HISCOX

Hiscox Ltd
Interim Statement
2021

Ownership

Passionate,
commercial and
accountable.

Chapter 1
The year so far

Chapter 2
Financial summary

Corporate highlights

Gross premiums written
$2,426.2m

30 June 2021	2,426.2
31 Dec 2020	4,033.1
30 June 2020	2,235.5

Group key performance indicators

Gross premiums written $2,426.2 million (2020: $2,235.5 million)

Net premiums earned $1,423.1 million (2020: $1,328.2 million)

Profit/(loss) before tax $133.4 million (2020: $(138.9) million)

Earnings/(loss) per share ($) 34.8¢ (2020: (50.2)¢)

Earnings/(loss) per share (£) 25.1p (2020: (39.8)p)

Interim dividend per share 11.5¢ (2020: 0.0¢)

Net asset value per share ($) 738.1¢ (2020: 712.4¢)

Net asset value per share (£) 534.2p (2020: 576.5p)

Group combined ratio 93.1% (2020: 114.6%)

Return on equity (annualised) 10.4% (2020: (12.7)%)

Investment return 1.7% (2020: 2.5%)

Foreign exchange gains/(losses) $11.2 million (2020: $(13.6) million)

Reserve releases $79.0 million (2020: $63.0 million)

Operational highlights

Gross premiums written increased by 8.5% to $2,426.2 million (2020: $2,235.5 million) driven by good growth and positive rate momentum in all three divisions.

2020 Covid-19 net claims unchanged at $475 million; 2021 claims estimate lower than expected at $17 million.

Hiscox London Market net premiums written up 16.7% and delivered profit before tax of $87.3 million (2020: $16.3 million).

Hiscox Re & ILS net premiums written up 39.7%; returned to profit of $38.1 million (2020: loss of $15.0 million) despite $33 million impact of Winter Storm Uri.

Underlying combined ratio for Hiscox Retail of 96.7%* demonstrates an improvement on the full year 2020 and is on track to meet the target of 90-95% by 2023.

Group digital partnerships and direct business grew gross premiums written by 23%, delivering $355.0 million and now serving around 880,000 customers.

Strong reserves at 11.3% above actuarial estimate (2020: 9.6%).

Strong capital position with 210% Bermuda solvency capital ratio (BSCR), a 20-point improvement on the December 2020 position.

Interim dividend resumed at 11.5¢ per share with progressive dividend policy going forward.

*Underlying Retail combined ratio excludes Covid-19 net claims and loss portfolio transfer costs.

Chairman's statement

We have turned a corner, our business performance is on track and the course correction actions will continue to earn through.

"Rate momentum continues to be favourable across all Hiscox businesses."

I am very pleased to report strong growth and a return to profit for the first six months of 2021. Gross premiums written increased by 8.5% to $2,426.2 million (2020: $2,235.5 million) with growth in all three divisions. The Group has returned to profitability, generating a pre-tax profit of $133.4 million (2020: loss of $138.9 million). Excluding the impact of Covid-19 net claims and loss portfolio transfer costs, the pre-tax profit is $176.4 million.

After a challenging 2020, when many of our customers were severely affected by Covid-19 restrictions resulting in large losses for Hiscox and the wider insurance industry, it is pleasing to see positive results in each of our three divisions. In Hiscox London Market and Hiscox Re & ILS, we have seen multiple years of rate improvements as the market worked its way out of a prolonged soft market; the evidence of these rate increases combined with disciplined underwriting actions can be seen in the attractive combined ratios and profits reported at half year. As markets have improved, we have judiciously deployed more capital, enabling those businesses to grow their net premiums written at a faster rate than gross premiums written. These growing net premiums will, of course, emerge as earned premiums over the next 24 months providing additional earnings power to the Hiscox P&L. In Hiscox Retail, our digital partnerships and direct business globally continues to go from strength to strength, with the US digital partnerships and direct growing by 30%, as the business continues to evolve towards small commercial business customers. Retail growth overall is in line with expectations and underwriting profit performance remains on track.

We announced last month that our current Chief Executive Officer Bronek Masojada would retire at the end of the year and that our Chief Financial Officer, Aki Hussain, would succeed him, effective January 2022. On a personal level, my partnership with Bronek has been one of the longest in the industry and I have enjoyed working with him immensely. He has made an outstanding contribution to the strategic development of Hiscox over the past three decades, and he has also been a great champion of the industry – an unashamed reformer, not afraid to stick his head above the parapet to move us all forward. Bronek still has the rest of this year's work to deliver, while ensuring a seamless transition to Aki in the coming months.

Appointing a new Chief Executive Officer required us to articulate the qualities that matter to us; we wanted somebody who is a builder, with a founder's mentality and a vision for what could be achieved in the next stage of our journey. Somebody who has a breadth of experience, and who will nurture the culture and values we hold dear. I can confidently say we have found all of the qualities we were looking for in Aki. He has had an impressive career prior to Hiscox, which we benefit from immensely, and has both a knowledge of Hiscox and an existing influence on our strategy which is desirable as we go forward. I have no doubt that his clear thinking and drive will help us to realise the years of opportunity ahead, which at this stage in our journey, and bearing in mind the positive market conditions we now face, is precisely what we need.

Dividend, capital and liquidity management

Capital strength and financial flexibility remain of paramount importance to the Board. The Group remains strongly capitalised against both regulatory and rating agency requirements. Hiscox Group Bermuda solvency capital requirement (BSCR) ratio as estimated at the end of June is 210%, a 20-point improvement on the estimated December 2020 position. This has been driven mostly by strong capital generation in our businesses combined with additional Group coordinated actions to strengthen our capital base. There is no impact on the BSCR ratio due to the strengthening of the formula (an industry-wide basis strengthening implemented by our Group regulator, the Bermuda Monetary Authority) in the end of June numbers but there will be an estimated reduction of 10-15 points at the year end from the final stage of this.

The additional actions to further strengthen the balance sheet comprise two loss portfolio transfer (LPT) transactions. The first relates to legacy healthcare claims in Bermuda, while the second covers selected lines of Hiscox Syndicate 3624, including the majority of Hiscox USA's surplus lines broker business. Both transactions are designed to remove reserve volatility in the coming years, allowing us to focus on the opportunities presented by the good trading conditions we have ahead of us. These transactions also improved the BSCR ratio by just over ten points. We have also fully repaid the contingent bank facility drawn as a precautionary measure in 2020.

The Board believes that paying a dividend is one important indicator of the financial health of the Group. Having carefully considered the capital requirements of the business, the Board has approved the decision to resume the payment of the interim dividend at 11.5 cents per share with a progressive dividend policy going forward. The record date for the dividend will be 13 August 2021 and the payment date will be 22 September 2021. The Board proposes to offer a Scrip alternative, subject to the terms and conditions of Hiscox's 2019 Scrip Dividend Scheme. The last date for receipt of Scrip elections will be 27 August 2021 and the reference price will be announced on 7 September 2021. 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

Rate momentum continues to be favourable across all Hiscox businesses. Rate strengthening is particularly prominent in cyber, where we have seen an average rate increase of 20%, primarily in response to the increased frequency and severity of ransomware claims across the industry.

Hiscox London Market achieved average rate increase across the portfolio of 12% year-on-year. 2021 is the fourth year of rate increases with a cumulative rates increase of 60% since 2017. While the overall momentum continues to hold up strongly, the picture is more nuanced by line of business. Cyber, product recall and space rates have hardened significantly over the recent months, while in some casualty lines, which had benefitted from dramatic rate increases earlier in the cycle, we are seeing rate momentum continuing but at a slower pace. For example, the US public company D&O, where rates have tripled since 2018, and US general liability, where rates have more than doubled in the same period, are now both experiencing moderation of rate momentum, although both growing at double-digit rates of 15% and 26% respectively.

Rate improvement has also continued in Hiscox Re & ILS, albeit at a slower pace, with an average increase of 9% across the portfolio and a cumulative rate increase of 36% since 2017. The business benefitted from double-digit increases in risk, marine, retro and North American property at the important January renewals. April reinsurance renewals focused on Japan delivered mid-to-high single digit rate rises, while June's Florida renewals achieved a 10% average rate increase, in line with our expectations. Rate momentum is expected to moderate over the rest of the year, although Winter Storm Uri and the inflated cost of construction materials are likely to provide further support to pricing.

In Hiscox Retail, rates have increased by 5% on average and are rising in all regions. This is led by the USA where rates in the broker excess and surplus business have increased in the mid-to-high single digit range.

Claims

We have been working closely with customers and brokers to pay business interruption claims as quickly as possible following the Supreme Court Judgment in January. To confirm how some policies respond we have had to wait until July for the Supreme Court's Declarations to be published, which is the final outcome

“The Retail segment, at $1.2 billion in gross premiums written, now represents half of our business on a gross basis, and just under two-thirds on a net basis.”

of the legal process. Applying the terms of the Judgment to a wide variety of situations and in large volumes does unfortunately take some time. We are making progress here, more than doubling the number of claims settled in May and June. Settling these claims remains a high priority for the Group.

Our Covid-19 loss estimate remains unchanged for 2020 at $475 million and is now $17 million for new lockdowns announced in 2021, in line with the earlier guidance of less than $40 million. The UK business interruption book has now been fully renewed with the appropriate pandemic exclusion terms. We have maintained continuous and transparent dialogue with our reinsurance panel throughout the pandemic and remain confident of our reinsurance recoveries.

Other than the Winter Storm Uri in February, which resulted in an estimated net loss of $47 million predominantly in Hiscox Re & ILS, there were no significant natural catastrophes or large man-made losses in the first half. In July, however, the UK and continental Europe have been affected by severe flash floods that caused material damage to properties and livelihoods. Given the high-net-worth nature of the private customers we cover in these regions, we expect an elevated level of individual claims coming through in the third quarter.

In line with the rest of the industry, the Group has experienced an increased frequency and severity of cyber claims across a number of markets, particularly in the US region, impacting both Hiscox USA and Hiscox London Market. We saw early signs of this emerging trend three years ago and have been undertaking portfolio actions since 2019. We have adjusted the Group’s cyber risk appetite and implemented corrective actions including repricing, focusing on customers with lower revenues in Retail and writing at higher excess levels in London Market. We also attach great importance to mitigation actions taken by customers, as human error is by far the biggest business vulnerability when it comes to cyber attacks. We incentivise all our small business customers with revenues under $10 million to attend the Hiscox CyberClear Academy, a National Cyber Security Centre-approved cyber training programme designed to help learn how to counter cyber risks and develop a positive culture of cyber resilience. Over the last three years we have trained 20,000 people from 5,000 businesses. The Group also conducts extensive internal training, with our key underwriters at the same standard as IT security staff. Last but not least, we are introducing changes to our cyber product offering. In the USA, for example, we have added new features such as co-insurance and a sub-limit for ransomware.

The recent inflationary impact on the cost of construction materials has not had a material impact on the Group’s claims costs, as we have avoided significant weather-related losses since the rise in prices. We are, however, taking pre-emptive actions in our London Market property binder book through significant rate increases and restricting limits, and in our UK and European property lines, where our sum insureds are indexed to take into account the increased cost of rebuild.

Hiscox Retail

Hiscox Retail comprises our retail businesses around the world: Hiscox UK, Hiscox Europe, Hiscox USA and Hiscox Asia. In this segment, our specialist knowledge and retail products differentiate us and our ongoing investment in the brand, distribution and technology is helping us to reinforce our strong market position in an increasingly digital world.

Hiscox Retail delivered a strong performance in challenging conditions, growing its top line by 7.9%, or 2.6% in constant currency. This was driven by strong growth in Europe, resilient performance in the UK and a slight decline in the USA, where the planned reductions in the US broker channel were almost fully offset by the US digital partnerships and direct business growth. We are now about halfway through the $100 million US broker gross premium reduction. Adjusting for this, the Retail go-forward portfolio grew by 6.4% on a constant currency basis.

The Hiscox Retail bottom line has also improved, with profit before tax of $31.7 million and combined ratio of 100.7%. Adjusting the latter for the 2021 Covid-19 net loss estimate and LPT cost, the Retail business has delivered an underlying combined ratio of 96.7%, demonstrating progression from full year 2020. This reinforces our confidence in our ability to return to the 90%-95% combined ratio range by 2023.

The Retail segment, at $1.2 billion in gross premiums written, now represents half of our business on a gross basis, and just under two-thirds on a net written basis. It has enjoyed a symbiotic relationship with the Group’s big-ticket business; benefitting from our London Market and Bermudian underwriting pedigree, operational expertise, financial and human capital. Over the last 20 years we have been able to set up and organically grow our Retail businesses in the UK, USA and Europe from scratch, by consistently investing a proportion of cash and profits from the big-ticket business.

Our digital partnerships and direct (DPD) business now represents over a quarter of Retail’s gross premiums written globally and grew 23% in the first six months of the year to $355.0 million of gross premiums written and 880,000 customers. The US DPD business is growing ahead of our expectations at 30% and now represents over a half of our global DPD business. It has had a head start in digital trading and has benefitted from a secular shift towards digitalisation that was accelerated by Covid-19.

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.

Hiscox Retail

	2021 $m	2020 $m
Gross premiums written*	1,216.4	1,127.3
Profit/(loss) before tax*	31.7	(82.2)
Combined ratio (%)*	100.7	117.1

*The comparatives have been re-presented to reflect the reclassification of the Special Risks division into Retail and London Market divisions. See note 6 of the condensed consolidated interim financial statements for further details.

Hiscox UK gross premiums writtem grew 13.2% to $411.2 million (2020: $363.3 million) or 3.8% on a constant currency basis. The resilient performance in the UK is underpinned by good customer retention rates, particularly in our direct business. Broker commercial also performed well with a number of large schemes launched in the first six months of the year. New business generation was negatively impacted by the effects of Covid-19 and government restrictions on specific sectors of the economy. Reduced activity in events, entertainment and hospitality had an approximately 2% adverse impact on Hiscox UK’s growth in the first half of the year, although hospitality and events market has started to open again in July. Overall growth was supported by a favourable rating environment across most classes.

Net customer numbers increased by 39,000 compared to the prior-year period, driven by direct commercial and broker schemes. This demonstrates the strength and resilience of our business. We continue to invest in growth opportunities and launched a new commercial property owners package incorporating a range of covers allowing customers to tailor their cover to their specific needs within a single policy.

The overall UK claims environment has remained relatively benign in the first half, particularly across the personal lines where the business benefitted from short-term reductions in claims frequency resulting from the pandemic restrictions.

We have always prided ourselves on our service and constantly look for ways to improve it. Earlier this year we launched a cross-functional project involving distribution, underwriting and operations aimed at improving the existing operating model to drive a shift change in the quality of service we are delivering to our partners and customers.

Hiscox Europe

Hiscox Europe provides personal lines cover, including

“Germany, our largest market in Europe, has reached the milestone of €100 million in gross premiums.”

“Our US DPD business has been growing at a 35% CAGR in the period.”

high-value household, fine art and classic car; as well as commercial insurance for small- and medium-sized businesses.

The business delivered a strong performance, growing gross premiums written by 18.2% to $322.8 million (2020: $273.0 million), or 8.3% on a constant currency basis. Commercial lines are driving top-line growth, while household is benefitting from a benign claims environment. Europe is experiencing good rate momentum with an average rate increase of 3%, up on the Q1 increase of 2%.

All markets in Europe grew gross premiums written in the first half. Germany, Benelux and Iberia, which together constitute 65.5% of Europe's gross premiums, all delivered double-digit growth. Germany, our largest market in Europe, has reached the milestone of €100 million in gross premiums written. The Netherlands has become the third market in Europe to launch the direct digital proposition in June, now offering professional indemnity policies to small commercial customers online. We expect a relatively quick pick-up in this market due to the higher adoption of digital trading and services in Holland. The project was an excellent example of leveraging cross-market expertise and infrastructure. While the distribution strategy was fine-tuned to the idiosyncrasies of the Dutch market, we leveraged technology, product expertise and marketing collateral from France, Germany and the wider Group.

Hiscox Europe is taking proactive action in cyber across all countries, refocusing new business on customers with smaller revenues, driving through risk-appropriate pricing and adjusting terms and conditions where necessary. Despite increasing rates in cyber, we expect some impact on customer retention which will impact top-line growth in Europe in the second half.

Excluding Covid-19 losses, the claims experience for Europe continues to be within expectations.

We have made good progress on key technology projects in Europe. The roll-out of the new core system is underway in Germany, scheduled to go live by the end of this year. The business is now planning to roll out the same core system in France, building on our German experience, and we are aiming to achieve a fast and cost effective implementation.

In April, the Group appointed Robert Dietrich, previously Chief Executive Officer of Hiscox Germany, to be Chief Executive Officer of Hiscox Europe, succeeding Stéphane Flaquet who became Chief Transformation Officer for the Group earlier in the year. Robert has been with Hiscox for 24 years in a variety of underwriting roles across the business, before being appointed as Managing Director of Hiscox Germany in 2006, and as such has a deep understanding of our European operations and the opportunities for Hiscox that exist in these markets.

Hiscox USA

Hiscox USA focuses on underwriting small commercial risks with distribution through brokers, partners and direct-to-consumer using a wide range of trading models – traditional, service centre, portals and application programming interfaces (APIs). Our aspiration is to build America's leading small business insurer.

We reduced gross premiums written by 1.6% to $459.3 million (2020: $466.8 million), as we implemented the planned reductions in broker lines to reshape this business towards the profitable small business segment. These were almost fully offset by a strong growth of 30% achieved in DPD, reinforcing our strategy.

The broker channel loss ratio has been improving steadily since 2019, mainly as a result of the earlier portfolio remediation actions in D&O, media and the strategic decision we announced in March to exit $100 million of business with customer revenues over $100 million, including stand-alone general liability and larger premium cyber policies. The portfolio repositioning work is tracking on plan, and we have exited c.$45 million of larger premium business in the first half. Alongside rightsizing the portfolio, we have also been driving substantial rate increases through the broker book, achieving cumulative rate growth of over 20% since 2019.

Our DPD business delivered an excellent performance in the first half, with top-line growth accelerating ahead of our expectations to reach $220 million. We are on track to exceed $400 million of gross premiums in 2021. We now have around 490,000 customers insured, growing by 62,000 in the first half. This growth has been boosted by a rebound in the US economy, strong new business formations and the pandemic driving traction in the use of digital trading.

The structural growth opportunity of our US DPD business is significant. There are c.32 million SMEs in the USA. The insurance penetration level is still low, and the market is underserved and fragmented. In gross premium terms this translates into a total addressable market of c.$130 billion, which has grown at a compound annual growth rate (CAGR) of 3.5% since 2016.

Our US DPD business has been growing at a 35% CAGR in the same period, significantly faster than the market. We have been taking share by offering a market proposition that resonates with small businesses, focused on ease of purchase and a great digital experience. While our current risk appetite and product set narrow our target market to $16 billion of premium at the moment, we know it will expand substantially over time through new partnerships, product evolution, risk appetite and overall market growth.

To drive further expansion, we have developed an omni-channel distribution strategy we refer to as 'All roads lead to Hiscox'. We strongly believe that the most effective way of acquiring customers is by supporting all the various channels where they choose to place their business insurance. We are agnostic as to whether a small business reaches us and transacts with us directly or through our partners and we constantly look for new ways to reach new customers.

The increasingly digital and automated way of doing business across all channels helps to improve customer experience, increase operational efficiency and lowers costs of doing business. In the first half of the year 90% of our new customers accessed us digitally and 95% of new policies were auto-underwritten. We are in the final stages of the roll-out of our new digital technology platform in our DPD business, with a similar transformation program planned for our broker channel in the coming years. At the end of last year, we launched it in our service centre and it is now being rolled out externally to connect to our partners using this new-generation technology. We have successfully launched a new business owner's policy (BOP) on this new digital platform, adding more industry classes and increasing our footprint.

Our significant scale gives us a strong competitive advantage. While the business is already profitable, our focus is on continued investment to drive growth, enhance structural profitability and widen the competitive moat. The financial resources required to support the continued growth of this business are provided by Group as part of its capital allocation process. An additional advantage arises because the cost of back and middle office functions is shared across the Group, which contributes to DPD being a profitable business. Over the years we have made significant investments to grow the Hiscox brand awareness and affinity in our target markets. In the USA, the Hiscox brand has evolved from a green field to a well-recognised and well-regarded specialist small commercial digital brand. Today brand awareness is at 52%, up from 34% three years ago.

In April, the Group announced the appointment of Kevin Kerridge as Chief Executive Officer of Hiscox USA. Kevin, the architect of our digital strategy in the UK and

Hiscox London Market

	2021 $m	2020 $m
Gross premiums written*	609.9	555.9
Profit before tax*	87.3	16.3
Combined ratio (%)*	81.7	105.2

*The comparatives have been re-presented to reflect the reclassification of the Special Risks division into Retail and London Market divisions. See note 6 of the condensed consolidated interim financial statements for further details.

the USA over two decades, has had a career at Hiscox spanning 25 years. In 2001, he launched the Group's flagship direct-to-consumer business in the UK and he has been at the helm of the US DPD business since its inception in 2010. He is incredibly passionate about the small business opportunity for Hiscox in the USA and his appointment to lead Hiscox USA is a testament to the Group's strategic aspiration to be America's leading small business insurer. In his new role Kevin has restructured the distribution leadership to ensure profitable growth on an 'All roads lead to Hiscox' basis.

Hiscox Asia

DirectAsia has had a challenging first half to 2021, facing full and partial Covid-19 lockdowns in its two Asian markets, lower customer demand and aggressive discounting by competitors. Gross premiums are down 5.4% in constant currency but the business has benefitted from disciplined underwriting and reduction in motor claims frequency as a result of lockdowns both in Singapore and Thailand.

Hiscox London Market

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

Hiscox London Market has continued its strong performance in the first six months of the year. Over a number of years now our focus has been on improving the performance of our portfolio into a hardening market, selectively growing where we consider risk-adjusted pricing to be satisfactory. Gross premiums written grew 9.7% to $609.9 million (2020: $555.9 million). Importantly, into this improving market the business grew net premiums written by 16.7% thereby increasing earnings power into 2022. In addition, the impact of underwriting actions taken over the last few years are now manifesting themselves in improved profitability. In the first half London Market delivered a net combined ratio of 81.7%, a 23.5 points improvement on the prior-year period, and an underwriting profit of $68.7 million from a loss of $9.5 million the year before.

The team continues to make good progress on the execution of its '3-1-1' plan, which is now in its third year. This seeks to reduce the loss ratio by 3%, commissions by 1% and the expense ratio by 1%. Our underwriters have been working tirelessly to achieve further rate increases, delivering 12% average growth across the portfolio, with 15 of our 17 lines enjoying price rises and 11 lines benefitting from double-digit rate increases.

The first half of the year has been relatively benign from a claims perspective, with the net claims incurred year to date excluding Covid-19 impact being 14.7% below the prior year and with limited large losses in the period. The property classes which had been driving losses in the prior years are now largely remediated, with further course correction actions undertaken this year. This has resulted in a material improvement in the loss performance of the overall portfolio.

We are making good progress on e-trading, with two new electronically traded products launched in the first half. At the end of March we extended our HiscoxPlus API offering by launching our third property product, Bindplus Commercial, supplementing the flood and the household products already on the platform. We are currently working with three brokers on integrating this into their systems and plan to have four coverholders on the system by the end of the year. In May, we launched an oil and gas consultants liability product on a digital platform, which enables our clients to quote and bind with no underwriter involvement. This supplements the existing marine employers' liability product already traded electronically.

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.

Hiscox Re & ILS

	2021 $m	2020 $m
Gross premiums written*	599.9	552.3
Profit/(loss) before tax*	38.1	(15.0)
Combined ratio (%)*	76.7	123.6

*See note 6 of the condensed consolidated interim financial statements for further details.

Gross premiums written increased by 8.6% to $599.9 million (2020: $552.3 million), however, excluding reinstatement premiums, mainly as a result of Winter Storm Uri, premiums are flat year on year. An improved rating environment has been offset by underwriting action and less third-party capital deployed.

Importantly, net premiums written grew by 39.7% as we took a more meaningful catastrophe bet with Hiscox's own capital to take advantage of the best rating environment seen in years. This will build earnings power into 2022.

Overall Hiscox Re & ILS achieved an average rate increase of 9%. At the April renewals in Japan, the international team secured rates in line with expectation, single digits for earthquake exposures and double digit on typhoon. In the June renewals we achieved a satisfactory rate increase in Florida of 10%, despite competition from new entrants. We significantly reduced our exposure to lower layers in light of increased attritional losses in the state. The business has shifted its appetite in the specialty book as we reposition our cyber offering, non-renewing low-attaching business to avoid increased frequency of ransomware claims at a minimal premium cost, as the cyber rates grew in excess of 30%. We have also repositioned our North American catastrophe book away from aggregate covers, limiting our exposure to attritional losses and improving the overall quality of the portfolio.

Hiscox Re & ILS has reserved $33 million of the Group's net loss of $47 million from Winter Storm Uri, which was more than offset by significant favourable prior-year movements, mainly in our Japan book.

Hiscox ILS assets under management are at $1.5 billion. We have received gross inflows of $190 million, which will provide additional fee income in the second half of 2021. In July, Vincent Prabis was appointed to the role of Managing Principal, Hiscox ILS, subject to regulatory approval. In his new role Vincent will be responsible for spearheading the Company's ILS evolution, ensuring investor demands for high-quality, innovative and diversified solutions are met. The business will benefit from his deep expertise and passion for delivering superior service to sophisticated institutional ILS investors.

Investments

The investment return for the first half was $61.9 million (2020: $84.6 million), or 1.7% on an annualised basis (2020: 2.5%). Assets under management at 30 June 2021 were $7.4 billion (December 2020: $7.6 billion).

High levels of government support and the progress of the vaccination roll-out has allowed economic activity to accelerate. Stronger growth expectations have driven equity markets higher with developed markets leading, up over 15% year to date in some cases. This has supported gains across our risk asset portfolio.

Bond yields rose in reaction to initial inflation fears but have eased back as evidence suggested most pressure was temporary and central banks, including the Fed, indicated a willingness to bring forward policy action to curb such risks. While the impact on yields was most evident at longer maturities, shorter dated yields also rose. As a result, coupons on our bond portfolios in the first half of the year have been held back by mark-to-market capital losses.

The current yield to maturity on the bond portfolio remains low at around 0.5%, with investment-grade corporate bond spreads at historically low levels. Rather than reach for yield, we are comfortable maintaining credit exposure given the supportive economic and policy backdrop. The Group maintains modest exposure to risk assets.

Much uncertainty remains, including the emergence of new virus variants, the further lifting of restrictions, the timing and removal of stimulus and the likely persistence

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of inflation. We continue to look through ongoing volatility to steadily invest into diversifying positions where valuations present attractive long-term risk and capital-adjusted outcomes.

People

Our people have risen to the challenge of the pandemic, going the extra mile to support customers and each other in very difficult circumstances and I thank them for their efforts here. As we open up in different geographies, we are supporting our employees with a hybrid approach to working between the office and home. As we welcome back people to the office, we are benefitting from more activities that are taking place in person such as training, networking and socialising. This is especially important for the 542 new joiners that Hiscox welcomed during the lockdown.

I am very pleased that we have been able to attract and retain top talent across the Group. During the period we filled all vacant senior roles in the London Market with impressive results, benefitting from a 50/50 male to female shortlist policy. We have also been successful in hiring senior talent in York as we make progress moving roles out of London.

Hiscox UK has strengthened the Board expertise within its two UK legal entities with the appointment of three new Independent Non Executive Directors. James Illingworth will sit on Hiscox London Market’s Board, while Mark Cliff and Jane Hayes will both join Hiscox UK’s Board. We will benefit immensely from Mark, James and Jane’s knowledge of the market, underwriting and distribution expertise, as we continue to pursue growth in Hiscox UK and realise the opportunities that exist in our big-ticket lines.

Ben Walter, Global Chief Executive Officer of Hiscox Retail, will be leaving in September to take up a new opportunity in retail banking. Ben has made an immense contribution to Hiscox over the past ten years. His retail expertise and passion for digitisation has helped us to build a market-leading $2 billion retail business. I would like to thank Ben and give him our best wishes for what I know will be a stellar future career.

Environmental, social and governance

The work to embed our new ESG exclusions policy, announced earlier this year, is well underway within our underwriting and investment teams in readiness for the policy officially coming into effect from January 2022. This is driving new conversations with brokers, partners and asset managers, and we are already declining risks outside of our revised appetite.

We have also established a new Sustainability Steering Committee to boost senior management-level involvement and accountability for sustainability issues. Initially led by our Chief Executive Officer, Bronek Masojada, and with representation from operations, investments, underwriting, HR, risk, investor relations and management, the Committee is responsible for embedding sustainability risks and opportunities, with an initial focus on climate change. Their work will complement the existing rhythm of Executive Committee and Board discussions on ESG issues, and the activity of our ESG working group which drives day-to-day progress and reporting.

We are also in the process of setting new greenhouse gas emission reduction targets for the Group, as our previous targets, which we met, expired at the end of 2020. More information on this can be found in our annual climate report due to be published later this week. These will be aligned with our commitments as a signatory to the Paris Agreement, and we will share more on this work at the full year.

Outlook

I am optimistic about the outlook for the rest of the year. We have turned a corner, our business performance is on track and the course correction actions will continue

> “The work to embed our new ESG exclusions policy, announced earlier this year, is well underway.”

to earn through. While the recent extreme weather events, such as flash floods in Europe and wild fires in North America, are a stark reminder that climate change is driving increasing weather volatility, our business is strongly capitalised with financial flexibility as we enter the annual hurricane season.

Finally, I would like to thank our employees, business partners and shareholders for their continued support.

Robert Childs
Chairman
3 August 2021

Condensed consolidated interim income statement
For the six-month period ended 30 June 2021

	Note	Reviewed six months to 30 June 2021 $m	Reviewed six months to 30 June 2020 $m	Audited year to 31 Dec 2020 $m
Income				
Gross premiums written	6	2,426.2	2,235.5	4,033.1
Outward reinsurance premiums	6	(860.8)	(821.4)	(1,282.7)
Net premiums written		1,565.4	1,414.1	2,750.4
Gross premiums earned		2,069.9	1,939.5	4,071.2
Premiums ceded to reinsurers	6	(646.8)	(611.3)	(1,319.0)
Net premiums earned		1,423.1	1,328.2	2,752.2
Investment result	9	61.9	84.6	197.5
Other income	10	26.6	22.9	50.2
Total income		1,511.6	1,435.7	2,999.9
Expenses				
Claims and claim adjustment expenses		(1,079.0)	(1,349.9)	(2,966.5)
Reinsurance recoveries		382.2	426.5	1,043.8
Claims and claim adjustment expenses, net of reinsurance		(696.8)	(923.4)	(1,922.7)
Expenses for the acquisition of insurance contracts		(522.0)	(435.7)	(1,002.9)
Reinsurance commission income		138.9	145.5	289.0
Operational expenses	10	(283.4)	(324.6)	(573.0)
Net foreign exchange gains/(losses)		11.2	(13.6)	(14.5)
Total expenses		(1,352.1)	(1,551.8)	(3,224.1)
Results of operating activities		159.5	(116.1)	(224.2)
Finance costs	11	(26.1)	(22.8)	(44.0)
Share of loss of associates after tax		–	–	(0.3)
Profit/(loss) before tax		133.4	(138.9)	(268.5)
Tax expense	12	(14.4)	(11.6)	(25.2)
Profit/(loss) for the period (all attributable to owners of the Company)		119.0	(150.5)	(293.7)
Earnings per share on profit/(loss) attributable to owners of the Company				
Basic	14	34.8¢	(50.2)¢	(91.6)¢
Diluted	14	34.4¢	(49.7)¢	(90.6)¢

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 2021

	Note	Reviewed six months to 30 June 2021 $m	Reviewed six months to 30 June 2020 $m	Audited year to 31 Dec 2020 $m
Profit/(loss) for the period		119.0	(150.5)	(293.7)
Other comprehensive income				
Items that will not be reclassified to the income statement:				
Remeasurements of the net defined benefit obligation	19	51.1	(47.2)	(38.0)
Income tax effect		(8.8)	12.7	8.8
		42.3	(34.5)	(29.2)
Items that may be reclassified subsequently to the income statement:				
Exchange gains/(losses) on translating foreign operations		1.5	(5.4)	55.5
		1.5	(5.4)	55.5
Other comprehensive income net of tax		43.8	(39.9)	26.3
Total comprehensive income for the year (all attributable to owners of the Company)		162.8	(190.4)	(267.4)

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 2021

	Note	Reviewed 30 June 2021 $m	Reviewed 30 June 2020 $m	Audited 31 Dec 2020 $m
Assets				
Goodwill and intangible assets		303.2	284.3	298.9
Property, plant and equipment		101.0	120.4	109.4
Investments in associates		5.0	8.0	4.9
Deferred tax		54.8	80.5	70.7
Deferred acquisition costs		481.8	493.5	439.2
Financial assets carried at fair value	16	5,935.2	5,518.8	6,116.8
Reinsurance assets	13	4,439.9	3,582.6	3,644.6
Loans and receivables including insurance receivables		1,988.1	1,922.2	1,591.2
Current tax asset		2.1	0.2	3.3
Cash and cash equivalents		1,556.9	2,026.5	1,577.2
Total assets		14,868.0	14,037.0	13,856.2
Equity and liabilities				
Shareholders' equity				
Share capital		38.7	38.7	38.7
Share premium		516.5	517.9	516.5
Contributed surplus		184.0	184.0	184.0
Currency translation reserve		(269.3)	(331.7)	(270.8)
Retained earnings		2,059.4	2,020.7	1,884.4
Equity attributable to owners of the Company		2,529.3	2,429.6	2,352.8
Non-controlling interest		1.1	1.1	1.1
Total equity		2,530.4	2,430.7	2,353.9
Employee retirement benefit obligation	19	14.6	103.4	73.5
Deferred tax		0.7	–	2.7
Insurance liabilities	13	9,397.1	8,588.3	9,113.4
Financial liabilities	16	776.7	1,156.5	946.7
Current tax		35.8	55.2	30.4
Trade and other payables		2,112.7	1,702.9	1,335.6
Total liabilities		12,337.6	11,606.3	11,502.3
Total equity and liabilities		14,868.0	14,037.0	13,856.2

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 2021

Reviewed

For the six-month period ended 30 June 2021	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 2021	38.7	516.5	184.0	(270.8)	1,884.4	2,352.8	1.1	2,353.9
Profit for the period (all attributable to owners of the Company)	–	–	–	–	119.0	119.0	–	119.0
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	1.5	42.3	43.8	–	43.8
Employee share options:								
Equity settled share-based payments	–	–	–	–	14.0	14.0	–	14.0
Deferred and current tax on employee share options	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Balance at 30 June 2021	38.7	516.5	184.0	(269.3)	2,059.4	2,529.3	1.1	2,530.4

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

For the six-month period ended 30 June 2020

Reviewed

For the six-month period ended 30 June 2020	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 2020	34.1	70.5	184.0	(326.3)	2,226.3	2,188.6	1.1	2,189.7
Loss for the period (all attributable to owners of the Company)	–	–	–	–	(150.5)	(150.5)	–	(150.5)
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	(5.4)	(34.5)	(39.9)	–	(39.9)
Employee share options:								
Equity settled share-based payments	–	–	–	–	8.7	8.7	–	8.7
Deferred and current tax on employee share options	–	–	–	–	(5.4)	(5.4)	–	(5.4)
Net movements of treasury shares held by Trust	–	–	–	–	(23.9)	(23.9)	–	(23.9)
Shares issuance	4.6	447.4	–	–	–	452.0	–	452.0
Balance at 30 June 2020	38.7	517.9	184.0	(331.7)	2,020.7	2,429.6	1.1	2,430.7

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

Condensed consolidated interim statement of changes in equity continued
For the year ended 31 December 2020

For the year ended 31 December 2020	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
								Audited
Balance at 1 January 2020	34.1	70.5	184.0	(326.3)	2,226.3	2,188.6	1.1	2,189.7
Loss for the year (all attributable to owners of the Company)	–	–	–	–	(293.7)	(293.7)	–	(293.7)
Other comprehensive income net of tax (all attributable to owners of the Company)	–	–	–	55.5	(29.2)	26.3	–	26.3
Employee share options:								
Equity settled share-based payments	–	–	–	–	10.3	10.3	–	10.3
Deferred and current tax on employee share options	–	–	–	–	(5.4)	(5.4)	–	(5.4)
Net movements of treasury shares held by Trust	–	–	–	–	(23.9)	(23.9)	–	(23.9)
Shares issued in the period	4.6	446.0	–	–	–	450.6	–	450.6
Balance at 31 December 2020	38.7	516.5	184.0	(270.8)	1,884.4	2,352.8	1.1	2,353.9

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 2021

	Note	Reviewed six months to 30 June 2021 $m	Reviewed six months to 30 June 2020 $m	Audited year to 31 Dec 2020 $m
Profit/(loss) before tax		133.4	(138.9)	(268.5)
Adjustments for:				
Net foreign exchange (gains)/losses		(11.2)	13.6	14.5
Interest and equity dividend income	9	(44.7)	(59.3)	(107.4)
Interest expense	11	26.1	22.8	44.0
Net fair value losses/(gains) on financial assets		10.1	17.3	(51.2)
Depreciation, amortisation and impairment	10	29.0	25.0	56.8
Charges in respect of share-based payments	10	14.0	8.7	10.3
Realised gain on sale of subsidiary undertaking		(5.2)	–	–
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		(157.8)	40.1	633.6
Financial assets carried at fair value		151.9	(66.2)	(475.4)
Financial liabilities carried at fair value		(0.4)	(0.2)	(0.1)
Financial liabilities carried at amortised cost		0.4	0.4	0.8
Other assets and liabilities		(1.6)	191.4	33.3
Cash paid to the pension fund		–	(3.7)	(30.4)
Interest received		50.6	59.5	102.5
Equity dividends received		0.3	0.8	1.6
Interest paid		(10.1)	(9.0)	(42.4)
Current tax paid		(2.5)	(7.3)	(39.1)
Net cash flows from/(used in) operating activities		182.3	95.0	(117.1)
Cash flows from the sale of subsidiaries		21.4	–	–
Purchase of property, plant and equipment		(1.2)	(17.0)	(9.0)
Proceeds from the sale of property, plant and equipment		–	–	8.6
Purchase of intangible assets		(21.1)	(31.9)	(62.5)
Proceeds from the sale of intangible assets		–	–	10.2
Net cash flows used in investing activities		(0.9)	(48.9)	(52.7)
Proceeds from the issue of ordinary shares		–	452.0	450.6
Shares repurchased		–	(23.9)	(23.9)
Proceeds from drawdown of short-term borrowings		–	614.4	470.0
Repayments of short-term borrowings		(195.7)	(144.4)	(289.4)
Principal elements of lease payments		(9.6)	(4.9)	(14.5)
Net cash flows (used in)/from financing activities		(205.3)	893.2	592.8
Net (decrease)/increase in cash and cash equivalents		(23.9)	939.3	423.0
Cash and cash equivalents at 1 January		1,577.2	1,115.9	1,115.9
Net (decrease)/increase in cash and cash equivalents		(23.9)	939.3	423.0
Effect of exchange rate fluctuations on cash and cash equivalents		3.6	(28.7)	38.3
Cash and cash equivalents at end of period	18	1,556.9	2,026.5	1,577.2

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 2021 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 2021.

The Directors of Hiscox Ltd are listed in the Group's 2020 Report and Accounts. A list of current Directors is maintained and available for inspection at the registered office of the Company located at Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months to 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, an International Financial Reporting Standard (IFRS), adopted by the United Kingdom, and the Disclosure Rules Sourcebook and Transparency Rules issued by the Financial Conduct Authority.

The accounting policies applied, the significant judgements made, and the key sources of estimation uncertainty in the condensed consolidated interim financial statements are the same as those applied in Hiscox Ltd's 2020 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 2020.

In preparing these condensed consolidated interim financial statements, management makes 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 2020.

As part of the consideration of the appropriateness of adopting the going concern basis, the Directors used a scenario analysis to assess the robustness of the Group's solvency and liquidity positions. To make the assessment, the Group constructed a combined scenario which included modelling a significant catastrophe loss and a default in the Group's reinsurance programme. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the Group's target range. In undertaking this analysis, no material uncertainty in relation to going concern has been identified, due to the Group's strong capital and liquidity positions providing considerable resilience to these shocks, underpinned by the Group's approach to risk management described in note 3.

Based on this assessment, the Directors have a reasonable 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 by the Board for issue on Tuesday, 3 August 2021.

2.1 New and amended accounting standards adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 7, IFRS 9, IFRS 4 and IAS 39: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients of treating changes directly required by the reform as changes to a floating interest rate in future periods, if they become applicable.

3 Financial, insurance and other risk management

Operational risk

The Group demonstrated continued resilience, underscoring the benefits of its business model, disciplined risk management and ongoing investment in technology and infrastructure. The measures the Group has implemented to adapt to Covid-19 have proven largely effective in addressing the relevant challenges and operational risks and some of these measures represent an acceleration of longer-term plans.

Insurance risk

The insurance risks are consistent with those disclosed within the 2020 Annual Report on pages 136 to 139. The Group continues to assess, review and monitor its underwriting and reserve risk.

In addressing specific aspects of the impact of Covid-19 to Hiscox in relation to insurance risk, the Group focuses on:

- handling claims arising from the Covid-19 pandemic in a fair, consistent and efficient way. Actively settling claims for business interruption, event cancellation and abandonment, media and entertainment and other segments including travel;
- working with reinsurers to finalise the reinsurance recoveries.

Following the Supreme Court Judgment in January 2021, the Group has begun paying claims in line with the judgment. The Group has increased its claims handling capacity and the process of collecting information from customers who have cover and settling their claims progresses well. Settling these claims remains a high priority for the Group. Further, the UK business interruption book has now been re-underwritten under the appropriate pandemic exclusion terms.

The estimated cumulative claims net of reinsurance related to the Covid-19 pandemic were $475 million for 2020 and additional net claims of $17 million for the first six months of 2021. The ultimate amounts of these claims remain subject to a higher than normal level of uncertainty in the best estimate at this stage of development. Consequentially, in measuring the liabilities, the Group has included an allowance for risk and uncertainties that is above the best estimate to reflect the stage in the claim development process.

In determining the Covid-19-related net claims, the Group estimates the reinsurers' share of the claims by applying a consistent set of assumptions with those in determining the gross claims, considering the individual wording of the reinsurance treaties, and assessing the potential for default or dispute risks. Changes to this set of assumptions and estimates could materially affect the amount of reinsurers' share of the claims.

Financial risk

The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure is taken with caution.

Reliability of fair value

As detailed in note 16, the Group's investment allocation is broadly comparable to that at 31 December 2020 as outlined in the 2020 Annual Report. 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*. At 30 June 2021, only 2.2% (31 December 2020: 1.8%) of the Group's investments are categorised as Level 3, representing a small proportion of the Group's investments.

Price risk

The price risks are consistent with those disclosed within the 2020 Annual Report on page 140. The Group's equity and investment fund holdings are limited to a relatively small and controlled proportion of the overall investment portfolio and the equity and investment funds holdings involved are diversified over a number of companies and industries. The fair value of equity and investment fund assets in the Group's balance sheet at 30 June 2021 was $542 million (31 December 2020: $578 million).

Interest rate risk

The interest rate risks are broadly consistent with those disclosed within the 2020 Annual Report on pages 140 to 141. The fair value of the Group's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. When market interest rates decrease, the fair value of the Group's debt and fixed income investments would tend to increase and vice versa if credit spreads remained constant. The fair value of debt and fixed income assets in the Group's balance sheet at 30 June 2021 was $5,339 million (31 December 2020: $5,475 million).

Credit risk

The credit risks are consistent with those disclosed within the 2020 Annual Report on pages 141 to 142. The global recovery from the Covid-19 pandemic continues and the risk that counterparties fail to meet their financial obligations as they fall due has decreased.

The Group Credit Committee assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information detailing their financial strength and performance as well as detailed analysis of recent payment history and the status of any ongoing negotiations between Group companies and these third parties. As at 30 June 2021, 99.1% (31 December 2020: 99.1%) of the Group's reinsurance assets are rated BBB or higher or are fully collateralised.

Individual operating units maintain records of the payment history for significant brokers and contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset, where counterparties are both debtors and creditors of the Group, and obtaining collateral from unrated counterparties.

The Group also mitigates counterparty credit risk by concentrating debt and fixed income investments in high-quality instruments. As at 30 June 2021, 98.8% (31 December 2020: 98.1%) of the Group's investments are rated BBB or higher.

Liquidity risk

The liquidity risks are consistent with those disclosed within the 2020 Annual Report on pages 142 to 144. During the first six months to 30 June 2021, the Group has repaid $196 million cash from its revolving credit facility which was previously held as a contingency against the uncertainties faced by the Group during the peak of the Covid-19 pandemic. The available headroom of working capital is monitored through the use of a detailed Group cash flow forecast which is reviewed by management quarterly, or more frequently as required.

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

Currency risk

The currency risk is consistent with what is disclosed in the 2020 Annual Report on pages 144 to 146.

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/(loss) before tax:

Effect on profit/(loss) before tax	$m
As at 30 June 2021	
10% strengthening of GBP	**36**
10% weakening of GBP	**(30)**
As at 30 June 2020	
10% strengthening of GBP	31
10% weakening of GBP	(25)

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.

Capital risk management

Our capital risk management approach is consistent with the disclosures described within the 2020 Annual Report on pages 146 to 148. Prudent capital management is critical to ensure the Group is able to continue to serve its customers, pay valid claims and grow where opportunity permits.

As a result, at 30 June 2021, the Group remains strongly capitalised against both our regulatory and rating agency requirements. The Group's available capital on an IFRS basis was $2,607 million (31 December 2020: $2,431 million), comprising net tangible asset value of $2,227 million (31 December 2020: $2,055 million) and subordinated debt of $380 million (31 December 2020: $376 million).

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 has 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 significant 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 2020 Annual Report.

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 2020 Annual Report.

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 resources to, each business segment.

In January 2021, we restructured our Special Risks division, integrating its locally written European and US kidnap and ransom activities with Hiscox Europe and Hiscox USA, and including its activities in Guernsey, Miami and London in a newly created Crisis Management division in Hiscox London Market. Comparative figures have been re-presented to reflect this change, along with the previously reported figures where the Special Risk was fully allocated to Hiscox Retail. The legal entity structure is not impacted by this re-presentation. The Group's four primary business segments are identified as follows:

- Hiscox Retail brings together the results of the Group's retail business division in the UK, Europe, USA and Asia. Hiscox UK and Hiscox Europe underwrite personal and commercial lines of business through Hiscox Insurance Company Limited and Hiscox Société Anonyme (Hiscox SA), together with the fine art and non-US household insurance business written through Syndicate 33. Hiscox USA comprises commercial, property and specialty business written by Hiscox Insurance Company Inc. and Syndicate 3624.
- 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. In addition, the segment includes elements of business written by Syndicate 3624 being auto physical damage and aviation business, however, these are in run-off.
- 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 run-off 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 and intragroup borrowings, as well as all foreign exchange gains and losses. The segment includes results from run-off portfolios where the Group has ceded all insurance risks to a third-party reinsurer.

All amounts reported on the following pages 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 or loss before tax.

6 Operating segments continued

Six months ended 30 June 2021	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	1,216.4	609.9	599.9	–	2,426.2
Net premiums written	1,020.4	361.2	183.8	–	1,565.4
Net premiums earned	961.2	348.1	113.8	–	1,423.1
Investment result	32.1	18.9	10.5	0.4	61.9
Other income	12.8	7.7	5.3	0.8	26.6
Total income	1,006.1	374.7	129.6	1.2	1,511.6
Claims and claim adjustment expenses, net of reinsurance	(505.4)	(138.8)	(52.6)	–	(696.8)
Expenses for the acquisition of insurance contracts	(269.1)	(106.0)	(8.0)	–	(383.1)
Operational expenses	(196.5)	(42.3)	(30.4)	(14.2)	(283.4)
Net foreign exchange gains/(losses)	–	–	–	11.2	11.2
Total expenses	(971.0)	(287.1)	(91.0)	(3.0)	(1,352.1)
Results of operating activities	35.1	87.6	38.6	(1.8)	159.5
Finance costs	(3.4)	(0.3)	(0.5)	(21.9)	(26.1)
Share of loss of associates after tax	–	–	–	–	–
Profit/(loss) before tax	31.7	87.3	38.1	(23.7)	133.4
100% ratio analysis*					
Claims ratio (%)	52.1	40.8	45.0	–	48.2
Expense ratio (%)	48.6	40.9	31.7	–	44.9
Combined ratio (%)**	100.7	81.7	76.7	–	93.1

Six months ended 30 June 2020 (re-presented)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	1,127.3	555.9	552.3	–	2,235.5
Net premiums written	973.0	309.5	131.6	–	1,414.1
Net premiums earned	914.4	297.5	116.3	–	1,328.2
Investment result	44.3	25.9	14.4	–	84.6
Other income	12.8	5.2	4.8	0.1	22.9
Total income	971.5	328.6	135.5	0.1	1,435.7
Claims and claim adjustment expenses, net of reinsurance	(626.2)	(177.9)	(119.3)	–	(923.4)
Expenses for the acquisition of insurance contracts	(196.6)	(86.5)	(7.1)	–	(290.2)
Operational expenses	(230.3)	(47.8)	(23.6)	(22.9)	(324.6)
Net foreign exchange gains/(losses)	–	–	–	(13.6)	(13.6)
Total expenses	(1,053.1)	(312.2)	(150.0)	(36.5)	(1,551.8)
Results of operating activities	(81.6)	16.4	(14.5)	(36.4)	(116.1)
Finance costs	(0.6)	(0.1)	(0.5)	(21.6)	(22.8)
Share of loss of associates after tax	–	–	–	–	–
Profit/(loss) before tax	(82.2)	16.3	(15.0)	(58.0)	(138.9)
100% ratio analysis*					
Claims ratio (%)	70.7	62.1	94.7	–	70.7
Expense ratio (%)	46.4	43.1	28.9	–	43.9
Combined ratio (%)**	117.1	105.2	123.6	–	114.6

Year ended 31 December 2020 (re-presented)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	2,180.0	1,109.7	743.4	–	4,033.1
Net premiums written	1,907.8	649.9	192.7	–	2,750.4
Net premiums earned	1,886.5	637.6	228.1	–	2,752.2
Investment result	103.4	60.5	33.6	–	197.5
Other income	20.3	14.9	12.5	2.5	50.2
Total income	2,010.2	713.0	274.2	2.5	2,999.9
Claims and claim adjustment expenses, net of reinsurance	(1,409.2)	(280.8)	(232.7)	–	(1,922.7)
Expenses for the acquisition of insurance contracts	(503.1)	(184.3)	(26.5)	–	(713.9)
Operational expenses	(392.2)	(92.6)	(49.1)	(39.1)	(573.0)
Net foreign exchange gains/(losses)	-	-	-	(14.5)	(14.5)
Total expenses	(2,304.5)	(557.7)	(308.3)	(53.6)	(3,224.1)
Results of operating activities	(294.3)	155.3	(34.1)	(51.1)	(224.2)
Finance costs	(1.3)	(0.1)	(1.0)	(41.6)	(44.0)
Share of loss of associates after tax	–	–	–	(0.3)	(0.3)
Profit/(loss) before tax	(295.6)	155.2	(35.1)	(93.0)	(268.5)
100% ratio analysis*					
Claims ratio (%)	75.9	47.8	99.0	–	70.0
Expense ratio (%)	47.5	41.4	32.8	–	44.5
Combined ratio (%)**	123.4	89.2	131.8	–	114.5

*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 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, operational expenses, including profit-related pay and excluding foreign exchange gains or losses as a proportion of net premiums earned. The combined ratio is the total of the claims and expenses ratios. All ratios are calculated using the 100% results and exclude a run-off portfolio, where the Group has ceded all insurance risks to a third-party reinsurer, included within Corporate Centre.

The table presented below contains the net premiums earned, claims and expenses at 100% ownership, to enable calculation of the ratios included in the operating segments.

Six months ended 30 June 2021	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	971.9	467.7	133.1	–	1,572.7
Claims and claim adjustment expenses, net of reinsurance	(506.8)	(190.6)	(59.9)	–	(757.3)
Expenses for the acquisition of insurance contracts	(274.3)	(139.1)	(8.2)	–	(421.6)
Operational expenses	(198.2)	(52.5)	(33.9)	–	(284.6)

Six months ended 30 June 2020 (re-presented)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	926.1	395.2	142.5	–	1,463.8
Claims and claim adjustment expenses, net of reinsurance	(654.8)	(245.5)	(135.0)	–	(1,035.3)
Expenses for the acquisition of insurance contracts	(198.6)	(111.6)	(14.8)	–	(325.0)
Operational expenses	(231.7)	(58.7)	(26.3)	–	(316.7)

Year ended 31 December 2020 (re-presented)	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	1,910.7	850.0	269.4	–	3,030.1
Claims and claim adjustment expenses, net of reinsurance	(1,449.8)	(406.6)	(266.7)	–	(2,123.1)
Expenses for the acquisition of insurance contracts	(511.8)	(238.8)	(32.9)	–	(783.5)
Operational expenses	(395.3)	(113.0)	(55.6)	–	(563.9)

6 Operating segments continued

	Six months ended 30 June 2020 (as previously reported)				
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	1,175.2	508.0	552.3	–	2,235.5
Net premiums written	1,016.5	266.0	131.6	–	1,414.1
Net premiums earned	963.9	248.0	116.3	–	1,328.2
Investment result	46.0	24.2	14.4	–	84.6
Other income	13.4	4.6	4.8	0.1	22.9
Total income	1,023.3	276.8	135.5	0.1	1,435.7
Claims and claim adjustment expenses, net of reinsurance	(639.5)	(164.6)	(119.3)	–	(923.4)
Expenses for the acquisition of insurance contracts	(217.2)	(65.9)	(7.1)	–	(290.2)
Operational expenses	(239.5)	(38.6)	(23.6)	(22.9)	(324.6)
Net foreign exchange losses	–	–	–	(13.6)	(13.6)
Total expenses	(1,096.2)	(269.1)	(150.0)	(36.5)	(1,551.8)
Results of operating activities	(72.9)	7.7	(14.5)	(36.4)	(116.1)
Finance costs	(0.6)	(0.1)	(0.5)	(21.6)	(22.8)
Share of profit of associates after tax	–	–	–	–	–
(Loss)/profit before tax	(73.5)	7.6	(15.0)	(58.0)	(138.9)
100% ratio analysis*					
Claims ratio (%)	68.5	67.0	94.7	–	70.7
Expense ratio (%)	47.2	40.4	28.9	–	43.9
Combined ratio (%)**	115.7	107.4	123.6	–	114.6

*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 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, operational expenses, including profit-related pay and excluding foreign exchange gains or losses as a proportion of net premiums earned. The combined ratio is the total of the claims and expenses ratios. All ratios are calculated using the 100% results and exclude a run-off portfolio, where the Group has ceded all insurance risks to a third-party reinsurer, included within Corporate Centre.

The table presented below contains the net premiums earned, claims and expenses at 100% ownership, to enable calculation of the ratios included in the operating segments.

	Six months ended 30 June 2020 (as previously reported)				
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	980.9	340.4	142.5	–	1,463.8
Claims and claim adjustment expenses, net of reinsurance	(672.3)	(228.0)	(135.0)	–	(1,035.3)
Expenses for the acquisition of insurance contracts	(221.9)	(88.3)	(14.8)	–	(325.0)
Operational expenses	(241.1)	(49.3)	(26.3)	–	(316.7)

6 Operating segments continued

	Year ended 31 December 2020 (as previously reported)				
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Gross premiums written	2,266.3	1,023.4	743.4	–	4,033.1
Net premiums written	1,986.8	570.9	192.7	–	2,750.4
Net premiums earned	1,975.5	548.6	228.1	–	2,752.2
Investment result	107.3	56.6	33.6	–	197.5
Other income	21.4	13.8	12.5	2.5	50.2
Total income	2,104.2	619.0	274.2	2.5	2,999.9
Claims and claim adjustment expenses, net of reinsurance	(1,395.6)	(294.4)	(232.7)	–	(1,922.7)
Expenses for the acquisition of insurance contracts	(539.0)	(148.4)	(26.5)	–	(713.9)
Operational expenses	(405.9)	(78.9)	(49.1)	(39.1)	(573.0)
Net foreign exchange losses	–	–	–	(14.5)	(14.5)
Total expenses	(2,340.5)	(521.7)	(308.3)	(53.6)	(3,224.1)
Results of operating activities	(236.3)	97.3	(34.1)	(51.1)	(224.2)
Finance costs	(1.3)	(0.1)	(1.0)	(41.6)	(44.0)
Share of loss of associates after tax	–	–	–	(0.3)	(0.3)
(Loss)/profit before tax	(237.6)	97.2	(35.1)	(93.0)	(268.5)
100% ratio analysis*					
Claims ratio (%)	72.2	54.1	99.0	–	70.0
Expense ratio (%)	47.8	39.6	32.8	–	44.5
Combined ratio (%)**	120.0	93.7	131.8	–	114.5

*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 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, operational expenses, including profit-related pay and excluding foreign exchange gains or losses as a proportion of net premiums earned. The combined ratio is the total of the claims and expenses ratios. All ratios are calculated using the 100% results and exclude a run-off portfolio, where the Group has ceded all insurance risks to a third-party reinsurer, included within Corporate Centre.

The table presented below contains the net premiums earned, claims and expenses at 100% ownership, to enable calculation of the ratios included in the operating segments.

	Year ended 31 December 2020 (as previously reported)				
	Hiscox Retail $m	Hiscox London Market $m	Hiscox Re & ILS $m	Corporate Centre $m	Total $m
Net premiums earned	2,007.6	753.1	269.4	–	3,030.1
Claims and claim adjustment expenses, net of reinsurance	(1,449.1)	(407.3)	(266.7)	–	(2,123.1)
Expenses for the acquisition of insurance contracts	(550.6)	(200.0)	(32.9)	–	(783.5)
Operational expenses	(409.8)	(98.5)	(55.6)	–	(563.9)

7 Net asset value (NAV) per share

	30 June 2021 Net asset value (total equity) $m	30 June 2021 NAV per share cent	30 June 2020 Net asset value (total equity) $m	30 June 2020 NAV per share cent	31 Dec 2020 Net asset value (total equity) $m	31 Dec 2020 NAV per share cent
Net asset value	2,530.4	738.1	2,430.7	712.4	2,353.9	689.0
Net tangible asset value	2,227.2	649.6	2,146.4	629.1	2,055.0	601.5

The NAV per share is based on 342,847,280 shares (30 June 2020: 341,188,521; 31 December 2020: 341,647,634), 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 534.2 pence (30 June 2020: 576.5 pence; 31 December 2020: 503.9 pence).

8 Return on equity (ROE)

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Profit/(loss) for the period	119.0	(150.5)	(293.7)
Opening total equity	2,353.9	2,189.7	2,189.7
Adjusted for the time-weighted impact of capital distributions and issuance of shares	–	111.1	307.8
Adjusted opening total equity	2,353.9	2,300.8	2,497.5
Annualised return on equity (%)	10.4	(12.7)	(11.8)

The ROE is calculated by using profit or loss 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 or loss 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 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Investment income including interest receivable	44.7	59.3	107.4
Net realised gains on financial investments at fair value through profit or loss	28.9	45.6	45.5
Net fair value (losses)/gains on financial investments at fair value through profit or loss	(10.1)	(17.3)	51.2
Investment result – financial assets	63.5	87.6	204.1
Fair value gains/(losses) on derivative financial instruments	0.6	(0.5)	(2.1)
Investment expenses	(2.2)	(2.5)	(4.5)
Total result	61.9	84.6	197.5

ii) Annualised investment return

	Six months to 30 June 2021 Return $m	Six months to 30 June 2021 Yield %	Six months to 30 June 2020 Return $m	Six months to 30 June 2020 Yield %	Year to 31 Dec 2020 Return $m	Year to 31 Dec 2020 Yield %
Debt and fixed income securities	8.4	0.3	93.1	3.8	141.3	2.8
Equities and investment funds	54.7	19.2	(10.6)	(4.2)	58.4	10.8
Deposits with credit institutions/cash and cash equivalents	0.4	0.1	5.1	0.7	4.4	0.3
Investment return – financial assets	63.5	1.7	87.6	2.5	204.1	2.8

10 Other income and operational expenses

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Agency-related income	13.0	15.0	22.1
Profit commission	2.6	–	1.5
Other underwriting income	0.1	–	2.5
Other income	10.9	7.9	24.1
Other income	26.6	22.9	50.2
Wages and salaries	107.3	113.9	188.7
Social security costs	15.5	18.4	33.1
Pension cost – defined contribution	9.2	6.4	13.1
Pension cost – defined benefit	0.4	3.5	1.1
Share-based payments	14.0	8.7	10.3
Temporary staff costs	19.7	20.6	40.2
Travel and entertainment	1.2	4.4	6.2
Legal and professional	26.9	29.7	63.0
Office costs	6.9	10.3	15.7
Computer costs	26.4	28.9	58.6
Depreciation, amortisation and impairment	29.0	25.0	56.8
Other expenses	26.9	54.8	86.2
Operational expenses	283.4	324.6	573.0

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

As a result of the disposal of Crystal Ridge subsidiary for $21.4 million on 1 June 2021, the Group has de-recognised the relevant assets and liabilities and made a gain on disposal of $5.2 million reported in other income.

11 Finance costs

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Interest charge associated with borrowings	15.4	14.0	28.6
Interest and expenses associated with bank borrowing facilities	4.4	6.8	10.7
Interest and charges associated with Letters of Credit	2.0	1.2	2.4
Other interest expenses*	4.3	0.8	2.3
Finance costs	26.1	22.8	44.0

*Including interest expense on lease liabilities of $0.6 million (30 June 2020: $0.8 million; 31 December 2020: $1.4 million).

As at 30 June 2021, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was $266.0 million (30 June 2020: $266.0 million; 31 December 2020: $266.0 million).

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 comprises the following:

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Current tax expense	9.2	10.4	13.2
Deferred tax charge	5.2	1.2	12.0
Total tax charged to the income statement	14.4	11.6	25.2

The current tax charge of $14.4 million arises on taxable profits (i.e. after adjusting for non-deductible expenses, etc.) recognised in jurisdictions in which the Group anticipates a net profit for the year; and includes the adjustments in respect of prior year.

The corporate tax rate in the UK will increase from 19% to 25% from 1 April 2023. The increase was announced in the March 2021 Budget, and was substantively enacted on 10 June 2021. This has a consequential impact on the UK deferred tax balances which were held at 19%. Due to this change in rate our net deferred tax asset in the UK has increased by $10 million.

13 Insurance liabilities and reinsurance assets

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Gross			
Claims and claim adjustment expenses outstanding including IBNR	**7,213.8**	6,503.0	7,291.4
Unearned premiums	**2,183.3**	2,085.3	1,822.0
Total insurance liabilities, gross	**9,397.1**	8,588.3	9,113.4
Recoverable from reinsurers			
Claims and claim adjustment expenses outstanding including IBNR	**3,778.8**	2,915.4	3,213.0
Unearned premiums	**661.1**	667.2	431.6
Total reinsurers' share of insurance liabilities	**4,439.9**	3,582.6	3,644.6
Net			
Claims and claim adjustment expenses outstanding including IBNR	**3,435.0**	3,587.6	4,078.4
Unearned premiums	**1,522.2**	1,418.1	1,390.4
Total insurance liabilities, net	**4,957.2**	5,005.7	5,468.8

Net claims and claim adjustment expenses include releases of $79.0 million (30 June 2020: $63.0 million; 31 December 2020: $32.0 million) related to reserves established in prior reporting periods.

Loss portfolio transfer (LPT) agreements

In June 2021, the Group completed a loss portfolio transfer (LPT) agreement, whereby the reinsurer assumes historical liabilities for selected lines of Hiscox Syndicate 3624, including the majority of Hiscox USA's surplus lines broker business with effective date of 1 January 2021.

Under the terms of the agreement, Hiscox secures coverage for potential adverse development in respect of the insurance liabilities of $557 million (comprising actuarial best estimate and margin) with an overall aggregate limit of recoveries set at $774 million for a ceded reinsurance premium of $583 million. $60 million of the ceded premium is paid at the inception date to the reinsurer and the remaining amount deposited into a fund withheld (FWH). Recoveries under the contract are first deducted from the FWH. The balance of the FWH attracts a guaranteed annual interest income. If claim payments do not exceed the total of FWH, the remaining balance is returned under the commutation clause of the contract.

Under the commutation clause of the contract, the Group has the right to commute the reinsurance agreement at any time on or before 31 December 2025 provided the FWH shows a positive balance. If the Group were to decide not to exercise this option, it would have to pay an additional reinsurance ceding premium to continue the coverage beyond 31 December 2025.

Under the Group accounting policy, retroactive insurance contracts that contain significant insurance risk and that have an insurance component and a deposit component are unbundled providing the deposit component can be measured separately. The deposit component is recorded directly into the balance sheet within reinsurers' share of insurance liabilities with a corresponding amount in creditors arising out of reinsurance operations. The reinsurers' share of insurance liabilities relating to the LPTs is remeasured at each reporting period with movements taken to the reinsurance recoveries in the income statement. In transactions where the consideration paid exceeds the estimated liabilities for claims and claim adjustment expenses, a loss is recognised immediately. The Group concluded that this LPT transfers significant risks and accounts for the LPT by recognising reinsurer's share of insurance liability of $557 million, a FWH of $523 million in trade and other payables, and reinsurance ceded premium of $26 million at the inception date of the reinsurance contract. This results in a loss of $26 million for the Group on inception.

In addition to this LPT, the Group also completed an LPT agreement, whereby the reinsurer assumes historical liabilities for healthcare lines in run-off up to $125 million with effective date of 1 January 2021. The ceded reinsurance premium for this LPT was set at $80 million and is accounted for consistent with the accounting policy described above. The overall financial impact of this transaction for the Group in the 30 June 2021 results is immaterial.

13 Insurance liabilities and reinsurance assets continued

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

Accident year ending 31 December†	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	**2021 $m**	Total $m
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year†	1,190.2	1,143.2	1,187.2	1,263.6	1,481.0	1,861.4	1,812.9	1,800.5	2,231.7	**854.0**	14,825.7
one period later†	1,049.2	1,015.3	1,043.9	1,168.7	1,342.0	1,634.1	1,841.7	1,749.2	2,080.4	–	12,924.5
two periods later†	973.9	912.9	948.4	1,071.6	1,269.4	1,618.9	1,794.9	1,531.1	–	–	10,121.1
three periods later†	938.6	846.0	892.2	1,064.3	1,295.9	1,631.3	1,741.0	–	–	–	8,409.3
four periods later†	929.0	842.8	864.6	1,065.8	1,333.2	1,561.1	–	–	–	–	6,596.5
five periods later†	949.4	815.1	843.6	1,092.8	1,264.8	–	–	–	–	–	4,965.7
six periods later†	938.2	814.0	837.2	1,051.6	–	–	–	–	–	–	3,641.0
seven periods later†	919.2	813.3	825.6	–	–	–	–	–	–	–	2,558.1
eight periods later†	909.4	801.9	–	–	–	–	–	–	–	–	1,711.3
nine periods later†	905.5	–	–	–	–	–	–	–	–	–	905.5
Current estimate of cumulative claims	905.5	801.9	825.6	1,051.6	1,264.8	1,561.1	1,741.0	1,531.1	2,080.4	**854.0**	12,617.0
Cumulative payments to date	(846.9)	(772.2)	(730.6)	(888.0)	(1,074.8)	(1,314.4)	(1,321.4)	(1,007.3)	(790.4)	**(95.6)**	(8,841.6)
Liability recognised at 100% level	58.6	29.7	95.0	163.6	190.0	246.7	419.6	523.8	1,290.0	**758.4**	3,775.4
Liability recognised in respect of prior accident years at 100% level											120.6
Total net liability to external parties at 100% level											3,896.0

*The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2021.
†With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2021, the term period refers to one full calendar year.
This includes the run-off casualty loss portfolio transfer. Included within the most recent diagonal are the LPT agreements that were completed in 2021.

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

Accident year	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	**2021 $m**	Total $m
Current estimate of cumulative claims	905.5	801.9	825.6	1,051.6	1,264.8	1,561.1	1,741.0	1,531.1	2,080.4	**854.0**	12,617.0
Less: attributable to external Names	(93.6)	(80.7)	(81.4)	(112.0)	(129.1)	(167.8)	(184.2)	(180.2)	(217.7)	**(85.2)**	(1,331.9)
Group share of current ultimate claims estimate	811.9	721.2	744.2	939.6	1,135.7	1,393.3	1,556.8	1,350.9	1,862.7	**768.8**	11,285.1
Cumulative payments to date	(846.9)	(772.2)	(730.6)	(888.0)	(1,074.8)	(1,314.4)	(1,321.4)	(1,007.3)	(790.4)	**(95.6)**	(8,841.6)
Less: attributable to external Names	86.7	75.5	74.8	93.3	104.1	127.0	133.7	121.8	76.6	**7.8**	901.3
Group share of cumulative payments	(760.2)	(696.7)	(655.8)	(794.7)	(970.7)	(1,187.4)	(1,187.7)	(885.5)	(713.8)	**(87.8)**	(7,940.3)
Liability for 2012 to 2021 accident years recognised on Group's balance sheet	51.7	24.5	88.4	144.9	165.0	205.9	369.1	465.4	1,148.9	**681.0**	3,344.8
Liability for accident years before 2012 recognised on Group's balance sheet											90.2
Total Group liability to external parties included in the balance sheet, net‡											3,435.0

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

13 Insurance liabilities and reinsurance assets continued

A reconciliation of the gross premiums written to net premiums earned is as follows:

	Six months to 30 June 2021 $m	Six months to 30 June 2020 $m	Year to 31 Dec 2020 $m
Gross premiums written	2,426.2	2,235.5	4,033.1
Outward reinsurance premiums	(860.8)	(821.4)	(1,282.7)
Net premiums written	1,565.4	1,414.1	2,750.4
Change in gross unearned premium reserves	(356.3)	(296.0)	38.1
Change in reinsurers' share of unearned premium reserves	214.0	210.1	(36.3)
Change in net unearned premium reserves	(142.3)	(85.9)	1.8
Net premiums earned	1,423.1	1,328.2	2,752.2

14 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss 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 2021	Six months to 30 June 2020	Year to 31 Dec 2020
Profit/(loss) for the period attributable to owners of the Company ($m)	119.0	(150.5)	(293.7)
Weighted average number of ordinary shares in issue (thousands)	342,097	299,614	320,562
Basic earnings per share (cent per share)	34.8¢	(50.2)¢	(91.6)¢
Basic earnings per share (pence per share)	25.1p	(39.8)p	(71.5)p

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 2021	Six months to 30 June 2020	Year to 31 Dec 2020
Profit/(loss) for the period attributable to owners of the Company ($m)	119.0	(150.5)	(293.7)
Weighted average number of ordinary shares in issue (thousands)	342,097	299,614	320,562
Adjustment for share options (thousands)	3,831	3,013	3,498
Weighted average number of ordinary shares for diluted earnings per share (thousands)	345,928	302,627	324,060
Diluted earnings per share (cent per share)	34.4¢	(49.7)¢	(90.6)¢
Diluted earnings per share (pence per share)	24.8p	(39.4)p	(70.7)p

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

The Board has approved the decision to resume the payment of dividends, and has declared an interim dividend of 11.5¢ per share payable on 22 September 2021 to shareholders registered on 13 August 2021 in respect of the six months to 30 June 2021 (30 June 2020: nil¢ per ordinary share). The dividends will be paid in Sterling unless shareholders elect to be paid in US Dollars. The foreign exchange rate to convert the dividends declared in US Dollars into Sterling will be 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 31 August 2021 to 6 September 2021 inclusive.

A Scrip dividend alternative will be offered to the owners of the Company.

When determining the level of dividend each year, the Board considers the ability of the Group to generate cash and 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.

16 Financial assets and liabilities

i) Analysis of financial assets carried at fair value

	30 June 2021 $m	30 June 2020 $m	31 Dec 2020 $m
Debt and fixed income securities	5,339.3	4,853.6	5,474.5
Equities and investment funds	542.0	587.0	578.3
Total investments	5,881.3	5,440.6	6,052.8
Insurance-linked funds	53.8	78.1	63.2
Derivative financial instruments	0.1	0.1	0.8
Total financial assets carried at fair value	5,935.2	5,518.8	6,116.8

ii) Analysis of financial liabilities carried at fair value

	30 June 2021 $m	30 June 2020 $m	31 Dec 2020 $m
Derivative financial instruments	0.3	0.4	0.6
Total financial liabilities carried at fair value	0.3	0.4	0.6

iii) Analysis of financial liabilities carried at amortised cost

	30 June 2021 $m	30 June 2020 $m	31 Dec 2020 $m
Long-term borrowings	758.2	677.4	749.9
Short-term borrowings	–	462.4	193.4
Accrued interest on borrowings	18.2	16.3	2.8
Total financial liabilities carried at amortised cost	776.4	1,156.1	946.1

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 the sum of compounded daily Sterling overnight index average (SONIA), the reference rate adjustment of 0.1193% and a margin of 5.076% payable quarterly in arrears on each floating interest payment date. Note that the floating rate transitioned from a LIBOR-based reference rate to SONIA in June 2021.

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.

16 Financial assets and liabilities continued

iv) Investment and cash allocation

	30 June 2021 $m	30 June 2021 %	30 June 2020 $m	30 June 2020 %	31 Dec 2020 $m	31 Dec 2020 %
Debt and fixed income securities	5,339.3	71.8	4,853.6	65.0	5,474.5	71.7
Equities and investment funds	542.0	7.3	587.0	7.9	578.3	7.6
Deposits with credit institutions/cash and cash equivalents	1,556.9	20.9	2,026.5	27.1	1,577.2	20.7
Total	7,438.2		7,467.1		7,630.0	

v) Total investments and cash allocation by currency

	30 June 2021 %	30 June 2020 %	31 Dec 2020 %
US Dollars	63.5	63.1	63.9
Sterling	21.6	26.5	22.3
Euro	9.4	7.5	10.4
Other currencies	5.5	2.9	3.4

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 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	818.0	4,521.3	–	5,339.3
Equities and investment funds	–	465.9	76.1	542.0
Insurance-linked funds	–	–	53.8	53.8
Derivative financial instruments	–	0.1	–	0.1
Total	818.0	4,987.3	129.9	5,935.2
Financial liabilities				
Derivative financial instruments	–	0.3	–	0.3
Total	–	0.3	–	0.3

As at 30 June 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	1,205.9	3,647.7	–	4,853.6
Equities and investment funds	–	567.0	20.0	587.0
Insurance-linked funds	–	–	78.1	78.1
Derivative financial instruments	–	0.1	–	0.1
Total	1,205.9	4,214.8	98.1	5,518.8
Financial liabilities				
Derivative financial instruments	–	0.4	–	0.4
Total	–	0.4	–	0.4

17 Fair value measurements continued

As at 31 December 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets				
Debt and fixed income securities	1,118.8	4,355.7	–	5,474.5
Equities and investment funds	–	532.8	45.5	578.3
Insurance-linked funds	–	–	63.2	63.2
Derivative financial instruments	–	0.8	–	0.8
Total	1,118.8	4,889.3	108.7	6,116.8
Financial liabilities				
Derivative financial instruments	–	0.6	–	0.6
Total	–	0.6	–	0.6

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 typically based on prices from numerous independent pricing services. The pricing services used by the investment manager 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 investment funds, comprise a portfolio of stock investments in trading entities which are invested in various quoted investments. The fair value of shares in investment funds 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, borrowings 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 is based on the prices obtained from both investment managers and investment custodians as discussed above. The Group records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US government agencies and corporate securities are based on a limited number of transactions for those securities and as such the Group considers these instruments to have similar characteristics as those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds and over-the-counter derivatives.

Level 3 contains investments in a limited partnership and unquoted equity securities and an insurance-linked fund which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price. The effect of changing one or more of the inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant. At 30 June 2021, the insurance-linked fund of $53.8 million (30 June 2020: $78.1 million; 31 December 2020: $63.2 million) represents the Group's investment in Kiskadee Funds.

17 Fair value measurements continued

The fair value of the Kiskadee Funds is estimated to be the net asset value as at the balance sheet date. The net asset value is based on the fair value of the assets and liabilities in the Funds. The majority of the assets of the Funds are cash and cash equivalents. 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 2021	Equities and investment funds $m	Insurance-linked funds $m	Total $m
Balance at 1 January	45.5	63.2	108.7
Fair value gains or losses through profit or loss	–	0.4	0.4
Net foreign exchange gains/(losses)	0.4	(0.5)	(0.1)
Purchases	30.2	–	30.2
Settlements	–	(9.3)	(9.3)
Closing balance	76.1	53.8	129.9
Unrealised gains in the period on securities held at the end of the period	–	0.1	0.1

	Financial assets		
30 June 2020	Equities and investment funds $m	Insurance-linked funds $m	Total $m
Balance at 1 January	18.5	61.3	79.8
Fair value gains or losses through profit or loss	–	1.5	1.5
Net foreign exchange losses	(0.5)	(0.5)	(1.0)
Purchases	2.0	16.7	18.7
Settlements	–	(0.9)	(0.9)
Closing balance	20.0	78.1	98.1
Unrealised gains in the period on securities held at the end of the period	–	1.5	1.5

	Financial assets		
31 December 2020	Equities and investment funds $m	Insurance-linked funds $m	Total $m
Balance at 1 January	18.5	61.2	79.7
Fair value gains or losses through profit or loss	(5.4)	2.7	(2.7)
Net foreign exchange gains	1.9	–	1.9
Purchases	30.8	2.6	33.4
Settlements	(0.3)	(3.3)	(3.6)
Closing balance	45.5	63.2	108.7
Unrealised (losses)/gains in the period on securities held at the end of the period	(0.4)	2.7	2.3

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 $334.0 million (30 June 2020: $250.7 million; 31 December 2020: $172.2 million) not available for immediate use by the Group outside of the Lloyd's Syndicates within which they are held. Additionally, $47.2 million (30 June 2020: $5.6 million; 31 December 2020: $8.8 million) is pledged cash against Funds at Lloyd's, and $0.4 million (30 June 2020: $0.1 million; 31 December 2020: $0.5 million) is held within trust funds against reinsurance arrangements.

19 Employee retirement benefit obligations

The table below provides a reconciliation of the movement in the Group's net defined benefit liabilities position under IAS 19 from 1 January 2021 to 30 June 2021 and 31 December 2020.

	Six months to 30 June 2021 $m	Year to 31 Dec 2020 $m
Group net defined benefit liabilities at beginning of period/year	73.5	55.1
Third-party Names' share of liability at beginning of period/year	(18.8)	(10.5)
Remeasurements	(51.1)	38.0
Contribution from the employer	–	(30.4)
Other movements	2.0	2.5
Third-party Names' share of liability at end of period/year	9.0	18.8
Group net defined benefit liabilities at end of period/year	14.6	73.5

Remeasurements include changes in actuarial assumptions, predominantly the application of a higher discount rate (2020: lower discount rate) being applied to the scheme liabilities and the increase (2020: decrease) in the fair value of the scheme assets. There have been no contributions from the Company in 2021. The contribution of $30.4 million paid in 2020 consisted of two amounts: a contribution in January 2020 of $3.7 million; and a one-off payment in December 2020 of $26.7 million.

Other movements include regular contributions and exchange gains/losses.

20 Post-balance sheet events

There are no material events that have occurred after the reporting period.

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 United Kingdom 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 Interim Statement 2021 was approved by the Board for issue on Tuesday, 3 August 2021.

Additional performance measures

The Group uses, throughout its financial publications, additional 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 combined claims and expense ratios, return on equity, net asset value per share and net tangible asset value per share and prior-year developments. 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.

Combined claims and expense ratios

The combined claims and expense ratios are common measures enabling comparability across the insurance industry, that measure 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 proportion 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 its 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)

Use of return on equity is common within the financial services industry, and the Group uses ROE as one of its key performance metrics. While the measure enables the Group 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. The ROE is shown in note 8, along with an explanation of the calculation.

Net asset value (NAV) per share and net tangible asset value 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 tangible asset value comprises total equity excluding intangible assets. NAV per share and net tangible asset value per share are shown in note 7, along with an explanation of the calculation.

Prior-year developments

Prior-year developments are a measure of favourable or adverse 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 prior-year development 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.

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 (the 'interim financial statements') in the Interim Statement 2021 of Hiscox Ltd for the six-month period ended 30 June 2021 (the 'period').

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 30 June 2021;
- the condensed consolidated interim income statement for the period then ended;
- the condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended;
- the condensed consolidated interim cash flow statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Statement 2021 of Hiscox Ltd have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Statement 2021, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Statement 2021 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 interim financial statements in the Interim Statement 2021 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 (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 (UK) 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 2021 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers Ltd.
Chartered Professional Accountants
Hamilton, Bermuda
3 August 2021

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