair value through profit or loss	(2.0)	(10.9)
Investment return from financial investments	9.6	(3.7)
Investment expenses and charges*	(8.9)	(0.2)
Net investment return	0.7	(3.9)

* Included in investment expense and charges is investment return of \$8.5m (2022: \$Nil) payable to 5623 in relation to withheld cash balances due syndicate 5623.

9 Other income

Other income of \$0.3m (2022: \$6.4m) relates to the liquidation of a service company. In 2022 outstanding commission payables were written off as the managing agent considered these to be no longer payable by the syndicate.

10 Financial assets and liabilities

	Market value		Cost	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Financial assets at fair value				
Fixed and floating rate debt securities:				
– Government issued	85.8	159.4	87.6	165.8
Corporate bonds				
– Investment grade	123.1	103.6	124.3	107.8
Syndicate loans to Lloyd's central fund	2.7	2.6	2.7	2.5
Total debt securities and syndicate loans to Lloyd's central fund	211.6	265.6	214.6	276.1
Total financial investments at fair value through profit or loss	211.6	265.6	214.6	276.1
Total financial assets at fair value Financial liabilities	211.6	265.6	214.6	276.1

Valuation hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. If the inputs used to measure the fair value of an asset or a liability could be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

10 Financial assets and liabilities (continued)

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.

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, directly or indirectly (e.g. interest rates, exchange rates). Level 2 inputs include:

- Quoted prices similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); and
- Market corroborated inputs. Included within level 2 are government bonds and treasury bills, equity funds and corporate bonds which are not actively traded, hedge funds and senior secured loans.

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

Valuation approach

The valuation approach for fair value assets and liabilities classified as Level 2 is as follows:

- For the level 2 debt securities, our fund administrator obtains the prices used in the valuation from independent pricing vendors. The independent pricing vendors derive an evaluated price from observable market inputs. These inputs are verified in their pricing assumptions such as weighted average life, discount margins, default rates, and recovery and prepayments assumptions for mortgage securities.

The valuation approach for fair value assets and liabilities classified as Level 3 is as follows:

- the syndicate loans are loans provided to the Central Fund at Lloyd's. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and liquidity risk of the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2023, based on the level in the fair value hierarchy into which the financial instrument is categorised:

2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities:				
– Government issued	85.8	—	—	85.8
– Corporate bonds				
– Investment grade	74.8	48.3	—	123.1
Syndicate loans to Lloyd's central fund	—	—	2.7	2.7
Total financial assets at fair value	160.6	48.3	2.7	211.6
2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value	\$m	\$m	\$m	\$m
Fixed and floating rate debt securities:				
– Government issued	159.4	—	—	159.4
– Corporate bonds				
– Investment grade	59.6	44.0	—	103.6
Syndicate loans to Lloyd's central fund	—	—	2.6	2.6
Total financial assets at fair value	219.0	44.0	2.6	265.6

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10 Financial assets and liabilities (continued)

The group determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period.

The following transfers between levels 1 & 2 for the period ended 31 December 2023 reflect the level of trading activities including frequency and volume derived from market data obtained from an independent external valuation tool.

	Level 1 \$m	Level 2 \$m
31 December 2023 transfer from level 1 to 2		
Fixed and floating rate debt securities:		
Corporate bonds - investment grade	(11.4)	11.4
31 December 2023 transfer from level 2 to 1		
Fixed and floating rate debt securities:		
Corporate bonds - investment grade	5.6	(5.6)

The movement in Level 3 assets during the year of \$0.1m was due to unrealised gains recognised in profit and loss (2022: \$0.4m unrealised loss recognised in profit and loss).

11 Deferred acquisition costs

	2023 \$m	2022 \$m
Balance at 1 January	46.6	34.9
Change in deferred commission	(41.0)	10.7
Change in other deferred costs	(2.3)	1.3
Exchange adjustments	0.1	(0.3)
Balance at 31 December	3.4	46.6

12 Other debtors

	2023 \$m	2022 \$m
Amount due from Syndicate 2623	217.2	194.8
Amount due from Syndicate 623	0.3	—
Sundry debtors including taxation	9.7	10.7
Total other debtors	227.2	205.5

These balances are due within one year.

13 Cash and cash equivalents

	2023 \$m	2022 \$m
Cash at bank and in hand	46.5	56.1
Short term deposits	30.8	28.3
Total cash and cash equivalents	77.3	84.4

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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14 Technical provisions

	Provision for unearned premiums \$m	Claims outstanding \$m
Gross technical provisions		
As at 1 January 2023	190.0	523.0
Change in the technical provision	(179.4)	(63.0)
Exchange adjustments	0.4	2.3
As at 31 December 2023	11.0	462.3
Reinsurers' share of technical provisions		
As at 1 January 2023	113.8	290.4
Change in the technical provision	(108.7)	10.8
Exchange adjustments	0.1	1.9
As at 31 December 2023	5.2	303.1
Net technical provisions		
As at 1 January 2023	76.2	232.6
As at 31 December 2023	5.8	159.2
	Provision for unearned premiums \$m	Claims outstanding \$m
Gross technical provisions		
As at 1 January 2022	136.3	444.2
Change in the technical provision	54.9	85.3
Exchange adjustments	(1.2)	(6.5)
As at 31 December 2022	190.0	523.0
Reinsurers' share of technical provisions		
As at 1 January 2021	73.2	215.6
Change in the technical provision	40.9	79.8
Exchange adjustments	(0.3)	(5.0)
As at 31 December 2022	113.8	290.4
Net technical provisions		
As at 1 January 2022	63.1	228.6
As at 31 December 2022	76.2	232.6

SYNDICATE 3623
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

14 Technical provisions (continued)
Gross amounts

	2013 ae	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
12 months		133.1	153.4	150.6	150.3	57.5	87.6	186.6	213.4	288.0	—	
24 months		136.0	157.2	162.6	83.5	52.6	109.0	190.1	197.6	250.5		
36 months		150.6	144.6	179.1	84.8	43.8	94.0	172.3	153.6			
48 months		153.4	142.6	191.3	87.6	38.2	90.6	156.4				
60 months		158.0	149.8	191.0	80.2	36.8	80.5					
72 months		154.5	155.3	184.8	74.7	35.3						
84 months		154.7	158.6	186.5	73.1							
96 months		147.3	158.7	186.7								
108 months		148.7	150.8									
120 months		148.1										
Total ultimate losses	423.8	148.1	150.8	186.7	73.1	35.3	80.5	156.4	153.6	250.5	—	1,658.8
Less paid claims	(401.9)	(139.7)	(141.1)	(168.0)	(67.6)	(31.7)	(56.0)	(72.8)	(49.7)	(42.0)	—	(1,170.5)
Less unearned portion of ultimate losses	—	—	—	—	—	—	—	—		(26.0)	—	(26.0)
Gross claims liabilities	21.9	8.4	9.7	18.7	5.5	3.6	24.5	83.6	103.9	182.5	—	462.3

Net amounts

	2013 ae	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m
12 months		107.1	124.1	132.4	135.1	49.1	48.3	88.0	82.3	82.4	—	
24 months		112.4	127.4	141.4	75.7	45.4	61.6	91.0	80.6	70.1		
36 months		125.2	115.9	146.8	78.0	37.3	45.9	84.1	54.3			
48 months		129.2	117.3	156.3	78.5	29.6	44.7	77.8				
60 months		134.0	124.9	152.3	71.1	28.0	40.8					
72 months		131.0	125.5	146.4	64.8	26.8						
84 months		130.9	126.5	148.4	63.6							
96 months		124.2	131.7	144.5								
108 months		125.1	119.6									
120 months		124.9										
Total ultimate losses	360.5	124.9	119.6	144.5	63.6	26.8	40.8	77.8	54.3	70.1	—	1,082.9
Less paid claims	(342.9)	(117.2)	(116.0)	(137.8)	(61.2)	(24.4)	(33.3)	(34.3)	(19.5)	(14.1)	—	(900.7)
Less unearned portion of ultimate losses	—	—	—	—	—	—	—	—	—	(23.0)	—	(23.0)
Net claims liabilities	17.6	7.7	3.6	6.7	2.4	2.4	7.5	43.5	34.8	33.0	—	159.2

SYNDICATE 3623
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 DECEMBER 2023

15 Creditors

	2023	2022
	\$m	\$m
Creditors arising out of direct insurance operations	1.9	0.7
Creditors arising out of reinsurance operations	75.7	168.0
Other creditors		
Amounts due to Syndicate 5623	211.4	208.7
Amounts due to group undertakings	30.8	77.5
Other creditors	0.4	—
Total creditors	320.2	454.9

The above other creditors balances are payable within one year.

16 Related party transactions

5623 was a special purpose syndicate up until 31 December 2022. Syndicate 3623 ceded a significant portion of its market facility book to 5623 from 2018 to 2022. The intercompany position with syndicates where capacity is not wholly provided by subsidiaries of Beazley plc at 31 December 2023 are shown in the table below:

	2023	2022
	\$m	\$m
Syndicate 5623	211.4	208.7

BFL as the managing agent of the syndicate is responsible for settling intercompany balances with other managed syndicates and net amounts due to/from other related entities.

17 Subsequent events

There have been no balance sheet events which have occurred between the reporting date and the date which the financial statements have been signed, for which an adjustment and or disclosure is required. The 2021 year of account has closed with a profit of \$54.7m.

SYNDICATE 3623

MANAGING AGENT'S CORPORATE INFORMATION

YEAR ENDED 31 DECEMBER 2023

Beazley Furlonge Limited has been the managing agent of Syndicate 3623 throughout the period covered by this report and the registered office is 22 Bishopsgate, London EC2N 4BQ.

Directors

R A Stuchbery* - Chair (appointed 18/12/2023)
A P Cox - Chief Executive Officer and Active Underwriter
G P Blunden**
C C R Bannister* (appointed 08/02/2023)
C LaSala* - (resigned 18/12/2023)
N H Furlonge* - (resigned 31/12/2023)
A J Reizenstein*
L Santori*
N Wall*
R S Anarfi
I Fantozzi - (resigned 01/03/2023)
S M Lake
R E Quane

* Non-executive director.

** George Blunden resigned from his role as interim chair on 18/12/2023.

Company secretary

C P Oldridge (resigned 29/06/2023)
R Yeoman (appointed 29/06/2023)

Managing agent's registered office

22 Bishopsgate
London
EC2N 4BQ
United Kingdom

Registered number

01893407

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
Winchester House
London
1 Great Winchester Street
EC2N 2DB