



HISCOX

---

Hiscox Ltd  
Interim Statement  
2018



# Contents

1	Corporate highlights
2	Chairman's statement
7	Additional performance measures

## Financial summary

8	Condensed consolidated interim income statement
9	Condensed consolidated interim statement of comprehensive income
10	Condensed consolidated interim balance sheet
11	Condensed consolidated interim statement of changes in equity
13	Condensed consolidated interim cash flow statement
14	Notes to the condensed consolidated interim financial statements
29	Directors' responsibilities statement
30	Independent review report to Hiscox Ltd

### 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.

# Corporate highlights

Profit before tax excluding FX \$172.1 million.

Group key performance indicators	
Gross premiums written	\$2,228.8 million (2017: \$1,836.2 million)
Net premiums earned	\$1,277.9 million (2017: \$1,178.3 million)
Profit before tax	\$163.6 million (2017: \$129.1 million)
Profit before tax excluding FX	\$172.1 million (2017: \$167.9 million)
Earnings per share (\$)	54.0¢ (2017: 43.9¢)
Earnings per share (£)	39.3p (2017: 34.9p)
Interim dividend increased to	13.25¢ per share (2017: 12.60¢)
Net asset value per share (\$)	853.1¢ (2017: 855.0¢)
Net asset value per share (£)	648.4p (2017: 657.7p)
Group combined ratio	87.9% (2017: 90.8%)
Group combined ratio excluding FX	87.8% (2017: 89.7%)
Return on equity (annualised)	13.5% (2017: 11.2%)
Investment return (annualised)	0.7% (2017: 2.3%)
Foreign exchange losses	\$(8.5) million (2017: \$(38.8) million)
Reserve releases	\$154 million (2017: \$121 million)

## Operational highlights

Strong growth in gross premiums written of 21%, with all segments contributing.

Good underwriting drives improved combined ratio of 88%.

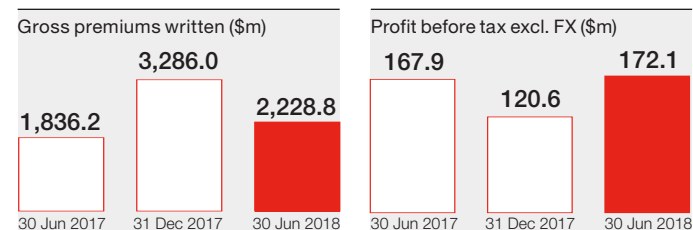
Profit before tax up 27% to \$164 million with Hiscox Retail contributing over half.

Reducing loss estimates for 2017 catastrophes drive increase in reserve releases to \$154 million, reflecting our prudent approach to reserving.

On track to exceed one million retail customers in 2018.

We continue to see strong demand for our ILS funds and now have assets under management of \$1.6 billion.

Interim dividend up 5% to 13.25¢.



# Chairman's statement

I am pleased to report that for the first six months of 2018, the Group delivered a pre-tax profit of \$163.6 million (2017: \$129.1 million) and has grown gross written premiums strongly by 21.4% to \$2,228.8 million (2017: \$1,836.2 million), with all areas of the business delivering. Our retail operations in their respective geographies continue to develop and grow and in big-ticket lines, we remain disciplined.

It was pleasing to see the business move quickly to capitalise on higher rates following the natural catastrophes of last year, and we will now maintain our underwriting discipline as rates in big-ticket lines flatten.

It has been a good start to the year, but hurricanes can blow us off course in the second half.

## Results

The half year result to 30 June 2018 was a pre-tax profit of \$163.6 million (2017: \$129.1 million), \$172.1 million excluding foreign exchange losses (2017: \$167.9 million). Gross written premiums increased by 21.4% to \$2,228.8 million (2017: \$1,836.2 million) or 16.4% growth in constant currency. Net earned premiums were \$1,277.9 million (2017: \$1,178.3 million). Following functional currency changes to US Dollars we have seen a reduced impact of foreign exchange resulting in a smaller loss of \$8.5 million (2017: loss of \$38.8 million). The net combined ratio was 87.9% (2017: 90.8%) or 87.8% (2017: 89.7%) excluding foreign exchange losses. Earnings per share were 54.0 cents (2017: 43.9 cents) or 39.3 pence (2017: 34.9 pence) and net assets per share reduced to 853.1 cents (2017: 855.0 cents) or 648.4 pence (2017: 657.7 pence) following last year's catastrophes, but have improved since December. The annualised return on equity was 13.5% (2017: 11.2%).

We have had a more normal loss experience across the Group. Reserve releases for the first half were \$154 million (2017: \$121 million), reflecting our prudent approach to reserving.

## Dividend, balance sheet and capital management

For the six months ended 30 June 2018 and beyond, dividends will be declared in US Dollars, aligning shareholder returns with the primary currency in which the Group generates cash flow. Dividends will be paid in Pounds Sterling unless shareholders elect to be paid in US Dollars. The foreign exchange rate at which future dividends declared in US Dollars will be converted into Pounds Sterling will be calculated based on the average exchange rate over the five business days prior to the Scrip Dividend price being determined. On this occasion the period will be between 20 August 2018 and 24 August 2018 inclusive.

In July 2018, the Board determined that future dividend growth, in line with our progressive dividend policy, would be calculated from the level of 39.8 cents per share for the year ended 31 December 2017 (H1 2017: 12.6 cents per share), which is equivalent to the total dividend payout of 29.0 pence per share for the year ended 31 December 2017 (H1 2017: 9.5 pence per share) at the foreign exchange conversion rate prevailing at the dividend declaration dates.

The Board is pleased to announce an interim dividend per share of 13.25 cents, representing a 5% increase over the 2017 interim dividend. The record date for the dividend will be 10 August 2018 and the payment date will be 11 September 2018.

The Board proposes to offer a scrip alternative subject to the terms and conditions of Hiscox Ltd's 2016 Scrip Dividend Scheme. The last date for receipt of Scrip along with the dividend currency elections will be 17 August 2018 and the reference price will be announced on 28 August 2018.

Further details on the dividend election process and Scrip alternative can be found on the investor relations section of the company's website.

## Rates

We started the year well, capitalising on the improved conditions in Hiscox London Market and Hiscox Re & ILS, as we led the way in achieving necessary rate increases. We are seeing momentum behind rate increases begin to slow and we expect our rate of premium growth to decline correspondingly.

In our London Market business, rate improvement has been most pronounced in catastrophe-exposed and loss-affected lines such as major property (up 16% in aggregate) and US household and commercial property binders which have seen increases of up to 10%.

In our reinsurance business, rates were up on average 10% but have flattened during the year. Despite this, conditions have improved year-on-year and currently rates are at levels where our own and third-party capital can be put to good use.

The retail businesses have experienced a more stable rating environment and we have grown as a result.

## Hiscox Retail

The Hiscox Retail segment comprises Hiscox UK & Europe, and Hiscox International.

Gross written premiums	\$1,113.0 million (2017: \$930.4 million)
Profit before tax	\$93.7 million (2017: \$92.3 million)
Profit before tax excluding FX	\$95.8 million (2017: \$89.8 million)
Combined ratio	90.7% (2017: 90.5%)
Combined ratio excluding FX	90.4% (2017: 90.8%)

As previously announced, we have appointed Ben Walter, formerly CEO Hiscox USA, to the newly created role of CEO Hiscox Global Retail. Ben has moved to the UK and is helping to sharpen the Group view of our retail

operations, and harmonise the common challenges that our retail businesses face when it comes to driving product innovation, creating scale, and digitising for the modern age.

## Hiscox UK and Europe

This division provides personal lines cover – from high-value household, fine art and collectibles to luxury motor – and commercial insurance for small- and medium-sized businesses, typically operating in white collar industries. These products are distributed via brokers and through a growing network of partnerships. Our schemes business offers insurance solutions to customers with similar risk profiles, for example sports clubs and niche industry associations. For some simple risks we distribute policies direct-to-consumer in the UK, France and Germany.

Gross written premiums	\$610.0 million (2017: \$510.5 million)
Profit before tax	\$65.5 million (2017: \$65.8 million)
Profit before tax excluding FX	\$68.9 million (2017: \$60.0 million)
Combined ratio	87.5% (2017: 86.6%)
Combined ratio excluding FX	86.8% (2017: 88.0%)

## Hiscox UK and Ireland

Gross written premium grew by 17.4% to \$411.3 million (2017: \$350.3 million), or 7.4% in constant currency. This is driven by a good performance in our home and direct small business lines, and in our partnerships such as with Barclays. It has also benefited from our events and contingency business moving from Hiscox London Market into Hiscox UK.

During the period UK Direct reached £100 million of premium. Building this business has taken time, but the brand we have established and expertise we have embedded is valuable not only to the UK but also to our other retail operations.

In the broker channel, our professions and specialty commercial and our art and private client businesses are now live on our new IT platform. As is necessary with any IT change of this

scale, we have commenced a process of reviewing and refining the system and associated processes in order to realise the desired long-term benefits to our business. We are planning for growth in the broker channel to be muted as these changes take effect.

Escape of water claims remain a feature of the UK household market, but good claims performance in management liability, emerging professional indemnity, technology and cyber is helping to offset these losses. February's 'Beast from the East' cold weather snap in the UK did generate a number of claims, but the event was well within our expected range for a UK weather event.

## Hiscox Europe

Gross written premiums grew by 24.0% to \$198.7 million (2017: \$160.2 million), or 10.2% in constant currency driven by Germany and Spain.

Germany's strong growth trajectory has continued, with our management liability, motor and cyber products proving popular. Our marketing focus on cyber is having a positive effect, with new business up significantly year-on-year. The Frankfurt branch we opened last year is performing well, with our sales team on-the-ground providing direct access to a valuable network of brokers in Germany's financial capital.

In Spain, our management liability, cyber and directors and officers' lines, and our partnership with a major financial service provider, continue to perform well. The CyberClear proposition we launched at the end of last year has proved particularly popular, with both brokers and partners. The roll-out of our new 'My Hiscox' broker extranet site has started in Spain and has attracted more than 650 registered users so far.

Our Benelux business is building on last year's good momentum, with a focus on professions, cyber and specialty commercial lines. In France, where growth has been more muted, we see greatest potential in cyber, partnerships with financial institutions, and in motor where our good reputation in classic car is attracting new business.

The business moved quickly to capitalise on higher rates following the natural catastrophes of last year, and we will maintain underwriting discipline as rates in big-ticket lines flatten.

# Chairman's statement continued

Our preparations for Brexit are progressing well. The approval process for the proposed transfer of certain current and historical policies and associated liabilities from Hiscox Insurance Company Limited to our Luxembourg carrier, Hiscox S.A., using a Part VII legal process, is underway. We have been preparing for a worst-case scenario 'hard Brexit' and so, subject to court and regulatory approval, our subsidiary is anticipated to be up and running from 1 January 2019 and will ensure we can continue to serve our clients without interruption.

## Hiscox International

This division comprises Hiscox Special Risks, Hiscox USA and DirectAsia.

Gross written premiums	\$503.0 million (2017: \$419.9 million)
Profit before tax	\$28.2 million (2017: \$26.5 million)
Profit before tax excluding FX	\$26.9 million (2017: \$29.8 million)
Combined ratio	94.6% (2017: 95.3%)
Combined ratio excluding FX	94.9% (2017: 94.3%)

## Hiscox Special Risks

Hiscox Special Risks underwrites kidnap and ransom, security risks, personal accident, classic car, jewellery and fine art. Hiscox Special Risks has teams in London, Guernsey, Cologne, Munich, Paris, New York, Los Angeles and Miami.

Gross written premiums grew by 5.7% to \$69.8 million (2017: \$66.0 million) during the first half of the year.

In kidnap and ransom, we are maintaining our market-leading position despite increased competition and on-going challenges in the rating environment.

Our Security Incident Response product, which covers a range of security issues such as criminal threats, workplace violence, corporate espionage and

cyber extortion, continues to perform well and was recently launched in The Netherlands. We see significant growth potential for this product, particularly in the US, and are deploying considerable resources to accelerate its growth globally with both existing and potential clients.

## Hiscox USA

Hiscox USA underwrites small- to mid-market commercial risks through brokers, other insurers and directly to businesses online and over the telephone. The business continues to be a stand-out performer for the Group, with gross written premiums increasing by 22.3% to \$423.9 million (2017: \$346.8 million).

The direct and partnerships division continues to be the biggest driver of growth, and in the broker channel our healthcare, general liability and entertainment lines are performing particularly well. Our new US property MGA has now commenced trading, which as we mentioned in May enables us to increase our line size and make us a more material participant in the market. Moving this premium into the MGA will have a small impact on headline growth for the US business.

Our new offices in Las Vegas and Phoenix are now established and improving our capabilities to service our West Coast customers.

Steve Langan has now begun his new role as Hiscox USA CEO, as previously announced. He remains Chief Marketing Officer for the Group and our US business will benefit hugely from his experience in building strong brands, as the business moves into its next stage of growth.

## DirectAsia

DirectAsia is a direct-to-consumer business in Singapore and Thailand that sells predominantly motor insurance, acquired by Hiscox in April 2014.

DirectAsia achieved gross written premiums of \$9.3 million (2017: \$7.1 million) during the first half of the year. Both Singapore and Thailand remain competitive markets, so innovation is crucial.

Through product and pricing enhancements we are growing in car, motorcycle and family travel, attracting and retaining more customers.

Our marketing and brand-building activities continue to perform well, and we have extended our distribution through commercial partnerships. The partnership we established last year with Shell in Singapore is already boosting reach and driving growth, and we are pleased to have now commenced commercial marketing partnerships in the Thai market. We are actively seeking other partnerships.

## Hiscox London Market

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

Gross written premiums	\$458.7 million (2017: \$395.8 million)
Profit before tax	\$41.9 million (2017: \$21.7 million)
Profit before tax excluding FX	\$42.8 million (2017: \$32.1 million)
Combined ratio	88.6% (2017: 94.6%)
Combined ratio excluding FX	88.4% (2017: 90.8%)

Gross written premiums in Hiscox London Market increased by 15.9% to \$458.7 million (2017: \$395.8 million), or 13.1% in constant currency.

Where we have seen rate improvements, in lines such as major property and US household and commercial property binders, we have grown significantly. We have also seen strong growth in general liability and cyber as the market develops in these two areas. In our core lines which include terrorism and flood, our product, distribution and service are differentiating us. We have also seen good growth opportunities in specialty lines like marine and energy construction, where we are benefiting from a rising oil price.

US flood remains an area of significant opportunity. Our FloodPlus products use proprietary technology and advanced analytics to provide better cover at a fairer price for customers, backed by capacity from the flood

consortium we lead. Our recently launched FloodPlus Commercial product has been well received and we have seen a material uptick in interest for our FloodPlus household product, which is now generating 1,200 quotes per day. These products demonstrate the innovation and unique distribution capabilities of the London Market.

Our London Market business is a top quartile performer in Lloyd's and maintaining that position requires active cycle management. The tough decisions we took in 2017 and earlier this year to reduce or exit in areas such as extended warranty, aviation hull and aviation liability, position us well against the on-going headwinds. We are also supportive of Lloyd's as they continue to push for greater profitability in the market.

Our alternative risk team received recognition for their work at the Reactions London Market Awards 2018, where they were awarded Insurance Team of the Year.

## Hiscox Re & ILS

The Hiscox Re & ILS segment comprises the Group's reinsurance businesses in London, Paris and Bermuda and insurance linked security (ILS) activity.

Gross written premiums	\$655.6 million (2017: \$510.0 million)
Profit before tax	\$57.1 million (2017: \$48.0 million)
Profit before tax excluding FX	\$54.5 million (2017: \$49.9 million)
Combined ratio	71.5% (2017: 83.4%)
Combined ratio excluding FX	72.3% (2017: 81.2%)

Gross written premiums grew by 28.5% to \$655.6 million (2017: \$510.0 million), or 25.4% in constant currency. This is driven by risk and specialist lines, the additional catastrophe risk we have taken and the business we write on behalf of our ILS and quota share partners.

The good growth we saw at the start of the year has slowed during the second quarter, and we have focused on areas where rate improvement has been most

The retail businesses, in their respective regions and product lines, continue their good momentum. The opportunities are legion.

# Chairman's statement continued

significant such as US property catastrophe risk and risk excess. We will retain our underwriting discipline, particularly if rates flatten further.

Our strategy of sharing the most volatile catastrophe-exposed risks with our quota share and ILS partners, in line with their risk appetite, protects us in heavy catastrophe years such as 2017, where we significantly outperformed the market and delivered an underwriting profit in reinsurance.

After a number of benign years we have seen some one-off losses in our risk excess book, where we still see good opportunities for profitability and growth. We continue to develop our risk and specialist lines where the market is evolving, for example in cyber, with products such as a first-of-its-kind cyber industry loss warranty.

In Hiscox Re ILS, our funds and vehicles have performed well relative to the market and in aggregate we continue to see positive reserve development. We are seeing strong demand for our ILS funds and now have assets under management of \$1.6 billion.

## Investments

The investment return for the first six months of 2018 is \$19.7 million (2017: \$58.5 million), 0.7% (2017: 2.3%) on an annualised basis before derivatives and fees. Assets under management at 30 June 2018 were \$6,460 million (2017: \$5,740 million).

Market sentiment this year is very different to last year. In 2017, inflation expectations rose, and with them, the risk that asset performance would be poor. These risks crystallised in the first quarter of the year, as volatility returned to the markets, interest rates rose and equity markets fell. The long period of low volatility finally came to an end, leading to a negative asset performance

for the quarter. The second quarter brought some respite, with recovering equity markets and slower than expected interest rate rises more than recouping the losses of the first quarter for our asset portfolio.

While US interest rates have risen, aided by President Trump's fiscal injection, UK and European economies have had no such stimulus and so interest rates have not kept up. The European Central Bank is now timetabling the removal of quantitative easing, based on better growth numbers, which should lead to interest rate rises in Europe in the next year or two.

We remain cautious on our expectations for investment return, with a modest exposure to risk assets of 6.7% and a relatively high allocation to cash at 24.8%. This leaves sufficient leeway to re-invest at higher yields as circumstances allow, and protects the balance sheet against rising interest rates.

## Marketing

We continue to invest significantly in our brand and it is paying off, creating crucial differentiation and helping to drive growth as we continue our march towards one million retail customers. This year we will spend over \$75 million on marketing (2017: \$69 million) and most of this investment is targeted at the UK and the US, where we see significant growth opportunity.

In the US, we launched the next evolution of our 'I'mpossible' campaign, which celebrates entrepreneurship, with a new advert in honour of International Women's Day. In the UK, our 'CyberLive' digital poster campaign raised awareness of the threat that cyber crime poses to small businesses and boosted our exposure as cyber insurance experts.

Elsewhere, we have launched new brand-building campaigns in France and Germany to raise awareness of Hiscox amongst small business owners (whether they buy insurance via a broker or direct) and for DirectAsia both the new TV advertising in Thailand and new product campaigns in Singapore have driven growth.

## Outlook

Hiscox is in good shape. The London Market business is navigating the market and finding opportunities in areas such as flood, cyber and general liability. In reinsurance we have grown and are achieving good margins. The retail businesses, in their respective regions and product lines, continue their good momentum. The opportunities are legion.

The Group is also working hard to transform much of our underlying infrastructure. This includes the impact of Brexit, General Data Protection Regulation (GDPR), New York Cybersecurity Regulation, IFRS 17 accounting standards, the Insurance Distribution Directive (IDD) and the updated Senior Managers and Certification Regime (SF&CR). The finance and IT infrastructure projects we are undertaking across the Group, especially in our retail businesses, position us favourably as we look to grow market share in key lines and geographies according to the size of the opportunity ahead of us.

My thanks to all employees for their efforts so far. It's going to be a busy second half.



Robert Childs  
Chairman  
30 July 2018

# Additional performance measures

The Group uses, throughout its financial publications, alternative performance measures (APMs) in addition to the figures that are prepared in accordance with International Financial Reporting Standards (IFRS). We believe that these measures provide useful information to enhance the understanding of our financial performance. These APMs are: profit excluding foreign exchange gains/(losses), GWP growth in local currency, combined claims and expense ratios, return on equity, net asset value per share and reserve releases. These are standard measures used across the industry, and allow the user of the half year report to compare across peer companies. The APMs should be viewed as complementary to, rather than a substitute for, the figures prepared in accordance with IFRS.

## Profit excluding foreign exchange gains/(losses)

This represents the profit for the period after deducting foreign exchange gains or adding back foreign exchange losses in the relevant period. This enables the reader of these financial statements, and the Group, to measure the comparability of underlying profitability without the foreign exchange volatility. To obtain the value, the reader of these financial statements should remove the foreign exchange gains/(losses), as identified in the income statement, from the profit for the period.

## GWP growth in local currency

Gross written premium, as reported in the consolidated income statement, is measured in the underlying currency and compared to prior years on a constant currency rate basis. This eliminates the impact exchange fluctuations has on the result and therefore allows a direct comparison between years. This is performed on a business unit basis and gives an accurate indication of premium growth compared to prior years.

## Combined claims and expense ratios

The combined claims and expense ratios are a common measure enabling comparability across the insurance industry, that measures the relevant underwriting profitability of the business by reference to its costs as a proportion of its net earned premium. The Group calculates the combined ratio as if the Group owned all of the business, including the 27.4% of Syndicate 33 that the Group does not own. The Group does this to enable comparability from period to period as the business mix may change in a segment between insurance carriers, and this enables us to measure all of our underwriting businesses on an equal measure. The calculation is discussed further in note 8, operating segments. The combined ratio excluding foreign exchange gains/(losses) is calculated as the sum of the claims ratio and the expense ratio.

## Return on equity (ROE)

As is common within the financial services industry, the Group uses ROE as one of its key performance metrics. While the measure enables the company to compare itself against other peer companies in the immediate industry, it is also a key measure internally where it is used to compare the profitability of business segments, and underpins the performance-related pay and share-based payment structures, as discussed within the remuneration policy report in the Annual Report and Accounts. The ROE is shown in note 10, along with an explanation of the calculation.

## Net asset value (NAV) per share

The Group uses NAV per share as one of its key performance metrics. This is a widely used key measure for management and also for users of the financial statements to provide comparability across peers in the market. NAV per share is shown in note 9, along with an explanation of the calculation.

## Reserve releases

Reserve releases are a measure of favourable development on claims reserves that existed at the prior balance sheet date. It enables the users of the financial statements

to compare and contrast our performance relative to peer companies. The Group maintains a prudent approach to reserving, to help mitigate the uncertainty within the reserve estimates. The release is calculated as the movement in ultimate losses on prior accident years between the current and prior year balance sheet date, as shown in note 15, as a result of better than expected outcomes of the estimates booked at the prior period close.

## Condensed consolidated interim income statement For the six month period ended 30 June 2018

	Note	Reviewed six months to 30 June 2018 \$'000	Reviewed six months to 30 June 2017 (restated)* \$'000	Audited year to 31 Dec 2017 (restated)* \$'000
<b>Income</b>				
Gross premiums written	8	2,228,821	1,836,178	3,286,021
Outward reinsurance premiums		(829,534)	(561,138)	(883,022)
Net premiums written		1,399,287	1,275,040	2,402,999
Gross premiums earned		1,804,307	1,564,717	3,295,965
Premiums ceded to reinsurers		(526,377)	(386,434)	(879,757)
Net premiums earned		1,277,930	1,178,283	2,416,208
Investment result	11	19,747	58,533	104,750
Other income	12	24,044	27,618	54,079
Total income		1,321,721	1,264,434	2,575,037
<b>Expenses</b>				
Claims and claim adjustment expenses		(786,023)	(704,061)	(2,489,598)
Reinsurance recoveries		270,430	146,505	1,178,682
Claims and claim adjustment expenses, net of reinsurance		(515,593)	(557,556)	(1,310,916)
Expenses for the acquisition of insurance contracts		(425,786)	(376,233)	(798,809)
Reinsurance commission income		116,557	103,813	210,879
Operational expenses	12	(309,189)	(253,851)	(528,973)
Net foreign exchange losses	20	(8,486)	(38,836)	(80,890)
Total expenses		(1,142,497)	(1,122,663)	(2,508,709)
Results of operating activities		179,224	141,771	66,328
Finance costs	13	(15,439)	(12,432)	(26,895)
Share of (loss)/profit of associates after tax		(192)	(240)	259
<b>Profit before tax</b>		163,593	129,099	39,692
Tax expense	14	(10,528)	(5,933)	(5,788)
<b>Profit for the period (all attributable to owners of the Company)</b>		153,065	123,166	33,904
<b>Earnings per share on profit attributable to owners of the Company</b>				
Basic	16	54.0c	43.9c	12.0c
Diluted	16	52.5c	42.6c	11.6c

\*See note 3 and 4 for further 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 2018

	Reviewed six months to 30 June 2018 \$'000	Reviewed six months to 30 June 2017 (restated)* \$'000	Audited year to 31 Dec 2017 (restated)* \$'000
Profit for the period	153,065	123,166	33,904
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit obligation	–	–	11,173
Income tax on the remeasurement of other comprehensive income	–	–	(2,279)
	–	–	8,894
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(3,241)	79,945	126,987
Income tax on the remeasurement of other comprehensive income	–	–	–
	(3,241)	79,945	126,987
<b>Other comprehensive (expense)/income net of tax</b>	(3,241)	79,945	135,881
<b>Total comprehensive income for the year (all attributable to owners of Company)</b>	149,824	203,111	169,785

\*See note 3 for further 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 2018

	Reviewed 30 June 2018 \$'000	Reviewed 30 June 2017 (restated)* \$'000	Audited 31 Dec 2017 (restated)* \$'000
<b>Assets</b>			
Goodwill and intangible assets	190,824	171,681	186,038
Property, plant and equipment	62,780	60,919	65,628
Investments in associates	10,250	10,332	10,723
Asset held for sale	–	7,271	–
Deferred tax	59,162	51,225	53,462
Deferred acquisition costs	520,403	491,410	446,129
Financial assets carried at fair value	18 4,927,499	4,796,919	5,139,643
Reinsurance assets	15 2,148,855	1,203,006	1,833,255
Loans and receivables including insurance receivables	1,527,810	1,259,965	1,121,452
Current tax asset	–	7,517	5,716
Cash and cash equivalents	1,594,476	1,001,742	867,767
<b>Total assets</b>	<b>11,042,059</b>	<b>9,061,987</b>	<b>9,729,813</b>
<b>Equity and liabilities</b>			
Shareholders' equity			
Share capital	33,964	33,858	33,913
Share premium	53,924	40,448	45,849
Contributed surplus	183,969	183,969	183,969
Currency translation reserve	(313,823)	(357,624)	(310,582)
Retained earnings	2,460,593	2,514,771	2,414,158
<b>Equity attributable to owners of the Company</b>	<b>2,418,627</b>	<b>2,415,422</b>	<b>2,367,307</b>
Non-controlling interest	1,074	1,074	1,074
<b>Total equity</b>	<b>2,419,701</b>	<b>2,416,496</b>	<b>2,368,381</b>
Employee retirement benefit obligation	62,489	72,981	64,114
Deferred tax	–	9,798	–
Insurance liabilities	15 6,474,119	5,266,834	6,007,750
Financial liabilities	18 735,362	369,682	391,110
Current tax	10,268	13,402	9,456
Trade and other payables	1,340,120	912,794	889,002
<b>Total liabilities</b>	<b>8,622,358</b>	<b>6,645,491</b>	<b>7,361,432</b>
<b>Total equity and liabilities</b>	<b>11,042,059</b>	<b>9,061,987</b>	<b>9,729,813</b>

\*See note 3 for further 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 2018

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Reviewed Total \$'000
Balance at 1 January 2018 (restated)*	33,913	45,849	183,969	(310,582)	2,414,158	1,074	2,368,381
Profit for the period (all attributable to owners of the Company)	–	–	–	–	153,065	–	153,065
Other comprehensive expense net of tax (all attributable to owners of the Company)	–	–	–	(3,241)	–	–	(3,241)
Employee share options:							
Equity settled share-based payments	–	–	–	–	13,890	–	13,890
Proceeds from shares issued	28	4,192	–	–	–	–	4,220
Deferred and current tax on employee share options	–	–	–	–	2,510	–	2,510
Net movements of treasury shares held by Trust	–	–	–	–	(47,021)	–	(47,021)
Shares issued in relation to Scrip Dividend	23	3,883	–	–	–	–	3,906
Dividends paid to owners of the Company	–	–	–	–	(76,009)	–	(76,009)
<b>Balance at 30 June 2018</b>	<b>33,964</b>	<b>53,924</b>	<b>183,969</b>	<b>(313,823)</b>	<b>2,460,593</b>	<b>1,074</b>	<b>2,419,701</b>

\*See note 3 for further details.

The equity attributable to owners of the Company is \$2,418,627,000 at 30 June 2018.

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Non- controlling interest \$'000	Reviewed (restated)* Total \$'000
Balance at 1 January 2017	33,806	34,031	183,969	(437,569)	2,439,509	1,074	2,254,820
Profit for the period (all attributable to owners of the Company)	–	–	–	–	123,166	–	123,166
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	79,945	–	–	79,945
Employee share options:							
Equity settled share-based payments	–	–	–	–	17,169	–	17,169
Proceeds from shares issued	32	2,578	–	–	–	–	2,610
Deferred and current tax on employee share options	–	–	–	–	4,162	–	4,162
Net movements of treasury shares held by Trust	–	–	–	–	(1,571)	–	(1,571)
Shares issued in relation to Scrip Dividend	20	3,839	–	–	–	–	3,859
Dividends paid to owners of the Company	–	–	–	–	(67,664)	–	(67,664)
<b>Balance at 30 June 2017</b>	<b>33,858</b>	<b>40,448</b>	<b>183,969</b>	<b>(357,624)</b>	<b>2,514,771</b>	<b>1,074</b>	<b>2,416,496</b>

\*See note 3 for further details.

The equity attributable to owners of the Company is \$2,415,422,000 at 30 June 2017.

# Condensed consolidated interim statement of changes in equity

## For the six month period ended 30 June 2018

continued

							Audited (restated)*
	Share capital \$000	Share premium \$000	Contributed surplus \$000	Currency translation reserve \$000	Retained earnings \$000	Non- controlling interest \$000	Total \$000
Balance at 1 January 2017	33,806	34,031	183,969	(437,569)	2,439,509	1,074	2,254,820
Profit for the year (all attributable to owners of the Company)	–	–	–	–	33,904	–	33,904
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	126,987	8,894	–	135,881
Employee share options:							
Equity settled share-based payments	–	–	–	–	32,465	–	32,465
Proceeds from shares issued	77	6,084	–	–	–	–	6,161
Deferred and current tax on employee share options	–	–	–	–	6,832	–	6,832
Net movements of treasury shares held by Trust	–	–	–	–	(3,738)	–	(3,738)
Shares issued in relation to Scrip Dividend	30	5,734	–	–	–	–	5,764
Dividends paid to owners of the Company	–	–	–	–	(103,708)	–	(103,708)
Balance at 31 December 2017	33,913	45,849	183,969	(310,582)	2,414,158	1,074	2,368,381

\*See note 3 for further details.

The equity attributable to owners of the Company is \$2,367,307,000 at 31 December 2017.

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 2018

	Note	Reviewed six months to 30 June 2018 \$000	Reviewed six months to 30 June 2017 (restated)* \$000	Audited year to 31 Dec 2017 (restated)* \$000
Profit before tax		163,593	129,099	39,692
Adjustments for:				
Net foreign exchange losses		8,486	38,836	80,890
Interest and equity dividend income		(49,480)	(38,286)	(81,590)
Interest expense	13	15,439	12,432	26,895
Net fair value losses/(gains) on financial assets and liabilities		13,305	(27,173)	(34,360)
Depreciation, amortisation and impairment		16,911	12,076	27,908
Charges in respect of share-based payments		13,890	17,169	32,465
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		189,392	107,752	326,046
Financial assets carried at fair value		72,858	11,229	(249,137)
Financial liabilities carried at fair value		(18,482)	(400)	18,022
Financial liabilities at amortised cost		(17,476)	27,479	30,430
Other assets and liabilities		65,329	(75,707)	(108,808)
Interest received		44,600	36,683	64,468
Equity dividends received		562	419	716
Interest paid		(2,312)	(2,520)	(25,664)
Current tax paid		(6,950)	(30,829)	(43,387)
Cash derecognised on loss of control		–	(1,031)	–
Cash flows from subscriptions paid		–	–	(9,339)
<b>Net cash flows from operating activities</b>		<b>509,665</b>	<b>217,228</b>	<b>95,247</b>
Cash flows from the sale of subsidiaries		–	18,696	18,696
Cash flows from the sale of associates		–	–	32,225
Cash flows from the purchase of property, plant and equipment		(3,707)	(2,450)	(9,074)
Cash flows from the purchase of intangible assets		(22,620)	(16,141)	(38,576)
<b>Net cash flows from investing activities</b>		<b>(26,327)</b>	<b>105</b>	<b>3,271</b>
Proceeds from the issue of ordinary shares		8,126	6,469	11,925
Shares repurchased		(47,021)	(1,571)	(3,738)
Proceeds from issue of debt, net of fees		380,265	–	–
Distributions paid to owners of the Company	17	(76,009)	(67,664)	(103,708)
<b>Net cash flows from financing activities</b>		<b>265,361</b>	<b>(62,766)</b>	<b>(95,521)</b>
<b>Net increase in cash and cash equivalents</b>		<b>748,699</b>	<b>154,567</b>	<b>2,997</b>
Cash and cash equivalents at 1 January		867,767	824,373	824,373
Net increase in cash and cash equivalents		748,699	154,567	2,997
Effect of exchange rate fluctuations on cash and cash equivalents		(21,990)	22,802	40,397
<b>Cash and cash equivalents at end of period</b>	21	<b>1,594,476</b>	<b>1,001,742</b>	<b>867,767</b>

\*See note 3 for further 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 2018 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 consolidated interim financial statements forms the Interim Management Report for the half year ended 30 June 2018.

The Directors of Hiscox Ltd are listed in the Group's 2017 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 HM 12, Bermuda.

## 2 Basis of preparation

These condensed consolidated interim financial statements for the six months to 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the European Union, the provisions of the Bermuda Companies Act 1981, and the Disclosure Rules and Transparency Rules issued by the Financial Conduct Authority.

The accounting policies applied in the condensed consolidated interim financial statements are the same as those applied in Hiscox Ltd's 2017 consolidated financial statements except for the changes described below. In addition, during the period ended 30 June 2018, the Group adopted a new accounting standard and amendments to International

Financial Reporting Standards ('IFRS') that became effective on 1 January 2018, described in the 2017 Annual Report and Accounts, however these had no significant impact on reported profit or loss or equity, the balance sheet or the statement of cash flows.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the auditor, PricewaterhouseCoopers Ltd. They should be read in conjunction with the audited consolidated financial statements of the Group as at, and for the year ended, 31 December 2017.

In preparing these condensed consolidated 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 2017.

After making enquiries, the Directors have an expectation that the Company and the Group have adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the condensed consolidated interim financial statements. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates ('the functional currency'). The condensed consolidated interim financial statements are stated in US Dollars which is the Group's presentation currency. Except where otherwise indicated, all amounts presented in the financial statements

are in US Dollars and rounded to the nearest thousand (\$000).

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors by the Chief Executive, B E Masojada and the Chairman, R S Childs. Accordingly, the Half Yearly Report to the London Stock Exchange was approved for issue on Monday 30 July 2018.

## 3 Change in the Group's presentation currency and change in functional currency

With effect from 1 January 2018, the Group's presentation currency changed from Pounds Sterling to US Dollars, given that a significant majority of Group earnings are denominated in US Dollars, we believe that the presentation currency change will give investors and other stakeholders a clearer understanding of Hiscox's performance over time.

Following this change in accounting policy, the comparatives in the interim condensed consolidated financial statements are represented in US Dollars using the procedures outlined below.

— Assets and liabilities were translated into US Dollars at closing rates of exchange. Trading results were translated into US Dollars at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the period have been taken to foreign currency translation reserve, a component within shareholders' equity.

— Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions.

— Foreign currency translation reserve was set to zero as of 1 January 2004, the transition date to IFRS. Cumulative currency translation adjustments are presented as if the Group had used US Dollars as the presentation currency of its consolidated financial statements since that date.

The comparative figures were published on 20 June 2018.

In addition, taking into consideration the following changes, the functional currency of Syndicate 33, Hiscox Dedicated Corporate Member Limited, Hiscox Syndicates Limited and Hiscox Capital Ltd changed from Pounds Sterling to US Dollars also effective from 1 January 2018.

— The denomination of a material internal quota share treaty has been changed from Pounds Sterling to US Dollars.

— The Syndicates managing agent's profit commission and fee has been changed from Pounds Sterling to US Dollars.

— The Group has aligned its underwriting capital to US Dollars.

This change is accounted for prospectively from this date.

## 4 Change in presentation of investment results

In 2017, the Group changed the presentation of investment result in the consolidated income statement to be investment result net of investment management fees. Comparatives have been reclassified accordingly by an amount of \$3.1 million (year to December 2017: \$6.1 million) from operational expenses to investment results. This change has no impact on the reported results, cash flow statement or equity.

## 5 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 2017, except for the currency risk discussed below. The principal risks and uncertainties are unchanged and may be summarised as underwriting risk, reserving risk, reliability of fair values, equity price risk, interest rate risk, liquidity risk, credit risk, currency risk and capital risk. The Group recognises that following the decision of the UK to

leave the European Union, it may continue to face greater volatility in credit, currency and liquidity risk while uncertainty remains.

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, and other third-party balances during the period under review.

As detailed in note 18, the Group's investment allocation is broadly comparable to that at 31 December 2017 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 US Dollars and Pounds Sterling. Taking into account the change detailed in note 3, the estimated impact of a 10% strengthening or weakening of Pounds Sterling against the US Dollar on profit before tax:

As at 30 June 2018	Effect on profit before tax \$m
10% strengthening of GBP	16
10% weakening of GBP	(20)

This analysis assumes that all other variables, in particular interest rates, remain constant and that the underlying valuation of assets and liabilities in their base currency is unchanged.

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.

## 6 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 the Group's 2017 Report and Accounts.

## 7 Related party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 35 of the Group's 2017 Report and Accounts.

## 8 Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resource to each business segment.

In the first half of 2018, the Group has reviewed the segmental presentation of financial information it requires to assess performance and allocate resources. It now considers that run-off portfolios where the Group has ceded all insurance risks to a third party should no longer be presented as part of the underwriting operations as these will not form part of the Group's assessment of the performance of the segment going forward and also will no longer generate returns for the Group. These run-off portfolios

# Notes to the condensed consolidated interim financial statements continued

together with the reinsurance ceded are presented as part of the Corporate Centre segment. In line with the change in management's internal reporting, the segmental reporting has been updated accordingly. This change would also provide more meaningful views and trends of the underwriting performance of the business.

The Group's four primary business segments are identified as follows:

**Hiscox Retail** brings together the results of the UK and Europe, and Hiscox International being the US, Special Risks and Asia retail business divisions.

Hiscox UK and Europe underwrite European personal and commercial lines of business through Hiscox Insurance Company Limited, together with the fine art and non-US household insurance business written through Syndicate 33. In addition, Hiscox UK includes elements of specialty and international employees and officers' insurance written by Syndicate 3624, but excludes the European kidnap and ransom business written by Hiscox Insurance Company Limited.

Hiscox International comprises the specialty and fine art lines written through Hiscox Insurance Company (Guernsey) Limited, and the motor business written via DirectAsia, together with US commercial, property and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc. via the Hiscox USA business division. It also includes the European kidnap and ransom business written by Hiscox Insurance Company Limited and Syndicate 33.

**Hiscox London Market** comprises the internationally traded insurance business written by the Group's London-based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines, excluding the kidnap and ransom business. In addition, the segment includes elements of business written by Syndicate 3624 being auto physical damage business.

**Hiscox Re & ILS** is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda, London and Paris. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited with the reinsurance contracts written by Syndicate 33. In addition, the casualty reinsurance contracts written in the Bermuda hub on Syndicate capacity are also included.

**Corporate Centre** comprises the investment return, finance costs and administrative costs associated with Group management activities and the majority of foreign currency items on economic hedges and intragroup borrowings, further details of these can be found in note 12 of the Group's Report and Accounts for the year ended 31 December 2017. In addition, from 1 January 2018, the segment includes results from run-off portfolios where the Group has ceded all insurance risks to a third-party (re)insurer. Corporate Centre forms a reportable segment due to its investment activities which earn significant external returns.

# Notes to the condensed consolidated interim financial statements continued

All amounts reported below represent transactions with external parties only. In the normal course of trade, the Group's entities enter into various reinsurance arrangements with one another. The related results of these transactions are eliminated on consolidation and are not included within the results of the segments. This is consistent with the information used by the chief operating decision-maker when evaluating the results of the Group. Performance is measured based on each reportable segment's profit before tax.

	Six months ended 30 June 2018					Six months ended 30 June 2017 (restated)**					Year ended 31 December 2017 (restated)**				
	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre <sup>1</sup> \$000	Total \$000	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000
Gross premiums written	1,113,036	458,692	655,575	1,518	2,228,821	930,360	395,769	510,049	–	1,836,178	1,835,428	749,793	700,800	–	3,286,021
Net premiums written	982,217	277,041	197,438	(57,409)	1,399,287	857,561	251,286	166,193	–	1,275,040	1,674,238	484,945	243,816	–	2,402,999
Net premiums earned	900,505	284,208	150,626	(57,409)	1,277,930	757,809	289,539	130,935	–	1,178,283	1,585,289	561,572	269,347	–	2,416,208
Investment result	3,986	4,855	3,120	7,786	19,747	14,711	9,958	16,331	17,533	58,533	29,361	14,509	27,942	32,938	104,750
Other income	12,160	727	11,012	145	24,044	11,541	7,623	8,319	135	27,618	35,351	13,908	4,350	470	54,079
Total income	916,651	289,790	164,758	(49,478)	1,321,721	784,061	307,120	155,585	17,668	1,264,434	1,650,001	589,989	301,639	33,408	2,575,037
Claims and claim adjustment expenses, net of reinsurance	(375,652)	(129,761)	(67,699)	57,519	(515,593)	(328,896)	(155,232)	(73,428)	–	(557,556)	(721,851)	(400,229)	(188,836)	–	(1,310,916)
Expenses for the acquisition of insurance contracts	(220,475)	(76,219)	(12,147)	(388)	(309,229)	(180,926)	(85,228)	(6,266)	–	(272,420)	(401,070)	(159,823)	(27,037)	–	(587,930)
Operational expenses	(224,555)	(40,985)	(29,676)	(13,973)	(309,189)	(184,173)	(34,588)	(25,253)	(9,837)	(253,851)	(384,685)	(61,469)	(53,294)	(29,525)	(528,973)
Net foreign exchange (losses)/gains	(2,020)	(960)	2,521	(8,027)	(8,486)	2,497	(10,375)	(1,852)	(29,106)	(38,836)	(530)	(15,174)	(5,253)	(59,933)	(80,890)
Total expenses	(822,702)	(247,925)	(107,001)	35,131	(1,142,497)	(691,498)	(285,423)	(106,799)	(38,943)	(1,122,663)	(1,508,136)	(636,695)	(274,420)	(89,458)	(2,508,709)
Results of operating activities	93,949	41,865	57,757	(14,347)	179,224	92,563	21,697	48,786	(21,275)	141,771	141,865	(46,706)	27,219	(56,050)	66,328
Finance costs	(6)	–	(703)	(14,730)	(15,439)	(5)	–	(777)	(11,650)	(12,432)	(10)	–	(1,716)	(25,169)	(26,895)
Share of (loss)/profit of associates after tax	(206)	–	–	14	(192)	(248)	–	–	8	(240)	(247)	–	–	506	259
<b>Profit/(loss) before tax</b>	<b>93,737</b>	<b>41,865</b>	<b>57,054</b>	<b>(29,063)</b>	<b>163,593</b>	<b>92,310</b>	<b>21,697</b>	<b>48,009</b>	<b>(32,917)</b>	<b>129,099</b>	<b>141,608</b>	<b>(46,706)</b>	<b>25,503</b>	<b>(80,713)</b>	<b>39,692</b>
<b>Profit/(loss) before tax and foreign exchange gains/(losses)</b>	<b>95,757</b>	<b>42,825</b>	<b>54,533</b>	<b>(21,036)</b>	<b>172,079</b>	<b>89,813</b>	<b>32,072</b>	<b>49,861</b>	<b>(3,811)</b>	<b>167,935</b>	<b>142,138</b>	<b>(31,532)</b>	<b>30,756</b>	<b>(20,780)</b>	<b>120,582</b>
<b>100% ratio analysis*</b>															
Claims ratio (%)	41.1	46.8	44.8	–	42.9	43.1	50.4	58.5	–	46.9	45.2	70.1	71.0	–	54.9
Expense ratio (%)**	49.3	41.6	27.5	–	44.9	47.7	40.4	22.7	–	42.8	49.3	38.6	27.9	–	43.9
Combined ratio excluding foreign exchange impact (%)	90.4	88.4	72.3	–	87.8	90.8	90.8	81.2	–	89.7	94.5	108.7	98.9	–	98.8
Foreign exchange impact (%)	0.3	0.2	(0.8)	–	0.1	(0.3)	3.8	2.2	–	1.1	0.1	2.9	2.4	–	1.1
<b>Combined ratio (%)**†</b>	<b>90.7</b>	<b>88.6</b>	<b>71.5</b>	<b>–</b>	<b>87.9</b>	<b>90.5</b>	<b>94.6</b>	<b>83.4</b>	<b>–</b>	<b>90.8</b>	<b>94.6</b>	<b>111.6</b>	<b>101.3</b>	<b>–</b>	<b>99.9</b>

<sup>1</sup>Includes a run-off casualty portfolio following the completion of a loss portfolio transfer reinsurance treaty effective from 2018 ceding any future payments on losses arising from claims developments related to policies written from 2010 to 2016, with net premiums earned of \$(57.4) million and claims and claims adjustment expenses net of reinsurance of \$57.5 million.

\*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.

\*\*Restated following the reclassification of investment expenses from operational expenses to investment return.

\*\*\*See note 3 and 4 for further details.

†The combined ratio is made up of the aggregation of the claims ratio, the expense ratio and the impact of foreign exchange. The claims ratio is calculated as claims and claim adjustment expenses, net of reinsurance, as a proportion of net premiums earned. The expense ratio is calculated as the total of expenses for the acquisition of insurance contracts, and operational expenses as a proportion of net premiums earned. The foreign exchange impact ratio is calculated as the foreign exchange gains or losses as a proportion of net premiums earned. All ratios are calculated using the 100% results and excludes a run-off portfolio where the Group has ceded all insurance risks to a third party (re)insurer included within Corporate Centre.

The tables presented below contain the net earned premium, claims, expenses and foreign exchange items at 100% ownership, to enable calculation of the ratios included in the operating segments.

	Six months ended 30 June 2018					Six months ended 30 June 2017 (restated) <sup>‡</sup>					Year ended 31 December 2017 (restated) <sup>‡</sup>				
	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000	Hiscox Retail \$000	Hiscox London Market \$000	Hiscox Re & ILS \$000	Corporate Centre \$000	Total \$000
Net premiums earned	921,090	350,515	170,102	–	1,441,707	776,005	360,643	149,091	–	1,285,739	1,622,173	703,657	314,205	–	2,640,035
Claims and claim adjustment expenses, net of reinsurance	(378,376)	(164,143)	(76,200)	–	(618,719)	(334,322)	(181,626)	(87,225)	–	(603,173)	(734,160)	(493,201)	(222,953)	–	(1,450,314)
Expenses for the acquisition of insurance contracts	(228,425)	(95,535)	(13,193)	–	(337,153)	(185,268)	(104,701)	(5,409)	–	(295,378)	(413,145)	(197,629)	(28,488)	–	(639,262)
Operational expenses	(225,864)	(50,148)	(33,513)	–	(309,525)	(185,240)	(41,065)	(28,421)	–	(254,726)	(386,080)	(73,882)	(59,264)	–	(519,226)
Net foreign exchange (losses)/gains	(2,479)	(783)	1,270	–	(1,992)	2,273	(13,736)	(3,322)	–	(14,785)	(1,120)	(20,531)	(7,535)	–	(29,186)

<sup>‡</sup>See note 3 for further details.

# Notes to the condensed consolidated interim financial statements

continued

## 9 Net asset value per share

	30 June 2018		30 June 2017 (restated)*		31 Dec 2017 (restated)*	
	Net asset value (total equity) \$000	NAV per share cent	Net asset value (total equity) \$000	NAV per share cent	Net asset value (total equity) \$000	NAV per share cent
Net asset value	2,419,701	853.1	2,416,496	855.0	2,368,381	835.1
Net tangible asset value	2,228,877	785.8	2,244,815	794.3	2,182,343	769.5

\*See note 3 for further details.

The net asset value per share is based on 283,638,511 shares (30 June 2017: 282,632,166; 31 December 2017: 283,600,709), being the shares in issue at 30 June, less those held in treasury and those held by the Group Employee Benefit Trust. Net tangible assets comprise total equity excluding intangible assets. The net asset value per share expressed in pence is 648.4 pence (30 June 2017: 657.7 pence; 31 December 2017: 618.6 pence).

## 10 Return on equity

	Six months to 30 June 2018 \$000	Six months to 30 June 2017 (restated)* \$000	Year to 31 Dec 2017 (restated)* \$000
Profit for the period	153,065	123,166	33,904
Opening total equity	2,368,381	2,254,820	2,254,820
Adjusted for the time weighted impact of capital distributions and issuance of shares	(20,830)	(3,028)	(43,525)
Adjusted opening total equity	2,347,551	2,251,792	2,211,295
Annualised return on equity (%)	13.5%	11.2%	1.5%

\*See note 3 for further details.

The return on equity is calculated by using profit for the period divided by the adjusted opening shareholders' equity. The adjusted opening shareholders' equity represents the equity on 1 January of the relevant year as adjusted for time weighted aspects of capital distributions and issuing of shares or treasury share purchases during the period. The time weighted positions are calculated on a daily basis with reference to the proportion of time from the transaction to the end of the period. The Company annualises the ROE by using a standard compound formula for the half year periods, being the profit for the period divided by the adjusted opening total equity, to the power of two to annualise for a full year comparison.

## 11 Investment result

### i) Analysis of investment result

The total investment result for the Group before taxation comprises:

	Six months to 30 June 2018 \$000	Six months to 30 June 2017 (restated)* \$000	Year to 31 Dec 2017 (restated)* \$000
Investment income including interest receivable	49,480	38,286	81,590
Net realised losses on financial investments at fair value through profit or loss	(13,604)	(3,872)	(5,130)
Net fair value (losses)/gains on financial investments at fair value through profit or loss	(14,014)	29,147	36,055
Investment result – financial assets	21,862	63,561	112,515
Fair value gains/(losses) on derivative financial instruments	709	(1,974)	(1,695)
Investment expenses	(2,824)	(3,054)	(6,070)
Total result	19,747	58,533	104,750

\*See note 3 and 4 for further details.

## ii) Annualised investment return

	Six months to 30 June 2018		Six months to 30 June 2017 (restated)*		Year to 31 Dec 2017 (restated)*	
	Return \$000	Yield %	Return \$000	Yield %	Return \$000	Yield %
Debt and fixed income securities	11,604	0.5	32,053	1.5	54,241	1.2
Equities and shares in unit trusts	4,610	2.1	29,698	15.7	53,434	12.9
Deposits with credit institutions/cash and cash equivalents	5,648	0.8	1,810	0.4	4,840	0.5
	21,862	0.7	63,561	2.3	112,515	2.0
Weighted average assets (\$m)	6,408		5,603		5,745	

\*See note 3 for further details.

## 12 Other income and operational expenses

	Six months to 30 June 2018 \$000	Six months to 30 June 2017 (restated)* \$000	Year to 31 Dec 2017 (restated)* \$000
Agency-related income		13,350	16,176
Profit commission		363	11,746
Other underwriting income/(loss)		2,591	(7,360)
Other income		7,740	33,517
Other income		24,044	54,079
Wages and salaries		107,609	168,234
Social security costs		17,971	30,022
Pension cost – defined contribution		7,268	12,765
Pension cost – defined benefit		–	2,263
Share-based payments		13,890	32,465
Marketing expenses		32,094	69,097
Depreciation, amortisation and impairment		16,911	27,908
Other expenses		113,446	186,219
Operational expenses		309,189	528,973

\*See note 3 and 4 for further details.

Wages and salaries have been shown net of transfers to acquisition and claims expenses.

Other expenses include, but are not limited to, legal and professional costs, computer costs, contractor-based costs and property costs. None of the items are individually material.

## 13 Finance costs

	Six months to 30 June 2018 \$000	Six months to 30 June 2017 (restated)* \$000	Year to 31 Dec 2017 (restated)* \$000
Interest charge associated with long-term debt		13,717	21,713
Interest and expenses associated with bank borrowing facilities		583	3,435
Interest and charges associated with Letters of Credit		937	909
Interest charges on experience account		202	838
		15,439	26,895

\*See note 3 for further details.

As at 30 June 2018, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was \$244.0 million (30 June 2017: \$10.0 million, 31 December 2017: \$10.0 million).

## 14 Tax expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled.

The Group records its income tax expense based on the expected effective rate for the full year. The amount charged in the condensed consolidated income statement is \$10.5 million (30 June 2017: \$5.9 million; 31 December 2017: \$5.8 million).

# Notes to the condensed consolidated interim financial statements

## continued

### 15 Insurance liabilities and reinsurance assets

	30 June 2018 \$000	30 June 2017 (restated)* \$000	31 Dec 2017 (restated)* \$000
<b>Gross</b>			
Claims and claim adjustment expenses outstanding	4,403,994	3,352,158	4,350,566
Unearned premiums	2,070,125	1,914,676	1,657,184
<b>Total insurance liabilities, gross</b>	<b>6,474,119</b>	<b>5,266,834</b>	<b>6,007,750</b>
<b>Recoverable from reinsurers</b>			
Claims and claim adjustment expenses outstanding	1,506,817	689,953	1,492,298
Unearned premiums	642,038	513,053	340,957
<b>Total reinsurers' share of insurance liabilities</b>	<b>2,148,855</b>	<b>1,203,006</b>	<b>1,833,255</b>
<b>Net</b>			
Claims and claim adjustment expenses outstanding	2,897,177	2,662,205	2,858,268
Unearned premiums	1,428,087	1,401,623	1,316,227
<b>Total insurance liabilities, net</b>	<b>4,325,264</b>	<b>4,063,828</b>	<b>4,174,495</b>

\*See note 3 for further details.

Net claims and claim adjustment expenses include releases of \$154.3 million (30 June 2017: \$120.9 million; 31 December 2017: \$324.2 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**	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	Total \$000
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year**	1,029,558	1,214,184	1,510,467	1,205,119	1,139,386	1,182,255	1,258,313	1,476,952	1,850,598	787,313	12,654,145
one period later**	854,808	1,058,923	1,392,668	1,060,311	1,007,236	1,027,404	1,156,665	1,332,291	1,733,660	–	10,623,966
two periods later**	814,432	997,644	1,337,187	982,225	903,093	935,293	1,057,947	1,287,950	–	–	8,315,771
three periods later**	817,966	972,051	1,334,220	945,528	837,194	877,290	1,046,012	–	–	–	6,830,261
four periods later**	803,593	941,887	1,324,971	935,803	832,518	852,162	–	–	–	–	5,690,934
five periods later**	799,928	935,764	1,272,555	940,661	816,814	–	–	–	–	–	4,765,722
six periods later**	782,968	904,138	1,228,291	927,733	–	–	–	–	–	–	3,843,130
seven periods later**	777,492	887,867	1,211,820	–	–	–	–	–	–	–	2,877,179
eight periods later**	754,850	888,720	–	–	–	–	–	–	–	–	1,643,570
nine periods later**	764,301	–	–	–	–	–	–	–	–	–	764,301
Current estimate of cumulative claims	764,301	888,720	1,211,820	927,733	816,814	852,162	1,046,012	1,287,950	1,733,660	787,313	10,316,485
Cumulative payments to date	(710,066)	(835,060)	(1,146,946)	(778,311)	(730,275)	(715,450)	(741,130)	(785,629)	(622,028)	(114,866)	(7,179,761)
Liability recognised at 100% level	54,235	53,660	64,874	149,422	86,539	136,712	304,882	502,321	1,111,632	672,447	3,136,724
Liability recognised in respect of prior accident years at 100% level	–	–	–	–	–	–	–	–	–	–	134,414
<b>Total net liability to external parties at 100% level</b>											<b>3,271,138</b>

\*The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2018.

\*\*With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2018, the term period refers to one full calendar year. This includes the run-off casualty loss portfolio transfer detailed in note 8.

### 15 Insurance liabilities and reinsurance assets continued

#### Reconciliation of 100% disclosures above to Group's share – net

Accident year	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	Total \$000
Current estimate of cumulative claims	764,301	888,720	1,211,820	927,733	816,814	852,162	1,046,012	1,287,950	1,733,660	787,313	10,316,485
Less: attributable to external Names	(238,987)	(271,702)	(366,192)	(223,938)	(186,611)	(184,947)	(211,351)	(246,052)	(267,042)	(71,094)	(2,267,916)
Group share of current ultimate claims estimate	525,314	617,018	845,628	703,795	630,203	667,215	834,661	1,041,898	1,466,618	716,219	8,048,569
Cumulative payments to date	(710,066)	(835,060)	(1,146,946)	(778,311)	(730,275)	(715,450)	(741,130)	(785,629)	(622,028)	(114,866)	(7,179,761)
Less: attributable to external Names	232,403	260,066	350,965	204,666	174,153	172,476	176,263	194,187	145,745	13,953	1,924,877
Group share of cumulative payments	(477,663)	(574,994)	(795,981)	(573,645)	(556,122)	(542,974)	(564,867)	(591,442)	(476,283)	(100,913)	(5,254,884)
Liability for 2009 to 2018 accident years recognised on Group's balance sheet	47,651	42,024	49,647	130,150	74,081	124,241	269,794	450,456	990,335	615,306	2,793,685
Liability for accident years before 2009 recognised on Group's balance sheet	–	–	–	–	–	–	–	–	–	–	103,492
<b>Total Group liability to external parties included in the balance sheet, net†</b>											<b>2,897,177</b>

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

### 16 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 2018	Six months to 30 June 2017 (restated)*	Year to 31 Dec 2017 (restated)*
Profit for the period attributable to owners of the Company (\$000)	153,065	123,166	33,904
Weighted average number of ordinary shares in issue (thousands)	283,411	280,445	281,964
Basic earnings per share (cent per share)	54.0¢	43.9¢	12.0¢
Basic earnings per share (pence per share)	39.3p	34.9p	9.3p

\*See note 3 for further details.

### 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.

# Notes to the condensed consolidated interim financial statements

## continued

### 16 Earnings per share continued

	Six months to 30 June 2018	Six months to 30 June 2017 (restated)*	Year to 31 Dec 2017 (restated)*
Profit for the period attributable to owners of the Company (\$000)	153,065	123,166	33,904
Weighted average number of ordinary shares in issue (thousands)	283,411	280,445	281,964
Adjustment for share options (thousands)	8,155	8,477	9,065
Weighted average number of ordinary shares for diluted earnings per share (thousands)	291,566	288,922	291,029
Diluted earnings per share (cent per share)	52.5¢	42.6¢	11.6¢
Diluted earnings per share (pence per share)	38.2p	33.9p	9.0p

\*See note 3 for further details.

Diluted earnings per share has been calculated after taking account of outstanding options and awards under employee share option and performance plan schemes and also options under save as you earn schemes.

### 17 Dividends paid to owners of the Company

	Six months to 30 June 2018 \$000	Six months to 30 June 2017 (restated)* \$000	Year to 31 Dec 2017 (restated)* \$000
Final dividend for the year ended:			
31 December 2017 of 19.5p (net) per share	76,009	–	–
31 December 2016 of 19.0p (net) per share	–	67,664	67,664
Interim dividend for the year ended:			
31 December 2017 of 9.5p (net) per share	–	–	36,044
	76,009	67,664	103,708

\*See note 3 for further details.

The final dividend for the year ended 31 December 2017 of 19.5p (equivalent to 27.2¢) was paid in cash of \$69,428,000 and 263,368 shares for the scrip dividend. The final dividend for the year ended 31 December 2016 of 19.0p (equivalent to 23.6¢) was paid in cash of \$64,721,000 and 251,000 shares for the scrip dividend. The interim dividend for the year ended 31 December 2017 of 9.5p (equivalent to 12.6¢) was paid in cash of \$33,255,000 and 108,769 shares for the scrip dividend.

For the six months ended 30 June 2018 and beyond, dividends will be declared in US Dollars, aligning shareholder returns with the primary currency in which the Group generates cash flow. The dividends will be paid in Pounds Sterling unless shareholders elect to be paid in US Dollars. The foreign exchange rate at which future dividends declared in US Dollars will be converted into Pounds Sterling will be calculated based on the average exchange rate in the five business days prior to the Scrip Dividend price being determined. On this occasion the period will be between 20 August 2018 to 24 August 2018 inclusive. An interim dividend of 13.25¢ per ordinary share has been declared payable on 11 September 2018 to shareholders registered on 10 August 2018 in respect of the six months to 30 June 2018 (30 June 2017: 9.5p per ordinary share). A scrip dividend alternative will be offered to the owners of the Company.

### 18 Financial assets and liabilities

#### i) Analysis of financial assets carried at fair value

	30 June 2018 \$000	30 June 2017 (restated)* \$000	31 Dec 2017 (restated)* \$000
Debt and fixed income securities	4,425,759	4,300,892	4,630,828
Equities and shares in unit trusts	434,563	423,391	451,305
Deposits with credit institutions	5,583	13,746	7,182
Total investments	4,865,905	4,738,029	5,089,315
Insurance linked funds	61,339	58,735	49,918
Derivative financial instruments	255	155	410
Total financial assets carried at fair value	4,927,499	4,796,919	5,139,643

\*See note 3 for further details.

### 18 Financial assets and liabilities continued

#### ii) Analysis of financial liabilities carried at fair value

	30 June 2018 \$000	30 June 2017 (restated)* \$000	31 Dec 2017 (restated)* \$000
Amounts owed to credit institutions	–	–	18,446
Derivative financial instruments	127	189	163
Total financial liabilities carried at fair value	127	189	18,609

\*See note 3 for further details.

#### iii) Analysis of financial liabilities carried at amortised cost

	30 June 2018 \$000	30 June 2017 (restated)* \$000	31 Dec 2017 (restated)* \$000
Long-term debt	719,755	356,295	370,071
Accrued interest on long-term debt	15,480	13,198	2,430
Total financial liabilities carried at amortised cost	735,235	369,493	372,501

\*See note 3 for further details.

#### iv) Investment and cash allocation

	30 June 2018		30 June 2017 (restated)*		31 Dec 2017 (restated)*	
	\$000	%	\$000	%	\$000	%
Debt and fixed income securities	4,425,759	68.5	4,300,892	74.9	4,630,828	77.7
Equities and shares in unit trusts	434,563	6.7	423,391	7.4	451,305	7.6
Deposits with credit institutions/cash and cash equivalents	1,600,059	24.8	1,015,488	17.7	874,949	14.7
Total	6,460,381		5,739,771		5,957,082	

\*See note 3 for further details.

On 24 November 2015, the Group issued £275.0 million 6.125% fixed-to-floating rate callable subordinated notes due 2045, with a first call date of 2025.

The notes bear interest from and including 24 November 2015 at a fixed rate of 6.125% per annum annually in arrears starting 24 November 2016 up until the first call date in November 2025, and thereafter at a floating rate of interest equal to three-month LIBOR plus 5.076% payable quarterly in arrears on each floating interest payment date. The Group will be exposed to interest rate risk on its long-term debt.

On 25 November 2015, the notes were admitted for trading on the London Stock Exchange's regulated market. The notes were rated BBB- by S&P, as well as by Fitch.

On 14 March 2018, the Group issued £275.0 million 2% notes due December 2022.

The notes bear interest from and including 14 March 2018 at a fixed rate of 2% per annum annually in arrears starting 14 December 2018 until maturity on 14 December 2022. On 14 March 2018, the notes were admitted for trading on the Luxembourg Stock Exchange's Euro MTF. The notes were rated BBB+ by S&P as well as by Fitch.

The interest accrued on the long-term debt was \$15.5 million at the balance sheet date (30 June 2017: \$13.2 million; 31 December 2017: \$2.4 million) and is included in financial liabilities.

#### v) Investment and cash allocation by currency

	30 June 2018 %	30 June 2017 %	31 Dec 2017 %
Sterling	25.0	22.2	21.6
US Dollars	61.2	65.1	65.8
Euro and other currencies	13.8	12.7	12.6

# Notes to the condensed consolidated interim financial statements

## continued

### 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 2018	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>				
Debt and fixed income securities	1,536,385	2,889,374	–	4,425,759
Equities and shares in unit trusts	–	419,991	14,572	434,563
Deposits with credit institutions	5,583	–	–	5,583
Insurance linked fund	–	–	61,339	61,339
Derivative financial instruments	–	255	–	255
<b>Total</b>	<b>1,541,968</b>	<b>3,309,620</b>	<b>75,911</b>	<b>4,927,499</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	127	–	127
<b>Total</b>	<b>–</b>	<b>127</b>	<b>–</b>	<b>127</b>

As at 30 June 2017 (restated)*	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>				
Debt and fixed income securities	1,281,856	3,019,036	–	4,300,892
Equities and shares in unit trusts	–	408,697	14,694	423,391
Deposits with credit institutions	13,746	–	–	13,746
Insurance linked fund	–	–	58,735	58,735
Derivative financial instruments	–	155	–	155
<b>Total</b>	<b>1,295,602</b>	<b>3,427,888</b>	<b>73,429</b>	<b>4,796,919</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	189	–	189
<b>Total</b>	<b>–</b>	<b>189</b>	<b>–</b>	<b>189</b>

As at 31 December 2017 (restated)*	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets</b>				
Debt and fixed income securities	1,610,461	3,020,367	–	4,630,828
Equities and shares in unit trusts	–	435,934	15,371	451,305
Deposits with credit institutions	7,182	–	–	7,182
Insurance linked fund	–	–	49,918	49,918
Derivative financial instruments	–	410	–	410
<b>Total</b>	<b>1,617,643</b>	<b>3,456,711</b>	<b>65,289</b>	<b>5,139,643</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	163	–	163
<b>Total</b>	<b>–</b>	<b>163</b>	<b>–</b>	<b>163</b>

\*See note 3 for further details.

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.

### 19 Fair value measurements continued

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.

Investments in mutual funds, which are included in equities and shares in unit trusts, 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 certain government bonds, treasury bills, long-term debt and exchange-traded equities which are measured based on quoted prices in active markets.

Level 2 of the hierarchy contains certain government bonds, US government agencies, corporate securities, asset-backed securities and mortgage backed securities. 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.

Level 3 contains investments in a limited partnership and unquoted equity securities and an insurance linked fund which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. 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. At 30 June 2018, the insurance linked fund of \$61,339,000 (30 June 2017: \$58,735,000; 31 December 2017: \$49,918,000) represents the Group's investment in Kiskadee Funds.

The fair value of the Kiskadee Funds is estimated to be the net asset value as at the balance sheet date. The net asset value is based on the fair value of the assets and liabilities in the Funds. Significant inputs and assumptions in calculating the fair value of the assets and liabilities associated with reinsurance contracts written by the Kiskadee Funds include the amount and timing of claims payable in respect of claims incurred and periods of unexpired risk. The Group has considered changes in the net asset valuation of the Kiskadee Funds if reasonably different inputs and assumptions were used and has found no significant changes in the valuation.

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, Level 2 or Level 3 of the fair value hierarchy.

The following table sets forth a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

30 June 2018	Financial assets		
	Equities and shares in unit trusts \$000	Insurance linked fund \$000	Total \$000
Balance at 1 January	15,371	49,918	65,289
Fair value gains or losses through profit or loss	(446)	2,524	2,078
<b>Net foreign exchange losses</b>	<b>(317)</b>	<b>(197)</b>	<b>(514)</b>
Purchases	–	9,339	9,339
Settlements	(36)	(245)	(281)
<b>Closing balance</b>	<b>14,572</b>	<b>61,339</b>	<b>75,911</b>
<b>Unrealised gains and losses in the period on securities held at the end of the period</b>	<b>(512)</b>	<b>2,524</b>	<b>2,012</b>

# Notes to the condensed consolidated interim financial statements

## continued

### 19 Fair value measurements continued

	Financial assets		
	Equities and shares in unit trusts \$'000	Insurance linked fund \$'000	Total \$'000
30 June 2017 (restated)*			
Balance at 1 January	15,072	58,058	73,130
Fair value gains or losses through profit or loss	(220)	1,362	1,142
Net foreign exchange gains/(losses)	544	(127)	417
Purchases	270	5,032	5,302
Settlements	(972)	(5,590)	(6,562)
<b>Closing balance</b>	<b>14,694</b>	<b>58,735</b>	<b>73,429</b>
Unrealised gains and losses in the period on securities held at the end of the period	(309)	1,362	1,053

\*See note 3 for further details.

	Financial assets		
	Equities and shares in unit trusts \$'000	Insurance linked fund \$'000	Total \$'000
31 December 2017 (restated)*			
Balance at 1 January	15,072	58,058	73,130
Fair value gains or losses through profit or loss	(440)	(7,360)	(7,800)
Net foreign exchange gains/(losses)	1,010	(79)	931
Purchases	753	5,032	5,785
Settlements	(1,024)	(5,733)	(6,757)
<b>Closing balance</b>	<b>15,371</b>	<b>49,918</b>	<b>65,289</b>
Unrealised gains and losses in the year on securities held at the end of the year	(329)	(9,129)	(9,458)

\*See note 3 for further details.

### 20 Impact of foreign exchange related items

The net foreign exchange (losses)/gains for the period include the following amounts:

	Six months to 30 June 2018 \$'000	Six months to 30 June 2017 (restated)* \$'000	Year to 31 Dec 2017 (restated)* \$'000
Exchange losses recognised in the consolidated income statement	(8,486)	(38,836)	(80,890)
Exchange (losses)/gains classified as a separate component of equity	(3,241)	79,945	126,987
<b>Overall impact of foreign exchange related items on net assets</b>	<b>(11,727)</b>	<b>41,109</b>	<b>46,097</b>

\*See note 3 for further details.

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

### 21 Condensed consolidated interim cash flow statement

The purchase, maturity and disposal of financial assets and liabilities, including derivatives, is part of the Group's insurance activities and is therefore classified as an operating cash flow.

Included within cash and cash equivalents held by the Group are balances totalling \$268 million (30 June 2017: \$174 million; 31 December 2017: \$178 million) not available for use by the Group outside of the Lloyd's Syndicates within which they are held. Additionally, \$20 million (30 June 2017: \$51 million; 31 December 2017: \$15 million) is pledged cash against Funds at Lloyd's, and \$11 million (30 June 2017: \$10 million; 31 December 2017: \$7 million) is held within trust funds against reinsurance arrangements.

# Directors' responsibilities statement

The Directors confirm, to the best of our knowledge, that the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* 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:

- 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
- 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, B E Masojada and the Chairman, R S Childs. Accordingly, the Half Yearly Report to the London Stock Exchange was approved for issue on Monday, 30 July 2018.



# Independent review report to Hiscox Ltd

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed Hiscox Ltd's condensed consolidated interim financial statements, defined below, in the Interim Statement 2018 of Hiscox Ltd for the six-month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The condensed consolidated interim financial statements comprise:

- the condensed consolidated interim income statement for the six-month period ended 30 June 2018;
- the condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2018;
- the condensed consolidated interim balance sheet as at 30 June 2018;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed consolidated interim cash flow statement for the six-month period ended 30 June 2018; and
- the explanatory notes to the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements included in the Interim Statement 2018 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the condensed consolidated interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual consolidated financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### Responsibilities for the condensed consolidated interim financial statements and the review

#### Our responsibilities and those of the Directors

The Interim Statement 2018, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Statement 2018 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements in the Interim Statement 2018 based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands

it may come save where expressly agreed by our prior consent in writing.

### What a review of interim financial statements involves

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' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, 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.

We have read the other information contained in the Interim Statement 2018 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

PricewaterhouseCoopers Ltd.  
Chartered Professional Accountants  
Hamilton, Bermuda  
30 July 2018

- The maintenance and integrity of the Hiscox Ltd website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated interim financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Hiscox Ltd

4th Floor  
Wessex House  
45 Reid Street  
Hamilton HM 12  
Bermuda

T +1 441 278 8300  
E enquiries@hiscox.com  
www.hiscoxgroup.com