Hiscox Ltd Interim Statement 2013

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Disclaimer in respect of forward looking statements

This interim statement may contain forward looking statements based on current expectations of, and assumptions made by, the Group's management. The Group is exposed to a multitude of risks and uncertainties and therefore cannot accept any obligation to publicly revise or update forward looking statements as a result of future events or the emergence of new information regarding past events, except to the extent legally required. Therefore undue reliance should not be placed on any forward looking statements.

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Cover: Aerial view of London

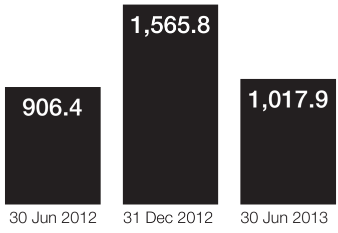
Corporate highlights

393.3p
Net asset value per share

Group key performance indicators

- Gross premiums written £1,017.9m (2012: £906.4m)
- Net premiums earned £628.7m (2012: £567.8m)
- Profit before tax £180.7m (2012*: £125.8m)
- Earnings per share 42.4p (2012*: 32.1p)
- Interim dividend increased to 7.0p per share (2012: 6.0p)
- Net asset value per share 393.3p (2012*: 337.2p)
- Group combined ratio 74.7% (2012: 81.7%)
- Return on equity annualised 25.8% (2012*: 21.1%)
- Reserve releases £73.6m (2012: £116.3m)

Gross premiums written £m

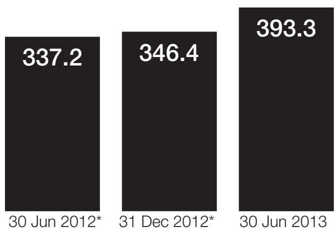


Operational highlights

- Low exposure to recent catastrophes.
- Investment return annualised 1.5% (2012: 3.1%).
- New leadership in Hiscox London Market insurance business to leverage opportunities.
- Adapting to market changes with Hiscox Re; combined reinsurance functions in London, Paris and Bermuda.

*2012 comparatives are restated for the adoption of the revised standard on defined benefit pension schemes.

Net asset value p per share



Chairman's statement

The Group generated a record pre-tax profit of £180.7 million in the first half driven by low exposure to recent catastrophes combined with low attritional losses – a marriage of good underwriting and good luck. This is an excellent start to the year, but hurricanes happen in the second half so we remain cautious in our outlook and disciplined in our approach to underwriting.

Results
The half-year result to 30 June 2013 was a pre-tax profit of £180.7 million (2012: £125.8 million). Gross written premiums rose by 12.3% to £1,017.9 million (2012: £906.4 million). Net earned premiums were £628.7 million (2012: £567.8 million). The Group has benefited from foreign exchange gains of £34.9 million (2012: losses of £4.5 million). The net combined ratio improved to 74.7% (2012: 81.7%). Earnings per share increased to 42.4p (2012: 32.1p) and net assets per share grew to 393.3p (2012: 337.2p). The annualised return on equity increased to 25.8% (2012: 21.1%).

Dividend, balance sheet and capital management
The Board of Hiscox Ltd has declared an interim dividend for 2013 of 7.0p per share (2012: 6.0p) an increase of 16.7%. The record date for the dividend will be 9 August and the payment date will be 18 September.

The Board proposes to offer again a scrip dividend alternative in respect of the interim dividend, subject to the terms and conditions of Hiscox Ltd's Scrip Dividend Alternative. On 12 August a circular will be sent to shareholders with details of the scrip dividend. The final date for making elections in order to be eligible to receive new shares in respect of the interim dividend will be 28 August 2013.

During the period, the Group made a special distribution of £150.2m and consolidated its shares. This reduced the number of ordinary shares by 11% from 414,870,740 to 369,234,958. The return of capital, combined with the final dividend equivalent of 12p per share, resulted in a total distribution to shareholders of £197.6 million.

Net asset value per share has increased by 13.5% from the year end, and the balance sheet remains strong.

Overall comment
Our strategy of building balance and diversification within the business continues to work. We have taken advantage of improving markets and grown our insurance businesses in the USA, UK, Europe and in the London Market, whilst continuing to underwrite reinsurance very profitably.

Declining investment returns have not only squeezed margins for insurers and reinsurers but also attracted competition from investors such as mutual funds and life insurers who are chasing better yields and are aware of the recent good returns in reinsurance. The Insurance Linked Securities (ILS) market has been developing for a number of years and we believe it has now reached critical mass. Although ILS capacity is here to stay, we don't believe that it will replace the conventional market but rather complement it, and so we are incorporating these developments in our own strategy.

Rates
Increased competition from the capital markets combined with lower loss levels are putting pressure on rates in reinsurance. Rates for US property catastrophe business were down on average by 15% at the 1 June Florida renewals and down by 10% at the 1 July renewals, off very high levels. Rates for international business are down by 5%. The overall portfolio however is still only down by a single digit percentage. We will continue to adjust our exposures depending on the claims experience and the future rating environment.

Rates on our small ticket specialty insurance lines are typically flat to slightly up. The bigger ticket business including aviation, energy and large property are suffering due to excess capital in the market. We have grown our business however, in the well rated areas.

Claims
So far in 2013 catastrophes including the Oklahoma tornadoes and the European and Calgary floods have cost the industry approximately US$11.5 billion. Our exposure has been satisfactorily low at net US$22.0 million. In addition, we have seen fewer attritional losses across the business.

Despite the considerable increase in the P&I club's estimate for the Costa Concordia event, our net loss has slightly reduced to US$19 million. Our reserves for the various 2010-2012 catastrophes are stable to improving.

For the first half, the Group released reserves of £73.6 million (2012: £116.3 million).

Hiscox London Market
This division uses the global licences, distribution network and credit rating available through Lloyd's to insure clients throughout the world.

Profit before tax	£78.0 million (2012: £69.5 million)
Gross written premiums	£432.5 million (2012: £371.3 million)
Combined ratio	64.0% (2012: 68.4%)

Hiscox London Market's excellent first half profit was the result of disciplined underwriting, a very benign claims environment and a favourable movement in foreign exchange. Premium grew by a very healthy 16.5%.

The Property division continues to grow, both in the USA and internationally where rates and conditions are improving. The Terrorism team, under new leadership, has performed particularly well improving on prior year records. In addition, our Property team was awarded Team of the Year at the 2013 Reactions awards.

Over the last twelve months we augmented our Casualty team, in anticipation of a hardening market caused by low investment income. We are seeing rating improvements and we are growing the account carefully.

Our reinsurance account has grown slightly in the first half but we expect it to be under budget at the full year as competition increases.

During the period Paul Lawrence was promoted to lead our insurance businesses within the London Market.

Hiscox UK
This division, which covers the UK and Ireland, writes personal insurances (high-value household, art, luxury motor, and associated risks) and commercial insurance for small- to medium-businesses, such as technology and media companies, which in the main rely on their brains (rather than infrastructure) to make money. These products are distributed via brokers, direct-to-consumer or through a growing network of partnerships.

Profit before tax	£34.0 million (2012: £15.8 million)
Gross written premiums	£205.5 million (2012: £184.0 million)
Combined ratio	87.7% (2012: 95.2%)

Premium income grew by 11.7% with good retention of existing business and strong growth through our network of regional offices. This rise in premium was driven primarily by specialty commercial lines and helped by the 'superb service' initiative, which has improved our interactions with brokers and clients.

The higher-value household product has pleasingly returned to growth after tough pricing decisions made in 2010-11 and the prestige motor business continues to perform well, with Hiscox now firmly established in the luxury motor industry.

We have focused on our schemes business during the half year (collections of customers with similar risks who benefit from negotiated premiums and bespoke cover) and the results have been good. New partnerships launched include schemes for wedding and classic cars.

We have produced another record profit, due to strong top-line growth, with disciplined underwriting contributing to a particularly low claims experience. A lack of freeze, and generally favourable weather conditions, resulted in a decrease in household claims.

Marketing for the direct-to-consumer commercial business has been effective. Advertising to target small businesses is driving expansion outside the South East of the UK, particularly in Manchester and Birmingham. Across the UK, this business is attracting 2,000 new customers a month.

Last year we announced our intention to open a multi-function office in York including a support centre for our direct -to-consumer household business. 40 people are pioneering our York venture while we build a permanent home that will provide space for up to 500. We are glad to support the York economy and are already benefitting from its skilled workforce.

Our ability to help our customers with expert advice, quickly and compassionately, sets our retail businesses apart. So it is very pleasing that our efforts have been recognised by winning the Personal Lines Team of the Year from Post magazine, and Outstanding Insurer Claims Team of the Year from Insurance Times.

Hiscox Europe
In line with our strategy we distribute the same core products in Europe as we do elsewhere in our retail businesses: high-value household, and specialist commercial. We also underwrite larger fine art risks, technology and media risks, and kidnap and ransom insurance.

Profit before tax	£10.4 million (2012: £0.6 million)
Gross written premiums	£89.6 million (2012: £84.0 million)
Combined ratio	88.7% (2012: 102.1%)

Gross written premiums encouragingly grew by 6.8% driven mainly by specialist commercial business and technology and media risks. Growth was particularly good in France, Germany and Spain against a tough general economic backdrop. The art and private client business also returned to growth after a drive in 2010 to improve profitability.

A record profit of £10.4 million this year was assisted by the absence of weather related losses and a favourable foreign exchange gain.

Hiscox Germany has launched a direct-to-consumer business for start-ups and small knowledge-based professions, including IT, management and business consultants. This builds on the experience we have in the UK and France as well as the USA. It complements the existing broker channel by focusing on risks that are smaller and more suited to an online trading environment. Hiscox Spain launched an e-trading platform for brokers, (quoting commercial business online in real time), with good early results.

Hiscox International
This division comprises our Bermuda, USA and Guernsey business units.

Profit before tax	£50.1 million (2012: £46.2 million)
Gross written premiums	£290.3 million (2012: £267.2 million)
Combined ratio	72.7% (2012: 78.7%)

Hiscox Bermuda
Hiscox Bermuda underwrites catastrophe reinsurance and healthcare business.

When the wind doesn't blow and the ground doesn't shake we expect Bermuda to make money and it has done. Gross written premiums were broadly flat at £161.9 million (2012: £159.4 million) despite increased competition from capital markets and general excess capacity. The healthcare insurance book continues to grow steadily and profitably.

Hiscox Guernsey
Hiscox Guernsey underwrites kidnap and ransom, as well as personal accident, terrorism and fine art risks.

Guernsey continues to perform well despite the competitive market with gross written premium broadly stable

Chairman's statement
continued

at £35.8 million (2012: £36.3 million). The main focus of growth is on the international war and political violence book where rates remain strong.

Hiscox USA
Hiscox USA underwrites an account of small commercial business to wholesale brokers, and larger specialist business mainly to retail brokers. It also sells cover directly to small commercial businesses through the internet.

This business achieved excellent growth, increasing premiums by 29.6% to £92.6 million (2012: £71.5 million), with every region and product area contributing.

A good claims experience has delivered a profit in the first half. Reserves for Superstorm Sandy remain largely unchanged with no new claims notifications.

We continue to invest in building brand awareness in the US. On the back of some encouraging growth numbers, with our direct-to-consumer business now exceeding 33,000 policies, we are investing an additional US$8 million in marketing in the second half of 2013. In parallel we are making good progress distributing our direct products through third parties, including a pilot to allow brokers to market our direct-to-consumer products.

Investments
We have had a satisfactory investment performance in the context of what makes a good return in very unsure times. Assets under management at 30 June 2013 totalled £3,153 million (2012: £2,989 million) and our investment return, before derivatives, was £23.3 million (2012: £44.5 million), 1.5% on an annualised basis (2012: 3.1%).

We have pursued a conservative policy in our approach to bond markets for some time now, refusing to stretch for yield. Despite this approach of short duration and high credit quality, the last six weeks of the first half have left our bond portfolios struggling to make gains this year. Our risk asset portfolio has been the mainstay of our investment performance this half and has continued to add value so far in the second half.

Perhaps we are seeing some sort of return to more normal yields but the path is far from clear and further turbulence seems the only certainty. The US looks more positive than elsewhere with Europe and Japan (for different reasons) yet to prove that their routes to economic recovery will work. With interest rates more likely to rise than fall at some stage, we expect to retain our cautious stance on bonds in respect of duration and credit quality and to remain highly selective towards sovereign and bank exposure. Whilst bonds may be fundamentally overvalued we view equities as being less so and we are maintaining an allocation, the level of which will be managed as opportunities arise.

Hiscox Re
In response to the changing dynamics of the reinsurance market, Hiscox is combining its reinsurance functions in London, Paris and Bermuda to form a new single business unit, Hiscox Re. Led by Jeremy Pinchin and operational in time for 2014 renewals, this new structure will provide keen service, faster underwriting decisions, and better support for key clients.

Hiscox has a history of leveraging the expertise we have built in reinsurance, from the first side-car at Lloyd's with Wilbur Ross in 2006, to the Third Point reinsurance partnership in 2012. Between 2008 and 2013 we ceded US$600 million gross written premiums through quota share arrangements. This year we formed Kiskadee Re, a new special purpose vehicle writing collateralised reinsurance.

We will continue to study the alternative risk transfer methods that are being developed and use them or underwrite them, depending on price levels.

Outlook
We continue to see huge value in our strategy of underwriting a balanced portfolio, with the bigger ticket business supporting the growth of the smaller ticket retail businesses and the latter balancing the volatility of the former. Reinsurance pricing will remain under pressure for the foreseeable future, and we will remain disciplined here.

Opportunities exist in insurance, and we will grow where rates are rising. There is also plenty of room for growth in our specialist retail areas where investment in our distribution and brand continues.

We have experienced leadership and a dedicated team, I thank them for their efforts in the first half and encourage them for the second.

Robert Childs

Robert Childs
Chairman
29 July 2013

Condensed consolidated interim income statement For the six month period ended 30 June 2013

	Note	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated* £000	Year to 31 Dec 2012 restated* £000
Income				
Gross premiums written	7	**1,017,944**	906,443	1,565,819
Outward reinsurance premiums		**(247,709)**	(204,934)	(297,679)
Net premiums written		**770,235**	701,509	1,268,140
Gross premiums earned		**788,857**	701,568	1,487,859
Premiums ceded to reinsurers		**(160,143)**	(133,795)	(289,238)
Net premiums earned		**628,714**	567,773	1,198,621
Investment result	10	**25,118**	44,687	92,424
Other revenues	11	**9,927**	7,067	13,930
Revenue		**663,759**	619,527	1,304,975
Expenses				
Claims and claim adjustment expenses, net of reinsurance		**(235,795)**	(232,571)	(538,826)
Expenses for the acquisition of insurance contracts		**(148,454)**	(133,663)	(283,615)
Operational expenses	11	**(130,220)**	(118,077)	(235,872)
Foreign exchange gains/(losses)	20	**34,870**	(4,452)	(20,173)
Total expenses		**(479,599)**	(488,763)	(1,078,486)
Results of operating activities		**184,160**	130,764	226,489
Finance costs	12	**(3,843)**	(4,490)	(8,605)
Share of profit/(loss) of associates after tax		**377**	(441)	(430)
Profit before tax		**180,694**	125,833	217,454
Tax expense	13	**(22,592)**	(874)	(9,428)
Profit for the period (all attributable to owners of the Company)		**158,102**	124,959	208,026
Earnings per share on profit attributable to owners of the Company				
Basic	15	**42.4p**	32.1p	53.1p
Diluted	15	**40.7p**	30.8p	51.0p

*The comparative information has been restated for the adoption of IAS 19 (2011). See note 3 for details.

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of comprehensive income For the six month period ended 30 June 2013, after tax

	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated* £000	Year to 31 Dec 2012 restated* £000
Profit for the period	**158,102**	124,959	208,026
Other comprehensive income			
Items never reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plan	**9,538**	4,074	(2,069)
Income tax relating to components of other comprehensive income	**(2,478)**	(1,326)	173
	7,060	2,748	(1,896)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	**47,966**	(8,399)	(35,806)
Income tax relating to components of other comprehensive income	**–**	–	–
	47,966	(8,399)	(35,806)
Other comprehensive income/(loss) net of tax	**55,026**	(5,651)	(37,702)
Total comprehensive income for the year (all attributable to owners of Company)	**213,128**	119,308	170,324

*The comparative information has been restated for the adoption of IAS 19 (2011). See note 3 for details.

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim balance sheet At 30 June 2013

	Note	30 June 2013 £000	30 June 2012 restated* £000	31 Dec 2012 restated* £000
Assets				
Intangible assets		**69,811**	68,690	69,617
Property, plant and equipment		**17,335**	18,063	18,055
Investments in associates		**9,431**	5,938	9,054
Deferred tax		**25,500**	25,152	25,608
Deferred acquisition costs		**218,204**	181,169	166,041
Financial assets carried at fair value	18	**2,617,314**	2,321,163	2,406,269
Reinsurance assets	14	**639,145**	518,972	540,389
Loans and receivables including insurance receivables		**654,788**	606,056	492,064
Current tax asset		**1,513**	3,445	1,513
Cash and cash equivalents		**556,948**	680,231	657,662
Total assets		**4,809,989**	4,428,879	4,386,272
Equity and liabilities				
Shareholders' equity				
Share capital		**20,770**	20,623	20,703
Share premium		**942**	35,325	41,313
Contributed surplus		**89,864**	245,005	245,005
Currency translation reserve		**72,677**	52,118	24,711
Retained earnings		**1,205,490**	970,660	1,033,634
Total equity (all attributable to owners of the Company)		**1,389,743**	1,323, 731	1,365,366
Employee retirement benefit obligation		**5,918**	10,846	16,907
Deferred tax		**110,982**	138,032	134,473
Insurance liabilities	14	**2,918,881**	2,647,977	2,596,612
Financial liabilities	18	**9**	219	301
Current tax		**44,501**	4,917	6,998
Trade and other payables		**339,955**	303,157	265,615
Total liabilities		**3,420,246**	3,105,148	3,020,906
Total equity and liabilities		**4,809,989**	4,428,879	4,386,272

*The comparative information has been restated for the adoption of IAS 19 (2011). See note 3 for details.

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of changes in equity
For the six month period ended 30 June 2013

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2013	**20,703**	**41,313**	**245,005**	**24,711**	**1,033,634**	**1,365,366**
Total recognised comprehensive income						
for the period (all attributable to owners of the Company)	**–**	**–**	**–**	**47,966**	**165,162**	**213,128**
Employee share options:						
Equity settled share based payments	**–**	**–**	**–**	**–**	**5,096**	**5,096**
Proceeds from shares issued	**67**	**2,082**	**–**	**–**	**–**	**2,149**
Deferred tax	**–**	**–**	**–**	**–**	**1,598**	**1,598**
B Share scheme:						
Return of capital, special distribution (note 17)	**–**	**(42,453)**	**(107,718)**	**–**	**–**	**(150,171)**
Final dividend equivalent (note 17)	**–**	**–**	**(47,423)**	**–**	**–**	**(47,423)**
Balance at 30 June 2013	**20,770**	**942**	**89,864**	**72,677**	**1,205,490**	**1,389,743**

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2012, as previously reported	20,563	32,086	245,005	60,517	897,728	1,255,899
Impact of changes in accounting policy (note 3)	–	–	–	–	(11,376)	(11,376)
Restated balance at 1 January 2012	20,563	32,086	245,005	60,517	886,352	1,244,523
Total recognised comprehensive income/(expense)						
for the period (all attributable to owners of the Company), as restated	–	–	–	(8,399)	127,707	119,308
Employee share options:						
Equity settled share based payments	–	–	–	–	2,952	2,952
Proceeds from shares issued	32	962	–	–	–	994
Deferred tax and current tax on employee share options	–	–	–	–	255	255
Shares issued in relation to Scrip Dividend	28	2,277	–	–	–	2,305
Dividends paid to owners of the Company (note 16)	–	–	–	–	(46,606)	(46,606)
Restated balance at 30 June 2012	20,623	35,325	245,005	52,118	970,660	1,323,731

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2012, as previously reported	20,563	32,086	245,005	60,517	897,728	1,255,899
Impact of changes in accounting policy (note 3)	–	–	–	–	(11,376)	(11,376)
Restated balance at 1 January 2012	20,563	32,086	245,005	60,517	886,352	1,244,523
Total recognised comprehensive income/(expense)						
for the period (all attributable to owners of the Company), as restated	–	–	–	(35,806)	206,130	170,324
Employee share options:						
Equity settled share based payments	–	–	–	–	6,135	6,135
Proceeds from shares issued	52	1,649	–	–	–	1,701
Deferred tax and current tax on employee share options	–	–	–	–	5,190	5,190
Shares issued in relation to Scrip Dividend	88	7,578	–	–	–	7,666
Dividends paid to owners of the Company (note 16)	–	–	–	–	(70,173)	(70,173)
Restated balance at 31 December 2012	20,703	41,313	245,005	24,711	1,033,634	1,365,366

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim cash flow statement
For the six month period ended 30 June 2013

	Note	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated* £000	Year to 31 Dec 2012 restated* £000
Profit before tax		**180,694**	125,833	217,454
Adjustments for:				
Interest and equity dividend income		**(22,261)**	(23,206)	(45,699)
Interest expense	12	**3,843**	4,490	8,605
Net fair value losses/(gains) on financial assets		**2,324**	(19,578)	(37,654)
Depreciation and amortisation		**4,399**	3,244	7,833
Charges in respect of share based payments		**5,096**	2,952	6,135
Other non-cash movements		**2,112**	409	909
Effect of exchange rate fluctuations on cash presented separately		**(23,691)**	5,214	9,481
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		**45,601**	(28,703)	(8,245)
Financial assets carried at fair value		**(136,455)**	55,496	(49,377)
Financial liabilities carried at fair value		**(292)**	219	301
Other assets and liabilities		**(1,956)**	8,039	12,850
Cash flows from operations		**59,414**	134,409	122,593
Interest received		**23,124**	28,006	51,743
Equity dividends received		**961**	934	1,631
Interest paid		**(2,633)**	(5,792)	(7,256)
Current tax (paid)/received		**(3,931)**	58,935	56,403
Net cash flows from operating activities		**76,935**	216,492	225,114
Cash flow from sale and purchase of associates		**–**	–	(3,104)
Cash flows from the purchase of property, plant and equipment		**(2,154)**	(735)	(3,103)
Cash flows from the purchase of intangible assets		**(3,741)**	(3,552)	(7,505)
Net cash flows from investing activities		**(5,895)**	(4,287)	(13,712)
Proceeds from the issue of ordinary shares		**2,149**	994	1,701
Distributions paid to owners of the Company	16, 17	**(197,594)**	(44,301)	(62,507)
Net cash flows from financing activities		**(195,445)**	(43,307)	(60,806)
Net (decrease)/increase in cash and cash equivalents		**(124,405)**	168,898	150,596
Cash and cash equivalents at 1 January		**657,662**	516,547	516,547
Net (decrease)/increase in cash and cash equivalents		**(124,405)**	168,898	150,596
Effect of exchange rate fluctuations on cash and cash equivalents		**23,691**	(5,214)	(9,481)
Cash and cash equivalents at end of period	21	**556,948**	680,231	657,662

*The comparative information has been restated for the adoption of IAS 19 (2011). See note 3 for details.

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Notes to the condensed consolidated interim financial statements

1 Reporting entity
Hiscox Ltd (the 'Company') is a public limited company registered and domiciled in Bermuda. The condensed consolidated interim financial statements for the Company as at, and for the six months ended, 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Chairman's statement accompanying these condensed interim financial statements forms the Interim Management Report for the half year ended 30 June 2013.

The Directors of Hiscox Ltd are listed in the Group's 2012 Report and Accounts. A list of current Directors is maintained and available for inspection at the registered office of the Company located at 4th Floor, Wessex House, 45 Reid Street, Hamilton, Bermuda, HM12.

2 Basis of preparation
These condensed consolidated interim financial statements have been prepared in accordance with the Listing Rules issued by the Financial Conduct Authority. The information presented herein does not include all of the disclosures typically required for full consolidated financial statements. Consequently these financial statements should be read in conjunction with the full consolidated financial statements of the Group as at, and for the year ended, 31 December 2012 which are available from the Company's registered office or at www.hiscox.com.

Except where otherwise indicated, all amounts are presented in Pounds Sterling and rounded to the nearest thousand.

After making enquiries, the Directors have an expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the condensed consolidated interim financial statements have been prepared on a going concern basis and are prepared on the historical cost basis except that pension scheme assets included in the measurement of the employee retirement benefit obligation, and certain financial instruments including derivative instruments are measured at fair value.

Taxes on income for the interim period are accrued using the estimated effective tax rate that would be applicable to estimated total annual earnings.

The independent auditors have reported on the Group's full consolidated financial statements as at, and for the year ended, 31 December 2012. The report of the independent auditors was not qualified. The amounts presented for the 30 June 2013 and 30 June 2012 periods are unaudited.

These condensed consolidated interim financial statements were approved in Bermuda on behalf of the Board of Directors by the Chief Executive, BE Masajoda and the Chief Financial Officer, SJ Bridges, on 26 July 2013.

3 Accounting policies and methods of computation
Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2012. The consolidated financial statements as at, and for the year ended, 31 December 2012 were compliant with International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of the Bermuda Companies Act 1981. The Interim Report is compliant with IAS 34 Interim Financial Reporting as adopted by the European Union.

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Changes in accounting policies
(a) Defined benefit plans
As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the recognition of defined benefit obligations on the balance sheet and the basis for determining the income or expense relating to it.

Under IAS 19 (2011), the option to apply the corridor method has been removed and the Group must recognise the full unfunded obligation/(surplus scheme assets) on the balance sheet. In addition, the Group is now required to calculate the net interest expense/(income) for the period on the net defined benefit liability/(asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period. Previously the Group determined interest income on plan assets based on their long-term rate of expected return.

The impact of the change is as follows:

Impact to the financial statements of the adoption of IAS 19 (2011)

Balance sheet	31 December 2011			30 June 2012			31 December 2012		
	Previously reported £000	Adjustment £000	Restated £000	Previously reported £000	Adjustment £000	Restated £000	Previously reported £000	Adjustment £000	Restated £000
Total assets	4,222,741	–	4,222,741	4,429,611	(732)	4,428,879	4,386,272	–	4,386,272
Total liabilities	2,966,842	11,376	2,978,218	3,097,420	7,728	3,105,148	3,007,888	13,018	3,020,906
Total equity	1,255,899	(11,376)	1,244,523	1,332,191	(8,460)	1,323,731	1,378,384	(13,018)	1,365,366

Total comprehensive income	Six months to 30 June 2012			Year to 31 December 2012		
	Previously reported £000	Adjustment £000	Restated £000	Previously reported £000	Adjustment £000	Restated £000
Profit before tax	125,802	31	125,833	217,124	330	217,454
Tax (expense)/credit	(1,011)	137	(874)	(9,352)	(76)	(9,428)
Profit for the period	124,791	168	124,959	207,772	254	208,026
Other comprehensive income	(8,399)	2,748	(5,651)	(35,806)	(1,896)	(37,702)
Total comprehensive income	116,392	2,916	119,308	171,966	(1,642)	170,324

(b) Fair value measurements
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities.

(c) Presentation of items of other comprehensive income
As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be.

Exchange differences on translating foreign operations have been classified as an item that may be subsequently reclassified on the basis that this reclassification would arise if the operation was sold, although it does not reflects managements' intention. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assts, liabilities and comprehensive income of the Group.

(d) Segment information
The amendment to IAS 34 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. As a result of this amendment, the disclosure of segmental liabilities has been reported in these interim financial statements, as in note 7.

Notes to the condensed consolidated interim financial statements
continued

(e) Subsidiaries
As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The Group reassessed the control conclusion for its investees at 1 January 2013 and no changes in control conclusions were made.

(f) Joint arrangements
As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operating or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances. Previously the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in the only arrangement which could be considered joint, the participation in Syndicate 33 and concluded that it is outside the scope of both IFRS 10 and IFRS 11. The Group will therefore continue to only consolidate its 72.5% share of Syndicate 33.

4 Financial, insurance and other risk management
The Group's financial, insurance and other risk management objectives and policies are consistent with that disclosed in note 3 of the full consolidated financial statements as at, and for the year ended, 31 December 2012. The principal risks and uncertainties are unchanged and may be summarised as insurance risk, equity price risk, interest rate risk, liquidity risk, credit risk, currency risk, capital risk and operational risk.

As the significant strains on the Euro countries continue and the remnants of the credit issues of 2007 and 2008 linger on, the Group has been mindful of the ongoing dislocation in specific asset classes and their impact on investment markets and the solvency of counterparties more generally. The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure taken with caution, and has consequently suffered insignificant defaults on investments held during the period under review.

The table in note 18 (v) shows the Group's position at 30 June 2013 for all government issued or supported debt and all bank issued debt by country. The Group has no direct government exposure to Portugal, Italy, Ireland, Greece or Spain.

As detailed in note 18, the Group's investment allocation is broadly comparable to that at 31 December 2012 as outlined in the Group Report and Accounts. The Group also continues to be mindful of the processes required for establishing the reliability of fair values obtained for some classes of financial assets affected by ongoing periods of diminished liquidity. In order to assist users, the Group has disclosed the measurement attributes of its investment portfolio in a fair value hierarchy in note 19 in accordance with IFRS 13 Fair Value Measurement.

The Group remains susceptible to fluctuations in rates of foreign exchange. In particular between Pound Sterling and the US Dollar.

Strong treasury management has ensured that the Group's balance sheet remains well capitalised and its operations are financed to accommodate foreseen liquidity demands together with a high level of capital sufficient to meet future catastrophe obligations even if difficult investment market conditions were to prevail for a period of time.

5 Seasonality and weather
Historically the Group's most material exposure to catastrophe losses on certain lines of business such as reinsurance inwards and marine and major property risk have been greater during the second half of the calendar year, broadly in line with the most active period of the North Atlantic hurricane season. In contrast, a majority of gross premium income written in these lines of business occurs during the first half of the calendar year. The Group actively participates in many regions and if any catastrophic events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significantly greater volatility in expected returns remains during the second half of the year. Details of the Group's recent exposures to these classes of business are disclosed in note 3 of the Group's 2012 Report and Accounts.

6 Related party transactions
Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 38 of the Group's 2012 Report and Accounts.

7 Operating segments
The Group's operating segments consist of four segments which recognise the differences between products and services, customer groupings and geographical areas. Financial information is used in this format by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The format is representative of the management structure of the segments.

7 Operating segments continued
The Group's four operating segments are:

- **London Market** comprises the results of Syndicate 33, excluding the results of fine art, UK regional events coverage and non US household business which is included within the results of the UK and Europe. It also includes the fire and aviation businesses from Syndicate 3624. In addition, it excludes an element of kidnap and ransom and terrorism included in UK and Europe.
- **UK and Europe** comprises the results of Hiscox Insurance Company Limited, the results of Syndicate 33's fine art, UK regional events coverage and non US household business, together with the income and expenses arising from the Group's retail agency activities in the UK and continental Europe. In addition, it includes the European errors and omissions business from Syndicate 3624. It also includes an element of kidnap and ransom and terrorism written in Syndicate 33.
- **International** comprises the results of Hiscox Insurance Company (Guernsey) Limited, Hiscox Insurance Company (Bermuda) Limited, Hiscox Inc., Hiscox Insurance Company Inc. and Syndicate 3624 excluding the European errors and omissions, fire, and aviation businesses.
- **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. These relate to certain foreign currency items on economic hedges and intagroup borrowings, further details of these can be found in note 13 of the Group's Report and Accounts for the year ended 31 December 2012. Corporate Centre forms a reportable segment due to its investment activities which earn significant external coupon revenues.

Notes to the condensed consolidated interim financial statements
continued

	Six months to 30 June 2013				
	London Market £000	UK and Europe £000	International £000	Corporate Centre £000	Total £000
Gross premiums written	432,490	295,134	290,320	–	1,017,944
Net premiums written	282,482	279,106	208,647	–	770,235
Net premiums earned	216,098	244,374	168,242	–	628,714
Investment result	85	12,552	4,165	8,316	25,118
Other revenues	6,209	1,065	2,367	286	9,927
Revenue	222,392	257,991	174,774	8,602	663,759
Claims and claim adjustment expenses, net of reinsurance	(84,772)	(99,499)	(51,524)	–	(235,795)
Expenses for the acquisition of insurance contracts	(52,839)	(55,542)	(40,073)	–	(148,454)
Operational expenses	(24,732)	(61,871)	(31,303)	(12,314)	(130,220)
Foreign exchange gains/(losses)	18,754	3,273	(1,527)	14,370	34,870
Total expenses	(143,589)	(213,639)	(124,427)	2,056	(479,599)
Results of operating activities	78,803	44,352	50,347	10,658	184,160
Finance costs	(753)	–	(238)	(2,852)	(3,843)
Share of profit/(loss) of associates after tax	–	–	–	377	377
Profit/(loss) before tax	78,050	44,352	50,109	8,183	180,694
100% ratio analysis*					
Claims ratio (%)	37.7	40.5	30.0	–	36.8
Expense ratio (%)	34.6	48.8	41.8	–	41.4
Combined ratio excluding foreign exchange impact (%)	72.3	89.3	71.8	–	78.2
Foreign exchange impact (%)	(8.3)	(1.4)	0.9	–	(3.5)
Combined ratio (%)	64.0	87.9	72.7	–	74.7
Total assets before intragroup items and eliminations	2,832,800	1,143,822	1,652,816	1,130,471	6,759,909
Intragroup items and eliminations					(1,949,920)
Total assets					4,809,989
Total liabilities before intragroup items and eliminations	2,670,656	918,712	1,036,358	323,790	4,949,516
Intragroup items and eliminations					(1,529,270)
Total liabilities					3,420,246

	Six months to 30 June 2012 restated				
	London Market £000	UK and Europe £000	International £000	Corporate Centre £000	Total £000
Gross premiums written	371,250	267,980	267,213	–	906,443
Net premiums written	246,337	256,129	199,043	–	701,509
Net premiums earned	186,665	234,886	146,222	–	567,773
Investment result	13,975	7,895	15,010	7,807	44,687
Other revenues	2,914	1,640	2,139	374	7,067
Revenue	203,554	244,421	163,371	8,181	619,527
Claims and claim adjustment expenses, net of reinsurance	(64,728)	(117,002)	(50,841)	–	(232,571)
Expenses for the acquisition of insurance contracts	(44,093)	(55,316)	(34,254)	–	(133,663)
Operational expenses	(24,078)	(52,170)	(33,161)	(8,668)	(118,077)
Foreign exchange gains/(losses)	(681)	(3,531)	1,353	(1,593)	(4,452)
Total expenses	(133,580)	(228,019)	(116,903)	(10,261)	(488,763)
Results of operating activities	69,974	16,402	46,468	(2,080)	130,764
Finance costs	(514)	–	(227)	(3,749)	(4,490)
Share of profit/(loss) of associates after tax	–	–	(42)	(399)	(441)
Profit/(loss) before tax	69,460	16,402	46,199	(6,228)	125,833
100% ratio analysis*					
Claims ratio (%)	32.7	49.8	34.3	–	39.6
Expense ratio (%)	35.4	45.7	45.3	–	41.6
Combined ratio excluding foreign exchange impact (%)	68.1	95.5	79.6	–	81.2
Foreign exchange impact (%)	0.3	1.5	(0.9)	–	0.5
Combined ratio (%)	68.4	97.0	78.7	–	81.7
Total assets before intragroup items and eliminations	2,581,556	1,068,667	1,520,983	1,144,711	6,315,917
Intragroup items and eliminations					(1,887,038)
Total assets					4,428,879
Total liabilities before intragroup items and eliminations	2,330,688	816,052	901,495	274,509	4,322,744
Intragroup items and eliminations					(1,217,596)
Total liabilities					3,105,148

	Year to 31 December 2012 restated				
	London Market £000	UK and Europe £000	International £000	Corporate Centre £000	Total £000
Gross premiums written	640,042	507,522	418,255	–	1,565,819
Net premiums written	462,397	479,861	325,882	–	1,268,140
Net premiums earned	419,026	476,945	302,650	–	1,198,621
Investment result	26,973	17,754	29,202	18,495	92,424
Other revenues	7,115	2,136	3,992	687	13,930
Revenue	453,114	496,835	335,844	19,182	1,304,975
Claims and claim adjustment expenses, net of reinsurance	(176,253)	(222,562)	(140,011)	–	(538,826)
Expenses for the acquisition of insurance contracts	(97,853)	(112,487)	(73,275)	–	(283,615)
Operational expenses	(45,606)	(111,074)	(62,233)	(16,959)	(235,872)
Foreign exchange gains/(losses)	(10,187)	(1,647)	3,113	(11,452)	(20,173)
Total expenses	(329,899)	(447,770)	(272,406)	(28,411)	(1,078,486)
Results of operating activities	123,215	49,065	63,438	(9,229)	226,489
Finance costs	(1,319)	–	(697)	(6,589)	(8,605)
Share of profit/(loss) of associates after tax	–	–	(64)	(366)	(430)
Profit/(loss) before tax	121,896	49,065	62,677	(16,184)	217,454
100% ratio analysis*					
Claims ratio (%)	40.3	47.2	46.0	–	44.1
Expense ratio (%)	32.8	46.9	44.2	–	40.5
Combined ratio excluding foreign exchange impact (%)	73.1	94.1	90.2	–	84.6
Foreign exchange impact (%)	2.4	0.3	(1.0)	–	0.9
Combined ratio (%)	75.5	94.4	89.2	–	85.5
Total assets before intragroup items and eliminations	2,223,112	977,843	1,837,139	1,158,309	6,196,403
Intragroup items and eliminations					(1,810,131)
Total assets					4,386,272
Total liabilities before intragroup items and eliminations	2,202,434	793,241	987,146	193,542	4,176,363
Intragroup items and eliminations					(1,155,457)
Total liabilities					3,020,906

* The Group's percentage participation in Syndicate 33 can fluctuate from year to year and consequently, presentation of the ratios at the 100% level removes any distortions arising therefrom.

Notes to the condensed consolidated interim financial statements
continued

8 Net asset value per share

	30 June 2013		30 June 2012		31 Dec 2012	
	Net asset value (total equity) £000	NAV per share pence	Net asset value (total equity) restated £000	NAV per share restated pence	Net asset value (total equity) restated £000	NAV per share restated pence
Net asset value	**1,389,743**	**393.3**	1,323,731	337.2	1,365,366	346.4
Net tangible asset value	**1,319,932**	**373.5**	1,255,041	319.7	1,295,749	328.7

The net asset value per share is based on 353,371,246 shares (30 June 2012: 392,591,402; 31 December 2012: 394,200,249), being the adjusted number of shares in issue at each reference date. Net tangible assets comprise total equity excluding intangible assets.

9 Return on equity

	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated £000	Year to 31 Dec 2012 restated £000
Profit for the period	**158,102**	124,959	208,026
Opening shareholders' equity	**1,365,366**	1,244,523	1,244,523
Adjusted for the time weighted impact of capital distributions and issuance of shares	**(63,100)**	(2,489)	(28,095)
Adjusted opening shareholders' equity	**1,302,266**	1,242,034	1,216,428
Annualised return on equity (%)	**25.8**	21.1	17.1

10 Investment result

i) Analysis of investment result

The total investment result for the Group before taxation comprises:

	Six months to 30 June 2013 £000	Six months to 30 June 2012 £000	Year to 31 Dec 2012 £000
Investment income including interest receivable	**22,261**	23,206	45,699
Net realised gains on financial investments at fair value through profit or loss	**5,181**	1,761	9,071
Net fair value (losses)/gains on financial investments at fair value through profit or loss	**(4,133)**	19,530	37,920
Investment result - financial assets	**23,309**	44,497	92,690
Fair value gains/(losses) on derivative financial instruments	**1,809**	190	(266)
Total result	**25,118**	44,687	92,424

Investment expenses are presented within other expenses (note 11).

ii) Annualised investment yields

	Six months to 30 June 2013		Six months to 30 June 2012		Year to 31 Dec 2012	
	Return £000	Yield %	Return £000	Yield %	Return £000	Yield %
Debt and fixed income securities	**1,603**	**0.1**	33,230	3.0	62,579	2.8
Equities and shares in unit trusts	**20,304**	**20.4**	9,602	10.9	26,974	14.8
Deposits with credit institutions/cash and cash equivalents	**1,402**	**0.5**	1,665	0.7	3,137	0.5
	23,309	**1.5**	44,497	3.1	92,690	3.1

11 Other revenues and operational expenses

	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated £000	Year to 31 Dec 2012 restated £000
Agency related income	**3,018**	3,695	5,866
Profit commission	**5,836**	2,167	5,532
Other underwriting income, catastrophe bonds and insurance linked funds	**265**	365	1,123
Other income	**808**	840	1,409
Other revenues	**9,927**	7,067	13,930
Wages and salaries	**49,339**	43,975	88,294
Social security costs	**9,470**	6,886	15,299
Pension cost - defined contribution	**3,399**	2,959	6,117
Pension cost - defined benefit	**468**	570	1,054
Share based payments	**5,096**	2,952	6,135
Other expenses	**41,212**	44,275	81,346
Marketing expenses	**15,014**	11,700	26,251
Investment expenses	**1,823**	1,516	3,543
Depreciation and amortisation	**4,399**	3,244	7,833
Operational expenses	**130,220**	118,077	235,872

12 Finance costs

	Six months to 30 June 2013 £000	Six months to 30 June 2012 £000	Year to 31 Dec 2012 £000
Interest and expenses associated with bank borrowings	**1,253**	2,044	2,703
Interest and charges associated with Letters of Credit	**2,064**	2,186	5,032
Interest charges on experience account	**526**	260	870
	3,843	4,490	8,605

As at 30 June 2013, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was $308 million (30 June 2012: $340 million; 31 December 2012: $308 million).

13 Tax expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled. The amounts charged in the condensed consolidated income statement comprise the following:

	Six months to 30 June 2013 £000	Six months to 30 June 2012 restated £000	Year to 31 Dec 2012 restated £000
Current tax			
Expense for the year	**43,941**	11,972	15,751
Adjustments in respect of prior years	**3,071**	–	2,973
Total current tax	**47,012**	11,972	18,724
Deferred tax			
(Credit)/expense for the year	**(24,900)**	(5,359)	676
Adjustments in respect of prior years	**480**	–	2,912
Effect of rate change	**–**	(5,739)	(12,884)
Total deferred tax	**(24,420)**	(11,098)	(9,296)
Total tax charged to the income statement	**22,592**	874	9,428

The Group records its income tax expense based on the expected effective rate for the full year.

Notes to the condensed consolidated interim financial statements continued

14 Insurance liabilities and reinsurance assets

	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Gross			
Claims and claim adjustment expenses outstanding	**2,005,852**	1,845,635	1,932,904
Unearned premiums	**913,029**	802,342	663,708
Total insurance liabilities, gross	**2,918,881**	2,647,977	2,596,612
Recoverable from reinsurers			
Claims and claim adjustment expenses outstanding	**460,900**	366,821	453,439
Unearned premiums	**178,245**	152,151	86,950
Total reinsurers' share of insurance liabilities	**639,145**	518,972	540,389
Net			
Claims and claim adjustment expenses outstanding	**1,544,952**	1,478,814	1,479,465
Unearned premiums	**734,784**	650,191	576,758
Total insurance liabilities, net	**2,279,736**	2,129,005	2,056,223

Net claims and claim adjustment expenses include releases of £74 million (30 June 2012: £116 million; 31 December 2012: £152 million) of reserves established in prior reporting periods.

The development of net claims reserves by accident years are detailed below:

Insurance claims and claims expenses reserves – net at 100%

Accident year ending 31 December**	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	Total £000
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year**	596,489	704,792	550,309	721,565	807,052	721,432	843,390	1,053,686	828,066	364,132	7,190,913
one period later**	652,461	810,586	541,080	655,459	723,222	606,191	744,902	991,528	774,176	–	6,499,605
two periods later**	626,322	801,110	523,322	635,561	718,846	579,348	705,768	963,916	–	–	5,554,193
three periods later**	588,343	775,128	479,425	605,832	677,717	581,412	693,699	–	–	–	4,401,556
four periods later**	589,295	764,322	496,846	601,275	647,546	583,867	–	–	–	–	3,683,151
five periods later**	573,418	764,991	484,272	576,686	647,989	–	–	–	–	–	3,047,356
six periods later**	574,090	743,035	477,488	571,636	–	–	–	–	–	–	2,366,249
seven periods later**	557,675	734,298	479,490	–	–	–	–	–	–	–	1,771,463
eight periods later**	549,295	732,931	–	–	–	–	–	–	–	–	1,282,226
nine periods later**	544,339	–	–	–	–	–	–	–	–	–	544,339
Current estimate of cumulative claims	544,339	732,931	479,490	571,636	647,989	583,867	693,699	963,916	774,176	364,132	6,356,175
Cumulative payments to date	(498,519)	(681,506)	(449,097)	(507,272)	(557,855)	(469,224)	(481,753)	(614,253)	(302,772)	(49,497)	(4,611,748)
Liability recognised at 100% level	45,820	51,425	30,393	64,364	90,134	114,643	211,946	349,663	471,404	314,635	1,744,427
Liability recognised in respect of prior accident years at 100% level											79,003
Total net liability to external parties at 100% level											**1,823,430**

* The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2013.
** With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2013, the term period refers to one full calendar year.

14 Insurance liabilities and reinsurance assets continued
Reconciliation of 100% disclosures above to Group's share - net

Accident year	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	Total £000
Current estimate of cumulative claims	544,339	732,931	479,490	571,636	647,989	583,867	693,699	963,916	774,176	364,132	6,356,175
Less: attributable to external Names	(128,557)	(177,354)	(100,096)	(111,374)	(116,313)	(90,091)	(93,726)	(124,605)	(92,860)	(38,796)	(1,073,772)
Group share of current ultimate claims estimate	415,782	555,577	379,394	460,262	531,676	493,776	599,973	839,311	681,316	325,336	5,282,403
Cumulative payments to date	(498,519)	(681,506)	(449,097)	(507,272)	(557,855)	(469,224)	(481,753)	(614,253)	(302,772)	(49,497)	(4,611,748)
Less: attributable to external Names	116,411	164,285	92,448	96,942	96,539	71,842	60,820	79,510	32,318	4,540	815,655
Group share of cumulative payments	(382,108)	(517,221)	(356,649)	(410,330)	(461,316)	(397,382)	(420,933)	(534,743)	(270,454)	(44,957)	(3,796,093)
Liability for 2004 to 2013 accident years recognised on Group's balance sheet	33,674	38,356	22,745	49,932	70,360	96,394	179,040	304,568	410,862	280,379	1,468,310
Liability for accident years before 2004 recognised on Group's balance sheet											58,642
Total Group liability to external parties included in the balance sheet, net†											**1,544,952**

† This represents the claims element of the Group's insurance liabilities and reinsurance assets.

15 Earnings per share
Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held in treasury as own shares.

	Six months to 30 June 2013	Six months to 30 June 2012 restated	Year to 31 Dec 2012 restated
Profit for the period attributable to owners of the Company (£000)	**158,102**	124,959	208,026
Weighted average number of ordinary shares in issue (thousands)	**372,914**	389,772	391,592
Basic earnings per share (pence per share)	**42.4p**	32.1p	53.1p

Diluted
Diluted earnings per share is calculated by adjusting the assumed conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options and awards. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. If the inclusion of potentially issuable shares would decrease the loss per share, the potentially issuable shares are excluded from the diluted earnings per share calculation.

	Six months to 30 June 2013	Six months to 30 June 2012 restated	Year to 31 Dec 2012 restated
Profit for the period attributable to owners of the Company (£000)	**158,102**	124,959	208,026
Weighted average number of ordinary shares in issue (thousands)	**372,914**	389,772	391,592
Adjustment for share options (thousands)	**15,993**	16,306	16,427
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**388,907**	406,078	408,019
Diluted earnings per share (pence per share)	**40.7p**	30.8p	51.0p

Diluted earnings per share has been calculated after taking account of outstanding options under both employee share schemes and also SAYE schemes.

Notes to the condensed consolidated interim financial statements
continued

16 Dividends paid to owners of the Company

	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Interim dividend for the year ended:			
31 December 2012 of 6.0p (net) per share	–	–	23,567
Final dividend for the year ended:			
31 December 2011 of 11.9p (net) per share	–	46,606	46,606
	–	46,606	70,173

The final dividend equivalent for the year ended 31 December 2012 was paid as part of the B Share Scheme, see note 17. 395,188,526 B Shares of 50p each were issued, of which 12p per share was in lieu of a final dividend of a cash value of £47,423,400.

The final dividend for 2011 and interim dividend for 2012 were either paid in cash or issued as a scrip dividend at the option of the shareholder. The final dividend for the year end 31 December 2011 was paid in cash of £44,301,000 and 562,194 shares for the scrip dividend. The interim dividend for the year ended 31 December 2012 was paid in cash of £18,206,000 and 1,196,214 shares for the scrip dividend.

An interim dividend of 7.0p (net) per ordinary share has been declared payable on 18 September 2013 to shareholders registered on 9 August 2013 in respect of the six months to 30 June 2013 (30 June 2012: 6.0p (net) per ordinary share). A scrip dividend alternative will be offered to the owners of the Company. The dividend was declared in Bermuda on 26 July 2013 and accordingly has not been included as a distribution or liability in this interim consolidated financial information in accordance with IAS 10 Events after the balance sheet date.

17 Share capital

	30 June 2013		30 June 2012		31 Dec 2012	
	Share capital £000	Number of shares	Share capital £000	Number of shares	Share capital £000	Number of shares
Authorised ordinary shares of $5\frac{55}{89}$p (2012: 5p)	40,000	712,000,000	40,000	800,000,000	400,000	800,000,000
Issued share capital of $5\frac{55}{89}$p (2012: 5p)	20,770	369,704,093	20,623	412,460,575	20,703	414,069,422

The amounts presented in the equity structure of the Group above relate to Hiscox Ltd, the legal parent Company. At 30 June 2013, there are approximately 16 million ordinary shares held in Treasury.

Changes in Group share capital, contributed surplus and B Shares

	Ordinary share capital £000	Share premium £000	Contributed surplus £000	B Shares £000
At 1 January 2012	20,563	32,086	245,005	–
Employee share option scheme – proceeds from shares issued	52	1,649	–	–
Scrip dividends to owners of the Company	88	7,578	–	–
At 31 December 2012	20,703	41,313	245,005	–
Employee share option scheme – proceeds from shares issued	67	2,082	–	–
Issue of B Shares	–	(42,453)	(155,141)	197,594
Redemption of B shares	–	–	–	(197,594)
At 30 June 2013	**20,770**	**942**	**89,864**	**–**

On 25 February 2013, the Group announced its intention to return approximately £200 million of capital, which included a final dividend equivalent of 12.0p per share, £47,423,000, to shareholders by way of a B Share issue. This was also combined with a consolidation of Hiscox's existing shares on the basis of 89 new ordinary shares of $5\frac{55}{89}$p each for 100 existing ordinary shares of 5p each. This was subsequently approved by the shareholders at an Extraordinary General Meeting held on 28 March 2013.

17 Share capital continued

B Shares were issued on 2 April 2013 to existing shareholders on the basis of one B Share for each ordinary share held on 28 March 2013. Each B Share enabled the shareholder to redeem the share at 50p per share at either 4 April 2013 or 12 April 2013, alternatively the B Share holder could elect to receive a B Share dividend on 12 April 2013 of 50p per share. Following such dividend receipt, the relevant B Shares were converted into deferred shares which were themselves redeemed on 16 May 2013 for a total redemption value of one pence in total.

There were no B Shares outstanding at 30 June 2013 as all shares have been redeemed or cancelled.

Total capital of £197,594,000 has been returned to shareholders, of which £42,453,000 has been charged against share premium and the remaining £155,141,000 has been charged against contributed surplus.

18 Financial assets and liabilities

i) Analysis of financial assets carried at fair value

	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Debt and fixed income securities	**2,372,699**	2,115,527	2,194,866
Equities and shares in unit trusts	**212,123**	181,946	190,029
Deposits with credit institutions	**11,464**	11,352	13,203
Total investments	**2,596,286**	2,308,825	2,398,098
Insurance linked fund	**20,007**	–	8,098
Catastrophe bonds	**–**	12,338	–
Derivative financial instruments	**1,021**	–	73
Total financial assets carried at fair value	**2,617,314**	2,321,163	2,406,269

ii) Analysis of financial liabilities

	30 June 2013 £000	30 June 2012 £000	31 Dec 2012 £000
Derivative financial instruments	**9**	219	301
Total financial liabilities	**9**	219	301

iii) Investment and cash allocation

	30 June 2013 £000	30 June 2013 %	30 June 2012 £000	30 June 2012 %	31 Dec 2012 £000	31 Dec 2012 %
Debt and fixed income securities	**2,372,699**	**75.3**	2,115,527	70.8	2,194,866	71.8
Equities and shares in unit trusts	**212,123**	**6.7**	181,946	6.1	190,029	6.2
Deposits with credit institutions/cash and cash equivalents	**568,412**	**18.0**	691,583	23.1	670,865	22.0
Total	**3,153,234**		2,989,056		3,055,760	

iv) Investment and cash allocation by currency

	30 June 2013 %	30 June 2012 %	31 Dec 2012 %
Sterling	**26.3**	21.5	24.7
US Dollars	**59.0**	68.3	60.0
Euro and other currencies	**14.7**	10.2	15.3

Notes to the condensed consolidated interim financial statements
continued

18 Financial assets and liabilities continued
v) Analysis of government issued and supported debt and bank issued debt by geographic location

Country	Government debt Issued £000	Supported £000	Sub-total £000	Bank debt Senior £000	Subordinated £000	Sub-total £000	30 Jun 2013 Total £000	30 Jun 2012 Total £000	31 Dec 2012 Total £000
United States	450,108	93,341	543,449	73,386	4,785	78,171	**621,620**	683,031	677,626
United Kingdom	301,547	5,195	306,742	31,930	1,648	33,578	**340,320**	332,025	263,476
Australia	–	10,462	10,462	12,542	–	12,542	**23,004**	21,899	17,852
Belgium	6,616	–	6,616	–	–	–	**6,616**	25,067	–
Canada	5,499	45,704	51,203	31,182	748	31,930	**83,133**	90,072	83,450
Denmark	–	–	–	1,214	–	1,214	**1,214**	8,662	5,270
Finland	9,198	–	9,198	714	–	714	**9,912**	9,841	9,200
France	470	1,109	1,579	8,117	–	8,117	**9,696**	50,136	18,111
Germany	79,829	36,817	116,646	1,310	–	1,310	**117,956**	56,315	163,389
Italy	–	–	–	–	–	–	**–**	3,482	–
Netherlands	52,012	8,092	60,104	11,648	1,303	12,951	**73,055**	50,570	23,254
New Zealand	–	–	–	2,570	–	2,570	**2,570**	1,963	1,299
Norway	505	2,621	3,126	1,650	–	1,650	**4,776**	8,091	5,881
South Korea	–	–	–	–	–	–	**–**	2,766	2,823
Spain	–	–	–	–	–	–	**–**	1,505	614
Sweden	2,283	447	2,730	13,197	–	13,197	**15,927**	15,241	18,332
Switzerland	–	–	–	6,156	–	6,156	**6,156**	11,593	8,833
Supranationals	–	31,023	31,023	–	–	–	**31,023**	27,520	25,645
Other	1,158	387	1,545	2,458	–	2,458	**4,003**	2,455	2,463
Total	909,225	235,198	1,144,423	198,074	8,484	206,558	**1,350,981**	1,402,234	1,327,518

Included above are £1,344 million (30 June 2012: £1,204 million; 31 December 2012: £1,204 million) in relation to debt securities, £nil in relation to deposits with credit institutions (30 June 2012: £nil; 31 December 2012: £13 million) and £7 million (30 June 2012: £198 million; 31 December 2012: £111 million) in relation to cash equivalents, having a maturity of less than three months at the time of purchase.

19 Fair value measurements
In accordance with IFRS 13 Fair Value Measurement, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value is set out below:

As at 30 June 2013	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt and fixed income securities	**836,982**	**1,535,717**	**–**	**2,372,699**
Equities and shares in unit trusts	**–**	**198,469**	**13,654**	**212,123**
Deposits with credit institutions	**11,464**	**–**	**–**	**11,464**
Insurance linked fund	**–**	**–**	**20,007**	**20,007**
Catastrophe bonds	**–**	**–**	**–**	–
Derivative financial instruments	**–**	**1,021**	**–**	**1,021**
Total	**848,446**	**1,735,207**	**33,661**	**2,617,314**

As at 30 June 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt and fixed income securities	591,268	1,524,259	–	2,115,527
Equities and shares in unit trusts	–	170,461	11,485	181,946
Deposits with credit institutions	11,352	–	–	11,352
Insurance linked fund	–	–	–	–
Catastrophe bonds	–	12,338	–	12,338
Derivative financial instruments	–	–	–	–
Total	602,620	1,707,058	11,485	2,321,163

19 Fair value measurements continued

As at 31 December 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt and fixed income securities	718,393	1,476,473	–	2,194,866
Equities and shares in unit trusts	–	176,494	13,535	190,029
Deposits with credit institutions	13,203	–	–	13,203
Insurance linked fund	–	–	8,098	8,098
Catastrophe bonds	–	–	–	–
Derivative financial instruments	–	73	–	73
Total	731,596	1,653,040	21,633	2,406,269

As at 30 June 2013, the Group had derivative financial liabilities of £9,000 which are classified as level 2 (30 June 2012: £219,000; 31 December 2012: £301,000).

The levels of the fair value hierarchy are defined by the standard as follows:
- Level 1 – fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 – fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- Level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair values of the Group's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment managers obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

The fair value of the Group's investment in catastrophe bonds is based on quoted market prices or, where such prices are not available, by reference to broker or underwriter bid indications.

Investments in mutual funds comprise a portfolio of stock investments in trading entities which are invested in various quoted investments. The fair value of shares in unit trusts are based on the net asset value of the fund reported by independent pricing sources or the fund manager.

Included within Level 1 of the fair value hierarchy are Government bonds, Treasury bills and exchange traded equities which are measured based on quoted prices.

Level 2 of the hierarchy contains US Government agencies, corporate securities, asset backed securities, mortgage backed securities and catastrophe bonds. The fair value of these assets are based on the prices obtained from both investment managers and investment custodians as discussed above. The Group records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US Government agencies and corporate securities are based on a limited number of transactions for those securities and as such the Group considers these instruments to have similar characteristics as those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds and over the counter derivatives.

Notes to the condensed consolidated interim financial statements continued

19 Fair value measurements continued
Level 3 contains investments in a limited partnership and unquoted equity securities which have limited observable inputs on which to measure fair value. Unquoted equities are initially carried at cost in the absence of observable pricing information, which is deemed to be comparable to fair value. The fair value is updated for independent third party valuations when available. The Group invested into the insurance linked fund in December 2012, which is subject to a two year initial lock-up period. The fund specialises in catastophe reinsurance opportunities. The effect of changing one or more of the inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant and no further analysis has been performed.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the period, there were no significant transfers made between Level 1 and Level 2 of the fair value hierarchy. The movement in Level 3 of the fair value hierarchy since 31 December 2012 can be attributed to an additional purchase of the insurance linked fund of £11,909,000 and gains or losses on equities and shares in unit trusts of £119,000.

20 Impact of foreign exchange related items
The net foreign exchange gains/(losses) for the year include the following amounts:

	Six months to 30 June 2013 £000	Six months to 30 June 2012 £000	Year to 31 Dec 2012 £000
Exchange gains/(losses) recognised in the consolidated income statement	**34,870**	(4,452)	(20,173)
Exchange gains/(losses) classified as a separate component of equity	**47,966**	(8,399)	(35,806)
Overall impact of foreign exchange related items on net assets	**82,836**	(12,851)	(55,979)

The above excludes profit or losses on foreign exchange derivative contracts which are included within the investment result.

Net unearned premiums and deferred acquisition costs are treated as non monetary items in accordance with IFRS. As a result, a foreign exchange mismatch arises caused by these items being translated at historical rates of exchange prevailing at the original transaction date and not being retranslated at the end of each period. The impact of this mismatch on the income statement is shown in the table below.

	Six months to 30 June 2013 £000	Six months to 30 June 2012 £000	Year to 31 Dec 2012 £000
Opening balance sheet impact of non retranslation of non monetary items	**(2,674)**	2,144	2,144
Gains/(losses) included within profit representing the non retranslation of non monetary items	**5,211**	(1,532)	(4,818)
Closing balance sheet impact of non retranslation of non monetary items	**2,537**	612	(2,674)

21 Condensed consolidated interim cash flow statement
The purchase, maturity and disposal of financial assets is part of the Group's insurance activities and is therefore classified as an operating cash flow. The purchase, settlement and disposal of derivative contracts is also classified as an operating cash flow.

Included within cash and cash equivalents held by the Group are balances totalling £104,648,000 (30 June 2012: £56,458,000; 31 December 2012: £86,168,000) not available for use by the Group outside of the Lloyd's Syndicates within which they are held.

Directors' responsibilities statement

The Directors confirm, to the best of our knowledge, that the Chairman's statement and condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and the Interim Statement includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being:

1. an indication of important events during the first six months of the current financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
2. related party transactions that have taken place in the first six months of the current year and that have materially affected the consolidated financial position or performance of Hiscox Ltd during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect.

The individuals responsible for authorising the responsibility statement on behalf of the Board are the Chief Executive, BE Masojada and the Chief Financial Officer, SJ Bridges. The statements were approved in Bermuda on 26 July 2013.

Independent review report to Hiscox Ltd

Introduction
We have been engaged by the company to review the condensed consolidated interim financial statements in the Interim Statement for the six months ended 30 June 2013 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement and related explanatory notes. We have read the other information contained in the Interim Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirement of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The Interim Statement is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Statement in accordance with the DTR of the UK FCA.

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The Directors are responsible for ensuring that the condensed set of financial statements included in this Interim Statement have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Statement based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Statement for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

KPMG Audit Limited
Hamilton
Bermuda
26 July 2013

Neither an audit nor a review provides assurance on the maintenance and integrity of the Group's website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area. Legislation in Bermuda and in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.