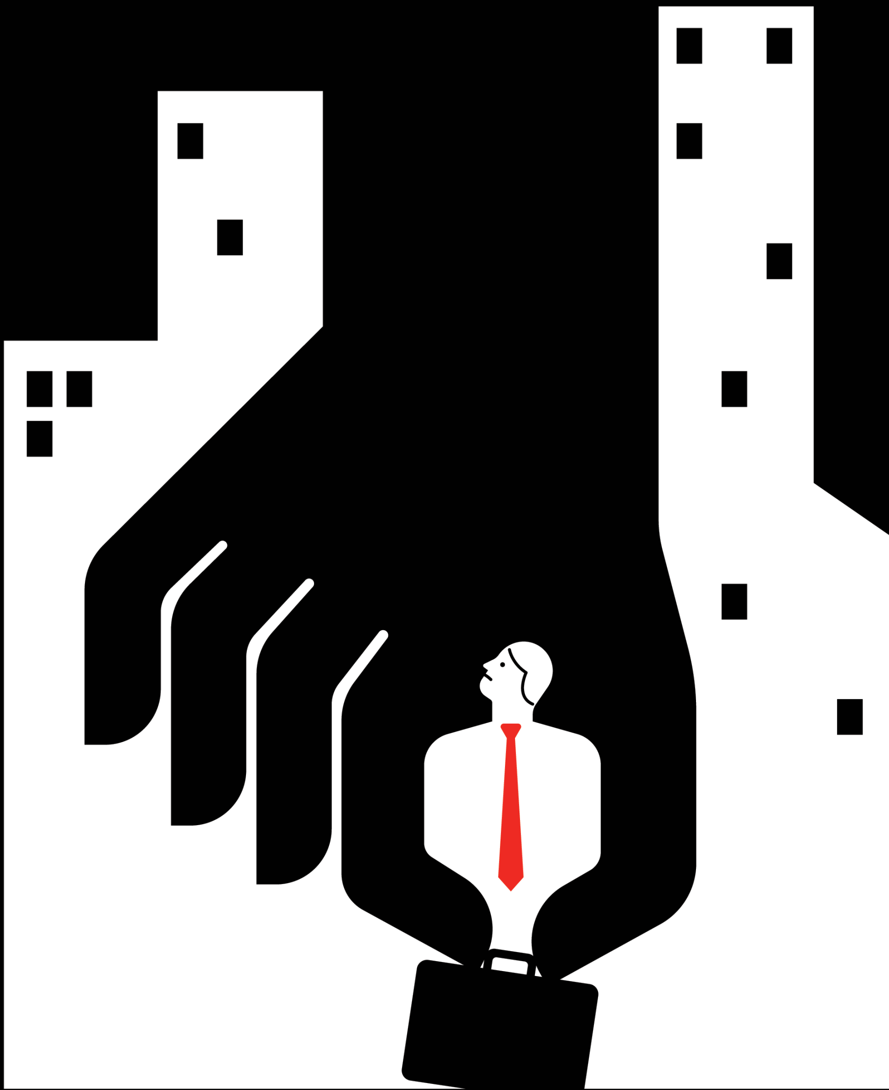
Hiscox Ltd
Interim Statement 2019



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Disclaimer in respect of forward-looking statements

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

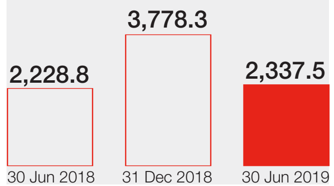
Corporate highlights

Profit before tax of $168.0 million.

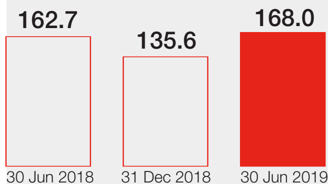
Group key performance indicators
Gross premiums written $2,337.5 million (2018: $2,228.8 million)
Net premiums earned $1,313.8 million (2018: $1,277.9 million)
Profit before tax $168.0 million (2018: $162.7 million)
Earnings per share ($) 51.2¢ (2018: 52.2¢)
Earnings per share (£) 39.6p (2018: 38.0p)
Interim dividend increased to 13.75¢ per share (2018: 13.25¢)
Net asset value per share ($) 817.0¢ (2018: 833.7¢)
Net asset value per share (£) 641.9p (2018: 633.6p)
Group combined ratio 98.8% (2018: 87.9%)
Return on equity (annualised) 13.3% (2018: 13.3%)
Investment return (annualised) 4.8% (2018: 0.7%)
Foreign exchange gains/(losses) $15.6 million (2018: $(8.5) million)
Reserve releases $26 million (2018: $154 million)

Operational highlights
Gross premiums written up 7% in constant currency, with all business segments growing.
Profit before tax up 3% to $168 million, driven by a good investment return of 4.8% annualised.
Interim dividend up 4% to 13.75¢.
The Group experienced a higher volume of claims in the first half of 2019 than the same period last year.
Reserves have been strengthened for prior-year claims from Typhoon Jebi, Hurricane Michael and the risk excess book, as industry loss estimates have increased.
Retail growth has moderated as planned, due to on-going discipline in US private company directors and officers' (D&O) business and as Hiscox UK adapts to new IT systems.
Hiscox Re and Hiscox London Market are capitalising on opportunities as they arise, as pricing momentum continues to build.

Gross premiums written ($m)



Profit before tax ($m)



Chairman's statement

I am pleased to report that the Group has delivered a pre-tax profit of $168.0 million (2018: $162.7 million) and grown gross premiums written by 4.9% to $2,337.5 million (2018: $2,228.8 million) in the first six months of 2019. Every business segment grew and Hiscox Retail was once again the main profit generator, albeit in a more active period for claims. In aggregate we have experienced favourable reserve development, however there have been some adverse movements on industry losses and reserve strengthening in some exited lines. The effects of these have been more than offset by strong investment returns, as we have benefited from financial market movements in the first half.

In Retail, growth has moderated as we exercise discipline in US private company directors and officers' (D&O), and implement new systems and ways of working in the UK. In our London Market business, market losses and renewed discipline in Lloyd's are putting upward pressure on rates, and the picture looks more positive than this time last year. In reinsurance, where rate improvement had been more sporadic in the first quarter, we have seen good price increases on loss-affected risks in the second quarter and are finding opportunities in the retrocession market, where reduced capacity has significantly improved rates.

As ever, the results of the half year are no indication of the results of the full year, so as we approach hurricane season there is still potential for the wind to blow us off course.

Results

The result to 30 June 2019 was a pre-tax profit of $168.0 million (2018: $162.7 million). Gross premiums written increased by 4.9% to $2,337.5 million (2018: $2,228.8 million), or 6.8% in constant currency. Net earned premiums were $1,313.8 million (2018: $1,277.9 million). The combined ratio was 98.8% (2018: 87.9%). Earnings per share were 51.2 cents (2018: 52.2 cents) or 39.6 pence (2018: 38.0 pence) and net assets per share reduced to 817.0 cents (2018: 833.7 cents) or 641.9 pence (2018: 633.7 pence). The annualised return on equity was 13.3% (2018: 13.3%).

As mentioned in the recent trading update, the Group has made an additional tax provision for the half year with an impact of $58 million. This is presented as a prior-year adjustment and does not affect the current year results. This additional tax provision includes a reappraisal of how Hiscox has invested in and classified marketing activity historically. The Group does not expect any further charges to arise and re-affirms its current guidance of 10-12% on its effective tax rate.

Dividend, balance sheet and capital management

The Board is pleased to announce an interim dividend per share of 13.75 cents, representing a 3.8% increase on the 2018 interim dividend. The record date for the dividend will be 9 August 2019 and the payment date will be 11 September 2019.

The Board proposes to offer a scrip alternative subject to the terms and conditions of Hiscox Ltd's 2019 Scrip Dividend Scheme. The last date for receipt of scrip elections will be 16 August 2019 and the reference price will be announced on 27 August 2019.

Further details on the dividend election process and scrip alternative can be found on the investor relations section of our corporate website, www.hiscoxgroup.com.

Rates

In Hiscox Retail, rates have been broadly flat. In the UK, competition in commercial lines is being balanced out by improved household rates, where a prevalence of escape of water claims continue to place upward pressure on prices in the market.

In Hiscox London Market, we have seen good rate momentum, with rates up approximately 5% across the portfolio, helped by the Lloyd's Decile 10 directive and the cumulative impact of two consecutive years of large market losses. We have seen most pronounced increases in US public company D&O, cargo, marine hull, major property and household.

In Hiscox Re & ILS, rates are up approximately 6% across the portfolio with increases confined generally to loss-affected accounts, as an abundance of capital continues to dampen a widespread market turn. During the April renewals, when the majority of Japanese business renews, we achieved rate increases of 8% overall, while in June, when a lot of Florida-based wind-exposed business renews, rates increased by 12%. We continue to see opportunities in the retrocession market, where reduced capacity combined with several years of losses is contributing to material rate-hardening.

Claims

As mentioned in our recent trading update, the insurance market has seen continued deterioration from 2018 catastrophe events, including Typhoon Jebi in Japan and Hurricane Michael in Florida. The scale of deterioration has been significant, with industry loss estimates having increased materially since these events. As a result, the Group has strengthened reserves for prior-year claims from Typhoon Jebi, Hurricane Michael and for the risk excess book. The combined impact of reserve strengthening for these events is approximately $40 million net. Last year, the Group benefited from prior-year releases from Hurricanes Harvey, Irma and Maria, which totalled $25 million, however we did not have that same benefit this year.

The Group has also strengthened reserves for some exited classes including healthcare, by $10 million. Reserving for other prior year attritional and large losses amounts to $53 million.

After a particularly benign start to 2018, our retail businesses have encountered a more normal loss experience so far this year, and we expect this to continue in the second half. This includes a higher volume of claims in US D&O for private companies, where we have reduced our exposure and continue to do so. We expect the full year combined ratio for Hiscox Retail to be at the top end of our 90-95% range.

Reserve releases for the first half were $26 million (2018: $154 million), and we expect second half reserve releases to be below $100 million (2018: $168 million). Our prudent approach to reserving has not changed.

Hiscox Retail

Hiscox Retail comprises all our retail businesses around the world; Hiscox UK, Hiscox Europe, Hiscox USA, Hiscox Special Risks and Hiscox Asia. In this segment, our specialist knowledge and retail products differentiate us and our on-going investment in the brand helps us build a strong market position. Hiscox Retail is the single biggest segment in the Group and delivered most of the profit for the Group in the first half.

Gross premiums written	$1,154.6 million (2018: $1,113.0 million)
Profit before tax	$137.7 million (2018: $100.0 million)
Combined ratio	95.0% (2018: 90.7%)

Hiscox UK

Hiscox UK provides commercial insurance for small- and medium-sized businesses, as well as personal lines cover, including high-value household, fine art and luxury motor.

While gross premiums written reduced by 1.7% to $378.5 million (2018: $385.2 million[1]), the business grew by 4.3% in constant currency.

Our broker business had a challenging 2018 as it adapted to a new system with new ways of working, which impacted growth. In the first half of this year we have made good progress, with service levels improving and work on track to be completed by the year-end. However, as we have previously said, growth will remain subdued until these changes are fully embedded.

The direct-to-consumer market remains competitive, particularly in commercial lines. Despite this we are operating in healthy niche markets and have been able to grow premiums by around 10%. Our investment in marketing continues to differentiate us, and we will look to build on the success of our campaigns in the second half.

Cyber is still a growth area for the Group and in March we launched a new and enhanced product called CyberClear at an event attended by over 350 brokers and business partners. The new product provides market-leading protection to our UK customers and we are proud that it has been rated the most comprehensive cyber insurance policy for SMEs as the first and only policy to receive a 100% score in the Insurance Times Cyber Product Report.

Bob Thaker transferred from Hiscox Asia to take up the role of Hiscox UK CEO during the period. After over four years leading our business in Asia, the UK is already benefiting from his experience of building a business in a competitive market with high customer expectations.

Hiscox Europe

Hiscox Europe provides personal lines cover, including high-value household, fine art and classic car; as well as commercial insurance for small- and medium-sized businesses.

Hiscox Europe is doing very well and delivered a strong performance, with gross premiums written growing by 9.0% to $245.1 million (2018: $224.8 million[1]), or 17.0% in constant currency. The business has benefited from the transfer of Hiscox Ireland and a number of European underwriting partnerships from Hiscox UK to Hiscox Europe as part of our previously mentioned Brexit-related structural changes.

Spain and Germany are again the main drivers of growth, with professional indemnity and cyber – where we are maintaining our leadership position – performing particularly well.

Hiscox Retail is the single biggest segment in the Group and delivered most of the profit for the Group in the first half.

[1]To allow a like-for-like comparison, the 2018 figure has been amended to account for Hiscox Ireland GWP of $26.1 million transferring into Hiscox Europe as part of our Brexit preparations.

Chairman's statement continued

Hiscox Spain is benefiting especially from the 'MyHiscox' broker extranet which we rolled out in 2018 across Europe. The team is also looking at a number of partnership opportunities in the technology and insurtech space.

In Hiscox Germany, we launched our new CyberClear product in the second quarter, which has been well received by the market. We are growing our team in Munich and will expand our footprint in Germany with new offices in Berlin and Stuttgart later in the year.

Hiscox Benelux experienced good growth in the first half, with art and private client and commercial lines performing well. In classic car, work is under way to strengthen our presence with new offerings for the classic car segment, such as a new motor liability solution. Our online broker business also continues to perform well in The Netherlands, and the roll-out of the 'MyHiscox' portal will continue in Belgium later this year with cyber and professional indemnity solutions.

In Hiscox France, partnerships with well-known financial institutions continue to be an important distribution channel, and we are adding new products such as cyber to existing relationships.

Following Hiscox Ireland's transfer into Hiscox Europe, we have increased our local presence in Dublin, with new office space and new hires, and the team has settled in well to their new home within the Group.

Hiscox USA

Hiscox USA underwrites small- to mid-market commercial risks through brokers and directly to businesses online and over the telephone. We also partner with other insurers who sell Hiscox products.

Gross premiums written increased by 3.1% to $437.1 million (2018: $423.9 million), driven by growth in our direct and partnerships division where we now have over 320,000 customers. Our marketing and brand-building efforts are critical to powering our growth, and we intend to increase our marketing spend in the second half.

In the broker channel, we remain disciplined, focusing on profitable sectors and not chasing premium at the expense of quality. For example, strong competition in the cyber market means we are being selective and growing cautiously. In D&O, we are doing what we said we would and remain on-track to shrink the book by more than half in response to increased claims volumes and rate inadequacy in the market. This action is necessary and will improve profitability in the longer term. We have taken similar corrective action to improve profitability in media and entertainment, as previously disclosed, and this work is also progressing as planned.

As we said previously, we expect growth for Hiscox USA to trend towards the mid-point of our 5-15% target range for our retail businesses the second half.

The long-term opportunity for our US business is significant, and with our share of less than 1% of a highly-fragmented market, we are still early in our journey.

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 premiums written reduced by 4.0% to $67.0 million (2018: $69.8 million) during the first half of the year. Over 30% of Special Risks' business comes from multi-year policies, which is reflected in these figures. On an underlying basis, growth was stable.

In kidnap and ransom, market conditions remain challenging, with increased competition and pricing pressure. Our expertise and relationships in this area are helping us to maintain our leadership position in the market.

Our Security Incident Response (SIR) product continues to perform well and during the period we launched an enhanced version that provides additional protection for business integrity risks such as bribery and corruption, embezzlement and financial statement fraud. The product now covers 19 additional insured events and we will continue to evolve it in line with the ever-changing risk and security landscape.

Recent political tensions with Iran have resulted in a heightened state of alert for marine clients travelling in the Gulf. In response to this, within a week, the team developed and delivered to market a new product that focuses specifically on providing crisis management support and loss of hire indemnity if a vessel is detained or seized. New insurance products rightly come under a lot of scrutiny and need to go through a robust product governance process before launch, so I am delighted that we have been able to respond swiftly and provide real value for our clients when they need it most.

Hiscox Asia

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

The business achieved gross premiums written of $26.9 million (2018: $9.3 million) during the first half of the year. Excluding an adjustment for premium written via an agency into Hiscox Insurance Company (Bermuda) Limited, gross premiums written were $18.6 million (2018: $13.4 million). Both Singapore and Thailand have had consecutive record-breaking months for car and motorcycle insurance sales, driven by the success of new partnerships, and we continue to seek similar partnerships with like-minded businesses.

With Bob Thaker's return to the UK, we have appointed a new Managing Director, Sirinthip (Celine) Chotithamaporn. Celine has been instrumental in launching two start-ups in Thailand and has significant insurance experience, including most recently as President and CEO of Allianz Thailand. Her expertise will be valuable as we focus on reaching scale and we are delighted to have her on board.

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 premiums written	$484.6 million (2018: $458.7 million)
Profit before tax	$34.4 million (2018: $42.7 million)
Combined ratio	103.3% (2018: 88.6%)

Gross premiums written in Hiscox London Market increased by 5.6% to $484.6 million (2018: $458.7 million), or 6.6% in constant currency.

Rate improvements driven by the Lloyd's Decile 10 directive, of which we have been great supporters, and recent market losses, has led to good growth in many of our core lines including D&O, cargo, marine hull, major property and household. We continue to lead consortia for general liability, flood and product recall which gives us additional scale and prominence in the market.

Like others in the market, Hiscox London Market has been impacted by a deteriorating loss experience from Hurricane Michael, where 'assignment of benefits' – a practice where insureds can pass on the claims recovery rights to a more aggressive third party – has challenged the market in Florida. Legislation to reform the practice was passed in April, and we hope will provide more stability in the market and fairer outcomes for customers.

In May, we launched a new CyberClear product for the London Market with a first-of-its-kind experiential event on the underwriting floor at Lloyd's. 'The Cube' aimed to test the market's cyber knowledge, and attracted more than 150 brokers and underwriters.

In terrorism, our new malicious attack product has been well received by the market. It provides cover for property damage, business interruption, loss of attraction and crisis management assistance in an event involving a vehicle, explosive device or hand-held weapon.

Our adoption of Placing Platform Ltd (PPL), part of the Lloyd's Target Operating Model work to move to digital trading, remains on track and we are currently placing over half of all syndicate risks in this way. We continue to work closely with our broker partners to meet the ambitious targets for the remainder of this year.

Hiscox Re & ILS

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

Gross premiums written	$698.3 million (2018: $655.6 million)
Profit before tax	$14.0 million (2018: $57.8 million)
Combined ratio	111.3% (2018: 71.5%)

Gross premiums written grew by 6.5% to $698.3 million (2018: $655.6 million), or 7.6% in constant currency.

While we are seeing some positive rate momentum, particularly in those lines hardest hit by two consecutive years of losses, this is dampened by the continued abundance of reinsurance capacity available from traditional and alternative sources. We have responded rationally, growing in wildfire liability where we have seen rate increases of up to 200%, and managing wildfire-exposed property business where rates in some cases have not responded in line with our view of the risk.

In the risk excess book, we are reducing our exposure on the bottom end of programmes and pushing for more risk-reflective pricing, particularly in risk aggregate where we have seen heavy losses and some underperformance in recent years.

Like others in the market, we have seen some deterioration in claims resulting from Typhoon Jebi, the most powerful typhoon to hit Japan, as severe winds impacted an area of high-value construction ahead of the upcoming Olympic Games and Rugby World Cup. This has caused an unusually large number of claims and increased repair costs due to demand surge.

In Hiscox ILS, our funds have performed in line with expectations. In January, we started writing business to our new fund, the Kiskadee Latitude Fund, which gives investors access to a more diverse portfolio of insurance and reinsurance risks with less focus on pure property catastrophe risk. Assets under management are currently at $1.6 billion.

Investments

The investment return for the first six months of 2019 is $147.5 million (2018: $19.8 million), 4.8% (2018: 0.7%) on an annualised basis before derivatives and fees. Assets under management at 30 June 2019 were $6,367 million (2018: $6,460 million).

After the sharp reversal in conditions towards the end of 2018, markets have been bullish so far in 2019. Global equity markets are up around 16%, where developed markets have outperformed their emerging counterparts year-to-date. Short-dated corporate bonds spreads have fallen by around one-third from recent highs, meaning returns from credit have also been strong. Market behaviour seems at odds with a background of slowing growth and geopolitical tensions such as the US-China trade stand-off, but statements by policymakers seem to explain the apparent dichotomy.

US government bond yields have fallen year-to-date, adding to fixed income returns. This has been driven by a significant shift in policymaker behaviour. Where 2018 was mainly a story of central banks tightening and removing stimulus, 2019 has been the opposite. A year ago, the US Federal Reserve was expected to raise interest rates two or three times in 2019, however they now appear unlikely to raise rates for the remainder of

Chairman's statement continued

2019 and the markets are pricing in several cuts. Likewise, the European Central Bank was preparing to unwind its quantitative easing programme, but has now stated its intention to restart stimulus. The targeted long-term refinancing operations, to provide liquidity to banks and support the European economy, are due to be restarted, and further cuts to interest rates and more quantitative easing have not been ruled out.

The risk-on/risk-off environment, where asset returns tend to move together, appears to remain in place. Such volatile environments can be difficult to navigate as they have a tendency to change rapidly and diversifying assets are hard to identify. We remain cautious on our expectations for investment return, keeping risk assets at modest levels (7.5%) and a relatively high allocation to cash at 17.4%, with scope to re-invest as circumstances allow.

Marketing

We now have more than one million retail customers, and our investment in marketing has been a key driver of this growth, by building brand awareness and differentiating us in our key markets. This year we will invest up to $90 million in marketing and brand-building (2018: $69.7 million), mainly in the UK and USA, where we still see significant growth opportunities.

During the first half of the year, we launched our biggest ever integrated campaign in the USA, featuring our first ever US TV advertisements. The 'Barcode' campaign is the latest in our 'Encourage Courage' brand series aimed at small businesses, and is supported by a $12 million brand-building investment. We are using highly targeted TV, radio, digital and press for the campaign, including well-known media outlets such as The Wall Street Journal, in addition to sponsorship of Major League Baseball and tailored adverts to mark Small Business Week and International Women's Day.

In the UK, we have focused our activities on cyber to help drive brand awareness and affinity. We partnered with Brompton Bikes to produce 'The Hack' video campaign, which brought to life what a cyber attack could look like in the real world, and has achieved more than 25 million views to date.

In both Thailand and Singapore, new marketing campaigns and partnerships helped us to achieve several record-breaking months for car and motorbike policy sales in the first half.

Richard Watson

As previously announced, Richard Watson, our Group Chief Underwriting Officer and Hiscox Ltd Board member, will retire at the end of the year after 33 years at Hiscox. He will be sorely missed in these roles, but I am pleased we will continue to benefit from his expertise as a Non Executive Director of Hiscox Syndicates Ltd and as Chairman of Hiscox Re & ILS.

When Richard joined Hiscox in 1986, we were fewer than 30 people underwriting around £80 million of business. He has been central to many of Hiscox's successes over the years; first as named Underwriter of Syndicate 33, then as CEO of Hiscox Global Markets (as we called our entire Lloyd's-based business at the time), CEO of Hiscox USA, and finally as Group Chief Underwriting Officer and a Director of Hiscox Ltd. He has had a remarkable career in insurance, starting off as a broker at Sedgwick's, before joining us as a political risks underwriter. He mastered many lines of business at Hiscox and has always been a guardian of the Hiscox culture. Most recently, he has championed our diversity and inclusion efforts and seen us make good progress in this area.

I have enjoyed working with Richard immensely and profited from his sound judgement and forthright opinions. I would like to thank him for his outstanding contribution to Hiscox and look forward to working with him in his new roles.

Leadership changes can be disruptive, which is why we spend a great deal of time planning for succession throughout the business. A new Chief Underwriting Officer for the Group will be announced in due course.

Outlook

At the full year, I talked about the volume of change impacting the business and our expectation that would continue in 2019.

In Retail, embedding our new IT systems and ways of working has taken more time than we had hoped but the alternative would have been to be strangled by legacy systems as so many of the banks have been. As the year progresses, the UK is resolving its issues and the USA is benefiting from the UK's experience. Such infrastructure is essential for an efficient multi-channel approach, where our products are available for customers to purchase however they choose – whether that is through a broker, online, over the telephone or via an intermediary. We will continue to invest in marketing to build our retail businesses.

In big-ticket lines, we are very supportive of Lloyd's and their drive for positive change. The market must become a more efficient and modern place to operate or it will slowly wither on the vine. Such choices are made easier when there is no choice. I am pleased that our senior leaders are taking an active role in initiatives such as PPL which will define the market's future. The positive momentum for rates in big-ticket lines is good news, and although the benefits will be gradual we are ready to make the most of the opportunities as they arise.

I would like to take this opportunity to thank our employees, shareholders and business partners for their support, and look forward to a productive second half.

Robert Childs

Robert Childs
Chairman
29 July 2019

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). The Group believes that these measures provide useful information to enhance the understanding of its financial performance. These APMs are: profit excluding foreign exchange gains/(losses), premium growth in local currency, combined claims and expense ratios, return on equity, net asset value per share and reserve releases. These are common measures used across the industry, and allow the reader 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.

Premium growth in local currency

Gross premiums written, 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 have 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 common measures 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 27.5% (30 June 2018: 27.4%; 31 December 2018: 27.4%) of Syndicate 33 that the Group does not own (Group-controlled income). 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 the Group to measure all of our underwriting businesses on an equal measure. The calculation is discussed further in note 6, 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)

The ROE percentage is common within the financial services industry and 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 8, 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, including using the movement of NAV per share in the calculation of the options vesting of awards granted under performance share plans (PSP) from 2018 onwards. 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. Net asset value (NAV) per share is shown in note 7, 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 the Group's 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 13, as the 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 2019

	Note	Reviewed six months to 30 June 2019 $m	Reviewed six months to 30 June 2018 (restated)* $m	Audited year to 31 Dec 2018 (restated)* $m
Income				
Gross premiums written	6	2,337.5	2,228.8	3,778.3
Outward reinsurance premiums		(870.1)	(829.5)	(1,196.8)
Net premiums written		1,467.4	1,399.3	2,581.5
Gross premiums earned		1,891.9	1,804.3	3,699.8
Premiums ceded to reinsurers		(578.1)	(526.4)	(1,126.2)
Net premiums earned		1,313.8	1,277.9	2,573.6
Investment result	9	147.5	19.8	38.1
Other income	10	25.8	24.0	46.8
Total income		1,487.1	1,321.7	2,658.5
Expenses				
Claims and claim adjustment expenses		(1,194.1)	(786.0)	(2,326.6)
Reinsurance recoveries		510.3	270.4	1,100.8
Claims and claim adjustment expenses, net of reinsurance		(683.8)	(515.6)	(1,225.8)
Expenses for the acquisition of insurance contracts		(468.3)	(425.8)	(882.0)
Reinsurance commission income		130.6	116.6	240.3
Operational expenses	10	(295.0)	(310.1)	(607.5)
Net foreign exchange gains/(losses)		15.6	(8.5)	(13.7)
Total expenses		(1,300.9)	(1,143.4)	(2,488.7)
Results of operating activities		186.2	178.3	169.8
Finance costs	11	(18.2)	(15.4)	(34.6)
Share of (loss)/profit of associates after tax		–	(0.2)	0.4
Profit before tax		168.0	162.7	135.6
Tax expense	12	(22.9)	(14.7)	(17.7)
Profit for the period (all attributable to owners of the Company)		145.1	148.0	117.9
Earnings per share on profit attributable to owners of the Company				
Basic	14	51.2¢	52.2¢	41.6¢
Diluted	14	50.2¢	50.8¢	40.8¢

*See note 2.2 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 2019

	Reviewed six months to 30 June 2019 $m	Reviewed six months to 30 June 2018 (restated)* $m	Audited year to 31 Dec 2018 (restated)* $m
Profit for the period	145.1	148.0	117.9
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements of the net defined benefit obligation	–	–	20.2
Income tax effect	–	–	(4.1)
	–	–	16.1
Items that may be reclassified subsequently to the income statement:			
Exchange losses on translating foreign operations	(13.3)	(1.8)	(14.7)
Income tax effect	–	–	–
	(13.3)	(1.8)	(14.7)
Other comprehensive income net of tax	(13.3)	(1.8)	(14.7)
Total comprehensive income for the year (all attributable to owners of Company)	131.8	146.2	119.3

*See note 2.2 for further details.

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

Condensed consolidated interim balance sheet As at 30 June 2019

	Note	Reviewed 30 June 2019 $m	Reviewed 30 June 2018 (restated)* $m	Audited 31 Dec 2018 (restated)* $m
Assets				
Goodwill and intangible assets		**231.3**	190.8	204.6
Property, plant and equipment		**130.7**	62.8	61.4
Investments in associates		**8.6**	10.2	9.9
Deferred tax		**56.2**	59.2	60.7
Deferred acquisition costs		**486.4**	520.4	455.9
Financial assets carried at fair value	16	**5,316.6**	4,927.5	5,029.7
Reinsurance assets	13	**2,845.5**	2,148.9	2,456.6
Loans and receivables including insurance receivables		**1,775.4**	1,527.8	1,265.1
Current tax asset		**–**	1.1	3.6
Cash and cash equivalents		**1,110.5**	1,594.5	1,288.8
Total assets		**11,961.2**	11,043.2	10,836.3
Equity and liabilities				
Shareholders' equity				
Share capital		**34.0**	33.9	34.0
Share premium		**65.9**	53.9	57.6
Contributed surplus		**184.0**	184.0	184.0
Currency translation reserve		**(338.6)**	(312.4)	(325.3)
Retained earnings		**2,375.4**	2,404.3	2,307.6
Equity attributable to owners of the Company		**2,320.7**	2,363.7	2,257.9
Non-controlling interest		**1.1**	1.1	1.1
Total equity		**2,321.8**	2,364.8	2,259.0
Employee retirement benefit obligation		**32.2**	62.5	35.8
Deferred tax		**9.2**	9.4	9.1
Insurance liabilities	13	**7,366.8**	6,474.1	6,701.5
Financial liabilities	16	**713.8**	735.4	700.5
Current tax		**46.5**	52.3	43.9
Trade and other payables		**1,470.9**	1,344.7	1,086.5
Total liabilities		**9,639.4**	8,678.4	8,577.3
Total equity and liabilities		**11,961.2**	11,043.2	10,836.3

*See note 2.2 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 2019

Reviewed

For the six-month period ended 30 June 2019	Share capital $m	Share premium $m	Contributed surplus $m	Currency translation reserve $m	Retained earnings $m	Equity attributable to owners of the Company $m	Non-controlling interest $m	Total $m
Balance at 1 January 2019	34.0	57.6	184.0	(325.3)	2,307.6	2,257.9	1.1	2,259.0
Profit for the period (all attributable to owners of the Company)	–	–	–	–	145.1	145.1	–	145.1
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	(13.3)	–	(13.3)	–	(13.3)
Employee share options:								
Equity settled share-based payments	–	–	–	–	7.2	7.2	–	7.2
Proceeds from shares issued	–	2.1	–	–	–	2.1	–	2.1
Deferred and current tax on employee share options	–	–	–	–	1.9	1.9	–	1.9
Net movements of treasury shares held by Trust	–	–	–	–	–	–	–	–
Shares issued in relation to Scrip Dividend	–	6.2	–	–	–	6.2	–	6.2
Dividends paid to owners of the Company	–	–	–	–	(86.4)	(86.4)	–	(86.4)
Balance at 30 June 2019	34.0	65.9	184.0	(338.6)	2,375.4	2,320.7	1.1	2,321.8

Reviewed (restated)*

For the six-month period ended 30 June 2018	Share capital $m	Share premium $m	Contributed surplus $m	Currency translation reserve $m	Retained earnings $m	Equity attributable to owners of the Company $m	Non-controlling interest $m	Total $m
Balance at 1 January 2018 (as reported)	33.9	45.8	184.0	(310.6)	2,414.2	2,367.3	1.1	2,368.4
Cumulative impact of prior-period adjustments	–	–	–	–	(51.2)	(51.2)	–	(51.2)
Balance at 1 January 2018 (restated)	33.9	45.8	184.0	(310.6)	2,363.0	2,316.1	1.1	2,317.2
Profit for the period (all attributable to owners of the Company)	–	–	–	–	148.0	148.0	–	148.0
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	(1.8)	–	(1.8)	–	(1.8)
Employee share options:								
Equity settled share-based payments	–	–	–	–	13.8	13.8	–	13.8
Proceeds from shares issued	–	4.2	–	–	–	4.2	–	4.2
Deferred and current tax on employee share options	–	–	–	–	2.5	2.5	–	2.5
Net movements of treasury shares held by Trust	–	–	–	–	(47.0)	(47.0)	–	(47.0)
Shares issued in relation to Scrip Dividend	–	3.9	–	–	–	3.9	–	3.9
Dividends paid to owners of the Company	–	–	–	–	(76.0)	(76.0)	–	(76.0)
Balance at 30 June 2018	33.9	53.9	184.0	(312.4)	2,404.3	2,363.7	1.1	2,364.8

*See note 2.2 for further details.

Condensed consolidated interim statement of changes in equity continued
For the six-month period ended 30 June 2019

For the year ended 31 December 2018	Share capital $m	Share premium $m	Contributed surplus $m	Currency translation reserve $m	Retained earnings $m	Equity attributable to owners of the Company $m	Non-controlling interest $m	Audited (restated)* Total $m
Balance at 1 January 2018	33.9	45.8	184.0	(310.6)	2,414.2	2,367.3	1.1	2,368.4
Cumulative impact of prior-period adjustments	–	–	–	–	(51.2)	(51.2)	–	(51.2)
Balance at 1 January 2018 (restated)	33.9	45.8	184.0	(310.6)	2,363.0	2,316.1	1.1	2,317.2
Profit for the year (all attributable to owners of the Company)	–	–	–	–	117.9	117.9	–	117.9
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	(14.7)	16.1	1.4	–	1.4
Employee share options:								
Equity settled share-based payments	–	–	–	–	(3.6)	(3.6)	–	(3.6)
Proceeds from shares issued	0.1	4.0	–	–	–	4.1	–	4.1
Deferred and current tax on employee share options	–	–	–	–	4.2	4.2	–	4.2
Net movements of treasury shares held by Trust	–	–	–	–	(76.5)	(76.5)	–	(76.5)
Shares issued in relation to Scrip Dividend	–	7.8	–	–	–	7.8	–	7.8
Dividends paid to owners of the Company	–	–	–	–	(113.5)	(113.5)	–	(113.5)
Balance at 31 December 2018	34.0	57.6	184.0	(325.3)	2,307.6	2,257.9	1.1	2,259.0

*See note 2.2 for further details.

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 2019

	Note	Reviewed six months to 30 June 2019 $m	Reviewed six months to 30 June 2018 (restated)* $m	Audited year to 31 Dec 2018 (restated)* $m
Profit before tax		168.0	162.7	135.6
Adjustments for:				
Net foreign exchange (gains)/losses		(15.6)	8.5	13.7
Interest and equity dividend income	9	(60.4)	(49.5)	(103.0)
Interest expense	11	18.2	15.4	34.6
Net fair value (gains)/losses on financial assets		(73.4)	13.3	33.8
Depreciation, amortisation and impairment	10	22.7	16.9	33.2
Charges in respect of share-based payments	10	7.2	13.9	(3.6)
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		28.3	189.4	136.3
Financial assets carried at fair value		(207.5)	72.9	3.0
Financial liabilities carried at fair value		(0.8)	(18.5)	(18.3)
Financial liabilities carried at amortised cost		–	(17.5)	(53.2)
Other assets and liabilities		18.8	66.2	58.5
Cash paid to the pension fund		(3.6)	–	(3.7)
Interest received		56.6	44.6	90.8
Equity dividends received		3.4	0.6	0.8
Interest paid		(3.9)	(2.3)	(33.9)
Current tax paid		(10.3)	(7.0)	(24.2)
Net cash flows from operating activities		(52.3)	509.6	300.4
Purchase of property, plant and equipment		–	(3.7)	(7.8)
Purchase of intangible assets		(42.4)	(22.6)	(51.8)
Net cash flows from investing activities		(42.4)	(26.3)	(59.6)
Proceeds from the issue of ordinary shares**		2.1	2.6	4.1
Shares repurchased		–	(47.0)	(76.5)
Distributions made to owners of the Company**	15	(80.2)	(70.5)	(105.7)
Proceeds from long-term debt issue, net of fees		–	380.3	380.3
Principal elements of lease payments		(6.8)	–	–
Net cash flows from financing activities		(84.9)	265.4	202.2
Net (decrease)/increase in cash and cash equivalents		(179.6)	748.7	443.0
Cash and cash equivalents at 1 January		1,288.8	867.8	867.8
Net (decrease)/increase in cash and cash equivalents		(179.6)	748.7	443.0
Effect of exchange rate fluctuations on cash and cash equivalents		1.3	(22.0)	(22.0)
Cash and cash equivalents at end of period	18	1,110.5	1,594.5	1,288.8

*See note 2.2 for further details.
**Following a review, prior year comparatives have been re-presented. Scrip dividend amounts at 30 June 2018 of $5.5 million have been removed from these line items. This does not result in any change to net cash flows from financing activities.

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 General information

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 2019 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 2019.

The Directors of Hiscox Ltd are listed in the Group's 2018 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 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the European Union, 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 2018 consolidated financial statements except for the changes described below.

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 2018.

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 2018.

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 millions ($m) rounded to the nearest hundred thousand Dollars.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors by the Chief Executive, Bronek Masojada and the Chairman, Robert Childs. Accordingly, the Interim Statement 2019 was approved for issue on Monday, 29 July 2019.

2.1. New and amended accounting standards adopted by the Group

The following accounting standard is effective for annual periods beginning on or after 1 January 2019 and has been applied in preparing these interim condensed consolidated financial statements:

IFRS 16 Leases

IFRS 16 *Leases* supersedes IAS 17 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to account for leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using applicable incremental borrowing rates as of 1 January 2019.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying the previous accounting guidance.

In addition, the Group has opted to use the recognition exemptions for lease contracts that, at the commencement date:
- have a lease term of 12 months or less and do not contain a purchase option (short-term leases); and
- lease contracts for which the underlying asset is of low value (low-value assets).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The impact on the consolidated balance sheet as at 1 January 2019 is shown below:

	$m
Assets	
Increase in property, plant and equipment	78.8
Analysed as right-of-use assets related to:	
– properties	77.9
– vehicles	0.9
Liabilities	
Increase in trade and other payables	78.8
Analysed as lease liabilities	78.8

The undiscounted future minimum payments disclosed under the prior standard at 31 December 2018 were $87.0 million. The impact of discounting was $6.3 million, the short-term leases, for which an exemption was applied, amounted to $1.9 million. The resulting total lease liability recognised as at 1 January 2019 under IFRS 16 is $78.8 million.

Impact on the condensed consolidated income statement for the six months ended 30 June 2019:

The depreciation expenses from right-of-use assets (operating expenses) and interest expense on the lease liabilities (finance costs) under IFRS 16 in the first six months of 2019 were $1.1 million higher than the amount of operating lease expenses under IAS 17.

Impact on the condensed consolidated cash flow statement for the six months ended 30 June 2019:

Compared with the previous accounting for operating leases under IAS 17, the application of the new standard affects the classification of cash flows. In prior years, operating lease payments were presented as operating cash flows. Lease payments are now split into payments of principal that are presented as financing cash flows, and payments of interest that are presented as operating cash flows. Payments related to leases for the period ending 30 June 2019 amounting to $6.8 million, which under IAS 17 would be classified as operating leases, are presented under cash flows from financing activities. Additionally, the interest expense on the lease liabilities calculated under IFRS 16 amounting to $0.9 million is presented under cash flows from operating activities.

2.2. Prior-period adjustments

In 2019, the Group has made an additional tax provision relating to reappraisal of uncertain tax positions, the most significant one relates to a classification of marketing activity affecting a historical tax position.

This has been presented as a prior-period adjustment and has led to a decrease in profit after tax of $10.1 million in 2018 (30 June 2018: $5.1 million) and a decrease in opening retained earnings for 2018 of $51.2 million with a decrease in closing equity at 31 December 2018 of $58.1 million. The impact on the condensed consolidated income statement, balance sheet, equity and cash flow statements are shown in the tables below and overleaf.

	Year to 31 December 2018			Six months to 30 June 2018		
Income statement and other comprehensive income (OCI)	As reported $m	Effect of prior-period adjustments $m	Restated $m	As reported $m	Effect of prior-period adjustments $m	Restated $m
Total expenses	2,486.9	1.8	2,488.7	1,142.5	0.9	1,143.4
Effect analysed as:						
Operational expenses	605.7	1.8	607.5	309.2	0.9	310.1
Profit before tax	137.4	(1.8)	135.6	163.6	(0.9)	162.7
Tax expense	(9.4)	(8.3)	(17.7)	(10.5)	(4.2)	(14.7)
Profit after tax	128.0	(10.1)	117.9	153.1	(5.1)	148.0
OCI: exchange losses on translating foreign operations	(17.9)	3.2	(14.7)	(3.2)	1.4	(1.8)
Total comprehensive income	126.2	(6.9)	119.3	149.9	(3.7)	146.2

Notes to the condensed consolidated interim financial statements continued

Opening equity	Year to 31 December 2018 As reported $m	Effect of prior-period adjustments – opening balance $m	Restated $m
Total equity			
Balance at 1 January	2,368.4	(51.2)	2,317.2

Balance sheet	Year to 31 December 2018 As reported $m	Effect of prior-period adjustments – opening balance $m	Effect of prior-period adjustments at 31 December 2018 $m	Restated $m	Six months to 30 June 2018 As reported $m	Effect of prior-period adjustments – opening balance $m	Effect of prior-period adjustments at 30 June 2018 $m	Restated $m
Total assets	10,846.3	–	(10.0)	10,836.3	11,042.1	–	1.1	11,043.2
Effect analysed as adjustments to								
Current tax asset	13.6	–	(10.0)	3.6	–	–	1.1	1.1
Total liabilities	8,529.2	51.2	(3.1)	8,577.3	8,622.4	51.2	4.8	8,678.4
Effect analysed as adjustments to:								
Deferred tax	–	9.6	(0.5)	9.1	–	9.6	(0.2)	9.4
Current tax	10.3	37.8	(4.2)	43.9	10.3	37.8	4.2	52.3
Trade and other payables	1,081.1	3.8	1.6	1,086.5	1,340.1	3.8	0.8	1,344.7
Total equity	2,317.1	(51.2)	(6.9)	2,259.0	2,419.7	(51.2)	(3.7)	2,364.8
Effect analysed as adjustments to:								
Retained earnings	2,368.9	(51.2)	(10.1)	2,307.6	2,460.6	(51.2)	(5.1)	2,404.3
Currency translation reserve	(328.5)	–	3.2	(325.3)	(313.8)	–	1.4	(312.4)

Other	Year to 31 December 2018 As reported	Effect of prior-period adjustments	Restated	Six months to 30 June 2018 As reported	Effect of prior-period adjustments	Restated
Earnings per share (¢)	45.1	(3.5)	41.6	54.0	(1.8)	52.2
Diluted earnings per share (¢)	44.3	(3.5)	40.8	52.5	(1.7)	50.8
Net asset value per share (¢)	819.1	(20.5)	798.6	853.1	(19.4)	833.7
Tangible net asset value per share (¢)	746.8	(20.6)	726.2	785.8	(19.3)	766.5
Return on equity (%)	5.6	(0.3)	5.3	13.5	(0.2)	13.3

The impact on the condensed consolidated interim cash flow statement is limited to a decrease in profit before tax and a corresponding increase in changes in other assets and liabilities within net cash flows from operating activities of $1.8 million for the year ended 31 December 2018 and $0.9 million for the six months ended 30 June 2018.

3 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 2018, 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, capital risk and tax 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 16, the Group's investment allocation is broadly comparable to that at 31 December 2018 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 17 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 Sterling. The estimated impact of a 10% strengthening or weakening of Sterling against the US Dollar on profit before tax:

Effect on profit before tax	$m
As at 30 June 2019	
10% strengthening of GBP	14
10% weakening of GBP	(11)
As at 30 June 2018	
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.

4 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 2018 Report and Accounts.

5 Related-party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 33 of the Group's 2018 Report and Accounts.

6 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 2019, the Group has reviewed the segmental presentation of financial information it requires to assess performance and allocate resources. To further align to how the Group manages its investments through a centralised investment function, and the basis for internal performance incentivisation, the Group has changed the method of allocation of the investment result to the reportable operating segments. Previously this was presented based on investment returns recognised by legal entities that made up the segments, and this is now allocated to each segment based on:

- attributed capital at the beginning of the year under the Group's capital allocation methodology; and
- weighted average insurance liabilities net of reinsurance.

There is no impact on the consolidated investment result and following this change, the comparative figures in the segmental reporting have been re-presented.

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 USA, Special Risks and Asia retail business divisions.

Hiscox UK and Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme, 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. Hiscox Europe excludes the kidnap and ransom business written by Hiscox Société Anonyme.

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 Société Anonyme 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 and aviation business.

Notes to the condensed consolidated interim financial statements continued

6 Operating segments continued

Hiscox Re & ILS is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda and London. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited, excluding the internal quota share arrangements, with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in the Bermuda hub on Syndicate capacity are also included. The segment also includes the performance and fee income from the ILS funds, along with the gains and losses made as a result of the Group's investment in the funds.

Corporate Centre comprises finance costs and administrative costs associated with Group management activities. Corporate Centre also includes the majority of foreign currency items on economic hedges and intragroup borrowings. These relate to certain foreign currency items on economic hedges and intragroup borrowings. The segment includes results from run-off portfolios where the Group has ceded all insurance risks to a third-party reinsurer.

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 2019

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	1,154.6	484.6	698.3	–	2,337.5
Net premiums written	1,020.9	246.9	199.6	–	1,467.4
Net premiums earned	937.7	262.6	113.5	–	1,313.8
Investment result**	81.4	41.5	24.6	–	147.5
Other income	14.5	2.9	8.3	0.1	25.8
Total income	1,033.6	307.0	146.4	0.1	1,487.1
Claims and claim adjustment expenses, net of reinsurance	(431.0)	(163.6)	(89.2)	–	(683.8)
Expenses for the acquisition of insurance contracts	(251.3)	(77.8)	(8.6)	–	(337.7)
Operational expenses	(215.2)	(32.7)	(37.5)	(9.6)	(295.0)
Net foreign exchange (losses)/gains	2.3	1.9	3.7	7.7	15.6
Total expenses	(895.2)	(272.2)	(131.6)	(1.9)	(1,300.9)
Results of operating activities	138.4	34.8	14.8	(1.8)	186.2
Finance costs	(0.7)	(0.4)	(0.8)	(16.3)	(18.2)
Share of (loss)/profit of associates after tax	–	–	–	–	–
Profit/(loss) before tax	137.7	34.4	14.0	(18.1)	168.0
Profit/(loss) before tax and foreign exchange gains/(losses)	135.4	32.5	10.3	(25.8)	152.4
100% ratio analysis***					
Claims ratio (%)	45.3	62.8	79.3	–	53.3
Expense ratio (%)	50.0	41.2	34.5	–	46.1
Combined ratio excluding foreign exchange impact (%)	95.3	104.0	113.8	–	99.4
Foreign exchange impact (%)	(0.3)	(0.7)	(2.5)	–	(0.6)
Combined ratio (%)†	95.0	103.3	111.3	–	98.8

Six months ended 30 June 2018 (restated)*

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	1,113.0	458.7	655.6	1.5	2,228.8
Net premiums written	982.2	277.0	197.5	(57.4)	1,399.3
Net premiums earned	900.5	284.2	150.6	(57.4)	1,277.9
Investment result**	10.2	5.7	3.9	–	19.8
Other income	12.2	0.7	11.0	0.1	24.0
Total income	922.9	290.6	165.5	(57.3)	1,321.7
Claims and claim adjustment expenses, net of reinsurance	(375.6)	(129.8)	(67.7)	57.5	(515.6)
Expenses for the acquisition of insurance contracts	(220.5)	(76.2)	(12.1)	(0.4)	(309.2)
Operational expenses	(224.6)	(40.9)	(29.7)	(14.9)	(310.1)
Net foreign exchange (losses)/gains	(2.0)	(1.0)	2.5	(8.0)	(8.5)
Total expenses	(822.7)	(247.9)	(107.0)	34.2	(1,143.4)
Results of operating activities	100.2	42.7	58.5	(23.1)	178.3
Finance costs	–	–	(0.7)	(14.7)	(15.4)
Share of (loss)/profit of associates after tax	(0.2)	–	–	–	(0.2)
Profit/(loss) before tax	100.0	42.7	57.8	(37.8)	162.7
Profit/(loss) before tax and foreign exchange gains/(losses)	102.0	43.7	55.3	(29.8)	171.2
100% ratio analysis***					
Claims ratio (%)	41.1	46.8	44.8	–	42.9
Expense ratio (%)	49.3	41.6	27.5	–	44.9
Combined ratio excluding foreign exchange impact (%)	90.4	88.4	72.3	–	87.8
Foreign exchange impact (%)	0.3	0.2	(0.8)	–	0.1
Combined ratio (%)†	90.7	88.6	71.5	–	87.9

Year ended 31 December 2018 (restated)*

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	2,087.1	877.7	812.0	1.5	3,778.3
Net premiums written	1,874.5	522.9	241.5	(57.4)	2,581.5
Net premiums earned	1,821.8	551.8	257.4	(57.4)	2,573.6
Investment result**	19.9	10.8	7.4	–	38.1
Other income	23.8	9.8	13.1	0.1	46.8
Total income	1,865.5	572.4	277.9	(57.3)	2,658.5
Claims and claim adjustment expenses, net of reinsurance	(812.1)	(253.3)	(217.9)	57.5	(1,225.8)
Expenses for the acquisition of insurance contracts	(459.3)	(164.6)	(17.4)	(0.4)	(641.7)
Operational expenses	(448.5)	(75.5)	(58.4)	(25.1)	(607.5)
Net foreign exchange (losses)/gains	1.1	(2.6)	(11.6)	(0.6)	(13.7)
Total expenses	(1,718.8)	(496.0)	(305.3)	31.4	(2,488.7)
Results of operating activities	146.7	76.4	(27.4)	(25.9)	169.8
Finance costs	(0.2)	(0.6)	(1.3)	(32.5)	(34.6)
Share of (loss)/profit of associates after tax	(0.2)	–	–	0.6	0.4
Profit/(loss) before tax	146.3	75.8	(28.7)	(57.8)	135.6
Profit/(loss) before tax and foreign exchange gains/(losses)	145.2	78.4	(17.1)	(57.2)	149.3
100% ratio analysis***					
Claims ratio (%)	43.8	46.0	83.8	–	48.5
Expense ratio (%)	49.8	43.0	28.7	–	45.9
Combined ratio excluding foreign exchange impact (%)	93.6	89.0	112.5	–	94.4
Foreign exchange impact (%)	–	0.3	4.4	–	0.5
Combined ratio (%)†	93.6	89.3	116.9	–	94.9

*See note 2.2 for further details.

**Re-presented to reflect change in method of allocation of the investment result to reportable operating segments. The impact as at 30 June 2018 amounted to increases of $6.2 million in Hiscox Retail, $0.8 million in Hiscox London Market and $0.8 million in Hiscox Re & ILS and a decrease in Corporate Centre of $7.8 million. The impact as at 31 December 2018 amounted to an increase of $10.4 million in Hiscox Retail, and decreases of $2.5 million in Hiscox London Market, $5.5 million in Hiscox Re & ILS and $2.4 million in Corporate Centre. See page 17 for further details.

***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.

†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 2019

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	956.4	354.6	163.5	–	1,474.5
Claims and claim adjustment expenses, net of reinsurance	(433.4)	(222.6)	(129.7)	–	(785.7)
Expenses for the acquisition of insurance contracts	(259.0)	(105.5)	(14.6)	–	(379.1)
Operational expenses	(218.6)	(40.4)	(41.9)	–	(300.9)
Net foreign exchange (losses)/gains	2.5	2.1	4.2	–	8.8

Six months ended 30 June 2018

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	921.1	350.5	170.1	–	1,441.7
Claims and claim adjustment expenses, net of reinsurance	(378.4)	(164.1)	(76.2)	–	(618.7)
Expenses for the acquisition of insurance contracts	(228.4)	(95.5)	(13.2)	–	(337.1)
Operational expenses	(225.9)	(50.1)	(33.5)	–	(309.5)
Net foreign exchange (losses)/gains	(2.5)	(0.8)	1.3	–	(2.0)

Year ended 31 December 2018

	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	1,863.0	719.4	298.1	–	2,880.5
Claims and claim adjustment expenses, net of reinsurance	(816.1)	(330.9)	(249.8)	–	(1,396.8)
Expenses for the acquisition of insurance contracts	(475.6)	(213.9)	(19.5)	–	(709.0)
Operational expenses	(451.9)	(95.2)	(66.0)	–	(613.1)
Net foreign exchange (losses)/gains	0.3	(2.7)	(13.2)	–	(15.6)

Notes to the condensed consolidated interim financial statements continued

7 Net asset value (NAV) per share

	30 June 2019		30 June 2018 (restated)*		31 Dec 2018 (restated)*	
	Net asset value (total equity) $m	NAV per share cent	Net asset value (total equity) $m	NAV per share cent	Net asset value (total equity) $m	NAV per share cent
Net asset value	2,321.8	817.0	2,364.8	833.7	2,259.0	798.6
Net tangible asset value	2,090.5	735.6	2,174.0	766.5	2,054.4	726.2

*See note 2.2 for further details.

The NAV per share is based on 284,193,001 shares (30 June 2018: 283,638,511; 31 December 2018: 282,886,319), 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 NAV per share expressed in pence is 641.9 pence (30 June 2018: 633.6 pence; 31 December 2018: 626.9 pence).

8 Return on equity (ROE)

	Six months to 30 June 2019 $m	Six months to 30 June 2018 (restated)* $m	Year to 31 Dec 2018 (restated)* $m
Profit for the period	145.1	148.0	117.9
Opening total equity	2,259.0	2,317.2	2,317.2
Adjusted for the time weighted impact of capital distributions and issuance of shares	(6.6)	(20.8)	(83.7)
Adjusted opening total equity	2,252.4	2,296.4	2,233.5
Annualised return on equity (%)	13.3	13.3	5.3

*See note 2.2 for further details.

The ROE is calculated by using profit for the period divided by the adjusted opening total equity. The adjusted opening total 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.

9 Investment result
i) Analysis of investment result

The total investment result for the Group before taxation comprises:

	Six months to 30 June 2019 $m	Six months to 30 June 2018 $m	Year to 31 Dec 2018 $m
Investment income including interest receivable	60.4	49.5	103.0
Net realised gains/(losses) on financial investments at fair value through profit or loss	16.6	(13.6)	(25.4)
Net fair value gains/(losses) on financial investments at fair value through profit or loss	73.9	(14.0)	(35.1)
Investment result – financial assets	150.9	21.9	42.5
Fair value (losses)/gains on derivative financial instruments	(0.5)	0.7	1.3
Investment expenses	(2.9)	(2.8)	(5.7)
Total result	147.5	19.8	38.1

9 Investment result continued
ii) Annualised investment return

	Six months to 30 June 2019		Six months to 30 June 2018		Year to 31 Dec 2018	
	Return $m	Yield %	Return $m	Yield %	Return $m	Yield %
Debt and fixed income securities	100.9	4.4	11.6	0.5	57.5	1.3
Equities and shares in unit trusts	46.5	22.5	4.6	2.1	(27.5)	(6.2)
Deposits with credit institutions/cash and cash equivalents	3.5	0.6	5.7	0.8	12.5	0.8
Investment return – financial assets	150.9	4.8	21.9	0.7	42.5	0.7

10 Other income and operational expenses

	Six months to 30 June 2019 $m	Six months to 30 June 2018 (restated)* $m	Year to 31 Dec 2018 (restated)* $m
Agency-related income	14.6	13.3	27.1
Profit commission	0.7	0.4	7.0
Other underwriting income/(loss)	1.9	2.6	(3.4)
Other income	8.6	7.7	16.1
Other income	25.8	24.0	46.8
Wages and salaries	97.8	107.6	212.3
Social security costs	17.1	18.0	32.7
Pension cost – defined contribution	7.8	7.3	14.6
Pension cost – defined benefit	–	–	2.2
Share-based payments	7.2	13.9	(3.6)
Marketing expenses	41.3	32.1	69.7
Depreciation, amortisation and impairment	22.7	16.9	33.2
Other expenses	101.1	114.3	246.4
Operational expenses	295.0	310.1	607.5

*See note 2.2 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.

11 Finance costs

	Six months to 30 June 2019 $m	Six months to 30 June 2018 $m	Year to 31 Dec 2018 $m
Interest charge associated with long-term debt	14.4	13.7	28.3
Interest and expenses associated with bank borrowing facilities	1.4	0.6	2.5
Interest and charges associated with Letters of Credit	1.2	0.9	3.2
Other interest expenses*	1.2	0.2	0.6
	18.2	15.4	34.6

*30 June 2019 figure includes interest expense on lease liabilities of $0.9 million, see note 2.1 for further details.

As at 30 June 2019, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was $50.0 million (30 June 2018: $244.0 million, 31 December 2018: $50.0 million).

Notes to the condensed consolidated interim financial statements continued

12 Tax expense

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

The amount charged in the condensed consolidated income statement comprise the following:

	Six months to 30 June 2019 $m	Six months to 30 June 2018 (restated)* $m	Year to 31 Dec 2018 (restated)* $m
Current tax expense	18.3	21.4	29.5
Deferred tax credit	4.6	(6.7)	(11.8)
Total tax charged to the income statement	22.9	14.7	17.7

*See note 2.2 for further details.

13 Insurance liabilities and reinsurance assets

	Six months to 30 June 2019 $m	Six months to 30 June 2018 $m	Year to 31 Dec 2018 $m
Gross			
Claims and claim adjustment expenses outstanding	5,211.3	4,404.0	4,992.2
Unearned premiums	2,155.5	2,070.1	1,709.3
Total insurance liabilities, gross	7,366.8	6,474.1	6,701.5
Recoverable from reinsurers			
Claims and claim adjustment expenses outstanding	2,144.6	1,506.8	2,047.1
Unearned premiums	700.9	642.1	409.5
Total reinsurers' share of insurance liabilities	2,845.5	2,148.9	2,456.6
Net			
Claims and claim adjustment expenses outstanding	3,066.7	2,897.2	2,945.1
Unearned premiums	1,454.6	1,428.0	1,299.8
Total insurance liabilities, net	4,521.3	4,325.2	4,244.9

Net claims and claim adjustment expenses include releases of $26.0 million (30 June 2018: $154.3 million; 31 December 2018: $326.5 million) related to reserves established in prior reporting periods. The development of net claims reserves by accident years are detailed on the next page.

13 Insurance liabilities and reinsurance assets continued

Insurance claims and claims expenses reserves – net of reinsurance at 100%

Accident year ending 31 December**	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	Total $m
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year**	1,205.5	1,479.5	1,165.4	1,113.5	1,162.1	1,237.0	1,448.8	1,833.0	1,760.8	777.9	13,183.5
one period later**	1,054.7	1,363.2	1,025.9	987.9	1,021.0	1,144.1	1,331.2	1,611.6	1,828.5	–	11,368.1
two periods later**	991.5	1,309.2	951.0	887.4	927.3	1,050.6	1,255.6	1,598.6	–	–	8,971.2
three periods later**	965.4	1,306.5	915.4	823.2	873.3	1,043.6	1,247.1	–	–	–	7,174.5
four periods later**	935.5	1,297.6	906.3	818.7	841.5	1,051.8	–	–	–	–	5,851.4
five periods later**	929.9	1,245.5	926.4	793.6	830.0	–	–	–	–	–	4,725.4
six periods later**	897.9	1,209.6	916.5	787.5	–	–	–	–	–	–	3,811.5
seven periods later**	883.2	1,177.7	911.5	–	–	–	–	–	–	–	2,972.4
eight periods later**	877.2	1,159.7	–	–	–	–	–	–	–	–	2,036.9
nine periods later**	872.3	–	–	–	–	–	–	–	–	–	872.3
Current estimate of cumulative claims	872.3	1,159.7	911.5	787.5	830.0	1,051.8	1,247.1	1,598.6	1,828.5	777.9	11,064.9
Cumulative payments to date	(833.6)	(1,128.3)	(796.2)	(727.2)	(692.6)	(774.5)	(910.9)	(995.2)	(720.3)	(141.2)	(7,720.0)
Liability recognised at 100% level	38.7	31.4	115.3	60.3	137.4	277.3	336.2	603.4	1,108.2	636.7	3,344.9
Liability recognised in respect of prior accident years at 100% level											92.3
Total net liability to external parties at 100% level											3,437.2

*The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2019.
**With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2019, the term period refers to one full calendar year. This includes the run-off casualty loss portfolio transfer.

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

Accident year	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	Total $m
Current estimate of cumulative claims	872.3	1,159.7	911.5	787.5	830.0	1,051.8	1,247.1	1,598.6	1,828.5	777.9	11,064.9
Less: attributable to external Names	(126.7)	(160.2)	(97.5)	(82.2)	(85.1)	(108.2)	(125.0)	(165.5)	(181.1)	(84.4)	(1,215.9)
Group share of current ultimate claims estimate	745.6	999.5	814.0	705.3	744.9	943.6	1,122.1	1,433.1	1,647.4	693.5	9,849.0
Cumulative payments to date	(833.6)	(1,128.3)	(796.2)	(727.2)	(692.6)	(774.5)	(910.9)	(995.2)	(720.3)	(141.2)	(7,720.0)
Less: attributable to external Names	117.6	151.4	83.0	72.9	74.4	77.9	91.8	104.7	76.4	16.0	866.1
Group share of cumulative payments	(716.0)	(976.9)	(713.2)	(654.3)	(618.2)	(696.6)	(819.1)	(890.5)	(643.9)	(125.2)	(6,853.9)
Liability for 2010 to 2018 accident years recognised on Group's balance sheet	29.6	22.6	100.8	51.0	126.7	247.0	303.0	542.6	1,003.5	568.3	2,995.1
Liability for accident years before 2010 recognised on Group's balance sheet											71.6
Total Group liability to external parties included in the balance sheet, net†											3,066.7

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

Notes to the condensed consolidated interim financial statements continued

14 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 2019	Six months to 30 June 2018 (restated)*	Year to 31 Dec 2018 (restated)*
Profit for the period attributable to owners of the Company ($m)	**145.1**	148.0	117.9
Weighted average number of ordinary shares in issue (thousands)	**283,346**	283,411	283,564
Basic earnings per share (cent per share)	**51.2¢**	52.2¢	41.6¢
Basic earnings per share (pence per share)	**39.6p**	38.0p	31.2p

*See note 2.2 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.

	Six months to 30 June 2019	Six months to 30 June 2018 (restated)*	Year to 31 Dec 2017 (restated)*
Profit for the period attributable to owners of the Company ($m)	**145.1**	148.0	117.9
Weighted average number of ordinary shares in issue (thousands)	**283,346**	283,411	283,564
Adjustment for share options (thousands)	**5,717**	8,155	5,650
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**289,063**	291,566	289,214
Diluted earnings per share (cent per share)	**50.2¢**	50.8¢	40.8¢
Diluted earnings per share (pence per share)	**38.8p**	36.9p	30.6p

*See note 2.2 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.

15 Dividends paid to owners of the Company

	Six months to 30 June 2019 $m	Six months to 30 June 2018 $m	Year to 31 Dec 2018 $m
Final dividend for the year ended:			
31 December 2018 of 28.6¢ (net) per share	86.4	–	–
31 December 2017 of 19.5p or 27.2¢ (net) per share	–	76.0	76.0
Interim dividend for the year ended:			
31 December 2018 of 13.25¢ (net) per share	–	–	37.5
	86.4	76.0	113.5

The final dividend for the year ended 31 December 2018 of 28.6¢ was paid in cash of $80,203,000 and 296,044 shares for the scrip dividend. The final dividend for the year ended 31 December 2017 of 19.5p (equivalent to 27.2¢) was paid in cash of $71,524,000 and 263,368 shares for the scrip dividend. The interim dividend for the year ended 31 December 2018 of 13.25¢ was paid in cash of $35,694,000 and 107,896 shares for the scrip dividend.

15 Dividends paid to owners of the Company continued

From the 2018 interim dividend, dividends have been and will continue to be declared in US Dollars, aligning shareholder returns with the primary currency in which the Group generates cash flow.

The Board has declared an interim dividend of 13.75¢ per share to be paid on 11 September 2019 to shareholders registered on 9 August 2019 in respect of the six months to 30 June 2019 (30 June 2018: 13.25¢ per ordinary share). The dividends will be paid in 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 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 19 August 2019 to 23 August 2019 inclusive.

A scrip dividend alternative will be offered to the shareholders of the Company.

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash; the availability of that cash in the Group, while considering constraints such as regulatory capital requirements and the level required to invest in the business. This is a progressive policy and is expected to be maintained for the foreseeable future.

16 Financial assets and liabilities

i) Analysis of financial assets carried at fair value

	30 June 2019 $m	30 June 2018 $m	31 Dec 2018 $m
Debt and fixed income securities	**4,778.2**	4,425.7	4,574.6
Equities and shares in unit trusts	**478.4**	434.6	398.0
Deposits with credit institutions	**–**	5.6	0.4
Total investments	**5,256.6**	4,865.9	4,973.0
Insurance-linked funds	**59.6**	61.3	55.2
Derivative financial instruments	**0.4**	0.3	1.5
Total financial assets carried at fair value	**5,316.6**	4,927.5	5,029.7

ii) Analysis of financial liabilities carried at fair value

	30 June 2019 $m	30 June 2018 $m	31 Dec 2018 $m
Derivative financial instruments	**0.2**	0.1	1.1
Total financial liabilities carried at fair value	**0.2**	0.1	1.1

iii) Analysis of financial liabilities carried at amortised cost

	30 June 2019 $m	30 June 2018 $m	31 Dec 2018 $m
Long-term debt	697.0	719.8	697.1
Accrued interest on long-term debt	16.6	15.5	2.3
Total financial liabilities carried at amortised cost	713.6	735.3	699.4

iv) Investment and cash allocation

	30 June 2019 $m	30 June 2019 %	30 June 2018 $m	30 June 2018 %	31 Dec 2018 $m	31 Dec 2018 %
Debt and fixed income securities	**4,778.2**	**75.1**	4,425.7	68.5	4,574.6	73.0
Equities and shares in unit trusts	**478.4**	**7.5**	434.6	6.7	398.0	6.4
Deposits with credit institutions/cash and cash equivalents	**1,110.5**	**17.4**	1,600.1	24.8	1,289.2	20.6
Total	**6,367.1**		6,460.4		6,261.8	

Notes to the condensed consolidated interim financial statements continued

16 Financial assets and liabilities continued

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.

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

The interest accrued on the long-term debt was $16.6 million at the balance sheet date (30 June 2018: $15.5 million; 31 December 2018: $2.3 million) and is included in financial liabilities.

v) Total investments and cash allocation by currency

	30 June 2019 %	30 June 2018 %	31 Dec 2018 %
US Dollars	65.7	61.2	64.4
Sterling	23.4	25.0	22.7
Euro and other currencies	10.9	13.8	12.9

17 Fair value measurements

An analysis of assets and liabilities carried at fair value categorised by fair value hierarchy that reflects the significance of the inputs used in measuring the fair value, is set out below.

As at 30 June 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	1,384.1	3,394.1	–	4,778.2
Equities and shares in unit trusts	–	459.7	18.7	478.4
Deposits with credit institutions	–	–	–	–
Insurance-linked funds	–	–	59.6	59.6
Derivative financial instruments	–	0.4	–	0.4
Total	1,384.1	3,854.2	78.3	5,316.6
Financial liabilities				
Derivative financial instruments	–	0.2	–	0.2
Total	–	0.2	–	0.2

17 Fair value measurements continued

As at 30 June 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	1,536.4	2,889.3	–	4,425.7
Equities and shares in unit trusts	–	420.0	14.6	434.6
Deposits with credit institutions	5.6	–	–	5.6
Insurance-linked funds	–	–	61.3	61.3
Derivative financial instruments	–	0.3	–	0.3
Total	1,542.0	3,309.6	75.9	4,927.5
Financial liabilities				
Derivative financial instruments	–	0.1	–	0.1
Total	–	0.1	–	0.1

As at 31 December 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	1,509.0	3,065.6	–	4,574.6
Equities and shares in unit trusts	–	379.1	18.9	398.0
Deposits with credit institutions	0.4	–	–	0.4
Insurance-linked funds	–	–	55.2	55.2
Derivative financial instruments	–	1.5	–	1.5
Total	1,509.4	3,446.2	74.1	5,029.7
Financial liabilities				
Derivative financial instruments	–	1.1	–	1.1
Total	–	1.1	–	1.1

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 – fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- level 2 – fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

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

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.

Notes to the condensed consolidated interim financial statements continued

17 Fair value measurements continued

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 2019, the insurance-linked fund of $59.6 million (30 June 2018: $61.3 million; 31 December 2018: $55.2 million) 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 Kiskadee 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:

	Financial assets		
30 June 2019	Equities and shares in unit trusts $m	Insurance-linked funds $m	Total $m
Balance at 1 January	18.9	55.2	74.1
Fair value gains or losses through profit or loss	(0.2)	2.1	1.9
Net foreign exchange losses	–	(0.1)	(0.1)
Purchases	–	2.6	2.6
Settlements	–	(0.2)	(0.2)
Closing balance	18.7	59.6	78.3
Unrealised gains and losses in the period on securities held at the end of the period	(0.2)	2.1	1.9

	Financial assets		
30 June 2018	Equities and shares in unit trusts $m	Insurance-linked funds $m	Total $m
Balance at 1 January	15.4	49.9	65.3
Fair value gains or losses through profit or loss	(0.4)	2.5	2.1
Net foreign exchange losses	(0.3)	(0.2)	(0.5)
Purchases	–	9.3	9.3
Settlements	(0.1)	(0.2)	(0.3)
Closing balance	14.6	61.3	75.9
Unrealised gains and losses in the period on securities held at the end of the period	(0.5)	2.5	2.0

	Financial assets		
31 December 2018	Equities and shares in unit trusts $m	Insurance-linked funds $m	Total $m
Balance at 1 January	15.4	49.9	65.3
Fair value gains or losses through profit or loss	(0.4)	(3.1)	(3.5)
Net foreign exchange gains/(losses)	(0.7)	–	(0.7)
Purchases	5.0	9.3	14.3
Settlements	(0.4)	(0.9)	(1.3)
Closing balance	18.9	55.2	74.1
Unrealised gains and losses in the period on securities held at the end of the period	(0.4)	(3.1)	(3.5)

18 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 $154 million (30 June 2018: $268 million; 31 December 2018: $211 million) not available for use by the Group outside of the Lloyd's Syndicates within which they are held. Additionally, $42 million (30 June 2018: $20 million; 31 December 2018: $24 million) is pledged cash against Funds at Lloyd's, and $nil (30 June 2018: $11 million; 31 December 2018: $10 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 endorsed 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, Bronek Masojada and the Chairman, Robert Childs. Accordingly, the Interim Statement 2019 was approved for issue on Monday, 29 July 2019.

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 2019 of Hiscox Ltd for the six-month period ended 30 June 2019. 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 2019;
- the condensed consolidated interim statement of comprehensive income for the six-month period ended 30 June 2019;
- the condensed consolidated interim balance sheet as at 30 June 2019;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2019;
- the condensed consolidated interim cash flow statement for the six-month period ended 30 June 2019; and
- the explanatory notes to the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements included in the Interim Statement 2019 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 2019, 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 2019 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 2019 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 2019 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
29 July 2019

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