



Hiscox Ltd
Preliminary results

For the year ended 31 December 2018

BECOME A BIGGER

FISH

WITHOUT GETTING FRIED.

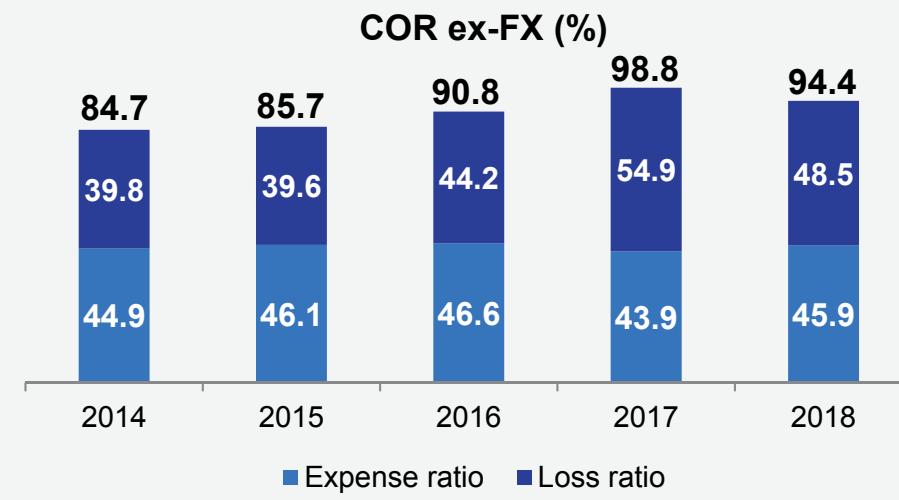
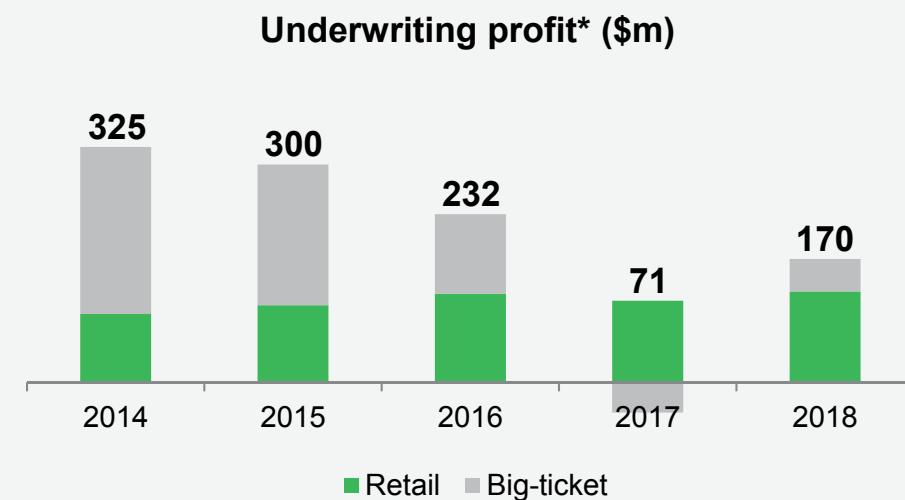
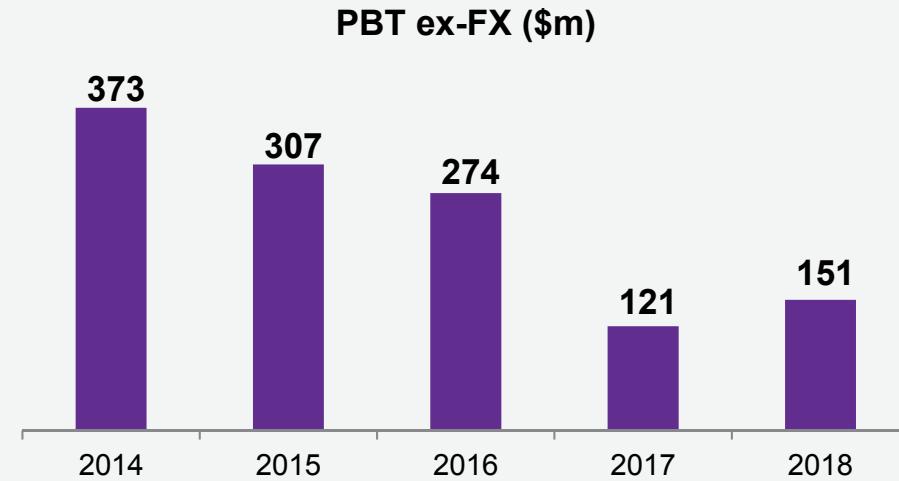
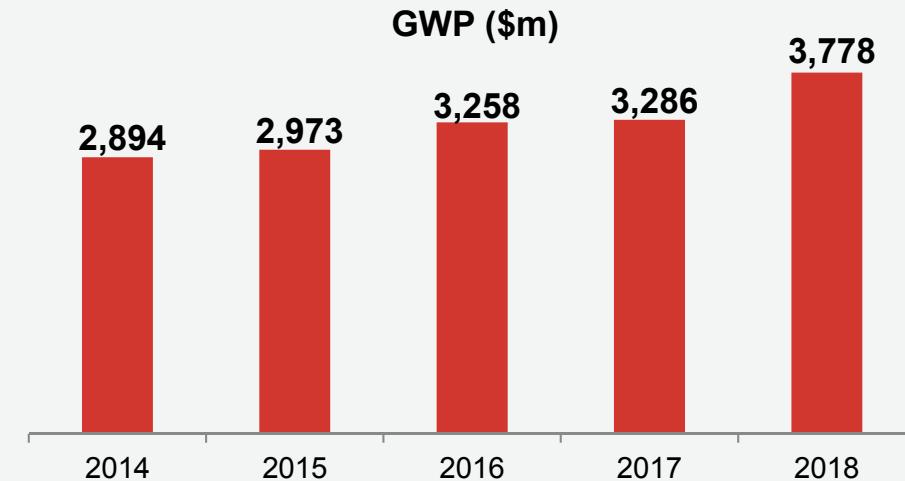
A good result

- GWP up by 15% to \$3.8bn
- Double-digit growth in all segments
- PBT up by 25% to \$151m (ex-FX)
- Combined ratio 94.4% (ex-FX)
- Final dividend up by 5% to 28.60¢

Financial performance

Group financial performance

Robust performance at a challenging point in the cycle



*Excludes Corporate Centre.

2018 financials



	2018	2017
Earnings per share (¢)	45.1	12.0
Ordinary dividend (¢)		
Interim	13.25	12.60
Final	28.60	27.20
Total	41.85	39.80
Net asset value (\$m)	2,317.1	2,368.4
(£m)	1,819.2	1,754.4
NAV per share (¢)	819.1	835.1
(p)	642.8	618.6
Return on equity after tax (%)	5.6	1.5

Hiscox Retail

A good year of profits and growth

	2018 \$m	2017 \$m
Growth		
Gross premiums written	2,087.1	1,835.4
Net premiums written	1,874.5	1,674.2
Earnings		
Underwriting profit	125.5	112.8
Investment result	9.5	29.4
Profit before tax	136.0	141.6
Profit before tax excl. monetary FX	134.7	142.1
Combined ratio excl. monetary FX	93.6%	94.5%

- GWP growth in constant currency of 11%
 - Hiscox UK & Ireland: 8%
 - Hiscox Europe: 11%
 - Hiscox USA: 15%
- Surpassed \$2bn premium and one million retail customers in 2018
- Higher US claims offset by benign experience in UK and Europe
- Retail profits cover dividend for third consecutive year

Hiscox London Market

The standout performer



	2018 \$m	2017 \$m
Growth		
Gross premiums written	877.7	749.8
Net premiums written	522.9	484.9
Earnings		
Underwriting profit	68.2	(46.0)
Investment result	13.3	14.5
Profit before tax	78.2	(46.7)
Profit before tax excl. monetary FX	80.9	(31.5)
Combined ratio excl. monetary FX	89.0%	108.7%

- GWP growth in constant currency of 16%
- Growth where rates have improved the most
 - Property
 - General liability
- Good underwriting performance in a heavy catastrophe year
 - Impacted by Hurricanes Florence and Michael, California wildfires and marine claims
- Good pricing momentum heading into 2019 as Lloyd's Decile 10 directive sees capacity withdraw

Hit by a second year of significant catastrophes

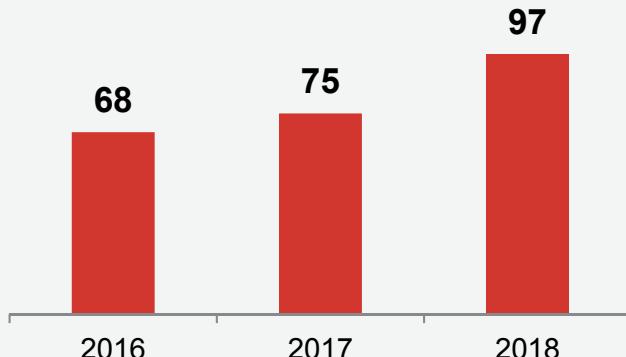
	2018 \$m	2017 \$m
Growth		
Gross premiums written	812.0	700.8
Net premiums written	241.5	243.8
Earnings		
Underwriting profit	(23.2)	4.5
Investment result	12.9	27.9
Profit before tax	(23.2)	25.5
Profit before tax excl. monetary FX	(11.6)	30.8
Combined ratio excl. monetary FX	112.5%	98.9%

- GWP growth in constant currency of 15%; flat on a net basis
- Performance affected by losses from US and Japanese windstorms and California wildfires
- Risk and specialist lines affected by large individual losses
- ILS and quota share profit commissions impacted by 2017 and 2018 catastrophes

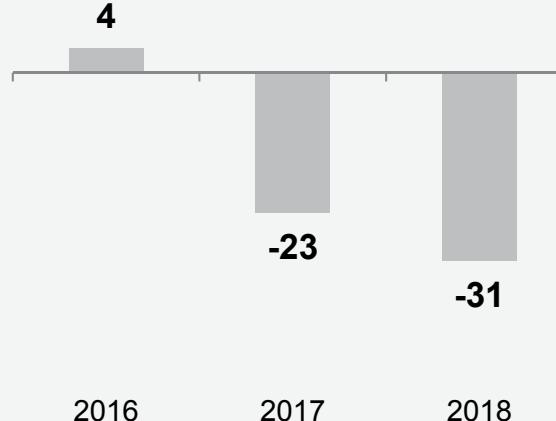
Investment performance

Cause for optimism as underlying economics improve

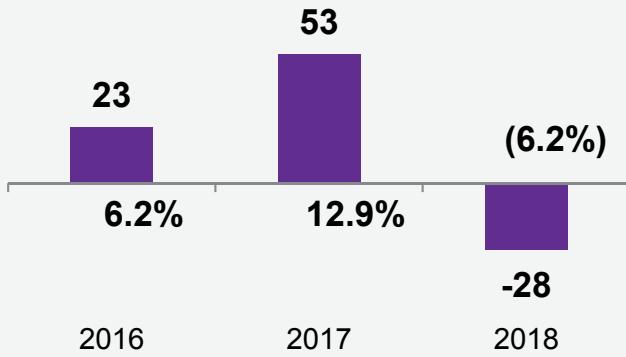
Cash and bond income net of fees (\$m)



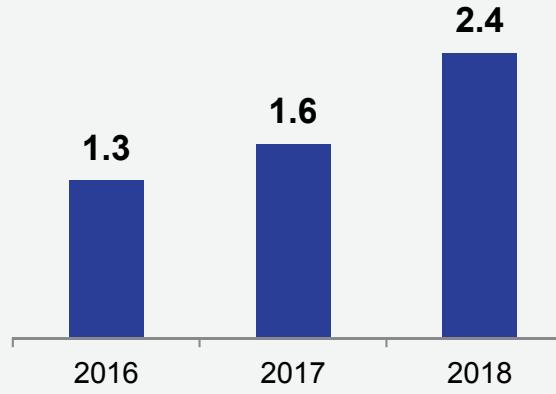
Mark-to-market on bonds (\$m)



**Risk asset performance
(\$m and as % of risk assets)**



Bond portfolio yield to maturity (%)

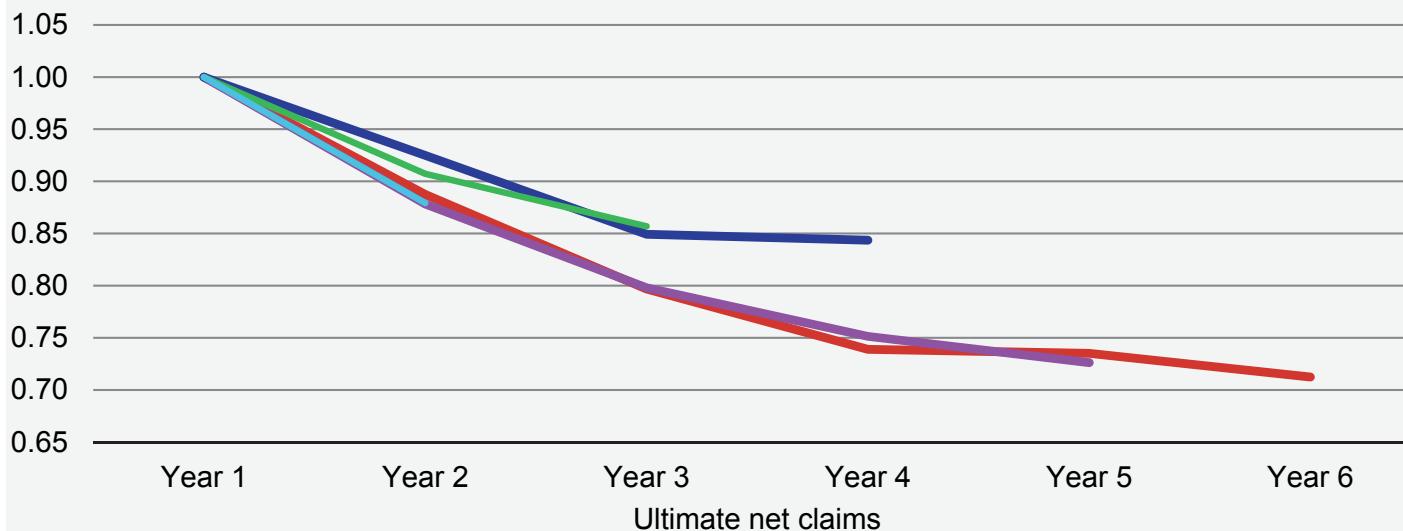


- 2018 investment return \$38.1m (2017: \$104.7m)
- Coupon income increasing, offset in 2018 by mark-to-market adjustments on bonds
- Risk assets impacted by equity market volatility in 2018
- Group invested assets \$6.3bn at 31 December 2018
- High credit quality maintained in fixed income portfolio
- Average bond duration: 1.5 years (2017: 1.8 years)

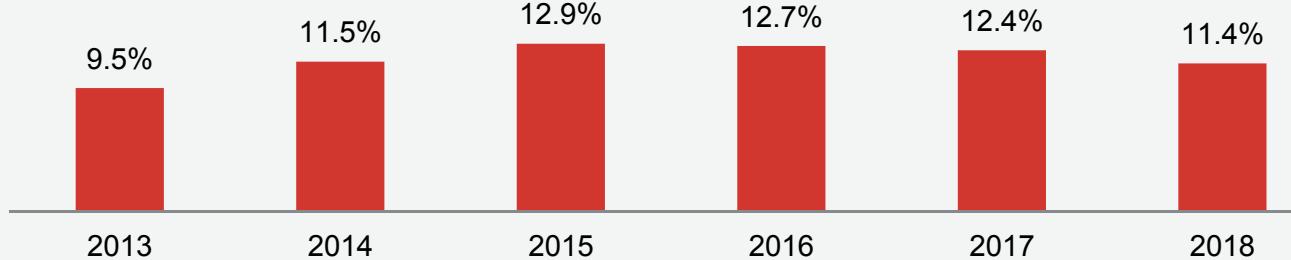
Consistent approach to reserving Reserve releases \$326m

Loss development by accident year

— 2013 — 2014 — 2015 — 2016 — 2017



Reserve release as % of opening net reserves



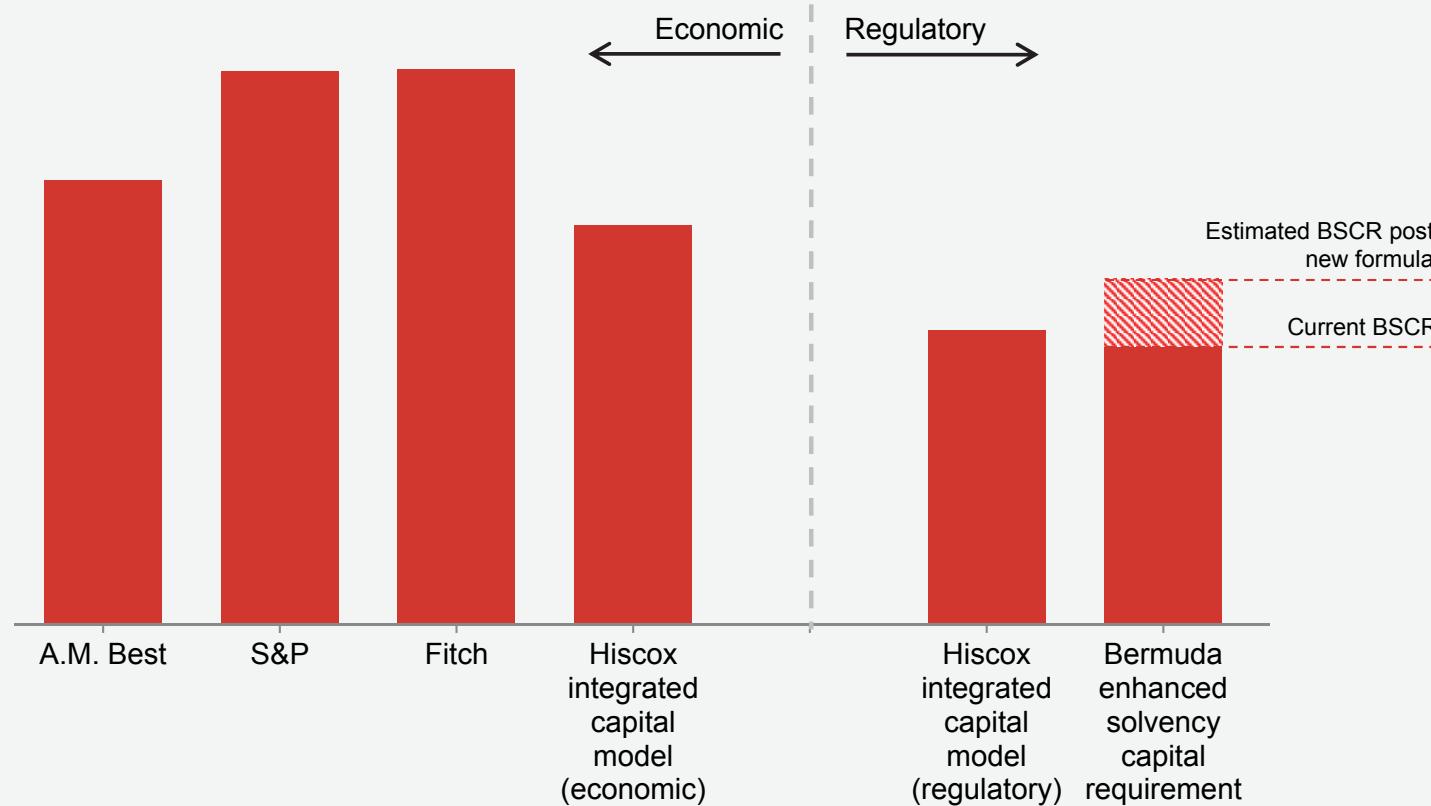
- \$165m reserved for catastrophes in 2018
 - Hurricanes Florence and Michael, Typhoons Jebi and Trami, California wildfires
- 11.4% of opening net reserves – consistent with prior years
- No aggregate adverse development and positive run-off of 2017 HIM reserves
- Maintaining a cautious approach

Well capitalised

31 December 2018

\$2.46bn available capital

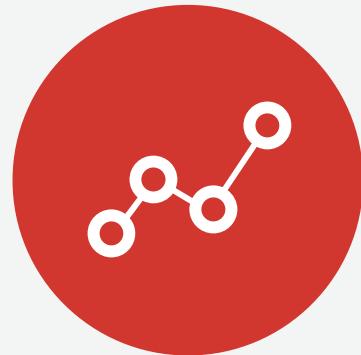
\$2.38bn available capital (post-final dividend)



Rating agency assessments shown are internal Hiscox assessments of the agency capital requirements on the basis of year end 2018. Hiscox uses the internally developed Hiscox integrated capital model to assess its own capital needs on both a trading (economic) and purely regulatory basis. All capital requirements have been normalised with respect to variations in the allowable capital in each assessment for comparison to a consistent available capital figure. The available capital figure comprises net tangible assets and subordinated debt.

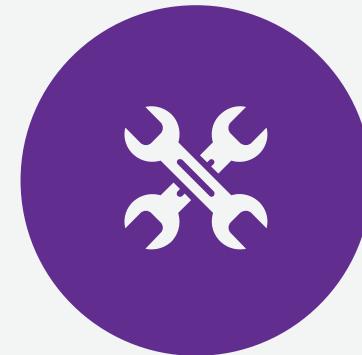
Financial flexibility

Well capitalised and investing for the future



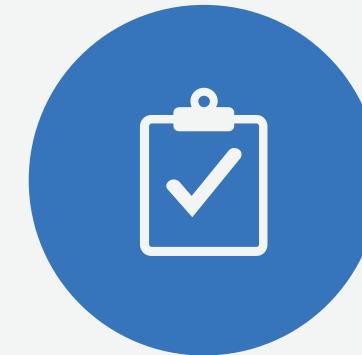
Absorbing losses

- Balance sheet remains strong
- \$165m of catastrophe losses



Investing in the business

- \$70m invested in marketing
- \$30m P&L cost in support of business infrastructure development



Responding to external challenges

- Brexit preparations complete – \$15m one-off cost and net \$50m increased capital requirement
- Effective tax rate to trend towards 10-12% as profit profile shifts



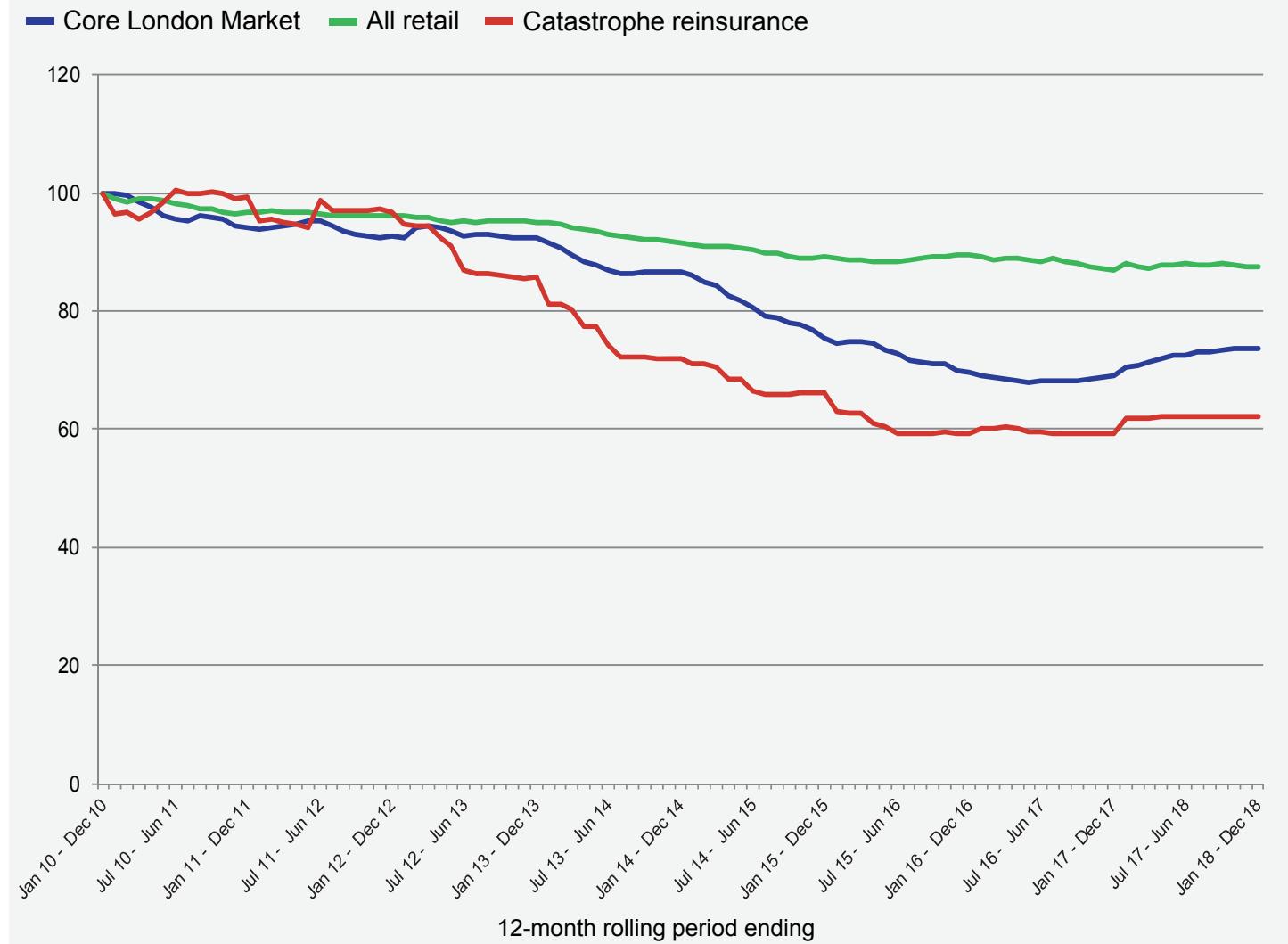
Underwriting

2018 catastrophes

Another expensive year for insurers

- 2018: \$80bn* of insured catastrophe losses
 - Fourth most costly year for insurers in history and costliest two-year period ever
- \$165m net reserved for all catastrophes
 - Higher frequency of mid-sized events in 2018 impacted Group's aggregate reinsurance recoveries
 - Higher retention of specialty business in Hiscox Re & ILS resulted in sizeable impact from California wildfires
 - Losses within modelled range despite less favourable loss pattern
- No adverse development on aggregate prior year HIM reserves

Heading in the right direction



- Hiscox London Market
 - Overall rates up 7%
 - Household up 10%
 - Terrorism, cyber remain competitive
 - Lloyd's Decile 10 action improving rates as capacity withdraws
- Hiscox Re & ILS
 - Overall rates up 5%
 - North American catastrophe up 6%
 - International catastrophe flat
 - Optimism for mid-year as loss-affected accounts renew
- Hiscox Retail
 - Rates broadly flat
 - Ongoing active portfolio management

An actively managed business

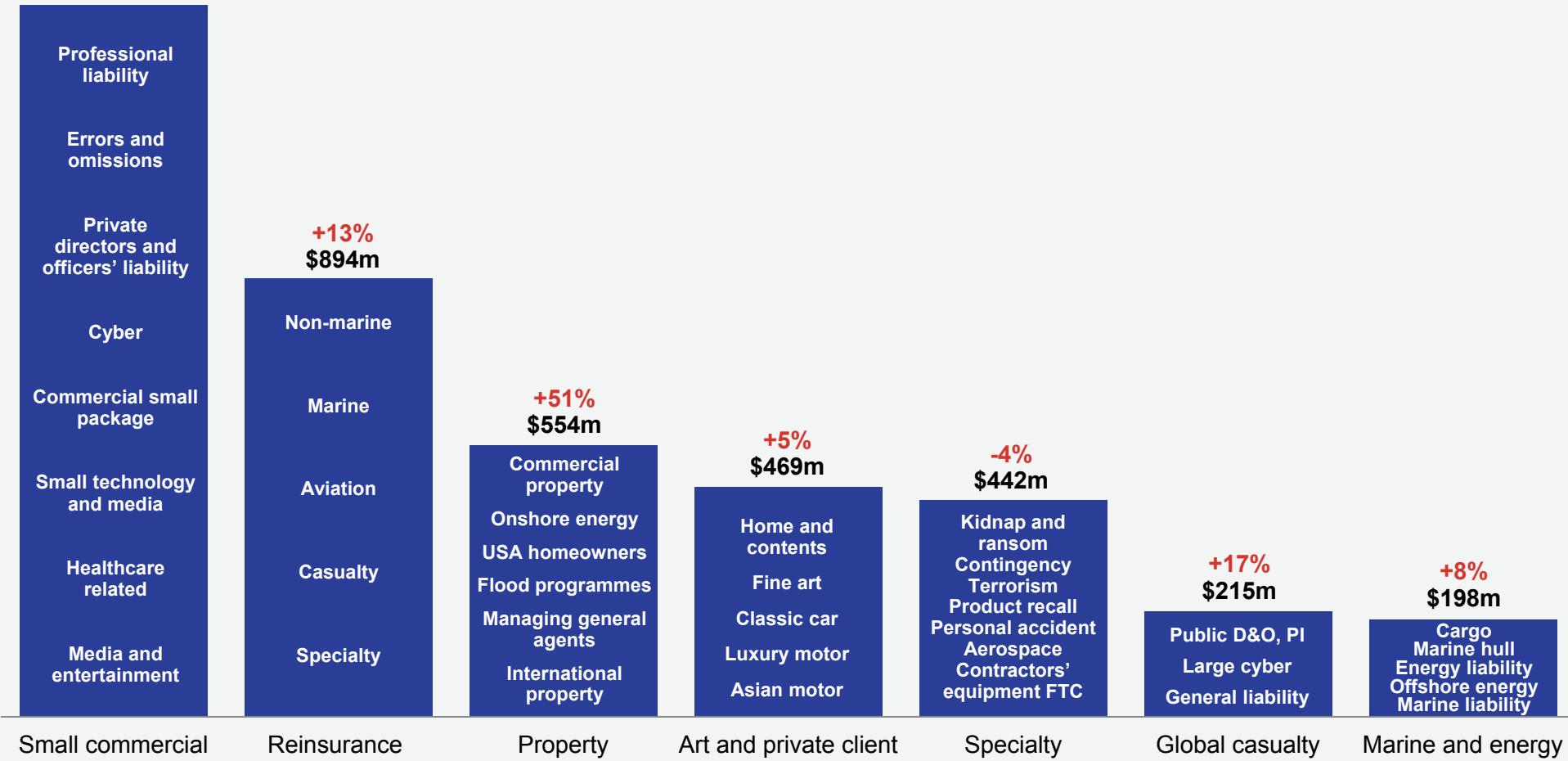


Total Group controlled premium 31 December 2018: \$4,224 million

Period-on-period in constant currency

2018 GWP

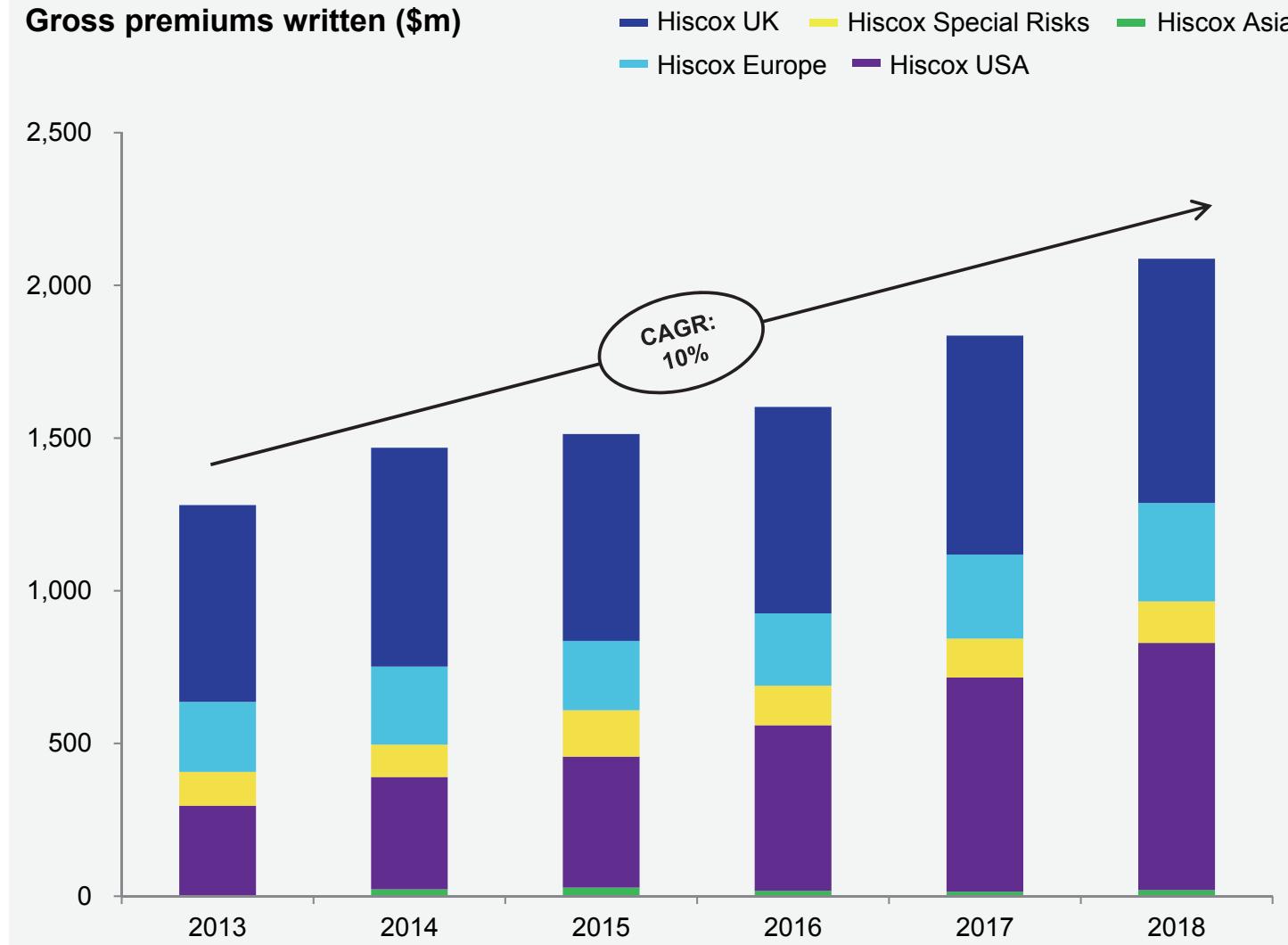
+14%
\$1,452m



Hiscox Retail

Continuing to capture the growth opportunity

Gross premiums written (\$m)



- Strong track record of growth and small market shares in all retail markets
- Continually optimising the retail portfolio
 - Addressing US D&O
 - Responding to claims trends in UK household

Hiscox Re & ILS

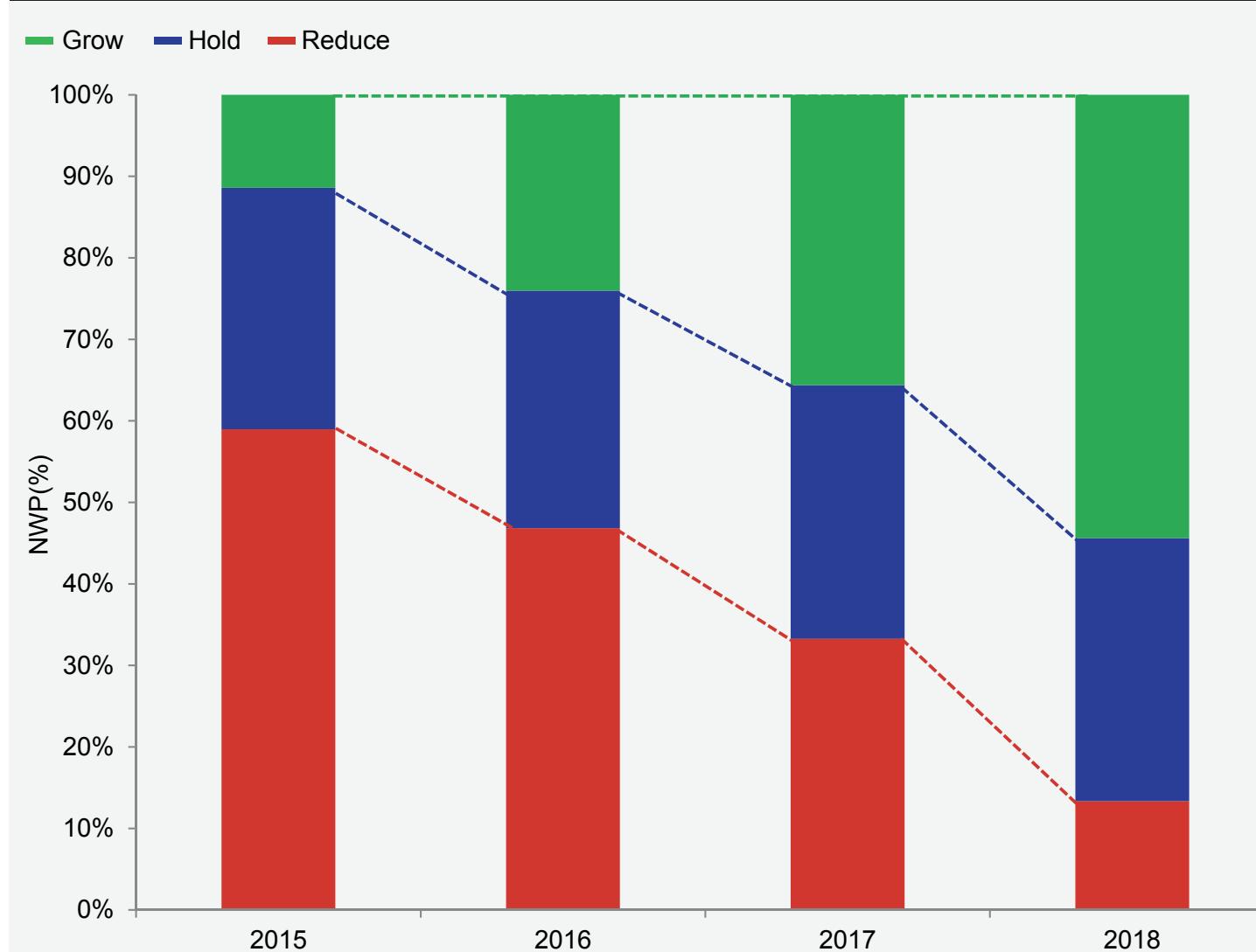
Evolving our third-party capital proposition

- ILS AUM exceeds \$1.5bn following 2018 losses
- Performance in line with expectations
- Strategy of alignment with investors paying off, driving continued investor interest
- New ILS fund launched January 2019
 - Diversified portfolio of short-tail insurance and reinsurance risks
 - Capital fronted by Hiscox, with ambition to progress to rated carrier



Hiscox London Market

Proactive portfolio management paying off



- Taking action ahead of the market
 - \$400m of under-performing GWP exited since 2016
 - Disciplined growth where we see good margin (property, general liability, cyber, terrorism)
- Over \$100m turnaround in underwriting profit 2018 vs. 2017
- Innovative use of ILS provides access to primary insurance risks
- FloodPlus technology delivering good growth and profitability; now rolling out for wildfire peril

Microsoft Azure partnership

Driving value through data and analytics

The problem

- Run one billion data points to better understand our US flood models
- Would take eight months using existing internal systems

The solution

- Use Microsoft Azure's cloud computing framework to run 1,000 machines and complete the task in 12 hours
- Helped us establish a market-leading position, providing our customers with the right protection at a fair price



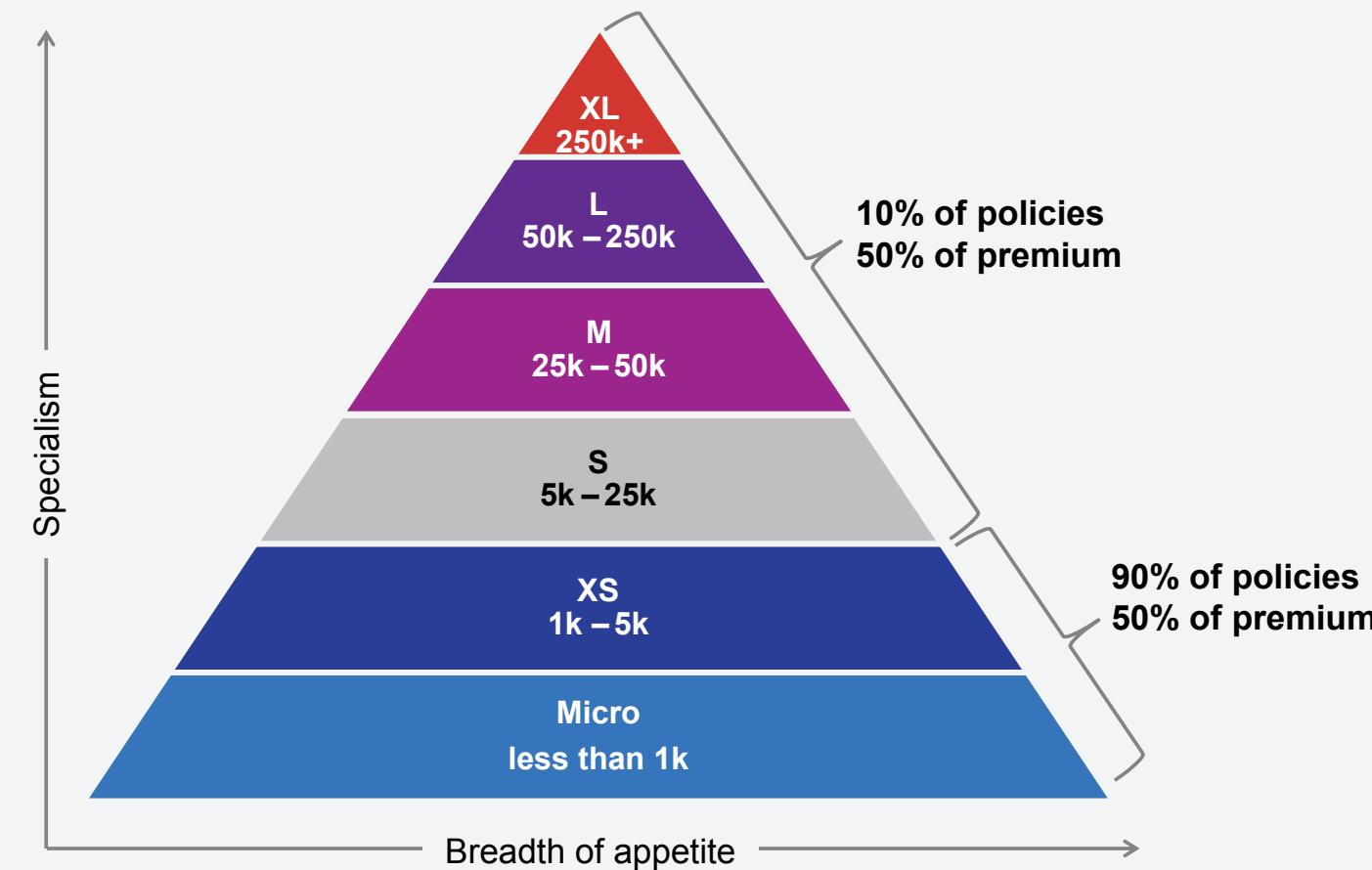


Hiscox Retail

Hiscox Retail portfolio

Different strategies for different segments

Retail policies segmented by premium (\$/£/€)

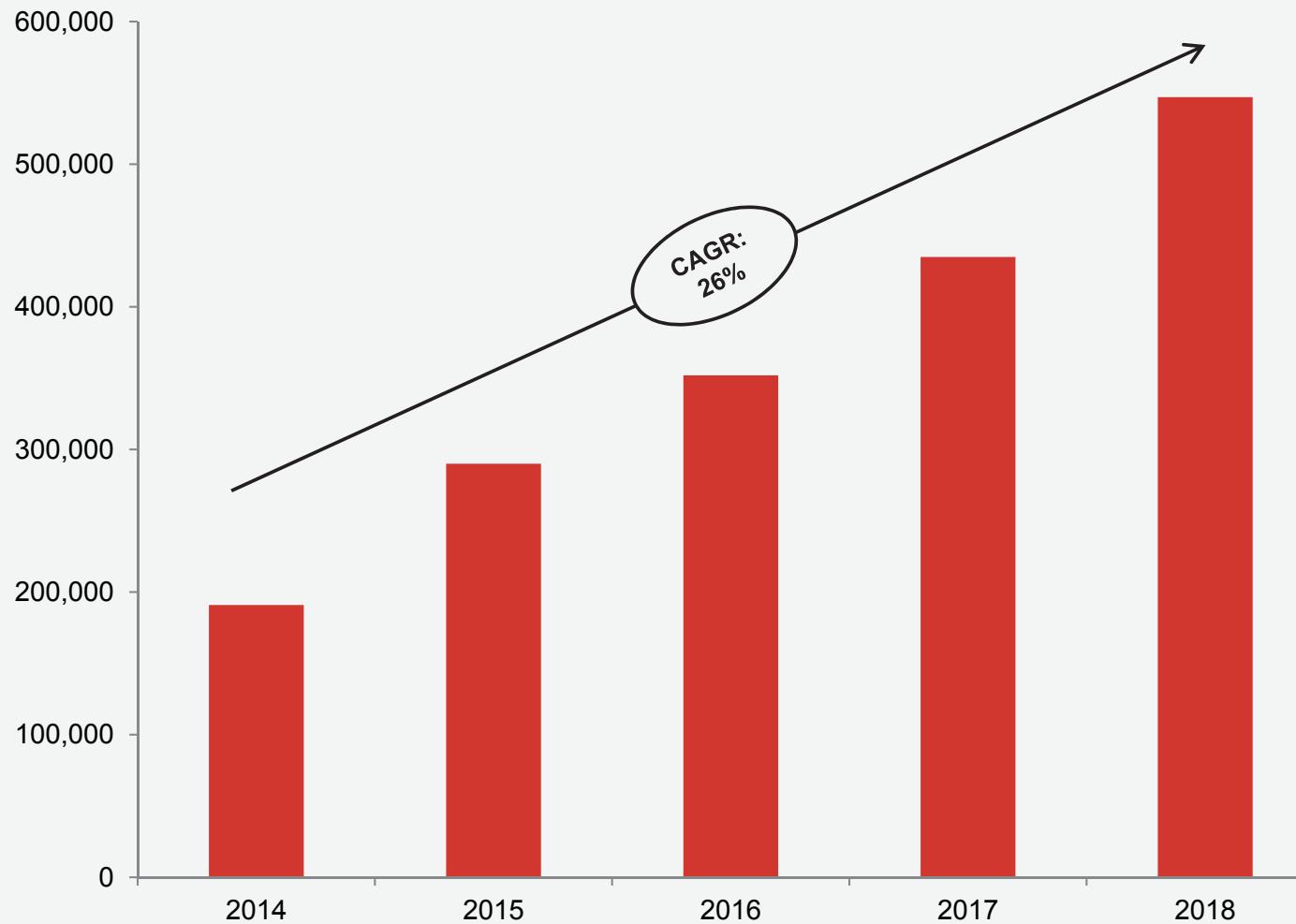


- 80% of customers pay less than \$/£/€1,000
- Underwriting appetite:
 - broadest at SME level (1-10 employees)
 - narrows as we move up the value chain in specialist areas (e.g. technology, cyber, media, K&R)
- Small market shares in fast-growing SME markets:
 - UK: less than 5%
 - Europe: less than 3%
 - US: less than 1%

Digitising Retail

Developing leverage through automation

Hiscox Retail electronically traded policies



- Rapid growth of automatically underwritten new business (i.e. no human intervention)
- Automation creates financial leverage as we continue to grow
- Omni-channel approach provides option value as markets evolve – ‘all roads lead to Hiscox’

Investment in brand driving growth

Now more than one million retail customers



- \$70m invested in marketing in 2018
- UK & Ireland
 - Award-winning *CyberLive* campaign
 - *The Hack* simulates a real world cyber attack* - ten million views
- Europe
 - Broker extranet and new cyber teams
- USA
 - *I'mpossible* campaign continues
- Special Risks
 - Growing SIR business development team
- DirectAsia
 - New campaigns and partnerships

- Segmentation underlies strategy
 - Specialist expertise for larger risks
 - Operational scale for smaller risks
- Growing digital capabilities
- Continued brand investment, especially in the US
- Becoming a world leader in small business insurance
 - More than 40 million customers to play for

Business performance and outlook

Group performance

Good growth with all areas contributing

Year to 31 December 2018	GWP \$m	Constant currency	
		GWP change %	GWP change %
Hiscox Retail*	2,087.1	13.7	11.3
Hiscox UK & Ireland	799.5	11.5	7.8
Hiscox USA	809.6	15.4	15.4
Hiscox Europe	322.3	17.2	11.4
Hiscox Special Risks	136.2	7.0	5.5
Hiscox Asia	19.5	32.7	29.6
Hiscox London Market	877.7	17.1	16.3
Hiscox Re & ILS	812.0	15.9	15.0
Total	3,778.3	15.0	13.2

Outlook

Well positioned

- Positive outlook
 - Stable and slightly improving rating environment
 - Improved investment conditions
- Continued investment in business infrastructure
- Growing our brand, especially in the US
- Positive momentum for Hiscox and the market

Appendices

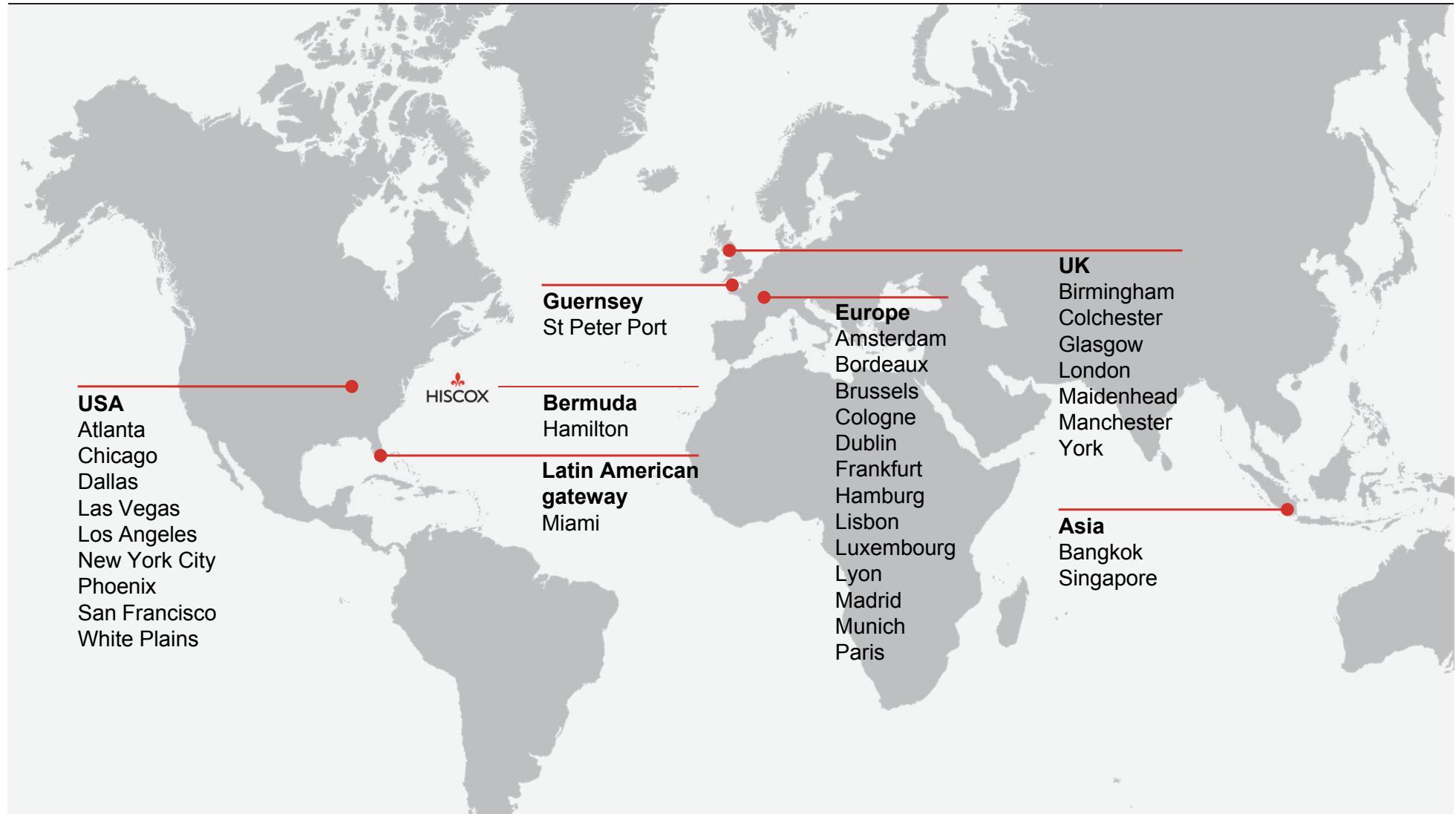
- Big-ticket and retail business
- Geographical reach
- Strategic focus
- A symbiotic relationship
- Long-term growth
- An actively managed business
- Segmental analysis
- Hiscox Ltd results
- Boxplot and whisker diagram of Hiscox Ltd
- Realistic disaster scenarios
- Casualty extreme loss scenarios
- GWP geographical and currency split
- Group reinsurance security
- Reinsurance
- Investment result
- Portfolio – asset mix
- Portfolios – USD bond portfolios
- Portfolios – GBP, EUR and CAD bond portfolios
- Business segments

What do we mean by big-ticket and retail business?

- We characterise **big-ticket** as larger premium, catastrophe-exposed business written mainly through Hiscox Re & ILS and Hiscox London Market. We expand and shrink these lines according to market conditions.
- **Retail** is smaller premium, relatively less volatile business written mainly through Hiscox Retail. Investment in our brand and specialist knowledge differentiates us here. We aim to grow this business between 5-15% per annum.

Geographical reach

34 offices in 14 countries



Strategic focus

Total Group controlled income for 2018

\$100% = \$4,224 million

Big-ticket business

21% Reinsurance

8% Large property

5% Casualty

5% Specialty – terrorism, product recall

5% Marine and energy

Retail business

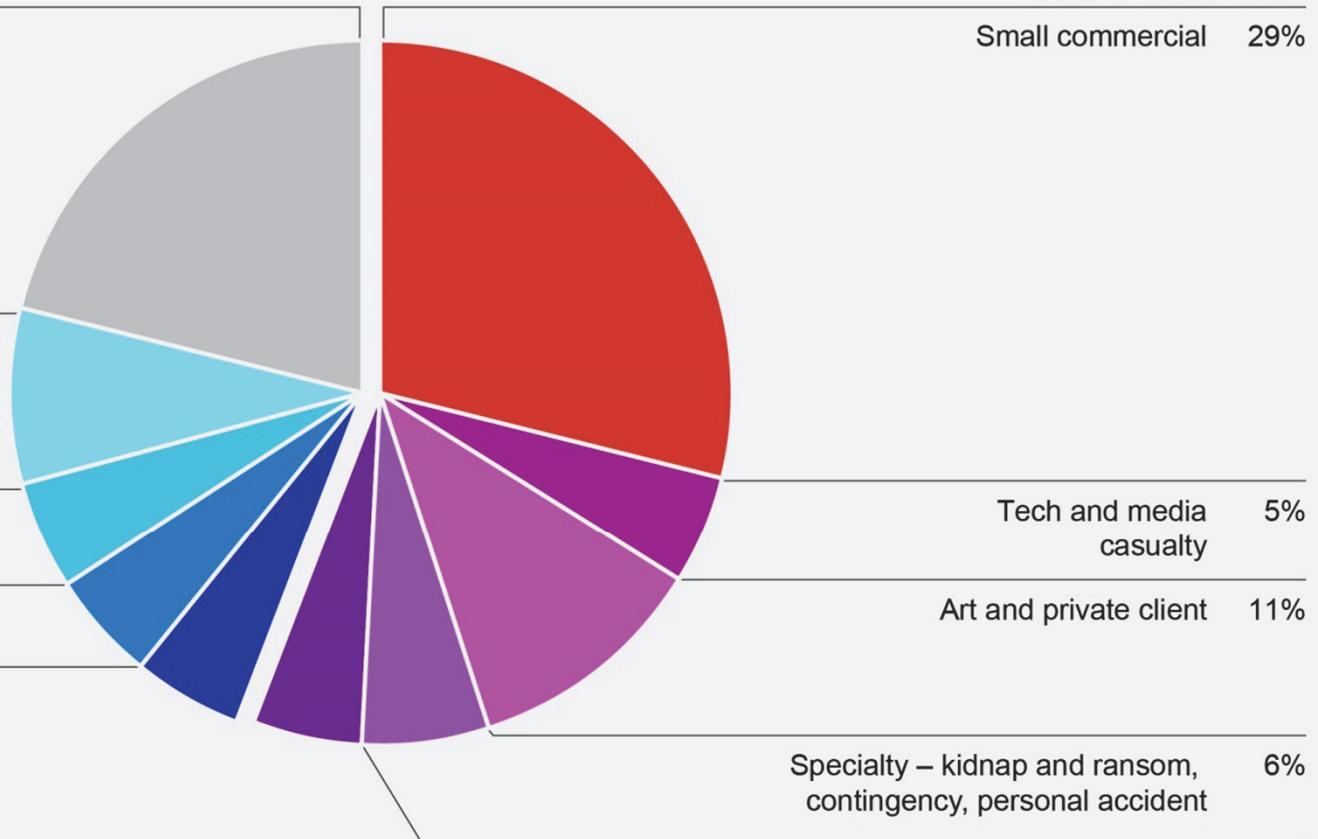
Small commercial 29%

Tech and media casualty 5%

Art and private client 11%

Specialty – kidnap and ransom, contingency, personal accident 6%

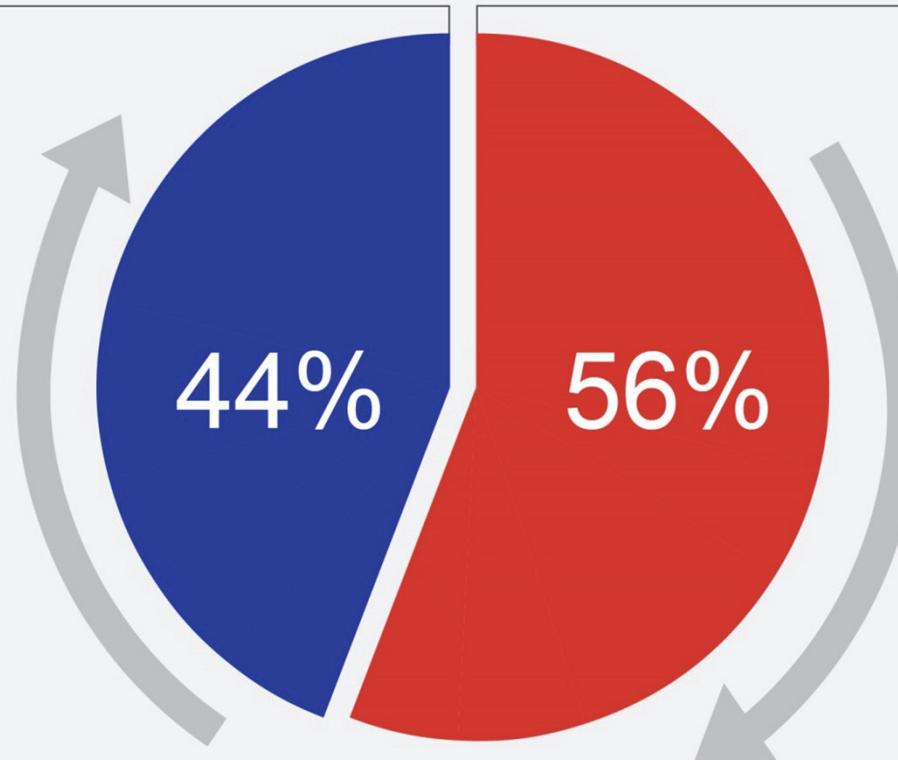
Small property 5%



A symbiotic relationship

Big-ticket business

- Larger premium, globally traded, catastrophe-exposed business written mainly through Hiscox London Market and Hiscox Re & ILS
- Shrinks and expands according to pricing environment
- Excess profits allow further investment in retail development



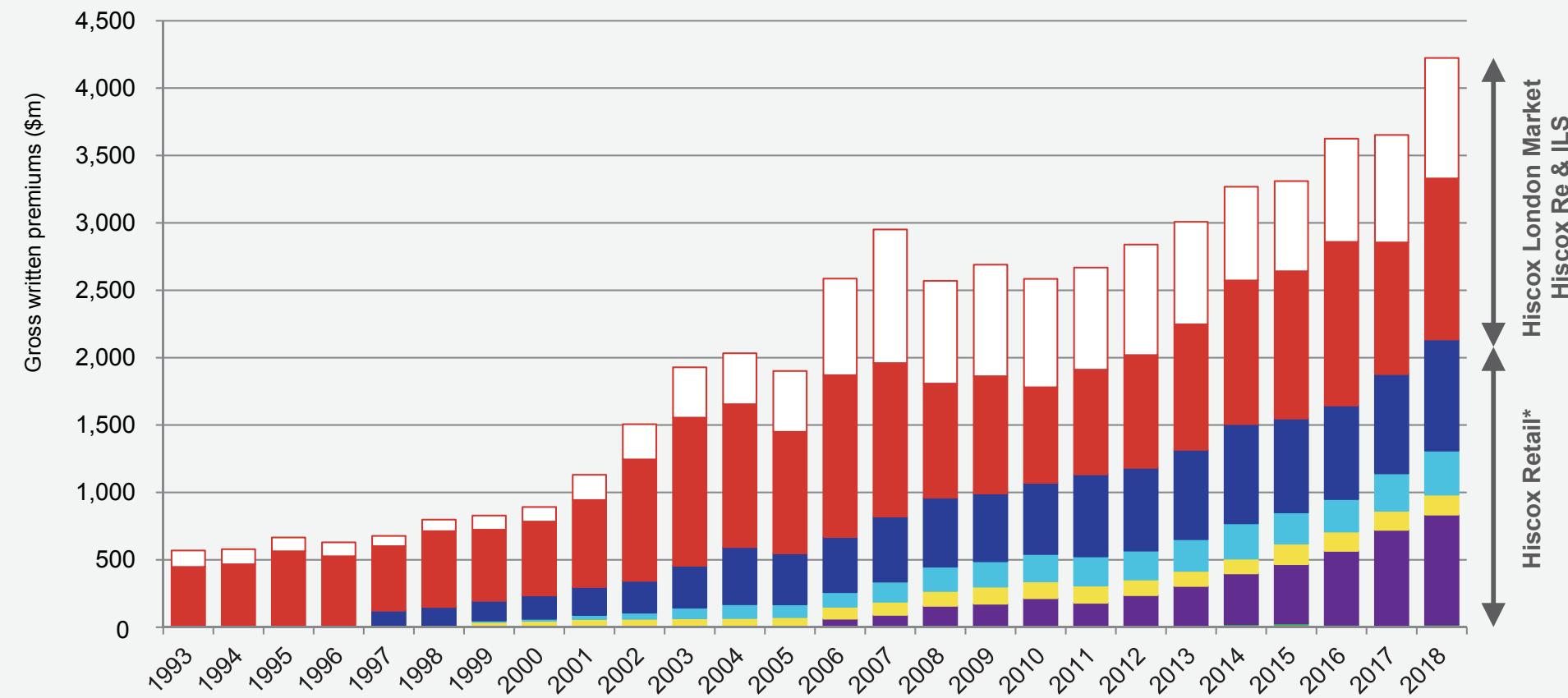
Retail business

- Smaller premium, locally traded, relatively less volatile business written mainly through Hiscox Retail
- Growth between 5-15% per annum
- Pays dividends
- Specialist knowledge differentiates us and investment in brand builds strong market position
- Profits act as additional capital

Long-term growth

Total Group controlled income (\$)

□ Hiscox Re & ILS █ Hiscox UK █ Hiscox Special Risks █ Hiscox Asia
■ Hiscox London Market █ Hiscox Europe █ Hiscox USA



*Hiscox Retail includes \$1.5m GWP of fully re-insured run-off portfolios.

An actively managed business



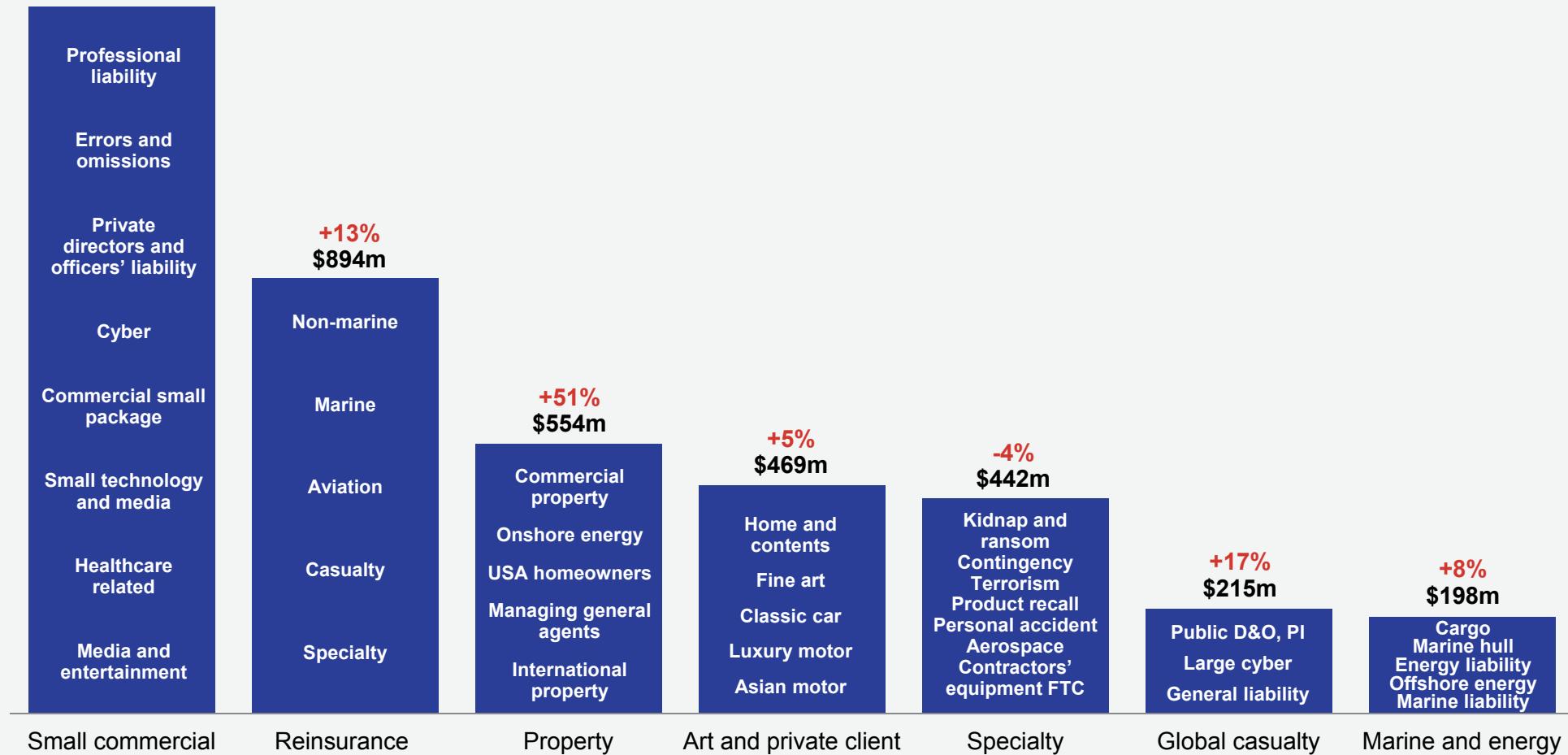
Total Group controlled premium 31 December 2018: \$4,224 million

Period-on-period in constant currency

2018 GWP

+14%

\$1,452m



Segmental analysis



	31 December 2018					31 December 2017				
	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000
Gross premiums written	2,087.1	877.7	812.0	1.5	3,778.3	1,835.4	749.8	700.8	—	3,286.0
Net premiums written	1,874.5	522.9	241.5	(57.4)	2,581.5	1,674.2	485.0	243.8	—	2,403.0
Net premiums earned	1,821.8	551.8	257.4	(57.4)	2,573.6	1,585.3	561.6	269.3	—	2,416.2
Investment result	9.5	13.3	12.9	2.4	38.1	29.4	14.5	27.9	32.9	104.7
Foreign exchange (losses)/gains	1.2	(2.6)	(11.6)	(0.7)	(13.7)	(0.5)	(15.2)	(5.3)	(59.9)	(80.9)
Profit/(loss) before tax	136.0	78.2	(23.2)	(53.6)	137.4	141.6	(46.7)	25.5	(80.7)	39.7
Combined ratio	93.6%	89.3%	116.9%	—	94.9%	94.6%	111.6%	101.3%	—	99.9%
Combined ratio excluding monetary FX	93.6%	89.0%	112.5%	—	94.4%	94.5%	108.7%	98.9%	—	98.8%

Hiscox Ltd results



\$m	2018	2017	2016	2015	2014	2013
Gross premiums written	3,778.3	3,286.0	3,257.9	2,972.7	2,894.3	2,656.3
Net premiums written	2,581.5	2,403.0	2,424.5	2,403.3	2,213.9	2,143.0
Net premiums earned	2,573.6	2,416.2	2,271.3	2,194.1	2,169.2	2,005.8
Investment return*	38.1	104.8	95.8	47.6	85.7	87.5
Profit before tax	137.4	39.7	480.8	330.4	380.8	382.2
Profit after tax	128.0	33.9	457.0	320.9	356.2	371.6
Basic earnings per share (¢)	45.1	12.0	162.5	111.4	111.1	103.6
Dividend (¢)	41.9	39.8	35.0	36.1	36.2	34.0
Invested assets (incl. cash)†	6,264.9	5,957.1	5,468.0	5,305.8	5,062.0	5,163.7
Net asset value						
\$m	2,317.1	2,368.4	2,254.8	2,247.4	2,268.6	2,325.6
¢ per share	819.1	835.1	805.9	801.2	721.5	663.6
Combined ratio**	94.9%	99.9%	84.2%	85.0%	83.9%	83.0%
Return on equity after tax***	5.6%	1.5%	23.0%	16.0%	17.1%	19.3%

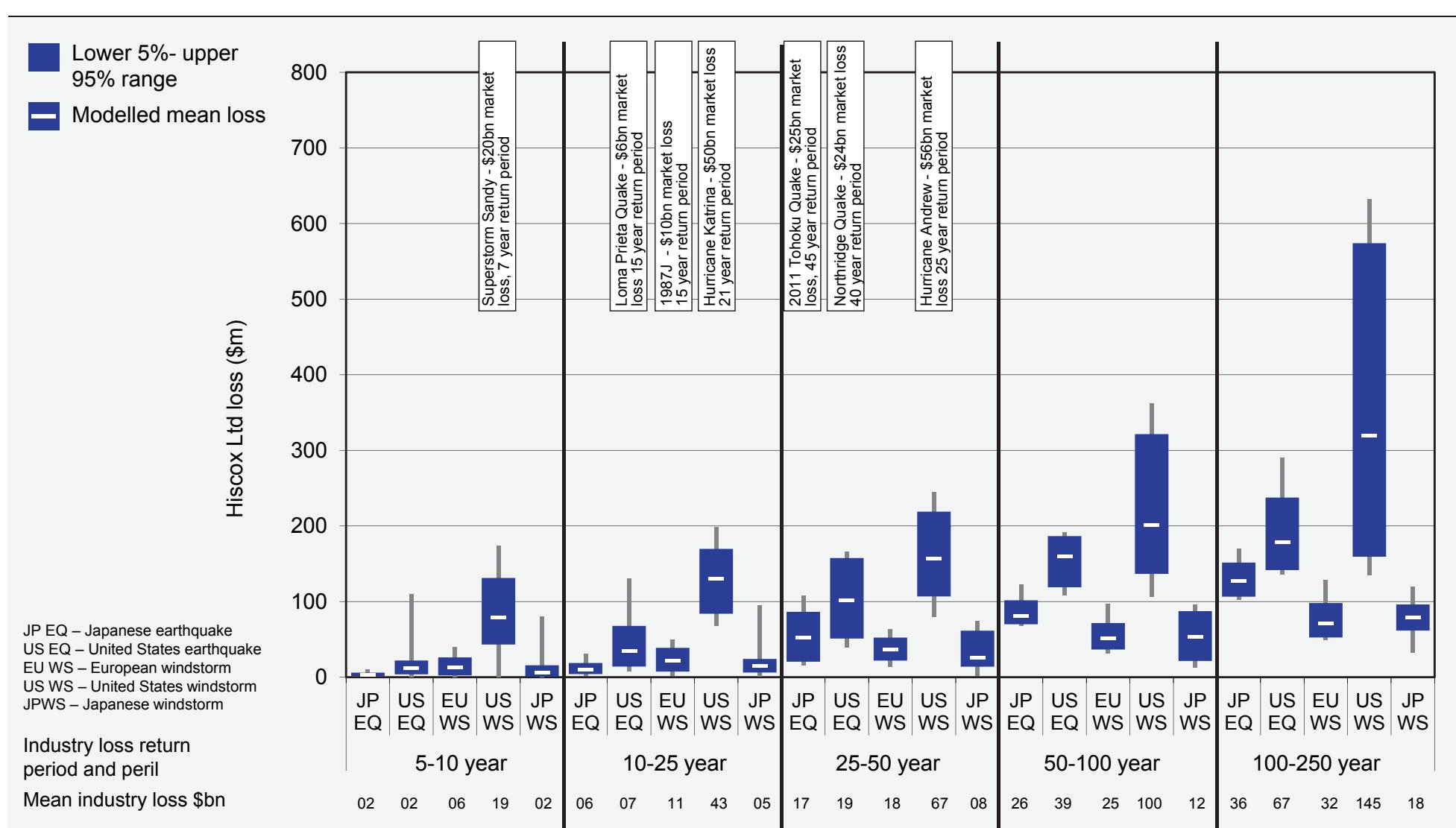
*Re-classification of investment fees.

†Excluding derivatives, insurance linked funds and third-party assets managed by Kiskadee Investment Managers.

**Combined ratio for years 2013-2015 remains gross of investment fees for comparability to original accounts.

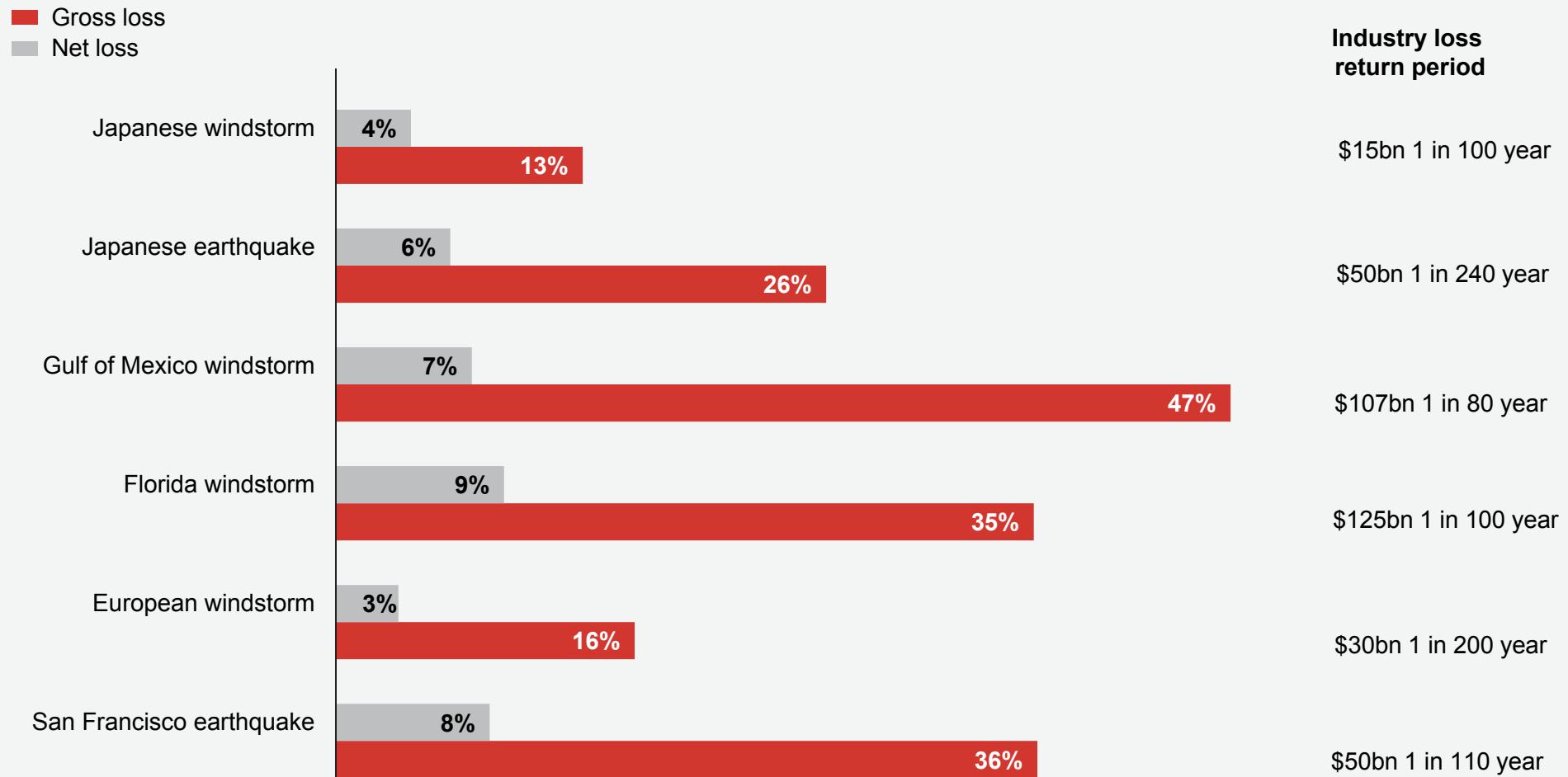
***Annualised post tax, based on adjusted opening shareholders' funds.

Boxplot and whisker diagram of modelled Hiscox Ltd net loss (\$m) January 2019



Realistic disaster scenarios

Hiscox Group – losses shown as percentage of 2018 gross and net written premium



Estimates calculated in accordance with Lloyd's guidelines using models provided by Risk Management Solutions, Inc. and AIR Worldwide Corporation.
 Industry return periods estimated using Lloyd's guideline industry loss figures.

Casualty extreme loss scenarios

Changing portfolios, changing risk

- As our casualty businesses continue to grow, we develop extreme loss scenarios to better understand and manage the associated risks
- Losses in the region of \$80m-\$750m could be suffered in the following extreme scenarios:

Event		Est. loss
Pandemic	Global Spanish flu-type event (high infection, low mortality) 45% infection rate, 20% medical treatment, 0.3% case fatality rate	\$205m
Multi-year loss ratio deterioration	5% deterioration on three years' casualty premiums of c.\$4bn	\$205m
Economic collapse	An economic collapse more extreme than any witnessed since World War II*	\$650m
Casualty reserve deterioration	40% deterioration on existing casualty reserves of c.\$1.5bn Est. 1 in 200 year event*	\$600m
Cyber	A range of cyber scenarios including mass ransomware outbreaks and cloud outages. Includes 'silent cyber' exposures	\$80m - \$750m
Property catastrophe	1 in 200 year catastrophe event from \$220bn US windstorm	\$410m

*Losses spread over multiple years.

GWP geographical and currency split

2018 geographical split – controlled income

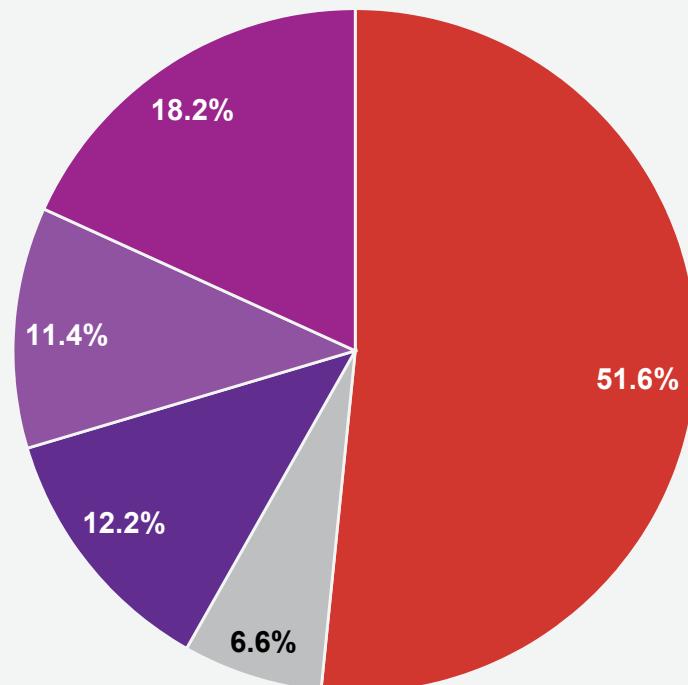
■ North America

■ Other

■ Western Europe (excl. UK)

■ Worldwide

■ UK



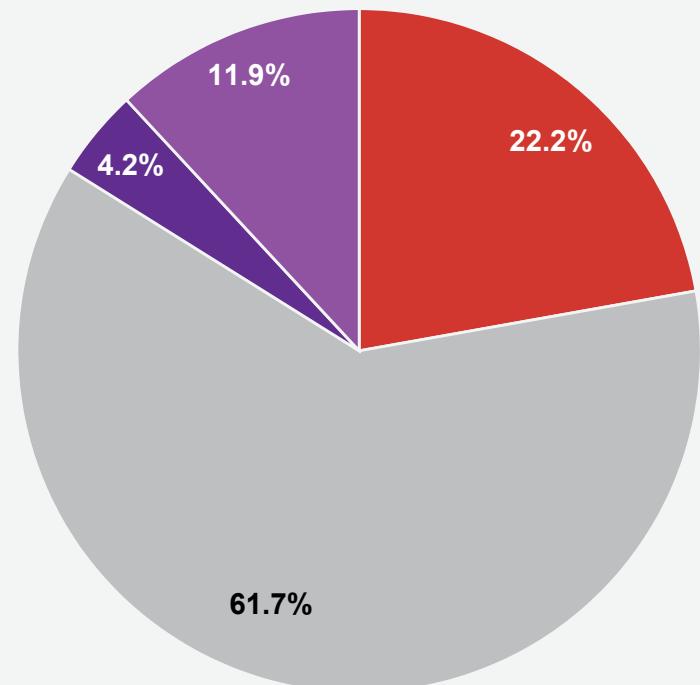
2018 currency split – controlled income

■ GBP

■ USD

■ CAD and other

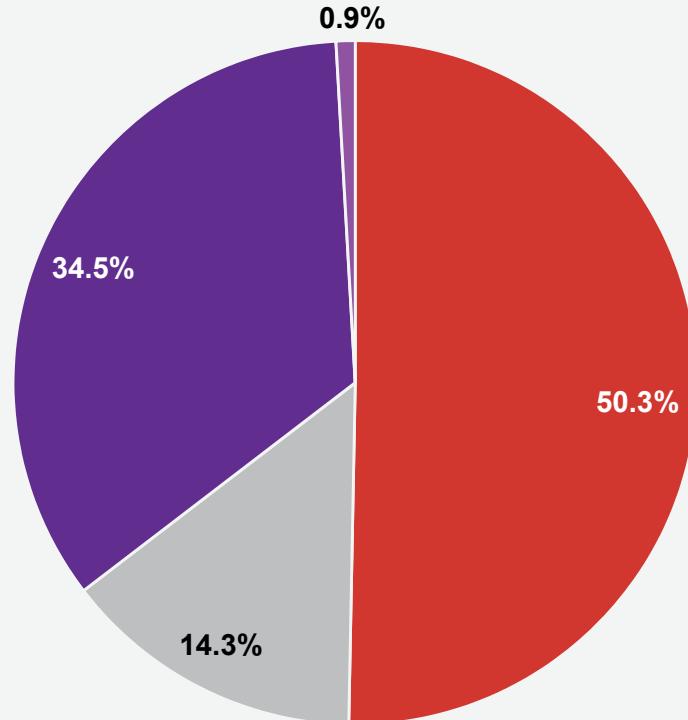
■ EUR



Group reinsurance security

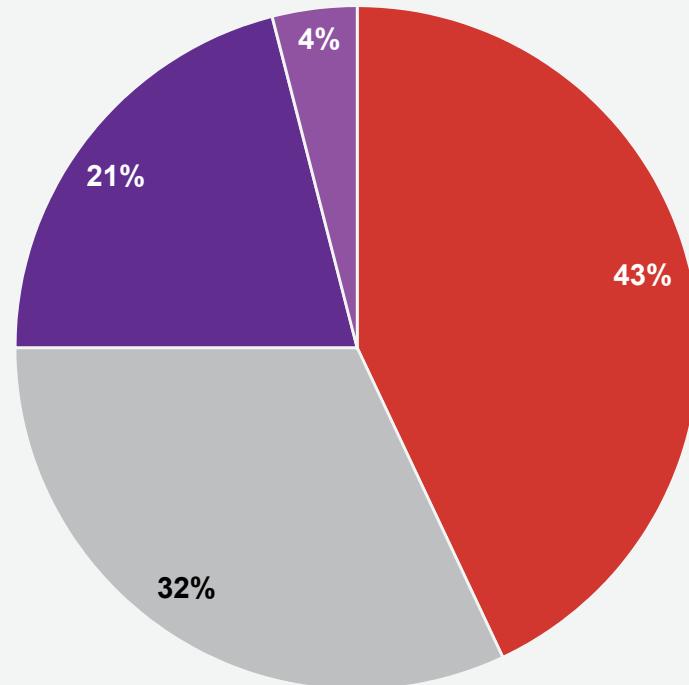
Receivables at 31 December 2018 of \$2,455 million

- A
- AA
- AAA and collateralised
- Other



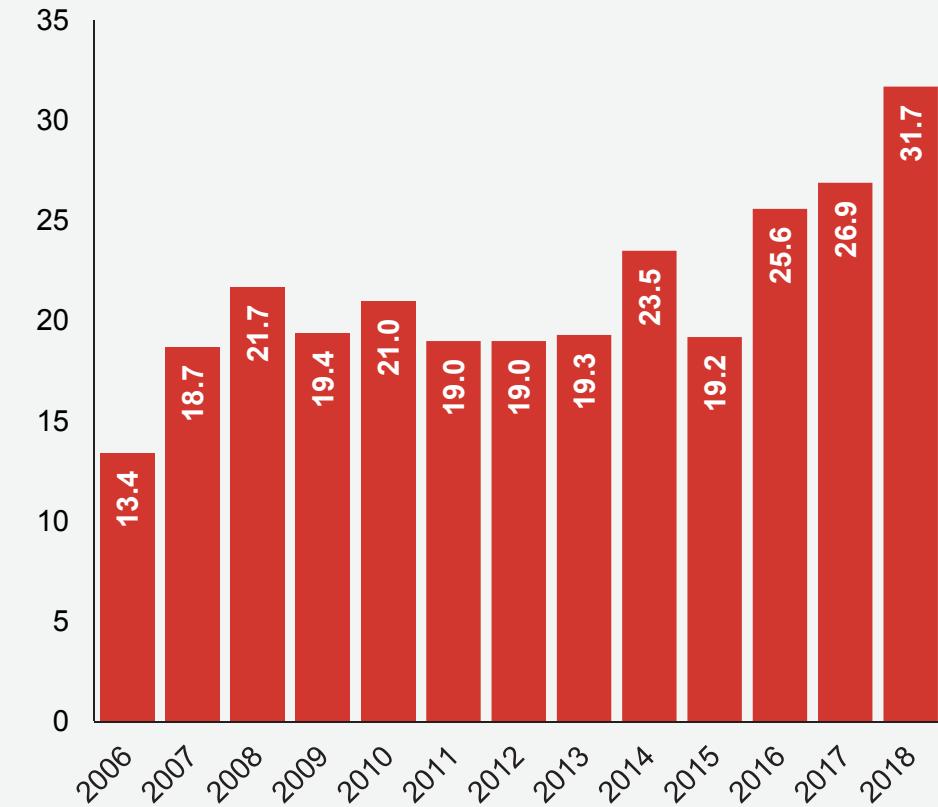
2018 reinsurance protections*
First loss exposure by rating

- A
- AA
- Hiscox ILS
- Collateralised

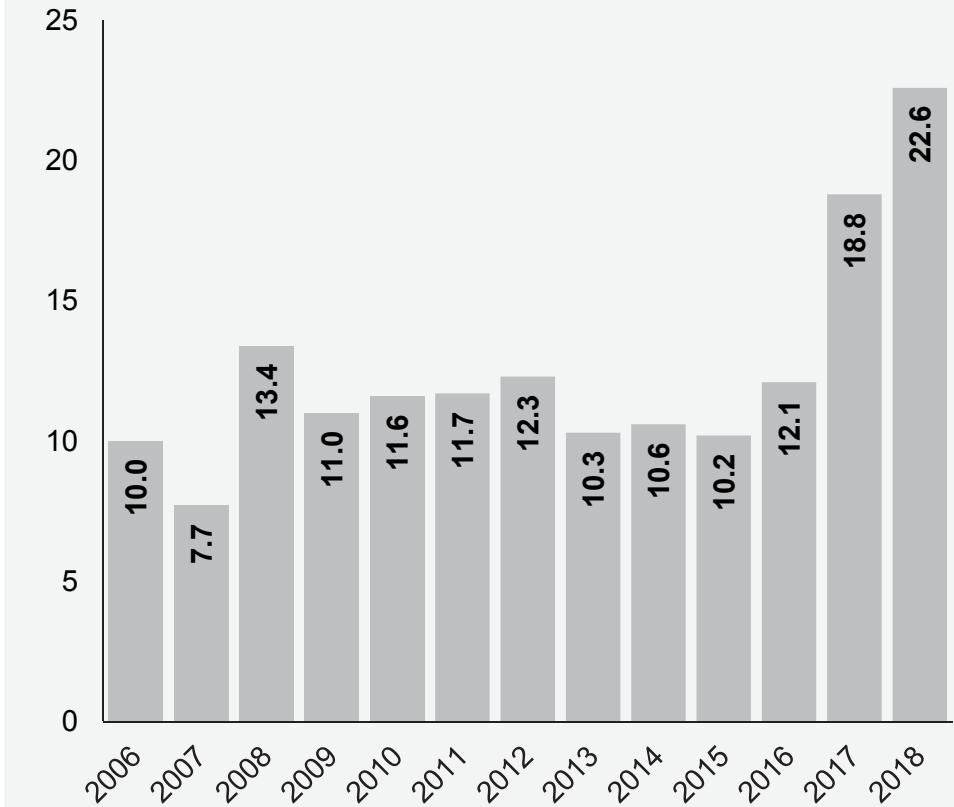


Reinsurance

Ceded as a percentage of GWP



Reinsurance receivables as a percentage of total assets



Investment result

Return of \$38.1m

	31 December 2018			31 December 2017			
	Asset allocation %	Annualised return %	Return \$000	Asset allocation %	Annualised return %	Return \$000	
Bonds £	13.1	0.4		13.4	1.2		
\$	50.4	1.2		54.2	1.5		
Other	9.5	0.0		10.2	(0.1)		
Bonds total	73.0	1.3	57,507	77.8	1.2	54,241	
Equities	6.4	(6.2)	(27,513)	7.6	12.9	53,343	
Deposits/cash/bonds <three months	20.6	0.8	12,494	14.6	0.5	4,840	
Investment result – financial assets		0.7	42,488		2.0	112,515	
Derivative returns			1,280			(1,695)	
Investment fees			(5,667)			(6,070)	
Investment result			38,101			104,750	
Group invested assets			\$m			\$m	

- Yield to maturity of bond portfolio 2.35% at 31 December 2018 (2.1% at 30 June 2018)
- Coupon income increasing, offset by effects of mark-to-market accounting
- Growth in Group invested assets includes \$380m bond issuance

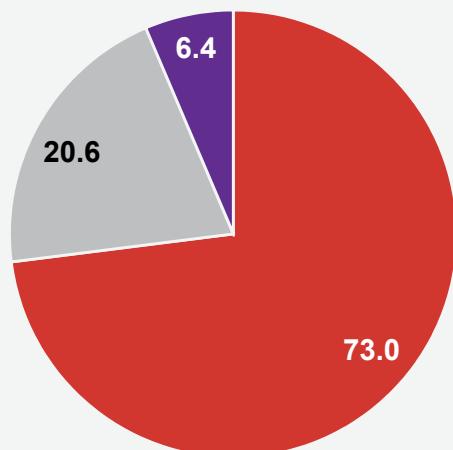
Portfolio – asset mix

High quality, conservative portfolio

Investment portfolio \$6,319 million as at 31 December 2018

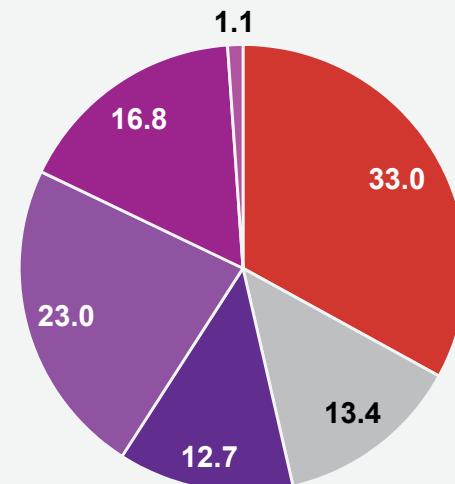
Asset allocation

- Bonds
- Cash
- Risk assets



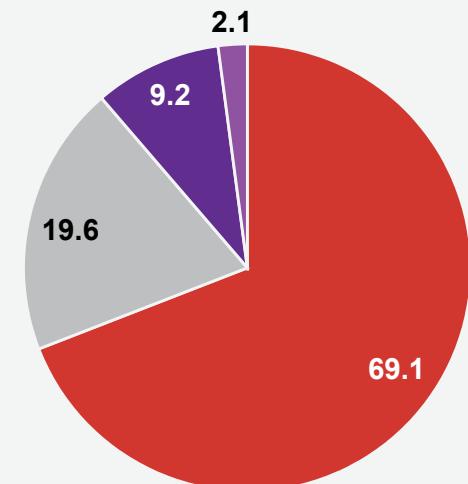
Bond credit quality

- Gvt.
- AAA
- AA
- A
- BBB
- BB and below



Bond currency split

- USD
- GBP
- EUR
- CAD and other



Portfolio – USD bond portfolios as at 31 December 2018

Portfolios: \$3.2 billion	AAA %	AA %	A %	BBB %	BB and below %	Unrated %	Total %	Duration years
Government issued		37.9					37.9	1.4
Government supported*	0.7	2.0	0.9	0.1			3.7	1.3
Asset backed	2.0						2.0	0.6
Mortgage backed agency		3.9					3.9	3.4
Non agency	0.2				0.2	0.5	0.9	2.0
Commercial MBS	0.5						0.5	2.2
Corporates	1.2	7.2	24.1	17.5	0.2		50.2	1.3
Lloyd's deposits and bond funds		0.7	0.1	0.1			0.9	1.1
Total	4.6	51.7	25.1	17.7	0.4		100.0	1.4

*Includes agency debt, Canadian provincial debt and government guaranteed bonds.

Portfolio – GBP, EUR and CAD bond portfolios as at 31 December 2018

GBP portfolios: \$831 million	AAA %	AA %	A %	BBB %	BB and below %	Unrated %	Total %	Duration years
Government issued		27.0					27.0	1.4
Government supported*	17.4	3.9	2.4				23.7	1.3
Asset backed	3.2		0.4				3.6	1.9
Corporates	13.3	3.8	11.7	16.9			45.7	1.9
Total	33.9	34.7	14.5	16.9			100.0	1.7

EUR and CAD portfolios: \$586 million	AAA %	AA %	A %	BBB %	BB and below %	Unrated %	Total %	Duration years
Government issued	13.0						13.0	2.1
Government supported*	14.7	7.3		0.2			22.2	1.6
Asset backed	0.8						0.8	1.3
Corporates	15.0	6.1	21.2	11.5			53.8	1.7
Lloyd's deposits	4.5	1.6	1.0	0.6	0.2	2.3	10.2	1.4
Total	48.0	15.0	22.2	12.3	0.2	2.3	100.0	1.7

*Includes supranational and government guaranteed bonds.

Business segments

Hiscox Retail

Hiscox Retail brings together the results of Hiscox UK & Europe, and Hiscox International being the US, Special Risks and Asia retail business divisions. Hiscox UK & Europe underwrites European personal and commercial lines business through Hiscox Insurance Company Limited, together with the fine art and non-US household insurance business written through Syndicate 33. In addition, Hiscox UK includes elements of specialty and international employees and officers' insurance written by Syndicate 3624, and Hiscox Europe excludes the kidnap and ransom business written by Hiscox Insurance Company Limited. Hiscox International comprises the specialty and fine art lines written through Hiscox Insurance Company (Guernsey) Limited, and the motor business written via DirectAsia, together with US commercial and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc. via the Hiscox USA business division. It also includes the European kidnap and ransom business written by Hiscox Insurance Company Limited and Syndicate 33.

Hiscox London Market

Hiscox London Market comprises the internationally-traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines, excluding the kidnap and ransom business.

Hiscox Re & ILS

Hiscox Re & ILS is the reinsurance division of the Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the casualty reinsurance contracts written in Bermuda on Syndicate capacity are also included. The segment also captures the performance and fee income of the ILS funds, further details of which can be found in note 2.3 of the Group's Report and Accounts for the year ended 31 December 2017.

Corporate Centre

Corporate Centre comprises the investment return, finance costs and administrative costs associated with Group management activities. Corporate Centre also includes the majority of foreign currency items on economic hedges and intragroup borrowings, further details of which can be found at note 12 of the Group's Report and Accounts for the year ended 31 December 2017. Corporate Centre forms a reportable segment due to its investment activities which earn significant external returns.