Company No 01893407

BEAZLEY FURLONGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2020

Directors and Advisors

Directors

D L Roberts - chairman
N H Furlonge
G P Blunden
K W Wilkins
R A Stuchbery
A J Reizenstein
C LaSala (Appointed 2nd April 2020)
N Wall (Appointed 1st February 2021)
D A Horton - chief executive officer
C C W Jones (Resigned finance director 14th October 2020, resigned director 26th February 2021)
A P Cox - active underwriter
I Fantozzi
A S Pryde
S M Lake (Appointed finance director 14th October 2020)
R S Anarfi (Appointed 25th August 2020)

Secretary

C P Oldridge

Registered office

Plantation Place South
60 Great Tower Street
London
EC3R 5AD

Registered number

01893407

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Banker

Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA

Strategic report

The directors present their strategic report which accompanies the audited financial statements of Beazley Furlonge Limited (the 'company') for the period ended 31 December 2020 set out on pages 2 to 11.

Business review and principal activity
The principal activity of the company is that of a Lloyd's managing agent.

The capacities of the managed syndicates are as follows:

Syndicate Number	Capacity 2020	Capacity 2019
2623	£1,932.4m	£1,624.0m
623	£423.2m	£366.2m
3623	£71.9m	£69.3m
6107	£69.6m	£67.6m
3622	£25.9	£25.0m
5623	£83.5m	£63.1m

Capacity increased across all active syndicates.

The principal risks and uncertainties of the company arise from the management of syndicates 2623, 623, 3623, 6107, 3622 and 5623.

Further information on the group strategy can be found in Beazley plc "group", group's annual report.

Key performance indicators ("KPIs")
The company's directors are of the opinion that the KPIs for the company are best represented by the turnover and related notes, in particular note 2 and note 4, set out on pages 25 and 26.

Going concern
The financial statements of the company have been prepared on a going concern basis. As a wholly owned subsidiary of the group, the business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the group's Annual Report & Accounts. In addition, the Risk report includes the group's risk management objectives and the group's objectives, policies and processes for managing its capital.

The company continues to monitor and respond to the global COVID-19 outbreak, in particular in relation to the impact on the group that is expected to relate to claims on the business previously written. The current assessment is an exposure of $340m net of reinsurance across our political, accident and contingency, property, marine and reinsurance divisions. It is too early to say what the quantum of claims within our liability classes will be as these will emerge as the impact of the pandemic is fully realised over the next few years. The group has taken a number of underwriting actions on its future business which should reduce this impact.

In May 2020, the group raised $292.6m capital from a share issuance. While predominantly held to better position the business for future growth opportunities, it also provides additional strength to the statement of financial position in light of the continued uncertainty from COVID-19.

In assessing the company's going concern position as at 31 December 2020, the directors have considered a number of factors, including the current statement of financial position, the company's strategic and financial plan, taking account of possible changes in trading performance and funding retention. The assessment concluded that, for the foreseeable future, the company has sufficient capital and liquidity for the next 12 months. At its most recent QF1 regulatory

Strategic report(continued)
Going concern (continued)

submission, the company's capital ratios and its total capital resources are in excess of Lloyds regulatory requirements.

As a result of the assessment, the directors have a reasonable expectation that the has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements.

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

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

2020 in review
In 2020, the company has been put through its paces, with the pandemic proving to be a robust test of the design and operation of our risk management framework – which has responded well, helping us navigate the many challenges thrown our way. In particular, the framework remains effective despite the fundamental change to our ways of working – a transformation in practices not seen for generations.

Transition
Responding to change starts with transition. Like many companies around the globe, all Beazley employees moved to remote working in March 2020, in an operational shift the size and scale of which had never been imagined. During this time of uncertainty, and whilst managing this shift, our employees retained focus and momentum and the company continued to function seamlessly. Behind this transition were a number of operational risk management drivers. Our investment in IT hardware and training meant staff had the tools needed to work effectively anywhere, and also the requisite knowledge to use them effectively. Additionally, processes and controls were in place and clearly understood so they could continue to work efficiently and effectively despite the physical distancing of the workforce.

Colleagues understood their roles and responsibilities and, importantly, knew how their roles dovetailed together. This enabled us to take full advantage of our suite of collaboration tools to deliver tangible value for our customers and broker partners through clear communication and a commercial mindset.

As a result of this preparation, Beazley remained very much open for business.

Strategic report (continued)

Resilience

As lockdown extended and weeks turned to months, the risk management framework shifted gear and began focusing on monitoring staff resilience and looking for ways to offer greater support to all, not just those in most need. Our mental wellbeing network, founded in 2019, continues to not only educate all Beazley staff on mental wellbeing issues and provide a support network for those who are suffering but also to extend its reach and impact through the introduction of the Thrive app. The app helps with the early identification of and assistance with anxiety and depression, two of the most prevalent mental health illnesses in the workplace. This is in addition to the 30 volunteer trained mental health first aiders who offer support and guidance to our staff across the globe. The resilience of Beazley's workforce has been particularly impressive given the challenges this year has thrown at us from a professional and personal perspective and there is much we should all be proud of.

Beazley has also been developing its operational resilience capabilities more broadly to ensure its business services can endure both high stress and significant change. The operational resilience committee has facilitated the ability for all areas of the business to withstand emerging challenges, including those created by the COVID-19 pandemic. Specific to COVID-19, the business continuity management team continues to work tirelessly to oversee Beazley's response, from the initial transition to remote working through to the reopening of Beazley's offices in accordance with local guidelines.

The team's crucial work underpins our ability to deliver for our customers. In addition, there has been an increased focus on information and cyber security, protecting ourselves and our clients against data breaches and operational disruptions, given the move to widespread remote working and the general increase in external cyber incidents.

Resilience(continued)

At its heart, operational risk is about people, processes and systems. Monitoring provided by the risk management framework has provided assurance to the board that these three elements continued to work effectively during 2020.

Learning

Although the pandemic is not yet behind us, Beazley has begun to review what lessons we can take away from the experience to date. This activity highlighted a weakness in the assumptions underpinning our pandemic realistic disaster scenario. As such, the Chief Underwriting Officer, with support and challenge from risk management, has reviewed the complete suite of realistic disaster scenarios to check that the base cases remain appropriate and to stress test the key assumptions of each scenario to understand vulnerabilities in the assumptions. Whilst there are no fundamental changes required, it has created an opportunity for enhanced fine-tuning of the insurance portfolio within the 2021 business plan. The current risk management framework was implemented in 2010. In 2020, Beazley commissioned an external review of the risk management framework to ensure applicability in today's world. Whilst the review highlighted a number of strengths in the framework, it also provided opportunities for enhancement. These changes will be implemented over the course of 2021 to ensure the risk management framework drives value through enhanced resilience whilst continuing to support Beazley in navigating the next 10 years.

Brexit

The UK and EU signed a trade agreement prior to the end of the Brexit transition period. Whilst this removes some key economic uncertainties, the practical challenges for financial services in general and Beazley specifically are unchanged and so the preparations previously put in place mean that Beazley could continue to operate despite the loss of passporting rights. As such, no changes to the structures and processes put in place by Beazley are necessary following the trade deal. Furthermore, on 30 December 2020, Lloyd's policies covering EU based insureds were transferred from members to Lloyd's Insurance company S.A. under a Part VII transfer.

Strategic report (continued)

Risk management philosophy

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

Risk management strategy

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

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

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

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

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

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

Strategic report (continued)

Risk management framework

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

The risk management framework comprises a number of risk management components, which when added together describe how risk is managed on a day-to-day basis. The framework includes a risk register that captures the risk universe (approximately 50 risk events grouped into eight risk categories: insurance, market, credit, liquidity, operational, regulatory and legal, group and strategic), the risk appetite set by the Beazley plc board, and the control environment that is operated by the business to remain within the risk appetite and which is monitored and signed off by control reporters.

In summary, the board identifies risk, assesses risk and sets risk appetite. The business then implements a control environment which describes how the business should operate to stay within risk appetite. The risk management review and challenges these assessments and reports to the board on how well the business is operating, using a risk management report.

For each risk, the risk management report brings together a view of how successfully the business is managing risk and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually evaluated and where appropriate improved, through the consideration of stress and scenario testing, themed reviews using risk profiles, and an assessment of strategic and emerging risks. There were no material changes made during 2020. A suite of risk management reports are provided to the boards and committees to assist senior management and board members to discharge their oversight and decision-making responsibilities. The risk reports include the risk appetite statement, the risk management report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the remuneration committee and the Own Risk and Solvency Assessment (ORSA) report.

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

The risks to financial performance

The board monitors and manages risks grouped into eight categories, which cover the universe of risk that could affect Beazley. There have been no new risk areas identified and, apart from COVID-19, there have been no major changes in existing risks. The board confirm that they have undertaken a robust assessment of the principal risks and uncertainties that the group faces. The board considers the first two of the following risk categories to be the most significant.

Strategic report (continued)

Insurance risk

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

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

Strategic risk

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

- **Strategic decisions:** The group's performance would be affected in the event of making strategic decisions that do not add value. The group mitigates this risk through the combination of recommendations and challenge from non-executive directors, debate at the executive committee and input from the strategy and performance group (a group of approximately 30+ senior individuals from across different disciplines at Beazley);
- **Environment:** There is a risk that the chosen strategy cannot be executed because of the environmental conditions within which Beazley operates, thereby delaying the timing of the strategy;
- **Communication:** Having the right strategy and environment is of little value if the strategy is not communicated internally so that the whole group is heading in the same direction, or if key external stakeholders are not aware of Beazley's progress against its strategy;
- **Senior management performance:** There is a risk that senior management could be overstretched or could fail to perform, which would have a detrimental impact on the group's performance. The performance of the senior management team is monitored by the Chief Executive and talent management team and overseen by the nomination committee;
- **Reputation:** Although reputational risk is a consequential risk, i.e. it emerges upon the occurrence of another risk manifesting, it has the potential to have a significant impact on an organisation. Beazley expects its staff to act honourably by doing the right thing;
- **Flight:** There is a risk that Beazley could be unable to deliver its strategy due to the loss of key personnel. Beazley has controls in place to identify and monitor this risk, for example through succession planning;

Strategic report (continued)
strategic risk (continued)

- **Crisis management:** This is the risk caused by the destabilising effect of the group having to deal with a crisis and is mitigated by having a detailed crisis management plan;
- **Corporate transaction:** There is a risk that Beazley could undertake a corporate transaction which did not return the expected value to shareholders. This risk is mitigated through the due diligence performed, the financial structure of transactions and the implementation activity.

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

Other risks

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

Financial crime risk

The company also considered anti-bribery and corruption risk across all risk categories. We are committed to ensuring that all business is conducted in an ethical and honest manner, and that we are not involved in any illicit activity as defined under the UK Bribery Act and US Foreign Corrupt Practices Act. This risk includes the risk of bribery and corruption we are exposed to and manifests itself in the susceptibility to unethical or dishonest influences whereby illicit payments and/or inducements are either made or received.

Such activity has severe reputational, regulatory and legal consequences, including fines and penalties.

Considerations relevant to this risk include the nature, size and type of transactions, the jurisdiction in which transactions occur, and the degree to which agents or third parties are used during such transactions.

Strategic report (continued)

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

Climate change risk
The changing global climate is recognised as an important emerging risk due to its widespread potential impact on the global population, environment and economy. A key aspect of Beazley's business model is to support our clients who have been affected by natural catastrophes, helping them return to pre-catastrophe conditions as soon as possible. As a specialist insurer, various classes of business we underwrite are subject to the effect climate change presents to the risk environment.

As part of the underwriting process, we work with our insureds to understand the risks facing their organisations, including applicable climate-related risks and to tailor insurance coverages to mitigate the associated financial risks.

We acknowledge and accept that over time climate change could impact the risks facing our insureds and we aim to manage the resulting risk to the syndicates as described below:

- **Pricing risk:** This is the risk that current pricing levels do not adequately consider the prospective impact of climate change resulting in systemic underpricing of climate exposed risks. The syndicates' business planning process establishes how much exposure in certain classes of business or geographic area we wish to accept. We rely on a strong feedback loop between our claims and underwriting teams to ensure that emerging claims trends and themes can be contemplated in the business planning process, the rating tools and the underwriter's risk by risk transactional level considerations. Our underwriters are empowered to think about climate risk during their underwriting process in order to determine the implication on each risk;
- **Catastrophe risk:** This is the risk that current models do not adequately capture the impacts of climate change on the frequency, severity or nature of natural catastrophes or other extreme weather events (e.g. wildfires) that could drive higher-than-expected insured losses. The syndicates utilise commercial catastrophe models to facilitate the estimation of aggregate exposures based on the syndicates' underwriting portfolio. These catastrophe models are updated to reflect the latest scientific perspectives. Catastrophe models are evolving to include new or secondary perils which may be related to climate change. In addition, the syndicates run a series of Natural Catastrophe Realistic Disaster Scenarios (RDS's) on a monthly basis which monitors the syndicates' exposure to certain scenarios that could occur. These RDS's include hurricanes in the US, typhoons in Japan, European windstorms and floods in the UK;
- **Reserve risk:** This is the risk that established reserves are not sufficient to reflect the ultimate impact climate change may have on paid losses. This includes a liability risk of unanticipated losses arising from our clients facing litigation if they are held to be responsible for contributing to climate change, or for failing to act properly to respond to the various impacts of climate change. With support from our group actuarial team, claims teams and other members of management the syndicate establishes financial provisions for our ultimate claims liabilities. The syndicates maintain a consistent approach to reserving to help mitigate the uncertainty within the reserves estimation process;
- **Asset risk:** This is the risk that climate change has a significant impact across a number of industries which may negatively impact the value of investments in those companies. The group considers the impact of climate change on its asset portfolio by seeking to incorporate an assessment of environmental risks in the investment process. We subscribe to the research services of a specialist company in the field of environmental, social and governance research and have integrated their proprietary ratings into the internal credit process applied to investments in corporate debt securities. A minimum standard for environmental, social and governance performance is defined and companies not meeting the required standard will be excluded from the approved list of issuers. The analysis also includes a consideration

Strategic report (continued)
Climate change risk (continued)

of the sustainability of each company with regard to the potential decline in demand in specific sectors;

- **External event risk:** This is the risk that the physical impact of climate related events has a material impact on our own people, processes and systems leading to increased operating costs or the inability to deliver uninterrupted client service. The company has business continuity plans in place to minimise the risk of an interrupted client service in the event of a disaster;
- **Commercial management risk:** We occupy leased office space which inherently limits our ability to influence building management with respect to environmental matters. The company aims to minimise where possible the environmental impact of our business activities and those that arise from the occupation of our office spaces. As we operate in leased office spaces our ability to direct environmental impacts is limited. However, we do choose office space and engage with our employees, vendors and customers in an effort to reduce overall waste and environmental footprint;
- **Credit risk:** As a result of material natural catastrophe events, there is a risk that the syndicates' reinsurance counterparties are unable to pay reinsurance balances due to the syndicates; if the frequency or severity of these events is increased due to climate change this could have a corresponding increase on credit risk. An important consideration when placing our reinsurance programme is evaluation of our counterparty risk. Every potential reinsurer is evaluated through a detailed benchmarking which considers: financial strength ratings, capital metrics, performance metrics as well as other considerations;
- **Regulatory and legal risk:** Regulators, investors and other stakeholders are becoming increasingly interested in companies' response to climate change. Failure to appropriately engage with these stakeholders and provide transparent information may result in the risk of reputational damage or increased scrutiny. The company regularly monitors the regulatory landscape to ensure that we can adhere to any changes in relevant laws and regulations. This includes making any necessary regulatory or statutory filings with regard to climate risk;
- **Liquidity risk:** Linked to the underwriting and credit risks noted above, there is a risk that losses resulting from unprecedented natural disasters or extreme weather could erode our ability to pay claims and remain solvent. The group establishes capital at a 1:200 level based on the prevailing business plan. Whilst over time we anticipate climate change to have an impact on the frequency, severity and nature of natural catastrophe events on a year to year basis this is captured in the internal capital modelling; and
- **Strategic risk:** This is the risk that our strategy fails to effectively consider climate change resulting in the syndicates' business planning not adapting fast enough to respond to changes in wider claims trends. In addition, market pressure or external factors result in a decision to stop underwriting certain classes of business (e.g. fossil fuels) which impacts the syndicates' ability to deliver business plan results. This results in loss of value for investors which erode their confidence in management. This risk is considered through the annual and long term business planning process, we additionally look to the Lloyd's market to provide additional guidance.

Strategic report (continued)

Section 172 statement
The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year. The board has identified that its key stakeholders are:
• the staff who act on behalf of the managed syndicates • Lloyd's • external names on our managed syndicates• the managed syndicates' customers and brokers • regulators

The company's core values, which are professionalism, integrity, effectiveness and dynamic, reflect the company's commitment to do the right thing simply because it is the right thing to do. The requirement to adhere to this principle is embedded within all job descriptions across the group.

Throughout the year the board considered the wider impact of strategic and operational decisions on the company's stakeholders. Key decisions included the various board changes undertaken throughout the year, approval of the annual results for the company and all of its managed syndicates, and the approval of the syndicate business plans. The board believes that the interests of all stakeholders are aligned in the decisions that were taken. The company complies with the Prompt Payment Code reporting requirements and publishes its average payment times for supplier invoices. Where a supplier proposes payment terms that differ from our standard terms, the company uses its best endeavours to accommodate the supplier's terms.

The Beazley group has a responsible business strategy which sets out six areas of focus:

Charity – our global partnership, fund raising and match funding;
Community – how we interact the people and places in our local area;
Environment – taking responsibility for our own use of resources as we conduct our business to minimise our environmental footprint;
Marketplace - our awareness of the social and environmental impact of the business we conduct, and how we can support global sustainability efforts through the provision of insurance;
Inclusivity and diversity – our vision is to inspire and develop people with diverse perspectives to thrive at all levels of our business; and
Responsible underwriting compliance – we are committed to ensuring that our business is conducted in an ethical and honest manner, thus ensuring that we do the right thing for our stakeholders.

Further information on the group's responsible business strategy and how the group aims to provide support for our communities and the environment are discussed on pages 30 to 39 of Beazley plc's 2020 annual report.

How we engage:
The staff who act on behalf of the managed syndicates: We recognise that our people are fundamental to the long-term success of the company and we have various engagement mechanisms in place. We believe it is imperative to attract, engage and develop a diverse, high performing workforce to enable Beazley to achieve its strategic objectives. Open dialogue with our employees has been at the core of Beazley's culture since the company was formed. We hold regular all-employee meetings which sometimes include Q&A with senior management. Historically we have conducted all employee surveys every other year that measure employee engagement. We conducted the survey in 2019 and had an overall employee engagement score of 70%. During 2020, we conducted an all-employee survey on ways of working and included

Strategic report (continued)

Section 172 statement (continued)

the questions on engagement and the overall employment engagement score increased to 86%. Employee insights are also gathered through a number of employee networks which all have sponsorship from the company's senior leadership team. In addition to this, we have conducted monthly 'employee pulse surveys' since April 2020. During the year, non-executive directors and senior management have conducted 'virtual tours' of Beazley's offices around the globe to meet with and understand the views of our colleagues. Bob Stuchbery is the Non-Executive Director nominated by the board to bring the views of the workforce to the boardroom. During 2020, he continued to chair the 'Sounding Board', which was established in 2019 as part of enhancements made to employee engagement mechanisms. The COVID-19 case study explains how we have specifically engaged with our employees throughout the pandemic and responded to their feedback

Lloyd's: As a Lloyd's managing agency that manages six active syndicates, the board views the success of the Lloyd's market as a whole as fundamental to the company's success. The company has been part of the Lloyd's market for 33 years. Beazley is a strong supporter of the far-reaching reforms that are outlined in "Blueprint One" which was published by Lloyd's in September 2019.

The names on our syndicates: The support and engagement of the names is imperative to the future success of our business. In all of the board's decision making, they have ensured that they acted fairly with regard to the names of the syndicates. We have productive ongoing dialogue with a number of the names and ensure there are appropriate channels for names to contact us to discuss the performance and management of the syndicates, either directly or through the members' agents.

The syndicates' customers: Through our Closer to the Client core strategic initiative, we are focused on better understanding the needs of our clients. One of the key goals of the initiative is to ensure that the syndicates become more client-centric. The board receives regular reports on the progress against each of the strategic initiatives through the chief executive.

The syndicates' brokers: There is regular, coordinated engagement with our key broker partners which is facilitated through the group's broker relations team. There are a number of annual industry-wide events that bring our senior management together with the senior leaders of the broking firms. The board receives updates on our key broker relationships through reports from the chief executive.

Regulators: We have transparent communication with our key regulators which is facilitated through our compliance team. Our business teams and the non-executive directors have ongoing engagement with our regulators on an ad hoc basis, including when requested to discuss specific matters. Any significant regulatory engagements are reported to the board.

A P Cox
Director

2 March 2021

Plantation Place South
60 Great Tower Street
London
EC3R 5AD

Directors' report

Business review
A review of Beazley Furlonge Limited's (the 'company', registered no: 01893407) activities is included in the strategic report.

Future developments
The future developments of the company are disclosed within the strategic report.

Results and dividends
The results for the period are shown in the profit or loss account on page 20. No dividend was paid in 2020 (2019: £10.0m).

No dividend has been declared by the board since the balance sheet date.

Donations
During the period the company made no charitable donations (2019: £nil).

Director's indemnity insurance
Beazley plc, ultimate parent of this company, has granted indemnities to one or more of the directors against liability in respect of proceedings brought to third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report.

Directors
The directors of the company at 31 December 2020, who served during the year and to the date of this report, were as follows:

D L Roberts[1] - chairman
N H Furlonge[1]
G P Blunden[1]
K W Wilkins[1]
R A Stuchbery[1]
A J Reizenstein[1]
C LaSala[1] (Appointed 2nd April 2020)
N Wall[1] (Appointed 1st February 2021)
D A Horton - chief executive officer
C C W Jones (Resigned finance director 14th October 2020, resigned director 26th February 2021)
A P Cox - active underwriter
I Fantozzi
A S Pryde
S M Lake (Appointed finance director 14th October 2020)
R S Anarfi (Appointed 25th August 2020)

[1] Non-executive director

Directors' report (continued)

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

Year of Account	2019 year of account underwriting capacity £	2020 year of account underwriting capacity £	2021 year of account underwriting capacity £
A P Cox	400,000	400,000	400,000
D A Horton	400,000	400,000	400,000
A S Pryde	300,000	350,000	350,000
S M Lake	-	100,000	100,000
I Fantozzi	300,000	350,000	350,000

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company'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 company's auditor is aware of that information.

Social, environmental and ethical (SEE) risks
Social, environmental and ethical risks are managed on a group basis. More information can be obtained on how the group manages these risks from the financial statements of Beazley plc.

Risk Management
Given the limited scope of the company's activities, the risk to which it is exposed are not considered significant. The principle financial risk relates to non-collection of amounts due from the group companies, although risk is mitigated by the common identity of the shareholders in each group company.

Going concern
The financial statements of the company have been prepared on a going concern basis. As a wholly owned subsidiary of group. The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the group's Annual Report & Accounts. In addition, the Risk report includes the group's risk management objectives and the group's objectives, policies and processes for managing its capital.

The company continues to monitor and respond to the global COVID-19 outbreak, in particular in relation to the impact on the group that is expected to relate to claims on the business previously written. The current assessment is an exposure of $340m net of reinsurance across our political, accident and contingency, property, marine and reinsurance divisions. It is too early to say what the quantum of claims within our liability classes will be as these will emerge as the impact of the pandemic is fully realised over the next few years. The group has taken a number of underwriting actions on its future business which should reduce this impact.

Directors' report (continued)

In May 2020, the group raised $292.6m capital from a share issuance. While predominantly held to better position the business for future growth opportunities, it also provides additional strength to the statement of financial position in light of the continued uncertainty from COVID-19.

In assessing the company's going concern position as at 31 December 2020, the directors have considered a number of factors, including the current statement of financial position, the company's strategic and financial plan, taking account of possible changes in trading performance and funding retention. The assessment concluded that, for the foreseeable future, the company has sufficient capital and liquidity for the next 12 months. At its most recent QF1 regulatory submission, the company's capital ratios and its total capital resources are in excess of Lloyds regulatory requirements.

Auditor
In accordance with section 487(2) of the Companies Act 2006 and in the absence of notice proposing that the appointment be terminated at a general meeting, EY will be deemed to be reappointed for the next financial year.

Signed on behalf of the board

A P Cox
Director

2 March 2021

Plantation Place South
60 Great Tower Street
London
EC3R 5AD

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- State whether applicable UK Accounting Standards have been followed, subject to material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Sally Lake

S M Lake
Director

2 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEAZLEY FURLONGE LIMITED

Opinion

We have audited the financial statements of Beazley Furlonge Limited for the year ended 31 December 2020 which comprise the primary statements such as the Profit and Loss Account, the Statement of income and retained earnings and the Balance Sheet and the related notes 1 to 14, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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 Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included an evaluation of the reasonableness of the company's going concern assessment. The going concern assessment period used by the company was twelve months from the date of the approval of the financial statements. We assessed the appropriateness of the approach used by management when performing their going concern assessment. We assessed and independently stressed the assumptions used by the company to develop their plan. This included an assessment of the potential impact on the business arising from COVID-19.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 16 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law, tax legislation and the financial reporting framework. Our considerations of other laws that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA'). the Companies Act 2006 and the Companies (Miscellaneous Reporting) regulations 2018.
- We understood how Beazley Furlonge Limited is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and regulatory bodies, reviewed minutes of the Board and attended the Audit and Risk Committees and gained an understanding of the company's approach to governance demonstrated by the Board's approval of the company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Additionally, we tested year-end adjustments i.e. early close topside adjustments and manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA.

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 March 2021

Profit or loss account
For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Turnover	2	14.5	12.5
Other operating income	2	155.3	164.4
		169.8	176.9
Administrative expenses	4	(157.1)	(166.3)
Foreign exchange loss		(1.1)	(0.9)
Operating profit		**11.6**	**9.7**
Profit on ordinary activities before taxation		11.6	9.7
Income tax expense	5	(2.4)	(1.8)
Profit for the financial year		**9.2**	**7.9**

The company's operating activities all relate to continuing operations.

The notes on pages 22 to 30 form part of these financial statements.

Statement of income and retained earnings
For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Profit for the financial year		**9.2**	**7.9**
Actuarial gain on retirement benefit obligations	10	(1.6)	5.0
Distributed to managed syndicates		1.6	(5.0)
Total comprehensive income for the year		**9.2**	**7.9**
Retained earnings at the beginning of the year		**20.1**	**22.2**
Income for the year attributable to the owners of the parent		9.2	7.9
Dividends declared and paid		-	(10.0)
Retained earnings at the end of the year		**29.3**	**20.1**

The notes on pages 22 to 30 form part of these financial statements.

Balance sheet
As at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Debtors	6	58.0	30.2
Cash at bank in hand		1.9	-
Retirement benefit assets	10	3.5	4.1
Total assets		**63.4**	**34.3**
Liabilities, capital and reserves			
Called up share capital	9	0.4	0.4
Profit and loss account		29.3	20.1
Equity shareholder's funds		**29.7**	**20.5**
Liabilities:			
Creditors: amounts falling due within one year	7	33.0	13.1
Deferred tax liability	8	0.7	0.7
Total liabilities, capital and reserves		**63.4**	**34.3**

Signed on behalf of the board of directors

S M Lake
Director
Company number – 01893407

The financial statements were approved by the board of directors on 2 March 2021.

The notes on pages 22 to 30 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Statement of compliance and basis of preparation

Beazley Furlonge Limited is a limited liability company incorporated in England under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 11.

The financial statements of Beazley Furlonge Limited were authorised for issue by the board of directors on 2 March 2021.The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK(FRS 102), as it applies to the financial statements of the company for the year ended 31 December 2020 and in accordance with the provisions of the Large and Medium- sized Companies and Group (Accounts and Reports) Regulations. The financial statements are presented in pounds sterling, being the functional currency of the company, and in millions unless otherwise stated.

Exemptions for qualifying entities under FRS 102

Beazley Furlonge Limited has taken advantage of Companies Act 2006 Section 400 and claimed exemption form preparing group accounts as it's a wholly owned subsidiary of the ultimate parent company, Beazley plc, whose financial statements are publicly available, please refer to note 12.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. As these conditions have been complied with, the company has taken advantage of the following exemptions:

(i) from preparing a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(ii) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the group's consolidated financial statements, includes the company's cash flows;

(iii) from disclosing share based payment arrangements concerning its own equity instruments. The group's share based payment arrangements and relevant disclosures are presented in the group's consolidated financial statements;

(iv) from disclosing the company key management personnel compensation, as required by FRS 102; and

(v) from disclosing transactions entered into between related parties within a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going Concern

The financial statements of Beazley Furlonge Limited have been prepared on a going concern basis. The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report contained in the annual report. In addition, the Strategic report includes the entity's risk management objectives and the entity's objectives, policies and processes for managing its capital.

Notes to the financial statements (continued)

1. **Accounting policies (continued)**
Going Concern(continued)

In assessing the company's going concern position as at 31 December 2020, the directors have considered a number of factors, including the current statement of financial position and the company's strategic and financial plan. The assessment concluded that, for the foreseeable future, the company has sufficient capital and liquidity for the next 12 months.

As a result of the assessment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover represents agency fees and profit commission derived from underwriting names at Lloyd's.

Agency fees represent net retained fees in respect of the 2020 underwriting account.

Profit commission, which is recognised as profit, is commission on profit earned in syndicate 623.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in those locations.

Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currencies

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

Notes to the financial statements (continued)

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Estimates which are based on future economic conditions, and sensitive to changes in those conditions, have been impacted by COVID-19.

- Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
- Information about areas of judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and also specifically in the following

1. Post-retirement benefits

The company operates a defined benefit pension plan that is now closed to future service accruals. The scheme is generally funded by the company taking account of the recommendations of an independent qualified actuary.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors like age, years of service and compensation. The pension costs are assessed using the projected unit credit method. Under this method the costs of providing pensions are charged to the profit or loss account so as to spread the regular costs over the service lives of employees in accordance with the advice of the qualified actuary, who values the plans annually. The pension obligation is measured at the present value of the estimated future net cash flows and is stated net of plan assets.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of income and retained earnings, actuarial gains and losses.

Dividends
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Cash
Cash consists of cash at bank and in hand.

2. Turnover and other operating income

	2020 £m	2019 £m
Underwriting agency fees	14.5	12.5
	14.5	12.5

Turnover and profit before taxation arise in the United Kingdom, from business underwritten at Lloyd's on behalf of names resident in the United Kingdom and overseas.

Notes to the financial statements (continued)

Other operating income of £155.3m (2019: £164.4m) represents charges to managed syndicates (623/2623/3622/3623). All charges to the syndicates other than those directly charged by Lloyd's to the syndicates are now paid by Beazley Management Limited and are then charged through Beazley Furlonge Limited to the relevant syndicate. The financial statements on pages 19 to 20 provide for these charges gross, as income and expense.

3. **Directors and employees**

The directors and employees rendering services to the company are paid for those services through Beazley Management Limited. The charges in relation to the services provided by directors and employees are subsequently recharged through Beazley Furlonge Limited to the managed syndicates. Remuneration paid to directors of Beazley Furlonge Limited specifically relating to services rendered to the company are shown below.

	2020 £	2019 £
G P Blunden	64,000	48,650
A D Crawford-Ingle (resigned - 31/05/2019)	-	7,708
N H Furlonge	59,000	57,500
K W Wilkins	59,000	57,500
R A Stuchbery	28,800	28,000
D L Roberts	52,850	51,500
A J Reizenstein	19,000	13,401
C LaSala	14,201	-
	296,851	264,259

Further details of the remuneration paid to directors and employees for their services to the group are shown in the ultimate parent undertaking's accounts, Beazley plc, which can be found at www.beazley.com.

4. **Administrative expenses**

	2020 £m	2019 £m
Recharged from Beazley Management Limited	157.1	166.3
Administrative expenses	157.1	166.3

The main driver of the decrease in administrative expenses is a reduction operating costs for the year 2020 as the company moved to a remote working environment and a focus was put on making operational cost savings during the year.

The audit fee in the current financial year was £24,000 (2019: £24,000) and was paid by Beazley Management Limited.

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's ultimate parent, Beazley plc.

All staff are employed and paid by Beazley Management Limited. The executive directors of the company are paid by Beazley Management Limited in relation to their directorships of this company.

Notes to the financial statements (continued)

5. **Income tax expense**

	2020 £m	2019 £m
Current tax		
UK corporation tax charge at 19% (2019: 19.0%)	2.3	0.8
Adjustment in respect of prior year	0.1	-
Deferred tax:		
Origination of and reversal of timing differences	(0.1)	1.0
Effect of change in tax rate	0.1	-
Taxation charge for the year	2.4	1.8

The tax charge for the current year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%) due to the differences explained below.

	2020 £m	2019 £m
Profit on ordinary activities before taxation	11.6	9.7
Tax calculated at 19% (2019: 19.0%)	2.2	1.8
Effect of;		
Adjustment in respect of prior year	0.1	-
Effect of change in tax rate	0.1	-
Tax charge for the year	2.4	1.8

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent. The 19 percent tax rate has been reflected in the calculation of the deferred tax balance as at 31 December 2020.The amounts of deferred tax expected to unwind are too uncertain to predict when they will reverse.

6. **Debtors**

	2020 £m	2019 £m
Amounts due from group companies	1.3	2.3
Amounts due from syndicates	17.2	3.0
Managing agent fee receivable	39.5	24.9
	58.0	30.2

The managing agent fee receivable for both the 2019YOA and 2020YOA are due after more than one year. The remainder of the company's debtors are due within one year.

Notes to the financial statements (continued)

7. **Creditors**

	2020 £m	2019 £m
Amounts due to other group companies	28.8	12.4
Amounts due to coverholders	1.9	-
Current tax payable	2.3	0.7
	33.0	13.1

Amounts due to coverholders are funds due to 3rd party coverholders that have premiums internally brokered by the company. All amounts are payable within one year.

8. **Deferred tax**

	2020 £m	2019 £m
The movement in deferred tax during the year was:		
Opening balance	(0.7)	0.3
Movements during the year	-	(1.0)
Closing asset/(liability)	(0.7)	(0.7)

Deferred tax (liabilities)/assets provided in the accounts are:

	2020 £m	2019 £m
Defined benefit pension scheme	(0.7)	(0.7)

9. **Share capital**

	2020		2019	
	No. of shares (m)	£m	No. of shares (m)	£m
Ordinary shares of £1 each				
Issued and fully paid	0.4	0.4	0.4	0.4
Balance at 1 January and 31 December	**0.4**	**0.4**	**0.4**	**0.4**

10. **Retirement benefit obligations**

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of funded obligations	47.5	41.5	36.8	41.9	37.9
Fair value of plan assets	51.0	45.6	34.9	40.2	33.0
Experience (losses)/gains on scheme liabilities	(0.9)	(0.1)	(0.5)	1.3	(0.1)

Beazley Furlonge Limited operates a defined benefit pension scheme ('the Beazley Furlonge Limited Pension Scheme') which closed to new members in January 2002. The scheme provides benefits based on final pensionable pay, with contributions being charged to the profit or loss account so as to spread the cost of pensions over employees' working lives with the company. No additional years of service can be accrued for those members still employed by the company. Contributions are determined by a qualified independent actuary using the projected unit credit method and the most recent valuation was at 31 December 2020.

Notes to the financial statements (continued)

10. **Retirement benefit obligations (continued)**

The major assumptions used in this valuation were:

	2020	2019
Future salary increases	3.3%	3.4%
Future pensions increases	2.9%	2.9%
Discount rate	1.3%	2.0%
Inflation rate	3.3%	3.4%
Life expectancy for male members aged 60 at 31 December	89 years	89 years
Life expectancy for female members aged 60 at 31 December	91 years	90 years

The assumptions used by the actuary are chosen from the range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Plan assets

The fair value of plan assets, which are not intended to be realised in the short term and may be subject to significant change in fair value before they are realised, and the present value of funded obligations, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2020 £m	2019 £m
Equities	50.9	45.5
Cash	0.1	0.1
	51.0	45.6
Fair value of plan assets	51.0	45.6
Present value of funded obligations	(47.5)	(41.5)
Net pension asset	3.5	4.1

The expected rate of return on scheme assets (including bonds, equities and UCITS funds) was 1.3% at 31 December 2020 (31 December 2019: 2.0%). This expected return on scheme assets reflects the discount rate.

Movement in defined benefit obligation

	2020 £m	2019 £m
Balance at beginning of year	41.5	36.8
Interest cost	0.8	1.0
Actuarial loss	6.2	4.0
Benefits paid	(1.1)	(0.3)
Balance at the end of year	47.4	41.5

Notes to the financial statements (continued)

10. **Retirement benefit obligations (continued)**

Movement in fair value of plan assets

	2020 £m	2019 £m
Balance at beginning of year	45.6	34.9
Expected return on assets	0.9	1.0
Contributions paid	1.0	1.0
Actuarial gain	4.6	9.0
Benefits paid	(1.1)	(0.3)
Expenses of administrative plan	-	-
Balance at the end of year	51.0	45.6

Analysis of amounts recognised in statement of income and retained earnings

	2020 £m	2019 £m
Actual return less expected return on plan assets	4.6	9.0
Experience loss on scheme liabilities	(0.2)	(0.1)
Changes in assumptions underlying the present value of scheme liabilities	(6.0)	(5.9)
Changes in assumptions demographic	-	2.0
Actuarial gain recognised in statement of income and retained earnings	(1.6)	5.0

	2020 £m	2019 £m
Difference between the expected and actual return on scheme		
- Amount	4.6	9.0
- Percentage of year end scheme assets	9%	20%
Experience loss on scheme liabilities		
- Amount	(0.2)	(0.1)
- Percentage of year end present value of scheme liabilities	-	-
Total recognised in statement of income and retained earnings		
- Amount	(1.6)	5.0
- Percentage of year end present value of scheme liabilities	(3%)	11%

11. **Dividends**

The following dividends were recognised during the period:

	2020 £m	2019 £m
Nil (2019: £25.0) per qualifying ordinary share	-	10.0

11. **Dividends (continued)**

In light of the current uncertainty as to the economic impact of the COVID-19 pandemic, the directors do not propose a payment of a dividend in respect of the year ended 31 December 2020 (2019: £10.0m).

12. **Ultimate controlling company**

The company's ultimate controlling company is Beazley plc incorporated in the UK. The immediate controlling company is Beazley Furlonge Holdings Limited incorporated in the UK.

The largest and the smallest groups in which the results of the company are consolidated is that headed by Beazley plc.

The consolidated financial statements of the ultimate controlling company, Beazley plc, can be obtained from the website www.beazley.com.

13. **Related party disclosures**

Certain directors of the company participate in syndicate 623 through Beazley Staff Underwriting Limited. The details of the participations are disclosed in the Directors' report, on page 13.

14. **Subsequent events**

There are no events that are material to the operations of the company that have occurred since the reporting date.