



BEAZLEY

annual report 2002
Syndicate 623 at Lloyd's

Contents

Underwriter's report	1
Managing agent's report	10
Report of the independent auditors	13
Statement of managing agent's responsibilities	14
Underwriting figures	15
Balance sheet	18
Notes to the accounts	19
Seven year summary of closed year results	38
Managing agent – additional information	39

Syndicate 623 – summary financial information

	2000	1999	1998	1997	1996
Allocated capacity – £'000s	<u>125,186</u>	<u>94,699</u>	<u>94,690</u>	<u>89,874</u>	<u>90,013</u>
Capacity utilised	<u>108%</u>	<u>124%</u>	<u>88%</u>	<u>72%</u>	<u>71%</u>
Aggregate net premiums – £'000s	<u>79,102</u>	<u>70,813</u>	<u>56,589</u>	<u>44,489</u>	<u>44,062</u>
Net capacity utilised	<u>63%</u>	<u>75%</u>	<u>60%</u>	<u>50%</u>	<u>49%</u>
Net profit on an illustrative share	<u>0.6%</u>	<u>2.0%</u>	<u>0.1%</u>	<u>1.1%</u>	<u>2.9%</u>

Note: The summary financial information above should be read in conjunction with the full annual report.

Underwriter's report

Closed year

The syndicate achieved a small profit in a difficult year which we believe to be the bottom of the cycle. This result was within our forecast.

There are several items that affected the financial results during the period including a favourable catastrophe year, producing a good result for the reinsurance account, and a small profit from the marine account. Offsetting the foregoing were a weakening US dollar and an increase in bad debt provision.

Reserves for prior years are proving robust overall, with earlier years performing better than those most recently closed. These latter years of account have suffered a greater frequency and stronger late development of claims. These phenomena fit with the increase in litigation impacting the service industry sector who purchase coverage for professional negligence and directors and officers liability protection. The syndicate has exposure to these lines but is protected by specific reinsurance that should mitigate the impact of such losses.

2001

September 11 proved a catalyst for change in the global insurance and reinsurance industry, accelerating the market correction.

The impact to the syndicate of the World Trade Center ("WTC") tragedy is material but the gross and net exposures have remained within our expectations announced shortly after the event. The payment of our loss has been slower than expected. Our WTC loss has been estimated at £100m gross and £20m net after reinsurance recoveries and reinstatement premiums assuming that the WTC loss is one loss.

Specific clauses in some of the reinsurance treaties allowed for loss funding by reinsurers. This has enabled the syndicate to collect more than half of the expected total recovery.

Notwithstanding WTC, the property group will turn in a good profit as the property market improved throughout 2001. Its net loss from WTC was not significant as it had not underwritten many of the large risks that were affected.

The marine account also performed better than market, resulting in an increase in profit compared with the previous year.

The specialty lines account is forecast to produce a loss reflecting a conservative reserving policy and a slower hardening trend than other lines. An area of business that proved particularly difficult was the recall account. Its performance resulted in a different underwriting strategy for 2002 with the expectation of considerable improvement in results.

2002

2002 has had the best start since 1993. New business and rate increases fuelled substantial premium growth and we are forecasting a gross premium of £405m, an increase of 61% compared with the 2001 year of account. Better terms and conditions were evident in 2002 compared with previous years. The syndicate achieved average rate increases on renewal business from the 2001 year of approximately 34%. The market corrections were led by the property and reinsurance account from the start of the year. The market correction for the specialty lines account accelerated throughout the year.

Underwriter's report

It was evident early in the year that the expected flow of business was going to exceed capacity. As such, we sought permission from capital providers to increase the stamp capacity from £325m to £448m through the use of a qualifying quota share. Syndicate 2623 was also established to write a £78m qualifying quota share of syndicate 623's 2002 year of account. This together with the qualifying quota share of £45m from Munich Re on our specialty lines account gave us a premium capacity of £448m. These reinsurances allowed us to continue to write business during the year and to service our brokers. They also provided the additional benefit of shared syndicate expenses and profit commission that may become payable to the capital providers of syndicate 623 from either of these arrangements.

Outlook

The insurance and reinsurance industry has taken a fearful battering. It is estimated that since September 11, \$200 billion has disappeared from insurers' balance sheets while the legacy of asbestos and the future development of long-tail losses have not been recognised. These factors, together with low interest rates and losses from equity portfolios mean that insurers need to continue to price their product properly. The lack of exposure to equities and a robust reserving record has put us in a strong position.

We believe there is a significant opportunity to grow the business vertically within our existing areas of expertise. With the continued dislocation of the worldwide markets, particularly in Europe and the United Kingdom, prospects and opportunities abound.

The total managed capacity increased to £660m for the 2003 year of account. The capacity of syndicate 623 is £330m, provided by third party capital. A further £330m of capacity is provided through syndicate 2623, writing in parallel with syndicate 623 for the 2003 year of account. This capacity has been provided by Beazley Group plc.

With this new structure, we find ourselves in a position of strength with capacity, underwriting skills and excellent relationships with the distribution network of brokers.

During 2003, we are expecting small rate increases on the property account as we assume this market to be nearing the end of its correction. For the reinsurance account, the rating depends upon the client's record and exposure, but on average we are expecting smaller increases than the prior year. Rate increases on the marine account are dependent upon the reinsurance market. If that market tightens, then rates will increase materially. For the specialty lines account, we are expecting further increases during a period of continuing correction.

The reinsurance market has absorbed a significant number of losses in recent times. It has become a concentrated market, with the 5 largest reinsurers estimated to hold over 50% market share. Consequently, buyers of reinsurance can expect there to be some rate increases particularly on long tail business as the market needs to repair its balance sheets and provide returns to shareholders.

While all the above is taking place, the flow of business continues to be good. We remain focused on our core competencies of risk taking, managing claims, and developing access to business. The overall insurance industry is still relatively unstable with managements wrestling with issues of depleting balance sheets, reserving difficulties and a high cost base. We foresee that the situation signals further change and therefore presents greater opportunities.

Reinsurance

For 2003, inward trading conditions are excellent, whereas the market for buying reinsurance has become increasingly difficult in certain areas. The syndicate's strategy is to continue to build trading relations with core reinsurers while seeking to retain more where appropriate.

Underwriter's report

The syndicate's exposure to catastrophe losses is regularly monitored and reinsurance protections are purchased in accordance with loss parameters set by the Board. Although our catastrophe programme will cater for most events, it is not possible to buy sufficient protection to cover for all eventualities. The scrutiny of reinsurance security remains the responsibility of the syndicate's Reinsurance Security Committee, which utilises market research provided by Benfield Advisory.

The percentages of total reinsurance costs payable to the Committee's designated categories of reinsurer are as follows:

	2000	2001	2002
	%	%	%
Lloyd's	14.9	19.2	19.9
FSA approved companies	62.0	52.9	58.0
Non-FSA approved companies	23.1	27.9	22.1
Companies within the EC	85.7	83.8	93.0

The non-FSA approved companies from which we purchase reinsurance comprise non-UK domiciled insurance companies, all of which have been vetted by the Reinsurance Security Committee. The information in the above table has been calculated on the basis of material reinsurance placed.

Gross premium income

The levels of gross premiums received converted to sterling at premium monitoring rates as a percentage of gross allocated capacity are as follows:

	2000		2001		2002	
	£m	%	£m	%	£m	%
Capacity	125.2		215.3		325.0	
@ 12 months	73.8	58.9	137.2	63.7	262.3	80.7
@ 24 months	129.8	103.7	232.5	108.0	–	–
@ 36 months	134.5	107.4	–	–	–	–

Underwriter's report

Premium income limits and utilisation

	2000	2001	2002
	£m	£m	£m
Syndicate allocated capacity (excluding QQS)	125.2	215.3	325.0
Qualifying quota share	15.7	36.0	123.0
Total capacity	140.9	251.3	448.0
Estimated ultimate gross premium income	135.6	252.4	404.7
Net utilisation	96.2%	100.4%	90.0%
Rates of exchange			
US dollar	1.63	1.64	1.55
Canadian dollar	2.37	2.36	2.27

The syndicate currently has in place a number of qualifying quota share agreements covering the 2000, 2001 and 2002 years of account. These will provide the additional capacity for the syndicate to write gross income in excess of its stamp capacity. In addition to using the qualifying quota share for the 2001 year of account, consent has been given to overwrite by up to 2% of capacity.

Your attention is drawn to the note "basis of preparation" in the managing agent's report that describes the method of disclosure in the annual report in respect of the 2002 qualifying quota share with syndicate 2623.

Net premium income

The levels of net premiums translated at premium monitoring rates and as a percentage of gross allocated capacity are as follows:

	2000		2001		2002	
	£m	%	£m	%	£m	%
Capacity	125.2		215.3		325.0	
@ 12 months	39.3	31.3	86.0	39.9	127.0	39.0
@ 24 months	78.0	62.2	157.9	73.3	-	-
@ 36 months	80.5	64.3	-	-	-	-

Incurred loss ratios

at audit rates of exchange

	2000		2001		2002	
	Gross	Net	Gross	Net	Gross	Net
	%	%	%	%	%	%
@ 12 months	22.3	30.0	75.2	27.9	12.0	17.7
@ 24 months	62.4	53.8	81.4	44.4	-	-
@ 36 months	84.5	70.0	-	-	-	-

Underwriter's report

Illinois licensed business

The arrangements for writing Illinois licensed business require licensed members i.e. non-US external individual members of the syndicate, to accept Illinois risks and to cede a proportion of each such risk to unlicensed members of the syndicate. The proportion of each Illinois risk that is retained by licensed members and the excess over that proportion that is ceded to unlicensed members is calculated by reference to the amount of Lloyd's regulatory deposit held in Illinois.

	2000 £000's	2001 £000's	2002 £000's
Premiums accepted	2,317	4,003	3,926

Analysis of the account

	2000 at 36 mths %	2001 at 24 mths %	2002 at 12 mths %
Category of business			
Long tail	31.4	27.1	27.5
Short tail	68.6	72.9	72.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Department			
Specialty lines	43.5	40.0	35.3
Property group	34.3	32.5	35.8
Reinsurance	13.3	14.8	17.9
Marine	8.9	12.7	11.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Currency			
Sterling	25.4	28.6	22.0
US dollars	70.7	69.3	75.5
Canadian dollars	3.9	2.1	2.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Acceptance			
Facultative	39.9	42.3	52.5
Excess of loss treaty	13.1	13.2	13.3
Line slip	10.4	7.9	6.2
Binding authority	34.0	34.4	26.3
Proportional treaty	2.6	2.2	1.7
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Note: The figures shown above are subject to fluctuation during the second and third years.

Underwriter's report

Description of business underwritten

The syndicate's account is underwritten by four departments:

1 Specialty lines

Specialty lines is a recognised market leader in many sectors of the global errors and omissions specialty insurance market; underwriting primary and excess business from North America, Europe and around the world.

The team has a proven track record in many challenging areas of insurance, including professional liability, product recall, directors' and officers' liability, political risks, extortion, terrorism, healthcare and employment practices liability. Harnessing the opportunities presented by the interaction between specialist brokers and underwriters is a key feature of the Lloyd's trading environment, and enables the specialty lines team to provide effective coverage, for a diverse range of clients.

Specialty lines has focused on writing specialty insurance in selected markets and is an established lead underwriter in many lines. A significant proportion of this business is written in the US excess and surplus lines market and is structured on a claims-made, rather than losses occurring, basis. The team aims to provide very high service levels – having the necessary skills and experience to underwrite the risk, produce the policy and settle the claims. Considerable time is spent travelling and meeting with clients and their brokers, thereby allowing underwriters a better understanding of the customers' business and exposures.

The specialty lines account is underwritten by three teams.

Large risk

This group underwrites the larger, more complex risks on an individual basis. The three principal groups are:

- Professional liability
- Healthcare
- Directors' and officers' liability

Programme and small risks

This team underwrites through the Eazypro electronic trading platform, binding authority contracts and accepts business at the box in Lloyd's. The principal areas of business are:

- Professional liability
- Employment practices liability
- Miscellaneous specialty errors and omissions
- Treaty reinsurance

Political and contingency group

The group underwrites:

- Political risks, being contract frustration/confiscation/expropriation
- Product recall, incorporating accidental and malicious contamination
- Contingency, including kidnap and ransom, non appearance and cancellation
- Terrorism, so called 'stand alone' terrorism for property risks where this coverage has been excluded by property insurers

Underwriter's report

2. Reinsurance

Property reinsurance

The syndicate has specialised in writing property catastrophe risk excess and pro rata business since its formation in 1986. While market capacity has fluctuated dramatically during the last 16 years in response to catastrophes, we have remained committed to this market and have increased our support to many of our long-standing clients.

The portfolio consists of business in most territories of the world but is particularly strong in the US, the UK, Japan, Canada and Australasia.

The underwriters employ the most up-to-date software programmes and analytical tools to assist risk assessment and to help utilise available capacity more effectively.

The syndicate attaches particular importance to client visits and meetings in order to develop a proper understanding of each risk.

The combination of experience, technical support and a good understanding of clients' reinsurance requirements enable the syndicate to set terms in this class.

Casualty reinsurance

The syndicate provides reinsurance capacity to cedants who operate in areas which are complementary to our large direct casualty account. Access to business, geographical location and local market standing are all key factors in risk assessment.

The major part of the portfolio consists of catastrophe layers, protecting companies' auto and workers compensation accounts. We actively promote the purchase of claims-made policies to supplement traditional occurrence coverage.

3. Property group

Open market

The syndicate leads both primary and excess commercial property business. We take substantial positions with key clients who are committed to managing their own risk and who look for long-term stability in price and carriers.

The syndicate has the expertise and experience to assess, price and structure risks throughout the world, utilising the support of recognised engineers and to work with clients on all aspects of risk management and risk control.

Overall emphasis is placed on service as a means to product enhancement. In-house technical support is provided and this includes claims and policy wordings specialists.

In addition, business is accepted through binding authorities which complement the larger facultative risks. Our tightly managed account is geared to cover small to medium commercial property, international homeowners and motor business. US, Australia, the UK and South Africa are the key areas for the portfolio.

These authorities are granted to experienced agents through selected brokers who enable us to access smaller premium business both economically and profitably.

Underwriter's report

Homeowners

Beazley works with brokers to develop tailor-made products for their individual requirements, both within the UK and overseas. This recognises that individual portfolios of business have different requirements. Combining this flexibility with the use of up to date technology, we remain competitive.

Technology is key to this class of business and in the UK we use a database developed by the British Geological Survey to assist in the underwriting risk of subsidence. This underwriting tool allows us to assess the risk of subsidence at varying levels of detail. In some areas we are able to evaluate a property at street level by utilising the full postcode. Where contents insurance is required we rate at postcode sector level.

We consider the best vehicle to access this business to be a binding authority granted to selected brokers and agents.

Block policies

The largest class within this portfolio is made up of jewellers block and we lead the approved scheme for the National Association of Goldsmiths. Within the class of jewellers block we have expertise in all areas of the trade including manufacturing, wholesale and retail. The standard policy gives comprehensive coverage for stock, loss of profits, buildings, rent, personal accident and stress counselling. The syndicate promotes a high level of risk management and awareness to the jewellery trade as this adds value to the insurance product.

Other classes of block policies include antique dealers, fine art dealers, galleries, auctioneers and other similar type businesses within the trade.

Swiss account

The Swiss account, previously written as a consortium, is now written 100% by the syndicate and consists of small commercial property, homeowners and personal accident business in Switzerland. We are developing the existing portfolio by working closely with brokers to refine our current business and introduce some of the products that have been successful in other territories.

4. Marine

The marine team provides long-term insurance solutions to the maritime related industries. Since the team arrived at the end of 1998 the book has experienced steady but focused growth commensurate with tough market conditions.

Vessels

The marine division is a recognised leader of owner-operated shipping company business. The team places a high degree of emphasis on maintaining close and knowledgeable relationships with the management and business of these companies. Coverage is tailored for a broad spectrum of ages and vessel types.

Voyage and tow risks

We have always been a high profile leader in this area but our position has been further reinforced by the introduction of our 'Voyagesure' website. This provides a fully interactive on line facility for the management of hull voyage and towage risks. The broad coverage encompasses both hull interests and associated liabilities.

Risks can be quoted and bound on line with the automatic production of a Lloyd's covernote. This provides tangible economies for both underwriters and brokers.

Underwriter's report

Marine liability

The team has developed a broad portfolio in this area for reinsurance as well as direct business and consortium participation.

I take this opportunity to thank the teams for their continued commitment and contributions during the year, and look forward to an exciting year ahead.

A F Beazley
Active Underwriter

24 March 2003

Managing agent's report

Managing agency

Beazley Furlonge Limited has been the managing agent of syndicate 623 throughout the period covered by this report and its registered office is One Aldgate, London EC3N 1AA.

Directors

The current directors of Beazley Furlonge Limited and their 2002 premium income limits on syndicate 623 are disclosed on page 39.

Basis of preparation

The financial information for the 2002 year of account included in this annual report has been prepared by combining the open year results of syndicate 623 and syndicate 2623. As syndicate 2623 wrote a whole account quota share of syndicate 623 that incepted as from 1 January 2002, it shared on a pro-rata basis the business written by syndicate 623. The business was shared in proportion to the stamp capacity of £325m/£78m for syndicate 623/2623 respectively.

As the open year result for the 2002 year of account has been combined, additional disclosure has been made where appropriate.

Risk management

The syndicate risk committee ("SRC"), chaired by Nicholas Furlonge, reports directly to the Board.

The SRC has specific responsibility for managing underwriting risk. This includes reviewing the syndicate's exposure to catastrophic, systemic and underwriting risk and reviewing and monitoring underwriting systems and controls. Conformity with underwriting authorities is monitored continuously, and underwriting decisions outside the authorities require the approval by each of the department leaders and are reported to the SRC. The head of the department conducts a regular peer review of risks written by underwriters in that department. Weekly portfolio review reports are generated by each group for the management team to review. The reports provide information on risks written, large exposures and large losses notified.

On a quarterly basis, management conducts peer reviews of each division's income written against budget during the quarter, reviews the loss development for all years of account and re-estimates the profitability of each line of business. An independent consultant is used to provide additional insight and to review underwriting trends. The syndicate actuary also carries out a comprehensive analysis of the quarterly developments to identify unexpected movements and re-estimate the reserves required. The SRC is supported by a number of sub-committees which monitor and review compliance with internal guidelines. These include broker security, covers review, internal review and realistic disaster scenario review groups.

Investment report

The investment returns achieved were lower than last year as yields continued to fall during the year.

The strategy established by the investment committee was based on the expected result of the 2000 year. As only marginal profitability was predicted, it was agreed not to expose the investment portfolio to significant market risk.

Managing agent's report

The benchmark set for the investment managers, Alliance Capital Limited, for all three currencies was the yield on the one year government bond as at 1 January 2002. This benchmark return was bettered in all currencies as value was added by purchasing corporate bonds and by benefiting in the fall in yields during the year.

The investment returns achieved were as follows:

	Calendar year yield		Split by currency	
	2002	2001	2002	2001
	%	%	%	%
Sterling	3.5	5.8	15.0	16.0
US dollars	2.9	5.6	81.0	80.0
Canadian dollars	3.0	5.3	4.0	4.0
Overall average return	3.0	5.6		

In each currency, the strategy of matching the benchmark was continued until the end of the year when the portfolio was re-positioned to take account of the strategy for 2003.

A similar investment strategy will be followed during 2003 as the 2001 year of account profitability is expected to be breakeven. The overall returns for this year are expected to be substantially lower as interest rates fell both in the UK and US in 2002.

Syndicate annual general meeting

In accordance with the Byelaws, an application has been made to the Council of Lloyd's to waive the requirement for having a syndicate annual general meeting as it is intended to re-appoint Mazars (formerly Mazars Neville Russell) as auditors. As there is no other business to consider at the meeting, no annual general meeting of the syndicate will be held.

Managing agent's report

2001 Underwriting account – 24 month forecast

	£'000
Allocated capacity	215,317
2001 open year of account balance as at 31 December 2002	197,638
Estimated future liabilities and underwriting accruals for the 2001 year of account as at 31 December 2002	(196,384)
Estimated movement of non-underwriting items during 2003	<u>2,526</u>
Estimate of profit before personal expenses for the 2001 year of account after 36 months	3,780
Estimate of standard personal expenses including profit commission	<u>(3,557)</u>
Estimate of profit after personal expenses for the 2001 year of account after 36 months	<u>223</u>
As a percentage of capacity	0.1%

The estimated range of results is therefore considered to be (2.5%) to 2.5% before members' agents' fees.

The above forecast has been made on the basis of assumptions that whilst considered reasonable, may however, prove different to the eventual outcome and may therefore cause the final result to vary from this forecast. Particular assumptions included in the forecast are:

- 1 the assessment of the liabilities accepted in reinsurance to close received from the 2000 account does not vary substantially during the year;
- 2 the rate of exchange does not vary significantly from 31 December 2002 rates of US \$1.61 and Canadian \$2.54 to the £;
- 3 the 2001 account closes into the 2002 account at 31 December 2003;
- 4 the assessment of the liabilities for the 2001 account does not materially alter from the current estimates;
- 5 there will be no material reinsurance failures; and
- 6 syndicate expenses, incurred in the calendar year 2003 to be charged to the 2001 year of account, will continue the pattern of previous years as refined by current budgets.

Further information

Your attention is drawn to pages 39 to 44 of this document which provide further information relating to the managing agency.

By order of the Board
A R Manners
Director

24 March 2003

Report of the independent auditors to the members of syndicate 623

We have audited the annual report, set out on pages 15 to 38, which has been prepared in accordance with the Lloyd's Syndicate Accounting Rules and the accounting policies set out in note 2 to the annual report.

The report is made solely to the members of the syndicate, as a body, in accordance with Section 14 of the Syndicate Accounting Byelaw (No. 18 of 1994). 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 members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the managing agent and auditors

As described on page 14, the managing agent is responsible for the preparation of the annual report. Our responsibilities, as independent auditors, are established by Lloyd's Byelaws, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the annual report gives a true and fair view of the result of any closed year and has been properly prepared in accordance with Lloyd's Syndicate Accounting Rules. We also report to you if, in our opinion, the managing agent's and the underwriter's reports are not consistent with that annual report, if the managing agent has not kept proper accounting records in respect of the syndicate, if the managing agent has not established and maintained the systems and procedures necessary to enable it to comply with the Disclosure of Interests requirements of the Lloyd's Syndicate Accounting Rules, if the annual report is not in agreement with the accounting records and if we have not received all the information and explanations we require for our audit.

We read the other information attached to the annual report and consider whether it is consistent with the audited annual report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the annual report.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual report. It also includes an assessment of the significant estimates and judgements made by the underwriter and managing agent in the preparation of the annual report, and whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the annual report is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the annual report.

Opinion

In our opinion, the annual report has been properly prepared in accordance with the Lloyd's Syndicate Accounting Rules and gives a true and fair view of the profit of the 2000 closed year of account.

Mazars
Chartered Accountants and Registered Auditors
24 Bevis Marks
London
EC3A 7NR
24 March 2003

Statement of managing agent's responsibilities at 31 December 2002

The Syndicate Accounting Byelaw (No. 18 of 1994 as amended) requires the managing agent to prepare an annual report, personal accounts and syndicate MAPA accounts for each syndicate managed by it at 31 December each year.

The managing agent must prepare the annual report, personal accounts and syndicate MAPA accounts in accordance with the Lloyd's Syndicate Accounting Rules, so as to ensure that the net result shown in each underwriting member's personal account and each syndicate MAPA account has been calculated in accordance with the applicable agency agreements and, where a year of account closes, so as to give a true and fair view of the closed year result.

In preparing the annual report, personal accounts and syndicate MAPA accounts the managing agent is required to:

- (a) select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities insured;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) take into account all income and charges relating to a closed year of account in the underwriting account prepared in respect of that year of account, without regard to date of receipt or payment; and
- (d) following applicable accounting standards, subject to any material departures disclosed and explained in the annual report.

The managing agent is responsible for keeping proper accounting records which disclose with accuracy at any time the financial position of the syndicate and to enable it to ensure that the annual reports, personal accounts and syndicate MAPA accounts comply with the Lloyd's Syndicate Accounting Rules. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities.

2000 underwriting account closed after three years at 31 December 2002

	Notes	2000 account			1999 account
		after 2 years £'000	change in calendar year £'000	after 3 years £'000	after 3 years £'000
Syndicate allocated capacity		125,186		125,186	94,699
Gross premiums written (net of brokerage)		139,264	(3,932)	135,332	117,374
Outward reinsurance premiums		57,688	(1,458)	56,230	46,561
Net premiums		81,576	(2,474)	79,102	70,813
Reinsurance to close premiums received from earlier years of account	3	81,887	(4,945)	76,942	72,155
		163,463	(7,419)	156,044	142,968
Gross claims paid		44,493	66,457	110,950	99,508
Reinsurers' share		15,887	31,556	47,443	40,867
Net claims		28,606	34,901	63,507	58,641
Reinsurance premium paid to close the year of account	4	–	88,453	88,453	81,887
		28,606	123,354	151,960	140,528
Balance on technical account before loss on exchange and syndicate operating expenses		134,857	(130,773)	4,084	2,440
Loss on exchange		(268)	(12)	(280)	(295)
Syndicate operating expenses	5	(5,692)	(872)	(6,564)	(5,264)
Balance on technical account	6	128,897	(131,657)	(2,760)	(3,119)
Investment income	7	2,758	3,986	6,744	6,948
Investment expenses and charges		(9)	(69)	(78)	(154)
Investment gains less losses		295	(855)	(560)	556
Profit for the closed year of account	13	131,941	(128,595)	3,346	4,231

The notes on pages 19 to 37 form part of these accounts.

2001 year of account after two years
at 31 December 2002

	Notes	2001 account			2000 account
		after 1 year £'000	change in calendar year £'000	after 2 years £'000	after 2 years £'000
Syndicate allocated capacity		215,317		215,317	125,186
Gross premiums written (net of brokerage)		149,578	85,516	235,094	139,264
Outward reinsurance premiums		57,228	20,094	77,322	57,688
Net premiums		92,350	65,422	157,772	81,576
Reinsurance to close premiums received from earlier years of account	4	–	88,453	88,453	81,887
		92,350	153,875	246,225	163,463
Gross claims paid		17,003	78,547	95,550	44,493
Reinsurers' share		7,941	45,489	53,430	15,887
Net claims		9,062	33,058	42,120	28,606
Balance on technical account before profit on exchange and syndicate operating expenses		83,288	120,817	204,105	134,857
Profit/(loss) on exchange		(41)	30	(11)	(268)
Syndicate operating expenses	5	(7,285)	(3,323)	(10,608)	(5,692)
Balance on technical account		75,962	117,524	193,486	128,897
Investment income	7	1,220	3,678	4,898	2,758
Investment expenses and charges		–	(70)	(70)	(9)
Investment gains less losses		153	(829)	(676)	295
Balance on open year	14	77,335	120,303	197,638	131,941

The notes on pages 19 to 37 form part of these accounts.

2002 combined year of account after one year
at 31 December 2002

	Notes	2002* combined 623/2623 account after 1 year £'000	2001 623 account after 1 year £'000
Syndicate allocated capacity		403,000	215,317
Gross premiums written (net of brokerage)		254,108	149,578
Outward reinsurance premiums		103,531	57,228
Net premiums		150,577	92,350
Gross claims paid		10,082	17,003
Reinsurers' share		731	7,941
Net claims		9,351	9,062
Balance on technical account before profit on exchange and syndicate operating expenses		141,226	83,288
Profit/(loss) on exchange		8	(41)
Syndicate operating expenses	5	(14,952)	(7,285)
Balance on technical account		126,282	75,962
Investment income	7	2,051	1,220
Investment expenses and charges		(51)	–
Investment gains less losses		(481)	153
Balance on open year	14	127,801*	77,335

* see Note 2(b) and Note 14.

The notes on pages 19 to 37 form part of these accounts.

Balance sheet

at 31 December 2002

	Notes	2002 £'000	2001 £'000
Assets			
Financial investments	9	247,158	139,743
Deposits with ceding undertakings		193	253
Debtors	10	52,784	39,016
Cash at bank and in hand		27,639	28,636
Overseas deposits	11	36,451	23,675
Prepayments and accrued income	12	3,329	941
Total assets		<u>367,554</u>	<u>232,264</u>
Liabilities			
Profit on 2000/(1999) year of account	13	140	1,466
Balance on 2001/(2000) year of account	14	192,909	128,993
Balance on 2002/(2001) year of account	14	118,707	72,605
Creditors	15	31,526	23,728
Accruals and deferred income	16	24,272	5,472
Total liabilities		<u>367,554</u>	<u>232,264</u>

The annual report was approved at a meeting of the Board of Directors and by the Active Underwriter on 24 March 2003.

A F Beazley
Active Underwriter

A R Manners
Director – For and on behalf of
Beazley Furlonge Limited

The notes on pages 19 to 37 form part of these accounts.

Notes to the accounts at 31 December 2002

1 Basis of preparation of the annual report

The annual report, comprising the balance sheet, underwriting accounts, seven year summary, statement of disclosure of interests, statement of managing agent's responsibilities and these notes, is prepared in accordance with the Lloyd's Syndicate Accounting Rules.

2 Accounting policies

a) Underwriting transactions

- i) Each account is normally kept open for three years and the underwriting result is ascertained at the end of the third year when the account is closed, normally by reinsurance into the following year of account.

The balances on the open accounts at the balance sheet date are subject to further transactions up to their respective dates of closure and, in particular, no provision is made for the estimated future liability of these accounts. These balances do not purport to give any indication of the likely profit or loss that may be determined when these accounts are closed.

- ii) The accounts include:

- a) premiums less brokerage and discount (net of return premiums), claims, including internal and external claims settlement expenses, reinsurance premiums ceded and reinsurance recoveries as processed through the Lloyd's Policy Signing Office up to and including the balance sheet date.

From 1 January 1995 premiums have been allocated to a year of account on the basis of the date on which the policy incepts. Return premiums and claims are allocated to the year of account to which the related premiums are allocated.

The costs of reinsurance ceded are allocated to the appropriate year of account on bases which reflect fairly the allocation of the underlying business being protected.

Salvages and reinsurance recoveries are allocated to the year of account to which the related claim was charged;

- b) in respect of all years, accruals of known reinsurance recoveries and any related reinsurance premiums; and
 - c) in respect of closing and running-off years, accruals of known additional and return premiums and reinsurance premiums.
- iii) An amount to meet all known and unknown outstanding liabilities is required to be calculated for all years of account at the end of the third or subsequent year. This sum will form the basis of the reinsurance to close if the year is closing, or if the year is running-off will be retained by that year as an amount to meet all known and unknown outstanding liabilities.

Notes to the accounts

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers normally to the following year of account, any liability arising out of transactions connected with insurance business underwritten by the closing year and previous years from 1993 onwards.

The premium for the reinsurance to close is calculated by the Active Underwriter based on the latest loss information available at the time of making such calculation.

The calculation allows for the estimated net cost of claims which may have been incurred but not yet reported; such allowance is established by the Active Underwriter exercising his judgement aided by statistical projections based on the history of past claim settlements and by reference to case by case reviews of notified losses.

The calculation includes estimates as set out above, for known outstanding claims, claims which may have been incurred but not reported and potential reinsurance recoveries. The uncertainties which are inherent in the process of estimating are such that, in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated.

Credit is taken for any reinsurance recoveries that are presently estimated to be recoverable and provision is made for estimated claims handling expenditure. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing the reinsurance to close.

b) Qualifying quota share

The premiums due to reinsurers under a qualifying quota share arrangement are accounted for as they arise. Any over rider commissions earned on reinsurance premiums paid and accrued are credited to expenses. Also credited to expenses is any over rider commission anticipated on future reinsurance premiums payable under such contracts.

For the 2002 year of account, however, no adjustments have been made for the quota share arrangement with syndicate 2623. Syndicate 2623 has been granted an exemption by Lloyd's from the requirement to prepare accounts at the 12 and 24 month stage. Accordingly the 2002 underwriting account reflects the combined syndicate 623 and syndicate 2623 position. This combined position does not reflect any transactions between syndicate 623 and syndicate 2623 under the qualifying quota share agreement. These will only be recognised at the 36 month stage of the 2002 underwriting account when separate accounts will be prepared for syndicate 623 and syndicate 2623.

c) Investments

Investments are stated at market value, including accrued interest at the balance sheet date.

The cost of investments held at 31 December is the aggregate of investments held at the beginning of the year at the previous balance sheet valuations less any disposals made plus any cost of investments acquired during the year and held at the balance sheet date.

The investment return comprises income received and investment profits and losses net of investment expenses and charges arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December.

Notes to the accounts

The return is allocated between the underwriting accounts in proportion to the average balances on those accounts.

The calendar year investment yield is computed from the average amount of syndicate funds available for investment and aggregate investment return during the calendar year. The funds available for investment are calculated on a monthly basis and consist of all investments at opening value adjusted for cost of sales and purchases during the month, overseas deposits and bank balances, less any bank borrowings, at a consistent and representative point in the month. The aggregate investment return is the total amount of income and appreciation reported in these accounts, before taxation and apportionment to years of account, less any interest paid or payable on bank borrowings.

d) Overseas deposits

Overseas deposits are stated at the market value ruling at the balance sheet date. The cost of investments held within these deposits is determined either on the same basis as for syndicate investments or on the basis of notification received from Lloyd's.

e) Foreign currency translation and conversion

The syndicate operates in three separate currency funds of sterling, US dollars and Canadian dollars. Items expressed in US and Canadian dollars are translated to sterling at the rates of exchange ruling at the balance sheet date. Items brought forward from the previous years are therefore revalued at those rates. The differences arising from this revaluation are included in the calendar year movements disclosed for each underwriting account heading.

Transactions during the year in other overseas currencies are expressed in sterling at the rates ruling at the transaction date.

Where US dollars or Canadian dollars are sold for the closed underwriting account after 31 December, on account of the syndicate and personal expenses paid in sterling, any profit or loss arising is reflected in the following closed underwriting account. Any profit or loss arising on the remaining Canadian dollar balance is reflected in the underwriting account into which the liabilities of that year have been reinsured. Any distributable US dollar balance for the closed underwriting account, in accordance with Lloyd's requirements, is payable to the members. Consequently, any profit or loss arising after 31 December in respect of these amounts is the personal responsibility of the underwriting members of that closed year.

Where US or Canadian dollars are bought or sold in respect of an open underwriting account after 31 December, any profit or loss arising is reflected in the next underwriting account prepared for that open account.

The US dollar and Canadian dollar exchange rates ruling at 31 December 2002 are US\$1.61 and C\$2.54 respectively (2001: US\$1.46, C\$2.32). The comparative figures are translated into sterling at the exchange rates ruling at 31 December 2001.

f) Taxation

No provision is made on behalf of the members for UK income tax relating to either the net underwriting result or the investment income.

It is the personal responsibility of all members to agree and settle their UK taxation liabilities with the Inland Revenue.

Notes to the accounts

Managing agents are not responsible for paying members' final US and Canadian federal income tax assessments.

Any US and Canadian federal income tax as shown on the final assessment relative to each member will be charged to the member's consolidated personal account.

Managing agents, however, remain responsible for payments on account of US and Canadian federal income tax. Any on-account payments made by the syndicate have been included in the balance sheet under the heading of 'other debtors'.

It is the personal responsibility of members resident in the US or Canada to agree and settle their US or Canadian taxation liabilities.

g) Syndicate operating expenses

Costs incurred jointly by the managing agent and the syndicate for the provision of office staff and facilities have been apportioned on a basis of time involved and the degree of usage of facilities.

All syndicate expenses are allocated to the year of account for which they are incurred. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account for each type of expense.

The expenses of the open years of account are provisional and are not finalised until the accounts are closed.

h) Profit related remuneration

For the closed year of account, staff profit related remuneration is charged to the syndicate.

i) Insurance debtors and creditors

In the normal course of business, settlement is required to be made with Xchanging Ins-sure Services, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which it represents.

Under the requirements of Financial Reporting Standard 5 'Reporting the Substance of Transactions' (FRS5) issued by the Accounting Standard Board, individual assets and liabilities should not be offset unless certain specific criteria is met. Accordingly, balances with brokers are shown gross except where any rights of set-off are certain.

3 Reinsurance received from the 1999 year of account

The net premium receivable differs from the reinsurance to close premium paid by the 1999 account due to movements in exchange rates.

Notes to the accounts

4 Reinsurance premiums to close the 2000 year of account

	2000 account at 36 months £'000	1999 account at 36 months £'000
Gross notified outstanding claims	117,276	83,620
Reinsurance recoveries anticipated	<u>68,671</u>	<u>44,205</u>
Net notified outstanding claims	<u>48,605</u>	<u>39,415</u>
Provision for gross claims incurred but not reported	84,265	75,799
Reinsurance recoveries anticipated	<u>45,344</u>	<u>34,251</u>
Provision for net claims incurred but not reported	<u>38,921</u>	<u>41,548</u>
Claims handling expense provision	<u>927</u>	<u>924</u>
Net premium for reinsurance to close	<u>88,453</u>	<u>81,887</u>

5 Syndicate operating expenses

	2000 account			1999 account
	after 2 years £'000	change in calendar year £'000	after 3 years £'000	after 3 years £'000
Closed year of account after three years				
Salaries and related costs	3,066	327	3,393	2,870
Accommodation	353	42	395	327
IT and computer costs	812	12	824	815
Lloyd's processing costs	158	73	231	228
Overseas operating costs	662	77	739	485
Premium levy	1,513	14	1,527	1,309
Lloyd's regulatory levy	113	–	113	–
Syndicate auditor's remuneration – audit	28	41	69	49
– other	1	1	2	2
Other professional fees	281	82	363	183
Charges relating to use of fixed assets	74	11	85	66
Other expenses	726	42	768	706
Commissions earned	<u>(2,095)</u>	<u>150</u>	<u>(1,945)</u>	<u>(1,776)</u>
	<u>5,692</u>	<u>872</u>	<u>6,564</u>	<u>5,264</u>

Notes to the accounts

5 Syndicate operating expenses (continued)

	2001 account			2000 account
	after 1 year £'000	change in calendar year £'000	after 2 years £'000	after 2 years £'000
Open year of account after two years				
Salaries and related costs	4,375	192	4,567	3,066
Accommodation	360	37	397	353
IT and computer costs	919	140	1,059	812
Lloyd's processing costs	118	137	255	158
Overseas operating costs	405	942	1,347	662
Premium levy	1,517	2,001	3,518	1,513
Lloyd's regulatory levy	179	3	182	113
Syndicate auditor's remuneration – audit	19	24	43	28
– other	–	2	2	1
Other professional fees	348	43	391	281
Charge relating to use of fixed assets	72	9	81	74
Other expenses	878	236	1,114	726
Commissions earned	(1,905)	(443)	(2,348)	(2,095)
	<u>7,285</u>	<u>3,323</u>	<u>10,608</u>	<u>5,692</u>
			2002 account	2001 account
			after	after
			1 year	1 year
			£'000	£'000
Open year of account after one year				
Salaries and related costs			7,363	4,375
Accommodation			976	360
IT and computer costs			1,044	919
Lloyd's processing costs			269	118
Overseas operating costs			1,338	405
Premium levy			4,824	1,517
Lloyd's regulatory levy			235	179
Syndicate auditor's remuneration – audit			33	19
– other			4	–
Other professional fees			564	348
Charges relating to use of fixed assets			160	72
Other expenses			1,425	878
Commissions earned			(3,283)	(1,905)
			<u>14,952</u>	<u>7,285</u>

For the 2002 account, syndicate expenses of £2,992,000 are attributed to syndicate 2623.

Notes to the accounts

5 Syndicate operating expenses (continued)

During the calendar year the aggregate amount of remuneration paid to and for the benefit of the Active Underwriter and charged as syndicate expenses was:

	2002 £'000	2001 £'000
Salary	277	220
Pension contributions	77	55
	<u>354</u>	<u>275</u>

'Premium levy' refers to an additional central levy on all members of Lloyd's underwriting in 1997 and subsequent years of account. The levy, which is centrally set, was set at 1.1% of gross premiums for the period to 31 December 2001. For the calendar years 2002 and 2003, the levy has been increased by 0.9% to a rate of 2% of gross premiums.

In accordance with the Syndicate Accounting (Amendment No. 7) Byelaw (No. 17 of 1998) certain syndicate operating expenses have been reclassified as internal claims settlement expenses and included under gross claims paid.

6 Balance on technical account for the closed year

	2000 account £'000	1999 account £'000
Profit attributable to business allocated to the 2000/(1999) pure year of account	1,695	949
Profit attributable to business reinsured into the 2000/(1999) year of account	2,389	1,491
	<u>4,084</u>	<u>2,440</u>
Loss on exchange	(280)	(295)
Syndicate operating expenses	(6,564)	(5,264)
Balance on technical account	<u>(2,760)</u>	<u>(3,119)</u>

Notes to the accounts

7 Investment income

	2000 account			1999 account
	after 2 years £'000	change in calendar year £'000	after 3 years £'000	after 3 years £'000
Investment income receivable	2,874	4,277	7,151	7,129
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued	(116)	(291)	(407)	(181)
	<u>2,758</u>	<u>3,986</u>	<u>6,744</u>	<u>6,948</u>
	2001 account			2000 account
	after 1 year £'000	change in calendar year £'000	after 2 years £'000	after 2 years £'000
Investment income receivable	1,277	3,868	5,145	2,874
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued	(57)	(190)	(247)	(116)
	<u>1,220</u>	<u>3,678</u>	<u>4,898</u>	<u>2,758</u>
			2002 account after 1 year £'000	2001 account after 1 year £'000
Investment income receivable			2,118	1,277
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued			(67)	(57)
			<u>2,051</u>	<u>1,220</u>

Notes to the accounts

8 Calendar year investment yield

		2002	2001
		'000	'000
<hr/>			
Average monthly syndicate funds:			
	£	30,969	23,933
	US\$	330,247	183,039
	Can\$	24,326	15,198
	All in £	245,669	155,853
Aggregate gross investment return for the calendar year:			
	£	1,097	1,399
	US\$	9,597	10,185
	Can\$	725	805
	All in £	7,343	8,722
Calendar year investment yield:			
	£	3.54%	5.84%
	US\$	2.91%	5.56%
	Can\$	2.98%	5.29%
	All in £	2.99%	5.60%

9 Financial investments

	2002		2001	
	Cost	Market value	Cost	Market value
	£'000	£'000	£'000	£'000
<hr/>				
Debt securities and other fixed income securities	<u>247,455</u>	<u>247,158</u>	<u>139,438</u>	<u>139,743</u>

Notes to the accounts

10 Debtors

	2002	2001
	£'000	£'000
Amounts falling due within one year		
Arising out of direct insurance operations	3,712	3,033
Arising out of reinsurance operations	<u>44,145</u>	<u>31,366</u>
Brokers' balances	47,857	34,399
Amount due from managing agent	1,533	404
Other debtors	<u>3,354</u>	<u>4,140</u>
	<u>52,744</u>	<u>38,943</u>
Amounts falling due after one year		
Arising out of reinsurance operations	<u>15</u>	–
Brokers' balances	15	–
Other debtors	<u>25</u>	<u>73</u>
	<u>40</u>	<u>73</u>
Total debtors	<u>52,784</u>	<u>39,016</u>

Provision for bad debts

A provision for bad debt of £4,996,673 has been charged in arriving at the balance on technical account for the 2000 year of account (1999 year of account £1,303,787). £343,933 has been charged on paid claims for the 2001 year of account (2000 year of account £5,834).

Notes to the accounts

11 Overseas deposits

	2002 £'000	2001 £'000
Illinois deposit	16,433	9,549
Kentucky deposit	937	447
South African deposit	1,862	954
Japanese deposit	352	387
Australian deposit	4,822	2,921
Joint Asset Trust Fund	6,718	6,292
Additional Securities Limited	3,551	2,165
Lloyd's Canadian Margin Fund	1,776	960
	<u>36,451</u>	<u>23,675</u>

The Illinois and Kentucky deposits are calculated by reference to the syndicate's premium income and estimated exposure to outstanding liabilities arising from business written in the states of Illinois and Kentucky, and are required to enable the syndicate to underwrite business arising in those states.

The South African deposits are represented by the Lloyd's South African Transitional Trust Deed deposit of £Nil (2001: £326,236) covering business underwritten in 1998 and prior years and the Lloyd's South African Trust Deed deposit of £1,861,935 (2001: £628,250) for 2000 and post business.

The Japanese deposits represent the statutory deposit required in Japan and a collateral account for letter of credit against liabilities arising from business underwritten in the country.

The Australian deposits are represented by the Lloyd's Australian Trust Fund deposit of £4,613,610 (2001: £2,755,983) and the Lloyd's Joint Asset Trust Fund deposit of £208,872 (2001: £164,845). The Lloyd's Australian Trust Fund deposit is to enable the syndicate to underwrite business arising in Australia and the contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia. The Lloyd's Australian Joint Asset Trust Fund deposit is an interim fund for business written between 1993 and 1998 and is determined by reference to the syndicate's 1998 and prior estimated net liabilities in Australia.

The Joint Asset Trust Funds are calculated by reference to the syndicate's US dollar reinsurance and surplus lines premium income and is required to enable Names to write certain reinsurance and surplus lines business in the US.

The deposit with Additional Securities Limited is interest bearing and is determined by reference to the syndicate's premium income arising from business written in Switzerland, Singapore and certain other overseas countries, and is required to enable the syndicate to underwrite business arising in those countries.

The Lloyd's Canadian Margin Fund represents a basic margin of 15% of estimated net liabilities as at 30 September 2002. The fund is revalued on a quarterly basis in order to meet the requirements of the Canadian Office of the Superintendent of Financial Institutions and to enable the syndicate to underwrite business arising in Canada.

Notes to the accounts

12 Prepayments and accrued income

	2002	2001
	£'000	£'000
Over rider commissions due on qualifying quota share agreements	1,503	–
Accrued investment income	1,342	708
Prepayments	484	233
	<u>3,329</u>	<u>941</u>

The over rider commissions due have been credited to the underwriting accounts as follows:

	2002	2001
	£'000	£'000
2000/(1999) year of account	32	–
2001/(2000) year of account	294	–
2002/(2001) year of account	1,177	–
	<u>1,503</u>	<u>–</u>

13 Profit of 2000/(1999) closed year of account

	2002	2001
	£'000	£'000
Closed year of account profit	3,346	4,231
Personal expenses	(2,317)	(1,867)
Profit commission	(257)	(492)
Members' agents' fees – funded by the syndicate	(632)	(406)
	<u>140</u>	<u>1,466</u>

Closed year profit analysed by trust fund:

		2002	2001
		'000	'000
Sterling trust fund	£	(9,378)	(3,376)
US dollar trust fund	US\$	13,955	11,920
Canadian dollar trust fund	Can\$	(1,231)	(1,292)
All expressed in sterling	All in £	3,346	4,231

The sterling equivalent of the closed year profit expected to be distributed in currency is £3,345,076 (2001: £4,231,124).

Notes to the accounts

14 Open year of account balances

	2002 £'000	2001 £'000
Open year of account after two years		
2001/(2000) year of account balance	197,638	131,941
Personal expenses	(3,445)	(2,316)
Members' agents' fees – funded by the syndicate	<u>(1,284)</u>	<u>(632)</u>
	<u>192,909</u>	<u>128,993</u>
Open year of account after one year		
2002/(2001) year of account balance	127,801	77,335
Personal expenses	(7,336)	(3,446)
Members' agents' fees – funded by the syndicate	<u>(1,758)</u>	<u>(1,284)</u>
	<u>118,707</u>	<u>72,605</u>

2002 year of account: whole account quota share agreement

For the 2002 year of account, the syndicate entered into a whole account quota share agreement with syndicate 2623, incepting on 1 January 2002.

Syndicate 2623 was established during calendar year 2002, with the 2002 year of account being its first year of trading. This syndicate, for the 2002 year of account, has a stamp of £78m and business was shared in proportion to the stamp capacities of £325m/£78m for syndicate 623/syndicate 2623 respectively. The quota share agreement with syndicate 623 is for the 2002 year of account only.

As noted in note 2(b) above, the 2002 underwriting balance reflects the syndicate 623 and 2623 combined position. An analysis of the above underwriting balance of £118,707,000 between the respective syndicates is shown below.

Notes to the accounts

14 Open year of account balances (continued)

	Syndicate 623 £'000	Syndicate 2623 £'000	Combined £'000
Syndicate allocated capacity	325,001	78,000	
Gross premiums written (net of brokerage)	204,938	49,170	254,108
Outward reinsurance premiums	83,498	20,033	103,531
Net premiums	121,440	29,137	150,577
Gross claims paid	8,131	1,951	10,082
Reinsurers' share	590	141	731
Net claims	7,541	1,810	9,351
Balance on technical account before profit on exchange and syndicate operating expenses	113,899	27,327	141,226
Profit on exchange	6	2	8
Syndicate operating expenses	(11,960)	(2,992)	(14,952)
Balance on technical account	101,945	24,337	126,282
Investment income	1,654	397	2,051
Investment expenses and charges	(41)	(10)	(51)
Investment gains less losses	(388)	(93)	(481)
Balance on open year	103,170	24,631	127,801
Personal expenses	(6,008)	(1,328)	(7,336)
Members' agents' fees – funded by the syndicate	(1,758)	–	(1,758)
	<u>95,404</u>	<u>23,303</u>	<u>118,707</u>

Notes to the accounts

15 Creditors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Arising out of direct insurance operations	169	55
Arising out of reinsurance operations	<u>30,944</u>	<u>19,491</u>
Brokers' balances	31,113	19,546
Profit commission payable	257	492
Amounts owed to credit institutions	131	3,620
Other creditors	<u>10</u>	<u>70</u>
	<u>31,511</u>	<u>23,728</u>
Amounts falling due after one year		
Arising out of reinsurance operations	<u>15</u>	–
Brokers' balances	<u>15</u>	–
Total creditors	<u>31,526</u>	<u>23,728</u>

There have been no material borrowings in the year.

16 Accruals and deferred income

	2002 £'000	2001 £'000
Deferred income:		
Whole account stop loss recovery		
1998 account	4,536	4,536
1999 account	3,528	–
Advance reinsurance recoveries		
2000 account	868	–
2001 account	12,117	–
Accruals	<u>3,223</u>	<u>936</u>
	<u>24,272</u>	<u>5,472</u>

The average rate of interest paid by the syndicate on advance reinsurance recoveries is LIBOR plus 1½%.

The deferred income will be off-set against future paid claims on the year of account noted.

Included within accruals in 2002 is an amount of £872,544 relating to syndicate 2623 personal and syndicate expenses.

17 Rates of exchange for translation into sterling at 31 December

	2002	2001
US dollars	1.61	1.46
Canadian dollars	2.54	2.32

Notes to the accounts

18 Illustrative shares

The syndicate's allocated capacity for the following underwriting years equates to the following percentage participations for a Name with an illustrative £10,000 share:

	Syndicate allocated capacity £'000	Illustrative £10,000 share %
2002	325,001	0.003077
2001	215,317	0.004644
2000	125,186	0.007988

19 Disclosure of interests

N H Furlonge has a minority shareholding in D3 Limited, a company that provides human resource services and advice to Beazley Furlonge Limited. During 2002, £64,258 (2001: £92,816) was paid to D3 Limited in respect of these services.

The syndicate paid Alliance Capital Limited £194,904 in 2002 (2001: £136,872) in respect of the investment services provided. George Blunden, a director of Beazley Furlonge Limited, is an executive director of Alliance Capital Limited and a member of the investment committee.

There are no further interests to be disclosed in accordance with the requirements of the Syndicate Accounting Byelaw (No. 18 of 1994).

20 Consortium underwriting

The syndicate participated in the following consortia during the period under review:

a) Swiss consortium

Syndicate 623 participated in the swiss consortium during 2000 and 2001, which writes property and personal accident business through a number of binding authorities in Switzerland. The syndicate took 100% participation during 2002.

The risks were allocated in accordance with an agreed percentage allocation. Beazley Furlonge Limited recharged expenses amounting to £Nil during 2002 (2001: £136,573) to other consortium members. No fees or commissions have been received or are receivable in respect of this participation.

b) CLM marine liability consortium

With effect from 1 May 1999, syndicate 623 participates on the marine liability consortium led by Robert Forster of CLM, syndicate 575. The consortium writes a broad book of marine third party liabilities. The geographical spread is worldwide excluding purely US domiciled business concentrating on the UK and continental Europe. Our participation ceased at the end of 2000.

The risks are allocated in accordance with an agreed percentage allocation. The consortium is subject to a management fee of 12% of net premium.

Notes to the accounts

20 Consortium underwriting (continued)

c) **FTC consortium**

Syndicate 623 participated in the FTC consortium for the 2002 year of account, led by syndicate 2001, Amlin, and syndicate 435, Faraday, which writes commercial automobile physical damage business emanating from the US and Canada. The perils covered are fire, theft, collision and motor truck cargo.

The risks are allocated in accordance with an agreed percentage allocation. The leading underwriters charge a fee of 3% of net premiums.

d) **Lloyd's WCA consortium**

Beazley participate in the WCA consortium for 2002 year (expiry date 31 May 2003) led by Faraday syndicate; which writes WCA business emanating from the US.

The risks are allocated in accordance with an agreed percentage allocation. No fees or commissions have been received or are receivable in respect of this participation.

e) **HSB Houghton consortium**

Beazley participate in the engineering consortium for 2001 and 2002 year (expiry date 31 March 2003) led by Euclidian; which writes engineering business emanating from worldwide exposures.

The risks are allocated in accordance with an agreed percentage allocation. No fees or commissions have been received or are receivable in respect of this participation.

f) **Insurance and cargo consortium**

Syndicate 623 participates in a consortium led by Chaucer syndicate 1084. The consortium writes cargo through an etrade distribution channel.

The premiums accepted by the syndicate for the above consortia contributed the following as a percentage of total premium income:

	2000 at 36 months %	2001 at 24 months %	2002 at 12 months %
Swiss consortium	1.14	0.57	0.00
Marine CLM liability consortium	0.84	0.00	0.00
FTC consortium	0.00	0.00	0.52
HSB Houghton consortium	0.00	0.26	0.56
Lloyd's FTC consortium	0.00	0.00	0.15
Insurance and cargo consortium	0.00	0.00	0.00

Notes to the accounts

21 Service companies

The managing agency holds a 20.8% equity interest on behalf of the syndicate in Asia Pacific Underwriting Agency Limited (APUA) which writes errors and omissions, directors' and officers' liability and fidelity business in Hong Kong and the Far East.

The premiums accepted by the syndicate from APUA contributed the following as a percentage of total premium income:

	2000 at 36 months %	2001 at 24 months %	2002 at 12 months %
Premium income	0.33	0.27	0.22

22 Segmental information

	Direct business			Reinsurance acceptance		Total £'000	
	Notes	Fire & other damage to property £'000	Third party liability £'000	Other £'000	Fire & other damage to property £'000		Other reinsurance £'000
2000 closed year of account after three years							
Business in respect of risks located in:							
United Kingdom		8,746	7,899	1,196	1,691	56	19,588
Other EC member countries		1,249	3,717	1,794	846	31	7,637
Other countries		31,649	34,848	26,911	14,377	322	108,107
Gross premiums written	1	41,644	46,464	29,901	16,914	409	135,332
Gross claims paid		33,423	45,303	27,790	4,273	161	110,950
Gross operating expenses	2	2,020	2,254	1,450	820	20	6,564
Reinsurance balance	3	(6,726)	(1,633)	2,045	1,198	(3,671)	(8,787)
Average rate of commission and brokerage		25%	25%	22%	14%	13%	

Notes to the accounts

22 Segmental information (continued)

	Direct business			Reinsurance acceptance		Total	
	Notes	Fire & other damage to property	Third party liability	Other	Fire & other damage to property		Other reinsurance
		£'000	£'000	£'000	£'000		£'000
2001 open year of account after two years							
Business in respect of risks located in:							
United Kingdom		10,450	20,988	4,015	2,285	37	37,775
Other EC member countries		1,492	3,498	2,868	979	19	8,856
Other countries		62,698	45,474	50,474	29,379	438	188,463
Gross premiums written	1	74,640	69,960	57,357	32,643	494	235,094
Gross claims paid		40,965	7,054	12,972	34,559	–	95,550
Gross operating expenses	2	3,368	3,157	2,588	1,473	22	10,608
Reinsurance balance	3	14,263	(34,986)	(12,419)	14,084	(4,834)	(23,892)
Average rate of commission and brokerage		23%	26%	22%	14%	14%	

	Direct business			Reinsurance acceptance		Total	
	Notes	Fire & other damage to property	Third party liability	Other	Fire & other damage to property		Other reinsurance
		£'000	£'000	£'000	£'000		£'000
2002 open year of account after one year							
Business in respect of risks located in:							
United Kingdom		12,596	12,218	2,591	3,017	55	30,477
Other EC member countries		1,938	3,429	3,332	1,293	48	10,040
Other countries		82,361	60,718	31,098	38,793	621	213,591
Gross premiums written	1	96,895	76,365	37,021	43,103	724	254,108
Gross claims paid		4,888	408	2,689	2,097	–	10,082
Gross operating expenses	2	5,701	4,493	2,178	2,536	44	14,952
Reinsurance balance	3	(46,503)	(34,823)	(14,428)	(15,796)	(19,130)	(130,680)
Average rate of commission and brokerage		20%	21%	21%	14%	14%	

Notes:

- Gross premiums written have been analysed by reference to the situs of the risk.
- Gross operating expenses have been allocated to class groups in proportion to their respective gross premium incomes.
- The reinsurance balance comprises reinsurance recoveries received less outward reinsurance premiums paid.

Seven year summary of closed year results at 31 December 2001

	2000	1999	1998	1997	1996	1995	1994
Syndicate allocated capacity – £000's	125,186	94,699	94,690	89,874	90,013	91,654	92,317
Capacity utilised	108%	124%	88%	72%	71%	78%	65%
Number of underwriting members	960	827	830	958	978	1,076	1,196
Aggregate net premiums – £000's	79,102	70,813	56,589	44,489	44,062	48,315	40,222
Net capacity utilised	63%	75%	60%	50%	49%	53%	44%
Underwriting profit as a percentage of gross premiums	<u>3.0%</u>	<u>2.1%</u>	<u>2.5%</u>	<u>6.7%</u>	<u>6.9%</u>	<u>17.0%</u>	<u>18.0%</u>
Results for an illustrative £10,000 share	£	£	£	£	£	£	£
Gross premiums	<u>10,810</u>	<u>12,394</u>	<u>8,829</u>	<u>7,201</u>	<u>7,135</u>	<u>7,785</u>	<u>6,500</u>
Net premiums	6,319	7,478	5,976	4,950	4,895	5,271	4,357
Reinsurance to close from an earlier account	6,146	7,619	6,606	5,799	4,218	2,632	1,303
Net claims	(5,073)	(6,192)	(4,829)	(3,623)	(2,950)	(2,524)	(1,924)
Reinsurance to close the year of account	(7,066)	(8,647)	(7,536)	(6,644)	(5,674)	(4,162)	(2,564)
Premium payable to Equitas	–	–	–	–	–	–	–
Underwriting profit	326	258	217	482	489	1,217	1,172
Profit/(loss) on exchange	(22)	(31)	3	21	2	9	20
Syndicate operating expenses	<u>(524)</u>	<u>(556)</u>	<u>(582)</u>	<u>(597)</u>	<u>(478)</u>	<u>(414)</u>	<u>(391)</u>
Balance on technical account	(220)	(329)	(362)	(94)	13	812	801
Gross investment return	<u>488</u>	<u>776</u>	<u>614</u>	<u>430</u>	<u>505</u>	<u>504</u>	<u>334</u>
Profit before personal expenses	<u>268</u>	<u>447</u>	<u>252</u>	<u>336</u>	<u>518</u>	<u>1,316</u>	<u>1,135</u>
Illustrative personal expenses							
Illustrative personal expenses	(185)	(195)	(224)	(199)	(179)	(353)	(350)
Managing agent's profit commission	<u>(21)</u>	<u>(52)</u>	<u>(16)</u>	<u>(32)</u>	<u>(51)</u>	<u>(134)</u>	<u>(110)</u>
Profit after illustrative profit commission and personal expenses	<u>62</u>	<u>200</u>	<u>12</u>	<u>105</u>	<u>288</u>	<u>829</u>	<u>675</u>

Note:

1. The illustrative profit commission and personal expenses are estimates of amounts which might be charged on an illustrative share of £10,000. The agency agreements for 1991 and subsequent years of account only provide for the deduction of fees and profit commission on behalf of the managing agent.
2. The effect of any minimum charges on personal expenses or deficit clauses on profit commission have been ignored.
3. The illustrative personal expenses for 1994, 1995 and 1996 accounts include the special contribution to the central fund.
4. For the 1996 and post years of account, internal claims settlement expenses has been included in 'net claims'. For 1995 and prior years of account, claims settlement costs are included in 'syndicate operating expenses' as the directors do not have sufficient information to make a reasonable estimate of the amounts to be reclassified.

Managing agent additional information

Directors

The directors of Beazley Furlonge Limited during the period covered by this annual report and their unlimited underwriting premium limits on syndicate 623 were as follows:

	2000	2001	2002	2003
	£	£	£	£
Jonathan G W Agnew (Non-Executive) (appointed 12 March 2002)	-	-	-	-
Andrew F Beazley (Active Underwriter)	-	1,000,000	1,100,000	1,100,000
George P Blunden (Non-Executive)	-	-	-	-
Nicholas H Furlonge (Deputy Underwriter)	-	-	-	-
Jonathan G Gray	-	-	-	-
Neil P Maidment	-	-	-	-
Arthur R Manners	-	375,000	375,000	375,000
Kevin J McHugh (Non-Executive) (resigned 13 March 2001)	-	-	-	-
Johnny G Rowell	-	1,000,000	1,000,000	1,000,000
Joseph D Sargent (Non-Executive Chairman)	-	600,000	848,000	1,000,000
Thomas F Sullivan (Non-Executive) (resigned 15 March 2001)	-	-	-	-

For the 2001 and 2002 years of account, the participation is on a limited liability basis.

Arthur R Manners, George P Blunden and Thomas F Sullivan are annual subscribers.

None of the directors have a personal stop loss policy relating to the years 2001 to 2002.

All directors participate on the syndicate on a limited liability basis through their direct or indirect shareholdings in Beazley Group plc which has an interest in Beazley Dedicated Limited.

Indirect limited liability participation	2000	2001	2002
	£	£	£
Jonathan G W Agnew (Non-Executive)	-	-	44,400
Andrew F Beazley (Active Underwriter)	1,174,025	1,012,028	4,070,209
George P Blunden (Non-Executive)	16,835	11,004	44,400
Nicholas H Furlonge (Deputy Underwriter)	561,203	368,009	1,480,072
Jonathan G Gray	771,497	505,909	2,034,683
Neil P Maidment	673,445	441,612	1,776,089
Arthur R Manners	224,484	147,205	592,035
Johnny G Rowell	954,049	625,618	2,516,133
Joseph D Sargent (Non-Executive Chairman)	55,956	36,693	147,573

The above directors who participate in the syndicate on an indirect limited liability basis do so through their beneficial shareholdings in Beazley Group plc which has an interest in Beazley Dedicated Limited.

Managing agent additional information

There is no indirect participation on syndicate 623 for 2003. The directors have a shareholding in Beazley Group plc which provides the capacity for syndicate 2623. Syndicate 2623 has capacity of £330m, as disclosed already in this report, and writes in parallel with syndicate 623. Specific shareholdings are shown below.

	Shareholding of Beazley Group plc as at 31 December 2002	Shareholding as a percentage of the total issued shares of Beazley Group plc at 31 December 2002
Jonathan G W Agnew	72,713	0.03%
Andrew F Beazley	6,734,310	2.93%
Nicholas H Furlonge	2,451,307	1.07%
Jonathan G Gray	3,339,043	1.46%
Neil P Maidment	2,915,545	1.27%
Arthur R Manners	969,572	0.42%
Johnny G Rowell	4,120,663	1.80%
Joseph D Sargent	1,112,760	0.48%
	21,715,913	9.46%

Joseph D Sargent was, until 1992, Chairman and Chief Executive of Conning & Company, a US investment firm specialising in the insurance industry where he worked for over 40 years. He developed and actively led the firm's insurance consulting practice and more recently he has been closely involved with the development of four major insurance entities.

George P Blunden is a Director of Alliance Capital Limited and previously was Chief Executive of Union Plc.

Thomas F Sullivan and Kevin J McHugh are Directors of Specialty 004 Limited and Specialty 005 Limited, investment companies of Aon Group UK Limited.

Active Underwriter

Andrew F Beazley is the active underwriter of the syndicate. For the 2000 year of account, Andrew Beazley resigned his membership of Lloyd's. For the 2001 and 2002 year of accounts he recommenced underwriting through a 'NameCo' on a limited liability basis solely on syndicate 623.

Related parties byelaw

Thomas F Sullivan

Thomas F Sullivan was a Non-Executive Director of Kingsmead Underwriting Agency Limited (KUAL) until 16 November 2000. He continues to be a Non-Executive Director of SVB Holdings Plc, parent company of SVB Syndicates Limited (SVB) and he was a director of Jago Capital Limited (JCL) and Jago Managing Agency Limited (JMAL). Any business transacted between the syndicate and any syndicate managed by KUAL, SVB and JMAL was conducted at an arm's length basis and on normal commercial terms. Thomas F Sullivan resigned from the board of Beazley Furlonge Limited on 15 March 2001. He continues to be a director of Beazley Group plc.

Kevin J McHugh

Kevin J McHugh is a Non-Executive Director of SVB and SVB Finance Limited and was the Non-Executive Chairman of JCL and Jago Dedicated Limited and a Non-Executive Director of JMAL until 30 June 2000 when he resigned from JCL and JMAL. Business transacted between the syndicate and any syndicate on which JCL has underwritten, or any syndicate managed by SVB, was conducted at an arm's length basis and on normal commercial terms. Kevin J McHugh resigned from the board of Beazley Furlonge Limited on 13 March 2001.

Managing agent additional information

Aon Corporation

In June 1997, a subsidiary of Aon Corporation was the lead investor in the acquisition of a minority interest in Beazley Furlonge Holdings Limited, the parent company of Beazley Furlonge Limited. In the year ended 31 December 2002 the group companies of Aon Corporation placed premiums of approximately £55m with syndicate 623. Any business conducted between syndicate 623 and Aon Corporation was conducted at an arm's length basis and on normal commercial terms.

Other interests

The equity interest held by Aon Corporation in Beazley Furlonge Holdings Limited was purchased in March 2001 by Beazley Group plc, the new holding company for the Beazley Group. In November 2002 the ordinary shares of Beazley Group plc were listed on the London Stock Exchange. Aon Corporation has an interest of less than 3% in the share capital of Beazley Group plc as at 31 December 2002.

The agency has taken shareholdings in businesses in order to provide and maintain underwriting opportunities for syndicate 623. The shares of the companies are held in trust for the benefit of the syndicate's Names, who from time to time, participate in the underwriting. The costs associated with such projects have or will be charged to the syndicate, whilst in turn any income or profits accruing are credited to the syndicate. The details are:

Enam Management Company, Inc.

On 7 January 1992 Beazley Furlonge Limited acquired one share in a non-profit making company incorporated in the US known as Enam Management Company, Inc. The company is owned 75% by Lloyd's managing agents and 25% by R K Carvill (International Holdings) Limited. Enam Management Companies, Inc. is not involved in any form of risk carrying and is a vehicle designed to bring together markets which may be interested in specialty programmes. It has the objective of bringing additional business into Lloyd's by reducing the acquisition costs.

Asia Pacific Underwriting Agency Limited (APUA)

Beazley Furlonge Limited holds 75,000 shares representing a 20.8% equity interest in APUA. APUA is incorporated in Hong Kong and was established to assist in accessing business in Hong Kong and the Far East. Andrew F Beazley is an executive director of APUA. He does not receive any remuneration nor other benefit for acting as a director of APUA.

Excaliber

The agency holds a 33.3% interest in the trademark 'Excaliber'. This trademark is used for the marketing of certain insurance policies through Lloyd's brokers.

Stock lending

No premium trust fund investments were lent pursuant to any stock lending arrangements.

Syndicate expenses

Beazley Furlonge Limited's policy for charging syndicate expenses complies with the Code of Practice for Underwriting Agencies approved by the Council of Lloyd's.

Managing agent

additional information

United Kingdom income tax

Names are responsible for making any necessary payments of income tax based on their overall underwriting profit for all their syndicates. The results that are reported in these accounts are therefore shown gross of income tax.

Errors and omissions insurance

Beazley Furlonge Limited has held an errors and omissions policy since the 14 October 1998 with a limit of indemnity of £5m. This policy was renewed on 14 October 2002.

Syndicate allocated capacity

The syndicate's allocated capacity for the 2003 year of account is £330,124,770. The managed capacity of both 623 and 2623 is £660m for the 2003 year of account.

Reinsurance résumés

Reinsurance résumés have been approved by the Board and are available for inspection at One Aldgate, London EC3N 1AA.

Sub-contracted functions

The directors have sub-contracted the following functions during the period covered by this report.

- | | | |
|------|---|---------------------------------|
| i) | Administrative and accounting functions | Axiom Claims Consulting Limited |
| ii) | Management of investments | Alliance Capital Limited |
| iii) | Data entry | Capita plc |
| iv) | Network support | Lanz Limited |

Accounting records

The accounting records of the syndicate are held at Beazley Furlonge Limited, One Aldgate, London EC3N 1AA and at Axiom Claims Consulting Limited, Maritime House, 1 Linton Road, Barking, Essex IG11 8GW.

Syndicate auditors

Mazars are the syndicate auditors for the 2002 annual report and it is intended that they be re-appointed for the 2003 audit.

Managing agent additional information

Managing agent – key financial information

	2002	2001	2000	1999	1998
	£'000	£'000	£'000	£'000	£'000
Gross capacity managed	403,001	215,317	125,186	94,699	94,690
Income:					
Managing agent's fees	2,408	1,293	752	569	472
Profit commission	492	149	292	458	1,223
Total fees from the managed syndicate	2,900	1,442	1,044	1,027	1,695
Other	17	30	97	74	39
	<u>2,917</u>	<u>1,472</u>	<u>1,141</u>	<u>1,101</u>	<u>1,734</u>
Total agency expenses	12,207	7,019	4,652	4,067	4,259
Less: expenses recharged to the syndicate	(9,696)	(5,581)	(3,848)	(3,280)	(3,126)
	<u>2,511</u>	<u>1,438</u>	<u>804</u>	<u>787</u>	<u>1,133</u>
Profit before taxation	<u>406</u>	<u>34</u>	<u>337</u>	<u>314</u>	<u>601</u>
Profit margin before profit commission and related expenses	<u>(1.7%)</u>	<u>(5.3%)</u>	<u>23.8%</u>	<u>18.9%</u>	<u>6.9%</u>
Total operating expenses as a percentage of total managed capacity	<u>3.0%</u>	<u>3.3%</u>	<u>3.7%</u>	<u>4.3%</u>	<u>4.5%</u>
Total employment costs incurred	9,327	5,524	3,709	3,097	2,703
Less: amounts recharged to the managed syndicate	(8,997)	(5,255)	(3,482)	(2,898)	(2,465)
Employment costs retained by the managing agent	<u>330</u>	<u>269</u>	<u>227</u>	<u>199</u>	<u>238</u>
Net assets of the managing agent	<u>653</u>	<u>653</u>	<u>735</u>	<u>606</u>	<u>434</u>

Managing agent additional information

Managing agent – key financial information

Syndicate performance	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Profit before personal expenses attributable to:				
Working members employed by:				
Beazley Furlonge Limited	134	42	24	30
Other working members	100	169	96	241
External members	1,271	1,735	1,099	1,964
Corporate members	1,841	2,285	1,171	787
	<u>3,346</u>	<u>4,231</u>	<u>2,390</u>	<u>3,022</u>
	2003	2002	2001	2000
	%	%	%	%

Syndicate allocated capacity attributable to:

Working members employed by:				
Beazley Furlonge Limited	1	5	3	4
Other working members	1	3	3	3
External members	45	38	40	38
Corporate members	53	54	54	55
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

