Hiscox Ltd
Interim results

for the six months ended 30 June 2013

HISCOX

An excellent start

- Profit before tax £180.7m (2012: £125.8m)
- Premium growth of 12.3% (2012: 7.0%) driven by strong growth in insurance lines
- Combined ratio 74.7% (2012: 81.7%) - good luck meets good underwriting
- Annualised return on equity 25.8% (2012: 21.1%)
- Dividend up 16.7% to 7.0p (2012: 6.0p)

Financial performance

Stuart Bridges

An excellent first half

	June 2013 £000	June 2012 restated* £000	Dec 2012 restated* £000
Gross premiums written	**1,017,944**	906,443	1,565,819
Net premiums written	**770,235**	701,509	1,268,140
Net premiums earned	**628,714**	567,773	1,198,621
Investment return on financial assets	**23,309**	44,497	92,690
Foreign exchange gains/(losses)	**34,870**	(4,452)	(20,173)
Profit before tax*	**180,694**	125,833	217,454
Profit after tax*	**158,102**	124,959	208,026
Basic earnings per share (p)	**42.4**	32.1	53.1
Interim/final dividend or equivalent (p)	**7.0**	6.0	18.0
Additional capital return (p)	**-**	-	38.0
Net asset value			
£m*	**1,389.7**	1,323.7	1,365.4
p per share*	**393.3**	337.2	346.4
Return on equity after tax*†	**25.8%**	21.1%	17.1%

- Dividend increase of 16.7% up 5% in absolute terms

*Restated for the adoption of IAS19 (2011).
†Annualised.

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Segmental analysis

	30 June 2013					30 June 2012 restated*				
	London Market £000	UK and Europe £000	Inter-national £000	Corporate Centre £000	Total £000	London Market £000	UK and Europe £000	Inter-national £000	Corporate Centre £000	Total £000
Gross premiums written	432,490	295,134	290,320	-	1,017,944	371,250	267,980	267,213	-	906,443
Net premiums written	282,482	279,106	208,647	-	770,235	246,337	256,129	199,043	-	701,509
Investment result – financial assets	(608)	12,632	3,412	7,873	23,309	13,761	7,876	15,053	7,807	44,497
Foreign exchange gains/(losses)	18,754	3,273	(1,527)	14,370	34,870	(681)	(3,531)	1,353	(1,593)	(4,452)
Profit before tax	78,050	44,352	50,109	8,183	180,694	69,460	16,402	46,199	(6,228)	125,833
Combined ratio	64.0%	87.9%	72.7%	-	74.7%	68.4%	97.0%	78.7%	-	81.7%
Combined ratio excluding monetary FX	72.3%	89.3%	71.8%	-	78.2%	68.1%	95.5%	79.6%	-	81.2%

London Market Comprises the results of Syndicate 33, excluding the results of the fine art, UK regional events coverage and non-US household business which is included within the results of 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 in 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. Corporate Centre forms a reportable segment due to its investment activities which earn significant external coupon revenues.

*Restated for the adoption of IAS19 (2011).

Good equity return

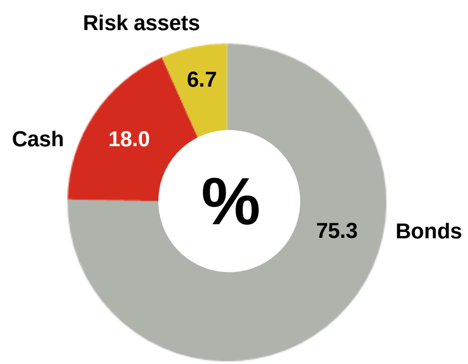
	30 June 2013			30 June 2012		
	Asset allocation %	Annualised return %	Return £000	Asset allocation %	Annualised return %	Return £000
Bonds £	16.9	1.2		13.1	2.7	
US$	49.2	(0.2)		49.8	3.2	
Other	9.2	(0.1)		7.9	2.0	
Bonds total	75.3	0.1	1,603	70.8	3.0	33,230
Equities	6.7	20.4	20,304	6.1	10.9	9,602
Deposits/cash/ bonds <3mth	18.0	0.5	1,402	23.1	0.7	1,665
Actual return		1.5	23,309		3.1	44,497
Group invested assets			£3,153m			£2,989m

Before fees, derivative positions and investments in insurance linked funds/catastrophe bonds.

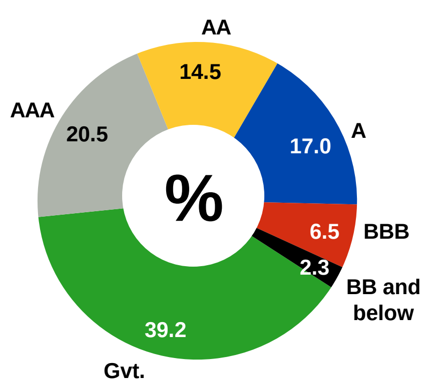
High quality, conservative portfolio

Investment portfolio: £3.153bn

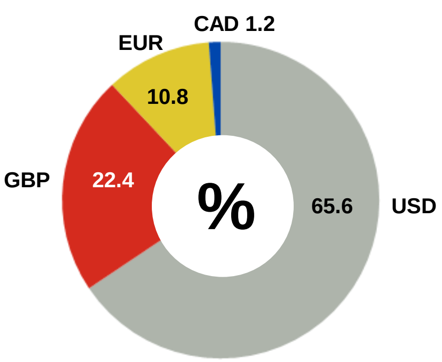
Asset allocation



Bond credit quality



Bond currency split



- Dollar strength boosts portfolio
- Focus on credit quality maintained
- Risk assets trimmed at market highs
- No exposure to PIIGS sovereign debt

Portfolios - USD bond portfolios as at 30 June 2013

Portfolios: $2.4bn

	AAA %	AA %	A %	BBB %	Other	**Total %**	**Duration months**
Government issued	0.3	30.1				**30.4**	**20.0**
Government supported*	0.3	6.5	1.2			**8.0**	**20.2**
Asset backed	14.1	0.3				**14.4**	**7.7**
Mortgage backed agency		8.1				**8.1**	**22.5**
Non agency	1.7	0.7	0.2		3.2	**5.8**	**6.6**
Commercial MBS	4.5					**4.5**	**15.0**
Corporates	1.2	4.8	15.4	7.0	0.4	**28.8**	**16.0**
Total	**22.1**	**50.5**	**16.8**	**7.0**	**3.6**	**100.0**	**17.0**

- Still cautious on duration
- Corporates maintained

*Includes agency debt and Canadian Provincial Debt.

Portfolios - GBP, EUR and CAD bond portfolios as at 30 June 2013

GBP portfolios: £533m

	AAA %	AA %	A %	BBB %	Other %	**Total %**	**Duration months**
Government issued	1.0	56.8				**57.8**	**16.0**
Government supported*	12.0	0.5		0.1		**12.6**	**5.2**
Asset backed	2.3	0.4				**2.7**	**4.0**
Corporates	2.7	2.3	11.1	3.9	0.1	**20.1**	**13.7**
Cash			6.8			**6.8**	**0.0**
Total	**18.0**	**60.0**	**17.9**	**4.0**	**0.1**	**100.0**	**13.6**

EUR and CAD portfolios: £290m

	AAA %	AA %	A %	BBB %	Other %	**Total %**	**Duration months**
Government issued	48.3					**48.3**	**31.9**
Government supported*	16.2	1.7	0.2			**18.1**	**13.8**
Asset backed	1.6					**1.6**	**2.0**
Corporates	3.0	4.8	14.5	8.2	0.3	**30.8**	**14.5**
Cash			1.2			**1.2**	**0.0**
Total	**69.1**	**6.5**	**15.9**	**8.2**	**0.3**	**100.0**	**22.4**

- Very little change
- Focus on quality and capital preservation

*Includes supranational and government guaranteed bonds.

Government and bank exposure analysis

Country	Government issued £000	Government supported £000	Bank debt Senior £000	Bank debt Subordinated £000	Bank debt Total £000
Australia		10,462	12,542		12,542
Belgium	6,616				-
Canada	5,499	45,704	31,182	748	31,930
Denmark			1,214		1,214
United Kingdom	301,547	5,195	31,930	1,648	33,578
Finland	9,198		714		714
France	470	1,109	8,117		8,117
Germany	79,829	36,817	1,310		1,310
Netherlands	52,012	8,092	11,648	1,303	12,951
New Zealand			2,570		2,570
Norway	505	2,621	1,650		1,650
Sweden	2,283	447	13,197		13,197
Switzerland			6,156		6,156
United States	450,108	93,341	73,386	4,785	78,171
Other	1,158	387	2,458		2,458
Supranationals		31,023			-
Total	**909,225**	**235,198**	**198,074**	**8,484**	**206,558**

- Safety first for banks and sovereigns
- Bank capital and regulatory issues persist in Europe
- German elections approaching

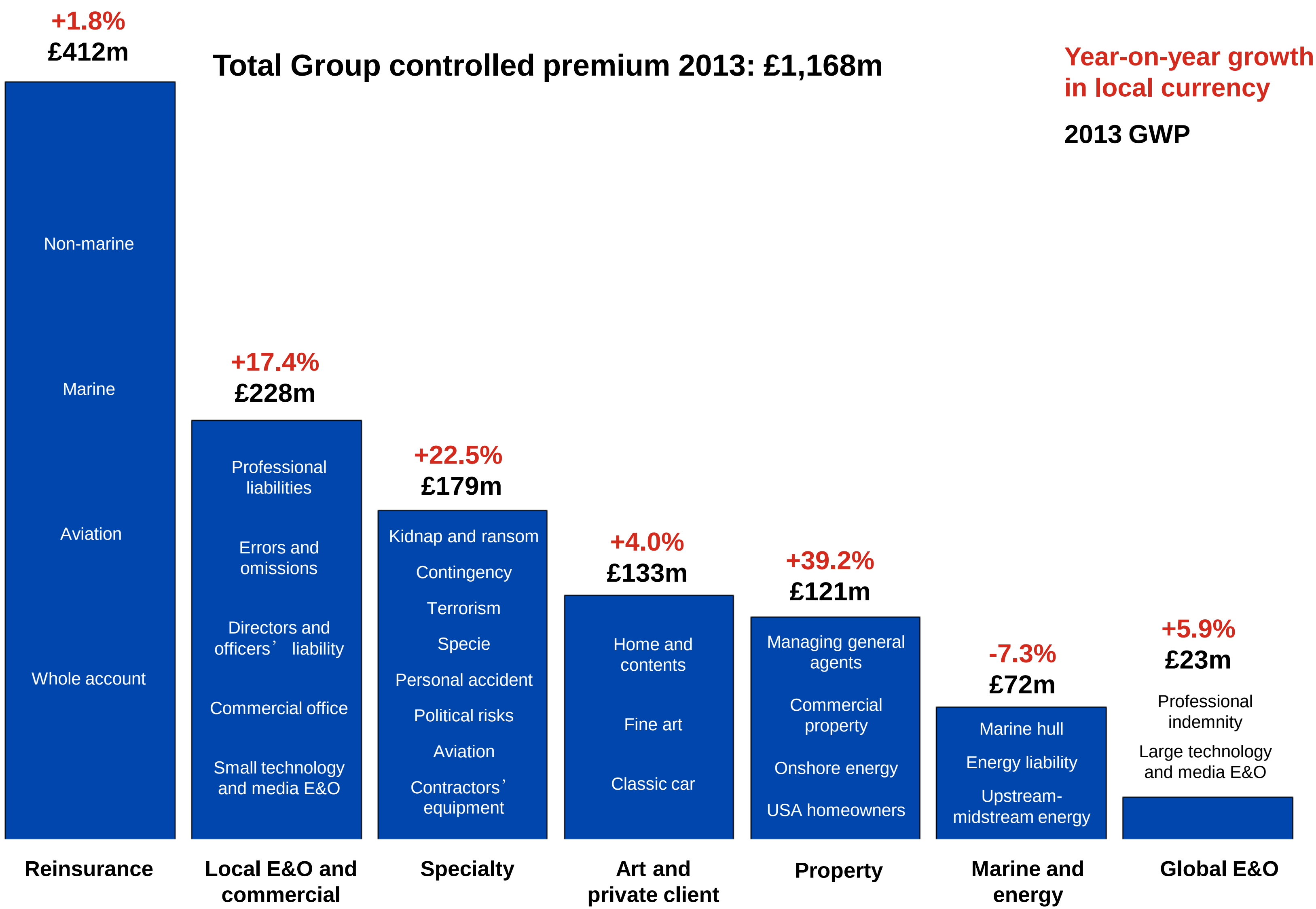
Fascinating financial facts

- Good claims experience
  - Aggregate industry catastrophe losses (Oklahoma tornadoes, European floods, Calgary floods) US$11.5bn
  - Hiscox net reserves US$22.0m
- Costa Concordia reduced to net US$19m (2012: US$20m)
- Reserve releases £74m (2012: £116m)
- Total Group marketing spend £15.0m (2012: £11.7m)
- $875m Letter of Credit and bank facility – $308m drawn down

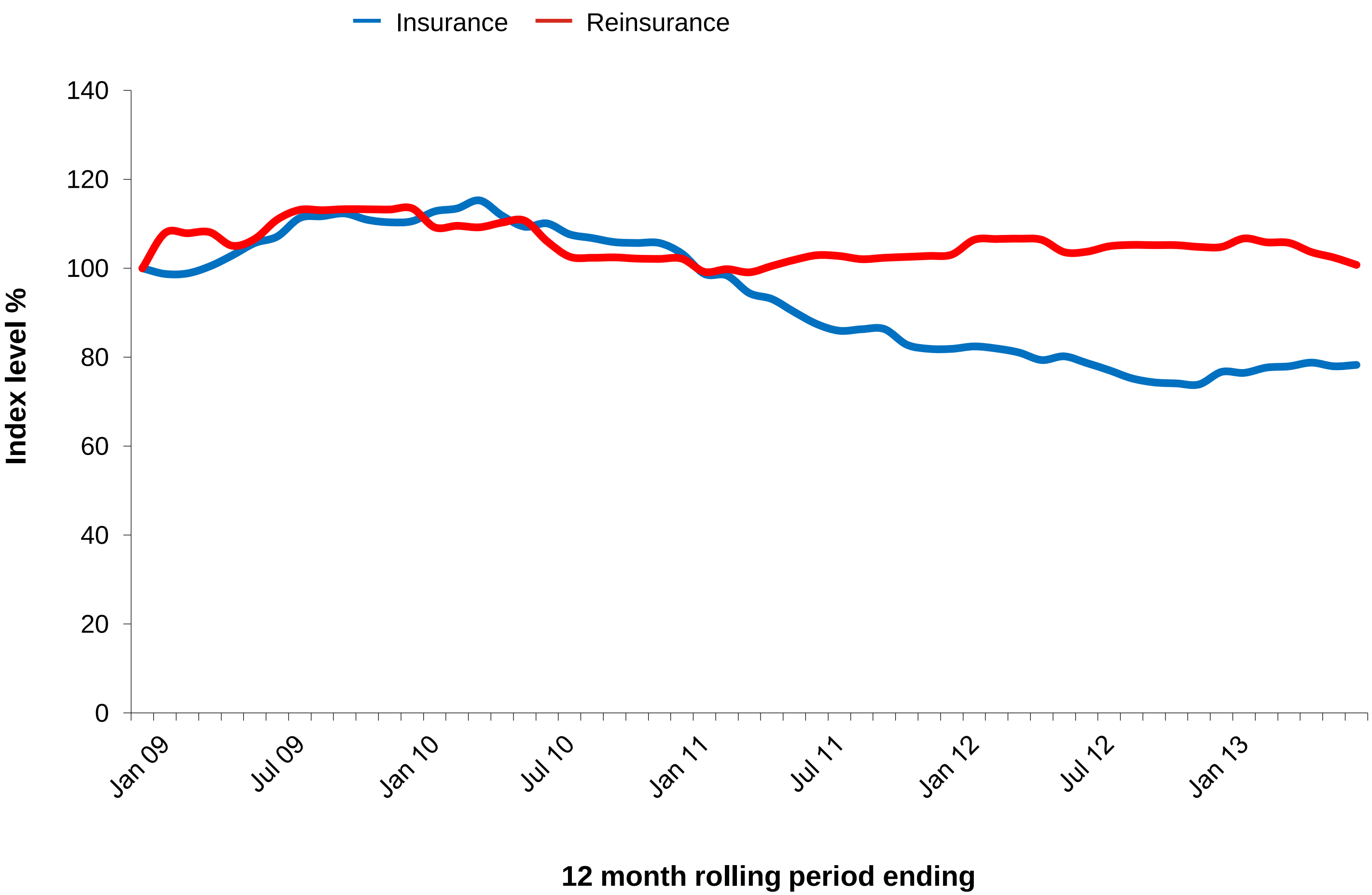
Underwriting

Richard Watson

Growing in insurance lines



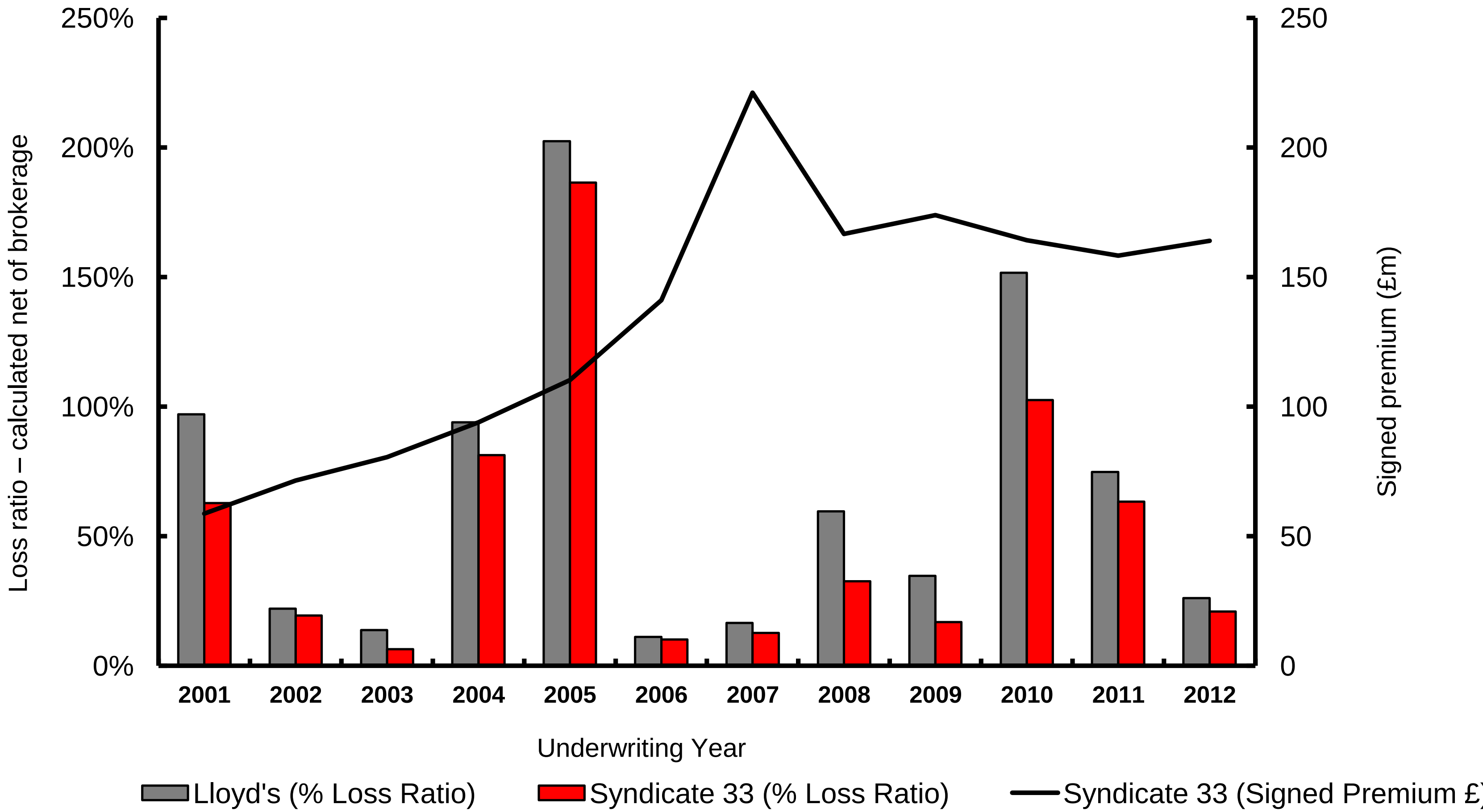
Rates remain attractive



- Reinsurance under competition
- Insurance rates for smaller specialty risks broadly flat to rising
- Larger insurance risks including energy, large property, aviation are softening

Reinsurance outperformance

Hiscox Syndicate 33 reinsurance and Lloyd's average loss ratio as at Q1 2013

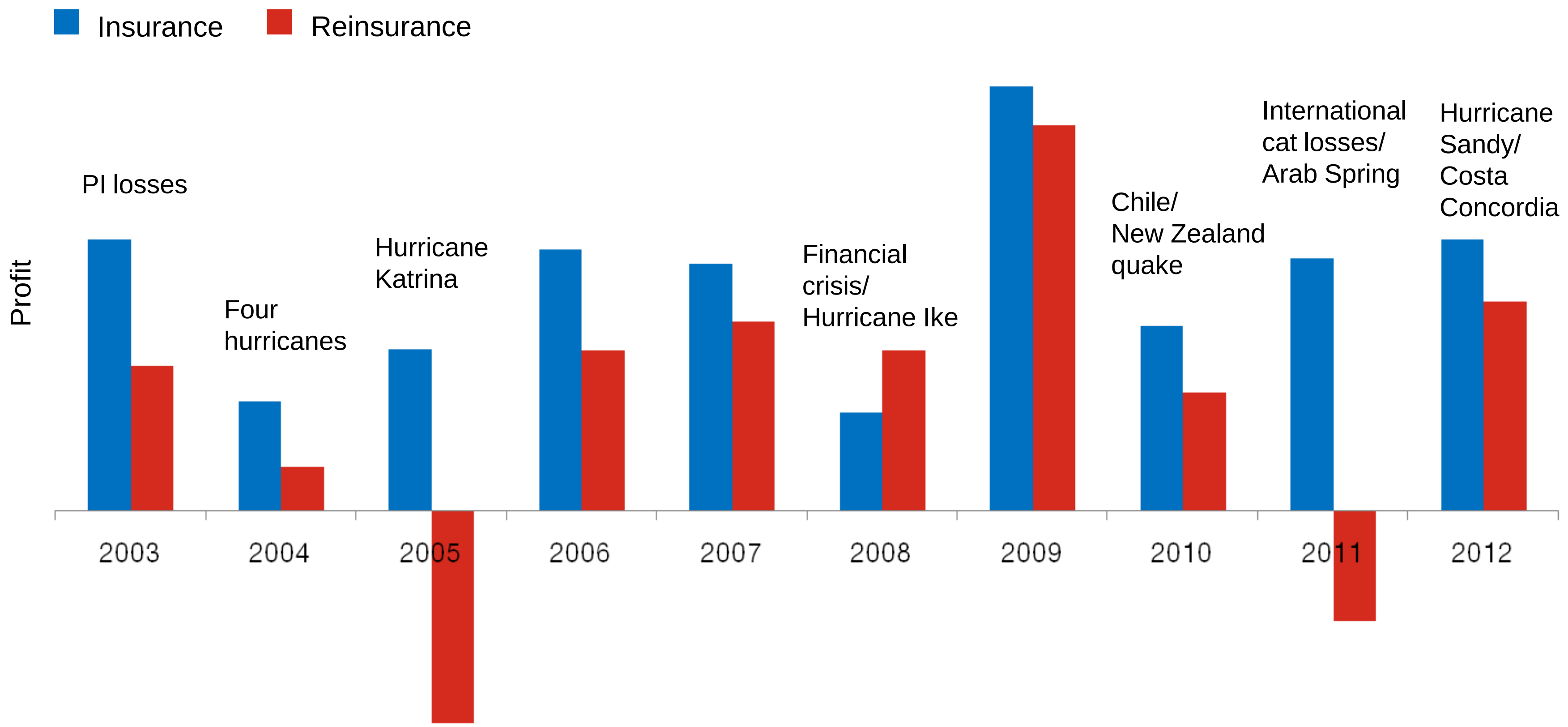


Classes of business: catastrophe XL, aggregate and retro

Modelled reinsurance gross loss ratios

Source: Hiscox analysis based on 2013 in force portfolio

Hiscox London Market profitability



Note: 100% share, fixed exchange rate

Business performance

Bronek Masojada

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Managing the business

Gross written premiums for the six months to 30 June 2013

	2013 £000	2012 £000	Change %	Growth in local currency %
Hiscox London Market				
- Insurance	**248,110**	196,967	26.0	23.3
- Reinsurance	**184,380**	174,283	5.8	3.7
Hiscox International				
- Hiscox Bermuda	**161,949**	159,411	1.6	(0.6)
- Hiscox Guernsey	**35,766**	36,325	(1.5)	(3.6)
- Hiscox USA	**92,605**	71,477	29.6	26.9
Hiscox UK and Europe				
- Hiscox UK	**205,508**	184,028	11.7	11.4
- Hiscox Europe	**89,626**	83,952	6.8	8.5
Total	**1,017,944**	906,443	12.3	10.8

Building the organisation around the opportunity

Background

- Market opportunities in London Market insurance will benefit from more focused leadership
- Market developments in reinsurance demand a single response – not two coordinated responses

Principal changes

- Separation of the London Market insurance and reinsurance businesses
- Immediate creation of Hiscox London Market Insurance under the leadership of Paul Lawrence as Chief Underwriting Officer
- Creation of an integrated reinsurance business "Hiscox Re" by 1 Jan 2014

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Hiscox London Market
Healthy profit

- Low exposure to catastrophes, discipline and favourable FX drive profit of £78.0m (2012: £69.5m)
- Insurance lines growing selectively where rates are strong or improving: property, casualty
- Reinsurance up slightly, but likely to contract at the full year as competition increases
- Good early results for new e-trading platform: US$1m new marine premium, new products coming
- Refocused management team around insurance

Hiscox Re

- Combined reinsurance functions in London, Paris and Bermuda
- Better service, faster underwriting decisions and bigger line sizes (up to US$200m) to key clients
- New CEO Jeremy Pinchin, providing strong strategic leadership

ILS capacity here to stay

- Non traditional reinsurance currently 15% or US$44bn of global property catastrophe business
- Leveraging our own expertise and capital – over US$1bn of premium ceded since 2007
  - Kiskadee Re - special purpose vehicle writing collateralised reinsurance
  - Third Point - investment and cat fund partnership
  - 13 quota share partnerships (US$600m managed GWP ceded, 2008-2013)

Hiscox UK
Excellent growth and profit

	Half year 2013 £m	Half year 2012 £m
Gross premiums written	**205.5**	184.0
Marketing expenditure	**(6.4)**	(6.7)
Underwriting result	**31.6**	17.7
Investment result	**9.1**	6.2
Foreign exchange	**(0.3)**	(1.4)
Profit before tax	**34.0**	15.8
Combined ratio	**87.7%**	95.2%

- Record profit driven by low losses and direct
- Retention rate of 92%
- Good performance in commercial lines and luxury motor business
- Reviewing underwriting partnerships
- Power of compound growth

Hiscox Europe
Record profit

	Half year 2013 €m	Half year 2012 €m
Gross premiums written	**108.5**	99.9
Marketing expenditure	**(2.6)**	(1.2)
Underwriting result	**8.0**	0.4
Investment result	**4.0**	2.1
Foreign exchange	**0.4**	(0.2)
Profit before tax	**9.8**	1.1
Combined ratio	**92.2%**	101.6%

- Growth in commercial lines and art and private client
- Excellent loss ratios
- Get Fit program delivering benefits
- Launched commercial direct in Germany

Hiscox International
Good growth and profit

- Hiscox USA
  - Profitable at the half year
  - Investing in people and brand – additional US$8m marketing spend in H2
  - Direct to small businesses developing well – 33,000 live policies
- Hiscox Guernsey
  - Healthy profit and stable top line in a competitive market
- Hiscox Bermuda
  - Good profit and stable top line
  - Healthcare business developing well

Summary and outlook

Bronek Masojada

HISCOX

Strategy working

- A good start to the year
- Opportunities taken in insurance
  - London Market growth
  - UK, Europe and USA developing well
- Navigating changing reinsurance market

Outlook

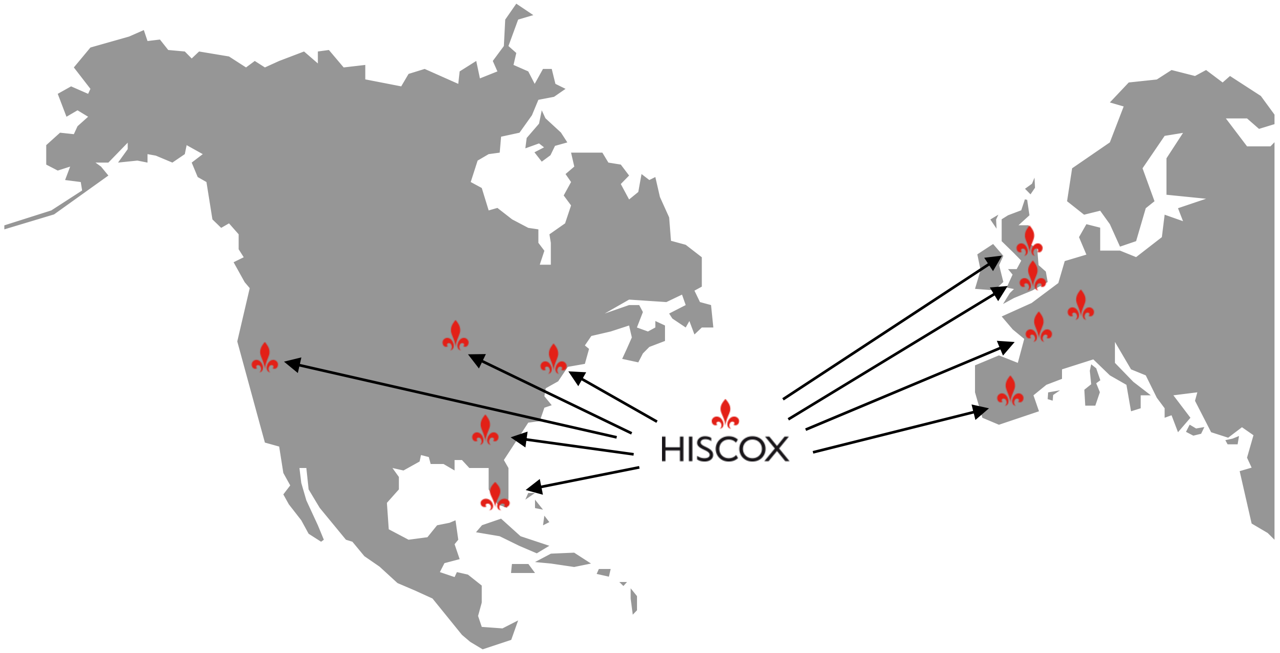
- Growth and development in insurance
- Evolution in reinsurance
- Investing in people and brand
- Challenging investment environment
- Capital
  - Industry awash with capital
  - Hiscox position considered at year end

Q&A

Appendices

- Geographic reach
- Strategic focus
- A symbiotic relationship
- Long-term growth
- Hiscox Ltd results
- Boxplot and whisker diagram of Hiscox Ltd
- Realistic disaster scenarios
- GWP geographical and currency split
- Group reinsurance security
- Reinsurance
- 2013 capital requirement projections
- Glossary of terms

Geographic reach



Bermuda
Hamilton

Europe
Amsterdam
Bordeaux
Brussels
Cologne
Dublin
Hamburg
Lisbon
Lyon
Madrid
Munich
Paris

Guernsey
St Peter Port

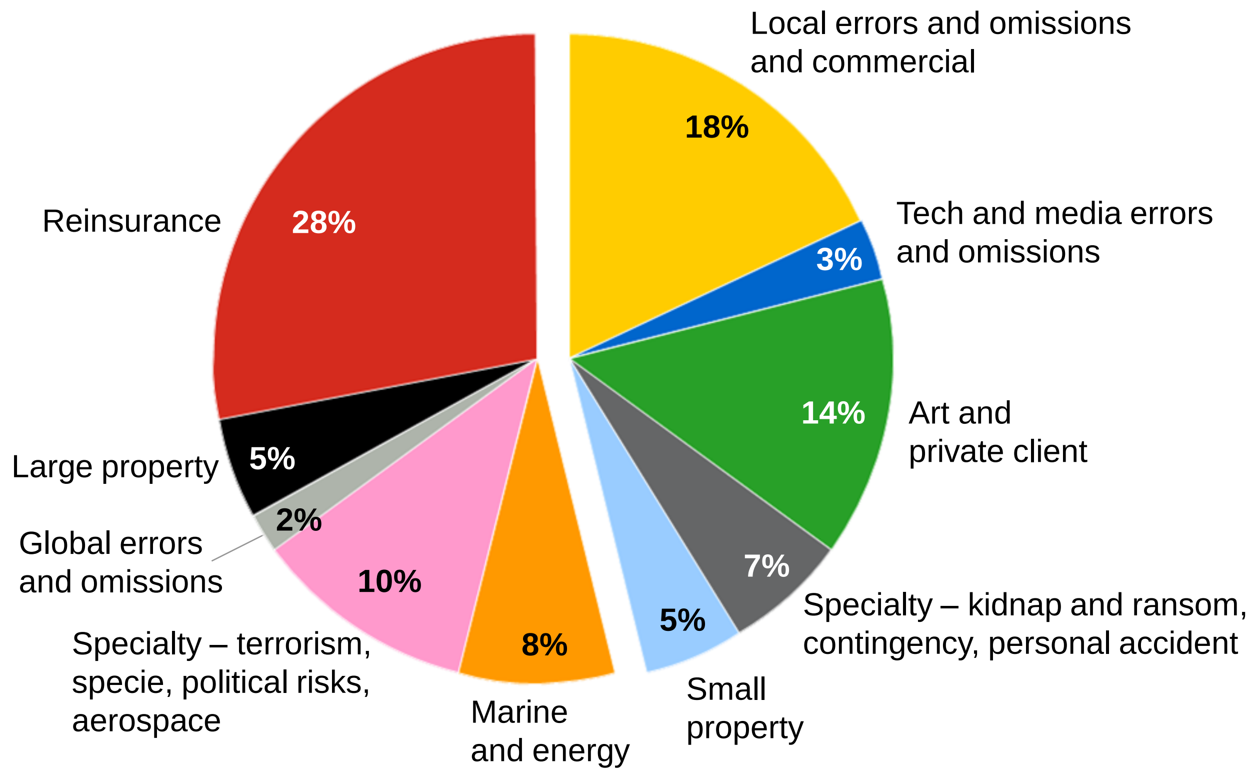
Latin American gateway
Miami

UK
Birmingham
Colchester
Glasgow
Leeds
London
Maidenhead
Manchester
York

USA
Atlanta
Chicago
Los Angeles
New York City
San Francisco
White Plains

Strategic focus

Total Group controlled income for 2012
100% = £1,792m



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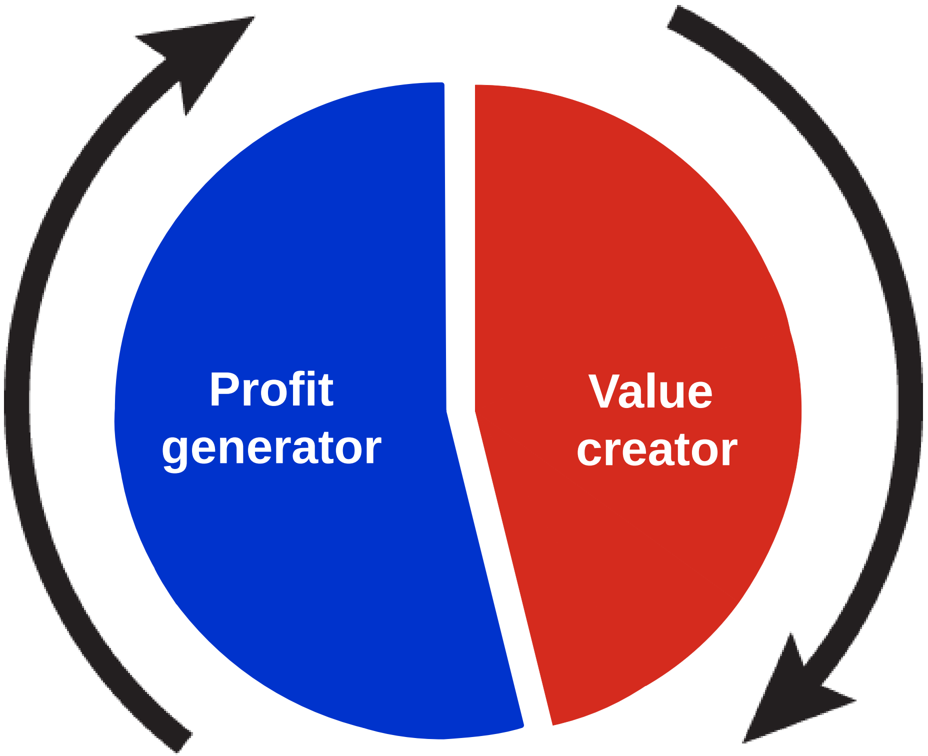
A symbiotic relationship

Internationally traded lines

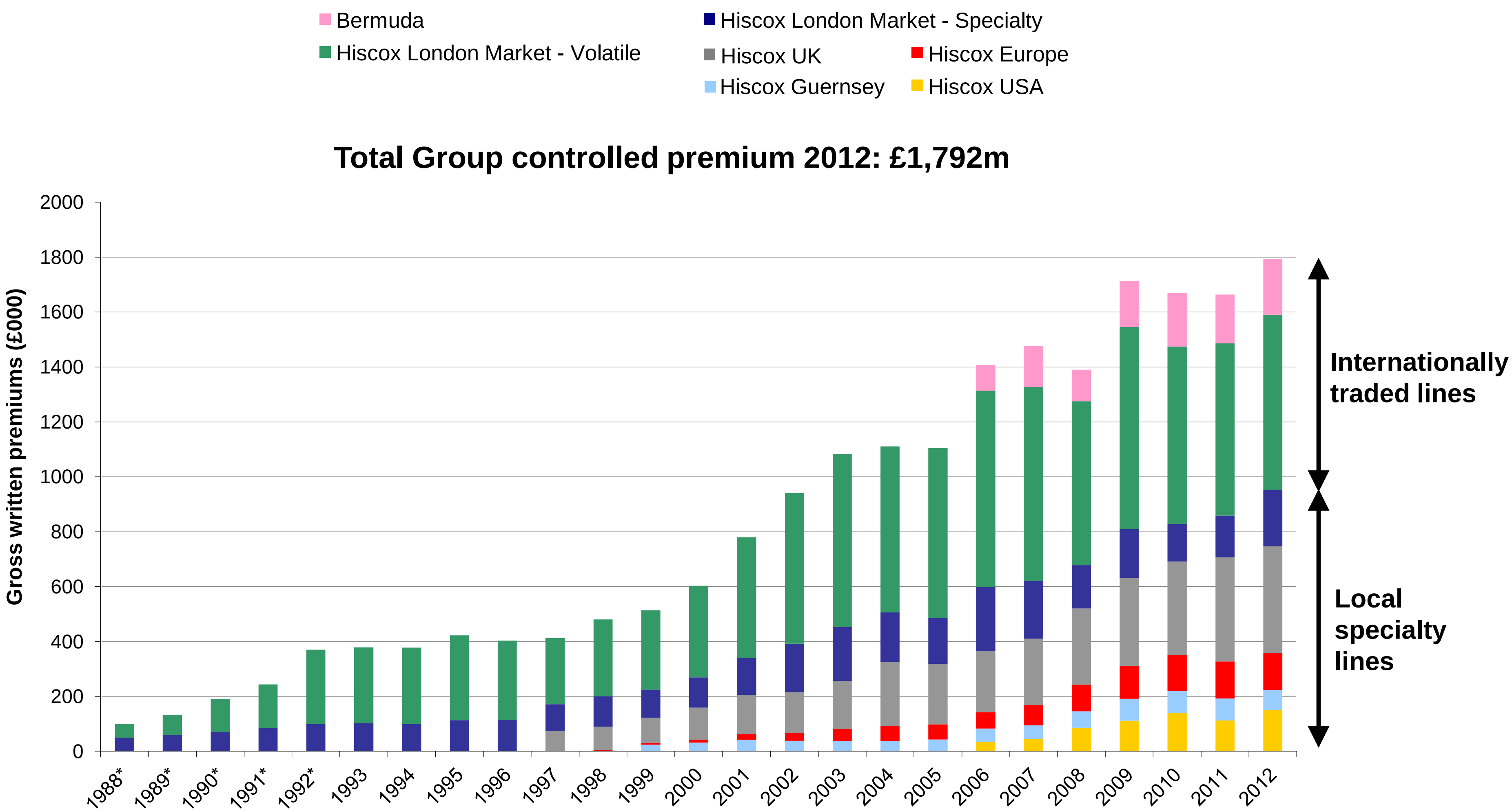
- Larger premium, catastrophe exposed
- Shrinks and expands according to rates
- Excess profits allow investment in retail development



Local specialty lines

- Premium growth between 5-15% per annum
- Pays dividends
- Brand builds strong market position
- Profits act as additional capital

Long-term growth



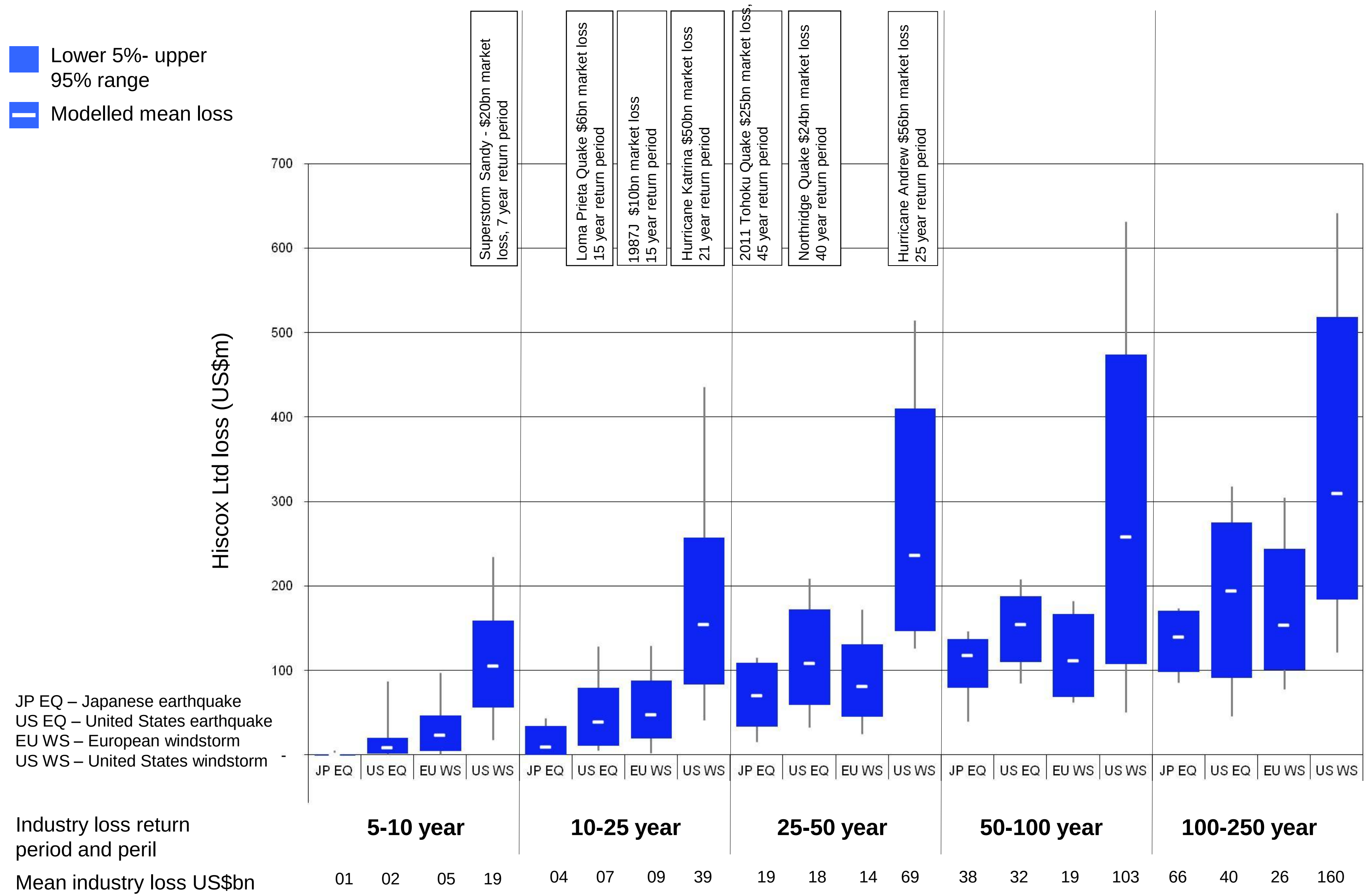
*Split estimated for these years.

Hiscox Ltd results

£000	2012º	2011	2010	2009	2008	2007
Gross premiums written	1,565,819	1,449,219	1,432,674	1,435,401	1,147,364	1,198,949
Net premiums written	1,268,140	1,174,011	1,131,627	1,157,023	898,394	974,910
Net premiums earned	1,198,621	1,145,007	1,131,158	1,098,102	928,095	965,190
Investment return†	92,690	25,942	98,849	182,769	(27,632)	100,787
Profit before tax	217,454	17,271	211,366	320,618	105,180	237,199
Profit after tax	208,026	21,272	178,800	280,497	70,808	191,248
Basic earnings per share	53.1p	5.5p	47.2p	75.2p	18.8p	48.4p
Dividend or equivalent	18.0p	17.0p	16.5p	15.0p	12.75p	12.0p
Invested assets (incl cash) £m†	3,055.8	2,873.4	2,779.7	2,661.6	2,522.4	2,050.6
Net asset value						
£m	1,365.4	1,255.9	1,266.1	1,121.3	951.0	824.3
p per share	346.4	323.5	332.7	299.2	258.1	209.5
Combined ratio	85.5%	99.5%	89.3%	86.0%	75.3%	84.4%
Return on equity after tax*	17.1%	1.7%	16.5%	30.1%	9.2%	28.8%

†Excluding derivatives and catastrophe bonds.
*Annualised post tax, based on adjusted opening shareholders' funds.
ºRestated for the adoption of IAS 19 (2011).

Boxplot and whisker diagram of modelled Hiscox Ltd net loss (US$m) June 2013



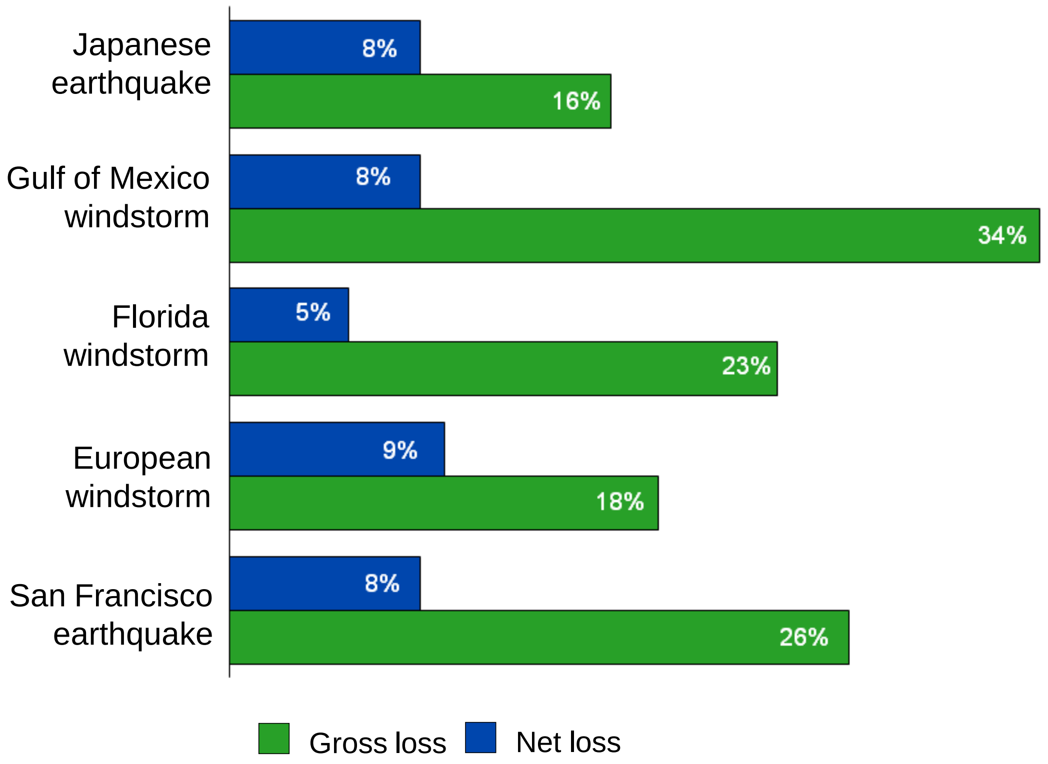
JP EQ – Japanese earthquake
US EQ – United States earthquake
EU WS – European windstorm
US WS – United States windstorm

Industry loss return period and peril

Mean industry loss US$bn

Realistic disaster scenarios

Hiscox Group - losses shown as percentage of 2013 gross and net written premium



Industry loss return period

US$50bn 1 in 240 year

US$107bn 1 in 80 year

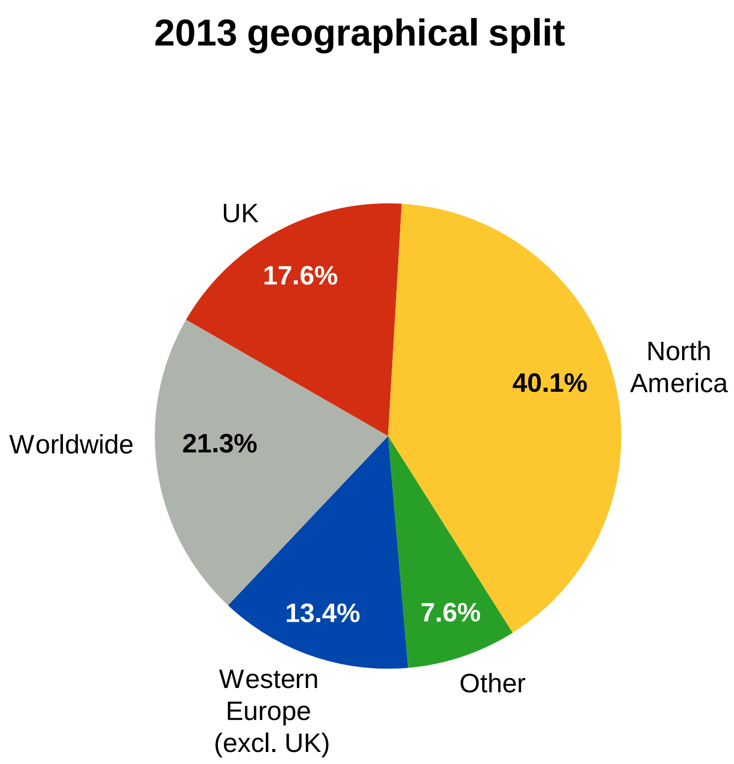
US$125bn 1 in 100 year

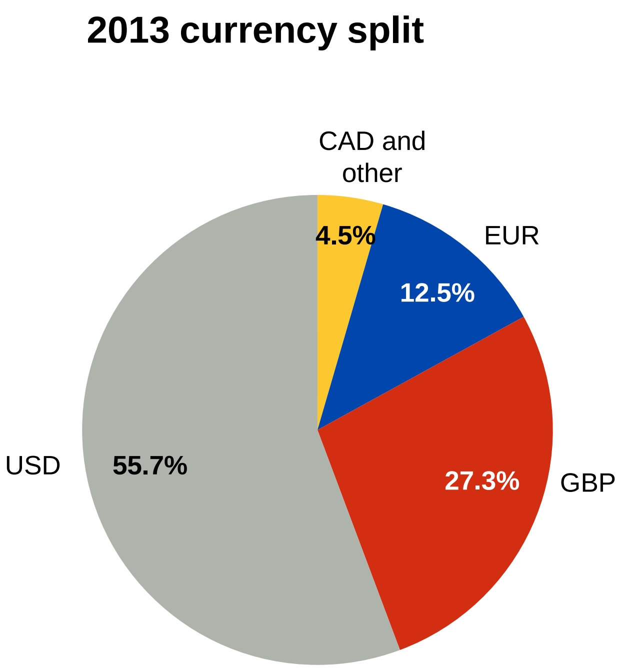
US$30bn 1 in 200 year

US$50bn 1 in 110 year

Estimates use models provided by Risk Management Solutions, Inc and AIR Worldwide Corporation.
Industry losses estimated using Lloyd's guidelines.

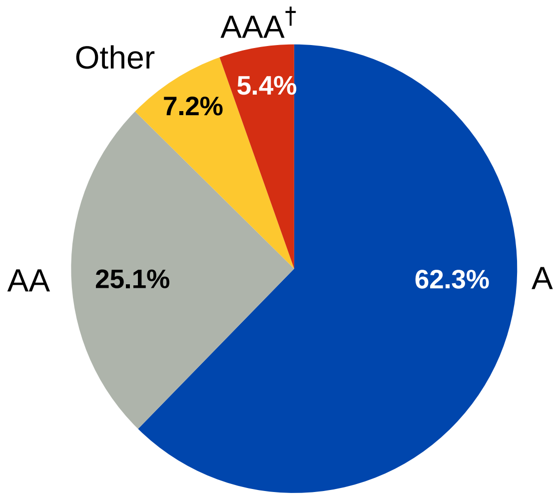
GWP geographical and currency split



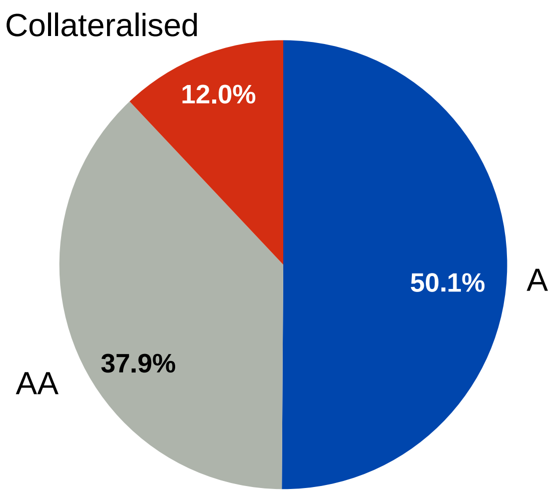


Group reinsurance security

Receivables at 30/06/13 of £639.1m



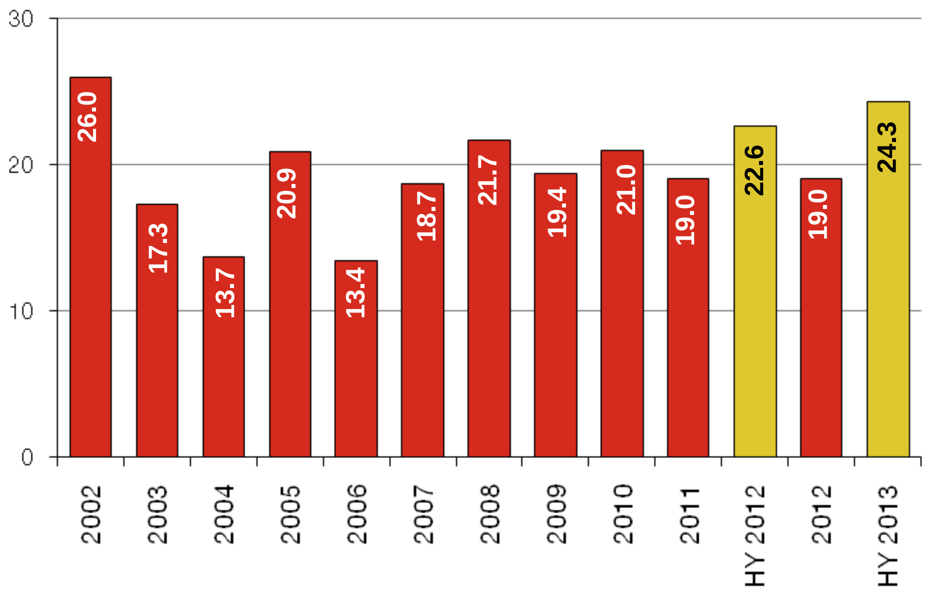
2013 reinsurance protections*
First loss exposure by rating



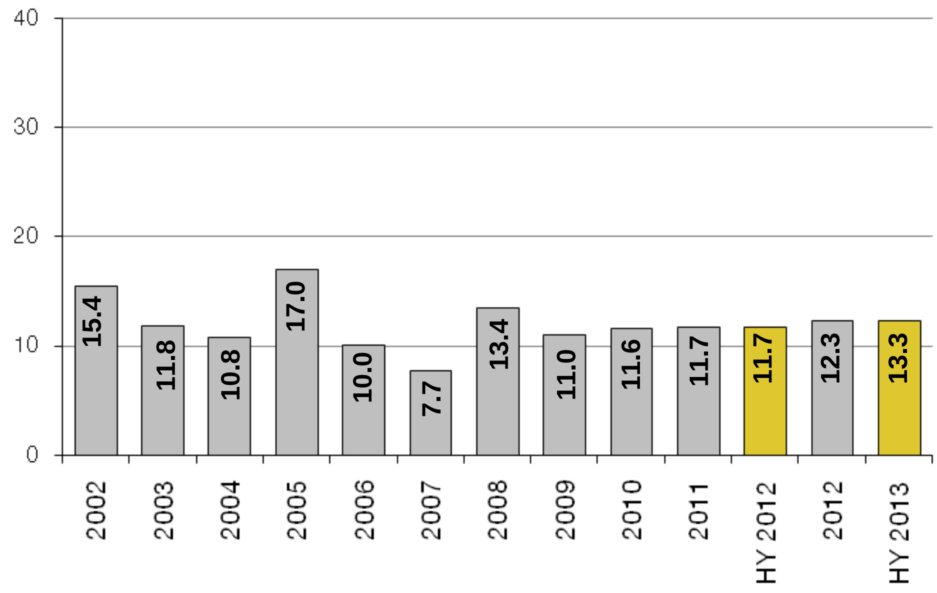
*Reinsurance placements in force at 1 April 2013.
†Includes collateralised.

Reinsurance

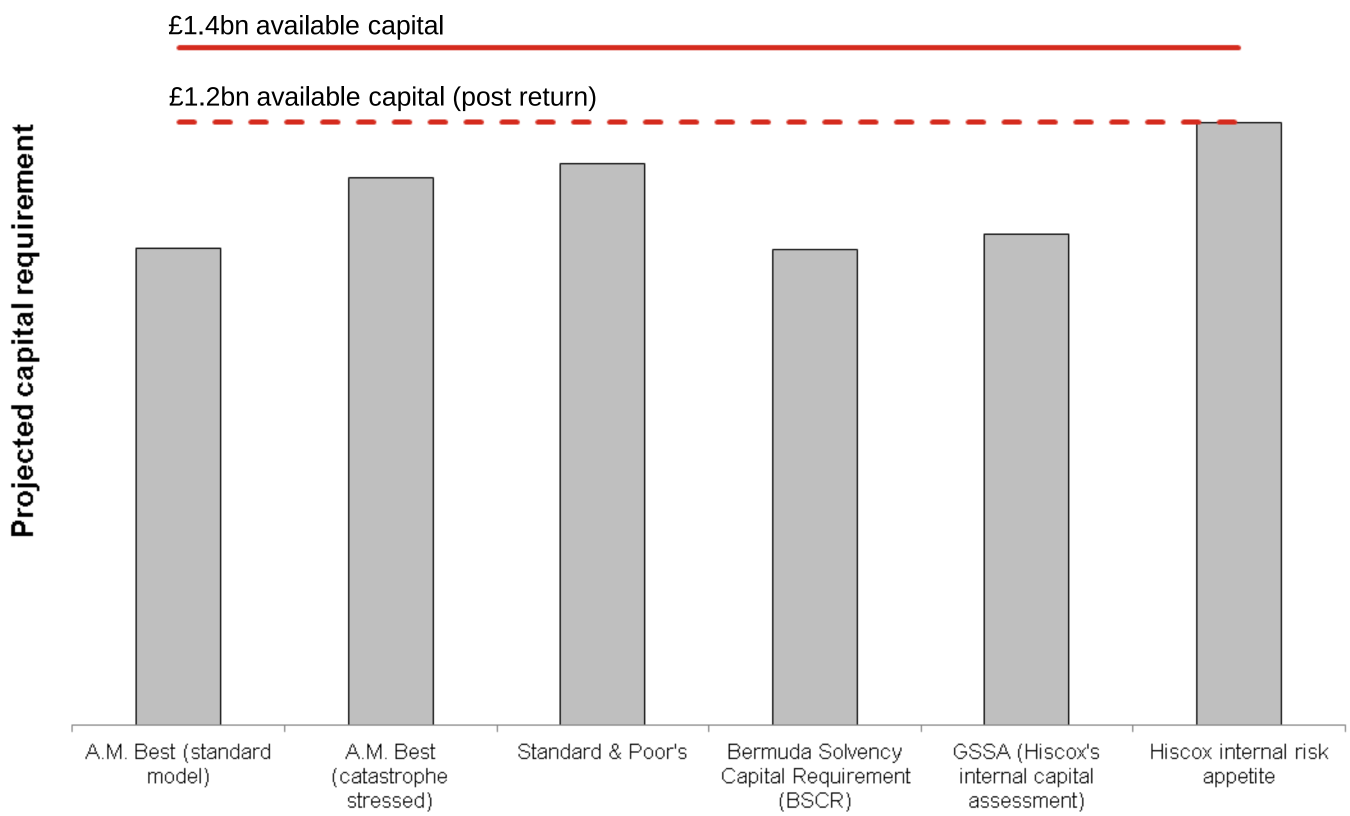
Reinsurance as a % of GWP



Reinsurance receivables as a % of total assets



2013 capital requirement projections



Notes:
1.Rating agency requirements are an internal projection, by Hiscox, based upon the 2013 business plan
2.The Hiscox internal risk appetite reflects Hiscox's goal of maximising its return on capital within accepted levels of risk
3.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

Glossary of terms

Annual venture	The system used for running a Lloyd’s syndicate under which each ‘year of account’ is treated separately. Members own capacity on a syndicate for a ‘year of account’ and the results are declared when the year is closed by the RITC mechanism, usually after three years.
Claims ratio	Net claims incurred, including IBNR, as a percentage of net earned premiums.
Combined ratio	The total of the claims, expenses and impact of foreign exchange ratios.
Expenses ratio	Expenses as a percentage of net earned premiums.
Funds at Lloyd’s	The amount of assets, which can be cash, investments or Letters of Credit, that a syndicate member has to deposit with Lloyd’s to support his share of the capacity on a syndicate. The minimum amount is 40% of the capacity owned by the member.
Gross written premium	Premiums contracted for before any deductions.
Group controlled	The total gross written premium controlled by the Group including the 27% of the Syndicate capacity not owned by Hiscox in 2013 (27% in 2012).
IBNR	Incurred but not reported. An estimate made at the end of each accounting period to cover the expected cost of losses that have occurred but have not yet been reported to the insurer or reinsurer.
Incurred loss ratio	Paid and outstanding losses as a percentage of premiums. Gross incurred loss ratio is before deducting any reinsurance and net is after deducting reinsurance.
Long-tail	A term used to describe an insurance risk that has the potential for claims development or new claims to be reported a number of years after expiry of the term of the policy.
Member or Name	The companies or individuals who own the capacity of a syndicate and who belong to the membership of the Society of Lloyd’s.

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Glossary of terms

Net premiums earned	Premiums received after the cost of reinsurance and adjustment for unearned premium. Unearned premium covers the future period of risk of an insurance policy.
Net premiums written	Premiums contracted for after deduction of reinsurance.
Open year	A year of account of a syndicate which has not been closed by reinsurance to close (RITC). RITC usually occurs at the end of the third year. A year of account can be left open beyond the third year if the extent of the future liability cannot be accurately quantified.
Qualifying quota share	These are quota share reinsurance policies, which Lloyd's allows in certain circumstances, that enable a syndicate to write gross premiums in excess of its capacity.
Reinsurance to close – RITC	The reinsurance to close comprises a premium payable by the closing year to the members on the next open year of account and a contract which transfers the liability for all claims in respect of the closing year to the next open year.
Run-off account	At Lloyd's, a year of account which is kept open after the date on which it would normally have been closed.
Subrogation	The right of the underwriter to 'stand in the shoes of the insured' and take over the insured's rights, following payment of a claim, to recover the payment of an incurred loss from a third party responsible for the loss. It is limited to the amount of loss paid by the insurance policy.
Syndicate capacity	Also referred to as the 'stamp'. The maximum amount of business that a syndicate in Lloyd's can write per year, aggregated from all its members.