Chief Executive's report

"I am very pleased with the progress made across the Group during 2022, as we delivered the strongest underwriting result in seven years. We have a refined strategy, a new experienced and energetic leadership team, we have made significant progress in rolling out new generation technology in the USA and Europe and we are enjoying our highest employee engagement scores in ten years."

Aki Hussain
Group Chief Executive Officer

In my first year as Group Chief Executive Officer, I am pleased to report the Group delivered a strong result during a year of heightened geopolitical uncertainty, economic unpredictability and natural catastrophe losses. An underwriting profit of $269.5 million (2021: $215.6 million) and a combined ratio of 90.6% (2021: 93.2%) is a testament to the disciplined execution of our strategy of building more balanced portfolios to drive reduced earnings volatility. The current complex underwriting environment presents opportunities for businesses like ours, with underwriting excellence at the core, backed by a strong balance sheet. I am excited about the hard market in reinsurance, which is a necessity to reverse multi-year losses suffered by the industry. These are the best conditions we have seen in over a decade and our talented and experienced underwriters have the financial flexibility to deploy capital to make the most of the opportunities ahead.

2022 has been a year of delivery for our Retail business with many key milestones achieved. In the USA, our largest retail market, we completed the strategic repositioning of the broker channel business and substantially delivered the technology transformation programme of our digital partnerships and direct (DPD) business, setting us up for growth acceleration in 2023. In the UK we transitioned to new leadership under Jon Dye, an industry veteran with huge ambition for our business, and in Europe we passed the milestone of half a billion Euros of gross premiums written. Importantly, we have achieved our target of returning the Retail combined ratio to within the 90% to 95% range a year ahead of schedule, which is a testament to the decisive actions we have taken.

The business is in great shape and it is at this juncture that after 37 years of committed service, Robert Childs, Hiscox Chairman, has announced his intention to step down. I have personally greatly valued his ability to drive clarity in our decision-making, his advice and human approach, and the support he has given me ever since I joined the business and particularly now as Group Chief Executive Officer. He has been instrumental in transforming Hiscox into a successful global business and I wish him all the best in his well-earned retirement.

Rates

2022 performance benefitted from a favourable rate environment across all Hiscox businesses, with rates in reinsurance now exhibiting all the signs of a hard market. This is underpinning continued rate strengthening in primary insurance, mainly wholesale.

Hiscox Re & ILS benefitted from an average risk adjusted rate increase of 13% in the period, above our expectations. This is driven primarily by North American property and retrocession, with rates up 14% and 16% respectively, with Florida exhibiting particularly hard market conditions. Specialty lines also experienced double-digit increases, driven by cyber and terrorism, with rates up 42% and 26% respectively. Since 2017, this business has achieved cumulative rate increases of over 50% across the portfolio.

The reinsurance marketplace is undergoing a seismic shift, with 2022 rates above the 2012 level, and we anticipate material improvement across nearly all lines for 2023. Hurricane Ian served as a catalyst, among other factors, following many years of losses across the sector, leading to significant improvement in the rating environment. Capacity continued to reduce during 2022 both in the traditional arena and the ILS space, as a result of another year of industry losses and volatility in the investment markets. This is leading to a true hard market for catastrophe-exposed risks. We are witnessing the best market conditions in over a decade and have deployed additional capital at January renewals, achieving risk-adjusted rate increases of 45% in property and 26% in specialty.

In 2022, Hiscox London Market benefitted from an average rate increase of 6%, which was ahead of our expectations. Since 2017, this business has achieved cumulative rate increases of 70%. Rate growth remained positive for all classes of business except D&O, which is already very attractively priced, having achieved cumulative rate increases of over 240% since the end of 2017. Overall the rate outlook for 2023 is positive, underpinned by the macroeconomic environment and reinsurance costs, with the strongest growth expected in terrorism and property lines.

While pricing in Hiscox Retail is generally less cyclical, in 2022 it benefitted from an average rate increase of 7%. This was led by Hiscox Europe where on average rates were up 8%, underpinned by double-digit rate increases in cyber, commercial property and traditional professional indemnity. In Hiscox USA on average rates were up 7%, with strong rate growth in cyber and allied health. Hiscox UK saw rate increases of 5% on average, with strong rate momentum in cyber, commercial property and entertainment.

Overall, the premium growth achieved by the Group through rate and indexation in 2022 kept pace with our inflation assumptions. As we look forward, the rate outlook for 2023 remains strong, particularly in reinsurance.

Claims

2022 was another year with elevated large losses, both natural catastrophe and man-made, so it is pleasing to see that in spite of these challenges Hiscox maintained strong profitability, delivering a Group combined ratio of 90.6%. There are no material changes to previously announced net loss estimates for Hurricane Ian and the Russia/Ukraine conflict.

As previously communicated, the Group reserved $135 million net of reinsurance including reinstatement premiums for Hurricane Ian, based on an insured market loss of $55 billion. The majority of our exposure is in big-ticket lines: $90 million net in Re & ILS and $40 million net in London Market. This represents a modest exposure for Hiscox London Market, as the business had pulled back from under-priced Florida business in the preceding years. Estimated net losses for the Retail portfolio are modest at $5 million.

The Russia/Ukraine conflict tragically continues to be a live event. The human cost of this event is immense and long-lasting and our thoughts are with

"The reinsurance marketplace is undergoing a seismic shift, with 2022 rates above the 2012 level, and we anticipate material improvement across nearly all lines for 2023."

An actively managed business

Total Group controlled premium 31 December 2022: $4,935.4m

Period-on-period in constant currency

Small commercial

+5%↑

$1,705m

Professional liability
Errors and omissions
Private directors and officers' liability
Cyber
Commercial small package
Small technology and media
Healthcare related
Media and entertainment

Reinsurance

+25%↑

$1,145m

Property
Marine
Aviation
Specialty

Property

-17%↓

$466m

Commercial property
Onshore energy
USA homeowners
Flood programmes
Managing general agents
International property

Art and private client

+4%↑

$458m

Home and contents
Fine art
Classic car
Luxury motor
Asian motor

Specialty

-5%↓

$451m

Kidnap and ransom
Contingency
Terrorism
Product recall
Personal accident

Global casualty

+9%↑

$388m

Public directors and officers' liability
Large cyber
General liability

Marine and energy

+12%↑

$322m

Cargo
Marine hull
Energy liability
Offshore energy
Marine liability

Hiscox Retail

	2022 $m	2021 $m
Gross premiums written	2,272.1	2,290.0
Net premiums written	1,976.8	1,969.3
Underwriting profit	101.9	34.9
Investment result	(98.9)	26.9
(Loss)/profit before tax	(3.4)	54.9
Combined ratio (%)	94.8	98.9

all those who are directly or indirectly impacted. Hiscox's estimated ultimate loss from all risks in the Ukraine and Russia remains unchanged at $48 million net of reinsurance[1], with just under three quarters of it attributable to Hiscox London Market. The majority of London Market's and all of Re & ILS's reserves comprise incurred but not reported (IBNR) losses. Hiscox London Market exited the aviation hull insurance business in 2018 and political risk/trade credit business in 2017.

While inflationary pressures continue to persist across our markets, the impact on our business is relatively contained due to the short-tail nature of our book, with the average duration of our liabilities at 1.9 years. Hiscox has a conservative reserving philosophy; continuously monitoring claims inflation trends and evaluating reserve adequacy to ensure we maintain profitability and a robust balance sheet position. In the first half of the year we proactively strengthened our best estimate by $55 million as a precautionary net inflationary load, and this remains unchanged after undertaking a similar review at the full year.

Throughout the course of 2022 we continued to proactively take action to manage volatility from the back-book, in particular in longer-tail lines where we have either exited portfolios or refined our underwriting strategy. In March, our Hiscox Re & ILS business executed an LPT, buying protection for our casualty reinsurance portfolio that is in run-off. Following that, in July, Hiscox London Market undertook an LPT to reinsure circa $116 million of reserves for 1993 to 2018 year of accounts. These deals, together with the two LPTs completed in 2021, mean that 23% of 2019 and prior years' gross reserves are reinsured up to a 1-in-200 downside risk.

[1]Including impact of reinstatement premiums.

At a Group level we also hold margin above best estimate as an additional buffer to compensate for the uncertainty in timing and cost of claims. At the end of 2022, the margin stood at 8.9%, down from 11.0% in the first half of the year. Through a combination of executing a number of LPTs and proactive action on addressing inflation, uncertainty on prior-period losses is reducing, consequently we have moderated the margin to be more in line with our target range of 5%-10%, although remaining at the upper end of the range. Furthermore the favourable prior-period run-off is reflected in reserve releases of $239 million in 2022, which are from all business segments.

With regards to the new business we are writing, we mitigate inflationary pressures through a combination of exposure indexation and rate increases. Our current pricing and reserving assumptions incorporate expected inflation which is a multiple of experience in recent times. Therefore, the increased premium we are collecting across the Group is keeping pace with inflation and our view of risk assumptions.

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

> "Hiscox Retail achieved a combined ratio of 94.8%, returning to the 90%-95% combined ratio range a year ahead of the stated target, despite the complex macroeconomic environment."

Hiscox Retail grew gross premiums written by 5.1% in constant currency to $2,272.1 million (2021: $2,290.0 million) and added over 55,000 net new customers. Our commercial lines, which constitute over three quarters of Retail gross premiums written, grew 6.7% in constant currency, with strong momentum across the UK and Europe. We moderated our growth in Hiscox USA as we completed the US broker portfolio repositioning and substantially delivered the US DPD technology implementation. On a go-forward basis, Hiscox Retail grew 6.6% in constant currency. With these programmes complete, Hiscox Retail growth is expected to trend towards the middle of the 5%-15% range in 2023.

Hiscox Retail achieved a combined ratio of 94.8%, returning to the 90%-95% combined ratio range a year ahead of the stated target, despite the complex macroeconomic environment. We expect to operate within this range[2] going forward.

Our Retail business has been undergoing a multi-year technology transformation programme. The UK is developing next-generation e-trade capabilities for less complex broker intermediated business, complementing the direct-to-consumer digital platform. In 2022 we migrated the vast majority of the US DPD business onto the new technology stack, and core platform replacement is also underway in Germany and France, with Benelux to follow in 2023. Convenience for the customer is at the heart of our distribution philosophy. Whether our customers want to connect to a Hiscox employee or complete the customer journey entirely online, our combination of talented people, supported by these technology investments, creates the platform and opportunity to serve millions of customers. The technology enables greater levels of algorithmic underwriting, process automation, improved efficiency and will create operating leverage over time.

[2]Under IFRS 4.

We will invest incrementally in brand across our Retail business in 2023. The Hiscox brand already has a strong market position, and it is the right time to bolster it further to drive growth over the long term.

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 UK gross premiums written were up 2.8% on a constant currency basis, but reduced by 6.4% to $778.0 million (2021: $831.1 million) in US Dollars due to the depreciation of the Sterling. The business delivered a solid performance, with commercial lines showing strong growth of 8.5% in constant currency, boosted by rate improvements and excellent retention rates.

2022 marked strong growth in the number of online sales for UK direct commercial and we expect this trend to continue. The pace of our digital capability development, including e-trading for brokers, has significantly picked up this year and we continue to drive several strategic initiatives to improve our core digital capabilities.

The impact of the UK weather has been within our expectations.

Hiscox Europe

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

Hiscox Europe is the strongest growing business segment in the Hiscox Retail portfolio. Gross premiums written were up 13.6% in constant currency to $543.7 million (2021: $532.0 million), surpassing the €500 million milestone for the first time. All five markets in Europe delivered double-digit growth in constant currency, demonstrating our attractive, differentiated position and underpinned by strong growth in commercial lines of 16.2%.

Hiscox Germany, Europe's largest market, grew gross premiums written by 11.3% in constant currency to cross the €150 million mark. Hiscox Germany is a market leader in cyber, and continues to innovate and develop products that meet changing customer needs. In 2022, our German business launched a modular cyber product for businesses with less than €2.5 million in revenue. The modular approach allows customers to add cover as their needs change, and delivers a more efficient claims service should the need arise. After some early success, we plan to roll-out this new product in our other European markets.

The introduction of new core technology in our European businesses remains on track. This multi-year project is being implemented in phases with efficiencies gained as it progresses. Germany and France are already well underway and with Benelux to follow in 2023. The implementation is less complex than in the USA, as it is a country-by-country roll-out, and the digital business in Europe is nascent, although the potential is significant. We look forward to seeing significant benefits upon completion of the project not only for the business, in areas such as automation and efficiencies in policy administration, but also for customer experience in terms of market connectivity.

Hiscox USA

Hiscox USA focuses on underwriting small commercial risks distributed through brokers, partners and direct-to-consumers using both traditional and digital trading models. Our aspiration here remains to build America's leading small business insurer.

2022 was a year of transition for Hiscox USA, as the business delivered on two major change initiatives – the broker portfolio repositioning, through which we have exited circa $160 million of business since 2019, and the re-platforming of the US DPD business, which is now substantially complete. Hiscox USA's gross premiums written grew 2.1% to $897.9 million (2021: $879.2 million), up from 1.2% at the half year, as the effect of the broker business repositioning was weighted towards the start of the year.

While the overall growth of the US broker business was impacted by the tail of planned actions, in the second half, we have seen green shoots as our regional underwriting teams are back on the front foot, re-engaging with brokers to write profitable business in our go-forward lines. Our refreshed US senior leadership team and an enhanced business development function will strengthen the momentum behind this.

In the US DPD business, all direct-to-consumer customers have been on the new technology platform since June. Direct to consumer growth, as expected, was lower during the peak period of migration in the first half of 2022, but has started to accelerate notably since the end of the third quarter as the combination of new technology, a focused marketing drive and improved conversion rates take effect.

The migration of our partnership business, which represents two-thirds of US DPD, commenced in the second half of 2022, with the vast majority of partners now live on the new platform. Mirroring the direct experience, growth slowed during the peak migration period in the latter part of 2022. The partnerships business is now in the embedding phase which is expected to extend into the second half of 2023, as over 50,000 agents and producers who have access to the new portals, need time to develop familiarity with the technology and for partners to begin re-marketing the Hiscox platform. Consequently, we anticipate the production from new and existing partners to gradually ramp up through 2023, after a subdued first quarter 2023. We therefore expect US DPD to grow towards the middle of 5% to 15% range in 2023. Once embedding of partnership business is complete, growth is expected to accelerate.

Our partnerships team has already started to take actions to increase activity, at both the partner and agency level, to encourage the marketing of our platforms and to increase usage as we emerge from this period of technology migration. Following a two-year hiatus to the onboarding of new partners, in January 2023 we added 15 new partners to our digital platform and expect them to

> "In the first half of 2023 we will launch a new ESG-focused Lloyd's sub-syndicate. It will be complementary to Hiscox London Market's existing portfolio and will provide access to additional capacity for qualifying clients with positive ESG credentials, such as renewable power generators and energy storage providers."

Hiscox London Market

	2022 $m	2021 $m
Gross premiums written	1,114.9	1,171.4
Net premiums written	735.1	711.5
Underwriting profit	110.0	89.6
Investment result	(54.4)	15.8
Profit before tax	53.0	104.8
Combined ratio (%)	84.8	89.1

commence production in the second and third quarter.

The near- and long-term market opportunity is incredibly attractive. I expect momentum to build through the year as marketing takes effect; as new and existing partners and agents ramp up production and as technology benefits such as the potential for higher conversion rates begins to have a discernible impact.

Hiscox Asia
DirectAsia grew gross premiums written by 12% in constant currency to $52.5 million (2021: $47.7 million). Momentum picked up markedly in Singapore with the top line growing 19.5% due to the opening up of international travel, boosting travel insurance sales and motor partnerships. Thailand's premium growth was underpinned by partnership business.

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 delivered a strong result in 2022, despite another active year of large losses. Our focus on building balanced portfolios delivered strong growth in selected lines, namely public D&O, general liability, upstream energy, terrorism and cargo; and at the same time reduced our exposure to what was under-priced catastrophe-exposed business in the binder portfolio. Overall, gross premiums written declined 4.8% to $1,114.9 million (2021: $1,171.4 million), with 3.3 percentage points due to planned reductions in property binder portfolios and the impact of Russian sanctions, which mainly affected our upstream energy and space portfolios. In addition, flood growth was tempered as competitive dynamics changed with National Flood Insurance Programme (NFIP) reducing prices, while we maintained our risk-based pricing approach. We expect competitive dynamics to improve following Hurricane Ian and as the demand for a flood-specific product continues to grow in the US market given recent events. Net premiums written increased 3.3%, as strong rate momentum made retaining more premium attractive. Hiscox London Market delivered a $110.0 million underwriting profit, up 22.8% on the prior period. The combined ratio of 84.8% showed a 4.3 percentage point improvement year-on-year, despite a $40 million net loss from Hurricane Ian and $34 million net loss from the Russia/Ukraine conflict. This is the third consecutive year in which Hiscox London Market's combined ratio has been below 90%, which is a testament to the underwriting focus on creating more balanced and profitable portfolios.

Since 2018 we have reduced our property binder exposure by just under a half, non-renewing business which did not meet our profitability hurdles. The positive impact is clear to see in the robust underwriting result. I am pleased to report that the multi-year major changes in the property binder book are now substantially complete and we consider the remaining book to be rate adequate. On completion of this activity and in light of the ongoing attractive market conditions, we expect Hiscox London Market to grow gross premiums written in 2023, while continuing to maintain a disciplined approach.

We are also investing in our digital capabilities. Advances have been made in the digitalisation of pricing and underwriting models across general liability and terrorism. Throughout 2022 and into 2023 we have also been redesigning our FloodPlus and BindPlus systems so that they can be deployed in the Cloud, an important step which will make them scalable for future growth. At the same time, we have continued to make underwriting and pricing changes to maintain profitable growth in both lines. We will continue to drive further automation across our business to enhance our ability to select and price risks more effectively.

We also continue to innovate. For example, as economies across the globe are looking to transition to more sustainable energy production models, we are developing our strategy of participating in this shift. In the first half of 2023 we will launch a new ESG-focused Lloyd's sub-syndicate. At its early stage it will be nested within Syndicate 33 and lean on its existing stamp capacity. It will be complementary to Hiscox London Market's existing portfolio and will provide access to additional capacity for qualifying clients with positive ESG credentials, such as renewable power generators and energy storage providers. To further enhance the scale of this ESG syndicate, we will partner with third-party capital on our specialist ESG positive portfolio to supplement Syndicate 33's capacity. To build the portfolio we will utilise our existing underwriting talent and broker relationships to access clients while continuing to develop deep in-house expertise in the specialist sectors

Hiscox Re & ILS

	2022 $m	2021 $m
Gross premiums written	1,037.9	807.8
Net premiums written	268.1	274.2
Underwriting profit	57.6	91.1
Investment result	(34.0)	8.8
Profit before tax	21.5	98.5
Combined ratio (%)	81.6	68.0

focused on the transition to the green economy, such as electric vehicles and renewables.

The outlook for 2023 is positive, as we are looking to broaden out in specialty and casualty lines through disciplined growth in attractively priced business. We will do this by working with our key broker relationships to seek and support attractive and profitable growth opportunities on their merit, and driving the entrepreneurial spirit of our talented underwriters.

Hiscox Re & ILS

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

Hiscox Re & ILS gross premiums written increased by 28.5% to $1,037.9 million (2021: $807.8 million) crossing the $1 billion milestone for the first time, as we benefitted from further hardening market conditions. Much of the growth was supported by ILS inflows in the first half of the year, while broadly maintaining our net written premium position. Excluding reinstatement premiums, gross premiums written grew 34.4%.

The business delivered a particularly strong performance in retrocession and North American and international property catastrophe lines, underpinned by increased demand and continued pressure on the supply of capacity in both the traditional and ILS space.

ILS assets under management (AUM) was $1.9 billion as at 31 December 2022 ($1.4 billion at 31 December 2021). During the first half of the year we secured net AUM inflows of $511 million. This was partly offset by $79 million net outflows in the second half. Despite the positive inflows of AUM in 2022, there is uncertainty within the market regarding the availability of new or replacement ILS capital in the near term, as a result of multiple years of significant loss events, latterly combined with economic volatility in the form of rapidly rising rates and decade-high inflation. In part, it is this uncertainty that drove improved rates and tightening of terms and conditions during the January 2023 renewals.
It is into the resulting highly attractive market that Hiscox is deploying its own organically generated capital to fill the gap in the market that has been left by a combination of third-party capital contraction and retrenchment by some reinsurers.

Hiscox Re & ILS delivered a strong combined ratio of 81.6%, despite the $90 million net loss from Hurricane Ian. We continued to drive underwriting discipline by further reducing our exposure in the risk excess class. We have also successfully reduced our participations on aggregate excess of loss deals and will continue this disciplined underwriting action in 2023 designed to reduce exposure to secondary perils.

Investments

The total investment result was a loss of $187.3 million (2021: profit of $51.2 million), or a negative return of 2.6% (2021: positive return of 0.7%). Assets under management as at 31 December 2022 were $7.1 billion (2021: $7.3 billion).

Concern over inflation dominated the economic picture during 2022, as it remained at the highest levels in decades and proved persistent, exacerbated by disruptions to the global supply chain, lockdowns in China and the Russia/Ukraine conflict. Central banks responded with sharp rises in interest rates, pushing rates to levels last seen before the 2008 financial crisis. Despite high inflation and tightening monetary policy, unemployment remained low and economic growth was resilient across many regions. However, having seen interest rates rise sharply in developed markets, the focus shifted from inflation to the impact of higher interest rates on the economy. Growth expectations were revised down across the globe, and expectations of recession rose in key economies.

The upward move in risk-free rates, along with a weakening growth outlook, led to a repricing across a wide range of markets. Diversification was of limited help to portfolios given the broad spread of losses affecting most asset classes. Bond markets sold off as risk-free rates rose, leading to some of the weakest bond returns in decades. Credit spreads widened leading to losses on corporate bonds. Global equity indices ended the year down almost 20%, albeit a rally into year-end moderated the losses. Against this backdrop, the investment loss of $187.3 million was not unexpected. However, with 93% of our fixed income portfolio in investment grade bonds, most of the losses were mark-to-market. Our risk asset portfolios fell, though some exposures made absolute gains helping to alleviate the losses at the margin.

The reinvestment yield on the bond portfolio rose again in the final quarter to reach 5.1% as at 31 December 2022, up from 4.8% at the end of September 2022. The change during 2022 from the starting yield of just 1.0% is transformational for forward-looking returns. The short-dated nature of our portfolio means reinvestments

Strategic focus

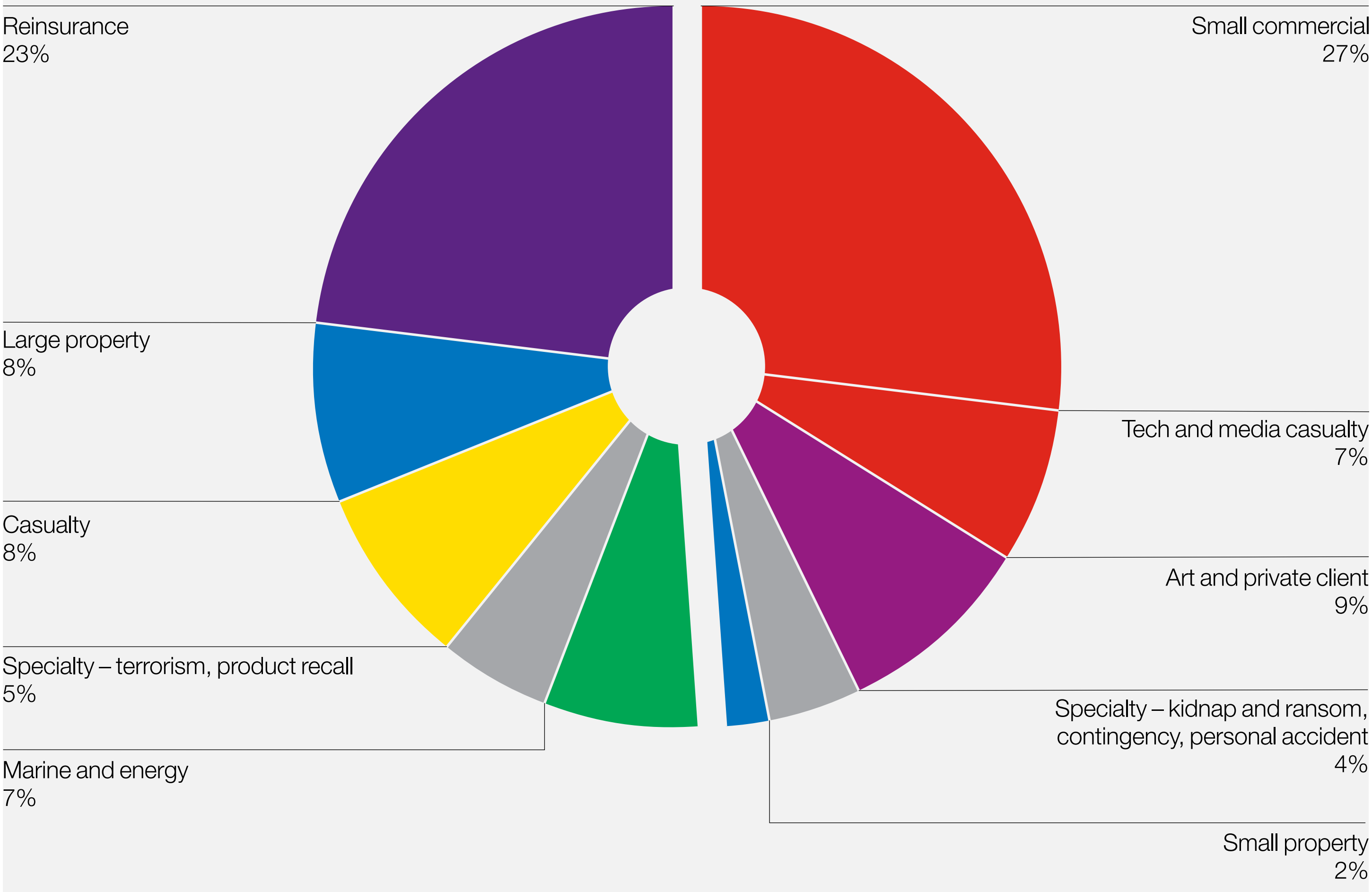
Total Group controlled premium for 2022
100% = $4,935.4 million

Big-ticket business

Larger premium, globally traded, catastrophe-exposed business written mainly through Hiscox London Market and Hiscox Re & ILS.

Retail business

Smaller premium, locally traded, relatively less volatile business written mainly through Hiscox Retail.

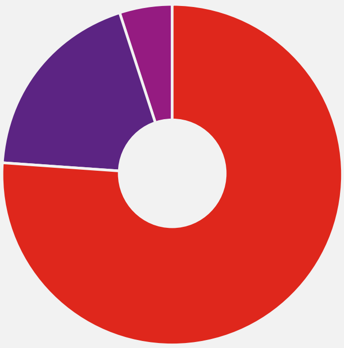


Portfolio – asset mix

Investment portfolio $7.1 billion as at 31 December 2022

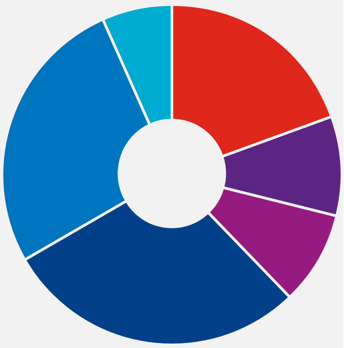
Asset allocation (%)

Debt and fixed income holdings	76.3
Cash and cash equivalents	18.9
Equity and investment funds	4.8



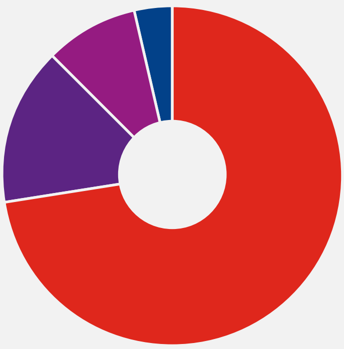
Debt and fixed income holdings credit quality (%)

Gvt	19.6
AAA	9.3
AA	8.9
A	29.0
BBB	26.6
BB and below	6.6



Debt and fixed income holdings currency split (%)

USD	72.5
GBP	15.1
EUR	8.8
CAD and other	3.6



“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 recommended to shareholders for approval the payment of the final dividend at 24.0 cents per share.”

are quickly raising the cash coupon component of returns. The portfolio has much improved prospects for investment returns in 2023 and beyond. We have maintained a relatively defensive portfolio coming in to 2023. Duration remains short and credit quality remains high. Risk asset exposures are modest, with no direct exposure to UK commercial real estate, giving us room to add risk should opportunities arise. Otherwise we continue to look to incrementally improve long-term risk and capital-adjusted outcomes through further diversification.

Dividend, capital and liquidity management

In the continuing uncertain macroeconomic and geopolitical environment, Hiscox remains strongly capitalised against both regulatory and rating agency requirements.

The Hiscox Group Bermuda Solvency Capital Requirement (BSCR) ratio is estimated at 197%, as at 31 December 2022. The slight reduction to prior year follows an increase in capital allocation to Hiscox Re & ILS at January 2023 renewals as we deployed capital in a highly attractive market, in line with expectations. We remain comfortably above the S&P ‘A’ rating threshold and significantly above the regulatory capital ratio requirement.

As the year progresses, we will continue to assess the opportunity and may deploy further capital if the market conditions persist. As we write the vast majority of our reinsurance business in the first half, there is an element of seasonality in the half-year solvency position which is smoothed out at the year-end due to continued capital generation, currently underpinned by improved underwriting conditions and investment result outlook.

The Group's available liquid resources are sufficient to execute against the business plan and act as a buffer to cover opportunities or market events, with fungible liquidity of around $1 billion. During September 2022, the Group issued £250 million of five-year unsubordinated unsecured notes[3]. The transaction was in excess of three times oversubscribed, demonstrating strong sentiment and market confidence in the Group. The issuance of the notes was timed to coincide with the redemption of £275 million unsubordinated debt[4] during December 2022. The funds raised mean that the Group continues to have strong liquidity and appropriate leverage of 20.6%.

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 recommended to shareholders for approval the payment of the final dividend at 24.0 cents per share. This brings our total dividend for the year to 36.0 cents per share. The record date for the dividend will be 5 May 2023 and the payment date will be 13 June 2023. The Board proposes to offer a Scrip alternative, subject to the terms and conditions of Hiscox's 2022 Scrip Dividend Scheme. The last date for receipt of Scrip elections will be 22 May 2023 and the reference price will be announced on 31 May 2023. Further details on the

[3]Fixed rate of 6.00 per cent paid annually in arrears.
[4]Fixed rate of 2.00 per cent paid annually in arrears.

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

People

During the year I took important steps to refresh our leadership team – the Group Executive Committee (GEC) – and the full team is now in place. Jon Dye, our new UK Chief Executive Officer, and Nicola Grant, our new Group Chief Human Resources Officer, joined the GEC in September; as well as Stéphane Flaquet who was appointed to the newly created role of Group Chief Operations and Technology Officer. Paul Cooper also joined the Executive team earlier in the year as our new Group Chief Financial Officer. The GEC contains a wealth of experience and knowledge combined with energy and passion and I look forward to working with them to deliver on the many opportunities that lie ahead of us.

At the forefront of my mind is always that people are our greatest asset. The future success of Hiscox depends on our ability to attract, nurture and retain high-calibre talent. A key focus this year has therefore been to enhance our employee value proposition to not only encourage these behaviours but exceed our employees' expectations. I am proud of the benefits that are available at Hiscox such as HSX:26, under which every permanent employee owns a part of the Group through the share grant we launched earlier in the year, and our sabbatical programme which entitles staff with five years of continuous service to an additional four weeks of paid leave. We also refreshed our global diversity, equity and inclusion (DEI) strategy and vision across the Group and put in place a new Group DEI policy to better reflect our intent and approach. In addition, in recognition of the difficult economic circumstances currently facing our workforce we also paid out a cost of living lump sum to our UK, European and Bermudian employees most impacted by the rising costs of energy, food and fuel.

The refined strategy, improving financial performance and distinctive benefits are having a positive effect; this is captured in our 2022 employee engagement scores which are our highest in ten years. Our people believe in the strategy and in our outstanding future. Clearly an engaged employee base bodes well for the drive and energy needed to seize the opportunities ahead and grow our business.

Finally, I want to highlight the completion of our long-anticipated London office move. On 31 October our London-based team moved into new office space at 22 Bishopsgate. This is the location where we have the largest concentration of people and is a meaningful milestone for Hiscox. The carefully thought out space has been designed as a place for us to carry out our business in a modern and collaborative environment, enabling new ways of working with each other and with our business partners.

Environmental, social and governance (ESG)

During 2022, we focused on further embedding our ESG structures, processes and policies and I was particularly proud to see our efforts to date recognised in an MSCI ESG rating upgrade from A to AA.

We started the year with the publication of our new greenhouse gas (GHG) targets for the Group and since then, we have made solid progress towards embedding them in the business. We have started to develop a low-carbon transition plan for the Group to set out in more detail the journey towards meeting our ambitious targets, and intend to publish more information on this in line with UK regulatory requirements. We are also making good progress towards the first of our interim targets for transitioning our investment portfolio, with approximately 20% of our corporate bond portfolio having net-zero/Paris Agreement-aligned targets as at year-end.

We are continuing to consider the right approach for Hiscox when it comes to sustainable underwriting and investing, taking into account both our ESG exclusions policy and our responsible investment policy. In big-ticket underwriting, we monitor all risks according to their ESG profile and continue to decline and non-renew risks in line with our exclusions policy. Through this same tracking process we are able to monitor the positive risks we are supporting such as wind and solar energy, and electric vehicles. In reinsurance, we have exited from all business where 30% or more of subject premium is derived from restricted areas, and we continue to monitor our portfolio composition against our ESG focus areas, capturing programmes declined for ESG reasons in regular internal reporting. We have also made strong progress on the investment side where ESG is fully embedded in our investment processes: net-zero wording is now in all segregated investment manager mandates; we have enhanced the ESG credentials of our emerging market bond portfolio; and an investments-focused ESG dashboard is now a regular feature of Investment

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Committee reporting. Our sustainable assets including green/ESG bonds are now over $300 million, with over 5% of bond portfolios in green and ESG-labelled bonds.

I am especially excited about the potential for our ESG-focused Lloyd's sub-syndicate.

2023 outlook

I am very optimistic about the outlook for 2023. Our Retail business is primed to accelerate growth towards the middle of 5%-15% range in 2023. We have completed the necessary underwriting actions in the US broker business and substantially completed the technology transition in US DPD; the UK is reinvigorated under new leadership and ambition, and Europe continues to go from strength to strength. Marketing spend has increased in all Retail markets to support our growth efforts.

The reinsurance market conditions are the best we have seen in over a decade. Hiscox is a net beneficiary of reinsurance rate hardening. The scale and breadth of our business, as well as the long-standing relationships developed with our reinsurance panel, have been an essential part of ensuring we secured the required retrocession protection to support our 2023 business plan.

Hiscox Re & ILS has the expertise, strong balance sheet and financial flexibility to capitalise on the current trading conditions. As a result of deploying our organic capital at 1 January 2023 renewals, our net premiums written in January 2023 were up 49% year-on-year. In 2023, net premium written growth is expected to exceed gross premium written growth.

Our London Market business is building a solid and dependable track record of profitability, and with the property portfolio changes now mostly complete, I expect to see the business grow as we continue to deploy underwriting aggregate with discipline in the improving market conditions. In addition, with the work underway to create leading capabilities in digital trading and underwriting the energy transition, there is excitement in the business about the coming years and the opportunity to play a key role in the London Market.

We expect the investment result, which has been a headwind over the last 12 months, to become a tailwind in 2023, as bond reinvestment yields reached 5.2% at the end of February.

Last but not least, change in how we present our numbers to the market is coming in the form of IFRS 17; however, this is purely a change in accounting standard, which has no impact on our business fundamentals. The strategy and the economics of the business are unchanged.

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

Aki Hussain
Group Chief Executive Officer
8 March 2023