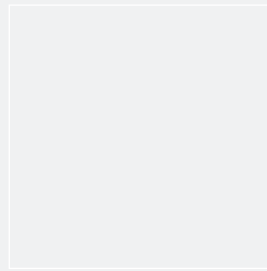
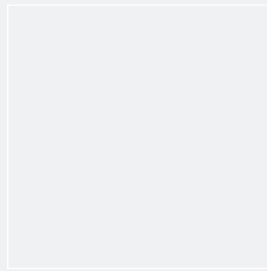
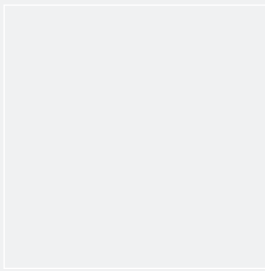
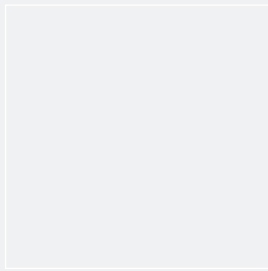


Annual report 2003
Syndicate 623 at Lloyd's



Beazley Furlonge Ltd
Syndicate 623/2623
at Lloyd's



Syndicate 623

Summary financial information

Syndicate 623 – Summary Financial Information	2001	2000	1999	1998	1997
Allocated capacity (£'000s)	<u>215,317</u>	<u>125,186</u>	<u>94,699</u>	<u>94,690</u>	<u>89,874</u>
Capacity utilisation	<u>109%</u>	<u>108%</u>	<u>124%</u>	<u>88%</u>	<u>72%</u>
Aggregate net premiums (£'000s)	<u>143,785</u>	<u>79,102</u>	<u>70,813</u>	<u>56,589</u>	<u>44,489</u>
Net capacity utilised	<u>67%</u>	<u>63%</u>	<u>75%</u>	<u>60%</u>	<u>50%</u>
Net profit on an illustrative share	<u>0.6%</u>	<u>0.6%</u>	<u>2.0%</u>	<u>0.1%</u>	<u>1.1%</u>

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

Underwriter's report

Closed year

2001 was a tough year for the industry. The terrorist attacks on the World Trade Center (WTC) had a direct impact, with the loss of many talented insurance people. It also tested the financial strength of the market, causing cash flow difficulties and material losses to insurers and reinsurers around the world. Syndicate 623 underwrote both commercial property and catastrophe reinsurance for USA exposures and was exposed. However, our net loss of £20m has proved manageable and when offset against profits from other areas, gives rise to a break even outcome. We believe this to be a good result in an appalling year.

Notwithstanding WTC, the property department turned in a positive result with further rate increases during the year along with a substantial increase in the volume of business flowing to Lloyd's.

The marine department performed well with conditions slowly improving across the portfolio. The specialty lines department has closed at a loss reflecting an increase in litigation impacting the service industry sector which purchased coverage for professional negligence and directors and officers liability protection. Rating levels in this line increased during the period and accelerated towards the latter half of the year.

Reserves for prior years are proving strong overall, with earlier years performing better than those most recently closed. These latter years of account have suffered a greater frequency and later development of claims. This phenomenon fits with the experience of others across the industry but our prudent reserving stance has helped mitigate the impact of such movement.

2002

The momentum that was triggered in the property and reinsurance accounts in late 2001 continued throughout 2002. Business grew both through strong rate increases and surging levels of new business.

The specialty lines market correction also advanced during the year. Rates increased, deductibles increased and policy coverage tightened. A number of our competitors withdrew from the market whilst leaders showed resolve to create underwriting profit.

Market conditions improved further for the marine account during the year but not at the same speed as for the other areas. Nevertheless, our forecast is for a good result.

As stated in last year's report, we put in place two qualifying quota shares of £78m and £45m with Berkshire Hathaway and Munich Re respectively. This enabled us to write additional business during the year and service our brokers. They also provided the additional benefit of shared syndicate expenses and profit commission that will become payable to the capital providers of syndicate 623 from both of these arrangements.

2003

The year of 2003 saw further consolidation in the industry and appropriate balance sheet "reparation". With total managed capacity of £660m, we positioned ourselves to grow in the window of good market conditions. Our capacity was structured such that syndicate 623 provided 50% of this capacity through third party capital, and syndicate 2623 provided the remaining capacity through Beazley Group plc. The 2003 year of account has been written in parallel between the two syndicates.

We were able to take advantage of the continuing but slowing market correction in the property department, and experienced similar conditions in the reinsurance department.

Full market correction continued into the year for the specialty lines department with average rate increases being achieved of a further 21%. The marine conditions continued to harden during the year.

We grew our business both vertically in existing lines and horizontally through different geographic regions. This was particularly the case through emerging opportunities in the United Kingdom and in Europe. This growth is being achieved through sound underwriting and increased access due to our continuing excellent relationships and service levels with our expanding network of brokers.

Our 2003 year of account has started well and at this early stage we expect a return on stamp capacity of between 8% and 15%.

Outlook

The outlook for 2004 is positive for the different classes of business that we underwrite. London continues to see an increasing flow of business and rating levels in all our areas are at a level which we believe can deliver good underwriting profits.

The parallel syndicate arrangement continued into 2004. Total managed capacity for Beazley has increased by 11% to £741m in 2004. Syndicate 623 will underwrite £344m (46%) and the Beazley Group plc through syndicate 2623, the remaining £397m (54%).

Within the specialty lines account, although there is some evidence of rate increases slowing, we expect to achieve respectable increases in most of our lines of business and anticipate high renewal levels as well as opportunities for new business. Our recruiting efforts have brought talent to the group who will make a meaningful contribution in underwriting, claims management and business development.

The property department's expectations of the rating environment are different, as we expect rates to come under increasing pressure, especially on some of our larger premium accounts written within the open market corporate account. However, it should be noted that the rates are coming off from historically high levels. We also expect brokers' orders in London to be cut back as competition increases in the local markets. These factors will contribute to a reduction in premium in the open market corporate account. We are forecasting growth within the covers, homeowners and jewellers block accounts where we expect rates to remain strong.

The reinsurance team is seeking to build on its position and reputation in the Lloyd's market during the current cycle. This will be achieved through balancing the portfolio and targeting opportunities within the European market. Rates on renewal business in January 2004 stayed firm and conditions are expected to remain at a level that will allow Beazley to continue to promote growth and penetration of good business and new markets.

Over the past year the marine account has broadened its spread of risk. Through growth and added expertise we have cemented our position as a market leader. This in turn has led to us to being offered a number of accounts which were not previously available. The majority of our portfolio will continue to consist of individual risks underwritten by the underwriting team at the box although we shall continue to investigate and develop opportunities to garner business through new technologies. We have embraced internet trading opportunities and have seen, during 2003, increased business flows through the e-trading portals of several of the larger brokers.

Reinsurance

As predicted in last year's report, 2003 proved to be a difficult year to buy reinsurance. We were therefore pleased with the final outcome, with all our core programmes completed. The price of cover and the syndicate's retentions increased but they were much in-line with expectation.

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

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

	2001 %	2002 %	2003 %
Lloyd's	19.2	19.9	23.0
FSA authorised companies	52.9	58.0	53.1
Non-FSA authorised companies	27.9	22.1	23.9
Companies within the EC	83.8	93.0	83.4

The non-FSA authorised 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:

	2001		2002		2003	
	£m	%	£m	%	£m	%
Capacity	215.3		325.0		329.6	
@ 12 months	137.2	63.7	262.3	80.7	222.0	67.3
@ 24 months	232.5	108.0	386.7	119.0	-	-
@ 36 months	249.5	115.9	-	-	-	-

Underwriter's report

Premium income limits and utilisation

	2001 £m	2002 £m	2003 £m
Syndicate allocated capacity (excluding QQS)	215.3	325.0	329.6
Qualifying quota share	36.0	123.0	–
Total Capacity	251.3	448.0	329.6
Estimated ultimate gross premium income at 36 months	251.1	401.8	328.3
Net Utilisation	99.9%	89.7%	99.5
Rates of exchange:			
US dollar	1.64	1.55	1.50
Canadian dollar	2.36	2.27	2.28

The syndicate currently has in place a number of qualifying quota share agreements covering the 2001 and 2002 years of account. These provide the additional capacity for the syndicate to write gross income in excess of its stamp capacity. Consent was given for the syndicate to overwrite by 2% for the 2001 year of account. The 2003 capacity is deemed sufficient to cover the total estimated ultimate gross premium for the 2003 year of account and as such, no qualifying quota share was required or obtained, nor permissions necessary or obtained for any overwriting.

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 arrangement with Berkshire Hathaway.

Net premium income

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

	2001		2002		2003	
	£m	%	£m	%	£m	%
Capacity	215.3		325.0		329.6	
@ 12 months	86.0	39.9	127.0	39.0	161.6	49.0
@ 24 months	157.9	73.3	265.6	81.7	–	–
@ 36 months	155.5	72.2	–	–	–	–

Incurred loss ratios

at audited rates of exchange

	2001		2002		2003	
	Gross %	Net %	Gross %	Net %	Gross %	Net %
@ 12 months	75.2	27.9	12.0	17.7	8.85	11.5
@ 24 months	81.4	44.4	27.7	32.4	–	–
@ 36 months	91.0	58.3	–	–	–	–

Illinois licensed business

The arrangements for writing Illinois licensed business require licensed members i.e. currently 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.

	2001 £'000	2002 £'000	2003 £'000
Premiums accepted	3,653	5,797	18,145

Analysis of the account

	2001 at 36 months %	2002 at 24 months %	2003 at 12 months %
Category of Business			
Long tail	28.1	32.6	43.1
Short tail	71.9	67.4	56.9
	100.0	100.0	100.0
Department			
Specialty Lines	41.0	40.1	47.4
Property Group	31.1	33.7	26.5
Reinsurance	15.4	13.5	15.4
Marine	12.5	12.7	10.7
	100.0	100.0	100.0
Currency			
Sterling	31.9	28.1	24.9
US Dollars	65.7	68.7	72.4
Canadian Dollars	2.4	3.2	2.7
	100.0	100.0	100.0
Acceptance			
Facultative	42.6	53.7	67.0
Excess of Loss Treaty	15.0	13.5	16.2
Line Slip	7.4	5.6	4.7
Binding Authority	33.0	25.8	11.5
Proportional Treaty	2.0	1.4	0.6
	100.0	100.0	100.0

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

Description of business underwritten introduction

The syndicate's account is underwritten by four departments:

1. Specialty lines

The specialty lines department 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

Underwriter's report

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

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 17 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 in 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 workman 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 being the key areas of the portfolio.

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

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 for 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.

Marine liability

The team has developed a broad portfolio in this area with 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 2004

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 2003 premium income limits on syndicate 623 are disclosed on page 30.

Basis of preparation

For the 2002 year of account syndicate 2623 wrote a whole account qualifying quota share of syndicate 623 that incepted 1 January 2002. The business written by syndicate 623 was shared on a pro-rata basis with syndicate 2623 in proportion to the stamp capacity of £325m/£78m for the syndicates 623/2623 respectively, and as a result, the 2002 year of account has been prepared on a combined basis and disclosure made where appropriate.

An exemption has been granted by Lloyd's from the requirement to prepare separate accounts for the 2002 year of account at both the 12 and 24 month stages. The qualifying quota share transactions will be reflected in the accounts at 36 months when separate accounts will be prepared for syndicates 623 and 2623.

As stated in the underwriter's report, the 2003 year of account was written in parallel between syndicates 623 and 2623. Unless otherwise stated, the financial information for this underwriting year relates purely to that share attributable to syndicate 623. Your attention is drawn to the fact that although the same syndicate number has been retained for syndicate 2623 in both the 2002 and 2003 years of account, the former is a qualifying quota share syndicate and the latter a parallel syndicate arrangement.

Risk management

The Syndicate Risk Management Committee ("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 team leaders and are reported to the SRC. The team leader conducts a regular peer review of risks written by underwriters in that team. Weekly portfolio review reports are generated for each team for the Chief Executive to review. These reports provide information on risks written, large exposures and large losses notified.

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.

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. Independent consultants are 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.

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 2001 year. As only marginal profitability was predicted, it was agreed not to expose the investment portfolio to significant market risk.

The benchmark set for Alliance Capital Limited (our investment fund managers) for all three currencies was the yield on the one year government bond as at 1 January 2003. This benchmark return was bettered in all currencies as value was added by purchasing corporate bonds and then benefiting from the fall in yields during the year.

	Calendar Year Yield		Split by Currency	
	2003	2002	2003	2002
	%	%	%	%
Sterling	5.0	3.5	42.0	15.0
US Dollars	1.4	2.9	50.0	81.0
Canadian Dollars	3.2	3.0	8.0	4.0
Overall average return	2.2	3.0		

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 2004.

As the 2002 year of account is expected to be profitable, additional risk has been taken into the portfolio by widening the credit risk parameters. Overall returns for this year are expected to be lower as interest rates continued to fall in 2003.

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 as auditors. As there is no other business to consider at the meeting, no annual general meeting of the syndicate will be held.

2002 Underwriting account – 24 month forecast

	623 £'000	2623 £'000	Combined £'000
Allocated capacity	325,000	78,000	403,000
2002 open year of account balance as at 31 December 2003	276,287	33,082	309,369
Estimated future liabilities and underwriting accruals for the 2002 year of account at 31 December 2003	(228,679)	(21,785)	(250,464)
Estimated movement of non-underwriting items during 2004	3,570	(2,009)	1,561
Estimate of profit before personal expenses for the 2002 year of account after 36 months	51,178	9,288	60,466
Estimate of standard personal expenses including profit commission	16,365	1,323	17,688
Estimate of profit after personal expenses for the 2002 year of account after 36 months	34,813	7,965	42,778
As a percentage of capacity before members' agents' fees	11.2%	10.21%	11.0%

The estimated range of results is therefore considered to be 8.5% to 13.5% 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 2001 account does not vary substantially during the year;
2. the rate of exchange does not vary significantly from 31 December 2003 rates of US\$1.79 and Canadian \$2.31 to the £;
3. the 2002 account closes at 31 December 2004;
4. the assessment of the liabilities for the 2002 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 2004 to be charged to the 2002 year of account, will continue the pattern of previous years as refined by current budgets.

Further information

Your attention is drawn to pages 30 to 34 of this document which provide further information relating to the Managing Agency.

By order of the Board

D A Horton
Director

24 March 2004

Report of the independent auditors to the members of syndicate 623

We have audited the Annual Report for the year ended 31 December 2003 which comprises the Underwriting Accounts, the Balance Sheet, the Seven Year Summary, the Statement of Managing Agent's Responsibilities and related notes. The Annual Report has been prepared in accordance with Lloyd's Syndicate Accounting Rules, the basis of preparation and the accounting policies set out in Notes 1 and 2 thereto.

This 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 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the syndicate members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and auditors

As described in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of the Annual Report. Our responsibility is to audit the Annual Report in accordance with the relevant requirements established by Lloyd's Byelaws and United Kingdom Auditing Standards.

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 or 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. This other information comprises only the Managing Agent's Report and the Underwriter's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the annual report. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes 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 judgments made by the underwriter and managing agent in the preparation of the Annual Report, and of 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 2001 closed year of account.

Mazars

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

24 March 2004

Statement of the managing agent's responsibilities as at 31 December 2003

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 judgments 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) follow 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.

2001 underwriting account closed after three years at 31 December 2003

	Notes	2001 account			2000 account
		after 2 years £'000	change in calendar year £'000	after 3 years £'000	after 3 years £'000
Syndicate allocated capacity		215,317		215,317	125,186
Gross premiums written (net of brokerage)		235,094	529	235,623	135,332
Outward reinsurance premiums		77,322	14,516	91,838	56,230
Net premiums		157,772	(13,987)	143,785	79,102
Reinsurance to close premiums received from earlier years of account	3	88,453	(4,539)	83,914	76,942
		246,225	(18,526)	227,699	156,044
Gross claims paid		95,550	87,190	182,740	110,950
Reinsurers' share		53,430	46,870	100,300	47,443
Net claims		42,120	40,320	82,440	63,507
Reinsurance premium paid to close the year of account	4	–	137,916	137,916	88,453
		42,120	178,236	220,356	151,960
Balance on technical account before profit on exchange and syndicate operating expenses		204,105	(196,762)	7,343	4,084
Profit/(loss) on exchange		(11)	1,379	1,368	(280)
Syndicate operating expenses	5	(10,608)	(401)	(11,009)	(6,564)
Balance on technical account	6	193,486	(195,784)	(2,298)	(2,760)
Investment income	7	4,898	5,522	10,420	6,744
Investment expenses and charges		(70)	(159)	(229)	(78)
Investment gains less losses		(676)	(2,186)	(2,862)	(560)
Profit for the closed year of account	13	197,638	(192,607)	5,031	3,346

The notes on pages 16 to 28 form part of these accounts.

2002 year of account after two years
at 31 December 2003

		Combined 623/2623*			2001 account
		after 1 year £'000	2002 account change in calendar year £'000	after 2 years £'000	after 2 years £'000
	Notes				
Syndicate allocated capacity		403,000		403,000	215,317
Gross premiums written (net of brokerage)		254,108	95,200	349,308	235,094
Outward reinsurance premiums		103,531	14,381	117,912	77,322
Net premiums		150,577	80,819	231,396	157,772
Reinsurance to close premiums received from earlier years of account	4	–	137,916	137,916	88,453
		150,577	218,735	369,312	246,225
Gross claims paid		10,082	40,980	51,062	95,550
Reinsurers' share		731	5,267	5,998	53,430
Net claims		9,351	35,713	45,064	42,120
Balance on technical account before profit on exchange and syndicate operating expenses		141,226	183,022	324,248	204,105
Profit/(loss) on exchange		8	620	628	(11)
Syndicate operating expenses	5	(14,952)	(4,955)	(19,907)	(10,608)
Balance on technical account		126,282	178,687	304,969	193,486
Investment income	7	2,051	5,209	7,260	4,898
Investment expenses and charges		(51)	(70)	(121)	(70)
Investment gains less losses		(481)	(2,258)	(2,739)	(676)
Balance on open year	14	127,801*	181,568	309,369*	197,638

*See basis of preparation note, managing agent's report.

The notes on pages 16 to 28 form part of these accounts.

2003 year of account after one year
at 31 December 2003

	Notes	2003 account after 1 year £'000	Combined 623/2623* 2002 account after 1 year £'000
Syndicate allocated capacity		329,619	403,000
Gross premiums written (net of brokerage)		194,698	254,108
Outward reinsurance premiums		53,664	103,531
Net premiums		141,034	150,577
Gross claims paid		5,660	10,082
Reinsurers' share		154	731
Net claims		5,506	9,351
Balance on technical account before profit on exchange and syndicate operating expenses		135,528	141,226
Profit on exchange		21	8
Syndicate operating expenses	5	(13,852)	(14,952)
Balance on technical account		121,697	126,282
Investment income	7	1,517	2,051
Investment expenses and charges		(61)	(51)
Investment gains less losses		(760)	(481)
Balance on open year	14	122,393	127,801*

*See basis of preparation note, managing agent's report.

The notes on pages 16 to 28 form part of these accounts.

Balance sheet

at 31 December 2003

	Notes	2003 £'000	2002 £'000
Assets			
Financial investments	9	336,895	247,158
Deposits with ceding undertakings		116	193
Debtors	10	50,962	52,784
Cash at bank and in hand		13,688	27,639
Overseas deposits	11	44,440	36,451
Prepayments and accrued income	12	2,384	3,329
Total assets		<u>448,485</u>	<u>367,554</u>
Liabilities			
Profit on 2001/(2000) year of account	13	14	140
Balance on 2002/(2001) year of account	14	285,768	192,909
Balance on 2003/(2002) year of account	14	114,500	118,707
Creditors	15	32,280	31,526
Accruals and deferred income	16	15,923	24,272
Total liabilities		<u>448,485</u>	<u>367,554</u>

The Annual Report was approved at a meeting of the Board of Directors and by the Active Underwriter on 24 March 2004.

A F Beazley

Active Underwriter

D A Horton

Director – For and on behalf of
Beazley Furlonge Limited

The notes on pages 16 to 28 form part of these accounts.

Notes to the accounts at 31 December 2003

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. Lloyd's have granted an exemption for the inclusion of the 2002 year of account of syndicate 2623 within this Annual Report.

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 Xchanging Ins-sure Services (previously 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) Underwriting transactions are apportioned between the managed syndicates on the basis of the individual syndicates' underlying stamp capacity as a proportion of the total managed capacity for a year of account.
- iv) 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.

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) Quota share

With the exception of the 2002 year of account in respect of Berkshire Hathaway (see basis of preparation, managing agent's report) premiums due to reinsurers under certain quota share arrangements, including qualifying quota shares, 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.

Notes to the accounts

2 Accounting policies (continued)

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 valuation 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.

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, United States ("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 2003 are US\$1.79 and C\$2.31 respectively (2002: US\$1.61, C\$2.54). The comparative figures are translated into sterling at the exchange rates ruling at 31 December 2002.

f) Taxation

No provision is made on behalf of the members for United Kingdom ("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.

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.

Costs incurred jointly by the syndicates managed by the managing agent have been apportioned between the syndicates on the same basis as the apportionment of the underwriting transactions.

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.

Notes to the accounts

2 Accounting policies (continued)

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 2000 year of account

The net premium receivable differs from the reinsurance to close premium paid by the 2000 account due to movements in exchange rates.

4 Reinsurance premiums to close the 2001 year of account

	2001 account at 36 months £'000	2000 account at 36 months £'000
Gross notified outstanding claims	187,139	117,276
Reinsurance recoveries anticipated	116,243	68,671
Net notified outstanding claims	70,896	48,605
Provision for gross claims incurred but not reported	117,728	84,265
Reinsurance recoveries anticipated	51,586	45,344
Provision for net claims incurred but not reported	66,142	38,921
Claims handling expense provision	878	927
Net premium for reinsurance to close	137,916	88,453

5 Syndicate operating expenses

	2001 account			2000 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	4,567	773	5,340	3,393
Accommodation	397	2	399	395
IT and computer costs	1,059	(5)	1,054	824
Xchanging processing costs	255	153	408	231
Overseas operating costs	1,347	(143)	1,204	739
Premium levy	3,518	130	3,648	1,527
Lloyd's regulatory levy	182	1	183	113
Syndicate auditor's remuneration – audit	43	53	96	69
– other	2	-	2	2
Other professional fees	391	170	561	363
Charges relating to use of fixed assets	81	17	98	85
Interest payable	135	(33)	102	4
Other expenses	979	556	1,535	764
Commissions earned	(2,348)	(1,273)	(3,621)	(1,945)
	<u>10,608</u>	<u>401</u>	<u>11,009</u>	<u>6,564</u>

Notes to the accounts

5 Syndicate operating expenses (continued)

	Combined 623/2623* 2002 account			2001 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	7,363	637	8,000	4,567
Accommodation	976	(9)	967	397
IT and computer costs	1,044	(9)	1,035	1,059
Xchanging processing costs	269	164	433	255
Overseas operating costs	1,338	1,778	3,116	1,347
Premium levy	4,824	2,181	7,005	3,518
Lloyd's regulatory levy	235	9	244	182
Syndicate auditor's remuneration – audit	33	31	64	43
– other	4	1	5	2
Other professional fees	564	98	662	391
Charge relating to use of fixed assets	160	11	171	81
Interest payable	2	–	2	135
Other expenses	1,423	650	2,073	979
Commissions earned	(3,283)	(587)	(3,870)	(2,348)
	<u>14,952</u>	<u>4,955</u>	<u>19,907</u>	<u>10,608</u>
				Combined 263/2623*
			2003 account after 1 year £'000	2002 account after 1 year £'000
Open Year of Account after one year				
Salaries and related costs			6,358	7,363
Accommodation			754	976
IT and computer costs			1,552	1,044
Xchanging processing costs			133	269
Overseas operating costs			944	1,338
Premium levy			3,725	4,824
Lloyd's regulatory levy			151	235
Syndicate auditors' remuneration – audit			37	33
– other			2	4
Other professional fees			588	564
Charges relating to use of fixed assets			126	160
Interest payable			–	2
Other expenses			1,169	1,423
Commissions earned			(1,687)	(3,283)
			<u>13,852</u>	<u>14,952</u>

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:

	2003 £'000	2002 £'000
Salary	310	277
Pension contributions	47	77
	<u>357</u>	<u>354</u>

Of the total remuneration, a proportionate share has been charged to syndicate 623 for work performed in relation to this syndicate, with the remainder being charged to syndicate 2623.

Notes to the accounts

5 Syndicate operating expenses (continued)

“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. The levy has been withdrawn for the calendar year 2004.

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.

*See basis of preparation note, managing agent’s report.

6 Balance on technical account for the closed year

	2001	2000
	£’000	£’000
Profit attributable to business allocated to the 2001/(2000) pure year of account	8,067	1,695
(Loss)/Profit attributable to business reinsured into the 2001/(2000) year of account	(724)	2,389
	<u>7,343</u>	<u>4,084</u>
Profit/(loss) on exchange	1,368	(280)
Syndicate operating expenses	(11,009)	(6,564)
Balance on technical account	<u>(2,298)</u>	<u>(2,760)</u>

7 Investment income

	2001 account			2000
	after	change in	after	after
	2 years	calendar	3 years	3 years
	£’000	year	£’000	£’000
Investment income receivable	5,145	5,786	10,931	7,151
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued	(247)	(264)	(511)	(407)
	<u>4,898</u>	<u>5,522</u>	<u>10,420</u>	<u>6,744</u>
	Combined 623/2623* 2002 account			2001
	after	change in	after	after
	1 year	calendar	2 years	2 years
	£’000	year	£’000	£’000
Investment income receivable	2,118	5,604	7,722	5,145
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued	(67)	(395)	(462)	(247)
	<u>2,051</u>	<u>5,209</u>	<u>7,260</u>	<u>4,898</u>
	2003			Combined
	account			623/2623* 2002
	after 1 year			account
	£’000			after 1 year
	£’000			£’000
Investment income receivable	1,690			2,118
Amounts receivable in respect of interest accrued on investments sold, purchased or revalued	(173)			(67)
	<u>1,517</u>			<u>2,051</u>

*See basis of preparation note, managing agent’s report.

Notes to the accounts

8 Calendar year investment yield

		2003	2002
		£'000	£'000
Average monthly syndicate funds:			
	£	61,574	30,969
	US\$	457,527	330,247
	Can\$	41,234	24,326
	All in £	335,026	245,669
Aggregate gross investment return for the calendar year:			
	£	3,058	1,097
	US\$	6,456	9,597
	Can\$	1,325	725
	All in £	7,239	7,343
Calendar year investment yield:			
	£	4.97%	3.54%
	US\$	1.41%	2.91%
	Can\$	3.21%	2.98%
	All in £	2.16%	2.99%

9 Financial investments

	2003		2002	
	Cost	Market Value	Cost	Market Value
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities	337,904	336,895	247,455	247,158

10 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year		
Arising out of direct insurance operations	4,237	3,712
Arising out of reinsurance operations	41,637	44,145
Brokers' balances	45,874	47,857
Amount due from Managing Agent	598	1,533
Amount due from syndicate 2623	1,911	–
Other debtors	2,572	3,354
	50,955	52,744
Amounts falling due after one year		
Arising out of reinsurance operations	7	15
Brokers' balances	7	15
Other debtors	–	25
	7	40
Total debtors	50,962	52,784

Provision for Bad Debts

A provision for bad debt of £3,317,112 has been charged in arriving at the balance on technical account for the 2001 year of account (2000 year of account £4,996,673). The amount charged on paid claims for the 2002 year of account is £68,078 (2001 year of account £343,933), and for the 2003 year of account £170 (2002 year of account £Nil).

Notes to the accounts

11 Overseas deposits

	2003	2002
	£'000	£'000
Illinois deposit	15,266	16,433
Kentucky deposit	1,423	937
South African deposit	1,588	1,862
Japanese deposit	352	352
Australian deposit	7,724	4,822
Joint Asset Trust Fund	8,365	6,718
Additional Securities Limited	5,908	3,551
Lloyd's Canadian Margin Fund	3,814	1,776
	<u>44,440</u>	<u>36,451</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, USA and are required to enable the syndicate to underwrite business arising in those states.

The South African deposit is represented by the Lloyd's South African Trust Deed for 1999 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 £7,331,130 (2002: £4,613,610) and the Lloyd's Joint Asset Trust Fund deposit of £393,292 (2002: £208,872). 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 USA.

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% and, in accordance with current requirements, for the year ended 31 December 2003 an additional margin of 37.1% for the 2003 year of account and 3.8% for the 2002 and earlier years of account, of estimated net liabilities as at 30 September 2003. 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.

12 Prepayments and accrued income

	2003	2002
	£'000	£'000
Over rider commissions due on quota share agreements	937	1,503
Accrued investment income	785	1,342
Prepayments	662	484
	<u>2,384</u>	<u>3,329</u>

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

	2003	2002
	£'000	£'000
2001 (2000) year of account	-	32
2002 (2001) year of account	341	294
2003 (2002) year of account	596	1,177
	<u>937</u>	<u>1,503</u>

Notes to the accounts

13 Profit of 2001 (2000) closed year of account

	2003	2002
	£'000	£'000
Closed year of account profit	5,031	3,346
Personal expenses	(3,425)	(2,317)
Profit commission	(356)	(257)
Members' Agents' fees – funded by syndicate	(1,236)	(632)
	<u>14</u>	<u>140</u>

Closed year profit analysed by Trust Fund:

		2003	2002
		£'000	£'000
Sterling trust fund	£	(12,643)	(9,378)
US dollar trust fund	US\$	31,351	13,955
Canadian dollar trust fund	CAN\$	369	(1,231)
All expressed in sterling	All in £	5,031	3,346

The sterling equivalent of the closed year profit expected to be distributed in currency is £5,030,644 (2002: £3,345,076).

14 Open year of account balances

	2003	2002
	£'000	£'000
Open year of account after two years:		
2002 (2001) year of account balance	309,369	197,638
Personal expenses	(7,313)	(3,445)
Members' Agents' fees – funded by syndicate	(1,672)	(1,284)
Continuous solvency transfer	(14,616)	–
	<u>285,768</u>	<u>192,909</u>
Open year of account after one year:		
2003 (2002) year of account balance	122,393	127,801
Personal expenses	(6,072)	(7,336)
Members' agents' fees – funded by syndicate	(1,821)	(1,758)
	<u>114,500</u>	<u>118,707</u>

Notes to the accounts

14 Open year of account balances (continued)

The amount attributable to syndicates 623 and 2623 are made up as follows:-

	2002 Account after 24 months*			2002 Account after 12 months		
	623 £'000	2623 £'000	Combined £'000	623 £'000	2623 £'000	Combined £'000
Syndicate allocated capacity	325,000	78,000	403,000	325,000	78,000	403,000
Gross premiums written (net of brokerage)	281,700	67,608	349,308	204,938	49,170	254,108
Outward reinsurance premiums	95,090	22,822	117,912	83,498	20,033	103,531
Net premiums	186,610	44,786	231,396	121,440	29,137	150,577
Reinsurance to close premiums received from earlier years of account	137,916	-	137,916	-	-	-
	324,526	44,786	369,312	121,440	29,137	150,577
Gross claims paid	41,179	9,883	51,062	8,131	1,951	10,082
Reinsurers' share	4,837	1,161	5,998	590	141	731
Net claims	36,342	8,722	45,064	7,541	1,810	9,351
Balance on technical account before profit on exchange and syndicate operating expenses	288,184	36,064	324,248	113,899	27,327	141,226
Profit on exchange	507	121	628	6	2	8
Syndicate operating expenses	(15,953)	(3,954)	(19,907)	(11,960)	(2,992)	(14,952)
Balance on technical account	272,738	32,231	304,969	101,945	24,337	126,282
Investment income	5,855	1,405	7,260	1,654	397	2,051
Investment expenses and charges	(97)	(24)	(121)	(41)	(10)	(51)
Investment gains less losses	(2,209)	(530)	(2,739)	(388)	(93)	(481)
Balance on open year	276,287	33,082	309,369	103,170	24,631	127,801
Personal expenses	(5,984)	(1,329)	(7,313)	(6,008)	(1,328)	(7,336)
Members' agents' fees	(1,672)	-	(1,672)	(1,758)	-	(1,758)
Continuous Solvency transfer	(14,616)	-	(14,616)	-	-	-
	254,015	31,753	285,768	95,404	23,303	118,707

*See basis of preparation note, managing agent's report.

15 Creditors

	2003 £'000	2002 £'000
Amounts falling due within one year		
Arising out of direct insurance operations	211	169
Arising out of reinsurance operations	31,706	30,944
Brokers' balances	31,917	31,113
Profit commission payable	356	257
Amount owed to credit institutions	-	131
Other creditors	-	10
	32,273	31,511
Amounts falling due after one year		
Arising out of reinsurance operations	7	15
Brokers' balances	7	15
Total creditors	32,280	31,526

There have been no material borrowings in the year.

Notes to the accounts

16 Accruals and deferred income

	2003	2002
	£'000	£'000
Deferred income:		
Whole account stop loss recovery		
1998 account	4,536	4,536
1999 account	3,528	3,528
Advance reinsurance recoveries		
2000 account	109	868
2001 account	1,968	12,117
Accruals	5,782	3,223
	<u>15,923</u>	<u>24,272</u>

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

The average rate of interest paid by the syndicate on advance reinsurance recoveries is LIBOR plus 1¹/₂%.

17 Rates of exchange for translation into sterling

	2003	2002
	£'000	£'000
Rates ruling at 31 December:		
United States dollars	1.79	1.61
Canadian dollars	2.31	2.54

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 %
2003	329,619	0.003034
2002	325,000	0.003077
2001	215,317	0.004644

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 2003 £122,348 (2002: £64,258) was paid to D3 Limited in respect of these services.

The syndicate paid Alliance Capital Limited £308,724 in 2003 (2002: £194,904) 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. No fees or commissions have been received or are receivable in respect of this participation.

Notes to the accounts

20 Consortium underwriting (continued)

b) 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

c) Lloyd's WCA consortium

Beazley participated in the WCA consortium for the 2002 and 2003 years (Expiry date 31 May annually) 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.

d) HSB Haughton consortium

Beazley participated in the engineering consortium for the 2001, 2002 and 2003 years (expiry date 31 March annually) 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.

e) ASU International Limited

Beazley participated in the ASU consortium for the 2003 year of account, led by SJC syndicate 2003; which provides event cancellation coverage.

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.

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

	2001 at 36 Months %	2002 at 24 Months %	2003 at 12 Months %
Swiss Consortium	0.61	0.00	0.00
FTC Consortium	0.00	0.37	0.00
Lloyd's WCA Consortium	0.00	0.19	0.11
HSB Haughton Consortium	0.29	0.27	0.13
ASU International Limited	0.00	0.00	0.27

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:

	2001 at 36 Months %	2002 at 24 Months %	2003 at 12 Months %
Premium income	0.25	0.14	0.08

Notes to the accounts

22 Segmental information

	Notes	Direct business			Reinsurance acceptance		Total £'000
		Fire & other damage to property £'000	Third party liability £'000	Other £'000	Fire & other damage to property £'000	Other reinsurance £'000	
2001 closed year of account after three years							
Business in respect of risks located in:							
United Kingdom		12,446	16,118	512	2,402	29	31,507
Other EC member countries		2,096	3,519	5,010	892	12	11,529
Other countries		56,740	52,481	51,412	31,267	687	192,587
Gross premiums written	1	71,282	72,118	56,934	34,561	728	235,623
Gross claims paid		54,347	49,748	21,368	57,193	84	182,740
Gross operating expenses	2	3,330	3,370	2,660	1,615	34	11,009
Reinsurance balance	3	14,187	(2,585)	(19,979)	21,536	(4,697)	8,462
Average rate of commission and brokerage		24%	25%	18%	15%	16%	

	Notes	Direct business			Reinsurance acceptance		Total £'000
		Fire & other damage to property £'000	Third party liability £'000	Other £'000	Fire & other damage to property £'000	Other reinsurance £'000	
2002 open year of account after two years							
Business in respect of risks located in:							
United Kingdom		17,065	21,578	1,197	3,584	112	43,536
Other EC member countries		1,523	6,559	9,654	1,278	34	19,048
Other countries		106,247	92,208	49,602	38,012	655	286,724
Gross premiums written	1	124,835	120,345	60,453	42,874	801	349,308
Gross claims paid		21,838	7,858	14,879	6,472	15	51,062
Gross operating expenses	2	7,115	6,858	3,445	2,443	46	19,907
Reinsurance balance	3	(34,130)	(42,373)	(6,595)	(9,594)	(19,219)	(111,914)
Average rate of commission and brokerage		21%	21%	21%	17%	14%	

Notes to the accounts

22 Segmental information (continued)

	Notes	Direct business			Reinsurance acceptance		Total £'000
		Fire & other damage to property £'000	Third party liability £'000	Other £'000	Fire & other damage to property £'000	Other reinsurance £'000	
2003 open year of account after one year							
Business in respect of risks located in:							
United Kingdom		8,616	11,673	1,454	2,738	110	24,591
Other EC member countries		1,654	2,827	2,862	1,054	42	8,439
Other countries		47,555	74,133	15,357	24,091	532	161,668
Gross premiums written	1	57,825	88,633	19,673	27,883	684	194,698
Gross claims paid		3,334	211	1,331	784	–	5,660
Gross operating expenses	2	4,114	6,305	1,400	1,984	49	13,852
Reinsurance balance	3	(23,526)	(18,820)	(2,455)	(3,413)	(5,296)	(53,510)
Average rate of commission and brokerage		22%	19%	21%	17%	16%	

Notes:

1. Gross premiums written have been analysed by reference to the situs of the risk.
2. Gross operating expenses have been allocated to class groups in proportion to their respective gross premium incomes.
3. The reinsurance balance comprises reinsurance recoveries received less outward reinsurance premiums paid.
4. In respect of the 2002 year of account, see basis of preparation note, managing agent's report.

Seven year summary of closed year results at 31 December 2003

	2001	2000	1999	1998	1997	1996	1995
Syndicate allocated capacity – £000's	215,317	125,186	94,699	94,690	89,874	90,013	91,654
Capacity utilised	109%	108%	124%	88%	72%	71%	78%
Number of underwriting members	1,351	960	827	830	958	978	1,076
Aggregate net premiums – £000's	143,785	79,102	70,813	56,589	44,489	44,062	48,315
Net capacity utilised	67%	63%	75%	60%	50%	49%	53%
Underwriting profit as a percentage of gross premiums	3.1%	3.0%	2.1%	2.5%	6.7%	6.9%	17.0%
Results for an illustrative £10,000 share	£	£	£	£	£	£	£
Gross premiums	10,943	10,810	12,394	8,829	7,201	7,135	7,785
Net premiums	6,678	6,319	7,478	5,976	4,950	4,895	5,271
Reinsurance to close from an earlier account	3,897	6,146	7,619	6,606	5,799	4,218	2,632
Net claims	(3,829)	(5,073)	(6,192)	(4,829)	(3,623)	(2,950)	(2,524)
Reinsurance to close the year of account	(6,405)	(7,066)	(8,647)	(7,536)	(6,644)	(5,674)	(4,162)
Underwriting profit	341	326	258	217	482	489	1,217
Profit/(loss) on exchange	64	(22)	(31)	3	21	2	9
Syndicate operating expenses	(512)	(524)	(556)	(582)	(597)	(478)	(414)
Balance on technical account	(107)	(220)	(329)	(362)	(94)	13	812
Gross investment return	341	488	776	614	430	505	504
Profit before personal expenses	234	268	447	252	336	518	1,316
Illustrative personal expenses							
Illustrative personal expenses	(159)	(185)	(195)	(224)	(199)	(179)	(353)
Managing agent's profit commission	(17)	(21)	(52)	(16)	(32)	(51)	(134)
Profit after illustrative profit commission and personal expenses	58	62	200	12	105	288	829

Notes

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.

The effect of any minimum charges on personal expenses or deficit clauses on profit commission have been ignored.

The illustrative personal expenses for 1995 and 1996 accounts include the special contribution to the central fund.

For the 1996 and post years of account, internal claims settlement expenses have been included in "net claims". For the 1995 year 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 underwriting premium limits on syndicate 623 were as follows:

	2001 £	2002 £	2003 £	2004 £
Jonathan G W Agnew	–	–	–	–
Andrew F Beazley	1,000,000	1,100,000	1,100,000	1,357,710
George P Blunden	–	–	–	–
Nicholas H Furlonge	–	–	–	–
Jonathan G Gray	–	–	–	–
David A Horton (appointed 3 February 2004)	–	–	–	–
Neil P Maidment	–	–	–	–
Arthur R Manners	375,000	375,000	375,000	500,000
Kevin J McHugh (resigned 13 March 2001)	–	–	–	–
Johnny G Rowell	1,000,000	1,000,000	1,000,000	1,116,100
Joseph D Sargent	600,000	848,000	1,000,000	1,280,000
Thomas F Sullivan (resigned 15 March 2001)	–	–	–	–

For all years of account, the participation is on a limited liability basis.

A R Manners, G P Blunden, K J McHugh and T F Sullivan are Annual Subscribers.

None of the directors have a personal stop loss policy relating to the years 2001 to 2004.

Indirect limited liability participation	2001 £	2002 £	2003 £	2004 £
Jonathan G W Agnew (Non-Executive)	–	44,400	–	–
Andrew F Beazley (Active Underwriter)	1,012,028	4,070,209	–	–
George P Blunden (Non-Executive)	11,004	44,400	–	–
Nicholas H Furlonge (Deputy Underwriter)	368,009	1,480,072	–	132,000
Jonathan G Gray	505,909	2,034,683	–	132,000
David A Horton	–	–	–	132,000
Neil P Maidment	441,612	1,776,089	–	132,000
Arthur R Manners	147,205	592,035	–	–
Johnny G Rowell	625,618	2,516,133	–	–
Joseph D Sargent (Non-Executive Chairman)	36,693	147,573	–	–

The above directors who participated on the syndicate for 2001 and 2002 did so on an indirect limited liability basis through their beneficial shareholdings in Beazley Group plc which has an interest in Beazley Dedicated Limited.

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.

Managing agent additional information

For 2004 the above directors participate through an indirect involvement in the results of Beazley Staff Underwriting Limited. This corporate member was established for the 2004 year of account with capacity of £4.6m. The majority of underwriters and claims staff have an interest through this company in the results of the syndicate. These individuals have agreed to defer future bonuses that will be at risk if the syndicate declares losses.

	Shareholding of Beazley Group plc as at 31 December 2003	Shareholding as a percentage of the total issued shares of Beazley Group plc at 31 December 2003
Jonathan G W Agnew	72,713	0.03 %
Andrew F Beazley	6,771,810	2.95 %
Nicholas H Furlonge	2,451,307	1.07 %
Jonathan G Gray	3,339,043	1.46 %
David A Horton	23,203	0.01 %
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 %
	21,776,616	9.49 %

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 2001 to 2004 years of account he underwrote through a 'NameCo' on a limited liability basis solely on syndicate 623.

Related parties byelaw

Thomas F Sullivan

Thomas F Sullivan was a senior vice president of Aon, with responsibilities including insurance broking, consulting and underwriting. He was appointed a director of SVB Holdings plc in November 1996 and resigned in December 2003. He is also a non-executive director of Jago Managing Agency Limited (JMAL). Any business transacted between the syndicate and any syndicate managed by 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 LMAL. 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.

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 2003 the group companies of Aon Corporation placed premiums of approximately £85m 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 (formerly Beazley Furlonge Group Limited), 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.

Managing agent additional information

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 of the material holdings are:

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.

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.

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 14 October 1998 with a limit of indemnity of £5m. This policy was renewed in October 2003.

Syndicate allocated capacity

The syndicate's allocated capacity for the 2003 year of account is £329,618,938. 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 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 Consulting Limited, Chaucer House, 28 Western Road, Romford, Essex RM1 3JT.

Syndicate auditors

Mazars are the syndicate auditors for the 2003 annual report and it is intended that they be re-appointed for the 2004 audit.

Managing agent additional information

Managing agent – key financial information

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Gross capacity managed	659,365	403,001	215,317	125,186	94,699
Income:					
Managing Agent's fees	3,887	2,408	1,293	752	569
Profit commission	257	492	149	292	458
Total fees from the managed syndicate	4,144	2,900	1,442	1,044	1,027
Other	106	17	30	97	74
	4,250	2,917	1,472	1,141	1,101
Total agency expenses	18,478	12,207	7,019	4,652	4,067
Less: expenses recharged to the syndicate	(16,359)	(9,696)	(5,581)	(3,848)	(3,280)
	2,119	2,511	1,438	804	787
Profit before taxation	2,131	406	34	337	314
Profit margin before profit commission and related expenses	49%	(1.7%)	(5.3%)	23.8%	18.9%
Total operating expenses as a Percentage of total managed capacity	2.8%	3.0%	3.3%	3.7%	4.3%
Total employment costs incurred	16,715	9,327	5,524	3,709	3,097
Less: amounts recharged to the managed syndicate	(15,590)	(8,997)	(5,255)	(3,482)	(2,898)
Employment costs retained by the Managing Agent	1,125	330	269	227	199
Net assets of the Managing Agency	2,235	653	653	735	606

Managing agent additional information

Managing agent – key financial information – (continued)

	2001	2000	1999	1998
	£'000	£'000	£'000	£'000
Profit before personal expenses attributable to:				
Working Members employed by				
Beazley Furlonge Limited	151	134	42	24
Other Working Members	151	100	169	96
External Members	2,012	1,271	1,735	1,099
Corporate Members	2,717	1,841	2,285	1,171
	<u>5,031</u>	<u>3,346</u>	<u>4,231</u>	<u>2,390</u>
	2004	2003	2002	2001
	%	%	%	%
Syndicate allocated capacity attributable to:				
Working Members employed by				
Beazley Furlonge Limited	3	1	5	3
Other Working Members	1	1	3	3
External Member	79	45	38	40
Corporate Members	17	53	54	54
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Multiple syndicate statement

Syndicates managed by Beazley Furlonge Limited

This agency is responsible for managing syndicates 623 and 2623. The information to be disclosed is as follows:

	2001 Account	Combined 623/2623*	2003 Account	
		2002 Account	623	2623
Syndicate allocated capacity	£215,316,728	£403,001,024	£329,618,938	£329,745,782
Number of underwriting members	1,351	1,612	1,675	1
Profit for an illustrative share of £10,000 (before personal expenses and taxation)	£234			
Number of executives participating in syndicate	4	4	4	–
Aggregate percentage participation of executives	1.4%	0.8%	1.0%	–
Total profit attributable to executives	£7,043			
Analysis of gross premium underwritten:	%	%	%	%
Direct business				
Fire and other damage to property	30.3	35.7	29.7	29.9
Third party liability	30.6	34.5	45.5	45.3
Other	24.2	17.3	10.1	10.0
	85.1	87.5	85.3	85.2
Reinsurance acceptances				
Fire and other damage to property	14.7	12.3	14.3	14.5
Other	0.2	0.2	0.4	0.3
	100.0	100.0	100.0	100.0

*For further information please see basis of preparation, managing agent's report.

Multiple syndicate statement

Syndicates managed by Beazley Furlonge Limited

2002 Year of account

For the 2002 year of account, syndicate 2623 was a whole account quota share syndicate of syndicate 623. It reinsured 19.35% of all syndicate 623's business for the 2002 year of account and is allocated a proportionate share of reinsurance costs, expenses and investment income.

As a quota share reinsurer of syndicate 623, disclosure of the open year balances of this syndicate has been included in the Report and Accounts of syndicate 623.

For further information please see basis of preparation, managing agent's report.

2003 Year of account

With effect from the 2003 year of account, Syndicate 623 and Syndicate 2623 have written in parallel to each other. Andrew F Beazley is the active underwriter of both syndicates and all business accepted by him, or on his behalf, is allocated between them on a consistent predetermined basis in proportion to their respective capacities. Each syndicate has an identical reinsurance programme and the same investment policies are pursued for both syndicates. All insurance related income and expenditure is charged pro rata the respective capacities. The pro rata splits for the period covered by this statement are as follows:

Year of account	Syndicate No. 623 %	Syndicate No. 2623 %
2003	50.00	50.00

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